

PROPOSED

**MUTUAL DEFENSE
AND DEVELOPMENT
PROGRAMS—FY 1965**

**ECONOMIC: AGENCY FOR INTERNATIONAL DEVELOPMENT
AND ALLIANCE FOR PROGRESS**

MILITARY: DEPARTMENT OF DEFENSE

PRESENTATION TO THE CONGRESS

UNCLASSIFIED

THIS DOCUMENT CONTAINS INFORMATION
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March 23, 1964

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CLASSIFICATION OF VOLUME

This year A.I.D. is presenting its funding proposals in one volume. The classified, loose-leaf volume entitled "Proposed Mutual Defense and Development Programs - FY 1965" provides the Congress the long-term aid objectives of A.I.D. and the FY 1965 economic assistance programs proposed for various countries, including frank evaluations of the political, economic and social situations existing in these countries. Such candid judgments by the U.S. Government of foreign governments cannot be published on an unclassified basis. It is essential, however, that specific country aid proposals and related evaluations be made available to the Congress in order to inform them of the foreign policy interest underlying this aid request, as well as specific information for the various country aid proposals themselves. Security classified portions of the narrative and amounts are shaded. All other material is unclassified.

For general information, a completely unclassified book entitled "Proposed Mutual Defense and Development Programs - FY 1965" has also been prepared for the convenience of all members of Congress. This book, of course, excludes country aid proposals, statistical data and other classified material.

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INTRODUCTION

Since World War II, the United States has conducted programs of economic and military assistance to other countries in recognition of the fact that our own security depends, in large degree, on the strength of other free nations, and in affirmation of our moral conviction that the rich should help the poor.

In those nations where other people are willing to defend their independence against Communist aggression or subversion, where the governments and their citizens are trying to eradicate poverty, misery and disease, it is plainly in our interest to help. A world of independent nations able to secure a decent measure of economic and social progress for their people is the kind of world in which our own freedom and our own hopes are safest.

Progress Since World War II

We seek to create that kind of world through our foreign assistance programs. We are far from achieving it yet, but we have come a distance in company with other nations since World War II, through times that seemed more dangerous and uncertain than those we face today.

In 1948 when the Marshall Plan began, Greece was wracked by civil war, Western Europe was near economic collapse and Communist control, Japan was still in ruins, and Turkey, nearly bankrupt, faced Soviet Russian demands for surrender of two provinces.

A decade or more ago, when we shifted our economic aid to the developing nations of Asia, Africa and Latin America, the Republic of China on Taiwan was not a success story but a question mark, the Communist-led Huks controlled much of the Philippines, and the faint-hearted predicted that development of free India would fail and all Asia would bow to the triumph of forced growth in Communist China--a triumph that never happened.

New Uncertainties

Today we face new uncertainties in a world still turbulent and dangerous. In Southeast Asia the bitter fight against the Viet Cong continues with its outcome still unknown. We do what we can--backing the military assistance effort, A.I.D.-supplied barbed wire

rings village hamlets, and radio phones made in the United States summon help when the Viet Cong attack at night. Young A.I.D. technicians who know first aid, how to grow more cabbages and raise better pigs, help give the villagers a better life to fight for, a stake in the future of their own country.

In Thailand, facing a serious threat of Communist infiltration in border provinces whose people have known the national government only as a tax collector, A.I.D. helps build connecting roads, and trains Thai Government officials who will build schools and hospitals and carry out community development programs.

Time presses in Africa, too, where new governments struggle for stability with critical shortages of trained manpower and problems that range from tribal divisions to trouble makers from Red China. In Nigeria, Africa's most populous country, our assistance backs a serious, well-planned development effort and provides, among other things, teams from four American universities to help expand and reshape the entire educational system. In Kenya, facing the urgent need for more African officials to replace British civil servants going home, A.I.D. helps staff public administration training courses to fill the gap.

The Latin American Challenge

In Latin America, the shadow of Communist Cuba hangs as a threat over countries riven by the historic gulf between the very rich and the very poor, and trying, at "one minute to midnight" to bridge that gulf with reforms, self-help and development within the Alliance for Progress. A.I.D. loans for programs such as housing, power, water supply and road construction, and A.I.D. technical assistance in education, the development of cooperatives and agricultural extension and other activities back the efforts of our Latin American neighbors to help themselves.

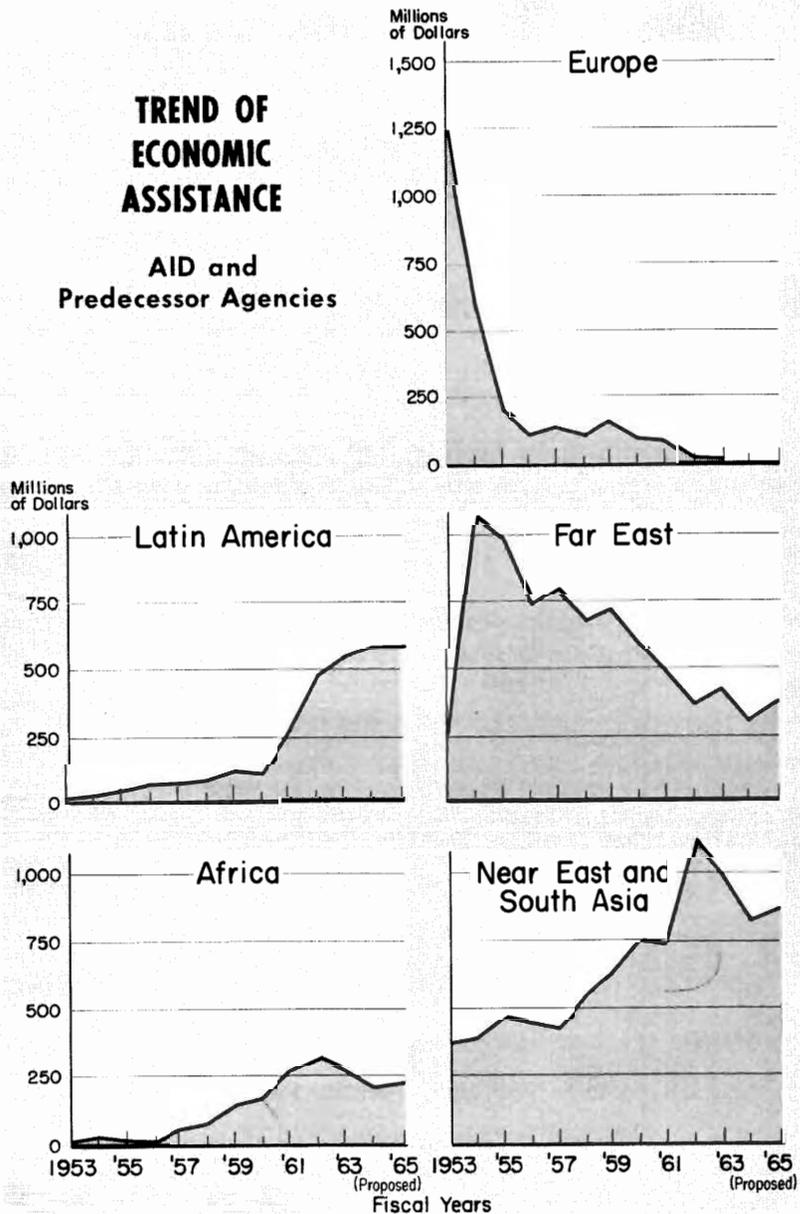
We have no lack of challenges--in the Middle East, in Korea, at our own backdoor in the Caribbean. We also have no reason, given the results of patient and intelligent effort to date, to shrink from those challenges.

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TREND OF ECONOMIC ASSISTANCE

AID and Predecessor Agencies

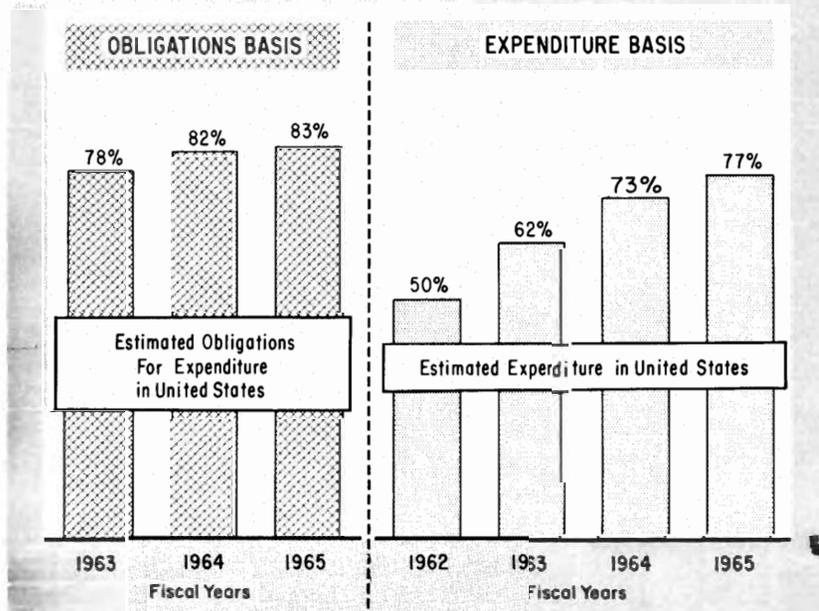


Changes in the Foreign Assistance Program

As our challenges have changed, so has our assistance program.

- Fifteen years ago, 86% of our assistance went to Western Europe and Japan. Today, those countries are thriving on their own and receive none of our economic aid (and little of our military aid). Instead, U.S. economic aid today is directed to the underdeveloped countries of Latin America, Asia and Africa. Military aid goes primarily to those countries on the rim of the Sino-Soviet bloc.
- Ten years ago, most of our aid was military assistance. In 1954, 60% of the aid program went for military equipment and training. Today, with the free world's military strength built up, the great bulk of our aid is economic-- nearly 70% of the total request for FY 1965.
- Five years ago, we provided most of our economic aid on a grant basis (two-thirds of the total in 1959). Today, that is reversed and two-thirds of A.I.D. assistance to countries is financed by loans, repayable in dollars.

SHARE OF AID DOLLARS USED FOR U.S. GOODS AND SERVICES



MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

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- Five years ago, economic aid dollars were spent to buy services, equipment or goods wherever in the world prices were lowest. Less than half of aid dollars were spent in the United States. Today, in response to the U.S. balance-of-payments problem, most aid dollars can be spent only for U.S. goods and services, even though in some cases the prices are higher. More than 80% of the funds appropriated for A.I.D.'s work in FY 1964 is being committed for the purchase of U.S. goods and services. The percentage will be even higher in FY 1965.

Changes in Fiscal Year 1965

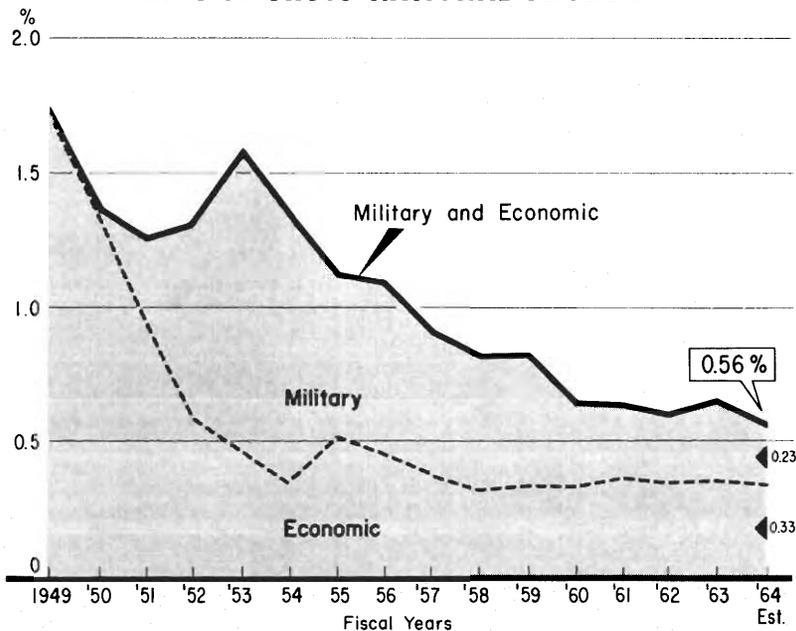
More changes are proposed in the program presented here for FY 1965. These changes reflect decisions by the President, based on comments by the Congress and a reappraisal of the program by an interdepartmental committee.

The FY 1965 program will:

- provide more economic aid for long-term development and less for current budget support;
- emphasize the transition of developing countries to self-support wherever possible;
- increase reliance on private enterprise for development, and extend the use of private resources in the A.I.D. program; and
- tighten the management of foreign assistance.

The FY 1965 Mutual Defense and Development Program totals about 3.5% of the currently proposed Federal Budget, and less than six-tenths of 1% of the estimated Gross National Product (GNP) for 1964. In comparison, the foreign assistance program for 1949 totaled about 2% of the U.S. GNP at the time.

FOREIGN ASSISTANCE ACT EXPENDITURES AS A PERCENT OF U.S. GROSS NATIONAL PRODUCT



More Emphasis on Long-Range Development

A.I.D. does its work with three basic tools: (a) Development Loans; (b) Technical Cooperation and Development Grants; and (c) Supporting Assistance Funds.

These funds are appropriated separately by the Congress and each is used by A.I.D. for a different purpose.

A.I.D. uses Development Loans to provide goods and services needed by the less-developed countries to build the capital base for economic progress. Development Loans are used to finance, for example, roadbuilding equipment, replacement parts for factories, generators for power plants, construction equipment and pumps for irrigation projects; the services of U.S. engineering and construction firms to design and build needed roads, dams, or factories; and capital for industrial development banks, or for agricultural credit programs through which farmers can finance better seed, fertilizer, and equipment.

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MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

A.I.D. uses Technical Cooperation and Development Grant funds principally to hire experts and technicians to help other countries train teachers, health workers, agricultural extension agents, and other skilled persons needed to achieve economic progress. Experts and technicians are hired directly by A.I.D. or obtained by contract with American Universities, businesses, cooperatives, and other organizations that have the needed know-how. These funds are also used in part to pay for goods and equipment needed in technical assistance--textbooks for a demonstration school for example, or DDT for a malaria control program.

Supporting Assistance funds, on the other hand, are not directed primarily toward development but toward survival. These funds are used to keep a country afloat in an emergency, generally by paying for necessary imports.

Most Supporting Assistance funds are used in coordination with military assistance to strengthen the military-economic position of countries on the fringe of the Communist bloc. Vietnam, still fighting for its life, is the largest recipient, and illustrates the use of Supporting Assistance funds in the common defense effort.

The Shift to Development

FY 1965 will be a bench mark in the history of U.S. foreign assistance.

For the first time since we shifted our efforts from European recovery to the developing countries of Asia, Africa, and Latin America, the United States will devote more to development assistance than to military and supporting assistance combined.

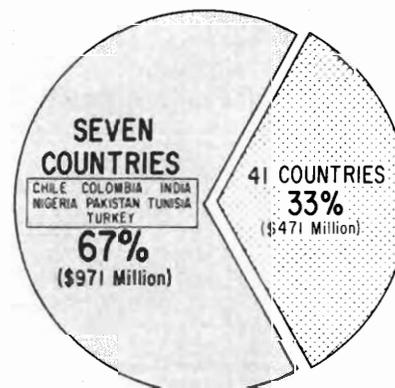
- In 1961, Development Loans and Technical Cooperation/Development Grants accounted for less than one-fourth of our foreign aid program, including military assistance. In FY 1965, funds for development assistance will exceed funds programmed for military and supporting assistance by about \$100 million.

Less Supporting Assistance

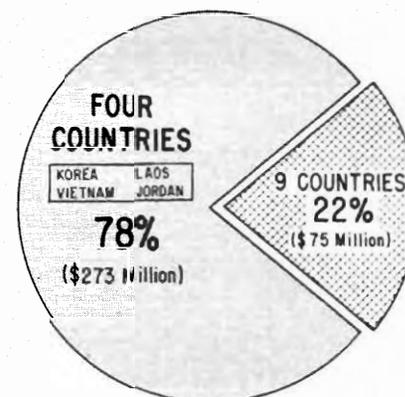
The reduction in Supporting Assistance has been rapid and dramatic. Total requirements have been cut from more than \$1 billion in 1960, to the \$349 million program proposed for FY 1965.

- In FY 1960, \$420 million in supporting grants (then called Defense Support and Special Assistance) went to 14 countries--Afghanistan, Greece, Iran, Israel, Pakistan, Turkey, Guatemala, the Republic of China, Philippines, Libya, Tunisia, Iceland, Spain and Yugoslavia--for which no Supporting Assistance is proposed in FY 1965.

FY 1965 PROPOSED DEVELOPMENT LOAN PROGRAMS



FY 1965 PROPOSED SUPPORTING ASSISTANCE PROGRAMS



MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

Concentrating Our Assistance

The proposed 1965 program will continue and intensify the concentration of assistance in a limited number of countries. Nearly 90% of A.I.D.'s direct assistance will go to 25 countries.

- In FY 1965 about 60% of A.I.D. development assistance, and two-thirds of all planned Development Loans (including Alliance for Progress loans) will go to seven countries with sound development plans and a record of performance on self-help and reform--Chile, Colombia, Nigeria, Tunisia, Turkey, Pakistan and India.
- In FY 1965 about 80% of planned Supporting Assistance will go to four countries--Korea, Vietnam, Laos and Jordan.

More Emphasis on Self-Help and Reform

The 1965 program continues emphasis on self-help by recipient countries. The United States cannot afford to provide aid to spare others from taking the difficult measures needed to assure growth. We condition our assistance on performance by aid recipients.

Our help is not "free" in providing equipment, imported materials, or experts; we expect the recipient country to share the costs of development projects in which we assist.

These are examples of how costs are shared in the A.I.D. program:

- To the Philippines malaria control program, which has cut annual incidence from 2,000,000 to 31,000 cases, and deaths from 12,000 to none, A.I.D. contributed \$5.5 million for DDT, spray equipment, technicians and training, and the Government of the Philippines contributed \$13.8 million for staff, administration and salaries for the spray teams and Philippine technicians.
- Taiwan's Shihmen dam project, which now provides clean water for 100,000 persons, flood control and irrigation for 140,000 acres of rice land, and an electric generating capacity of 90,000 kilowatts, was financed by \$37 million from A.I.D. for U.S. equipment, engineering and construction services, and \$35 million from the Republic of China for labor, materials and other local costs.
- In Latin America's "self-help" housing projects, A.I.D. carries 30% of the cost (concrete mixers, wheelbarrows, other tools and technical assistance), the local government carries 30% (land, site development, utilities, building materials, administration) and the eventual owners carry 40% of the cost by providing the labor themselves.

Self-help means carrying out policies needed to mobilize and use the country's own resources better--improved administration, sound fiscal policies, better revenue collections, fairer tax laws, programs to increase agricultural productivity--whatever measures are within the capability of the recipient country to take that will speed the process of development.

Increasingly, A.I.D.'s programs of assistance to countries are related to what the countries are doing for themselves under their own development programs, and U.S. aid is made available side-by-side with the successful achievement of a country's own development objectives. These are outstanding examples of self-help measures:

- In 11 Latin American countries, programs are under way to increase tax collections under existing tax laws in several cases with training and advisory help from A.I.D.-financed U.S. Internal Revenue Service experts.
- In India, Pakistan, Chile and several other aided countries, tax laws were enacted during the past year increasing taxes substantially and, with this, increasing the contribution by the people of these countries to their own economic development.
- In Korea, Laos and the Congo, major fiscal, budgetary and administrative reforms were carried out in 1963 to conserve scarce foreign exchange and insure that it was spent only for essential imports.

Climate for Investment

Self-help also means doing what can practically be done to encourage private investment from abroad. In the Foreign Assistance Act of 1963, the Congress emphasized the importance of Investment Guaranty agreements in developing countries as an indication of self-help effort.

- In 55 countries where A.I.D. currently conducts assistance programs, investment guaranty treaties with the United States are in effect. Eight new agreements were signed in 1963, and 12 countries broadened their original guaranty agreements. We are continuing to seek additional agreements.

Continued Emphasis on Latin America

The FY 1965 program continues the emphasis on Latin America initiated under the Alliance for Progress.

- During the 12 years from 1948 to 1960, U.S. aid (largely technical assistance) to Latin America amounted to about 2% of the total economic assistance program; in 1960, less than 6% of our economic aid effort was directed to Latin America.

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MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

-- In the proposed FY 1965 program, more than 23% of A.I.D. economic assistance funds will go to Latin America for development under the Alliance for Progress.

The stress on Latin America under the Alliance is shown in sharpest relief by comparisons in per capita terms. In terms of aid per capita, the increase in Latin America has been from 53 cents in FY 1960 to \$2.59 in FY 1965. This is by far the highest per capita concentration of any region.

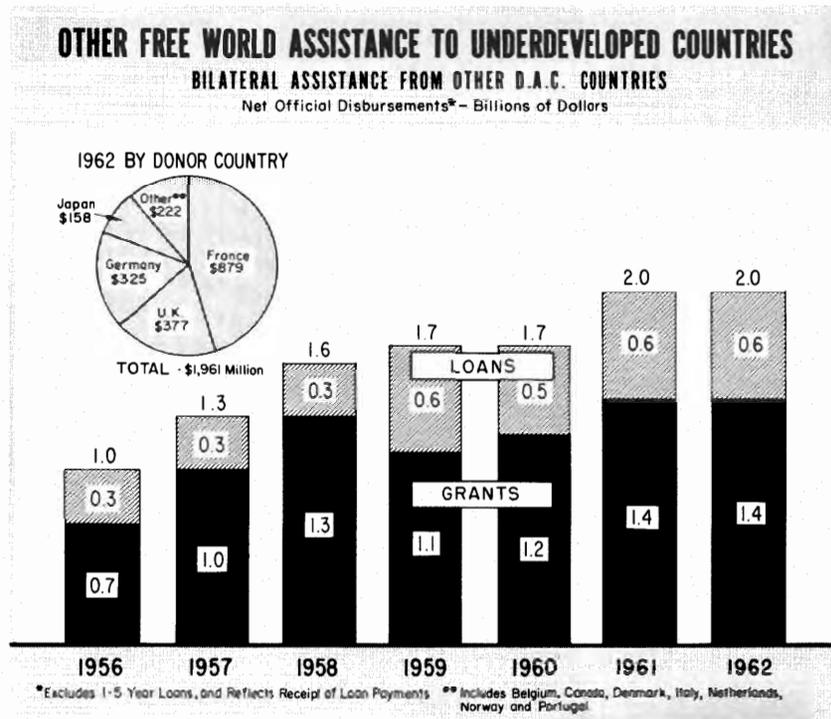
Aid from Other Donors

Eleven other free world countries (ten of whom once received U.S. economic aid) now conduct aid programs of their own. Together, these other aid donors committed about \$2-1/2 billion in economic aid to developing countries in 1962. On an expenditure basis, the aid programs of other donor nations have doubled since 1956.

Like the United States, the other donors provide much of their aid on a loan basis. In general, their terms are harder than ours--higher interest rates, and shorter maturities. The growing debt service burdens of the less-developed countries--a few spend as much as 35% of their export earnings to pay off foreign debts--make it imperative that aid donors set the terms of their loans with due regard to the repayment capacity of the recipient countries.

The Development Assistance Committee of the OECD, to which the United States and other major donors belong, agreed on this in 1963 and some progress has been made, particularly by the United Kingdom, Canada, and Germany.

- Britain has announced a new policy permitting loans up to 30 years maturity with an interest waiver provision which effectively lowers the 6% interest rate on a long-term loan to about 3%.
- Canada, in addition to continuing a substantial grant program, is establishing a soft loan program with terms comparable to those of the International Development Association--50 years maturity, 3/4% interest and 10 years grace.
- In 1963, Germany made its first loans for 25 and 30 years.



The Transition to Self-Support

Since the beginning of the Marshall Plan in 1948, 17 countries have moved from the need for economic aid under the Foreign Assistance Act or predecessor legislation to self-support--14 Western European nations, Japan, Yugoslavia and Lebanon. In each case, aid programs could be concluded because they were successful in laying the foundations for economic progress and self-support. But in no case was the transition to self-support an abrupt, mechanical event.

In Europe, for example, Marshall Plan aid to most countries, including France, West Germany, Italy and the U.K., was ended by 1955. As these countries regained their economic health, soft loans and grants were no longer necessary. But this did not diminish U.S. interest in these countries, our desire to see them make progress or our wish to maintain strong ties with them.

U.S. military assistance to build up the defensive shield of the North Atlantic Treaty Organization continued. Other U.S. Government programs such as long-term loans from the Export-Import (Ex-Im) Bank and sales of U.S. surplus food under the Agricultural Trade and Expansion Act remained available.

MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

Now that the Western European nations are able to finance their own defense needs, our military assistance programs there are ending. But we retain close ties with our allies in Western Europe and continue many other programs of mutual cooperation in trade and investment, cultural and technical interchange, and scholarship exchanges such as those under the Fulbright-Hays Act.

The transition to self-support has not marked the end, but the continuation of a deep mutual concern and interchange.

Beginnings of Development Aid

Most of the transitions to date have involved industrialized nations that needed help to rebuild after World War II. In Asia, Africa and Latin America, where the problem is not recovery but development, the last decade has seen the beginning of economic aid programs rather than the ending of aid. The rapid emergence of new nations has steadily increased the number of countries to which we considered it important to provide assistance.

For the first time, the transition to self-support is now under way in a number of countries where development has been the challenge, rather than recovery. In some, it has already been reflected within the A.I.D. program, by diminishing levels of assistance, the completion of technical assistance programs, and the hardening of A.I.D. loan terms. Technical assistance to Greece and to Israel, for example, was concluded in 1962. In both these countries and other nations where economic progress has been substantial, A.I.D. loan interest rates have been rising.

Moving From Development Aid

The transition from A.I.D. economic help to more conventional resources of finance such as Ex-Im Bank lending, World Bank lending and private investment, is now under way in at least 14 countries where A.I.D. conducts programs.

Most of the countries now in transition are fast approaching the point where they can rely entirely on conventional sources of technical and capital aid, including private investment from abroad. As they reach that point, some will still remain eligible for other U.S. programs such as surplus agricultural commodity credit sales and military assistance.

In a few cases, the transition is now in order because other countries have assumed the major aid burden, or because recipients have found new resources to finance development.

Self-Supporting Growth

In general, however, the transition has been made possible because economic aid has helped accomplish what it set out to do. In some countries with large and difficult problems, the transition to other sources of help and to self-support will take a decade or more. But the process has begun for the developing countries, as it did in Europe some time ago, and in the following years it will be repeated in country after country.

Similarly, military aid is brought to an end as countries are able to finance their own defense needs.

- New funds for military equipment grants are being requested for seven fewer countries for FY 1965 than for the present year.

PRIVATE RESOURCES FOR INTERNATIONAL DEVELOPMENT

During FY 1965 A.I.D. will continue to encourage more private investment in the developing countries and make greater use of private resources in carrying out the A.I.D. program.

Private Investment

To encourage more private investment in the developing countries, A.I.D.:

- issues Investment Guaranties;
- lends U.S.-owned local currencies for ventures by U.S. businesses or their affiliates overseas;
- underwrites half the cost of investment surveys by U.S. firms to determine the feasibility of new ventures in developing countries.

Investment Guaranties are now available in 55 underdeveloped countries, and the value of guaranties in force has jumped from \$393 million in 1960 to \$1,143 million as of December 31, 1963. These are examples of the ways in which these programs contribute to the developing countries:

- The first of 400 houses built by a joint U.S.-Peruvian corporation under a housing investment guaranty were opened in January 1964 in Lima, Peru. The project represents a total private investment of \$1,800,000.

MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

- In Turkey, U.S. firms and their affiliates have borrowed more than \$20 million in U.S.-owned Turkish lira through A.I.D. to open sewing machine, automobile, rubber tire and tube, soap, corn products and pharmaceutical factories.
- A.I.D. recently approved Investment Surveys to explore the possibility of cement production in Pakistan, book distribution in Nigeria, frozen food processing in Brazil and pesticide manufacture in India.

Three important new measures are expected to encourage growing contributions by private investors and executives in the less-developed countries--the investment tax credit, the Executive Service Corps and a new advisory committee.

Investment Tax Credit. An Investment Tax Credit for investment in the underdeveloped countries has been proposed by the President.

- The proposal will grant a tax credit against the total tax liability of an investor equal to 30% of his new investment in underdeveloped countries.

This tax credit is expected to provide a powerful inducement to investors to risk the uncertainties of investment in underdeveloped countries and encourage a greater flow of U.S. private capital into the developing world.

Executive Service Corps. A major limiting factor in the growth of private enterprise in the less-developed countries now is a shortage of managerial and technical manpower.

A.I.D. strongly supports the establishment under private auspices of an Executive Service Corps to make it possible for Americans with high skill and long experience in business and industry to put their know-how directly to work, helping strengthen private enterprise in the developing countries. Preliminary indications are that this program will be welcomed in the developing countries and enthusiastically supported by American business and industry.

A.I.D. consulted with a number of individuals and business organizations on proposals for the operation of the Executive Service Corps. An organizing committee composed of six business leaders is now working out plans to establish the Corps as a non-governmental institution with which A.I.D. would work in close cooperation.

Advisory Committee. An Advisory Committee on Private Enterprise is being appointed pursuant to the 1963 Foreign Assistance Act.

This Committee is to make studies and recommendations on ways to achieve "the most effective utilization of the private enterprise provisions of this Act." It is to report by the end of 1964 and is expected to make a major contribution to the improvement of A.I.D.'s programs to encourage greater private participation in all aspects of development.

Increased Use of Private Resources

The skills required to execute the A.I.D. program range from training teachers and agricultural extension workers to exploring the feasibility of irrigation projects, introducing new foundry techniques and organizing savings and loan associations.

In the past, A.I.D. has relied most heavily on direct-hire personnel to carry out its changing mission. In recent years, however, increasing use has been made of experts from other Federal agencies, and from American colleges and universities, businesses, industries, and service organizations with whom the Agency contracts for technical assistance.

Partners in the A.I.D. Program

Today, about a third of the people working on A.I.D. programs are employees of non-governmental institutions with whom the Agency contracts, or employees on loan from other Federal agencies.

- Three experts from the National Institutes of Health carried out an A.I.D.-financed measles eradication program in Upper Volta, vaccinating 730,000 children and saving an estimated 150,000 from death in a recent epidemic.
- A team from Indiana University, on contract with A.I.D., has helped build up a complete graduate Institute of Public Administration in Bangkok, Thailand, to provide training for Thai Government officials. They are completing their work this year.
- The American ORT Inc., a leader in the field of vocational training and rehabilitation, organized and operates technical training schools in Mali and Guinea, on contract with A.I.D., to remedy a severe shortage of skilled craftsmen in both countries.
- In Laos, A.I.D. contracts with International Voluntary Services, Inc., a U.S. non-profit organization, to provide 50 volunteers to carry out rural development work, including first aid, in village areas remote from government help.

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-- A.I.D. has entered into a pilot arrangement with the State of California, under which the State would take on broad responsibility for support of the technical assistance program in Chile.

Established American cooperatives and thrift associations, on contract with A.I.D., now carry the major role in A.I.D.'s program to develop more cooperatives and savings and loan institutions in Latin America and world-wide.

In the year ahead, A.I.D. intends to increase its reliance on the great wealth of resources in other Federal agencies and outside government, and to avoid building up direct-hire staff to perform any A.I.D. function when there is already in existence a private or public organization able to perform it well and do it at reasonable cost.

TIGHTENING THE MANAGEMENT OF AID

Economy and tighter management are key objectives in the Mutual Defense and Development Program for FY 1965.

Improvements include tighter estimates of aid requirements, a smaller, better A.I.D. staff; and streamlining administration overseas.

Tighter Program Estimates

To carry out the Mutual Defense and Development Program, we are requesting \$3.39 billion in new funds for FY 1965, compared with a revised request of \$4.53 billion for FY 1964. The actual program, of course, includes not only new appropriations but estimated recoveries and reappropriations as well.

-- In program terms, we are requesting a \$3.64 billion economic and military aid program in FY 1965, in comparison with the \$4.86 billion program proposed for FY 1964.

This is a reduction of 25%. It reflects, primarily a more conservative estimate of what we will need, given the speed with which the developing countries are likely to move on the self-help and reform measures needed to use aid effectively.

A.I.D.'s experience in requiring better performance on self-help and reform, since the Agency's organization two and one-half years ago, provides the basis for this year's more realistic estimate of FY 1965 program needs.

These estimates are based on conservative probability, and the President has indicated in his Budget Message that he is prepared to request additional funds in a supplemental appropriation if needed to achieve important U.S. objectives.

Reducing the A.I.D. Staff

A.I.D. employment is declining despite increased program activity and a larger workload during the past year. We now plan to reduce total A.I.D. employment by about 1,200 by the end of FY 1965, as follows:

- A.I.D.'s staff will be cut by almost 300 during the current year--from 16,782 as of June 30, 1963, to 16,500 by the end of FY 1964.
- By the end of FY 1965, total strength will be cut by another 900, to 15,600.

This reduction will be accomplished by better manpower management within the Agency, by eliminating projects and activities which are not of the highest priority in terms of U.S. objectives, and through greater use of other government agencies and contractors--universities, businesses, private organizations--in place of direct-hire technicians.

Upgrading Staff Quality

To carry out a staff reduction and, at the same time, increase A.I.D.'s effectiveness, it is imperative that the personnel A.I.D. retains be of the highest possible quality and have the qualifications to carry out the A.I.D. program as it is now planned.

- To permit A.I.D. to regear its staff with due speed and attention to quality, we are requesting authority to adopt a "selection-out" procedure for all Agency employees similar to that already in effect for our Foreign Service Reserve personnel, together with a two-year special authority to remove up to 100 senior personnel in a year.

Cutting Administrative Overhead

To do a better job with fewer employees, A.I.D. must trim down its structure and cut overhead to a minimum. To this end, the Agency plans to consolidate further its Missions with U.S. Embassies in countries now receiving limited amounts of technical or capital assistance.

The changes proposed in this program for FY 1965, should help make the Mutual Defense and Development Program the tightest and the most effective to date.

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THE PROGRAM FOR
FY 1965

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INTRODUCTION

The Congress has been asked to enact \$917 million in new authorizations for FY 1965, exclusively for economic assistance. It has also been asked to approve a continuing authorization for military assistance.

Against these authorizations, as well as those already enacted for Development Loans and the Alliance for Progress, appropriations of \$3,392 million have been requested for FY 1965. This appropriation plus other available funds would permit total new obligations of \$3,635 million, as follows:

	(\$ in millions)
New authorization and appropriation for economic assistance	\$ 916.6
New appropriation of previously authorized economic assistance	1,475.1
New appropriation of military assistance	<u>1,000.0</u>
Total appropriation requested	3,391.7
Estimated loan repayments, recoveries, etc.	<u>243.4</u>
Total proposed programs	<u>\$3,635.1</u>

The total program proposed for 1965 is 10% below obligations for 1963, mainly because of reductions in military and supporting assistance. This decline is partly offset by a planned increase in development assistance, mainly for the Alliance for Progress. The 1965 proposals are summarized by funding category in Table 1 and compared there with the actual 1963 and estimated 1964 programs.

Table 1

Mutual Defense and Development Programs

(In millions of dollars)

	1963 Commitments	1964 Available Funds	1965 Proposed Programs
<u>Development Assistance</u>	<u>1,636</u>	<u>1,606</u>	<u>1,765</u>
Development Loans	945	821	960
Alliance for Progress Loans	342	472	482
Development Grants	230	225	235
Alliance for Progress Grants	119	88	88
<u>Military and Supporting Assistance</u>	<u>2,164</u>	<u>1,690</u>	<u>1,659</u>
Military Assistance	1,549	1,200	1,160
Supporting Assistance	466	361	349
Contingency Fund	149	129	150
Investment Surveys	*	1	2
American Schools and Hospitals	9	19	18
Contributions to Int'l. Orgns.	113	116	134
Administrative Expenses	<u>57</u>	<u>55</u>	<u>56</u>
TOTAL	<u><u>3,981</u></u>	<u><u>3,489</u></u>	<u><u>3,635</u></u>

* Less than \$1 million.

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THE PROGRAM FOR FY 1965

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Most of the development assistance programs in 1965 are planned for countries in the Latin America and Near East-South Asia regions. Military and supporting assistance are heavily concentrated in the Far East.

--The effectiveness with which the country is using its own resources.

--The country's need for assistance and the availability to it of assistance from other sources.

Table 2

Regional Distribution of Proposed Programs for 1965

(In millions of dollars)

	Development Assistance		Military and Supporting Assistance		Total	
	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
Latin America	570	33	84	7	654	22
Near East and South Asia	834	49	354	28	1,188	41
Far East	117	7	716	57	833	28
Africa	188	11	49	4	237	8
Europe	-	-	49*	4	49	1
TOTAL	1,709	100%	1,252	100%	2,961	100%

The application of these principles results in a selective approach, and in the concentration of funds on those countries where the principles are best satisfied. This is evident from Table 3 and the Chart where recipient countries are classified into groups according to planned program levels in FY 1965, direction of country programs (i.e., whether programs are likely to continue or are in transition toward a phase-out), program objectives, and assistance policies.

--2% of all economic assistance funds is planned for countries in transition toward self-support. At least fourteen are now in this status. It should be possible for all of these countries to complete the transition over the next several years.

--88% of the program would go to 25 countries* where major programs are planned.

--The remaining 10% of economic program funds would be committed to 37 countries for more limited programs.

The 25 major programs involve countries:

- which are of major importance to U.S. foreign policy interests;
- facing different political and economic problems; and
- having a varying capacity to cope with such problems.

* These programs are discussed in detail in the appropriate country narrative.

* Military assistance only.

This chapter summarizes the programs proposed for FY 1965 by type of program, geographic region and funding account. Subsequent chapters give greater detail on the individual country and regional economic programs. Separate volumes provide the basic facts on the military programs.

TYPES OF ECONOMIC ASSISTANCE PROGRAMS

Economic assistance programs are formulated on a country-by-country basis. The principles which guide the allocation of U.S. assistance to individual countries are:

- The importance to the United States of strengthening the country's economy, political structure, social institutions or security conditions.

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Table 3

Types of Country Assistance Programs

Program Characteristics	Countries	% of Proposed FY 1965 A.I.D. program
TOTAL	76	100%
Group 1 <u>Transitional countries</u> which are approaching the time when they will not need soft loan or grant assistance from the United States.	14 Greece Iran Iraq Israel Jamaica Libya Mexico Philippines Southern Rodesia Syria Taiwan Trinidad-Tobago Uruguay Venezuela	2%
Group 2 <u>Major programs</u> where U.S. aid is designed to bring about substantial progress toward security and development.	25	88%
Group 2a <u>General development support</u> programs in countries with good self-help records and growth prospects.	Chile Colombia India Nigeria Pakistan Tunisia Turkey	(50%)
2b <u>Qualified development support</u> programs in countries with good long-run prospects but erratic self-help records.	Argentina Brazil Central America Econ. Comm. (5) Dominican Rep. Ecuador Liberia Peru	(17%)

Table 3 - Continued

Types of Country Assistance Programs

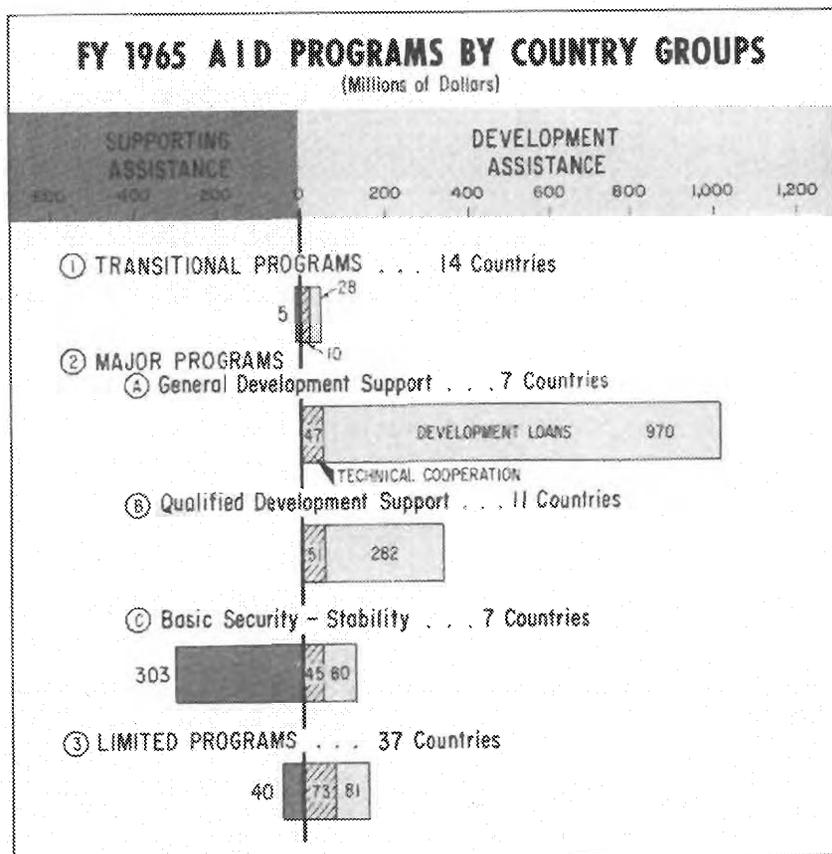
Program Characteristics	Countries	% of Proposed FY 1965 A.I.D. Program
Group 2c <u>Basic support for security and stability</u> in countries which must maintain large forces or face grave internal or external threats.	Bolivia Congo (L) Jordan Korea Laos Thailand Vietnam	(21%)
Group 3 <u>Limited programs</u> supporting growth and independence, under varied circumstances where, for example:	37	10%
--We wish to maintain access to bases or other vital facilities;	Afghanistan Algeria British East Africa (3) ^{1/} British Guiana Burma Cyprus Ethiopia	
--Other donors are providing most of the assistance needed;	Chana Guinea Haiti Indonesia Mali Morocco Nepal	
--We cannot work effectively with present governments but can accomplish useful results in selected sectors; or	N. Rhodesia Nyasaland Panama Paraguay Sierra Leone Somali Sudan	
--We wish to encourage independence from Bloc dominance in sensitive areas.	U.A.M. countries (12) ^{1/} U.A.R. Yemen	

^{1/} No FY 1965 funding proposed for Zanzibar, Burundi, Mauritania and Rwanda.

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Among these 25 major programs, three distinct types are evident, illustrating how A.I.D.'s policies are adapted to each country situation.

--General Support for Development. 50% of the economic program in 1965 is proposed for seven countries -- India, Pakistan, Turkey, Nigeria, Tunisia, Colombia and Chile -- each of which ranks relatively high in both assistance needs and self-help performance. They have generally raised savings and investment levels in the past few years and taken steps to allocate investment funds and other resources more effectively. Although their development policies are by no means ideal, these seven countries have made serious

and sustained attempts to make better use of both their own resources and the external funds available to them and have had a substantial measure of success. The share of U.S. assistance going to this group has been steadily rising for the past several years.

--Qualified Support for Development. This sub-group includes 11 country programs. The countries are comparable to those in the first group in their importance to U.S. foreign policy interests and their prospects for development. Generally speaking, however, they have not yet shown an adequate and sustained commitment to sound development policies and effective resource use.

Aid programs in these countries are highly contingent on over-all performance. In the absence of significant improvement, such programs as are undertaken are designed to improve self-help by supporting sound sectoral policies -- such as pay-as-you-go electric power or the elimination of excess rail lines -- through specific loan projects and technical assistance. Relatively poor self-help performance by several countries in this group has resulted in a fall in total assistance in 1964 below 1963 levels. A notable improvement in performance would justify U.S. assistance at a much higher level than the \$333 million now planned for 1965.

--Basic Support for Security and Stability. This third sub-group consists of seven countries of critical importance to the United States in which basic conditions of internal and external security must be established and the institutions of government strengthened before a serious development effort can be undertaken. Programs of this type are funded primarily from supporting assistance.

As conditions improve and attention and resources can be shifted from immediate security problems to development, we have extended loans for development projects as in Korea and Bolivia. Our goal in these countries is to reach the point where security conditions permit a complete elimination of supporting assistance, with whatever economic aid that may be appropriate being provided through development assistance. This goal has been reached in Greece, Turkey, Taiwan and elsewhere.

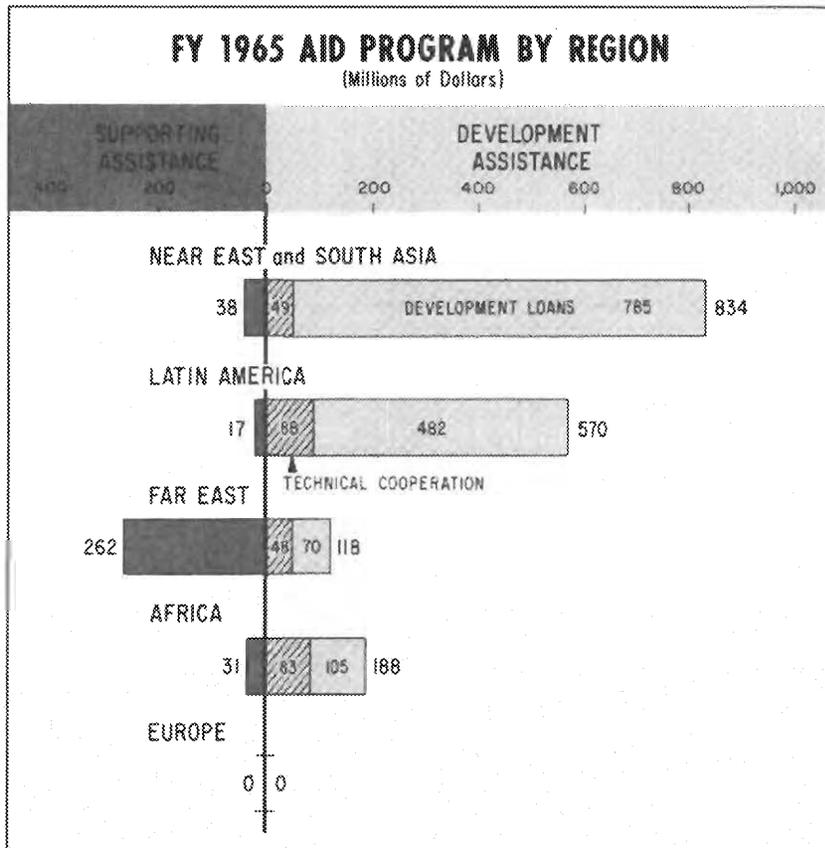
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Development
Assistance

DEVELOPMENT ASSISTANCE

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The Foreign Assistance Act emphasizes long-range development assistance as the primary instrument for supporting its key objective -- the growth and advancement in freedom of the emerging nations.

A.I.D.'s development assistance has, as a result, grown steadily as a proportion of its total program. During FY 1961 it made up less than 25% of total economic and military assistance. In the proposed FY 1965 program, development assistance is 48% of the total and, for the first time, is larger than military assistance, supporting assistance and the contingency fund, combined.

Development Assistance

(In millions of dollars)

Fiscal Year	Technical Cooperation & Development Grants	Development Loans	Total Development Assistance	Development Assistance as a % of Total Economic and Military Assistance
1961	315	629	944	24
1962	381	1,096	1,477	34
1963	349	1,288	1,637	41
1964 (est.)	313	1,293	1,606	46
1965 (proposed)	323	1,443	1,766	48

In FY 1965 the A.I.D. program includes almost \$1.8 billion for development assistance. Of this total:

- One-third (\$570 million) is for the Alliance for Progress; the remainder is for Asia and Africa
- More than four-fifths (\$1,443 million) is earmarked for lending; less than one-fifth for technical cooperation and development grants
- Three-fifths is planned for those seven countries where we conduct general development support programs, as described in the previous section.

Development assistance consists of the following funding accounts established by legislation -- Development Loans, Technical Cooperation and Development Grants, and the Alliance for Progress.

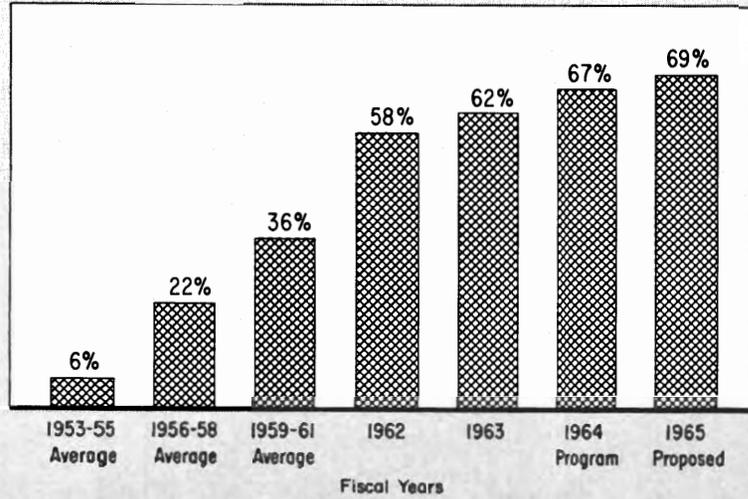
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INCREASED EMPHASIS ON LOANS

Percent of AID Country and Regional Programs Financed By Loans



Development Loans

For FY 1965, the proposed A.I.D. program includes \$960 million for development loans in Asia and Africa. This would be financed by \$922 million of requested new appropriations plus repayments and recoveries. The following table shows the proposed FY 1965 program for each region as compared with past years. The regional and country chapters which follow define these programs in greater detail.

Regional Lending Programs

(In millions of dollars)

	FY 1962	FY 1963	FY 1964 (Est.)	FY 1965 (Proposed)
Near East and South Asia	759	780	710	785
Far East	62	67	35	70
Africa	86	98	76	105
Subtotal -- Development Loans	907	945	821	960
Latin America (Alliance for Progress)	190	343	472	482
TOTAL	1,097	1,288	1,293	1,443

The level of loan assistance A.I.D. proposes for a particular country is based on judgments of the country's over-all balance of payments and investment needs, the extent to which these needs can be met from other sources, and the effect that giving -- or withholding -- loans is likely to have on sound policies and self-help measures, as well as on the more specific ability of the country to prepare sound projects for loan financing. The pattern of lending follows the broad country groupings described in the introduction.

In the 14 transitional countries, little is planned. Only 2% of proposed development loans for 1965 is earmarked for the group.

Loan funds are heavily concentrated on those 7 key countries whose importance and internal development efforts merit strong support.

For the 11 countries with good long-run growth prospects but erratic self-help efforts, a conservative program has been proposed, reflecting our expectation that some self-help measures -- upon which larger aid amounts are contingent -- will not be taken.

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DEVELOPMENT ASSISTANCE

Among the 7 countries where security and stability remain the prime concern, several are beginning to shift their attention increasingly to development. This is why sizeable loans are planned for Korea and Bolivia in 1965.

Among the 37 countries where A.I.D. conducts more limited programs, specific project loans are proposed for 18 in FY 1965, but the funds required would come to only 6% of all loans.

Fitting the lending process into a sound over-all development policy is essential if development loans are to make their maximum contribution to growth. But the projects which make up most country loan programs must also meet more specific technical and economic standards. A.I.D. therefore operates both as a development institution and as a bank, similar in most ways to the Export-Import Bank and the World Bank.

Each project application is studied for its technical soundness. Engineering and cost data must be adequate and accurate. The capital structure of commercial-type enterprises must be sound and cash flow analysis must show that the debt can be serviced. Management must be competent, and careful consideration must be given to the fact that management talent and skills are among the most serious deficiencies in many of the less-developed countries. Finally, an informed technical judgment must be reached on the over-all economic and technical soundness of the project.

In addition to financing capital projects -- roads, factories, dams -- A.I.D. provides loans on a "program basis" to selected countries. Program loans are used to finance imported machinery and equipment, spare parts raw materials and other commodities. They are generally used where the United States has confidence in the country's policies and procedures for using its foreign exchange and investment funds effectively. Such loans are often used to finance expansion of or modernizing existing facilities or for other small but productive investments which would be inefficient to finance as separate projects. Program loans also finance imports of industrial raw materials and equipment so that industry can operate at full capacity. In this way, program lending is a major support to private enterprise in several countries, since it eases the import restrictions imposed to conserve scarce foreign exchange, which almost always fall disproportionately on the private sector. Most of A.I.D.'s program lending goes to the seven countries where we conduct general development support programs.

During FY 1964, the procedures for considering loan applications were streamlined and revised to reflect policies developed in A.I.D.'s first two years. Unnecessary steps in the processing of loan applications have been eliminated, and responsibility for loan review and implementation has been selectively decentralized.

Once a loan is approved, it takes time to carry through. However, the rate of loan expenditures has increased sharply in recent years. Development loan expenditures rose from \$268 million in FY 1961 to \$827 million in 1963, and are expected to reach \$940 million in 1964.

Technical Cooperation and Development Grants

For FY 1965, the proposed A.I.D. program includes \$235 million for technical cooperation and development grants for Asia and Africa. Of this, \$225 million would be financed by new obligational authority and the balance from recoveries.

In addition, \$88 million is requested for technical cooperation under the Alliance for Progress, of which \$85 million is new obligational authority.

The world-wide technical cooperation program for FY 1965 therefore totals \$323 million, compared to \$314 million during the current year. While the program levels are about the same for the two years, it was possible in FY 1964 to rely on substantial carryovers and recoveries from cancelled projects. This will not be possible to nearly the same extent in FY 1965. Consequently, higher appropriations are essential for FY 1965 if the technical cooperation program is not to drop sharply.

NOA and Program

(In millions of dollars)

Fiscal Year	NOA	Carryover and Recoveries	Program
<u>1964</u>			
Technical Cooperation	155	70	225
Alliance for Progress			
Technical Cooperation	80	8	88
TOTAL	235	78	313
<u>1965</u>			
Technical Cooperation	225	10	235
Alliance for Progress			
Technical Cooperation	85	3	88
TOTAL	310	13	323

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DEVELOPMENT ASSISTANCE

Only a few years ago, a large proportion of these funds financed capital projects on a grant basis. Today, virtually all new capital projects are financed with development loan funds. The use of the Technical Cooperation and Development Grant account for capital expenditures not tied into a technical assistance project has declined steadily and sharply.

Technical cooperation and development grants make up almost 40% of A.I.D. assistance in Africa reflecting most of the continent's urgent need for skills and institutional development prior to major capital investment. It is a much smaller share of our programs elsewhere.

The division of the technical cooperation program among regions has shifted in the past few years. In the Near East, South Asia and the Far East, the trend is downward, in part due to increased aid from other bilateral donors and from international organizations. In Latin America, the United States has long conducted technical cooperation programs, but since A.I.D. was established there has been some increase and considerable change in content and approach. Beginning in 1962, a substantial fraction of our technical cooperation effort has been directed to Africa.

Regional Technical Cooperation & Development Grant Programs

(In millions of dollars)

	FY 1962	FY 1963	FY 1964 (Est.)	FY 1965 (Proposed)
Latin America	96	119	88	88
Near East and South Asia	70	57	51	49
Far East	75	57	51	48
Africa	111	84	78	83
Europe	1	0.1	-	-
Non-regional	28	32	45	55
TOTAL	381	349	313	323

Technical assistance is needed at all stages of development from the earliest training and institution-building efforts to and even beyond the point of self-sustaining growth. Technical cooperation serves initially to create the skills and institutions needed to plan, carry through, and use capital investment financed from savings and from foreign aid. Later it helps to multiply and specialize the skills and institutions to support a more complex economic structure. Even after a country no longer needs assistance

on soft terms, it may still need help in solving specific technical or managerial problems. Therefore, where A.I.D. is now reducing its financial program, we are considering establishing a technical reference service which will help the country find and hire at its own expense specialists needed to solve particular development problems.

During 1965, A.I.D. plans to move toward considerably fuller and more flexible use of the contract technique to tap the skills, knowledge, organizational arrangements and professional contacts of private industry, other Federal agencies, universities, labor unions, cooperatives, research institutes and state and local government agencies. Greater reliance on other private and governmental organizations reflects not only changes in the developing countries themselves but also growing evidence that one of the main jobs of A.I.D.'s career staff is to tap the other government agencies and private organizations which can provide the range of talents and knowledge required in both more and less-advanced developing countries. A.I.D. realizes that it must induce a broader range of individuals and organizations to tackle the problems of development abroad, if the United States is to help meet the varied and changing requirements with prompt, appropriate, and high quality assistance.

While A.I.D. will rely more heavily on other heavily on other agencies and organizations to provide the experience and back-stopping to carry out technical cooperation programs, it will of course retain responsibility for selecting programs, integrating them into our broader development assistance effort and evaluating their effectiveness.

The Alliance for Progress

For FY 1965, the proposed Alliance for Progress program totals \$570 million. Of this, \$482 million is programmed for lending, and \$88 million will finance technical cooperation. Since \$20 million of recoveries and loan receipts are anticipated, \$550 of new obligational authority is proposed.

Alliance for Progress Programs

(In millions of dollars)

	FY 1962	FY 1963	FY 1964 (Est.)	FY 1965 (Proposed)
Loans	290	343	420-472	482-622
Technical Cooperation and Development Grants	96	119	88	88
TOTAL	386	462	508-560	570-710

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DEVELOPMENT ASSISTANCE

A.I.D. Missions in Latin America anticipate \$622 million in loan applications in FY 1965. The program figure of \$482 million is based on conservative estimates of both the over-all performance of particular countries and the probable supply of sound projects. Although loans are planned in 17 countries, more than a third of Alliance-funded lending would be concentrated in Colombia and Chile, where present programs merit solid U.S. support.

Much of the FY 1965 loan program is designed to stimulate the private sector through industrial banks, agricultural credit institutions, and other means. Substantial loan support is planned for the Central American Economic Community, which is taking long steps toward encouraging an economic division of labor and lowering barriers to trade, reducing duplication of facilities through educational exchanges and promoting other forms of cooperation in that region.

The proposed Alliance technical cooperation program is at the same level as the current year. A growing part of technical assistance

is carried out by other government and private organizations, rather than directly by A.I.D. Much of the technical assistance in Latin America is directed to reform measures. Political determination is not enough to carry through a tax or land reform, to revise administrative procedures or restructure governmental organization; experience and specialized knowledge are also essential. The Latin American countries must provide the determination, but the United States can help supply the techniques through tax collection advisers, educational planning experts and technicians skilled in farming, credit and cooperative institutions.

The Latin American countries themselves are now assuming more responsibility under the Alliance. Through the Inter-American Committee for the Alliance for Progress (CIAP), established at the 1963 Sao Paulo meeting, the nations of the region will appraise each other's performance. CIAP will also provide a focus for improved coordination among the World Bank family, the Inter-American Development Bank, the UN technical agencies, the O.A.S., and U.S. assistance programs.

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**Military Assistance
Supporting Assistance
Contingency Fund**

MILITARY AND SUPPORTING ASSISTANCE
AND THE CONTINGENCY FUND

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Military assistance, supporting assistance, and, in most cases, contingency funds, are provided to friendly free world nations to strengthen their defense against external attack and internal insecurity, maintain economic stability in emergency situations, and thereby help establish a basis for economic and social progress.

- Military assistance provides military equipment, training and related services to help nations protect themselves against external attack or internal subversion.
- Supporting assistance is regularly programmed grant or loan aid to countries with heavy defense burdens or other pressures that generate economic and political instability.
- Contingency funds, which are used generally for the same purposes as supporting assistance, are for those emergency situations which cannot be anticipated and programmed in advance.

Funds for military and supporting assistance have been diminishing in absolute amount and as a relative share of total U.S. assistance for several years. The FY 1965 request continues this trend.

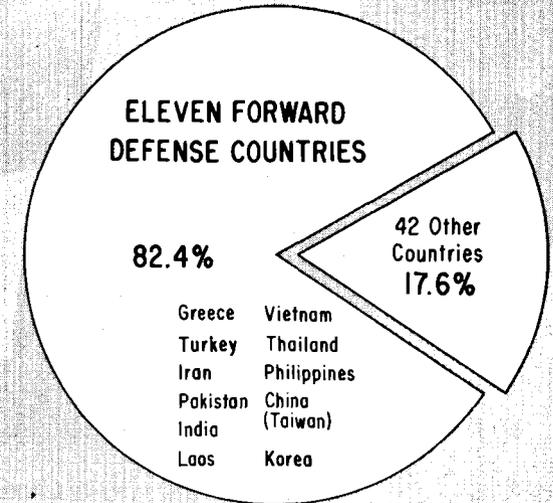
Military and Supporting Assistance
and Contingency Fund

(In millions of dollars)

	Mil. Assist.	Sup. Assist.	Contingency Fund	Total	Military and Sup. Assist. as % of total Econ. & Mil. Assistance
1961	1,929	779	272	2,980	75
1962	1,832	499	303	2,634	60
1963	1,549	466	149	2,164	54
1964 Est.	1,200	361	130	1,690	48
1965 Proposed	1,160	349	150	1,660	46

Military assistance and supporting assistance are heavily concentrated in 11 "forward defense" countries which border the Sino-Soviet ~~border~~ ^{border}. These countries -- Greece, Turkey, Iran, Pakistan, India, Thailand, Philippines, Laos, Vietnam, Taiwan and Korea -- will receive over 70% of total military assistance in FY 1965. The same countries account for over half of total military and economic assistance for FY 1965.

FY 1965
MILITARY
ASSISTANCE
COUNTRY
PROGRAMS



The Military Assistance Program

The detailed description and justification of this program is provided in a separate presentation of the Defense Department. We are here concerned with the program's over-all aspects and with the interrelationship between economic and military programs.

Military assistance is based on the recognition that the security of the United States is interdependent with the security and well-being of the rest of the world. It reflects a substantial U.S. commitment to collective defense.

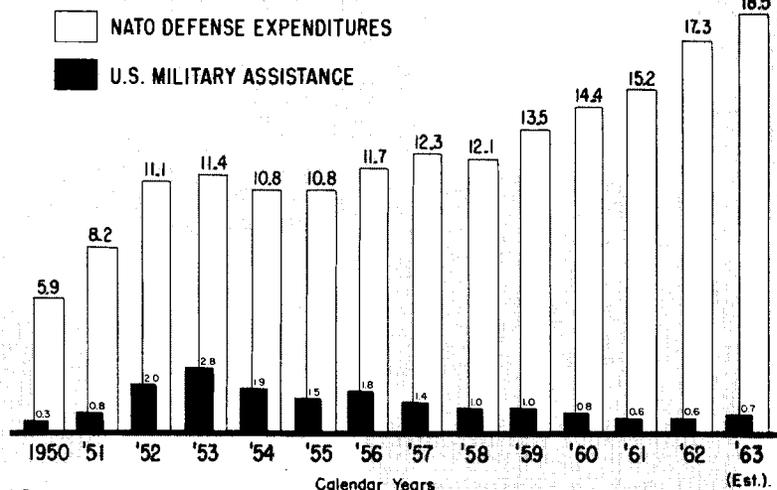
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DEFENSE EXPENDITURES OF EUROPEAN NATO COUNTRIES* AND U.S. MILITARY ASSISTANCE

Billions of Dollars



*Includes Greece and Turkey

The strength of the North Atlantic Treaty Organization (NATO), and continuing independence of the many less-developed nations we have assisted to withstand threats of Communist encroachment, attest to the success of the program since its adoption in 1947. The NATO nations of Western Europe, past recipients of substantial U.S. military aid, now supply almost all of the financial support required for their military forces, and several are contributing both military and economic assistance to less-developed nations. Current U.S. military assistance to the Western European countries is limited to fulfillment of prior commitments (with the exception of Spain) and a small amount of training.

With the decline in military assistance to Western Europe, the focus of the program has shifted to the less-developed nations. In these areas the programs will provide equipment, services, and training to both allied and friendly nations for the purpose of strengthening their capacity to meet both external and internal threats to their independence. The training programs bring to the United States many present and future military leaders who receive technical instruction and observe at first hand the role of a responsible military establishment in democratic society.

The military assistance program also enables arrangements to be made for vital U.S. bases overseas, which allow optimum deployment, flexibility and desirable communications and warning facilities for our own and allied military forces. In addition, it provides funds for contributions to bilateral and multilaterally financed facilities and services related to collective security organizations and activities (e.g., NATO, CENTO and SEATO).

Increasing emphasis is being placed on Civic Action programs which improve relations between civilian populations and their military forces, and contribute significantly to economic and social development. Investment projects carried out with trained military manpower and armed forces construction equipment can be of great value in the less-developed nations.

The amount programmed for the military assistance program in FY 1965 is \$1.1 billion including \$1 billion in new appropriations, about the same as current year availability. This is some \$400 million less than the annual average for the previous few years, and substantially less than the appropriations peak (\$5.7 billion) at the time of the Korean war and NATO build-up.

In Latin America and Africa U.S. military assistance programs are more limited and are directed primarily to internal security and civic action activities.

Military assistance programs (MAP) are administered by the Department of Defense. The Secretary of State is responsible for continuous supervision and general direction of assistance programs, including MAP, to assure their effective integration and utilization in furthering the foreign policy of the United States. This function has been delegated by the Secretary to the Administrator of A.I.D., who exercises it in consultation with other senior State Department officials. Coordination between military and economic assistance is of particular importance in those countries where large defense burdens create difficult problems in

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MILITARY AND SUPPORTING ASSISTANCE
AND THE CONTINGENCY FUND

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the allocation of scarce resources. Adjustments in the balance between the military and economic programs can often have a substantial influence on the assisted nation's progress and self-help performance.

Supporting Assistance

Supporting assistance is economic aid used to advance U.S. national security and foreign policy objectives in situations where basic economic conditions make the strict criteria of development assistance inapplicable.

Most supporting assistance goes to countries where aid is needed to help establish the external and internal security which must precede meaningful economic and social development. The general objective is to move from this kind of program as rapidly as conditions permit to a program which promotes solid and permanent economic and social progress. The continued reduction in supporting assistance demonstrates the substantial progress which has been made in the last few years toward achieving this goal.

Supporting Assistance Programs

	Number of Countries	Millions of Dollars
1963 Actual	21	466
1964 Estimated	19	361
1965 Proposed	13	349

In FY 1965, 80% of the funds are programmed for four countries -- Vietnam, Korea, Laos and Jordan.

The supporting assistance program proposed for FY 1965 is \$348.6 million, \$12 million less than is available for the current year and \$117 million less than was obligated for FY 1963. The funds will be used for four major purposes in support of U.S. policy in the less-developed nations: (a) to enable maintenance of larger armed forces for the common defense; (b) to preserve reasonable economic stability in critical situations; (c) to encourage independence from bloc dominance in sensitive areas; and (d) to assure access to strategic U.S. military bases.

To Support the Common Defense

The major use of supporting assistance funds in FY 1965 will be to reinforce the military-economic position of Vietnam and Korea.

In Vietnam, supporting assistance provides first for a reasonable degree of financial and economic stability by supplying imported goods essential to meeting the needs of the country. Second, through specific projects it provides direct help to counter-insurgency action designed to evoke support of the rural population in the campaign against the Viet Cong.

In Korea, the focus of U.S. aid is being steadily shifted from support of consumption levels to economic development. Supporting assistance, used to finance raw material and capital imports which maintain current production, has declined from \$320 million in 1956 to \$90 million in 1963. Further reductions are planned.

Maintenance of Economic Stability

The second major use for supporting assistance is to maintain economic stability in countries where the absence or drastic reduction of such support would involve serious economic and political disintegration.

In Laos, the United States is collaborating with Great Britain, Australia, France and West Germany to meet the essential import requirements of the country. Without U.S. supporting assistance the existing government would collapse.

In Jordan, supporting assistance provides the major contribution to financing essential government operations, including defense, and is directly related to the country's economic and political stability.

The Congo economy is going through a transitional reconstruction period. Commodity imports are required for stabilization during this period. This is part of the total external assistance for the Congo coordinated by the United Nations.

Bolivia needs continued assistance to help the government in its long adjustment to the economic upheaval resulting from the 1952 revolution. The country's resource base remains insufficient to meet demands on it, and without supporting assistance the continuing Communist attempts to capture the social revolution might well succeed.

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MILITARY AND SUPPORTING ASSISTANCE
AND THE CONTINGENCY FUND

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Supporting assistance is planned in two countries to maintain access to U.S. bases and to assist the governments in dealing with economic and other problems arising out of the existence of the bases. Small amounts of supporting assistance are also provided to two countries where Sino-Soviet bloc aid threatens national independence or otherwise conflicts with vital U.S. interests.

The Trend in Supporting Assistance

Over the past decade, there have been three phases through which a number of countries have moved in recovering from political or military upheavals with external help. In the first phase, external security and a minimum of internal law and order are established. In the second, political and economic institutions are strengthened and the economy is stabilized. In the third, economic growth is resumed and dependence on extraordinary grant assistance is steadily reduced and then eliminated.

Some countries, such as Greece and Taiwan, have moved to the last of these phases in a period of 8-10 years. Others seem likely to complete the cycle in even less time. U.S. aid strategy, in all these countries, is to help them to mobilize their domestic resources and to steadily reduce their reliance upon all forms of external support.

Contingency Fund

The Contingency Fund is used to meet urgent and unforeseen assistance needs or needs that could not be defined with reasonable accuracy at the time of this presentation. The requested appropriation for FY 1965 of \$150 million is substantially less than the amounts requested in recent years.

On the basis of past experience and the current tension and uncertainty in many areas of the world, \$150 million is essential if the President is to have flexible power in foreign affairs comparable to his responsibilities. Over the past five years, actual uses of Contingency Fund appropriations have varied from \$123.8 million to \$292.0 million. In FY 1963, for the first time,

obligations were substantially less than available funds. This reflects both reduced incidence of crises and application of much more severe criteria for the use of Contingency Funds. Through the first two quarters of FY 1964, \$7.9 million has been firmly programmed against a total of \$179.5 million available (\$50 million newly appropriated plus the \$127.1 million carry-over from last year and estimated reimbursements of \$2.4 million). If funds available this year are not needed in full and are continued available for FY 1965, the appropriation of new money should be reduced correspondingly.

Allocations from the Contingency Fund are essential in several types of situations. First are cases where there is an urgent need to expand assistance to a country whose security is threatened by new or intensified Communist attack, threat, or subversion. Past examples of this type of use occurred in Laos and Thailand. The present situation in Vietnam best demonstrates the essentiality of continued Contingency Fund availability to respond to the challenges of this nature.

The most frequent Contingency Fund use (but not largest in amount) is relief of earthquake, flood or other disaster. While emergency food requirements are met to the greatest extent possible from P.L. 480, usually there is also urgent human need for other supplies, often provided from nearby U.S. military depots with subsequent reimbursement by A.I.D. Disasters of the recent past where the Contingency Fund helped preserve the lives of countless people were in Yugoslavia and Trinidad-Tobago in the aftermath of the Skopje earthquake and Hurricane Flora.

A third type of situation in which Contingency Fund availability serves the national interest is in responding to unexpected economic or political crises, where prompt economic aid, even though it may not meet the criteria of development assistance, can be essential to the protection of both short and long-run U.S. interests in the country aided.

The common element in each of these situations is the desirability of a prompt and flexible U.S. response in meeting a legitimate assistance need. The Contingency Fund is an indispensable means of assuring that response.

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VOLUNTARY CONTRIBUTIONS TO INTER-
NATIONAL ORGANIZATIONS AND PROGRAMS

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SUMMARY OF PROPOSED FY 1965 CONTRIBUTIONS
(In thousands of dollars)

1. UN Expanded Program of Technical Assistance and Special Fund	\$60,000
2. UN Technical and Operational Assistance to the Congo	5,000
3. UN Emergency Force (Near East)	850
4. UN Relief and Works Agency for Palestine Refugees	16,000
5. UN Children's Fund	12,000
6. UN Food and Agricultural Organization World Food Program	2,300
7. International Atomic Energy Agency Operational Program	1,100
8. Indus Basin Development Fund	37,000
9. International Peace Corps Secretariat	150 ^{a/}
Total	<u>\$134,400</u>

^{a/} Tentative.

The U.S. annual voluntary contribution to the programs of United Nations agencies is a recognition of our deep commitment to the building of mature international organizations equipped to act in the interest of security and development.

The programs of the UN family of organizations complement the bilateral assistance activities of the United States in furthering the development of many countries around the world and in keeping the peace. Multilateral channels are proving especially useful as a means of sharing the financial burdens of assistance with other nations, particularly in situations where the United States would otherwise have to meet a much larger proportion of the costs. In addition, the UN organizations permit the exercise of initiatives in certain highly-charged political situations in which direct U.S. intervention could bring about explosive confrontations harmful to our basic interests.

Financing also is proposed for FY 1965 under this chapter for the U.S. voluntary contribution to the International Peace Corps Secretariat.

For FY 1965, \$134,400,000 is requested for voluntary contributions to international programs.

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VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

1. UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

FY 1963 Contributions	\$50,000,000
FY 1964 Estimate	\$51,416,000
FY 1965 Request	\$60,000,000

The United Nations Expanded Technical Assistance Program (UNTA) was established by the UN General Assembly in 1950 to provide technical assistance in stimulating the economic and social progress of the developing countries. The UN Special Fund, established on U.S. initiative, began operation in January 1959. Acting both directly and through other UN specialized agencies, the Special Fund carries out pre-investment activities -- surveys and feasibility studies, applied research, manpower training and technical education -- to increase national production and productivity. To date, some 375 projects have been approved at a cost to the fund of \$336,400,000 with an additional \$472,500,000 being provided by the recipient countries in local support costs.

Several years ago, the United States supported a target of \$150 million as the annual program level for the pre-investment studies and development projects of the Special Fund and the institution-building activities of the Expanded Technical Assistance Program. To stimulate contributions from other governments to this goal, the United States announced its intention to match 40% of total government contributions to the \$150 million target, with the U.S. contribution not to exceed \$60 million in any case.

Contributions have risen from \$20 million in 1951 to about \$130 million in 1963. It is anticipated that the \$150 million target may be surpassed in 1965. The U.S. contribution is proposed at a \$60 million level, or 40%, for 1965.

In our judgement, 40% is an appropriate level of contribution by the United States to help meet the cash requirements of the major technical assistance program of the UN. It is a fair proportion of the total in relation to our national production. By placing our actual contribution on a matching basis, our pledge exerts pressure on others who are able to contribute. It is an appropriate action for us to take, as leader of the development efforts of the Free World and a sponsor of the UN Decade of Development.

2. UNITED NATIONS TECHNICAL ASSISTANCE AND OPERATIONAL PROGRAMS IN THE CONGO

FY 1963 Contributions	\$4,400,000*
FY 1964 Estimate	\$5,000,000
FY 1965 Request	\$5,000,000

\$5,000,000 is being requested for 1965 as a voluntary U.S. contribution to the United Nations Technical Assistance and Operational program in the Congo. The U.S. objective in the Congo is the establishment of a moderate central Government, capable of resisting Communist influence and of maintaining political stability, internal security and a reasonable rate of economic and social development. The problems that have threatened the social and economic structure of the Congo have been kept within manageable proportions through the technical assistance and internationally recruited experts provided through the UN system.

The needs of the Congo extend over every aspect of the economic, social and administrative life of the country. The United States presently finances, through the UN, 223 experts and technicians in designated activities in such critical sectors of the economy as public finance, economic analysis and coordination, civil aviation, meteorology, telecommunications, mining and natural resources, public works and police training. This contribution helps the UN defray the cost of a 400-man contingent of Nigerian police providing operational support while police training of the Congolese is in progress. In addition, the United States and other contributors, including the Congo itself, now finance through the UN Fund for the Congo, 178 doctors, 800 secondary teachers and 52 magistrates. In 1965, the Government of the Congo plans to assume major financial responsibility for this last group of personnel.

\$5,000,000 is requested for the U.S. contribution for 1965 to assure the continued provision by the UN of technical and operational support in designated areas of the economy.

* In addition, \$35,000,000 of economic assistance was provided in FY 1963 under the Foreign Assistance Act through the UN for commodity imports.

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VOLUNTARY CONTRIBUTIONS TO INTER-
NATIONAL ORGANIZATIONS AND PROGRAMS

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3. UNITED NATIONS EMERGENCY FORCE

FY 1963 Contributions	\$1,322,000
FY 1964 Estimate	\$1,247,000
FY 1965 Request	\$ 850,000

The United Nations Emergency Force (UNEF) was established during the Suez crisis in 1956. It presently has a troop strength of 5,100 men drawn from ten countries other than the "great powers", and its mission is to see that the armistice between the United Arab Republic and Israel is kept along 140 miles of Egyptian-Israeli border and the Gaza Strip.

The UNEF is credited with the absence of any incidents of a serious nature in the area in recent years, and with insuring freedom of shipping in the area off the mouth of the Gulf of Aqaba. The feeling of security the Force has provided for the local population is reflected in an increase of agricultural development and commercial activity.

The Force was not established as a permanent institution, but it has been so effective in preserving the armistice that it has become virtually indispensable, until it can be demonstrated that attitudes and relations between the people on both sides of the line have improved to the degree that a buffer is no longer needed to prevent armed conflict.

From July 1962 through June 1963, the UNEF peacekeeping operation was financed from proceeds of the UN Bond Issue, with no assessments levied against, or voluntary contributions made by Member States.

In December 1963, the UN General Assembly approved the continuation of the UNEF for 1964 authorizing total expenditures of \$17,750,000. This Resolution provided for a three-step financing approach under which: (a) the first \$2 million is assessed against all UN Member States at their regular percentage scale; (b) the remainder is assessed against the developed countries at 100% and the "economically less-developed countries" at 42.5% of their regular percentage scale rates; and (c) a resulting shortfall of \$1,656,356 is being met by voluntary contributions from 18 developed countries, including the United States. The U.S. voluntary contribution toward this shortfall, for the period January through December 1964 amounts to \$872,000. A similar voluntary contribution of \$371,545 was made from FY 1964 funds to cover the period July through December 1963. The total U.S. contribution -- assessed and voluntary -- represents 36.8% of total contributions.

A recently completed UN study of UNEF has recommended an overall troop strength reduction from the present strength of 5,100 as of December 1963 to 4,600 by April or May of 1964.

In the fall of 1964 the UN General Assembly will consider continuation of the Force beyond December 31, 1964. The estimate of \$850,000 as the U.S. voluntary contribution for the calendar year 1965 is predicated on continuation of the current financing formula and a slightly lower annual cost of the Force, reflecting the reduced force level.

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4. UNITED NATIONS RELIEF AND WORKS
AGENCY FOR PALESTINE REFUGEES

FY 1963 Contributions	\$17,200,000
FY 1964 Estimate	\$17,200,000
FY 1965 Request	\$16,000,000

Sixteen million dollars is proposed as the cash component of our FY 1965 contribution to the United Nations Relief and Works Agency (UNRWA) whose basic mission is to meet the minimum food, shelter, medical, and educational needs of more than one million Palestine refugees.

This request represents a reduction of \$1.2 million from the level of our cash contribution over the past several years, and is intended to assist the Agency in speeding the elimination of ineligible and fraudulent names from the ration rolls while continuing to provide for bona fide needy refugees. In addition to \$16,000,000 in cash, the United States plans to continue its contribution of P.L. 480 surplus agricultural commodities, which over the past several years have been valued at \$7,500,000 annually. Recent rises in the world market price of wheat flour may necessitate an increase in the value of our P.L. 480 contribution to as much as \$8,700,000, but under no circumstances would our total planned contribution in cash and kind exceed \$24,700,000, the level provided over the past several years on a 70% matching basis.

UNRWA was not established as a permanent institution. The U.S. contribution represents support for a politically acceptable means of preventing the highly-charged refugee problem from disrupting the political stability in the region, and for the immediate humanitarian objective of helping refugees find shelter, food, education, and medical care. However, the United States continues to explore all possible means of meeting the Palestine Refugees' basic needs along lines which will lead to a solution of the basic problem.

5. UNITED NATIONS CHILDREN'S FUND

FY 1963 Contributions	\$12,000,000
FY 1964 Estimate	\$12,000,000
FY 1965 Request	\$12,000,000

The UN Children's Fund (UNICEF) was established by the UN General Assembly in 1946 to provide emergency relief for children in Europe after World War II. Since 1950 its principal purpose has been to help governments in underdeveloped areas of the world establish and carry out long-range health, nutrition, and welfare programs which will bring lasting benefits to children.

Total UNICEF allocations are estimated at \$28 million for 1963, \$40 million for 1964 and \$45 million for 1965. The United States supports this expansion in program, but believes it can be financed through increased contributions from other governments and private sources. It is proposed that the U.S. contribution, reduced from more than 70% in 1950 to 40% in 1964, remain at the \$12 million level where it has been since 1960, and that it be subject to a matching requirement limiting the U.S. contribution to no more than 40% of the total.

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6. UN FOOD & AGRICULTURAL ORGANIZATION
WORLD FOOD PROGRAM

FY 1963 Contributions	\$ 500,000*
FY 1964 Estimate	\$2,000,000
FY 1965 Request	\$2,300,000

The World Food Program of the UN is an experimental program which seeks, over a three-year period, to determine how and to what extent surplus food can be used on a multilateral basis to stimulate economic and social development.

The principal developmental projects undertaken or currently under consideration under the World Food Program include the following: use of food as a labor incentive; land settlement; community development; irrigation; livestock and poultry development; construction of storage facilities; urban development; reforestation; post-earthquake reconstruction; and watershed management.

Toward the World Food Program's three-year goal of \$100,000,000 the United States in September 1962 pledged 40% of total cash contributions up to a maximum of \$6,000,000 for the costs of administration, services and non-surplus commodities, \$40,000,000 in P.L. 480 surplus commodities, and \$4,000,000 from the same appropriation for shipping services over the three-year period.

For 1965, \$2,400,000 is requested to permit the United States to fulfill the cash component of our pledge for the third year of the program.

*In addition, \$1,138,000 funded from the Contingency Fund was used in FY 1963 to fulfill the U.S. pledge for this program.

7. INTERNATIONAL ATOMIC ENERGY AGENCY

FY 1963 Contributions	\$1,223,000
FY 1964 Estimate	\$1,000,000
FY 1965 Request	\$1,100,000

The operational program of the International Atomic Energy Agency, strongly encouraged by the United States, promotes the peaceful application of atomic energy in the Agency's member states. The Agency assigns technical experts in the field of atomic energy to various countries in the world and finances fellowships to train scientists from emerging countries in nuclear science in the schools and laboratories of the more advanced countries. As the peaceful uses of atomic energy expand, the Agency is expected to have an increasingly important role in establishing international rules and regulations in such fields as health and safety, third party liability, and waste disposal.

The United States has contributed in cash and in services to this program since its inception in 1958. A total of \$1,100,000 is requested for the 1965 program to permit a cash contribution to the General Fund and a contribution in kind of the services of American experts and equipment, and of opportunities for study in the United States.

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VOLUNTARY CONTRIBUTIONS TO INTER-
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8. INDUS BASIN DEVELOPMENT FUND

FY 1963 Contributions	\$24,599,000
FY 1964 Estimate	\$23,500,000
FY 1965 Request	\$37,000,000

The Indus Waters Fund, administered by the World Bank, is financing a ten year project to divert to India waters now used in Pakistan, and provide for replacement of the diverted waters by a system of dams, reservoirs and link canals in Pakistan. Completion of the project will help to resolve one of the major causes of friction between India and Pakistan.

Revised estimates now place the total cost at \$2 billion, instead of the \$1 billion originally estimated. However, the Government of Pakistan has agreed to finance about two-thirds of the added cost with the original contributors -- the United States, the World Bank, the U.K., Germany, Canada, Australia, and New Zealand -- providing an additional \$315 million.

To finance continued construction of the Indus works, the World Bank has indicated a planned call-up of \$37 million from the United States during FY 1965, and the request for a \$37 million contribution is made in anticipation of this call-up. Progress on construction of the works is proceeding on schedule. Since more than 75% of Indus project contracts have been awarded to U.S. firms implementation of the project appears to have a net favorable effect on the U.S. balance of payments.

9. INTERNATIONAL PEACE CORPS SECRETARIAT

FY 1963 Contributions	-
FY 1964 Estimate	-
FY 1965 Request	\$150,000

A U.S. voluntary contribution is proposed to the International Peace Corps Secretariat for FY 1965. Other nations will also contribute substantially to the operations of the Secretariat.

The International Peace Corps Secretariat was created by unanimous resolution of 43 nations to provide for the international exchange of experience on the increased use of volunteers in the work of economic development. The staff of the Secretariat is provided by interested governments. The major function of the Secretariat is to assist in the exchange and creation of volunteer assistance to less-developed countries. In many countries, experience has demonstrated that such volunteers make an important contribution to the process of social and economic development. The Secretariat seeks to increase the effectiveness and volume of such volunteer assistance. During the initial year of the Secretariat's work, more than 14 nations have established Peace Corps type programs. In addition, many less-developed countries are planning domestic volunteer groups to mobilize their youth in the work of their own development.

Twenty-eight nations have voted for continuation of the International Secretariat for a further three years. The establishment of the Secretariat on a more formal basis, as well as its program of work and its budget for the coming year, were considered at a conference at the Hague in February and will be further discussed at a meeting in April or May. The tentative estimate of \$150,000 as the U.S. contribution is subject to revision depending upon the outcome of these negotiations. The U.S. contribution will not exceed 40% of total contributions.

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ADMINISTRATIVE EXPENSES, A.I.D.

The Agency requests a total of \$52.5 million in administrative funds to put into effect the tighter, more closely supervised program planned for FY 1965. This is equivalent to 2% of the amount requested for economic assistance.

Administrative funds are used for the over-all direction and supervision of the A.I.D. program in Washington and overseas. This includes establishing program policies and standards, planning, supervising and reviewing the actual implementation of these policies, evaluating programs and projects, and providing such critical management services as accounting, inspection, auditing and reporting. In short, administrative funds pay the cost of assuring that the foreign assistance program is effectively administered.

The FY 1965 request for \$52.5 million is almost \$5 million less than last year's proposed level of administrative funds. The emphasis on tighter control in the FY 1965 program, the orderly phase-out of several country programs and the reorganization and consolidation of more than ten others will place heavy demands on the Agency's administrative staff. Thus the proposed funds for FY 1965 are a bare minimum necessary for effective administration of the program.

This request for Administrative Expenses contemplates a modest reduction in administrative staffing levels by the end of FY 1965. The proposed level of \$52.5 million represents a net increase of \$528,800 over the \$51,971,200 in administrative funds available in FY 1964. The increase is chiefly a reflection of higher costs resulting from the federal pay raise of 1964, a rise in overseas wage and price levels and added contractual auditing charges. It also allows for the inauguration of an advanced training program for Agency staff in the professional developmental field.

The specific changes in the FY 1965 budget which have produced this net increase are outlined below.

Increases

\$500,000 for training. A.I.D. has conducted only very limited training for the past few years. The inadequacy of these training activities has been the subject of Congressional as well as Executive Branch criticism. An increase of \$500,000 is proposed for advanced training in the professional developmental field, oriented particularly to foreign economic problems.

\$210,000 for contractual auditing. In most instances, the commercial-type contracts of this Agency are of the cost-plus-fixed-fee type. These contracts require annual audits to establish the correctness of direct costs charged, to ascertain the propriety of overhead rates used and, generally to protect the interests of the Government. Over the past several years the Agency has increased its contract audit coverage by augmenting its own limited audit staff with audit assistance from other Federal agencies and public accountants. The increase requested is to obtain additional auditing services from other U.S. agencies and commercial audit firms to handle a growing number of contracts becoming due for audit.

\$385,000 for overseas wage and price adjustments. Overseas local wage scales, as well as costs of items and services procured locally, have continued to rise as a result of inflation as well as increases in real wages for comparable services. Salaries paid to foreign nationals are based on studies directed by the Department of State. The objective of such studies is to establish salary rates comparable with those paid for equivalent services by local private and public entities. Based on current trends in local wages and prices overseas, a cost increase of \$385,000 is projected for FY 1965.

\$522,000 for increased Federal pay costs. The Postal Service and Federal Employees Salary Act of 1962 authorized a two-phase increase in salaries, the second of which became effective in January 1964. An additional \$663,000 will be required in FY 1965 to place this increase, applicable to current employment, on a full year basis. This is offset in part by a reduction of \$141,000 in pay costs as a result of one less compensable day in FY 1965.

Decreases

\$668,200 in other Government Agency costs. In carrying out its development assistance programs, A.I.D. utilizes, to the maximum extent possible, the technical competence of other government agencies. In the past, A.I.D. has reimbursed agencies for these services from both administrative and program funds, despite the fact that all services performed by other U.S. government agencies directly implement specific development programs and projects. About 10% of these reimbursements have been charged to administrative funds in the past. Separating the costs attributable to each function

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ADMINISTRATIVE EXPENSES, A.I.D.

into "administrative" and "program" categories is complicated, time-consuming and costly in manpower. To simplify accounting for both A.I.D. and other Government Agencies, therefore, it is planned to finance all of these other government agency costs from program funds in FY 1965.

\$420,000 attributable to administrative personnel reductions overseas and other management economies. A critical review of A.I.D. administrative staffing overseas has revealed areas where

further personnel cuts can be made over a period of time without detriment to foreign assistance objectives. In order to allow for an orderly reduction of the administrative staff, an average of nine months of the normal costs for these personnel has been budgeted. The estimate of savings, therefore, represents one-fourth of the current administrative funds budgeted for these positions. Savings in general management services are also expected to be realized through the recently instituted Management Improvement Program.

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ADMINISTRATIVE AND OTHER EXPENSES,
DEPARTMENT OF STATE

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Two specific activities involving U.S. foreign assistance are the responsibility of the Department of State. These are: (a) the support of the U.S. Mission to the North Atlantic Treaty Organization (NATO) and European regional operations; and (b) administration of the Mutual Defense Control Act (Battle Act).

An appropriation of \$2.9 million is requested in FY 1965 to cover costs of these functions. This compares to \$2.7 million appropriated for FY's 1963 and 1964.

The increase of \$200,000 over 1964 includes amounts for pay act increases, overseas wage and price increases, increases in communication and other support costs and increased costs for financing U.S. participation in international conferences under NATO.

Representatives of the Departments of State, Treasury and Defense, A.I.D. and the U.S. Information Agency comprise the U.S. Mission to NATO and European regional organizations, which include the Organization for Economic Cooperation and Development (OECD), Development Assistance Committee, and the Consultative Group--coordinating committee for strategic trade control.

Of the \$2.9 million requested for fiscal year 1965 \$1,935,000 would cover the expenses for the State Department element of the mission, including the Office of the Mission Chief, Office of Political Affairs and the administrative staff and Secretariat for the entire organization.

The basic objectives of the Battle Act are to safeguard the strength of the United States and its allies, and to impede the warmaking potential of the Sino-Soviet bloc, by a system of security trade controls designed to prohibit or limit exports of free world strategic materials to the bloc.

The United States has cooperated effectively with the major industrialized nations of the Free World in the operation of an agreed system of controls over strategic trade with the Sino-Soviet bloc.

The Department of State conducts bilateral and multilateral negotiations regarding security trade controls and the shipment or transshipment of controlled items, and attempts, with the cooperation of other countries, to prevent unauthorized diversion of strategic commodities. The requirement for this operation in FY 1965 is \$865,000.

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SUPPORT FOR AMERICAN-SPONSORED SCHOOLS
AND HOSPITALS ABROAD

For FY 1965 A.I.D. is requesting \$16.9 million, plus \$1.1 million in local currency for assistance to 11 American schools and hospitals abroad. The largest share (\$10.5 million) would go to the Medical Center of the American University of Beirut (AUB) to provide a modern patient care facility. When combined with the clinical teaching, research and out-patient facilities previously financed by a \$5 million grant from A.I.D., this will create the most modern medical center in the Middle East.

The request also includes an estimated \$1.1 million to purchase local currency for use by the American University in Cairo, and \$1.5 million in assistance for Project Hope. The remaining \$4.9 million would be allocated among Robert College, the American Farm School, Athens College, Pierce College, Anatolia College, the Escuela Agricola Panamericana, Admiral Bristol Hospital and the AUB.

In FY 1963, grants totaling \$4,971,951 were made to the following colleges and universities: AUB, \$1,950,000; American University in Cairo, \$495,451; Robert College in Istanbul, \$850,000; Athens College, \$265,500; Pierce College, Athens, \$600,000; American Farm School, Salonika, \$284,000; Anatolia College, Salonika, \$227,000 and Escuela Agricola Panamericana, Tegucigalpa, Honduras, \$300,000.

The American schools being assisted were created by the determined efforts of dedicated Americans who believed that American education, with its emphasis on equality of opportunity, free inquiry and freedom from ideological dogma, had something special to contribute to the developing countries.

The graduates of these American-sponsored schools become teachers, government administrators, agriculturalists, businessmen, doctors, nurses and other specialists essential to the modernization efforts of their countries. The schools themselves serve as living models of the American approach. An impressive number of persons educated in the American schools in Greece, Lebanon, Turkey and Egypt now play key roles in the political, scientific and cultural life of their countries.

Each of the schools is accepted by the host government as an honorable contributor to the immense educational challenge each country faces. The schools themselves require at least limited U.S. Government support if they are to provide an acceptable level of teaching. Some of them face critical financial problems and, without emergency assistance from the U.S. Government, might have to close.

It is in the U.S. national interest to help these schools survive and function effectively, but not in the interest of the Government or the schools themselves to continue underwriting operating budget deficits. For this reason A.I.D. continues to work with each school to determine the kind and amount of assistance most likely to strengthen its financial base, better equip it for its role and move it as rapidly as possible toward self-support.

INVESTMENT SURVEYS

A.I.D. is requesting \$2.1 million in FY 1965 to continue the rapidly expanding investment survey program. This imaginative new private enterprise activity has grown rapidly since its institution in 1962. Five investment surveys were authorized in 1962 and 60 were authorized in 1963. The trend of business interest and application continues to rapidly increase so that the original \$1.5 million appropriated for this program needs to be replenished.

Under the investment survey program, A.I.D. can agree to pay up to one-half the cost of investment surveys undertaken by prospective investors. If the survey results in an investment, the prospective investor pays the full cost of the survey. If, after a reasonable period of time, the prospective investor decides not to invest, A.I.D. pays the agreed portion of the cost of the survey.

Thus with a potential liability of very limited cost, A.I.D. can generate large private investment. The investment survey program can contribute far more in productive private investment than the \$2.1 million requested by A.I.D. in FY 1965 to continue the program.

This program, along with A.I.D.'s many other private enterprise activities, is discussed more fully in the section on Private Enterprise and Resources of this Volume.

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THE A.I.D. RESEARCH AND ANALYSIS PROGRAM

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If A.I.D. is to improve its effectiveness in shaping programs that yield expected results in a timely fashion and at predictable costs, solutions must be found for a large array of extraordinarily complex problems. A reasonable prospect for finding solutions to even a few of the key problems requires a much more vigorous research effort than has been possible heretofore with the funding levels authorized in fiscal years 1963 and 1964.

The request for FY 1965 is \$15 million. Although this is a substantial increase over the amount made available in FY 1964, it represents only 6/10 of 1% of the over-all economic aid request. Thus, it is still a very modest amount when weighed against the over-all size of the A.I.D. budget, the number of problems which require solution, and the opportunities to support promising, high-priority research.

To be effective in this context, A.I.D.'s program of scientific research and analysis must: (a) add systematically to our all-too-sparse knowledge of the processes of development; (b) develop improved techniques, equipment and procedures for use by A.I.D. in projects and programs for promoting economic and social development; and (c) evolve and adapt methods for objectively assessing the results of A.I.D. projects and programs in progress or under consideration.

The proposed size of the program is based primarily on a judgment of the amount that can be soundly obligated in FY 1965, in view of the processing time required and the manpower available for project review, contract negotiation, and the interpretation of results for potential users. Of the total, \$5 million will be required to fund continuing projects initiated in prior years, \$4 million to fund proposals which will have been reviewed prior to the end of FY 1964 but which could not be initiated for lack of funds, and \$6 million to start important new projects.

All research and analysis proposals are examined carefully from the standpoint of their relevance and importance to A.I.D. needs, to assure their scientific soundness, and to be certain that they avoid inadvertent duplication of effort. Extensive use is made for this purpose of expert consultants in other government agencies and in the external research community. The final step is a careful review by the A.I.D. Research Advisory Committee, a committee of 14 eminent scientists serving at the request of the A.I.D. Administrator. Contract negotiations are initiated only after this extensive review has been completed satisfactorily. Contract negotiation procedures are designed to assure reasonableness of cost and consistency with sound business practices.

Apart from the volume of effort required to start systematic investigations on important problems to help A.I.D. operations, there are at least four supporting considerations:

1. With a level much below \$15 million, the program will not develop the momentum required to attract top-drawer scientific talent for work on the problems of A.I.D.
2. A dynamic program of A.I.D.-financed research should stimulate the research efforts of the host country through providing association with experts, exposing interesting research opportunities, and demonstrating the value to the host governments of investments in research.
3. As on-going programs begin to reveal challenging further research opportunities, many first-rate scientists will be motivated to seek support also from other sources-- e.g., private foundations--for work on these problems--reinforcing the impact of the work directly supported by A.I.D.
4. As a result of the experience and insights derived from investigations conducted under A.I.D.'s research program, an increasing number of individuals, trained in matters of development, will become available to A.I.D.

All of these effects--primary and secondary--are contingent upon the attainment of a significant research program. An annual level of at least \$15 million is estimated to be the minimum needed to reach these ends.

The program is organized around seven areas of concentration, as follows:

1. Agriculture. In most less-developed countries, raising agricultural production is a priority development goal. The vast fund of pertinent knowledge which has made possible the spectacular rise in agricultural productivity in the United States and other economically advanced countries is not directly relevant to the climates, soils, and requirements of most less-developed countries. The scientific methods developed by our agricultural scientists can rapidly build the knowledge needed in the less-developed countries. In the process, many local scientists can be trained to apply these research methods. Research is under way on tropical soils in Latin America and Africa, on improving cereal crops in Africa and grain legumes in Asia, on tsetse fly control and on economic factors associated with differences in agricultural production in 25 to

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THE A.I.D. RESEARCH AND ANALYSIS PROGRAM

30 countries in all four regions. In FY 1965, \$2.5 million is programmed for agricultural research.

2. Public Health. A.I.D. support of research in this field has been highly selective in order to avoid duplication. The most substantial investment thus far--about \$1 million for the period 1962-64--has been to improve malaria eradication methods, equipment and materials. It supports the large A.I.D. contribution to the world-wide malaria eradication program and has resulted in substantial savings. The other areas of principal interest include studies on the most effective methods to organize and train appropriate personnel for the delivery of health services in low-income countries, the effects of specific health measures on economic growth and vice versa, and nutritional studies. In FY 1965, \$1.5 million has been programmed for studies in this area.
3. Human Resources. The scarcity of skilled and educated people in less-developed countries is a major obstacle to development. Research is required to learn more about design and performance of educational systems, to improve curricula and teaching methods, and to devise techniques for distinguishing and utilizing individual differences in aptitudes and attitudes. Studies under way include development of an educational research institute to help upgrade secondary and higher education in Central America; the development and testing of mathematics curricula in Africa and new techniques for teaching English as a second language. In FY 1965, \$2.5 million is programmed for this area of concentration.
4. Material Resources. Successful introduction of industrial technology in developing countries requires much deeper understanding than currently available of a variety of complex economic, environmental and technological factors. Transfer of a technology developed in an advanced country to a less-developed country may be inappropriate without extensive adaptive research. Choice of technology, sequence of introduction, plant location, the interactions of investments in transport, electric power and communications on economic growth are areas requiring major research programs. In FY 1965, \$2 million has been programmed for this area, a substantial fraction of which will continue a program of studies dealing with economic impact of transport systems.
5. Social Systems. The dynamics of social, political and cultural change are the ultimate target in this area of research concentration. Increasing agricultural production invariably requires social changes in rural communities--in land tenure patterns, in important attitudes, in institutions, in local leadership patterns. Effective introduction of new techniques therefore depends on deep understanding of the values, attitudes and institutions of the local population and of the most effective ways of communicating new ideas so as to stimulate the desired changes in behavior. Similarly, rapid urbanization in many less-developed countries poses critical problems, the solutions to which will be found only after extensive research has been conducted. In FY 1965, \$1.5 million is programmed for this area of concentration.
6. Systems Analysis. The effectiveness of development assistance will depend heavily on the complex interactions of one sector with another as social, economic, and political changes occur. Analytic tools need to be developed which permit an objective appraisal of these changes and their dependence on alternative courses of action. These are techniques patterned after the methods now in general use to guide executive decisions in military and commercial operations. The problems of projecting international trade patterns, of comparing the contributions of different sectors to national development, and of determining the effects of external assistance on development are being analyzed by these techniques with a view to reducing the uncertainties of program decisions. Methods will be devised to appraise more accurately the impact of different aid policies and the effectiveness of alternative aid programs. In FY 1965, \$3.5 million is programmed for systems analysis studies.
7. Operations Analysis. Modern analytical techniques will be put to work directly on problems currently faced by operating and administrative units of A.I.D. These studies draw on past experience of the foreign aid program and on comparable experience of other donor countries and the UN agencies. Studies underway include an evaluation of the participant training program and an analysis of technical assistance administration. In addition to guiding immediate decisions and indicating the costs of departing from the most advantageous solutions, operations analysis is being used to improve A.I.D.'s methods of evaluating project results. In FY 1965, \$1.5 million has been programmed for such studies.

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NON-REGIONAL PROGRAMS

As in the case of Research, no separate fund request is being made for the non-regional programs briefly outlined here. The money amounts noted are to be earmarked from other funding requests for the operation of each particular activity during the fiscal year.

OCEAN FREIGHT - VOLUNTARY AGENCIES

A.I.D. supports the people-to-people relief and rehabilitation programs of registered American Voluntary Agencies by paying the ocean freight costs of supplies donated to these agencies. Currently, 28 eligible Agencies and the American Red Cross are making use of the overseas freight payment program. To continue this program in FY 1965, A.I.D. will require \$5.5 million.

INSPECTOR GENERAL, FOREIGN ASSISTANCE

The Inspector General, Foreign Assistance, is given broad statutory responsibility to inspect, for effectiveness, programs under the Foreign Assistance Act, Peace Corps and P.L. 480. The office personnel make frequent inspection trips to all parts of the world. To help maintain the activities of this office during FY 1965, a total of \$625,000 is requested, of which \$125,000 will be from Technical Cooperation funds.

INTERREGIONAL PROGRAMS

Interregional programs are activities conducted mainly in the United States in direct support of the A.I.D. field program. The costs of these activities are charged on a world-wide basis because it would be impractical to relate them precisely to individual country or regional programs. These costs are related directly to the implementation of country or regional programs rather than to any of the general administrative functions of over-all A.I.D. direction and supervision. The expenses of A.I.D.'s interregional programs are summarized in the following table:

INTERREGIONAL EXPENSES - PROGRAM SUMMARY

(In thousands of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
A.I.D. Washington Program Staff	12,667	15,220	16,000
Program Support - Dept. of State	7,319	8,500	8,700
Participant Services:	7,659	8,001	8,700
Other Agency	(4,086)	(4,465)	(5,300)
A.I.D.	(3,573)	(3,536)	(3,400)
Training in Cooperatives	394	450	300
Central Book Fund	520	550	700
Excess Property Offices	116	330	400
International Aid Coordination	253	350	350
Communications Resources	670	700	700
General Technical Services:	2,397	3,712	5,300
General Services	(1,580)	(2,312)	(2,300)
Other Agency Consultants and Support	(817)	(1,400)	(3,000)
Building Facilities	1,766	2,850	1,825
Dependent Education	1,492	1,500	1,500
Total, Interregional Expenses	<u>35,253</u>	<u>42,163</u>	<u>44,475</u>
Funded from:			
Technical Cooperation	25,538	32,052	34,500
Alliance for Progress	9,243	9,975	9,975
Supporting Assistance	472	136	-

Interregional Program Categories

1. A.I.D. Washington Program Staff. A.I.D. maintains from Washington headquarters a program staff which directly supports field operations. This staff includes a variety of professionals concerned with program implementation--contract officers, training officers, technicians, research and evaluation personnel--who can handle a larger workload, more effectively, out of Washington headquarters than if assigned to permanent field locations.

The 16.0 million required to maintain this staff in FY 1965 is larger than the previous year because of the federal employees' pay raise and because of the demands of a stronger staff training program.

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NON-REGIONAL PROGRAMS

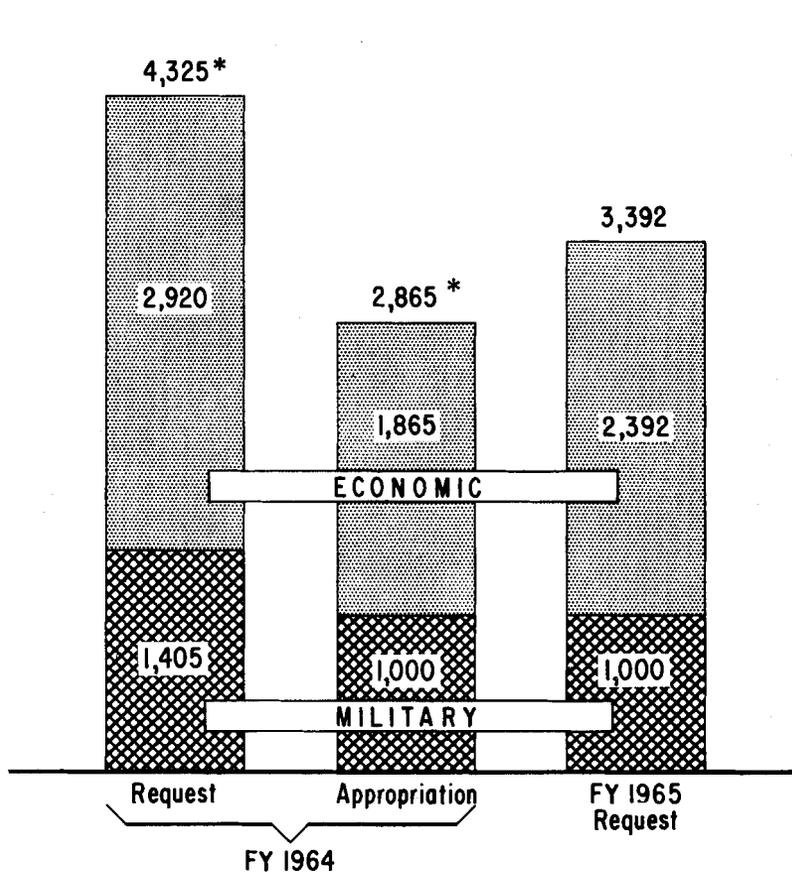
2. Program Support by the Department of State. The Department of State performs for A.I.D. and other agencies certain common services in Washington and overseas, such as communications, health, fiscal, transportation and custodial services, for which it charges on a pro-rata basis. Of the A.I.D. share in such costs for FY 1965, \$8.7 million will be applicable to program personnel and charged to the interregional program.
3. Participant Services. Each year about 6,000 foreign nationals from aided countries are sent to the United States for advanced training in a wide variety of technical and professional fields. The training of these nationals is part of the A.I.D. field effort and is directly related to the manpower needs of specific development programs. During FY 1965 \$8.7 million will be required for services in orienting, placing, guiding and counselling participants in the United States.
4. Training in Cooperatives. In spurring the development of cooperative institutions overseas, A.I.D. contracts with a number of nongovernmental institutions for technical assistance and, as in the case of other field activities, conducts some direct support activities (training in particular) from the United States, rather than tie their costs directly to individual country programs. During FY 1965, \$300,000 will be required for such world-wide support activities.
5. Central Book Fund. A.I.D.'s Central Book Fund was established in response to field concern over the lack of reading matter for newly-literate people and the growing flow of low-cost Sino-Soviet publications to the developing countries. This project supports experimental undertakings to increase the availability of text, scientific and other books at reasonable prices in the developing countries. It will require \$700,000 in FY 1965.
6. Excess Property Offices. A.I.D. will need \$400,000 to maintain the offices handling its program of using excess property wherever possible in place of costlier new equipment in carrying out development projects. Section 608 of the Foreign Assistance Act authorized A.I.D., in anticipation of overseas needs, to acquire and process equipment declared excess for Government requirements and provide this to A.I.D. missions at prices far below those of new property. By using U.S. Government-owned excess property wherever possible in FY 1963, A.I.D. saved more than \$43 million in its overseas assistance projects.
7. International Aid Coordination. The International Aid Coordination staff in Paris supports the U.S. Representative to the OECD's Development Assistance Committee, a 12-nation group formed at U.S. initiative which includes all major free world aid donors and has been a major force in improving the terms and increasing the volume of aid from other free countries. The \$350,000 budget for this staff for FY 1965 also includes the salary and expenses of the Chairman of the Development Assistance Committee, an American citizen.
8. Communications Resources. A Washington Communications Resources staff provides direct support, on a world-wide basis, to A.I.D. Missions in disseminating technical literature, books and training information, design and development of communications media techniques, maintaining a film loan library, exhibit services, answering technical inquiries and preparing special-purpose technical publications. Its budget for FY 1965 remains at \$700,000.
9. General Technical Services. Certain specialized activities in support of country programs are concentrated in A.I.D. staff offices concerned with technical assistance, engineering and private enterprise. In the fields of agriculture, health, education and industry, these services make possible a centralized approach to problems several A.I.D. missions may have in common by providing such things as nutritional studies, preparation of a bibliography of investment opportunities, unified sample seed purchasing and the furnishing of management and medical education consultants. The budget for this activity in FY 1965 is \$5.3 million.
10. Building Facilities. Under Section 636(c) of the Foreign Assistance Act of 1961, not in excess of \$3 million of the funds available in any fiscal year (excluding Development Loans) may be used to construct or acquire outside the United States, living quarters, office space, schools, hospitals and other supporting facilities for the use of personnel carrying out activities authorized by the Act, U.S. Government personnel and their dependents. A total of \$1.8 million in such funds will be used in FY 1965.
11. Dependent Education. Under Section 636(d) of the Foreign Assistance Act of 1961, not in excess of \$1.5 million of foreign assistance funds (excluding Development Loans) may be used to assist schools already established (or to be established) overseas whenever this is considered most economical or whenever this will best serve U.S. interests in providing for the education of dependents of foreign assistance personnel, or other Government personnel posted overseas. For FY 1965, \$1.5 million will be required.

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MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

(Millions of Dollars)

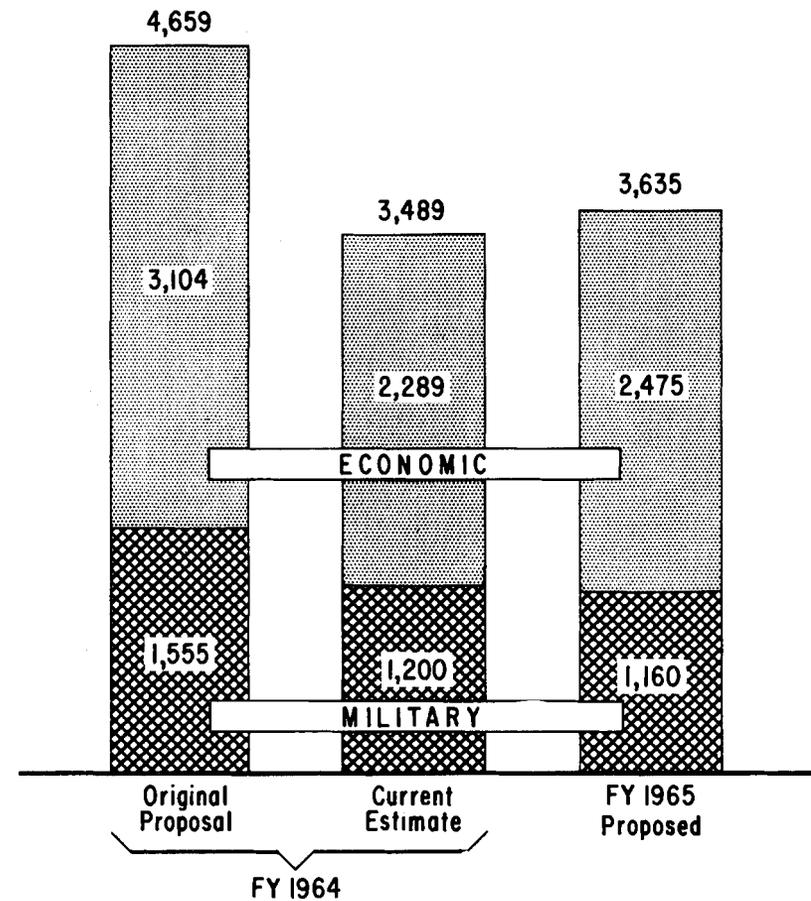
NEW APPROPRIATIONS



*For FY 1964 excludes Social Progress Trust Fund. (Request \$200 million. Appropriation \$135 million.)

TOTAL AVAILABLE FUNDS**

(Includes New Appropriations, Carryover, Transfers, and Recoveries.)

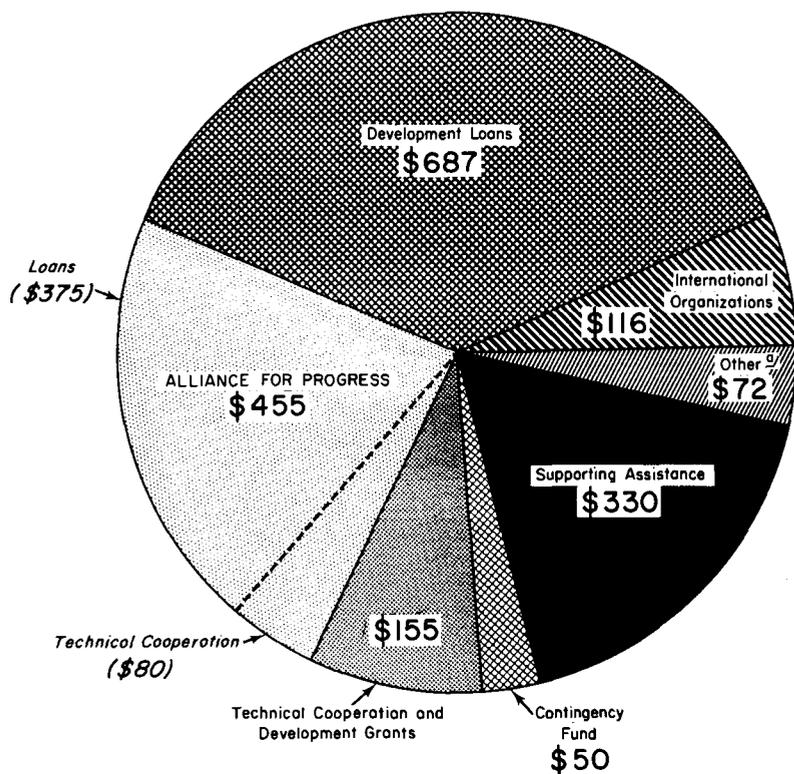


** Excludes Social Progress Trust Fund.

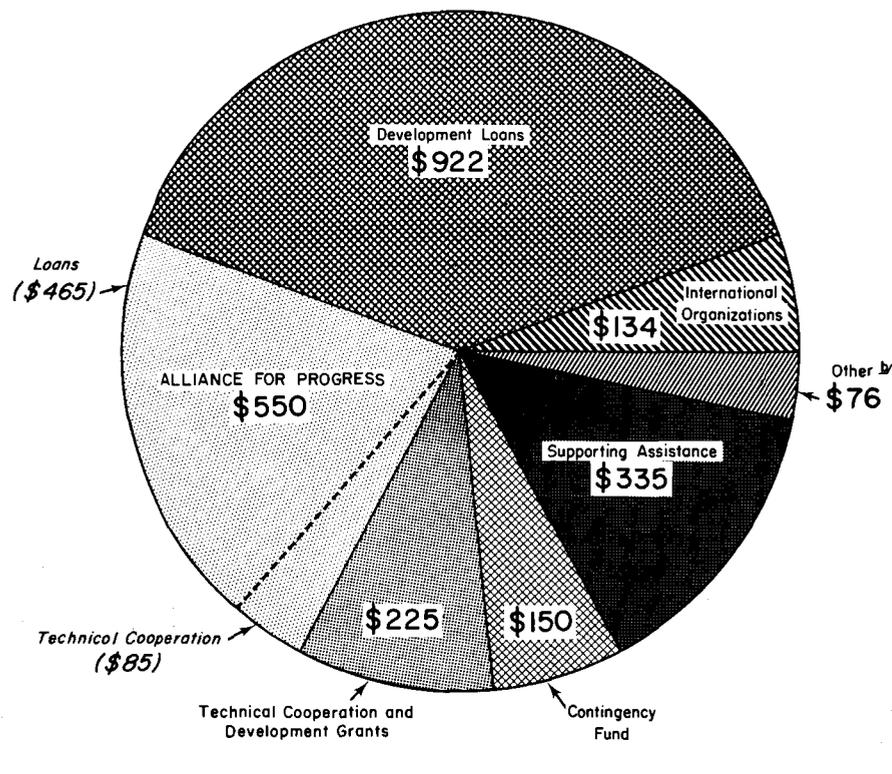
AGENCY FOR INTERNATIONAL DEVELOPMENT AND ALLIANCE FOR PROGRESS

FY 1964 APPROPRIATION

FY 1965 APPROPRIATION REQUEST



Total--\$1,865 million*



Total--\$2,392 million

^{a/} Includes American Schools and Hospitals Abroad (\$14.3 million in dollars and \$4.7 million for special foreign currency program); \$50.0 million administrative expenses (A.I.D.) and \$2.7 million administrative expenses (STATE).

^{b/} Includes American Schools and Hospitals Abroad \$18.0 million in dollars; A.I.D. Administrative Expenses \$52.5 million; State Administrative Expenses \$2.9 million; and \$2.1 million for Investment Surveys.

* Excludes appropriation of \$135 million for the Social Progress Trust Fund.

SUMMARY OF ESTIMATED FUND AVAILABILITIES FOR MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS - FY 1964 and FY 1965

	(In thousands of dollars)										
	FY 1964						FY 1965				
	Appropriations	Carryover from Prior Year Appropriations	Transfers Between Appropriations	Reimbursements and Receipts	Estimated Recoveries	Total Available for Programming	Appropriation Request	Estimated Carryover	Reimbursements and Receipts	Estimated Recoveries	Total Available for Programming
<u>Military Assistance</u>											
Grant Aid Program	1,000,000	22,317	50,000	-	127,683	1,200,000	950,000	25,000	-	135,000	1,110,000
Credit Sales Account ^{a/}	-	-	-	-	-	-	50,000	-	-	-	50,000
TOTAL MILITARY ASSISTANCE PROGRAM	1,000,000	22,317	50,000 ^{b/}	-	127,683	1,200,000	1,000,000	25,000	-	135,000	1,160,000
<u>Economic Assistance</u>											
Technical Cooperation and Development Grants	155,000	47,300	-102	900	22,327	225,425	224,600	-	1,000	9,200	234,800
American Schools and Hospitals Abroad	14,300	-	-	-	-	14,300	18,000	-	-	-	18,000
American Schools and Hospitals Abroad (Special Foreign Currency Program)	4,700	100	-	-	-	4,800	-	-	-	-	-
International Organizations and Programs	116,000	336	-	-	-	116,336	134,400	-	-	-	134,400
Supporting Assistance	330,000	6,040	-	1,400	23,200	360,640	335,000	-	1,600	12,000	348,600
Contingency Fund	50,000	127,099	-50,000 ^{b/}	2,400	-	129,499	150,000	-	-	-	150,000
Alliance for Progress:											
Development Loans	375,000	92,018	-	(2,300) ^{c/}	5,000	472,018	465,000	2,300	5,000	10,000	482,300
Technical Cooperation	80,000	2,704	-	-	2,673	85,377	85,000	-	-	3,000	88,000
Inter-American Social and Economic Program	-	1,623	-	-	1,000	2,623	-	-	-	-	-
Development Loans	687,300	96,170	-	(3,000) ^{c/}	37,500	820,970	922,200	3,000	10,000	25,000	960,200
Surveys of Investment Opportunities	-	1,100	-	-	100	1,200	2,100	-	-	300	2,400
Administrative Expenses - A.I.D.	50,000	1,971	-18	800	-	52,753	52,500	-	1,000	-	53,500
Administrative and Other Expenses - State	2,700	15	-	-	-	2,715	2,900	-	-	-	2,900
TOTAL ECONOMIC ASSISTANCE	1,865,000 ^{d/}	376,476 ^{e/}	-50,120	5,500	91,800	2,288,656	2,391,700	5,300 ^{e/}	18,600	59,500	2,475,100
TOTAL MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS	2,865,000	398,793	-120	5,500	219,483	3,488,656	3,391,700	30,300	18,600	194,500	3,635,100

a/ Excludes collections from military credit sales for comparability with FY 1965 Military Assistance Program presentation.

b/ The military assistance program assumes that up to \$50 million may be transferred from the contingency fund.

c/ These amounts are estimated dollar receipts in FY 1964 but pursuant to the FY 1964 Appropriation Act may not be used except "where so specified in appropriation acts." Therefore, the above amounts are not included in the FY 1964 availabilities for programming.

d/ Excludes Social Progress Trust Fund - \$135,000 thousand.

e/ Excludes Investment Guaranty Program and balances in the special revolving fund for acquisition of excess property. Also excludes balances in unused borrowing authorities and net receipts in the Development Loan Liquidation account as of 6/30/63 which have been reserved for return to Treasury.

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAMS BY AREA
FISCAL YEARS 1963, 1964 AND 1965
(In thousands of dollars)

Areas and Programs	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Technical Cooperation and Alliance for Progress TC			Supporting Assistance			Contingency Fund			Other Programs						
	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed				
SUMMARY - ALL PROGRAMS...	2,432,025	2,236,656	2,323,056 ^{a/}	2,475,100	2,675,600	1,287,970	1,240,988	1,327,388 ^{a/}	1,442,500	1,643,000	349,202	313,425	322,800	446,224	360,620	348,600	149,196	159,499	150,000	179,437	192,104	211,200
LATIN AMERICA.....	566,564	530,668	582,668	587,700	727,700	342,835	420,018	472,018	482,300	622,300	119,318	88,000	88,000	22,701	19,500	17,400	81,710	3,150	-	-	-	-
NEAR EAST AND SOUTH ASIA.....	947,156	826,000	846,000	872,100	902,100	779,550	709,800	729,800	785,000	815,000	56,816	51,300	49,300	98,834	64,900	37,800	11,066	-	-	-	-	-
FAR EAST.....	443,054	319,455	327,455	379,700	384,700	67,100	35,000	43,000	70,000	75,000	57,185	51,000	47,500	270,705	228,200	242,200	48,064	5,255	-	-	-	-
AFRICA.....	261,109	201,700	208,100	218,900	244,400	98,300	76,000	82,400	105,000	130,500	83,870	78,300	82,900	72,729	47,700	31,000	6,210	-	-	-	-	-
European Countries Not Receiving Aid in FY's 1964 and 1965.....	125	-	-	-	-	-	-	-	-	-	125	-	-	-	-	-	-	-	-	-	-	-
INTERNATIONAL ORGANIZATIONS.....	114,192	116,336	134,400	-	-	-	-	-	-	-	4	-	-	-	-	-	1,138	-	-	113,050	116,336	134,400
AMERICAN SCHOOLS AND HOSPITALS ABROAD.....	8,812	19,100	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,812	19,100	18,000
INVESTMENT SURVEYS.....	398	1,200	2,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	1,200	2,400
ADMINISTRATIVE EXPENSES..	57,173	55,468	56,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,173	55,468	56,400
OTHER NON-REGIONAL ACTIVITIES.....	33,442	45,635	55,500	185	170	200	31,884	45,125	55,100	-	1,255	340	200	118	-	-	-	-	-	-	-	-
UNDISTRIBUTED CONTINGENCY FUND.....	-	121,094	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121,094	150,000	-	-	-

a/ Total available for FY 1964 is \$2,288,656 thousand and amount available for lending is \$1,292,988 thousand. Excluded is \$135 million for Social Progress Trust Fund.

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ECONOMIC ASSISTANCE
SUMMARY OF PROGRAMS BY AREA
FISCAL YEARS 1963, 1964, AND 1965

UNCLASSIFIED

(In thousands of dollars)

Area and Country	TOTAL ECONOMIC ASSISTANCE			Alliance for Progress Loans			Alliance for Progress Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
LATIN AMERICA - TOTAL	566,564	530,668-582,668	587,700-727,700	342,835	420,018-472,018	482,300-622,300	119,318	88,000	88,000	22,701	19,500	17,400	81,710	3,150	-	-	-	-
Argentina.....	99,709	11,474	41,800-61,800	76,400	20,000	40,000-60,000	3,309	1,474	1,800	-	-	-	20,000	-	-	-	-	-
Bolivia.....	35,645	43,500-53,500	41,000-66,000	18,300	25,000-35,000	25,000-50,000	7,445	5,500	5,000	9,900	13,000	11,000	-	-	-	-	-	-
Brazil.....	86,538	96,000-116,000	116,000-146,000	37,400	80,000-100,000	100,000-150,000	23,638	16,000	16,000	-	-	-	25,500	-	-	-	-	-
Central American Economic Community:																		
Central America Regional Organization (ROCAF).....	8,193	26,300	24,000-29,000	2,500	22,000	20,000-25,000	5,693	4,300	4,000	-	-	-	-	-	-	-	-	-
Costa Rica.....	12,994	9,800-11,800	8,500	16,600	8,000-10,000	5,000	2,394	1,800	1,500	-	-	-	-	-	-	-	-	-
El Salvador.....	14,469	11,000	7,100	16,600	9,000	5,200	2,869	2,000	1,900	-	-	-	-	-	-	-	-	-
Guatemala.....	3,309	13,179	18,300	700	10,000	15,000	2,609	3,179	3,300	-	-	-	-	-	-	-	-	-
Honduras.....	7,297	4,000	6,700	1,650	2,500	5,000	3,247	1,500	1,700	400	-	-	2,000	-	-	-	-	-
Nicaragua.....	3,487	8,172	6,900	1,000	5,500	5,000	2,487	2,672	1,900	-	-	-	-	-	-	-	-	-
Chile.....	41,324	69,170	73,900	15,000	60,000	70,000	6,318	3,170	3,900	-	-	-	6	-	-	-	-	-
Colombia.....	29,533	49,500-59,500	104,100	17,200	80,000-90,000	100,000	6,158	3,500	4,100	-	-	-	175	-	-	-	-	-
Dominican Republic.....	29,620	1,500	12,800	2,188	-	10,000	3,595	1,500	2,000	-	-	-	23,925	-	-	-	-	-
Ecuador.....	18,198	26,100	28,500	6,300	22,000	20,000	4,865	4,100	4,500	-	-	-	7,033	-	-	-	-	-
Haiti.....	4,860	1,500	1,400	-	-	-	-	-	-	4,860	1,500	1,400	-	-	-	-	-	-
Mexico.....	311	22,500	200-20,200	-	22,000	0-20,000	311	501	200	-	-	-	-	-	-	-	-	-
Panama.....	8,791	20,000	8,800	6,000	15,000	7,000	2,343	1,935	1,800	450	-	-	3,150	-	-	-	-	-
Paraguay.....	3,048	4,600	4,400	-	2,200	2,000	3,048	2,450	2,400	-	-	-	-	-	-	-	-	-
Peru.....	2,906	44,000-54,000	24,700-44,700	-	60,000-80,000	50,000-60,000	2,906	4,000	4,700	-	-	-	-	-	-	-	-	-
Uruguay.....	7,946	5,300	4,800	6,000	4,000	3,000	1,946	1,330	1,000	-	-	-	71	-	-	-	-	-
Venezuela.....	33,102	1,600	1,400	30,000	-	-	3,031	1,600	1,400	-	-	-	-	-	-	-	-	-
British Guiana.....	1,425	500	100	-	-	-	1,425	500	100	-	-	-	-	-	-	-	-	-
British Honduras.....	61	-	-	-	-	-	61	-	-	-	-	-	-	-	-	-	-	-
Jamaica.....	5,850	3,300	600-18,600	5,000	2,700	0-10,000	850	600	600	-	-	-	-	-	-	-	-	-
Surinam.....	317	11	-	-	-	-	317	11	-	-	-	-	-	-	-	-	-	-
Trinidad and Tobago.....	10,898	5,000	5,000	-	-	-	802	500	-	7,091	5,000	5,000	3,000	-	-	-	-	-
Regional.....	17,145	13,878	14,200	-	-	-	17,145	13,878	14,200	-	-	-	-	-	-	-	-	-
Non-Regional Programs Funded Out of Alliance for Progress Appropriations	10,591	10,118	10,100	85	118	100	10,506	10,000	10,000	-	-	-	-	-	-	-	-	-

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ECONOMIC ASSISTANCE
SUMMARY OF PROGRAMS BY AREA
FISCAL YEARS 1963, 1964, AND 1965
(In thousands of dollars)

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Area and Country	TOTAL ECONOMIC ASSISTANCE			Development Loans			Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
NEAR EAST AND SOUTH ASIA - TOTAL	947,156	826,000-846,000	872,100-902,100	779,550	709,800-729,800 ^{a/}	785,000-815,000	56,816	51,300	49,300	98,834	64,900	37,800	11,956	-	-	-	-	-
Afghanistan.....	17,407	22,500	20,000	2,625	10,000	10,000	14,782	12,500	10,000	-	-	-	-	-	-	-	-	-
Ceylon.....	446	-	-	-	-	-	446	-	-	-	-	-	-	-	-	-	-	-
Cyprus.....	2,967	3,550	700	2,275	2,800	b/	692	750	700	-	-	-	-	-	-	-	-	-
Greece.....	31,600	7,000	0-10,000	31,600	7,000	0-10,000	-	-	-	-	-	-	-	-	-	-	-	-
India.....	402,163	375,850	391,800	396,050	369,000	385,000	6,113	6,850	6,800	-	-	-	-	-	-	-	-	-
Iran.....	23,382	13,250	12,900	17,400	10,000	10,000	3,803	3,250	2,900	600	-	-	1,679	-	-	-	-	-
Iraq.....	798	970	-	-	-	-	798	970	-	-	-	-	-	-	-	-	-	-
Israel.....	45,000	20,000	0-10,000	45,000	20,000	0-10,000	-	-	-	-	-	-	-	-	-	-	-	-
Jordan.....	42,982	40,000	40,500	-	-	b/	6,482	4,000	7,500	36,000	34,000	33,000	-	-	-	-	-	-
Lebanon.....	144	-	-	-	-	-	144	-	-	-	-	-	-	-	-	-	-	-
Nepal.....	3,864	4,725	3,600	-	1,000	b/	3,864	3,725	3,600	-	-	-	-	-	-	-	-	-
Pakistan.....	186,101	198,200	233,450	176,850	190,000	225,000	8,991	8,200	8,400	-	-	-	260	-	-	-	-	-
Syria.....	245	480	-	-	-	-	228	480	-	-	-	-	17	-	-	-	-	-
Turkey.....	130,819	110,170	144,400	71,450	100,000	140,000	4,380	4,170	4,400	6,989	6,000	-	-	-	-	-	-	-
United Arab Republic.....	48,601	1,700-21,700	17,100-27,100	36,300	0-20,000	15,000-25,000	2,301	1,700	2,100	-	-	-	13,000	-	-	-	-	-
Yemen.....	5,645	5,200	4,400	-	-	-	-	-	-	5,645	5,200	4,400	-	-	-	-	-	-
CECMTU.....	2,187	23,165	850	-	-	-	487	465	450	1,700	19,700	400	-	-	-	-	-	-
Regional.....	2,805	2,240	2,400	-	-	-	2,805	2,240	2,400	-	-	-	-	-	-	-	-	-
FAR EAST - TOTAL	443,054	319,455-327,455	379,700-384,700	67,100	35,000-43,000	70,000-75,000	57,185	51,000	47,500	270,705	228,200	262,200	48,064	5,255	-	-	-	-
Burma.....	15,318	5,700	19,300	-	-	-	1,025	1,400	1,000	14,293	4,300	18,300	-	-	-	-	-	-
Cambodia.....	20,013	5,000	-	-	-	-	8,600	3,000	-	11,413	2,000	-	-	-	-	-	-	-
China (Taiwan).....	38,625	2,300	535-5,535	36,500	-	0-5,000	2,125	2,300	535	-	-	-	-	-	-	-	-	-
Indonesia.....	36,667	15,400	10,000	-	-	-	14,795	11,000	10,000	2,098	4,400 ^{a/}	-	19,774	-	-	-	-	-
Korea.....	127,851	106,400	120,565	30,600	35,000	40,000	7,251	5,200	5,565	90,000	66,200	75,000	-	-	-	-	-	-
Laos.....	38,115	41,570	43,500	-	-	-	-	8,400	8,600	33,243	28,400	34,900	4,872	4,770	-	-	-	-
Philippines.....	3,292	3,100	18,000	-	-	15,000	3,292	3,100	3,000	-	-	-	-	-	-	-	-	-
Thailand.....	17,438	14,385-22,385	27,800	-	0-8,000	15,000	7,335	8,000	8,800	-	5,900	4,000	10,103	485	-	-	-	-
Vietnam.....	143,266	123,000	137,000	-	-	-	10,293	6,000	7,000	119,618	117,000	130,000	13,315	-	-	-	-	-
Regional.....	2,469	2,600	3,000	-	-	-	2,469	2,600	3,000	-	-	-	-	-	-	-	-	-

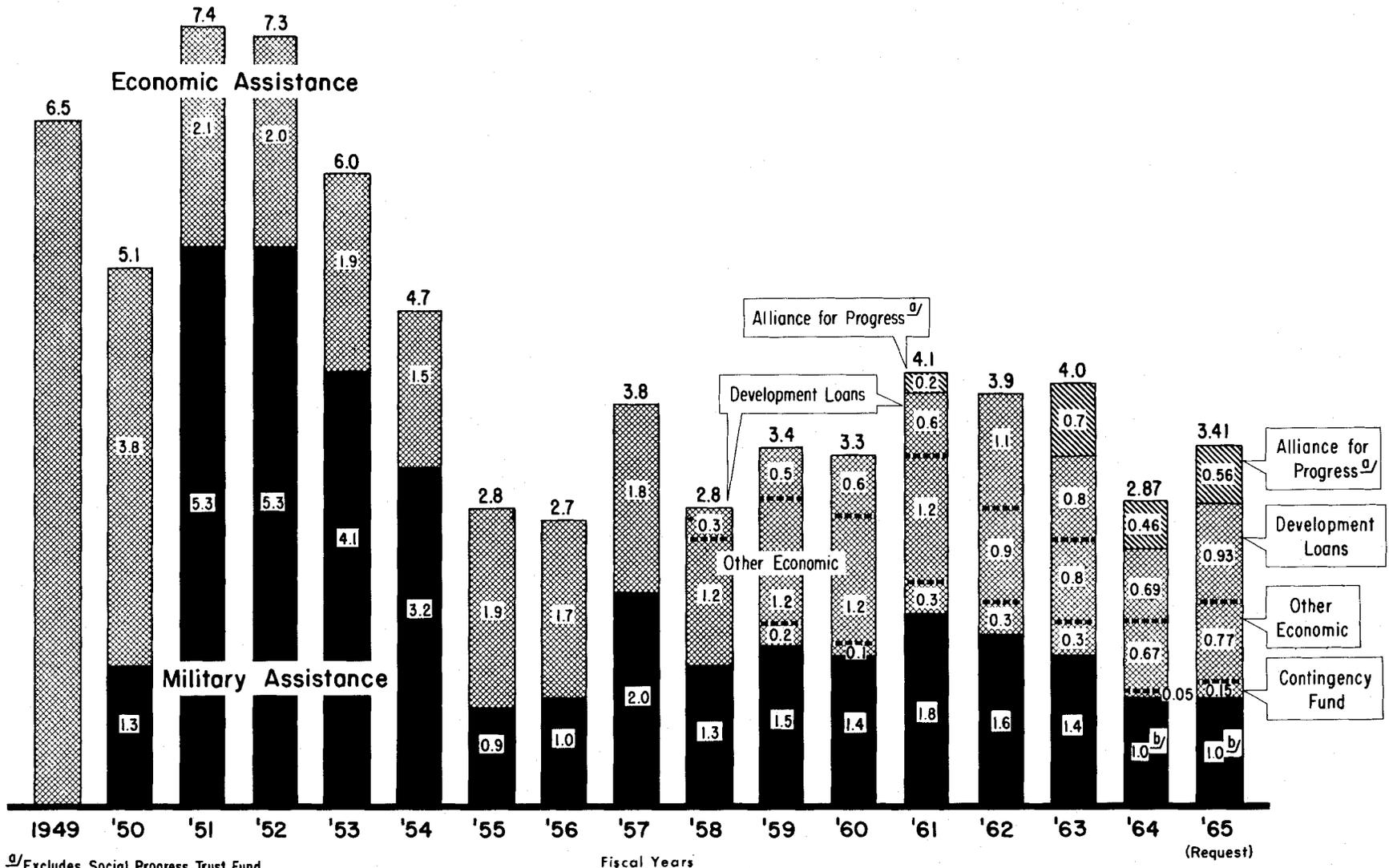
a/ Depending on the availability of funds, additional loans may be made in Pakistan, Turkey and India.
b/ Eligible for lending.
c/ \$2,500 thousand programmed for Arms and Ammunition has been suspended.

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BEST AVAILABLE

TREND OF APPROPRIATIONS^{a/}

(ADJUSTED FOR TRANSFERS AND OTHER RECEIPTS)
(EXCLUDES REAPPROPRIATIONS)
(\$Billions)



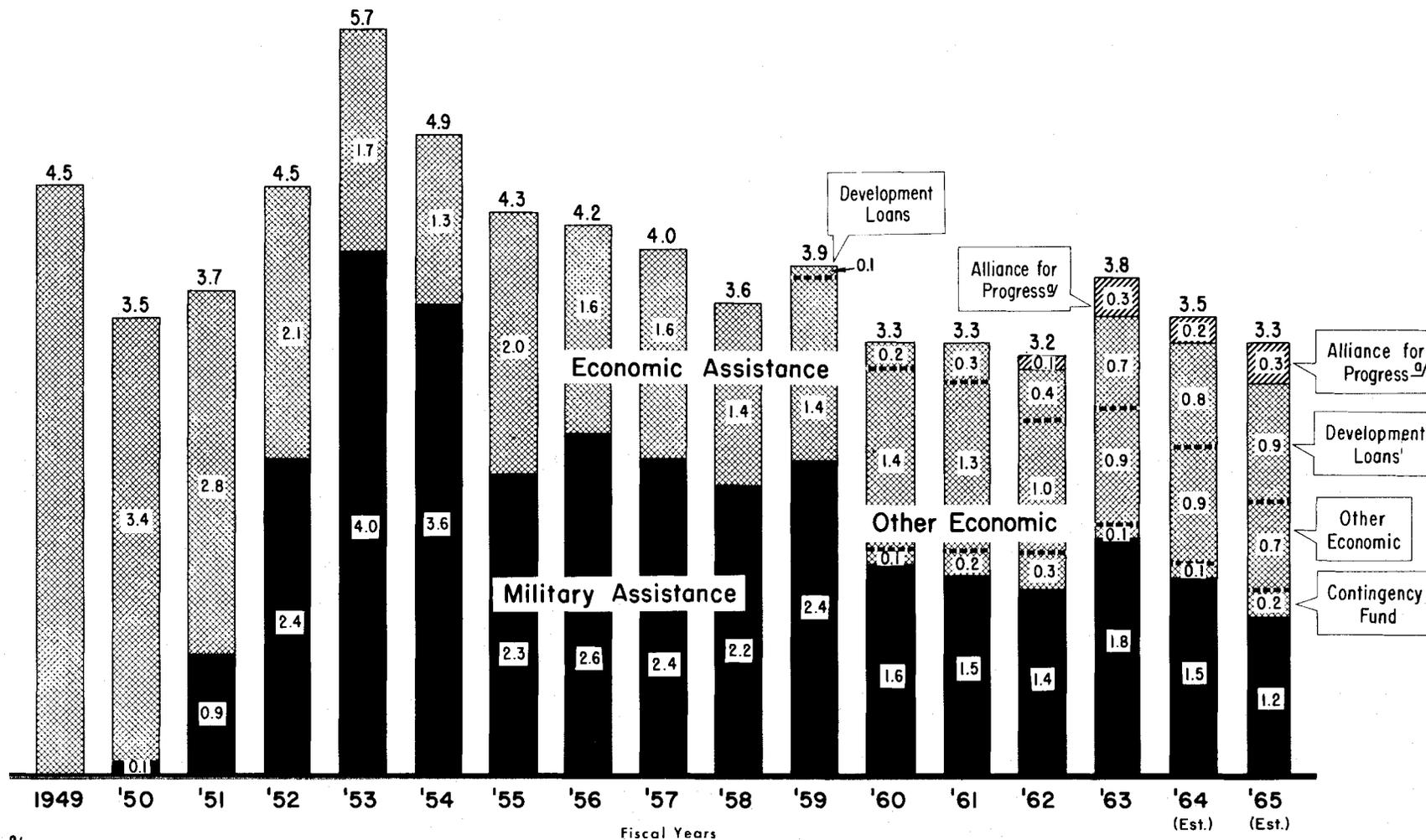
^{a/} Excludes Social Progress Trust Fund.

^{b/} Excludes receipts from Military Credits Sales.

TREND OF EXPENDITURES ^{a/}

APPROPRIATIONS BASIS

\$Billions



^{a/} Excludes Social Progress Trust Fund.

ECONOMIC ASSISTANCE

Estimated Gross Expenditures and Unexpended Balances, By Appropriation

For Fiscal Years 1964 and 1965

(In thousands of dollars)

	Unexpended Balance 6/30/63	New Funds FY 1964	Applicable Receipts, Transfers, Reimburse- ments, Less Returns to Treasury	Total Avail- able for Expenditures FY 1964	Estimated Expenditures FY 1964	Estimated Unexpended Balance 6/30/64	New Funds FY 1965	Applicable Receipts, Reimbursements, Less Returns to Treasury	Total Avail- able for Expenditures FY 1965	Estimated Expenditures FY 1965	Estimated Unexpended Balance 6/30/65
Budgeted Programs											
Development Loans	2,210,008	687,300	1,800	2,899,108	810,419	2,088,689	922,200	4,000	3,014,889	875,371	2,139,518
Technical Cooperation and Development Grants	399,054	155,000	798	554,852	230,798	324,054	224,600	1,000	549,654	226,000	323,654
American Schools and Hospitals Abroad	a/	14,300	-	14,300	500	13,800	18,000	-	31,800	2,500	29,250
American Schools and Hospitals Abroad (Special Foreign Currency Program)	2,880	4,700	-	7,580	812	6,768	-	-	6,768	2,000	4,768
Surveys of Investment Opportunities	1,500	-	-	1,500	50	1,450	2,100	-	3,550	100	3,450
Alliance for Progress:											
Loans	423,705	375,000	1,733	800,438	151,733	648,705	465,000	3,400	1,117,105	223,400	893,705
Technical Cooperation (Includes IAFSP & Chilean Reconstruction)	130,567	80,000	-	210,567	75,000	135,567	85,000	-	220,567	65,000	155,567
International Organizations and Programs	134,340	116,000	-	250,340	142,000	108,340	134,400	-	242,740	125,000	117,740
Supporting Assistance	365,561	330,000	1,400	696,961	416,400	280,561	335,000	1,600	617,161	336,600	280,561
Contingency Fund	336,252	50,000	-47,600 ^{c/}	338,652	147,400	191,252	150,000	-	341,252	155,000	186,252
Administrative Expenses, A.I.D.	10,047	50,000	-	60,047	52,600	7,447	52,500	-	59,947	54,000	5,165
Administrative Expenses, State	785	2,700	-	3,485	2,700	785	2,900	-	3,685	2,900	785
Subtotal, Budgeted Programs	4,014,699	1,865,000	-41,869	5,837,830	2,030,412	3,807,418	2,391,700	10,000	6,209,118	2,067,921	4,141,197
Special Revolving Funds											
Advance Acquisition of Property	4,138	-	864	5,002	1,864	3,138	-	2,455	5,593	3,455	2,138
Investment Guaranty Program	268,586	-	4,664	273,250	54	273,196	-	7,500	280,696	-	280,696
Total Economic Assistance	4,287,423 ^{b/}	1,865,000	-36,341	6,116,082	2,032,330	4,083,752	2,391,700	19,955	6,495,407	2,071,376	4,424,031
Social Progress Trust Fund	335,000	135,000	-	470,000	100,000	370,000	-	-	370,000	120,000	250,000

a/ This program financed in prior years from other appropriations, chiefly Development Grants.

b/ Excludes balances of \$545 thousand in unused borrowing authorities and net receipts of \$23,957 thousand in the Development Loan Liquidation Account through June 30, 1963 which have been reserved for return to Treasury.

c/ Reflects possible transfer of \$50 million to Military Assistance offset by reimbursements of \$2,400 thousand.

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LATIN AMERICA

FY 1965 PROGRAM



Country	Type of Assistance (Thousands of Dollars)			
	Total	Alliance for Progress		Supporting Assistance
		Loans	Technical Cooperation	
TOTAL	\$587,700 - 727,700	\$482,300 - 622,300	\$88,000	\$17,400
Argentina	41,800 - 61,800	40,000 - 60,000	1,800	—
Bolivia	41,000 - 66,000	21,000 - 50,000	5,000	11,000
Brazil	116,000 - 166,000	100,000 - 150,000	16,000	—
Central American Economic Community				—
Central America Reg. Org. (ROCAP)	24,000 - 29,000	20,000 - 25,000	4,000	—
Costa Rica	6,500	5,000	1,500	—
El Salvador	7,100	5,200	1,900	—
Guatemala	18,300	15,000	3,300	—
Honduras	6,700	5,000	1,700	—
Nicaragua	6,900	5,000	1,900	—
Chile	73,900	70,000	3,900	—
Colombia	104,100	100,000	4,100	—
Dominican Rep.	12,000	10,000	2,000	—
Ecuador	24,500	23,000	4,500	—
Haiti	1,400	—	—	1,400
Mexico	200 - 20,200	0 - 20,000	200	—
Panama	8,800	7,000	1,800	—
Paraguay	4,400	2,000	2,400	—
Peru	54,700 - 64,700	50,000 - 60,000	4,700	—
Uruguay	4,000	3,000	1,000	—
Venezuela	1,400	—	1,400	—
British Guiana	100	—	100	—
Jamaica	600 - 10,600	0 - 10,000	600	—
Trinidad & Tobago	5,000	—	—	5,000
Regional Programs	14,200	—	14,200	—
Non-Regional Programs*	10,100	100	10,000	—

* Funded out of Alliance for Progress appropriations

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ALLIANCE FOR PROGRESS REGIONAL STATEMENT

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PROGRAM SUMMARY
(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	341.6	420.0-472.0	482.3-622.3
Technical Cooperation	119.3	88.0	88.0
Supporting Assistance	22.7	19.5 ^{a/}	17.4
Contingency Fund	81.7	3.2	XXX
Total A.I.D. Assistance	565.3	530.7-582.7	587.7-727.7

^{a/} Programmed through 12/31/63.

New Foundations for Realistic Cooperation

The Alliance for Progress will move into FY 1965 with new organizational strength, concentration of assistance activity, a new and stronger coordinating mechanism, sharper demands for self-help and social progress, and a clear appreciation of the profound threats to cooperative and peaceful development in the Hemisphere.

The cooperation initiated under the Alliance can be intensified as Alliance partners fulfill their pledges. To diminish the U.S. initiative, or withdraw at this time, would risk the ending of the new era of cooperation initiated by President Eisenhower at the time of the Bogota Conference, carried forward by President Kennedy in the Alliance for Progress, and rededicated forcefully by President Johnson during his first week in office.

Alliance experience since August 1961 has led to re-emphasis on certain basic principles of Hemispheric cooperation. Now stressing trade as well as aid as essential to development, the Latin Americans are beginning to realize that they must revise their own domestic policies to increase exports. Further, there is greater understanding in Latin America that internal markets must be built. All citizens, even in the most remote rural areas, must be brought into the national economy. National economies must cooperate, through such instruments as an outward looking Latin American Free Trade Association (LAFTA) and the Central American Common Market. Responsible private enterprise, both domestic and foreign, must be promoted. Specific actions are required to encourage private initiative.

The aggregate growth rate in the Hemisphere has been slow, falling behind the Alliance target of 2.5% per capita each year. Growth rates must be increased to keep up with a rapidly expanding population and raise living standards above mere subsistence.

Political problems often interrupt or limit growth. They re-emphasize the fact that the Alliance is a long-range endeavor and that the Alliance is all the more necessary as a tool for peaceful social change. There is abundant evidence that the threat of violent revolution, based on the Cuban model, is still active. This threat will remain for some time to come.

The Charter of Punta del Este in mid-1961 accepted President Kennedy's call for an Alliance for Progress and formulated a ten-year program for economic and social development. This spirit was born in 1960 when the American Republics signed the Act of Bogota, which began an attack on the social problems of the Hemisphere--illiteracy, poor housing and health, and outdated tax and land tenure systems. The Alliance Charter emphasized that responsibility for basic internal reforms and 80% of the required investment funds lies with the Latin American countries themselves. U.S. sources--both public and private--would provide the major part of the critical 20% margin of external capital and technical assistance.

In 1962 at Mexico City, frank mutual evaluation of progress under the Alliance by the Latin Americans themselves showed that the momentum for progress was growing.

The 1963 Sao Paulo meeting found the Latin American nations eager to accept greater responsibility for collectively doing their part for development under the Alliance. From this greater spirit of cooperation, the Inter-American Committee for the Alliance for Progress (called CIAP - the initials of its name in Spanish), which is expected to be a strong coordinating mechanism for the development of Latin America, was born.

Latin America's sales of basic commodities during the high price periods, World War II and the Korean War, permitted these nations to respond to development needs while building up exchange reserves. This situation permitted Latin America to postpone meeting the key problem of diversified development. During the fifties, lower prices for such commodities as coffee, tin and sugar, plus higher prices for the industrial imports they needed, caused depletion of reserves and a large increase in foreign debt.

Thus, the Latin American countries find themselves in a difficult period of transition with a sharply limited capacity to service additional external debt on conventional terms. Their external debt doubled between 1955 and 1961. They can no longer postpone meeting the challenge of development. The challenge to grow more rapidly calls for a higher investment level which is accompanied by a higher level of import requirements. External aid is essential during this transition period.

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ALLIANCE FOR PROGRESS REGIONAL STATEMENT

Although both total Gross National Product (GNP) and per capita GNP have grown since 1958, external factors such as declining terms of trade and internal problems such as price and wage instability have hampered attempts to increase the rate of growth and maintain monetary and external payments balance.

Country Progress and U.S. Policy Directions

A new sense of appreciation for self-help and reform is developing. Each year this trend is evidenced in more countries and in a greater number and variety of policy decisions than before. As the Latin Americans themselves agreed at the Sao Paulo meeting, however, only a cautious optimism is in order. Institutional change is proceeding slowly. Too often laws are passed but not implemented; plans are developed but not followed.

Continued U.S. support of the rising movement for reform--which the United States has stimulated and helped to develop through the Alliance--is crucial to American interests.

There is progress on reforms. Eleven countries have instituted major tax reform programs or comprehensive administrative improvements. Improvements of a less-comprehensive character have been undertaken in all of the remaining countries, and in some of them broad legislation on administrative reforms is planned for the immediate future. Much more remains to be done in this area.

Land reform efforts have begun in Venezuela, Colombia, Chile, Central America, Panama, Uruguay, and several states in Brazil. The focus of land reform in Mexico and Bolivia is shifting from land distribution to farm productivity. Peru and Ecuador will soon be making far-reaching changes in their depressed rural areas.

National development plans have been submitted by eight countries to the OAS Panel of Experts and an equal number are expected to submit their plans by the end of 1964. The Panel's review has been useful in stimulating new development planning decisions in several of the eight countries.

Large-scale self-help housing programs have been inaugurated in 15 countries. Savings and loan systems have been adopted in nine countries.

Self-help efforts--supported by external assistance, primarily from the United States--also mean physical progress in vital social areas. Alliance programs already approved will result in over 200,000 new homes for a million and a half people. They will provide potable water and sewerage systems for 18 million

people. Twelve million children are now being fed under various Food-for-Peace programs.

Criteria for Aid

The FY 1963 and FY 1964 record shows that U.S. assistance and Latin American performance have been closely related by insistence on mutual fulfillment of Alliance pledges. In order to accomplish this, A.I.D. has had to adapt its programs to the specific problems, to the stage of development, to the capabilities, and to the performance of Alliance partners. There is no one pattern, but a number of categories can be discerned for the future.

Chile and Colombia have made clear responses under Alliance criteria. They have undertaken reforms and formulated development plans. This organized approach to development has attracted broad international participation. Both countries face a difficult year in FY 1965. Chile has a national election this year. A left-wing coalition, with Communist support, constitutes a real threat. Colombia's development program has had to cope with the serious problems of rural violence and unsettled business confidence. While the program is attracting foreign investment, stern measures must be taken by the government to stem inflation and deterioration of its foreign exchange position.

Other promising areas include Central America, Peru, and Ecuador. Peru particularly has been successful in attracting free world capital. The Central American Common Market is moving ahead and becoming a model of economic integration, not only for Latin America but for other developing areas as well. In these areas, reforms are being supported primarily by A.I.D. project loans and technical cooperation.

In Brazil and Argentina, while the development base is strong and reforms have been undertaken, basic problems of political and economic stability have yet to be solved. International lending agencies and private investors are taking a wait-and-see attitude toward both countries. In Argentina, exaggerated nationalism and inflationary financing seriously threaten the country's economy. Brazil's president, influenced by leftist advisors, seeks political advantage from the discontent resulting from runaway inflation, balance-of-payments crisis, and nationalistic sentiment. These two countries contain nearly half of Latin America's population and the United States cannot afford to give up its efforts to make them effective partners in the Alliance. While awaiting necessary actions by the central governments, A.I.D. can work to encourage private sector growth and the development of human resources.

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ALLIANCE FOR PROGRESS REGIONAL STATEMENT

In Bolivia, the United States is attempting to help the Bolivian Government to consolidate the social gains of its national revolution and to build the institutional and physical bases for growth.

Private Enterprise

More and more the key to self-sustaining growth is perceived in the interaction of Latin American, U.S., and other free world private capital. U.S. programs stress both the promotion of U.S. investment in Latin America and the encouragement of Latin American entrepreneurs.

The Investment Guaranty Program has expanded its Latin American activity by 60% in the past six months. There is now \$400 million in guaranties outstanding for U.S. investment in Latin America. The special housing guaranty program is also picking up momentum in Latin America.

To spur local investment, A.I.D. has invested over \$280 million in development banks in Latin America providing capital for farm credit, for development of small business and industries, and for home building.

Investment surveys are under way which, with minimal A.I.D. support, may result in some \$80 million worth of new private investment in Latin America. There are 59 active Cooley loans supporting U.S. private investment in Central America.

The local currency proceeds of program loans in Colombia are being used for a private investment fund which has had a strong multiplier effect on private investment in Colombia.

Latin American leaders increasingly understand that if they are to improve their investment climate, reduce capital flight, and induce external investment, they must take a number of forward steps in the field of monetary and fiscal stability and incentives for investment. Here, the strong internal pressures for reform and development--which in some instances discourage foreign investment--are in other cases providing governments with the strength to make the monetary and fiscal reforms requisite for growth. They are being assisted in these difficult policies by new interest from private sources, particularly in the manufacturing sector in the United States by the Atlantic Community Development Group for Latin America (ADELA), and an increased trading activity with Japan and Western European nations.

Trade

Latin America's attempts to reduce dependence on primary products and to widen its markets have had little practical success so far, although the signs are encouraging. The 1963 Coffee Agreement, designed to stabilize production and prices of this most basic of all Latin American commodities, is a hopeful development. Although price increases this year are not the result of the Agreement, earnings from coffee are expected to be higher than in the past several years. Such earnings should have a favorable impact on development efforts within coffee exporting countries--ending the pattern of "boom and bust". Intra-regional trade, stimulated by LAFTA and the Central American Common Market has already progressed through lowering tariffs and widening markets. Latin America as a whole is trading more with Europe. Greater European involvement in Latin American affairs should be forthcoming. This year, France extended a \$150 million credit to Mexico, and Germany loaned \$50 million to Brazil.

U.S. Role in Alliance--FY 1965

The request for new Alliance funds for FY 1965 is \$550 million.

Once again the emphasis is on development loans--84% of the total--with a lesser amount for technical cooperation grants. A.I.D. will continue its role as a development banker, lending at concessional terms. Its lending will serve as a persuasive tool to achieve the goals of the Alliance. While the effectiveness of the \$482 million program for loans has definite limits, given the immense needs for improvements in Latin America, these loans often provide a strategic margin for furthering joint objectives.

Capital loans will build institutions as well as infrastructure and public facilities. They help a small private entrepreneur as well as the child seeking a secondary education.

The technical cooperation program is designed to develop the essential know-how, the trained manpower, and the institutions lacking in the southern half of the Hemisphere. The proposed program for FY 1965 is \$88 million, down \$31 million from the \$119 million used in FY 1963. Grants for capital items have been eliminated. The trend has been to reduce the reliance on direct-hire A.I.D. employees and direct provision of commodities and services.

This policy is increasingly involving the utilization by A.I.D. of the great fund of talent available in the United States to

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ALLIANCE FOR PROGRESS REGIONAL STATEMENT

accomplish specific developmental tasks in specific time periods. Leading universities, state land grant colleges, the State of California itself, the National Farmers' Union, the American Institute for Free Labor Development, the Cooperative League of America--all these and many other private American institutions--are being utilized effectively in the Alliance technical cooperation program.

In addition, federal agencies other than A.I.D. are providing valuable services. These include the Internal Revenue Service, for tax administration reform, and the Department of Agriculture, for agricultural advisory services.

Supporting Assistance is requested for three specific problem areas, in which U.S. interests are involved but for which development finance would be inappropriate.

Other Aid Sources and Coordination

Alliance countries are looking forward to the establishment of the CIAP. As a significant coordinating mechanism encouraging wholehearted participation by Latin America in Alliance self-help and reform efforts, CIAP's efforts should help qualify more Latin American countries for international financial assistance. CIAP provides a focus for further coordinated efforts with the multilateral agencies. Recommendations of the OAS Panel of Nine, who are charged with evaluating the development plans of Alliance nations, will take on even more significance. Efforts of the World Bank family, the Inter-American Development Bank (IDB), the UN technical agencies, and Organization of American States (OAS) will be better linked and should contribute more to development than ever before. The international agencies invested nearly \$400 million in Latin America in 1963. Perhaps more importantly, CIAP will test performance, to determine how much each country can use effectively in support of its own development efforts.

The U.S. contribution is now coordinated at one point, with the U.S. Coordinator of the Alliance for Progress being both Assistant Secretary of State and a Special Assistant to the President.

The U.S. contribution involves not only A.I.D., but also the resources of Food-for-Peace, the Export-Import (Ex-Im) Bank, the Peace Corps, and the Social Progress Trust Fund of the IDB. The new organizational simplification should make for quicker response to fast-moving situations in Latin America. It has already made clear that there is one voice in Alliance matters in the United States. In addition, the continuing efforts to improve the efficiency of A.I.D. machinery, both for program formulation and implementation, are moving the program forward.

Outlook for the Future

The real problems in Latin America--poverty, hunger, and disease, illiteracy, the degradation of slum life--will not be solved simply by condemning Castro Communists or nationalist extremists. They must be met with an active program of help and self-help.

The Alliance road to development is a long one. There have been many setbacks. More are to come. There are many who, fearing the immensity of the obstacles, the evidence of resistance to progress, and the pace of achievement, despair of the Alliance. The note of despair has often been sounded in the Cold War period, from the Marshall Plan through the race to the moon. Once again, the antidote to despair is action. The United States cannot pull out; it must move ahead. The Soviet Union is increasing its contribution to Cuba, which already receives nearly as much assistance as A.I.D. provides for the rest of Latin America combined. Our chances of ultimate success are much greater. And the initiative is ours.

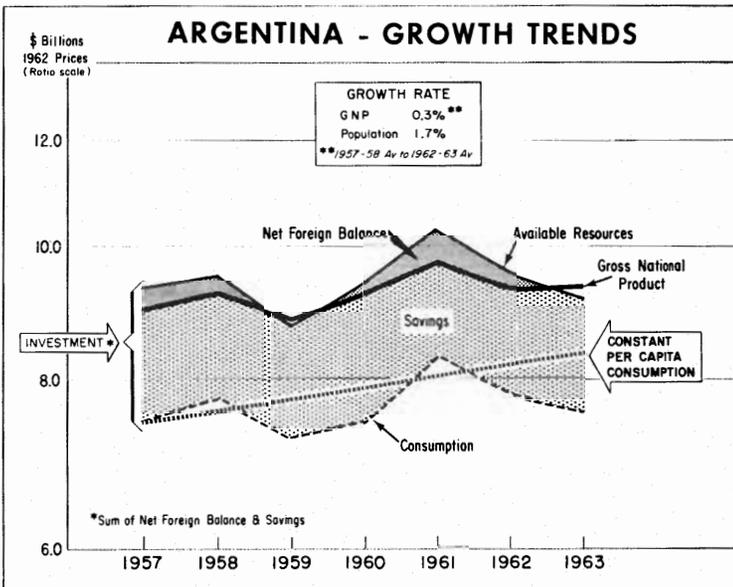
Democratic leaders in Latin America took seriously President Kennedy's wholehearted commitment to this program, his constant interest in it, his impatience with them. The United States became a friend, partner in a great Alliance against poverty. The benefits to the United States were great in the first two years of the Alliance for Progress. As President Johnson said, it is up to all citizens of the Hemisphere to convert the Alliance for Progress into a living memorial to President Kennedy--and to make it work.

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Argentina — GENERAL ECONOMIC DATA

BASIC DATA

Population (millions — mid-1963)	21.0
Annual Growth Rate (percent)	1.7
Area (1000 square miles)	1,084
Population Density per square mile	19
Agricultural Land as % of Total Area	52
Percent of Population in Agriculture	25
Life Expectancy (years)	59
People per Doctor	780
Literacy Rate (percent)	86
Pupils as Percent of Population	18
(Primary & Secondary)	



GROWTH INDICATORS	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	8,816	9,205	9,725	9,290	9,300
Per Capita GNP (dollars)	450	462	480	451	443
Investment as percent of GNP	17	21	21	19	17
Domestic Savings as % of Investment	101	90	72	85	108
Net Foreign Balance as % of GNP	-0.2	2	6	3	-1
Agricultural Prod. Index (1952-54=100)	104	98	107	101	113
Index per Capita	94	87	93	86	95
Wheat (1,000 MT)	5,851	3,960	5,250	5,171	6,260
Industrial Prod. Index (1958=100)	89	93	102	95	85
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	1,009	1,079	964	1,216	1,310
Meat	(259)	(219)	(217)	(229)	(310)
Total Imports (c.i.f.)	993	1,249	1,460	1,357	1,000
Trade Balance	+16	-170	-496	-141	+310
GOLD & FOREIGN EXCHANGE (end of year)	349	658	461	162	304 (Sept.)
COST OF LIVING INDEX (1958=100)	214	272	309	395	500
CENTRAL GOVERNMENT FINANCES* (FY ending October 31)	— Million Dollar Equivalents —				
	1961	1962	1963		
Total Expenditures	1,600	1,891	2,191		
(Defense Expenditures)	(267)	(325)	(342)		
(Capital Outlays)	(358)	(228)	(267)		
Total Domestic Revenues	1,343	1,311	1,530		
As percent of GNP	17.4%	14.1%	13.2%		
Deficit (-) or Surplus (+)	-257	-580	-661		

* Converted at 120 pesos per U.S.\$.

Country: ARGENTINA

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PROGRAM SUMMARY
(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	76.4	10.0	40.0-60.0
Technical Cooperation	3.3	1.5	1.8
Contingency Fund	20.0	XXX	XXX
Total A.I.D. Assistance	99.7	11.5	41.8-61.8

Progress, Self-Help, Aid from Others

Early in 1963 the provisional government of Argentina received emergency assistance from the International Monetary Fund (IMF), U.S. and European financial institutions to stabilize and help prevent a further economic decline prior to the elections in July. The assistance "package" contributed significantly to the creation of an environment in which free elections were held and a democratically elected government was installed in office.

It was hoped that the new government would follow sound economic policies--within its framework of democratic procedures--to bring Argentina out of its long period of relative stagnation and to realize to a larger degree its great economic potential. At the moment, it seems doubtful that the government will follow such a course, at least in the near future. Exaggerated nationalism and inflationary financing seriously threaten achievement of the economic potential of the country.

The Government has taken some significant self-help measures. It has proposed far-reaching policies for the improvement of agricultural production and land tenure, including tax incentives and measures which penalize non-productive land use. The government should also begin to remove long standing barriers to investment, mechanization and modernization of the agricultural sector.

Development planning has been given increased emphasis through strengthening the National Development Council and government contracts with Harvard University and Stanford Research Institute. A national development plan should be completed by the end of this year.

The Internal Revenue Service was reorganized and has made significant progress in reducing tax evasion. Numerous new emergency levies and increased tax rates were imposed in late 1962 and early 1963, and the Government is undertaking the modernization of the

tax collection system through the use of data processing equipment.

The administration's program of tax enforcement, however, has not yet been complemented by a companion program to reduce expenditures and subsidies to government enterprises which are causing mounting budget deficits. The budget deficit for FY 1963 was a record \$661 million. It resulted principally from payments by the administration of a part of the accumulated backlog of overdue salaries and pensions, substantial increases in public debt service, larger operating deficits of the state railroads and higher salary rates for government employees.

The single most pressing item in the budget deficit is the annual subsidy to the State Railways amounting to nearly \$250 million. Lasting budgetary improvement will require a solution to this serious problem.

In 1963 Argentina enjoyed a favorable trade balance of over \$300 million, due to better than average export crops and considerably reduced imports. Exceptionally good 1964 prospects for exports indicate that even with increased imports there should be a further favorable trade balance. However, the resulting improvement in the Central Bank foreign exchange position will still not relieve the Government of the problem of meeting its huge foreign debt service.

Argentina's \$400 million debt service in 1964 is the highest of any country in Latin America and is estimated to be 33% of exports. Substantial refinancing, refunding and consolidation of external debt from 1960 through 1963 has only postponed the problem and by 1965 projected repayments will be nearly 40% of expected export earnings. In addition to public debt, repayments on private debt not covered by a governmental guarantee will add \$50-\$70 million to the total foreign exchange requirements in 1965. The Government will probably have to seek major refinancing from both Europe and the United States in 1964.

The Government has increasingly resorted to Central Bank financing and Treasury bond issues, and the inflationary effect on the cost-of-living index was about 30% in 1963. The Congress has now revised the Central Bank Charter to permit further monetary expansion and Treasury borrowing. Unless the Government takes prompt action to restrain expenditures, an increased rate of inflation could result.

The tendencies of some factions of the new government toward exaggerated nationalism have resulted in postponement of plans for

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Country: ARGENTINA

foreign development assistance and private investment. The annulment of contracts with private oil companies, nine of which are U.S. firms, has been the most notable action of this type. However, the private companies have continued production at the Government's request on the previous contractual basis, and the Illia administration appears to be seeking a solution which will assure continued services by the private companies, while satisfying the Government's domestic political promises.

Argentina continues to have great attraction to foreign private investment and, with proper governmental encouragement, could expect an inflow of \$200-\$300 million per year. However, there is some doubt that the Government will be able to reorient its fiscal and economic policies rapidly enough to promote the infusion of massive private investment.

If balance-of-payments needs are to be met, necessary external resources for FY 1965 would include a renewal or enlargement of the IMF \$100 million stabilization agreement, Export-Import (Ex-Im) Bank credits, development loans from International Bank for Reconstruction and Development, (IBRD), Inter-American Development Bank, (IDB), A.I.D., and European nations as well as a rescheduling of at least \$200 million of external public debt. Since 1960 Argentina has received external assistance from all sources of \$700 to \$800 million a year, about one third in private investment. Any serious restraint on such an important capital inflow could have a significant impact on the fragile democratic structure and postpone self-sustaining growth for many years.

U.S. Objectives and Policy

The primary U.S. objective in Argentina is to encourage sound democracy in an independent Argentina and the adoption by the Argentines of policies and measures to promote a self-sustaining process of rapid economic development of benefit to all sectors of the population.

An important U.S. objective was achieved with Argentina's return to democratic Government. The fulfillment of our current objective will require patience and forbearance while the new administration continues to test some of its doubtful economic theories and learns to accept the necessity for international economic cooperation. In this transition period, the U.S. program will be selective in supporting specific sectors or targets but without giving general support to the central government.

The United States will continue to attempt to persuade the Government to adopt policies which will promote economic growth and will encourage the Government: (a) to make major improvements in public administration and the tax system, reduce waste and inefficiency in the State railways, YPF and other state enterprises; (b) to further improve public policies in the agricultural sector to reduce the fundamental handicaps to agricultural development; (c) to establish a budgetary program to achieve fiscal self-discipline, and (d) to accelerate their national planning efforts and better resource allocation.

If the Argentine Government fails to take adequate steps toward adopting and implementing the above policies, A.I.D. assistance will be limited to very select activities. While the United States will continue its efforts to influence the Central Government, it will not direct financial and technical assistance toward support of the Government, but rather toward aiding provincial development efforts, private enterprise and the development of human resources. In addition to the criteria as to the fields for assistance, A.I.D. will emphasize loans for activities having a high foreign exchange component and avoid financing projects which would have the effect of providing support for the Central Government.

If Argentina carries out sound economic and fiscal policies, the United States would consider project and program assistance to the Central Government, possibly in consortia with international financing agencies, as the most effective means of assuring Argentina's self-sustaining growth and the early end of the need for external assistance. This possibility has not been considered likely enough in the period under consideration to have been included in the \$40-\$60 million Development Loan range proposed for FY 1965.

FY 1965 Program

Until it becomes apparent that the Central Government is following sound economic and fiscal policies, the A.I.D. program will be directed on a target basis. The long-term goal of expansion of agricultural exports will be served by providing loans for the Northern Regional Provinces for agricultural credit institutions, for processing and marketing facilities and for an integrated transportation program to open the area's productive potential to market centers.

A.I.D. plans to assist the expansion of private enterprise in the agricultural sector by loans to improve the dairy and fishing

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Country: ARGENTINA

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industries and for rural electrification, while technical assistance will be continued in research and extension.

Privately financed low cost housing will be stimulated through housing guaranties and assistance to labor unions and cooperatives

for construction of self-help housing. Technical assistance will be provided labor and education with particular emphasis on orientation of key labor leaders and the organization of an Argentine labor union training center.

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Argentina

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
			1946-1948	1949-1952	1953-1957	1958	1959	1960	1961			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	0.1	0.2	25.2	1.0	6.8	21.9	99.3	154.5	5.0	149.5
Loans	-	-	-	-	24.8	-	6.0	19.9	96.4	147.0	5.0	142.0
Grants	-	-	0.1	0.2	0.5	1.0	0.8	2.0	2.9	7.5	-	7.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	5.0	30.0	35.0	*	35.0
FOOD FOR PEACE - TOTAL	-	-	18.3	-	-	-	-	-	-	18.3	-	18.3
Title I - (Total Sales Agreements)	(-)	(-)	(29.3)	(-)	(1.2)	(-)	(-)	(-)	(-)	(30.5)	(-)	(30.5)
Less: (Planned for U.S. Uses)	(-)	(-)	(11.0)	(-)	(1.2)	(-)	(-)	(-)	(-)	(12.2)	(-)	(12.2)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	18.3	-	-	-	-	-	-	18.3	-	18.3
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	18.3	-	-	-	-	-	-	18.3	-	18.3
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGREEMENTS	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-	-	-	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	0.2	101.5	157.1	-	119.1	-	31.7	1.2	24.1 ^{a/}	434.9	178.8	256.1
OTHER U.S. ECONOMIC PROGRAMS	*	*	-	-	-	-	-	-	-	0.1	-	0.1
TOTAL ECONOMIC	0.2	101.5	175.5	0.2	144.3	1.0	38.5	28.1	153.4	642.8	183.8	459.0
Loans	0.2	101.5	175.4	-	143.9	-	37.7	26.1	150.5	635.2	183.8	451.4
Grants	*	*	0.1	0.2	0.5	1.0	0.8	2.0	2.9	7.6	-	7.6
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	-	(-)	(-)	(-)	(-)	0.1	2.8	3.5	2.0	10.1	4.6	5.5
Grants	(-)	(-)	(-)	(-)	(-)	(-)	(0.3)	(-)	(-)	(0.3)	(-)	(0.3)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	7.9	28.3	-	36.2	-	36.2
TOTAL MILITARY	-	-	-	-	-	0.1	10.7	31.8	2.0	46.3	4.6	41.7
Loans	-	-	-	-	-	-	2.3	2.3	1.0	5.9	4.6	1.3
Grants	-	-	-	-	-	0.1	8.4	29.5	1.0	40.4	-	40.4
TOTAL ECONOMIC AND MILITARY	0.2	101.5	175.5	0.2	144.3	1.1	49.2	59.9	155.4	689.1	188.4	500.7
Loans	0.2	101.5	175.4	-	143.9	-	40.0	28.4	151.5	641.1	188.4	452.7
Grants	*	*	0.1	0.2	0.5	1.1	9.2	31.5	3.9	48.0	-	48.0

* Less than \$50,000.

^{a/} Excludes refinancings of \$72.0 million.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	95.0	-	143.5
UN Tech. Ass't. (CY)	0.5	0.5	3.4
UN Special Fund	0.8	1.8	6.8
Int'l. Finance Corp.	3.0	-	8.2
Inter-Am. Dev. Bank	34.4	38.3	72.8

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year)	-
1963 (Calendar Year)	-
Cumulative thru 1963	104.0

Bolivia — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	4.1
Annual Growth Rate (percent)	2.3
Area (1000 square miles)	424
Population Density per square mile	10
Agricultural Land as % of Total Area	13
Percent of Population in Agriculture	70
Life Expectancy (years)	50
People per Doctor	4,000
Literacy Rate (percent)	31
Pupils as Percent of Population	5
(Primary & Secondary)	

GROWTH INDICATORS

	1959	1960	Calendar Years		1963 Est.
			1961	1962	
Total GNP (in 1962 prices; \$ millions)*	433	442	456	475	505
Per Capita GNP (dollars)	117	117	118	120	124
Investment as percent of GNP	11	11	12	16	17
Domestic Savings as % of Investment	47	34	41	32	29
Net Foreign Balance as % of GNP	6	7	7	11	12
Agricultural Prod. Index (1952-54=100)	119	127	138	145	156
Index per Capita	104	108	115	118	124
Corn (1,000 MT)	254	254	267	280	290
Petroleum Production (1,000 MT)	412	466	394	375	450

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	59	51	56	57	62
Tin (c.i.f.)	(53)	(43)	(50)	(54)	(56)
Total Imports (c.i.f.)	65	71	78	98	109
Trade Balance	-6	-20	-22	-41	-47

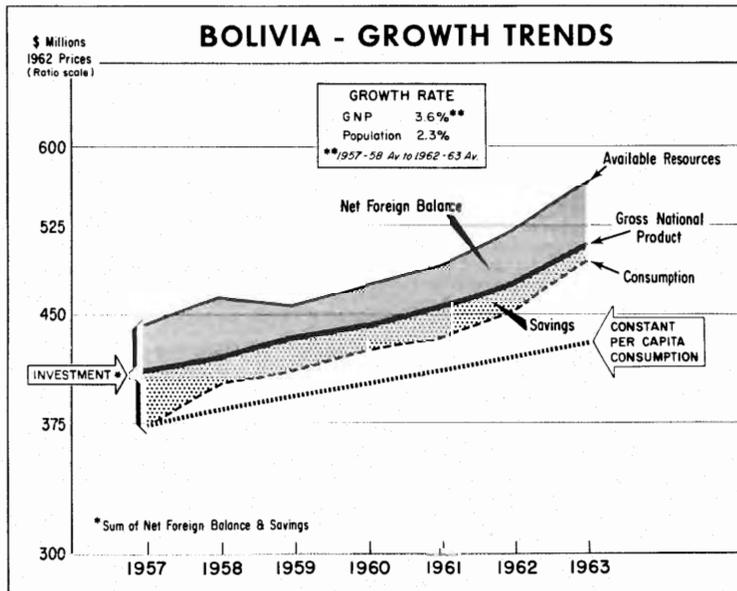
GOLD & FOREIGN EXCHANGE (end of year) (-\$ millions)	13	9	8	5	10(Nov.)
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COST OF LIVING INDEX (1958=100)	120	134	144	152	151
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CENTRAL GOVERNMENT FINANCES*

(FY ending December 31)	- Million Dollar Equivalents -		
	1961	1962	1963(Budget)
Total Expenditures	62.7	70.8	80.5
(Defense Expenditures)	(6.1)	(6.9)	(8.5)
(Capital Outlays)	(15.6)	(18.7)	(24.1)
Total Domestic Revenues	34.0	40.6	45.2
As percent of GNP	8%	9%	9%
Deficit (-) or Surplus (+)	-28.7	-30.2	-35.3

* Converted at 12,000 bolivianos per U.S.\$.



Country: BOLIVIA

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PROGRAM SUMMARY
(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	18.3	25.0-35.0	25.0-50.0
Technical Cooperation	7.4	5.5	5.0
Supporting Assistance	9.9	13.0	11.0
Total A.I.D. Assistance	<u>35.6</u>	<u>43.5-53.5</u>	<u>41.0-66.0</u>

Progress, Self-Help, Aid from Others

Bolivia has recently shown a readiness to orient its policies more to development needs and to take some of the difficult political decisions required for that primitive economy to move forward. This relative progress must be viewed against the decline in Bolivia's economic output after the Revolution of 1952 and the accompanying need for emergency assistance required to prevent massive unrest and a Communist take-over, which have been continuing dangers.

The 1952 Revolution drastically changed the Bolivian society and economy. The large estates were broken down into small, frequently unproductive lots. The reform which gave land to the peasants increased rural food consumption but also increased Bolivia's dependence on food imports to compensate for lower agricultural efficiency. With the flight of the large estate owners and many of the middle class, Bolivia's competent managerial manpower was largely depleted. The major tin mines were nationalized. Production of tin--Bolivia's principal export--seriously declined, to about 50% of pre-Revolution levels, because of inefficient management and poor labor discipline.

To meet this unstable situation and forestall a seizure of power by the Communist-oriented element within the National Revolutionary Party, the United States began in 1954 to supplement a modest technical assistance effort with a large food and commodity import program and budgetary support. Although not fully effective from an economic point of view, that assistance prevented total financial collapse, and provided the resources to support Bolivian political and financial stability, which have slowly improved since 1958. If the June presidential elections result in the continuation in power of the present government or a similar group with which the United States can work effectively, it should be possible to maintain present gains and accelerate the low rate of development.

The increasing ability of the Government to quell forces of anarchy in Bolivia, to foster economic stability, and to marshal resources for development has been demonstrated by significant advances in recent years. In 1961, for example, the price of gasoline was increased 50% in order to cover production costs. Protest riots and killings ensued as predicted but the Government stood firm. More recently, the Government has taken firm stands against illegal strikes in the mines, railroads, schools and factories. Other notable actions by the Government include curbing inflation, improving tax and customs collections, accelerating the issuance of land titles, increasing duties on luxury imports, and efforts to control contraband. Central government revenues increased 19% in 1962 and 12% in 1963.

Bolivia also has moved gradually to reorganize its run-down and deficit-producing nationalized industries. The large nationalized companies--mining, petroleum, air transportation and railroad--account for 65% of Bolivia's budget deficit. Both the U.K. and the United States have provided assistance over the past two years to assure operation of the railroad line which carries Bolivian tin to Pacific ports. The airline is being reorganized with the aid of a private U.S. firm, which reports that the airline should be operating at a profit in 1965.

The Government tin mining company--COMIBOL-- is the most important rehabilitation project. The confrontation this past summer between the Government and rebellious miners has brought clearly to public attention the importance and difficulty of this effort in the State mines. It now appears that the mine management has gained a dominant position in the struggle with Communist elements in the mine unions and that more efficient management practices can be carried out.

Despite the difficulties, the Bolivian Gross National Product (GNP) has increased substantially in recent years, as shown in the accompanying growth chart. The annual increase in per capita GNP since 1957 has averaged 1.3%. The 1962-63 increase may even have been in the order of 4%. Bolivia, however, is still among the poorest countries of Latin America.

Aid from international lending institutions and foreign Governments has notably increased during the past two years. The Inter-American Development Bank (IDB) has provided \$34 million and technical assistance. At present, IDB is considering three additional loans. West Germany, under the national mining rehabilitation program, has provided \$6.6 million and about \$1 million in technical assistance. The U.K. is currently financing 15 technicians.

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Country: BOLIVIA

to assist Bolivia in its tropical agricultural program. The UN is presently providing 29 technicians in the fields of government management, agriculture, health, and mining. The International Monetary Fund (IMF) has provided an annual \$10 million standby program and has a representative stationed permanently in Bolivia. The World Bank is currently considering assisting Bolivia with its electrical energy and railroad rehabilitation programs. The Japanese have recently provided funds for developing one of Bolivia's largest zinc mines.

U.S. Objectives and Policy

The major U.S. short-run objective in Bolivia is to encourage the election in June of a moderate, development-oriented government, which will continue to cooperate with the United States. The long-run policy in Bolivia is to take advantage of the existing development potential, so that such a government can continue to fight off threats to its existence and press its development program. The United States will press the Government to make the difficult decisions in fiscal, monetary, investment, and private savings policy to foster progress and decreased dependence on U.S. budget support.

The application of this policy calls for continued but decreasing budget support. This will permit the Government to reduce public payrolls gradually without disastrous political repercussions. The accounts of the semi-autonomous agencies and state enterprises are to be consolidated into the public sector budget and their operations brought under greater financial discipline. The resulting coordinated review of public sector financial needs should force an increasingly intensive application of economic development priorities and lead to fewer marginal operations.

Recognizing the political problems of mass release of workers from over-staffed public agencies and enterprises, the policy also aims at creating sources of productive employment to absorb surplus manpower. The economies realized by reductions of the budget deficit would be directed to public development and construction projects, with special emphasis on creating within the Bolivian Government a capacity to design and carry out such a program.

New frontiers will be opened in the potentially rich lowland areas to absorb the Indian population still pressing on the meager resources of the barren highland plains.

To reinvigorate the atrophied private sector of the Bolivian economy and to promote the attraction of foreign investment, there

is a need to limit nationalized industries to those now existing and to liberalize the restrictions on private investment. Special encouragement will be given to development of private sector organizations, like the Mining Bank.

FY 1965 Program

The proposed FY 1965 A.I.D. program is designed to encourage and assist the new Bolivian Government that will take office in August 1964 to continue and expand the current Government's attack on major impediments to stability, self-sufficiency and development.

A major portion of the FY 1965 funds will be devoted to a road program designed better to integrate the country, economically and socially, and open up new areas for colonization and agriculture. A comprehensive program of technical assistance and loans is being developed to settle the Indians from the unproductive high plains into the fertile lowlands, provide them with agricultural extension and limited social services, and foster diversification of Bolivian agriculture.

The rehabilitation program financed by A.I.D., the West German Government and the IDB should put COMIBOL on a break-even basis in late 1964 or 1965 provided the price of minerals remains fairly high and stable, moderate calm prevails in the mines, and COMIBOL fulfills its commitments on management reforms. The three financing partners will provide COMIBOL with technical assistance in the fiscal and management areas.

The World Bank, IDB and A.I.D. are expected to assist Bolivia in increasing its electric energy output. Studies have been completed on the Corani hydroelectric project in Central Bolivia and construction is scheduled to start soon. Small loans will continue to small and medium industries under an A.I.D. loan made in 1963.

The level of supporting assistance projected for 1965 reflects a reduction of direct budget assistance to the Central Government and the autonomous agencies. A part of this assistance is planned to initiate public development projects following the June elections to absorb surplus labor from public agencies and to improve Bolivia's capabilities in capital project development and execution.

Technical assistance will be continued to the institutions responsible for program planning, developing human resources and attracting domestic and foreign private investment.

Bolivia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD				TOTAL 1946-1963
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.5	69.7	22.0	23.9	13.6	26.7	31.8	35.5	224.5	0.1	224.4
Loans	-	-	-	-	4.0	-	7.3	7.6	18.3	37.2	0.1	37.1
Grants	-	1.5	69.7	22.0	19.9	13.6	19.4	24.2	17.2	187.3	-	187.3
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	10.5	10.5	-	10.5
FOOD FOR PEACE - TOTAL	-	*	23.0	-	0.4	0.2	2.9	4.6	21.4	52.6	-	52.6
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(3.3)	(4.4)	(16.9)	(24.6)	(-)	(24.6)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(0.8)	(0.7)	(2.5)	(4.0)	(-)	(4.0)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	2.5	3.7	14.3	20.5	-	20.5
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	0.6	2.5	3.1	-	3.1
104g - Loans to Governments	-	-	-	-	-	-	2.5	3.1	11.8	17.4	-	17.4
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'TS.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	17.4	-	-	-	-	0.1	0.4	18.0	-	18.0
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	5.6	-	0.4	0.2	0.4	0.8	3.7	11.1	-	11.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	3.0	3.0	-	3.0
EXPORT-IMPORT BANK LONG-TERM LOANS	3.0	16.3	7.1	-	-	-	-	-	-	26.4	19.4	7.0
OTHER U.S. ECONOMIC PROGRAMS	1.2	1.4	8.0	-	-	-	-	0.9	0.7	12.2	-	12.2
TOTAL ECONOMIC	4.2	19.2	107.8	22.0	24.3	13.8	29.6	37.3	68.1	326.2	19.5	306.7
Loans	3.0	16.3	7.1	-	4.0	-	9.8	11.3	46.1	97.6	19.5	78.1
Grants	1.2	2.9	100.7	22.0	20.3	13.8	19.8	26.0	22.0	228.6	-	228.6
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	0.1	0.3	*	0.4	2.2	2.4	8.1	-	8.1
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(*)	(*)	(0.1)	(*)	(*)	(0.9)	(1.4)	(-)	(1.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	0.1	0.3	*	0.4	2.2	2.4	8.1	-	8.1
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	0.1	0.3	*	0.4	2.2	2.4	8.1	-	8.1
TOTAL ECONOMIC AND MILITARY	4.2	19.2	107.8	22.1	24.6	13.8	30.0	39.5	70.5	334.3	19.5	314.8
Loans	3.0	16.3	7.1	-	4.0	-	9.8	11.3	46.1	97.6	19.5	78.1
Grants	1.2	2.9	100.7	22.1	20.6	13.8	20.2	28.2	24.4	236.7	-	236.7

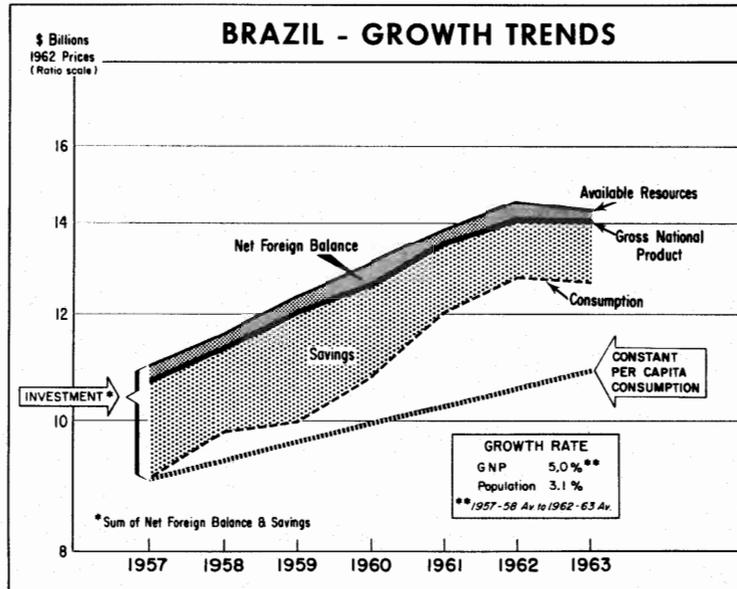
* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY)	0.7	0.7	5.3
UN Special Fund	-	1.5	3.0
Inter-Am. Dev. Bank	4.5	7.5	22.0

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year)	-
1963 (Calendar Year)	-
Cumulative thru 1963	-

Brazil — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	77.3
Annual Growth Rate (percent)	3.1
Area (1000 square miles)	3,280
Population Density per square mile	24
Agricultural Land as % of Total Area	15
Percent of Population in Agriculture	50
Life Expectancy (years)	53
People per Doctor	2,100
Literacy Rate (percent)	50
Pupils as Percent of Population	11
(Primary & Secondary)	



GROWTH INDICATORS	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	12,001	12,543	13,529	14,042	14,000
Per Capita GNP (dollars)	175	178	186	187	181
Investment as percent of GNP	20	18	13	12	11
Domestic Savings as % of Investment	86	77	84	76	87
Net Foreign Balance as % of GNP	3	4	2	3	2
Agricultural Prod. Index (1952-54=100)	143	141	150	148	145
Index per Capita	119	114	117	112	107
Rice, rough (1,000 MT)	4,795	5,313	5,442	5,980	5,700
Industrial Prod. Index (1958=100)	113	125	139	147	149
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	1,282	1,269	1,403	1,214	1,360
Coffee	(733)	(713)	(710)	(643)	(700)
Total Imports (c.i.f.)	1,374	1,462	1,460	1,475	1,490
Trade Balance	-92	-193	-57	-261	-130
GOLD & FOREIGN EXCHANGE (end of year — \$ millions)	457	442	614	477	425 (Aug)
COST OF LIVING INDEX (1958=100)	137	185	256	390	663
CENTRAL GOVERNMENT FINANCES * a/					
(FY ending December 31)	- Million Dollar Equivalents -				
	1961	1962	1963 (Rev. Bud.)		
Total Expenditures	1,656	2,795	4,975		
(Defense Expenditures)	(207)	(380)	(565)		
(Capital Outlays)	(337) ^E	(435)	(865)		
Total Domestic Revenues	1,258	1,941	3,112		
As percent of GNP ^{b/}	14.0%	13.8%	13.0%		
Deficit (-) or Surplus (+)	-398	-854	-1,863		

* - Converted at 390 cruzieros per U.S. \$.

E - Estimate.

a/ General Budget plus some extra-budgetary accounts; omits other extra-budgetary accounts and semiautonomous agencies and foreign aid which goes directly to these agencies. b/ In addition to the Central Government, the State Governments have substantial revenue of their own, not included here.

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Country: BRAZIL

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	37.4	80.0-100.0	100.0-150.0
Technical Cooperation	23.6	16.0	16.0
Contingency Fund	25.5	XXX	XXX
Total A.I.D. Assistance	86.5	96.0-116.0	116.0-166.0

Progress, Self-Help, Aid from Others

Brazil, the largest Latin American country, is a key country in the Alliance for Progress. There is, in fact, within Brazil a large and traditional reservoir of friendship for the United States.

A serious political and economic crisis situation exists in Brazil today. Brazil's economic growth, which registered impressive advances averaging 6% annually in real terms during the decade of the fifties, has now come to a halt. Income on a per capita basis is actually declining and the rate of new investment has fallen to very low levels. An inept President, easily influenced by extreme leftist advisors and cronies, is opportunistically seeking to obtain political advantage from the economic and social discontent resulting from a stagnant economy, characterized by runaway inflation, a balance-of-payments crisis, and an existing undercurrent of nationalist sentiment. The failure of the federal government to adopt national Alliance for Progress self-help measures, particularly in the area of financial stabilization, has also been recognized by the international financial agencies, particularly the World Bank and the International Monetary Fund (IMF) which are withholding new lending to Brazil.

However, as Chief of State, President Goulart is faced with the necessity of responding to other more democratically-oriented forces, including state governors, the Church, business and farm leaders, and certain elements of the military, who together hold the preponderant voice in the national elections. These latter forces capable of restraining President Goulart have demonstrated an interest in reforms and self-help generally consistent with U.S. objectives. The results, considered in the context of a powerful central government, hostile to the Alliance for Progress, are impressive.

1. Tax Reforms. Five states have launched programs of strict and efficient tax collection which have achieved some notable results. The State of Bahia, in the Northeast, during 1963 was able to reduce the deficit of the state budget by 60%.
2. Land Reform. Individual state programs have registered many important successes, with thousands of land titles having been issued to landless farmers in states in the South and Northeast of Brazil since 1961. To insure the success of these measures, enlightened programs of agricultural credit, development of cooperatives and agricultural extension have been organized in six key states.
3. Economic Planning. State development agencies, planning boards, or private development committees have been organized in many states. These agencies are formulating state development programs centered on increasing electric power production and highway construction, and encouraging private investment. In accord with the private enterprise objectives of the Alliance, a committee of businessmen has been formed in the Northeast to finance industrial surveys in order to encourage private investment.

Other forms of external assistance are largely marginal. Currently neither the Export-Import (Ex-Im) Bank, the World Bank, nor the IMF are extending new assistance to Brazil. At the same time, Ex-Im Bank repayments are quite substantial. The United States will encourage the Inter-American Development Bank (IDB) to finance Brazilian social development projects, consistent with the policy outlined below.

The West German Government is reported to have completed arrangements for a credit of DM 200 million (\$50 million). England, Israel, Japan, and France have had modest programs of technical assistance. The UN agencies are sponsoring a diversified program of technical assistance. Private U.S. foundations are also conducting technical assistance programs.

U.S. Objectives and Policy

The recent Brazilian crisis situation has brought about an A.I.D. strategy different from that set forth previously. In last year's submission it was proposed to use in FY 1964 loan funds of from \$170 to \$200 million and grant funds of \$20 million to stimulate the desired rate of development and to assure both the initiation and continuation of reforms by the Government of Brazil. An

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Country: BRAZIL

exchange of letters in March 1963 contemplated \$100 million of program loans, plus \$100 million in project loans, supplemented by significant financial assistance from other nations and international agencies. A large part of the funds has not been provided because of the subsequent unsatisfactory performance of the Brazilian government. The United States has adjusted its policy to avoid rewarding incompetence, and to maintain pressures for economic sanity; to restrain the excesses of that Government and to strengthen and encourage democratic forces in Brazil; to maintain an effective presence of the Alliance for Progress by pushing forward in limited and receptive areas, to the extent possible, with economic development programs.

U.S. policy explicitly rejects further program-type assistance for balance of payments, economic stabilization, or budget support--unless and until serious efforts by the Goulart administration in reducing inflation and in participating more fully in the Alliance are evident. In this event, the United States would be prepared to render such assistance in concert with other international agencies, particularly the IMF and the World Bank.

Brazil has heavy external debt payments falling due in the next few years, which have provoked some extremists in that country to advocate a unilateral moratorium. President Johnson, in a recent letter to President Goulart, mentioned the readiness of the United States to participate in any general negotiations for debt rescheduling which Brazil might initiate. These will be multilateral negotiations involving all foreign creditors. Both the U.S. Treasury and the Ex-Im Bank have postponed until 1964 certain payments falling due in the latter part of 1963.

Those elements in Brazil sympathetic to the Alliance merit continued U.S. support. Therefore, the main thrust of the policy is to induce the more responsible state governments, and federal entities such as SUDENE, the development agency in the Northeast, to pursue aggressive programs of economic and social reform and development by means of carefully selected project assistance in such fields as power development, highway construction, and industrial growth. Most of these projects will directly or indirectly help private enterprise. In addition, technical cooperation will be used for institution building where such institutions can effectively function to promote economic and social development. Self-help, reform, and adequate contributions on the part of the individual entities receiving assistance, will be important criteria in the selection of projects.

Thus, A.I.D. assistance will be used to promote and strengthen democratically oriented forces which will also in some measure restrain excesses by President Goulart or his extreme leftist or ultranationalist supporters. It will maintain an Alliance for Progress presence whose effectiveness can be measured in some degree by the stridency of the attacks it has evoked by certain leftist elements. At the same time, it will help lay the groundwork for rapid nationwide economic growth whenever a more responsible federal administration takes the required action on social and economic reforms.

FY 1965 Program

To carry out the revised policy, the amounts originally proposed for loans in FY 1964 were reduced to a new level of from \$80 million to \$100 million, and are projected at from \$100 million to \$150 million for FY 1965. The new policy contemplates loans only for sound projects whose value will not be undermined by the financial excesses characterizing present economic policies of the central government.

A major share of the loan program will be used to help finance the development of electric generating and transmission facilities, and thereby meet critical power shortages seriously impeding economic growth. Also included are loans for development banks as well as for direct financing of such industries as pulp and paper, lumber, cement, and fertilizer. In addition, loans have been programmed for states in the Northeast for highway construction. No loans will be made for balance of payments or budget support purposes.

Technical cooperation is programmed at \$16 million, and is aimed at assisting the Brazilians in developing institutions capable of spearheading their country's social and economic development. Principal emphasis has been placed on developing the human resources base, with extensive programs in selected levels of education. Other major technical cooperation activities relate to assistance provided to Brazilian agencies in improving livestock and other agricultural production, in developing and maintaining adequate water and sewerage facilities, and in improving economic development planning.

Brazil

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.O. AND PREDECESSOR AGENCIES - TOTAL	-	2.6	17.3	5.8	8.9	11.9	7.0	84.5	86.3	224.3	0.8	223.5
Loans.....	-	-	-	-	0.5	-0.3	-	74.5	62.9	137.6	0.8	136.8
Grants.....	-	2.6	17.3	5.8	8.4	12.2	7.0	10.0	23.4	86.7	-	86.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	47.0	5.8	52.8	0.1	52.7
FOOD FOR PEACE - TOTAL	-	-	157.9	3.6	3.0	1.8	92.0	80.4	50.9	389.7	4.2	385.5
Title I - (Total Sales Agreements).....	(-)	(-)	(178.4)	(-)	(-)	(-)	(104.5)	(58.6)	(43.4)	(384.9)	(-)	(384.9)
Less: (Planned for U.S. Uses).....	(-)	(-)	(30.3)	(-)	(-)	(-)	(15.7)	(11.7)	(8.7)	(66.4)	(-)	(66.4)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	148.1	-	-	-	88.8	46.9	34.7	318.5	4.2	314.3
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	54.4	-	-	-	14.0	11.7	8.7	88.8	-	88.8
104e - Loans to Private Industry.....	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....	-	-	93.7	-	-	-	74.8	35.2	26.0	229.7	4.2	225.5
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	-	-	-	-	-	26.7	0.6	27.4	-	27.4
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	-	9.8	3.6	3.0	1.8	3.2	6.8	15.6	43.8	-	43.8
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	54.0	106.6	664.9	17.6	122.1	6.8	194.0 ^{b/}	-	-	1,166.1	792.9	373.2
OTHER U.S. ECONOMIC PROGRAMS ^{a/}	19.9	2.8	22.5	-	*	*	-	0.9	1.6	48.0	44.6	3.4
TOTAL ECONOMIC	73.9	112.0	862.6	27.0	134.0	20.5	293.0	212.8	144.6	1,880.9	842.6	1,038.3
Loans.....	70.3	106.6	781.1	17.6	122.6	6.5	268.8	156.7	94.7	1,625.2	842.6	782.6
Grants.....	3.6	5.4	81.5	9.4	11.4	14.0	24.2	56.1	49.9	255.7	-	255.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	49.3	18.2	11.7	18.2	23.9	19.3	10.0	184.1	-	184.1
(Additional Grants from Excess Stocks).....	(-)	(-)	(60.7)	(2.8)	(0.7)	(2.3)	(1.3)	(0.8)	(3.1)	(73.6)	(-)	(73.6)
OTHER MILITARY ASSISTANCE	-	-	10.1	-	8.5	8.2	-	22.8	-	49.6	-	49.6
TOTAL MILITARY	-	-	59.4	18.2	20.2	26.4	23.9	42.1	10.0	233.7	-	233.7
Loans.....	-	-	-	-	-	-	-	-	-	9.0	-	9.0
Grants.....	-	-	59.4	18.2	20.2	26.4	23.9	42.1	10.0	224.7	-	224.7
TOTAL ECONOMIC AND MILITARY	73.9	112.0	922.0	45.2	154.2	46.9	316.9	254.9	154.6	2,114.6	842.6	1,272.0
Loans.....	70.3	106.6	781.1	17.6	122.6	6.5	268.8	156.7	94.7	1,634.2	842.6	791.6
Grants.....	3.6	5.4	140.9	27.6	31.6	40.4	48.1	98.2	59.9	480.4	-	480.4

^{a/} Includes \$22.5 million Surplus Property Credits and \$16.3 million Defense Mobilization Development. ^{b/} Does not include refinancings of \$304.8 million.

* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	-	-	267.1
UN Tech. Ass't. (CT)	0.5	0.7	7.2
UN Special Fund	1.3	2.6	6.2
Inter-Am. Dev. Bank	28.8	18.6	62.9
Int'l. Finance Corp.	-	-	10.1

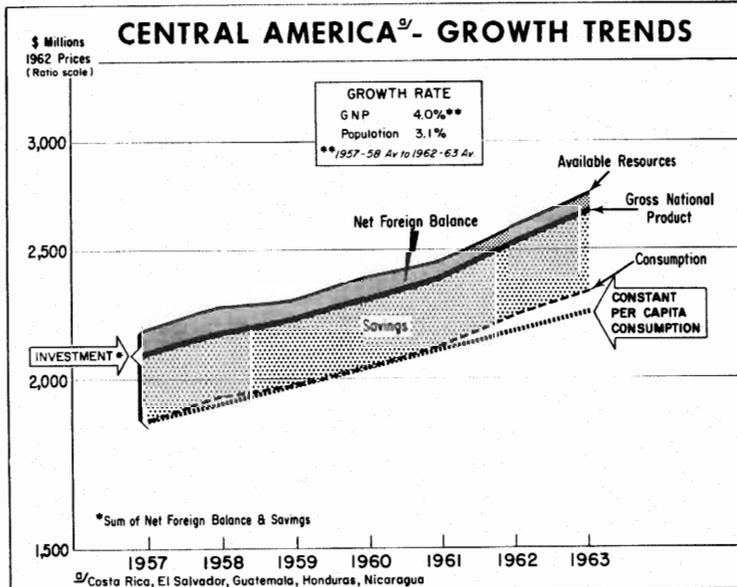
SINO-SOVIET BLOC ASSISTANCE

1962 (Calendar Year).....	70.0
1963 (Calendar Year).....	-
Cumulative thru 1963.....	183.0

Central American Economic Community -- Basic Data



	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
BASIC DATA					
Population (millions; 1963)	1.3	2.6	4.1	2.0	1.6
Annual Growth Rate (percent)	3.9	2.8	3.0	3.1	3.4
Area (1000 sq.mi.)	19.7	8.2	42.0	43.0	57.0
Agri. Land (% of total area)	20	62	19	27	12
Life Expectancy (years)	60	51	37	n.a.	50
Literacy Rate (percent)	88	43	30	35	40
People per Doctor	2,830	6,150	6,460	4,800	2,820
INTERNATIONAL TRADE (\$ millions)					
1962					
Exports	85	136	114	79	82
Imports	114	125	137	80	98
Deficit	-29	+11	-23	-1	-16
1963					
Exports	87	147	140	82	94
Imports	130	149	140	87	110
Deficit	-43	-2	0	-5	-16
Major Export	Coffee	Coffee	Coffee	Bananas	Cotton
% of 1960-62 Exports	53	57	62	45	33
GOLD & FOREIGN EXCHANGE (\$ millions)					
September, 1962	24.9	32.1	41.7	13.8	23.6
September, 1963	18.7	45.0	58.7	14.9	32.1



TRENDS FOR THE ECONOMIC COMMUNITY	1959	1960	1961	1962	1963(Est.)
Population (millions).....	10.4	10.7	11.0	11.4	11.7
Gross Natl.Prod.(\$ mill;1962 prices)	2,229	2,302	2,385	2,533	2,660
Per Capita GNP (dollars).....	215	215	216	223	227
Production:					
Agricultural Index(1952-54=100)...	123	132	151	165	175
Industrial Index(1958=100)*	103	105	110	114	119
Trade: (\$ millions)					
Exports	432	439	450	496	550
Imports	475	514	495	554	616
Deficit	-43	-75	-45	-58	-66

* Based on national indexes for El Salvador, Guatemala and Nicaragua.

CENTRAL AMERICAN ECONOMIC COMMUNITY

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Origins of Economic Unification

For almost 300 years prior to independence (1527-1821), the area, which now comprises the Republics of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica, was federated under the Captaincy General of Guatemala. Divided by the dissensions that accompanied independence, these countries remained disunited, although in the last century and a quarter there were 25 different attempts at political unity.

While political unity is not now actively under discussion, the five countries, recognizing the inherent weakness of their individual economies, have begun a significant program of integration and unification of their economies. In 1958, Guatemala, El Salvador, Honduras, and Nicaragua ratified a treaty calling for the gradual establishment of a Common Market over a ten-year period. This process was dramatically accelerated in 1960 by a second treaty based on a unique premise--the immediate elimination of intraregional tariff barriers affecting 95% of the area's agricultural and industrial production (over 1,200 items), and a gradual reduction of tariffs on the remaining commodities (57 items) to be completed by 1966. In September 1963, Costa Rica adhered to both treaties.

To implement economic integration, the Central Americans established a number of regional institutions--the most important are the Permanent Secretariat for Economic Integration (SIECA), located in Guatemala City, and the Central American Bank for Economic Integration (CABEI), in Tegucigalpa. In July 1962, A.I.D. established a Regional Office (Mission) for Central America and Panama (ROCAP). There are also bilateral missions in each of the five countries.

Current Status

The FY 1965 program in Central America provides the United States with an opportunity to provide greater impetus to the accelerating rate of economic unification now taking place. The regional organizations are gaining in strength. More decisions are being taken by the five countries on a regional instead of a national basis. The common objective is to insure that the goal of the Central American Economic Community which the five Central American Presidents pledged in their meeting with President Kennedy in March 1963 becomes a reality.

Major integration steps are being taken. Provision has been made for the establishment of a regional system for the supervision of home mortgage financing, a regional transportation system and a

regional telecommunications network. A regional university system is already functioning. The first steps toward substantial increases in land tax revenues have been taken with regional support. Plans are also being made for the establishment of uniform agricultural policies to facilitate agricultural trade within the region. A consolidated Central American airline for international traffic is under discussion. The rate at which the Central American Economic Community is actually being achieved has surpassed previous expectations.

The initiative which the five countries have taken in creating a Common Market and in moving to establish a Central American Economic Community is a unique example of self-help. One result of the effort has been a significant increase in trade among the five Central American countries resulting from the lowering of the trade barriers under the Common Market. Such trade grew from \$33 million in 1960 to \$50 million in 1962, an increase of over 50%. The existence of regional institutions also facilitates contributions by other external sources of assistance. An example is a loan for \$2.9 million which the Inter-American Development Bank (IDB) extended to the Central American universities through the Central American Council of University Rectors. Another is a \$6 million loan made by IDB to the Central American Bank for loans to industries having regional significance.

The United States intends to give every possible encouragement to this movement and to accelerate it wherever possible. It provides a framework within which the five Central American countries can grow and develop.

Development Problems

The existence of this integration framework does not insure that development will take place. The five countries individually still face substantial economic and social problems as subsequently outlined which must be concurrently resolved.

These problems are aggravated by the fact that the Central American area is faced with an exploding population (more than 3% per annum) and a per capita Gross National Product (GNP) that has been barely keeping pace with population in recent years. Inadequate government revenue, serious shortage of skilled personnel in both the public and private sector, and lack of continuity in planning and execution of government programs are major problems throughout the region.

Moreover, there are substantial investment costs involved in the process of regional integration toward which the member countries

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must make increasing contributions. Uneven or unequal growth will diminish their ability to do so and failure to meet, with sufficient speed, national social and economic needs may give rise to political stress and strains which would also hinder the achievement of the goal.

For several years, therefore, it will be necessary to support programs at both the regional and the national level until the degree of economic unification achieved permits the Central American countries to act as a unit in the achievement of self-sustaining growth.

planning, and preparation of tax maps to provide a basis for increased revenues from property taxation. A major activity is assistance in completing the development of a regional integrated university system to train the personnel required for development of the Central American Community. With the assistance of the Harvard School of Business, training is also provided in business management and marketing as part of a program to spur the growth of investment and trade on a regional basis.

CENTRAL AMERICAN REGIONAL ORGANIZATIONS (ROCAP)

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	2.5	22.0	20.0-25.0
Technical Cooperation	5.7	4.3	4.0
Total A.I.D. Assistance	8.2	26.3	24.0-29.0

It is expected that in FY 1964 \$22 million in development loans will be made for regional projects. This includes a centralized home mortgage bank, for which a loan agreement has already been signed, two sections of the regional road network and further support to CABEI for loans to regionally significant industries. In FY 1965 regional programs will require greater development loan support. Loans of \$20.0-25.0 million are planned for a continuation of the regional road program, a regional system of grain storage facilities to facilitate commercial movement of grain, improvement of air navigation and communication, further encouragement of industry through the establishment of industrial parks in key areas, and to a regional scholarship institution to make loans on easy terms to enable young Central Americans to complete their training at U.S. or Central American educational institutions.

A technical cooperation program of \$4 million projected for FY 1965 is programmed for training and technical assistance to regional institutions. These include assistance in developing a common agricultural policy, in conducting a regional census of manufacturing and securing data required for regional development

COSTA RICA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	10.6	8.0-10.0	5.0
Technical Cooperation	2.4	1.8	1.5
Total A.I.D. Assistance	13.0	9.8-11.8	6.5

Costa Rica continues to maintain a high degree of social and political stability. It has also taken a number of measures to stimulate economic growth. A national planning office has been established. Distribution of small farms to the landless is being accelerated. An industrial encouragement law has been adopted.

Nevertheless, the fundamental economic problems, aggravated by the highest rate of population growth in the world, are far from resolved. Costa Rica has been unable to maintain a satisfactory rate of growth since the 1958 decline in coffee prices. Exports have not been diversified. A high level of government expenditures has continued in the face of declining revenues. Government investment has emphasized social welfare and tended to neglect industrial and private sector development. A substantial government budget deficit has occurred annually since 1958, causing losses in foreign exchange and concern for monetary stability. Further tax reforms and planning measures are urgently needed.

Compounding these economic factors is the damage which has already been done to coffee crops and pasture lands by continuing volcanic eruption in the very center of the most productive area of Costa Rica. This has necessitated emergency measures by the United States to provide feed for cattle under Title II of P.L. 480.

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Emergency health and sanitation equipment also has been provided. If eruptions continue, the smothering fall of ash may cause such damage to next year's coffee crop as to constitute a major disaster. The extent of emergency assistance which may be required for Costa Rica to meet this potential dislocation cannot now be projected.

Because of its traditional economic and social stability, resolution of Costa Rica's economic problems would have a significant influence on neighboring Central American countries. The economic assistance program for FY 1965 contemplates development loans to continue diversification of agriculture and for feasibility studies to help private sector industrial development. Technical cooperation programs are planned to assist government planning, administration and continued tax reforms, and rural development.

The international lending agencies have made substantial loans to Costa Rica--\$16 million by IDB, \$41.3 million by the International Bank for Reconstruction and Development (IBRD), and Export-Import (Ex-Im) Bank \$22 million.

EL SALVADOR

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	16.6	9.0	5.2
Technical Cooperation	2.9	2.0	1.9
Total A.I.D. Assistance	19.5	11.0	7.1

El Salvador, industrially the most advanced country in Central America, has been pushing social reform and economic development on a broad front, and is one of the brightest spots in the Alliance for Progress. Major steps have been taken in national planning, tax administration, monetary policy, agricultural development,

housing, labor legislation, industrial development, health and education.

A new income tax law and excise tax legislation were passed in 1963. A broad program of agricultural development has been instituted including supervised agricultural credit, crop and livestock improvement, and colonization and resettlement. El Salvador has also inaugurated a substantial school construction program to build 1,600 classrooms within the next two years.

El Salvador has taken a leading role in the Central American Common Market. There is a good climate for foreign investment and an investment promotion office has been established in New York.

There are, however, serious political and social problems to overcome. El Salvador suffers from extreme population pressure, concentration of land ownership and unequal income distribution. Continued industrialization is of highest importance since there are severe limitations on the possibility of creating additional employment in agriculture. To minimize the inevitable political and social strains, greater public investment made possible by new tax measures is urgent, pending the creation of additional industrial and urban employment. Continued progress along these lines is essential to developing a sound basis for political stability.

A.I.D. program and policies involve a strong commitment to Salvadoran development. Technical cooperation programs will emphasize improved governmental policies and institutions for taxation; planning and administrative reforms; rural development activities in agriculture, mobile health and education; and technical advice to industrial and housing financial institutions. Loans are proposed for agricultural resettlement, rural electrification, rural roads, a private industrial development corporation, a savings and loan institution, and a loan to improve the University of El Salvador.

The IBRD/IDA (International Development Association), the Ex-Im Bank and CABEI, in the past, have provided loans to develop El Salvador's infrastructure and for agricultural and industrial development. The United States will encourage these agencies to continue this policy and, in the case of the IDB, to make further loans for housing and health.

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GUATEMALA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	0.7	10.0	15.0
Technical Cooperation	2.6	3.2	3.3
 Total A.I.D. Assistance	 3.3	 13.2	 18.3

The major objective for U.S. assistance is to enable the Government of Guatemala to sustain projected programs and institute self-help measures conducive to the maintenance of a political atmosphere leading to an orderly return to constitutionality.

During recent months Guatemala has taken positive action toward the removal of major impediments to social and economic progress. Its program of "operation honesty" has made a good start toward the elimination of endemic corruption. Delinquent debts are being paid and government payrolls are met on schedule. The first income tax law in Guatemala's history went into effect in July 1963, and combined with other new and revised tax measures, annual revenues are expected to increase by \$8 to \$10 million. Foreign exchange reserves stood at \$33.1 million in October 1963 as compared with an all-time low of \$18.5 million for the same period in 1962.

Guatemala has a rich agricultural potential and a good basic infrastructure of highways and electric power. There is, however, a high rate of illiteracy (70%); a low ratio of investment to GNP; a low level of administrative capacity, particularly in the government bureaucracy; and continuing problems of internal security adversely affecting economic development. Guatemala has recognized that one of the greatest needs in the resolution of its economic development problems is an improvement in capacity of the Governmental administrative mechanism.

U.S. loan assistance is programmed to assist Guatemala in implementing a cadastral survey for up-dating real property tax assessments. A loan is planned for the improvement of customs services and facilities. Highway construction loans will provide access roads into new areas for industrial development and agricultural exploitation. Loans are to be considered for construction and

renovation of primary, secondary and university educational facilities. Technical cooperation programs are planned in support of these activities, particularly in strengthening and improvement of institutions and for economic and educational planning.

Non-U.S. external technical assistance commitments average about \$2 to \$3 million each for 1963 and 1964, while loan commitments to the public and private sectors from these sources amounted to \$2.1 million in FY 1963 and \$3.4 million in 1964.

HONDURAS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	1.7	2.5	5.0
Technical Cooperation	3.2	1.5	1.7
Supporting Assistance	0.4	-	-
Contingency Fund	2.0	XXX	XXX
 Total A.I.D. Assistance	 7.3	 4.0	 6.7

Honduras is one of the poorest countries in Latin America. Lawlessness and a lack of roads and communications slow economic progress. Approximately 80% of the population derives its support from agriculture, 40% being subsistence farmers. The average per capita income is about \$200 annually.

Prior to the coup on October 3, 1963, Honduras had made significant progress in self-help under the Alliance for Progress. Following four years of stagnation the GNP increased faster than the population in 1962 and 1963 (approximately 2% in 1962). A new income tax law was passed by the Congress; the controversial Agrarian Reform Law was amended, paving the way for a resumption of new private investment; the Forest Resources Law was amended to encourage private investment in the pulp, paper and plywood industries; and an effort was made to improve the government's tax administration.

To further increase revenues, the new military government on December 20, 1963 decreed a 3% sales tax, a new inheritance tax, upward revision of the income tax, and a new 5% export tax on

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silver. The decree also stated that the national tax structure must be reformed. A new Civil Service law has been drafted by the National Economic Council and was presented to the Chief of Government on December 30. Honduras continues to support fully regional economic integration programs.

The major U.S. objectives at this time are to insure an orderly and non-violent transition to representative civilian government and, through continued emphasis on private investment, to continue the recently acquired momentum in economic growth.

To achieve these objectives the FY 1965 program is expected to carry forward many of the activities which were interrupted at the time of the coup in October 1963. Emphasis will be placed on assistance and training in agriculture, industry, education, and public administration. It is expected that some infrastructure projects may be funded by the international loan agencies.

Since the advent of the Schick Administration in Nicaragua in 1962, the government has been taking tentative steps to aid in the country's development on a fairly extensive front. There is recognition of the need for tax and administrative reforms at both the national and municipal level. Income tax collections have risen. An agrarian reform institute has been created to carry out a program of colonization and land settlement. The government industrial development office has pressed forward with its work of lending and technical guidance and established an investment promotion office in New York. Aided in part by favorable weather for agriculture, GNP increased more than 11% in 1962, or a per capita income of approximately 7%.

Much more needs to be done. There are wide extremes of poverty and wealth, and an inheritance of one-family domination which will take time to overcome. Governmental initiative and reform must be carefully nurtured in a country heading toward more representative government.

NICARAGUA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	1.0	5.5	5.0
Technical Cooperation	2.5	2.7	1.9
Total A.I.D. Assistance	3.5	8.2	6.9

Expanded U.S. economic assistance helps demonstrate U.S. backing for President Schick and encourages him to develop independent lines of action. Accelerating economic development efforts especially in the rural areas also broaden the base of President Schick's popular support in Nicaragua.

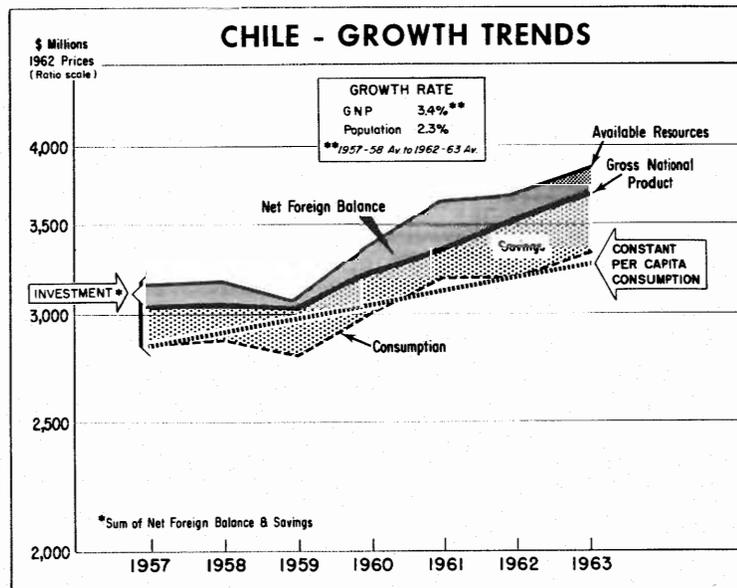
U.S. assistance will emphasize: (a) technical cooperation to key government institutions for planning, administrative reform, and rural development; (b) selective loans directed toward expanding industrial and agricultural production; and (c) providing urgently needed infrastructure. Assistance from other international agencies such as IBRD, IDB and CABEI is complementing U.S. assistance with loans for hydroelectric projects, housing, water systems and electrification.

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Chile — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	8.1
Annual Growth Rate (percent)	2.3
Area (1000 square miles)	286
Population Density per square mile	28
Agricultural Land as % of Total Area	8
Percent of Population in Agriculture	30
Life Expectancy (years)	52
People per Doctor	2,000
Literacy Rate (percent)	80
Pupils as Percent of Population	15
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	3,044	3,218	3,359	3,534	3,675
Per Capita GNP (dollars)	411	424	433	445	452
Investment as percent of GNP	9	11	14	14	14
Domestic Savings as % of Investment	83	53	39	72	65
Net Foreign Balance as % of GNP	2	5	9	4	5
Agricultural Prod. Index (1952-54=100)	122	120	122	118	124
Index per Capita	106	102	101	96	98
Wheat (1,000 MT)	1,177	1,105	1,124	1,071	1,268
Manufacturing Prod. Index (1958=100)	114	112	119	131	139
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	495	488	506	532	535
Copper bars, ores, concentrates	(322)	(344)	(336)	(365)	(365)
Total Imports (c.i.f.)	413	500	585	518	660
Trade Balance	+ 82	- 12	- 79	+ 14	-125
GOLD & FOREIGN EXCHANGE (end of year)	144	130	94	93	104(Nov)
COST OF LIVING INDEX (1958=100)	139	155	167	190	274
CENTRAL GOVERNMENT FINANCES*					
— Million Dollar Equivalents —					
(FY ending December 31)	1961	1962	1963(Est.)		
Total Expenditures	567	743	990		
(Defense Expenditures)	(66)	(80)	(109)		
(Capital Outlays)	(171)	(242)	(335)		
Total Domestic Revenues	442	540	734		
As percent of GNP	15%	15%	15%		
Deficit (-) or Surplus (+)	-125	-203	-256		

* - Converted at 1.8 escudos per U.S. \$.

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Country: CHILE

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	35.0	60.0	70.0
Technical Cooperation	6.3	3.2	3.9
Total A.I.D. Assistance	41.3	63.2	73.9

Progress, Self-Help, Aid from Others

The reforms in economic policy adopted in January 1963 by the administration of President Alessandri offer hope of reversing the long trend of relative economic stagnation in Chile. Last year Chile fulfilled her commitments to the International Monetary Fund (IMF) and the United States to increase public revenues for investment and implemented the fundamental exchange reform begun in October 1962 to return the currency to a realistic value and halt the flight of capital.

Yet, despite the efforts of the administration to impose a tight money policy, Chile is still suffering from a high rate of inflation. As Chile moves into a crucial election year, the tentative gains made in economic policy in the face of a splintered parliament must be preserved and high levels of economic activity maintained this year to foster maximum political stability and to prevent an expected democratic government elected this fall from inheriting severe economic and political problems at its outset.

During the past year, the administration has managed to get a number of significant reforms through the parliament and has laid the base for achievement of Alliance for Progress objectives.

The agrarian reform law of 1962 was made operational by passage in September 1963 of a constitutional amendment permitting deferred payment for expropriated agricultural land. It is planned that 5,000 to 6,000 farmers will receive land under the program in 1964 and approximately 7,000 in 1965.

The tax measures adopted include a full administrative reform of the internal revenue service to tighten tax collection procedures. A complete reassessment of all real estate, rural and urban, is in process, based on a law passed in November 1962. An Administration sponsored bill which will increase income and inheritance taxes received final Congressional approval in late January 1964. Earlier Congress had attempted to weaken the measure but yielded

to the President's insistence on significant tax reforms. A law to simplify the stamp tax, by reducing the number of separate rates from 300 to less than 60, was passed in September 1963. Together, the complex of tax measures is expected to increase tax revenues by about \$50 million (roughly 5% of total revenue) in 1964 and a larger amount in 1965.

While these and related measures mark an important beginning in governmental efforts to utilize internal resources more rationally for economic development, over-all Chilean progress on reforms has been slow. Significant efforts will be required in the future, especially tightening monetary policy, stimulating private investment activity and removing impediments to improved performance in the agricultural sector.

In addition to the A.I.D. contribution, international institutions, foreign governments, and private banks have participated actively in the financing of Chile's Ten-Year Development Plan. The IMF, the World Bank, and the OAS Wise Men have reviewed the Chilean Development Plan and the policy framework for its execution and have assisted the Chilean Government in the design of the basic economic measures to achieve the Plan's goals.

Recently, the International Bank for Reconstruction and Development (IBRD) committed \$24 million for agricultural and livestock development in Chile, while the U.K. made a loan of \$4.2 million. The German government is expected to loan Chile \$17.5 million in the near future. In addition, European governments agreed to re-scheduling of debts to alleviate pressure on the Chilean balance of payments during the difficult transition period immediately following the devaluation of October 1962.

Chile has received important technical assistance support from international agencies, including the UN and UN Educational, Scientific and Cultural Organization (UNESCO), private organizations such as the Ford and Rockefeller Foundations, and foreign governments. Total annual expenditures for non-U.S. technical assistance from these sources are estimated at about \$8 million per year.

U.S. Objectives and Policy

Recognizing that Chile's long-term political outlook will not be clear until after the Presidential elections in September 1964, and also that U.S. assistance policies have an impact on the outcome of these elections, the short-run assistance policy is to enable the present Chilean administration to: (a) sustain the recent improvements in policy; (b) avoid financial deterioration;

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(c) maintain relatively high levels of economic activity during a crucial election year when further policy changes necessary for improved economic growth are unlikely; and (d) pass on to its successor toward the end of CY 1964 a reasonable financial and economic starting point for new development undertakings.

Long-range aid strategy assumes a democratic government, at least as reform-minded as the present government, will emerge from the September elections. Such an outcome would permit the United States to influence and assist the government in actions which would assure continued and increased real per capita growth—and ultimately reduce the need for U.S. assistance on concessional terms. (The strategy also permits timely reassessment of U.S. assistance to Chile should the candidate of the Communist-Socialist front win the Presidential election.)

Aid levels will be reviewed periodically and related to the government's ability to use assistance effectively, as evidenced by:

1. Maintenance of effective monetary and fiscal policies, with particular emphasis on reducing the rate of price inflation. This will require, in addition to a tighter monetary policy, substantial increases in operating surpluses from the central government and its decentralized agencies through: (a) maintenance of effective control over current budgetary expenditures, limiting their expansion in real terms to the rate of projected Gross National Product (GNP) growth; and (b) significant increases in tax revenues through implementation of income and inheritance tax reforms, increase of real estate tax rates and improvement in administrative and collection procedures;
2. Efforts to increase private sector activity, including: (a) legislative and administrative action to vitalize lagging Chilean private investment; and (b) improvement of the investment climate for foreign capital, particularly with respect to the investments of U.S. copper companies;
3. Improved enforcement of existing anti-monopoly laws and adoption of stricter legislation in this field to remove limitations on growth of private domestic investment; and
4. Strengthened planning and coordination of the Ten-Year Plan.

FY 1965 Program

Based on the assumptions and policy outlined above, the A.I.D. assistance program for FY 1965 contemplates total assistance of \$73.9 million in new commitments to both the public and private sectors. This amount is considered the minimum necessary to permit maintenance of current economic levels during the first part of FY 1965 and to allow some economic expansion in the final half of the fiscal year, provided a democratic government emerges from the September 1964 elections. Specifically, the assistance level is calculated to enhance the chances of:

1. Maintaining and, if possible, increasing the growth rate in FY 1965;
2. Encouraging the government to adopt monetary policies which will reduce the level of price inflation from the CY 1963 rate of 45% to a rate under 10% per year within three years;
3. Providing inducements for a new government to make maximum use of decree powers which are likely to be granted after the election to institute significant reforms and self-help measures; and
4. Providing an investment climate which will vitalize the private sector and induce increased project planning and development to the point where the IBRD will be able to form a consultative group to organize large-scale foreign financing of the Chilean investment program.

Technical cooperation will enable Chile to develop its institutional and human resources, with particular regard to financial management and development planning and execution. Important in this connection is A.I.D.'s contract with the State of California, which will provide high-level advisors in these fields and in other important sectors such as agriculture, education, highway transportation and water resources development.

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Chile

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD				FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963			
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962				1963
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.1	9.8	12.8	3.1	18.3	31.1	142.4	40.4	259.1	2.2	256.9
Loans	-	-	0.8	10.0	0.3	10.5	8.2	140.0 ^{a/}	35.0	204.8	2.2	202.6
Grants	-	1.1	9.0	2.8	2.8	7.8	22.9	2.4	5.4	54.3	-	54.3
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	18.7	4.9	23.6	0.1	23.5
FOOD FOR PEACE - TOTAL	-	-	32.4	15.0	12.3	8.7	30.4	6.6	26.5	132.0	3.8	128.2
Title I - (Total Sales Agreements)	(-)	(-)	(38.8)	(-)	(-)	(3.1)	(29.2)	(-)	(-)	(71.1)	(-)	(81.1)
Less: (Planned for U.S. Uses)	(-)	(-)	(7.9)	(-)	(-)	(0.9)	(5.9)	(-)	(-)	(14.7)	(-)	(14.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	30.9	-	-	2.2	23.3	-	-	56.4	3.8	52.6
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	0.8	0.1	-	-	0.9	0.1	0.8
104g - Loans to Governments	-	-	30.9	-	-	1.4	23.2	-	-	55.5	3.8	51.7
TITLE II - ASSIST FROM OTHER COUNTRY SALES AGREEMENTS	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE IIII - VOLUNTARY RELIEF AGENCIES	-	-	1.5	15.0	12.3	6.5	7.1	6.6	5.5	54.6	-	54.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	21.0	21.0	-	21.0
EXPORT-IMPORT BANK LONG-TERM LOANS	46.9	62.1	35.7	15.0	27.5	16.9	74.0	46.4	15.5	340.0	185.5	154.5
OTHER U.S. ECONOMIC PROGRAMS	4.0	1.1	-	-	-	-	0.1	1.0	0.9	7.1	-	7.1
TOTAL ECONOMIC	50.9	64.3	77.9	42.8	42.9	43.9	135.6	215.1	88.2	761.8	191.6	570.2
Loans	46.9	62.1	67.4	25.0	27.8	29.6	105.5	205.1	76.4	645.8	191.6	454.2
Grants	4.0	2.2	10.5	17.8	15.1	14.3	30.1	10.0	11.8	116.0	-	116.0
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	17.3	6.7	5.4	2.7	4.0	7.9	8.0	65.8	-	65.8
(Additional Grants from Excess Stocks)	(-)	(-)	(8.3)	(5.2)	(0.9)	(1.6)	(0.8)	(1.4)	(1.3)	(22.2)	(-)	(22.2)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	6.3	4.4	-	10.7	-	10.7
TOTAL MILITARY	-	-	17.3	6.7	5.4	2.7	10.3	12.3	8.0	76.5	-	76.5
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	17.3	6.7	5.4	2.7	10.3	12.3	8.0	76.5	-	76.5
TOTAL ECONOMIC AND MILITARY	50.9	64.3	95.2	49.5	48.3	46.6	145.9	227.4	96.2	838.3	191.6	646.7
Loans	46.9	62.1	67.4	25.0	27.8	29.6	105.5	205.1	76.4	645.8	191.6	454.2
Grants	4.0	2.2	27.8	24.5	20.5	17.0	40.4	22.3	19.8	192.5	-	192.5

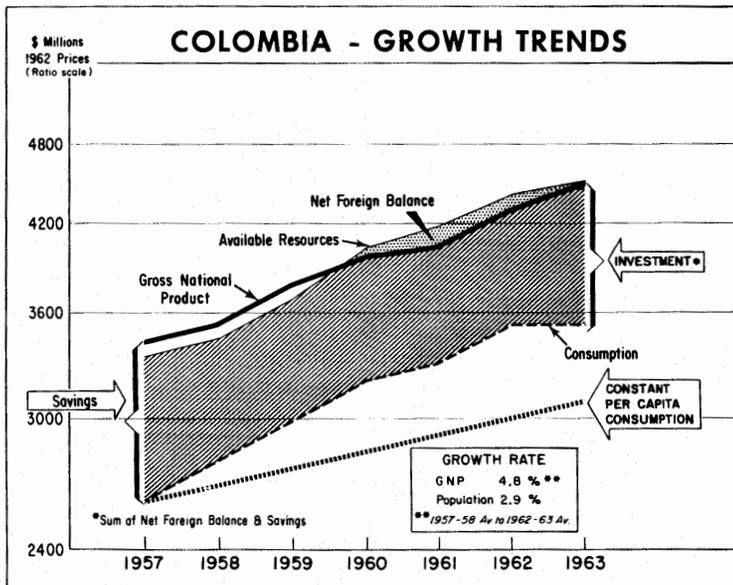
a/ Includes \$100.0 million loan for Reconstruction and Rehabilitation.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	-	-	112.2
UN Tech. Ass't. (CY)	1.2	1.2	6.7
UN Special Fund	1.9	1.7	8.7
Int'l. Dev. Association	-	-	19.0
Inter-Am. Dev. Bank	16.2	23.5	45.7
Int'l. Finance Corp.	-	3.0	8.8

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year)	-
1963 (Calendar Year)	-
Cumulative thru 1963	-

Colombia — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	16.1
Annual Growth Rate (percent)	2.9
Area (1000 square miles)	1440
Population Density per square mile	37
Agricultural Land as % of Total Area	16
Percent of Population in Agriculture	50
Life Expectancy (years)	46
People per Doctor	2,900
Literacy Rate (percent)	62
Pupils as Percent of Population	12
(Primary & Secondary)	



GROWTH INDICATORS	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	3,755	3,953	4,028	4,282	4,430
Per Capita GNP (dollars)	261	268	265	274	276
Investment as percent of GNP	19	22	22	21	22
Domestic Savings as % of Investment	109	90	84	75	93
Net Foreign Balance as % of GNP	-2	2	4	3	1
Agricultural Prod. Index (1952-54=100)	116	120	120	130	129
Index per Capita	101	99	96	101	97
Rice, rough (1,000 M.T.)	422	440	407	555	511
Petroleum Prod. (1,000 M.T.)	7,410	7,713	7,368	7,176	8,370
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	474	466	435	463	470
Coffee	(363)	(334)	(308)	(332)	(330)
Total Imports (c.i.f.)	416	519	557	540	480
Trade Balance	+58	-53	-122	-77	-10
GOLD & FOREIGN EXCHANGE (end of year) (- \$ millions)	228	168	172	125	133 (Aug)
COST OF LIVING INDEX (1958=100)	107	111	121	124	160
CENTRAL GOVERNMENT FINANCES*					
(FY ending December 31)					
	- Million Dollar Equivalents -				
	1960	1961	1962		
Total Expenditures	284	386	405		
(Defense Expenditures)	(50)	(56)	(62)		
(Capital Outlays)	(111)	(178)	(143)		
Total Domestic Revenues	293	301	290		
As percent of GNP	8%	8%	7%		
Deficit (-) or Surplus (+)	+9	-85	-115		

* Converted at 7.3 pesos per U.S. \$.

Country: COLOMBIA

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	87.2	80.0-90.0	100.0
Technical Cooperation	6.1	3.5	4.1
Supporting Assistance	0.2	-	-
Total A.I.D. Assistance	93.5	83.5-93.5	104.1

Progress, Self-Help, Aid from Others

Colombia is one of the major hopes for rapid development in the Alliance. It has a democratic two-party system and progressive political leadership. Traditionally oriented toward sound financial policies and to free enterprise, Colombia has developed a strong and forward-looking private sector. It has the advantage of rich and varied natural resources and of a market potential sufficient for advanced industrialization. Its record thus far has been encouraging, with an average annual real rate of increase in Gross National Product (GNP) of above 5% over the past 17 years. Gross investment levels have been high in comparison to GNP.

Colombia does, however, have serious current problems. Its exports have suffered in recent years from the large decline in coffee prices, and the coalition government, although working well, is not a permanent solution to the political problem.

Under a Special Powers Bill passed in August 1963, Colombia has initiated a 20% surcharge on income taxes, which should raise \$60 million during 1963-64, and a 30% surcharge on gift and inheritance taxes. In addition, property valuations were increased by 10%, the planning board was reorganized and a monetary commission established. Significant earlier self-help accomplishments include administrative reform, civil service, Public Administration Institute and national planning organization (1958-59); passage of a comprehensive agrarian reform law and the establishment of the Agrarian Reform Institute (1961). In 1962 Colombia carried out a politically difficult exchange reform and devaluation to adjust the exchange rate to more realistic levels. Although the reform was not wholly successful, it did generate approximately \$45 million in new revenues through what was essentially taxation of coffee exports.

Performance in social development has been notable. The Housing Institute, with A.I.D. and Inter-American Development Bank (IDB) assistance, constructed 31,000 low cost units in 1963, compared to 19,000 in 1961. The Agrarian Reform Institute has completed plans to settle the first 15,000 families under the Land Reform Law. An apprenticeship training program supported by a 2% payroll tax has trained 17,300 workers since 1961.

Rural violence, which has retarded rural development and accentuated urban migration, is being reduced through an aggressive anti-bandit campaign.

An example of the Alliance in operation is the barrio "La Fortaleza" which was built in less than two years on land acquired from a large estate. Roughly 1,000 low-income families own their own homes there through loans from Alliance funds. Thanks to community self-help efforts and the assistance of private firms, charities, and the local military commander and his troops, the community now has a small health clinic, workshops and a school and playground for 500 children.

Notwithstanding progress to date, Colombia is still an underdeveloped country, with the problems normally attendant on its stage of growth. The middle class is growing fast but is still relatively small. To permit economic growth without large and continuing balance-of-payments deficits, Colombia must stimulate export diversification and break its over-dependence on coffee. Despite the impressive revenue measures of last year, a difficult fiscal problem remains, requiring further self-help efforts. Agricultural production lags behind population growth. Input of resources into education and training for development has lagged behind other self-help measures.

Colombia's potential has been recognized by other assistance donors who have joined together to provide development financing on suitable terms. A Consultative Group has been organized under International Bank for Reconstruction and Development (IBRD) auspices which includes the IDB, A.I.D., Export-Import (Ex-Im) Bank and the Development Assistance Committee (DAC) countries. At the end of its first year of operation, Group members have made loans totaling \$180 million and are actively considering a substantial number of additional projects. U.S. development financing has constituted about 45% of the external assistance made available to Colombia, with the IBRD providing an equal percentage, and the remainder deriving from the IDB and from other developed countries. In addition, the UN and the Organization of American States (OAS) provide technical assistance, and private U.S. foundations are particularly active in Colombia, especially in the fields of agriculture, medicine, and higher education.

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Country: COLOMBIA

U.S. Objectives and Policy

The major U.S. assistance objective is the achievement of a high rate of economic and social progress within the framework of a constantly strengthened democratic, private enterprise system.

U.S. assistance is designed to induce better Colombian performance on the key policies and actions needed to achieve self-sustaining growth. A priority aim will be to convince the government of the need to improve its monetary and price control policies and modify other restrictions which result in inadequate resource mobilization.

Colombia should be able to obtain fiscal balance in the next two or three years through such self-help measures as:

1. Improved tax administration. This effort has begun with the assistance of an A.I.D.-financed IRS team, and a major land tax project is contemplated;
2. Additional tax policy steps based on an OAS-IDB-ECLA (Economic Commission for Latin America) sponsored tax study completed in late 1963; and
3. Improved budgetary accounting to provide accurate cash flow information on a more current basis. A Harvard University Advisory Group and the A.I.D. Mission are rendering assistance here.

To obtain balance-of-payments equilibrium may well require upwards of a decade and will call for a greater Colombian effort to stimulate and diversify export industries than has yet been mounted. The primary self-help requirements are:

1. Establishment of export promotion as a priority goal and adoption of the needed export promotion policies and practices;
2. The development and continuing refinement of a rational import budget during the period when direct import controls must be continued; and
3. The pursuit of appropriate monetary, exchange rate, price and wage policies.

Assuming optimum Colombian self-help, a somewhat higher level of total foreign assistance will be needed in the next three years than was provided in the first two of the Colombian Development Plan if growth targets are to be met. Colombian prospects are such that increasing proportions of external assistance can be

expected to be supplied from non-A.I.D. sources. Colombian performance will be continuously re-evaluated during the next three years to insure that A.I.D. assistance levels are related to Colombia's ability to use the resources for development.

The U.S. assistance effort will continue to be carried out in conjunction with the Consultative Group led by the IBRD. Colombian performance will be discussed with the IBRD and other assistance lenders to assure that external aid goes to priority development needs. An increased effort will be made to determine where other donors can assume an additional share of assistance to Colombia.

FY 1965 Program

A.I.D. efforts will continue to place major emphasis upon development lending within the Consultative Group framework. A.I.D. loans of \$100 million are needed to assure the level of capital and intermediate goods imports to support specific investment opportunities and growth targets.

The major share of A.I.D. loans will provide goods for the vigorous private sector through the program loan technique which supplies essential imports for the economy as a whole. At the same time, a large part of the pesos generated by these loans will be used to finance a Private Investment Fund. This Fund, set up in 1963, concentrates its relending on small and medium-sized industries, especially those producing goods for export or for import substitution. During the first eight months of operation the fund received applications totaling \$35.8 million and approved \$16.7 million in loans.

Additional project loans and technical cooperation will provide the means of overcoming specific administrative and technical development bottlenecks, especially in the tax, agriculture and education fields.

To encourage Colombia's tax programs, A.I.D. will supply technical assistance in tax administration and collection, and in improving and updating the land appraisal system.

A more diversified and productive agricultural sector must lead the way in the export drive and act as a stimulus to the economy as a whole. Accordingly, A.I.D. will assist in improving the planning capacity of the Agriculture Ministry, completing a basic resources survey, identifying specific opportunities for diversification and stimulating rural participation in the national economy.

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Country: COLOMBIA

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To meet trained manpower requirements and broaden the democratic framework, a more effective, efficient and open educational system is essential. A joint A.I.D./IBRD/UNESCO team will be working in Colombia for the next 18 months strengthening the planning office in the Ministry of Education and assisting in developing an education plan. An A.I.D. survey of higher education is also under way.

Additional U.S. activity includes the Food for Peace program, which will reach 1,200,000 children during FY 1965, and training of labor leaders to bring labor more effectively into national development. Police assistance in the improvement of rural and urban public order, civic action projects which use Colombian military personnel on community improvement activities, and assistance in housing round out A.I.D.'s social impact projects.

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Colombia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD 1946-1948	MARSHALL PLAN PERIOD 1949-1952	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
			1953-1957	1958	1959	1960	1961	1962	1963			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	0.7	5.8	1.4	1.9	2.6	28.0	37.9	93.4	171.8	1.4	170.4
Loans.....	-	-	-	-	-	-	25.0	30.0	87.2	142.2	1.4	140.8
Grants.....	-	0.7	5.8	1.4	1.9	2.6	3.0	7.9	6.2	29.6	-	29.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	22.8	8.5	31.3	0.2	31.1
FOOD FOR PEACE - TOTAL	-	-	29.6	11.9	4.2	10.4	12.8	17.0	18.4	104.2	2.6	101.6
Title I - (Total Sales Agreements).....	(-)	(-)	(31.4)	(6.2)	(-)	(10.6)	(10.5)	(10.5)	(-)	(69.2)	(-)	(69.2)
Less: (Planned for U.S. Uses).....	(-)	(-)	(9.0)	(1.7)	(-)	(2.7)	(2.6)	(2.6)	(-)	(18.6)	(-)	(18.6)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	22.4	4.5	-	7.9	7.9	7.9	-	50.6	2.6	48.0
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	1.6	1.6	-	2.7	2.6	2.6	-	11.1	1.8	9.3
104g - Loans to Governments.....	-	-	20.8	2.9	-	5.2	5.3	5.3	-	39.5	0.8	38.7
TITLE I - ASSIST FROM OTHER COUNTRY SALES AGREEMENTS.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	-	7.2	7.4	4.2	2.5	4.9	9.1	11.5	46.7	-	46.7
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	6.9	6.9	-	6.9
EXPORT-IMPORT BANK LONG-TERM LOANS	13.0	10.5	4.7	83.7	-	0.5	56.6	-	3.4	172.2	115.3	56.9
OTHER U.S. ECONOMIC PROGRAMS	1.8	0.8	-	-	-	-	0.2	1.3	3.7	7.8	0.8	7.0
TOTAL ECONOMIC	14.8	12.0	40.1	97.0	6.1	13.5	97.6	79.0	127.4	487.3	120.3	367.0
Loans.....	13.8	10.5	27.1	88.2	-	8.4	89.5	60.7	106.0	404.0	120.3	283.7
Grants.....	1.0	1.5	13.0	8.8	6.1	5.1	8.1	18.3	21.4	83.3	-	83.3
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) .. (Additional Grants from Excess Stocks).....	-	*	14.3	2.6	2.5	2.7	3.2	5.8	8.3	45.3	-	45.3
(Additional Grants from Excess Stocks).....	(-)	(-)	(5.1)	(3.1)	(*)	(0.3)	(0.2)	(0.5)	(1.1)	(10.4)	-	(10.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	10.4	0.2	-	10.6	-	10.6
TOTAL MILITARY	-	*	14.3	2.6	2.5	2.7	13.6	6.0	8.3	55.9	-	55.9
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	*	14.3	2.6	2.5	2.7	13.6	6.0	8.3	55.9	-	55.9
TOTAL ECONOMIC AND MILITARY	14.8	12.0	54.4	99.6	8.6	16.2	111.2	85.0	135.7	543.2	120.3	422.9
Loans.....	13.8	10.5	27.1	88.2	-	8.4	89.5	60.7	106.0	404.0	120.3	283.7
Grants.....	1.0	1.5	27.3	11.4	8.6	7.8	21.7	24.3	29.7	139.2	-	139.2

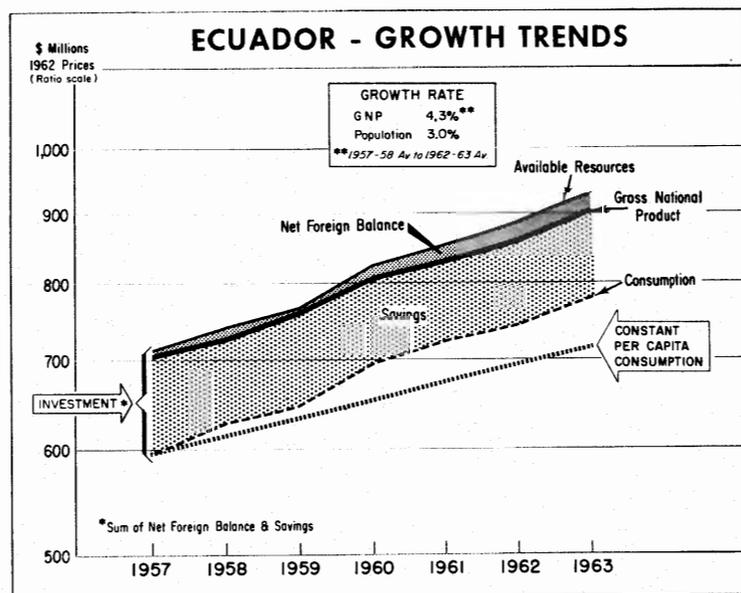
* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank . . .	69.5	68.8	338.9
UN Tech. Ass't. (CT) . .	0.6	0.7	4.8
UN Special Fund	1.8	1.5	7.2
Int'l. Dev. Association	19.5	-	19.5
Inter-Am. Dev. Bank . .	2.6	16.4	32.1
Int'l. Finance Corp. . .	4.0	1.4	8.2

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Ecuador — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	4.7
Annual Growth Rate (percent)	3.0
Area (1000 square miles)	112
Population Density per square mile	42
Agricultural Land as % of Total Area	12.2
Percent of Population in Agriculture	55
Life Expectancy (years)	52
People per Doctor	2,900
Literacy Rate (percent)	60-70
Pupils as Percent of Population	15
(Primary & Secondary)	



	1959	1960	Calendar Years		1963 Est.
			1961	1962	
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	757	803	825	855	900
Per Capita GNP (dollars)	181	186	185	187	190
Investment as percent of GNP	16	16	16	17	17
Domestic Savings as % of Investment	96	86	81	82	85
Net Foreign Balance as % of GNP	1	2	3	3	3
Agricultural Prod. Index (1952-54=100)	132	143	148	148	156
Index per Capita	109	115	115	112	114
Rice, rough (1,000 M.T.)	159	174	180	136	175
Petroleum Prod., crude (1,000 M.T.)	364	364	388	349	355

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	140	144	125	138	160
Bananas	(90)	(89)	(81)	(84)	(105)
Total Imports (c.i.f.)	99	114	107	111	130
Trade Balance	+41	+30	+18	+27	+30

GOLD & FOREIGN EXCHANGE (end of year) (\$ millions) 40 37 38 43 43(Sept.)

COST OF LIVING INDEX (1958=100) 100 102 106 109 116

CENTRAL GOVERNMENT FINANCES*
(FY ending December 31)

	— Million Dollar Equivalents —		
	1961	1962	1963(Budget)
Total Expenditures	165.9	171.2	182.3
(Defense Expenditures)	(18.7)	(17.1)	(19.5)
(Capital Outlays)	(39.0)	(37.2)	(35.7)
Total Domestic Revenues	150.4	161.5	172.3
As percent of GNP	18.5%	18.9%	18.7%
Deficit (-) or Surplus (+)	-15.5	-9.7	-10.0

* Converted at 18 sucres per U.S.\$.

Country: ECUADOR

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	6.3	22.0	20.0
Technical Cooperation	4.9	4.1	4.5
Supporting Assistance	7.0	-	-
Total A.I.D. Assistance	18.2	26.1	24.5

Progress, Self-Help, Aid from Others

The Military Junta which assumed control in July 1963, has recognized that fragmented public administration, poor government organizational structure and procedures, and untrained leadership are primary obstacles to Ecuador's development. As first steps toward overcoming these problems, the Junta: (a) persuaded qualified civilians to accept appointment to several cabinet level positions; (b) clarified the responsibilities of the key ministries; and (c) with the help of a \$1.6 million loan from the United States, initiated a program to improve administration of the central government and the two principal cities--Quito and Guayaquil.

Municipal and provincial governments and power companies and other autonomous government agencies, of which there are more than 700, ultimately receive almost two-thirds of the total revenues. The central government receives only 35%. As a result, the central government cannot effectively direct the execution of a development program, nor can it finance the local costs of such a program. Studies are now being made as to how these operations can be made more effective and the causes of recurring budget deficits eliminated. Several major agencies are already being brought under government budgetary control.

Other useful self-help actions have been taken. These include improvements in the customs administration and contraband control programs, reorganization of three universities, and adoption of improved administrative laws. For the private sector, the industrial development law has been amended to give incentives for foreign and domestic investment in the form of tax and customs exemptions and depreciation allowances. At the local level, a number of communities have met their pledge to provide 40% of the costs of a pilot school construction program. Ecuadorean municipalities have adopted the principle of self-financing their water systems.

Recent economic growth of Ecuador has been about equal to the average for Latin America. Gross National Product (GNP) growth has exceeded 4% annually, but population increases have limited the rise in per capita national product to little more than 1% per year. However, gross new investment has reached a level (about 17% of GNP in 1962 and 1963) which holds promise for a more rapid future growth.

Ecuador is receiving other U.S. assistance through the Export-Import (Ex-Im) Bank, the Food for Peace program, and the Social Progress Trust Fund in the amount of \$30.3 million in FY 1964. Assistance in loans and grants by other free world agencies, chiefly the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), will approximate \$25 million.

U.S. Objectives and Policy

U.S. assistance objectives in Ecuador are to facilitate the development of modern institutions and effective government administration. The Military Junta which succeeded an inept and directionless civilian regime has thus far manifested its desire to carry out a program of development and reform. In this period of transition prior to an orderly return to constitutional government, the United States is supporting efforts to reach economic and social development goals within Ecuador's administrative and fiscal capacity. The United States is also using its influence on the Junta to speed its adoption and implementation of various Alliance for Progress reform measures. If the Junta does not arrange for a return to constitutional government within a reasonable time and if it does not respond with a broader program of development and reform, the U.S. program will be reassessed.

U.S. assistance policies are designed to:

1. Promote the structural changes and reforms in the principal central government and autonomous agencies which will bring about a surplus in the central operating budget and encourage a greater and wiser allocation of investment resources.
2. Influence the investment decisions of the government so as to accelerate implementation of projects for which external financing is already available.
3. Encourage private savings and investment so as to provide immediately productive revenue-producing projects and promote exports--thus permitting Ecuador to take on a greater debt burden for financing needed infrastructure investments.

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Country: ECUADOR

4. Improve credit facilities through technical cooperation and seed-capital loans so that they will support expansion of industrial and agricultural enterprises, including cooperatives, credit unions and loan associations.

U.S. support for particular projects will be geared to specific measures on the part of Ecuador. For example:

1. The IBRD-formulated National Highway Program, in which the United States will participate, is being conditioned upon adequate provisions for future maintenance, restriction of future governmental transportation investment to agreed-on priority sectors, and increasing gasoline tax revenues.
2. A school construction loan will encourage the allocation of a greater percentage of local revenues to improve educational facilities and will support government efforts to reorganize its educational program, improve teacher training, and produce the teaching materials required.

FY 1965 Program

Heavy emphasis will be placed on pursuing the opportunity presented by the Junta's announced desire to adopt administrative and fiscal reform measures. A 1963 development loan providing technical assistance and related facilities for these purposes should enable Ecuador to step up its collections of customs duties, income taxes, and assist in channeling public revenue into higher priority development uses. Total tax receipts should increase by the end of 1965 by about 30% over 1963 levels as a result of these reforms and related training programs to improve administration.

To attract new and expanded industrial plant activity and to enhance Ecuadorean potential as an exporter of agricultural commodities, Ecuador's electric power capacity must be increased and its highway system improved. Loans for these purposes in FY 1965 will permit the installation of five power plants in coastal cities. A large consortium loan in which the United States will participate in FY 1964 will provide for the construction and

improvement of 1,186 kilometers of highways, and the maintenance of 4,263 kilometers of highways and roads servicing an estimated 700,000 hectares of agricultural lands. Existing Alliance loans will be used to encourage a limited agrarian reform program emphasizing colonization projects and a system for adjudicating land titles. Loans to improve agricultural credit facilities and to expand the development of cooperatives would be conditioned on the active implementation of this program.

Substantial technical cooperation funding will be continued for projects to improve the basis for manpower development through changes in and expansion of the educational system. These include: (a) university-to-university contracts which permit the University of Pittsburgh, St. Louis University and the University of Houston to assist three Ecuadorean universities; (b) training for members of free trade unions; (c) technical assistance in upgrading instruction in five vocational schools; and (d) provision of skilled, high-level advisors who will help the Junta implement reforms in the public sector and assist in the promotion of industrial growth. A loan for construction of 3,000 primary school classrooms over a three-year period also will be made if there are satisfactory arrangements for textbook production, teacher training, and continued maintenance.

To promote awareness of U.S. assistance and the Alliance for Progress and generate initiative at the community level, small cost-sharing projects will be undertaken in selected communities. Successful efforts under this "Town Plan" program are now going forward in Guaranda, Esmeraldas and Riobamba. Modest assistance will be given to revitalize the panama hat industry in the Cuenca area. This assistance will complement the self-help projects sponsored by a regional development center in Cuenca, which are improving economic conditions in this depressed area.

To reduce and control disruptive tensions within the society, the counter-insurgency capability of the National Police and Armed Forces will be strengthened further through public safety and civic action programs.

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Ecuador

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.4	8.9	4.2	6.7	8.4	9.5	19.9	18.1	77.0	1.9	75.1
Loans.....	-	-	2.0	2.3	4.7	5.3	6.8	13.0	13.3	47.4	1.9	45.5
Grants.....	-	1.4	6.9	1.9	2.0	3.1	2.7	6.9	4.8	29.6	-	29.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	13.6	9.9	23.5	-	23.5
FOOD FOR PEACE - TOTAL	-	-	5.5	1.7	0.8	0.3	3.3	2.2	6.1	19.8	0.7	19.1
Title I - (Total Sales Agreements).....	(-)	(-)	(6.7)	(1.7)	(-)	(-)	(3.2)	(-)	(-)	(11.6)	(-)	(11.6)
Less: (Planned for U.S. Uses).....	(-)	(-)	(1.8)	(0.5)	(-)	(-)	(0.8)	(-)	(-)	(3.1)	(-)	(3.1)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	4.9	1.2	-	-	2.4	-	-	8.5	0.7	7.8
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	0.4	-	-	0.8	-	-	1.2	0.1	1.1
104g - Loans to Governments.....	-	-	4.9	0.8	-	-	1.6	-	-	7.3	0.6	6.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'TS.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	-	-	-	-	-	0.3	-	0.3	-	0.3
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	-	0.6	0.5	0.8	0.3	0.9	1.9	2.3	7.2	-	7.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	3.8	3.8	-	3.8
EXPORT-IMPORT BANK LONG-TERM LOANS	3.5	8.4	10.0	-	-	-	0.4	-	1.3	23.6	25.0	-1.4
OTHER U.S. ECONOMIC PROGRAMS	1.9	1.8	-	-	-	-	-	0.8	1.6	6.1	0.5	5.6
TOTAL ECONOMIC	5.4	11.6	24.4	5.9	7.5	8.7	13.2	36.5	37.0	150.0	28.1	121.9
Loans.....	4.0	8.4	16.9	3.5	4.7	5.3	9.6	26.6	28.3	107.3	28.1	79.2
Grants.....	1.4	3.2	7.5	2.4	2.8	3.4	3.6	9.9	8.7	42.7	-	42.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) ..	-	0.1	8.5	2.5	1.6	2.5	2.0	2.3	2.6	25.2	-	25.2
(Additional Grants from Excess Stocks).....	(-)	(-)	(1.6)	(1.2)	(0.3)	(0.3)	(0.3)	(0.5)	(0.8)	(5.3)	(-)	(5.3)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	8.4	-	-	8.4	-	8.4
TOTAL MILITARY	-	0.1	8.5	2.5	1.6	2.5	10.4	2.3	2.6	33.6	-	33.6
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	0.1	8.5	2.5	1.6	2.5	10.4	2.3	2.6	33.6	-	33.6
TOTAL ECONOMIC AND MILITARY	5.4	11.7	32.9	8.4	9.1	11.2	23.6	38.8	39.6	183.6	28.1	155.5
Loans.....	4.0	8.4	16.9	3.5	4.7	5.3	9.6	26.6	28.3	107.3	28.1	79.2
Grants.....	1.4	3.3	16.0	4.9	4.4	5.9	14.0	12.2	11.3	76.3	-	76.3

ASSISTANCE FROM INTERNATIONAL AGENCIES

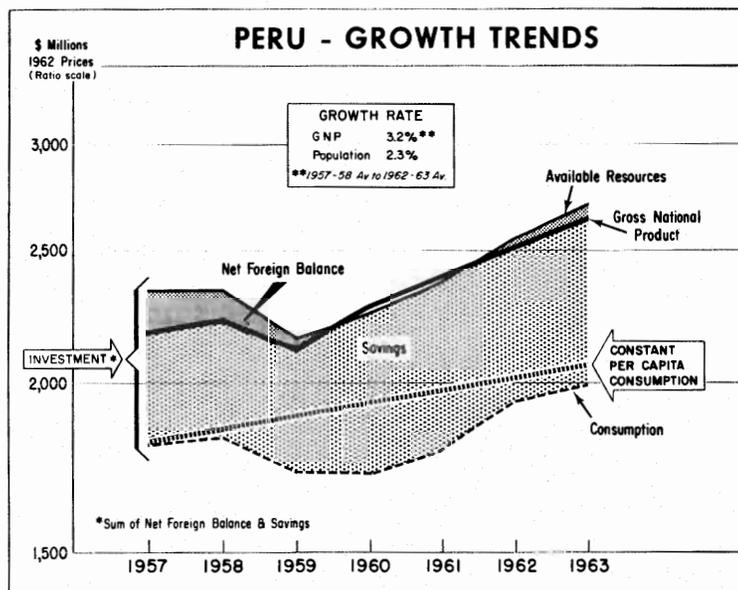
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank . . .	-	-	45.0
UN Tech. Ass't. (CY) . . .	0.5	0.7	5.6
UN Special Fund	1.7	0.8	5.0
Inter-Am. Dev. Bank . . .	4.7	6.1	10.8

SINO-SOVIET BLOC ASSISTANCE

1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Peru — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	11.9
Annual Growth Rate (percent)	2.3
Area (1000 square miles)	514
Population Density per square mile	23
Agricultural Land as % of Total Area	11
Percent of Population in Agriculture	55
Life Expectancy (years)	46
People per Doctor	2,300
Literacy Rate (percent)	50
Pupils as Percent of Population	14
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	2,105	2,265	2,376	2,517	2,635
Per Capita GNP (dollars)	194	204	209	216	221
Investment as percent of GNP	20	23	25	24	27
Domestic Savings as % of Investment	91	104	101	95	91
Net Foreign Balance as % of GNP	2	-1	-	1	2
Agricultural Prod. Index (1952-54=100)	112	109	118	115	121
Index per Capita	98	93	98	93	96
Rice, rough (1,000 MT)	348	322	350	185	325
Petroleum Production (1,000 MT)	2,377	2,532	2,580	2,800	2,840
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	312	430	494	538	545
Copper	(25)	(95)	(105)	(92)	(90)
Total Imports (c.i.f.)	318	373	468	538	560
Trade Balance	-6	+57	+26	0	-15
GOLD & FOREIGN EXCHANGE (end of year)	71	89	129	142	162 (Sept.)
COST OF LIVING INDEX (1958=100)	113	122	128	136	143
CENTRAL GOVERNMENT FINANCES*					
— Million Dollar Equivalents —					
(FY ending December 31)	1961	1962 (Est.)	1963 (Budget)		
Total Expenditures	315	392	473		
(Defense Expenditures)	(71)	(73)	(97)		
(Capital Outlays)	(59)	(85)	(127)		
Total Domestic Revenues	334	353	444		
As percent of GNP	14%	14%	16%		
Deficit (-) or Surplus (+)	+19	-39	-29		

* Converted at 27 soles per U.S.\$.

Country: PERU

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	-	40.0-50.0	50.0-60.0
Technical Cooperation	2.9	4.0	4.7
Total A.I.D. Assistance	2.9	44.0-54.0	54.7-64.7

Progress, Self-Help, Aid from Others

With a new reform-minded, constitutional government publicly committed to the Alliance for Progress, there is opportunity for significant progress and development in Peru.

The primary challenge facing the Belaunde Government is to move rapidly enough in raising living standards in the highlands and urban slums to break a rising wave of social unrest which has already erupted in numerous land invasions. Although over-all growth rates have been very satisfactory in the last four years, the expanding coastal economy contrasts sharply with the stagnant highlands where half the population lives. Per capita income is less than one-fourth that on the coast, producing ever increasing downward migration.

The main political obstacles to the execution of reform and development programs are: (a) the resistance to change by the traditional ruling group; and (b) the control of Congress by opposition parties. Although the strongest opposition party (APRA) supports reform, it has delayed or modified many Administration proposals both for substantive reasons and in order to gain political advantage. If the new Administration continues to accept compromise solutions or reaches a closer working arrangement with APRA, it stands a good chance of achieving its more important reform goals.

Important steps have already been taken toward the achievement of Alliance for Progress reforms and self-help measures.

1. Land redistribution has already begun on a limited scale in the highlands. The agrarian reform agency has been expanded and given greater authority. Congress recently approved a constitutional amendment allowing payment for expropriated land in bonds; ratification by the next ordinary session will make the amendment effective. At the Administration's urgent

request, Congressional committees have approved a comprehensive agrarian reform bill, which has already passed the House. Senate approval is expected in this session.

The Administration has drafted an extensive program of agricultural credit, community development, resettlement and colonization. To finance this program the Administration has doubled its agricultural budget request, which, however, is still a relatively small proportion of the total budget.

To support these programs, the armed forces are being used increasingly in civic action programs to construct penetration roads, colonization projects, schools, medical posts, and water and sewage systems.

2. The 1964 investment budget has increased nearly two and one-half times over 1961 levels, with further increases projected for 1965. A series of new stamp and customs taxes have recently been enacted. Total revenues were nearly 16% of the Gross National Product (GNP) in 1963, well above the level for most underdeveloped countries. Recommendations of an A.I.D.-financed tax enforcement team have been adopted, including replacement of a costly private tax collection agency by direct government collection. However, moderate budget deficits occurred in 1963 and further deficits are likely in 1964.
3. The traditionally strong private sector has grown rapidly since 1959. Private investment is about 20% of the GNP. Exports have risen dramatically in recent years, due largely to private investment in copper, fish meal and iron ore. The currency is sound but excessive deficit financing could undermine future business confidence. If the serious problem caused by the Administration's proposed changes in the status of the U.S.-owned International Petroleum Company is resolved satisfactorily, private investment should continue to increase rapidly.
4. A strong, new national planning institute expects to complete a short-range investment program in mid-1964 and a long-range development plan in 1965.

The Export-Import Bank, Inter-American Development Bank, International Bank for Reconstruction and Development, and International Finance Corporation have all been active in Peru, making loans totaling more than \$110 million since 1960. French, English, Swiss, German, Italian and Japanese loans for public projects (hydroelectric, fertilizer, ports, railways, irrigation, a steel

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Country: PERU

mill) are estimated to have exceeded \$260 million since 1960 but many are short-term supplier credits at high interest rates.

U.S. Objectives and Policy

The major U.S. assistance objective is to support the new Administration in its efforts to increase the very low living standard of the five million people living in the Andean highlands and recent migrants.

These people are increasingly insistent upon better economic opportunities. Extremist agitators, capitalizing upon discontent, have fomented repeated land invasions and created other civil disorders. The Administration has embarked upon a three pronged development effort, which U.S. assistance programs are prepared to support: (a) intensive agricultural and human resource development of the over-populated Andean region; (b) opening new lands in the high rain-forest areas of eastern Peru; and (c) increased industrialization outside Lima to provide more job opportunities.

The success of this development effort depends upon rapid implementation of many social and structural changes. External resources are required in any event for achievement of U.S. objectives. The Peruvian Government can accelerate the rate of progress by increasing its own investment and providing better opportunities for private investors.

U.S. assistance will move hand in hand with satisfactory progress on the more important reforms and domestic improvements, including:

1. Selective redistribution of large land holdings to small farmers and indigenous communities, where population pressure requires, accompanied by expanded extension and credit programs for small farmers.
2. Maximum, rapid increases in local funds available for sound public sector investment, supported by new taxes, better tax administration, and increased internal borrowing.
3. Improvement of the investment climate to encourage more foreign and domestic private investment through tax, credit, other incentives, and fair treatment of all investors.
4. Rapid completion of an investment program and long-range development plan, accompanied by much improved administration of development projects.

FY 1965 Program

As a result of widespread violence and unrest in the highlands, the Administration is urgently requesting legal authority to settle small farmers on selected highland haciendas and is proceeding rapidly with plans to provide them with agricultural extension services, supervised credit, equipment pools and social services. To reduce population pressure, it is also moving ahead with colonization efforts in the under-populated eastern sector.

U.S. technical cooperation will be provided, and loans will be considered in the fields of agricultural credit, irrigation, colonization and community development.

Closely tied to the needs of the rural areas is the development of an adequate transportation system. A very large proportion of the population is located in difficult mountainous terrain which isolates the people and their produce from urban markets. Technical cooperation from the U.S. Bureau of Public Roads and Federal Aviation Agency will be continued, along with development loans for road construction, improvement and colonization. (Feasibility studies for many of these roads are already under way.) Improvement of small airports in remote areas may also be supported along with necessary improvements to port facilities for Peru's international trade.

While growing rapidly, Peru's industries have been unable to absorb the large volume of migrants to urban slums. There is a need for 20,000 new jobs each year if Peru is to absorb these migrants and keep abreast of its growing population. The creation of new industry outside Lima and small industry handicraft operations in the highlands is an important facet of A.I.D.'s program. This will be accomplished by setting up cooperatives, providing management assistance, identifying good opportunities for private investment, and loans to intermediate credit institutions.

Education is basic to development. A.I.D. will continue to provide advisors to the Ministry of Education and may consider loans for educational facilities. Special emphasis will be given to better educational opportunities in the highlands.

Advisory services will be continued for such governmental functions as economic planning and means of increasing public sector revenues, such as better tax and customs collection. Loans may be considered for feasibility studies and natural resource surveys.

Public safety will continue to receive special attention, particularly in the sensitive highlands. Both advisors and police equipment will be furnished under the program.

Peru

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.8	13.9	2.7	2.6	7.4	29.0	26.6	-3.0	80.9	0.3	80.6
Loans	-	-	2.0	-	-	4.5	26.0	17.6	-5.8	44.3	0.3	44.0
Grants	-	1.8	11.9	2.7	2.6	2.9	3.0	9.0	2.9	36.6	-	36.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	24.8	1.5	26.3	0.2	26.1
FOOD FOR PEACE - TOTAL	-	*	26.3	8.0	1.0	4.3	6.2	9.3	6.9	62.0	3.1	58.9
Title I - (Total Sales Agreements)	(-)	(-)	(13.7)	(7.5)	(-)	(4.0)	(4.0)	(4.0)	(-)	(33.2)	(-)	(33.2)
Less: (Planned for U.S. Uses)	(-)	(-)	(3.9)	(2.2)	(-)	(1.2)	(1.2)	(1.2)	(-)	(9.7)	(-)	(9.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	9.8	5.3	-	2.8	2.8	2.8	-	23.5	3.1	20.4
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	2.0	-	0.6	0.6	0.6	-	3.8	1.3	2.5
104g - Loans to Governments	-	-	9.8	3.3	-	2.2	2.2	2.2	-	19.7	1.8	17.9
TITLE I - ASSIST FROM OTHER COUNTRY SALES AGRM'TS.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	13.3	0.7	-	-	0.2	2.3	3.1	19.6	-	19.6
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	3.2	2.0	1.0	1.5	3.2	2.2	3.8	16.9	-	16.9
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	2.0	-	2.0	-	2.0
EXPORT-IMPORT BANK LONG-TERM LOANS	0.1	19.8	97.7	8.3	34.9	8.1	26.5	17.1	10.1	222.4	121.9	100.5
OTHER U.S. ECONOMIC PROGRAMS	7.5	3.1	-	-	-	-	-	0.7	2.6	13.9	6.3	7.6
TOTAL ECONOMIC	7.6	24.7	137.9	19.0	38.5	19.8	61.7	78.5	18.1	405.5	131.8	273.7
Loans	5.6	19.8	109.5	13.6	34.9	15.4	55.3	64.3	5.8	324.0	131.8	192.2
Grants	2.0	4.9	28.4	5.4	3.6	4.4	6.4	14.2	12.4	81.5	-	81.5
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	-	0.1	28.5	7.4	4.1	2.5	4.4	4.6	5.2	72.6	16.7	55.9
	(-)	(-)	(4.3)	(3.2)	(0.5)	(0.3)	(2.2)	(1.3)	(2.0)	(16.7)	(-)	(16.7)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	1.0	18.4	9.1	-	28.5	-	28.5
TOTAL MILITARY	-	0.1	28.5	7.4	4.1	3.5	22.8	13.7	5.2	101.1	16.7	84.4
Loans	-	-	13.5	2.2	-	-	-	-	-	15.7	16.7	-1.0
Grants	-	0.1	15.0	5.2	4.1	3.5	22.8	13.7	5.2	85.4	-	85.4
TOTAL ECONOMIC AND MILITARY	7.6	24.8	166.4	26.4	42.6	23.3	84.5	92.2	23.3	506.6	148.5	358.1
Loans	5.6	19.8	123.0	15.8	34.9	15.4	55.3	64.3	5.8	339.7	148.5	191.2
Grants	2.0	5.0	43.4	10.6	7.7	7.9	29.2	27.9	17.6	166.9	-	166.9

* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank . . .	10.0	13.2	105.2
UN Tech. Ass't. (CY) . . .	0.5	0.6	4.1
UN Special Fund	2.4	1.2	7.7
Inter-Am. Dev. Bank . . .	1.5	2.5	7.9
Int'l. Finance Corp. . . .	2.6	-	7.3

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year)	-
1963 (Calendar Year)	-
Cumulative thru 1963	-

Other Latin America -- Basic Data

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	TOTAL (1963)	ANNUAL GROWTH RATE	TOTAL	AGRICUL- TURAL LAND	PER CAPITA (EST.)	TOTAL EXPORTS (1962)	MAIN EXPORTS	PEOPLE PER DOCTOR	LITERACY RATE
	MILLIONS	PERCENT	1000 SQ. MI.	PERCENT OF AREA	DOLLARS	\$ MILL.	ITEM	PERSONS	PERCENT
British Guiana	0.6	3.0	83	7	260	96	Sugar	3,130	80
Dominican Republic ..	3.3	3.5	19	26	242	172	Sugar	5,200	64
Haiti	4.4	2.1	11	31	70	42	Coffee	11,000	10
Jamaica	1.7	1.3	4	43	443	181	Bauxite & Alumina	2,500	80
Mexico	38.3	3.1	760	48	319	931	Cotton	2,050	56
Panama	1.2	3.0	29	13	431	53	Bananas	2,630	83
Paraguay	1.9	2.4	157	3	132	33	Meat	1,820	68
Trinidad & Tobago ...	0.9	3.0	2	35	615	346	Petroleum	2,870	80
Uruguay	3.0	1.6	72	78	490	153	Wool	860	88
Venezuela	8.2	3.4	352	23	726	2,594	Petroleum	1,300	51

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OTHER LATIN AMERICAN PROGRAMS

Although a major portion of U.S. assistance is being concentrated in the countries discussed above, Alliance for Progress and U.S. objectives also are being pursued with U.S. aid in other countries of the Hemisphere. U.S. support varies according to each country's particular problems and its own efforts to respond to self-help requirements.

Both Mexico and Venezuela, with high rates of economic growth and ambitious development programs, have mobilized their own resources well, and can now attract a substantial portion of their external resources requirements from sources other than A.I.D.

Mexico, a leader in many reform measures, continues to pursue certain basic improvements in its social structure. It is undertaking a number of these additional reform measures in connection with A.I.D. financing. A.I.D.'s objective is to encourage an expanding role for Mexico within the Alliance with increasing emphasis on Mexico's growing ability to provide training and related assistance to other countries in Latin America. A.I.D. is considering delegating to the Embassy the remaining activities of its Mission in Mexico.

In Venezuela, the Government is making significant strides in mobilizing forces for development. The U.S. objective is to assure the country's self-sustained economic growth and continued social progress so that stable social and government institutions will endure.

Uruguay, with considerable potential for development, has yet to undertake a number of basic structural and long-range reforms essential to economic development. Activities involving the cooperative movement and the University offer an opportunity for effective joint action by A.I.D. and the Uruguayans. U.S. aid policy is to make available only a limited amount of aid in Uruguay, in the hope that mounting economic pressures will force major reform action by the Government.

All the Caribbean nations are, by their very location, of strategic importance to the United States.

Newly independent Jamaica--technically not a member of the Alliance for Progress family of nations--is proceeding under its development plan to create opportunity for private enterprise and for general economic growth. However, the island nation suffers from severe unemployment and limited resources, being hampered by heavy population pressures. A.I.D. assists Jamaica by a modest technical cooperation program, and is willing to consider soundly based loan

applications if funds from other sources are not available. Other assistance programs are being carried out by the UN, Canada, and the U.K.

A.I.D. involvement in Trinidad-Tobago stems from the agreement between the United States and the island government regarding base rights. Funds committed in the agreement concerning these rights are being used for economic and social development purposes.

The strained working relationship between the Haitian Government and the United States, and the existing climate within British Guiana prevent the undertaking of significant cooperative programs with A.I.D. funding at this time. It nevertheless remains in the U.S. interest, for humanitarian reasons, to support limited activities in these two nations.

Prior to the September 1963 coup in the Dominican Republic, substantial U.S. assistance was being provided. This assistance was aimed first at assisting in stabilizing the political and economic situation as the country moved toward free elections and then at assisting in the transition to a functioning democracy. After a break of four months in U.S.-Dominican relations, aid programs are now being resumed.

Paraguay, although a poor country traditionally under authoritarian government, has made progress toward Alliance reforms, with prodding by the United States. An opposition party now is seated in the Congress, the press has greater freedom, an economic planning organization has been formed, certain import duties which were deterrents to increased agricultural production have been abolished, and basic education and rural health programs are being pushed. The Paraguayan Government has been staunchly pro-United States in international forums and anti-Communist in its political orientation. A.I.D.'s limited assistance to this country is aimed at promoting greater economic and social progress through programs which directly benefit the Paraguayan people, particularly in the rural areas.

In Panama, the political crisis has helped direct attention to underlying social and economic tensions which in part result from a low level of development and wide disparity in income distribution.

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OTHER LATIN AMERICAN PROGRAMS

FY 1965 Program

MEXICO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	-	22.0	0-20.0
Technical Cooperation	0.3	0.5	0.2
Total A.I.D. Assistance	0.3	22.5	0.2-20.2

To assist Mexico in expanding its role in the Alliance, A.I.D. will have financed three important Alliance loans by the start of FY 1965--for supervised agricultural credit for small farmers, low-cost housing, and agricultural education. These loans will enable Mexico to attack important underlying structural problems, and will help provide minimum living standards for that half of the population living at or below subsistence levels. These loans have induced Mexico's private banks to provide credit to small farmers and low-income urban families. They are serving to reverse the traditional local lending practices which have limited the development of mass markets and inhibited needed increases in agricultural and industrial activity. During FY 1965, the agricultural program will be supplemented by community development programs in five rural problem areas under the Food-for-Work provisions of P.L. 480. There may be a need to replenish the agricultural credit program. The housing program will be complemented by a variety of housing guaranty projects.

VENEZUELA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	30.0	-	-
Technical Cooperation	3.0	1.6	1.4
Contingency Fund	0.1	XXX	XXX
Total A.I.D. Assistance	33.1	1.6	1.4

To assure accomplishment of U.S. objectives in Venezuela, it is considered essential to provide a modest technical cooperation program to guide key development and internal security undertakings. The thrust of U.S. activity in FY 1965 will focus on monitoring existing loans, as well as: (a) development of human resources, including training in government management and public safety; (b) technical cooperation in rural development programs with emphasis on agrarian reform and supervised agricultural credit; and (c) technical cooperation in housing and urban renewal, stressing the development of local institutions and the mobilization of local capital for housing construction.

URUGUAY

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	6.0	4.0	3.0
Technical Cooperation	1.9	1.3	1.0
Total A.I.D. Assistance	7.9	5.3	4.0

U.S. objectives in Uruguay are to provide assistance in national development planning and to encourage private investment, increasing industrial and agricultural productivity, and reforms in the fields of tax policy, bank credit, and public administration.

Fiscal Year 1965 A.I.D. activities will promote these objectives by: (a) financing sector and feasibility studies, a resources survey, and training for the national planning organization staff; (b) assisting in the improvement of agricultural education, agricultural research, and the further development of rural institutions; (c) assisting industrial vocational schools, the School of Public and Business Administration, and sending Uruguayan management survey teams to the United States; and (d) assisting in promoting the internal security capability of the Montevideo police.

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OTHER LATIN AMERICAN PROGRAMS

PARAGUAY

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	-	2.2	2.0
Technical Cooperation	3.0	2.5	2.4
Total A.I.D. Assistance	<u>3.0</u>	<u>4.7</u>	<u>4.4</u>

The U.S. assistance program in FY 1965 will continue through selected activities to support: (a) the development and improvement of basic economic, planning, and fiscal institutions; (b) the growth of the economy, particularly the agricultural sector; and (c) the maximum development of human resources.

JAMAICA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	5.0	2.7	0-10.0
Technical Cooperation	0.9	0.6	0.6
Total A.I.D. Assistance	<u>5.9</u>	<u>3.3</u>	<u>0.6-10.6</u>

The proposed A.I.D. program for Jamaica continues to provide for a modest technical cooperation program, with U.S. technicians and consultant services, and the training of Jamaicans in the United States. Much of the U.S. technical cooperation effort supports previously made A.I.D. loans in the housing and water supply fields. As the lender of last resort, A.I.D. also will consider soundly based loan applications which would particularly facilitate increased industrial growth, or eliminate key agricultural bottlenecks.

DOMINICAN REPUBLIC

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	2.1	-	10.0
Technical Cooperation	3.6	1.5	2.0
Contingency Fund	23.9	XXX	XXX
Total A.I.D. Assistance	<u>29.6</u>	<u>1.5</u>	<u>12.0</u>

To meet the continuing economic development problems in the Dominican Republic, A.I.D. is reinstating its assistance program. FY 1965 proposed funds are to be used to support activities in regional development, agriculture, public administration, and education. Such aid will depend upon the current regime's undertaking those self-help and related measures required for the effective utilization of new assistance.

TRINIDAD-TOBAGO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	0.8	0.5	-
Supporting Assistance	7.1	5.0a/	5.0a/
Contingency Fund	3.0	XXX	XXX
Total A.I.D. Assistance	<u>10.9</u>	<u>5.5</u>	<u>5.0</u>

a/ With the Regional SA totals unclassified, these must be classified to avoid revealing the Bolivian figure.

An agreement was reached in November 1962 granting \$30 million over a five-year period to the Government of Trinidad-Tobago in exchange for the right to maintain U.S. military bases there.

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OTHER LATIN AMERICAN PROGRAMS

Future payments in FY's 1966 and 1967 will complete the commitment. These funds are to be used for mutually acceptable activities related to Trinidad-Tobago's development efforts.

HAITIPROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Supporting Assistance	4.9	1.5 ^{a/}	1.4 ^{a/}

^{a/} With the Regional SA totals unclassified, these must be classified to avoid revealing the Bolivian figure.

A.I.D. suspended its program--with the exception of the malaria eradication program--early in FY 1963. FY 1965 funds will finance the last year of the "attack phase" of the malaria eradication program. Three years--the "consolidation phase"--remain for the program, which involves the Pan American Health Organization, UN Children's Fund, the Haitian Government, and A.I.D. In addition to the humanitarian reasons for A.I.D.'s remaining in the program, it should be noted that U.S. withdrawal from the program would negate the effect of the substantial funds invested thus far, as well as possibly result in the exposure of the Dominican Republic to reinfection.

BRITISH GUIANAPROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	1.4	0.5	0.1

The funds requested for FY 1965 will be used to continue small-scale advisory activities in health and transportation. In

addition, 25 Guayanese will be brought to the United States for training in agriculture, health, labor and public administration.

PANAMAPROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	6.0	15.0	7.0
Technical Cooperation	2.3	1.9	1.8
Supporting Assistance	0.5	-	-
Contingency Fund	-	3.1 ^{a/}	XXX
Total A.I.D. Assistance	8.8	20.0	8.8

^{a/} Programmed through 12/31/63.

The current critical period in U.S.-Panamanian relations has served to underscore the extreme importance for Panama to develop a more broadly-based, balanced and stable economy, less dependent upon the canal and external resources, and more adequately responsive to the growing demands for a decent livelihood by the underfed, ill-housed portion of its population. Improvement in Panama's economic and social conditions alone cannot be expected to erase entirely Panamanian pressures for greater concessions with regard to the Canal Zone. The present great disparity in living conditions between the small wealthy group and the mass of the Panamanian people--combined with the great preoccupation with the Zone simply because so many people depend on it directly or indirectly for their livelihood--produces, however, a highly volatile atmosphere where any real or fancied grievance can easily be exploited by both local and foreign elements hostile to the United States. While the greater diversification of the economy and a more equitable distribution of income may not entirely resolve U.S. problems in the Zone, they would undoubtedly remove some of the underlying discontent and unrest which now provide fertile ground for creating an explosive situation.

Prior to the recent disorders, and following up a roughly similar program for FY 1964, A.I.D.'s proposed program for FY 1965 suggested technical cooperation and financial assistance for

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OTHER LATIN AMERICAN PROGRAMS

developing Panama's rural economy, improving its fiscal system and governmental machinery in general, promoting private investment and private enterprise, and ensuring the manpower resources for backstopping this needed development. Obviously, this program was based upon information available prior to the current crisis, and is subject to reconsideration as circumstances require.

REGIONAL PROGRAM

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	17.1	13.9	14.2

The Purpose and Goals of the Program

Latin America as a whole is challenged by problems which transcend national boundaries. The Latin America Regional Program provides an effective mechanism for approaching the solution of these problems on a multi-country basis. A primary aim of the Regional Program is to build regional institutions which, when self-sustaining, will accommodate both individual country and region-wide development needs.

The A.I.D. goals and policies for the Regional Program are: (a) to strengthen inter-American and regional organizations to the point where important continuing technical cooperation activities can be accomplished through them, supported by all of the member countries; (b) working through non-government channels, to influence important sectors of Latin American society (such as private enterprise, agriculture, and labor), and through these groups to strengthen essential leadership and create the environment needed for development under the Alliance; and (c) to effect economy and efficiency in A.I.D. mission activities by providing guidance on problems common to more than one country and mobilizing resources on a multi-country basis to support particular mission needs.

The goals of the Regional Program give substance to the concept of the Alliance as a multilateral venture, and to the need for progressively greater Latin American responsibility for achieving the Alliance's goals. The importance of this approach is evidenced in the formation of the Inter-American Committee for the Alliance for

Progress (CIAP). The need for involving the private as well as the public sector in these development efforts is emphasized, and private groups are being relied upon to implement a large portion of the Program.

The Regional Program has become an instrument: (a) for developing activities which might be frustrated if initiated at the country level and for stimulating new institutional approaches to break down traditional Latin American institutional impediments to progress; and (b) for harnessing previously untapped or ineffectively used resources--public and private--and accelerating their use throughout the Hemisphere.

FY 1965 Program

Multilateral Institutions

Funds proposed for this program in FY 1965 will provide financial and technical support for selected high priority activities to be undertaken by multilateral institutions, including the Pan American Union (PAU), the Pan American Health Organization (PAHO), the Inter-American Institute of Agricultural Science (IICA), and the Center for Economic and Monetary Studies of Latin America (CEMLA).

Since 1961 the United States has established two new working relationships with the PAU--in addition to the activities carried on under the regular PAU budget. The United States has used the PAU as a contractor to carry on certain activities which it was particularly qualified to handle, and it has made two special grants under the Inter-American Program for Social Progress in support of Alliance goals. These grant funds have been used primarily for: (a) providing technical assistance planning missions to work with governments in developing national plans; (b) support of the activities of the Panel of Nine in evaluation of development plans submitted by the countries; (c) technical assistance and research in special fields such as taxation, public administration, agrarian reform, natural resources, and planning educational needs, and (d) support of special information activities in support of the Alliance, such as National Alliance Citizens' Committees in each country.

These initial U.S. grants were intended to reorient the activities of the PAU in the direction of Alliance goals and to lay the groundwork for eventual multilateral support of the programs.

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OTHER LATIN AMERICAN PROGRAMS

The Multilateral "Development Assistance Fund"

In recognition of the effectiveness of the activities carried out under the U.S. special grants the Inter-American Economic and Social Council, meeting in Sao Paulo in November 1963, adopted a resolution creating in 1965 a special multilateral "Development Assistance Fund"--to be supported on a voluntary basis by the member countries.

The Fund would be an expansion of the present OAS Technical Cooperation program. From its inception in 1964, this program has been limited to the support of a number of inter-American graduate training centers, in such specialized fields as agricultural credit, statistics, business administration, housing and urban planning, and organization of cooperatives. New activities would include those previously funded by the U.S. grant--planning missions, review of country plans, support of the CIAP, specialized technical cooperation, and special information activities in support of the Alliance, such as the National Alliance Citizens' Committees.

To cover these expanded activities, countries would be asked to increase their contributions to reach an annual level of approximately \$7 million. Country pledges are expected at the next meeting of the Inter-American Economic and Social Council in the fall of 1964. The United States intends to pledge \$4.6 million and maintain its Organization of American States (OAS) contribution rate of two-thirds of the total based on contributions of other countries. To establish the Fund without any break in continuity of technical services, it may be necessary to fund certain activities for an additional short interim period until the Fund can be established formally. Any contribution so made would be credited toward the U.S. voluntary contribution and not be in excess of two-thirds percentage.

Other Organizations

A.I.D. provides assistance to PAHO to increase its capability in malaria eradication and community water supply. The focus is on training and expert advisory services.

IICA, under a contract with A.I.D., will provide major technical services in such fields as agricultural extension education, and training and research in communications methods to accelerate land reform and rural development programs.

A.I.D. is also assisting CEMLA, in providing special courses for economists and others involved in development planning in the Latin American countries.

In FY 1965, the Inter-American Police Academy will move its operations from the Canal Zone to the former Harlingen Air Force Base in Texas. The Academy will continue its regular police operations courses and double its enrollment in senior supervisory courses. In its two years of operations, the Academy has already trained 500 police officers from 18 Latin American countries.

Private Groups

Continued support will be given to the successful programs establishing credit unions and cooperatives, carried out through contracts with the Credit Union National Association (CUNA), the Fund for International Cooperative Development, and the National Rural Electric Cooperative Association (NRECA). Almost 250 credit unions have been organized under this program, with about 42,000 members. Eighteen programs have been initiated in ten countries which will lead to rural electric cooperatives patterned on the NRECA.

To strengthen non-government groups for responsible democratic action, Alliance Technical Cooperation funds will continue to support the effective training and advisory work being carried out with their Latin American counterparts by the National Farmers Union, the American Institute for Free Labor Development, the Overseas Education program of the League of Women Voters, and by Cornell University working with the Andean Indian groups.

Meeting Mission Needs

Other Regional projects are directed toward better analysis of multi-country problems in land reform, manpower, urban development, and other similar areas, and toward providing training and advisory services in economic and social fields which are needed in common by several U.S. Missions to advance their country programs. To these ends, Regional funds support: (a) Service Agreements with U.S. agencies such as the Departments of Agriculture, Interior, Labor, and the Corps of Engineers; (b) contracts with the Foundation for Cooperative Housing, and a number of universities; and (c) the training and advisory programs in which the cooperation of the Government and many organizations and institutions of the Commonwealth of Puerto Rico has been enlisted.

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OTHER LATIN AMERICAN PROGRAMS

NON-REGIONAL PROGRAMS FUNDED FROM

ALLIANCE FOR PROGRESS APPROPRIATIONS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963	FY 1964	FY 1965
	Actual	Estimated	Proposed
Development Loans	0.1	-	-
Technical Cooperation	10.5	10.0	10.0
Total A.I.D. Assistance	10.6	10.0	10.0

In addition to funding the individual country and regional programs, the Alliance for Progress also contributes to the so-called "non-regional" programs. These are programs not directly attributable to one region, and funded by all regions. Although a portion of these funds are provided from the Alliance for Progress appropriation, the program is explained and funds accounted for in the section entitled "Other Requests" in this volume.

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COSTA RICA
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>1.9</u>	<u>12.8</u>	<u>35.5</u>	<u>0.1</u>	<u>35.4</u>
Loans.....	-	10.5	21.4	0.1	21.3
Grants.....	1.9	2.3	14.1	-	14.1
SOCIAL PROGRESS TRUST FUND.....	<u>3.5</u>	<u>-</u>	<u>3.5</u>	<u>0.1</u>	<u>3.4</u>
FOOD FOR PEACE - TOTAL.....	<u>-</u>	<u>1.6</u>	<u>2.6</u>	<u>-</u>	<u>2.6</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TITLE II - EMERGENCY RELIEF & ECON. DEV..	<u>-</u>	<u>1.5</u>	<u>1.7</u>	<u>-</u>	<u>1.7</u>
TITLE III - VOLUNTARY RELIEF AGENCIES...	<u>-</u>	<u>0.1</u>	<u>0.9</u>	<u>-</u>	<u>0.9</u>
TITLE IV - DOLLAR CREDIT SALES.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPORT-IMPORT BANK LONG-TERM LOANS.....	<u>4.5</u>	<u>-</u>	<u>25.5</u>	<u>16.6</u>	<u>8.9</u>
OTHER U.S. ECONOMIC PROGRAMS.....	<u>0.4</u>	<u>0.3</u>	<u>36.6</u>	<u>-</u>	<u>36.6</u>
TOTAL ECONOMIC.....	<u>10.3</u>	<u>14.7</u>	<u>103.7</u>	<u>16.8</u>	<u>86.9</u>
Loans.....	8.0	10.5	50.4	16.8	33.6
Grants.....	2.3	4.2	53.3	-	53.3
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	0.1	0.6	1.1	-	1.1
	(-)	(0.1)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL MILITARY.....	<u>0.1</u>	<u>0.6</u>	<u>1.1</u>	<u>-</u>	<u>1.1</u>
Loans.....	-	-	-	-	-
Grants.....	0.1	0.6	1.1	-	1.1
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>10.4</u>	<u>15.3</u>	<u>104.8</u>	<u>16.8</u>	<u>88.0</u>
Loans.....	8.0	10.5	50.4	16.8	33.6
Grants.....	2.4	4.8	54.4	-	54.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	8.5	-	25.8		
UN Tech. Ass't. (CY).....	0.1	0.1	1.6		
Int'l. Dev. Association.....	5.5	-	5.5		
Inter-Am. Dev. Bank.....	5.8	6.7	12.5		
Int'l. Finance Corp.....	-	0.3	0.3		
UN Special Fund.....	-	0.2	0.2		

EL SALVADOR

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>3.1</u>	<u>19.3</u>	<u>32.4</u>	<u>-</u>	<u>32.4</u>
Loans.....	-	16.6	18.2	-	18.2
Grants.....	3.1	2.7	14.2	-	14.2
SOCIAL PROGRESS TRUST FUND.....	<u>11.6</u>	<u>-</u>	<u>11.6</u>	<u>0.1</u>	<u>11.5</u>
FOOD FOR PEACE - TOTAL.....	<u>2.3</u>	<u>2.6</u>	<u>5.9</u>	<u>-</u>	<u>5.9</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TITLE II - EMERGENCY RELIEF & ECON. DEV..	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TITLE III - VOLUNTARY RELIEF AGENCIES...	<u>0.3</u>	<u>2.6</u>	<u>3.9</u>	<u>-</u>	<u>3.9</u>
TITLE IV - DOLLAR CREDIT SALES.....	<u>2.0</u>	<u>-</u>	<u>2.0</u>	<u>*</u>	<u>2.0</u>
EXPORT-IMPORT BANK LONG-TERM LOANS.....	<u>6.0</u>	<u>-</u>	<u>9.7</u>	<u>0.9</u>	<u>8.8</u>
OTHER U.S. ECONOMIC PROGRAMS.....	<u>0.2</u>	<u>0.3</u>	<u>2.3</u>	<u>-</u>	<u>2.3</u>
TOTAL ECONOMIC.....	<u>23.2</u>	<u>22.2</u>	<u>62.0</u>	<u>1.0</u>	<u>61.0</u>
Loans.....	19.6	16.6	41.5	1.0	40.5
Grants.....	3.6	5.6	20.4	-	20.4
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	0.6	1.0	2.5	-	2.5
	(*)	(0.2)	(0.2)	(-)	(0.2)
OTHER MILITARY ASSISTANCE.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL MILITARY.....	<u>0.6</u>	<u>1.0</u>	<u>2.5</u>	<u>-</u>	<u>2.5</u>
Loans.....	-	-	-	-	-
Grants.....	0.6	1.0	2.5	-	2.5
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>23.8</u>	<u>23.2</u>	<u>64.5</u>	<u>1.0</u>	<u>63.5</u>
Loans.....	19.6	16.6	41.5	1.0	40.5
Grants.....	4.2	6.6	22.9	-	22.9
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	6.0	41.2		
UN Tech. Ass't. (CY).....	0.1	0.2	2.4		
UN Special Fund.....	-	-	0.3		
Int'l. Dev. Association.....	-	8.0	8.0		
Inter-Am. Dev. Bank.....	4.0	-	4.1		
Int'l. Finance Corp.....	-	-	0.1		

GUATEMALA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	4.2	3.1	98.3	0.5	97.8
Loans.....	-	0.7	17.1	0.5	16.6
Grants.....	4.2	2.4	81.2	-	81.2
SOCIAL PROGRESS TRUST FUND.....	3.5	7.8	11.3	*	11.3
FOOD FOR PEACE - TOTAL.....	0.7	1.0	6.8	-	6.8
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	3.2	-	3.2
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.7	1.0	3.5	-	3.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	16.7	1.8	14.9
OTHER U.S. ECONOMIC PROGRAMS.....	0.9	1.2	37.9	-	37.9
TOTAL ECONOMIC.....	9.3	13.1	171.0	2.3	168.7
Loans.....	3.5	8.5	45.1	2.3	42.8
Grants.....	5.8	4.6	125.9	-	125.9
MILITARY ASSIST. PROGRAM - (Chg. to App.). <i>(Additional Grants from Excess Stocks).</i>	1.3 (0.1)	2.6 (1.1)	7.0 (1.3)	- (-)	7.0 (1.3)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	1.3	2.6	7.0	-	7.0
Loans.....	-	-	0.1	-	0.1
Grants.....	1.3	2.6	6.9	-	6.9
TOTAL U.S. ECONOMIC AND MILITARY.....	10.6	15.7	178.0	2.3	175.7
Loans.....	3.5	8.5	45.2	2.3	42.9
Grants.....	7.1	7.2	132.8	-	132.8
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	18.2	-	-
UN Tech. Ass't. (CY)	0.3	0.3	2.8	-	-
UN Special Fund	-	0.8	1.4	-	-
Inter-Am. Dev. Bank	5.2	-	5.3	-	-
Int'l. Finance Corp.	-	-	0.2	-	-

*Less than \$50,000.

HONDURAS

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	2.9	6.5	36.9	1.6	35.3
Loans.....	-	3.2	16.0	1.6	14.4
Grants.....	2.9	3.3	20.9	-	20.9
SOCIAL PROGRESS TRUST FUND.....	-	5.6	5.6	*	5.6
FOOD FOR PEACE - TOTAL.....	0.2	0.3	3.4	-	3.4
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	0.2	-	0.2
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.2	0.3	3.2	-	3.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	2.7	1.8	0.9
OTHER U.S. ECONOMIC PROGRAMS.....	0.2	0.2	6.8	0.1	6.7
TOTAL ECONOMIC.....	3.3	12.6	55.4	3.5	51.9
Loans.....	-	6.8	24.4	3.5	20.9
Grants.....	3.3	3.8	31.0	-	31.0
MILITARY ASSIST. PROGRAM - (Chg. to App.). <i>(Additional Grants from Excess Stocks).</i>	1.5 (0.1)	* (0.4)	3.5 (0.5)	- (-)	3.5 (0.5)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	1.5	*	3.5	-	3.5
Loans.....	-	-	-	-	-
Grants.....	1.5	*	3.5	-	3.5
TOTAL U.S. ECONOMIC AND MILITARY.....	4.8	12.6	58.9	3.5	55.4
Loans.....	-	8.8	24.4	3.5	20.9
Grants.....	4.8	3.8	34.5	-	34.5
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	*	20.0	-	-
UN Tech. Ass't. (CY)	0.3	0.3	2.0	-	-
UN Special Fund	-	-	0.4	-	-
Int'l. Dev. Association	-	-	9.0	-	-
Inter-Am. Dev. Bank	7.3	-	9.7	-	-

*Less than \$50,000.

NICARAGUA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	3.5	3.4	25.2	0.2	25.0
Loans.....	1.4	1.0	12.6	0.2	12.4
Grants.....	2.0	2.4	12.6	-	12.6
SOCIAL PROGRESS TRUST FUND.....	7.7	0.2	7.9	*	7.9
FOOD FOR PEACE - TOTAL.....	0.7	1.4	2.2	-	2.2
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Cannon Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.7	1.4	2.2	-	2.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	13.1	7.2	5.9
OTHER U.S. ECONOMIC PROGRAMS.....	1.8	2.4	24.9	-	24.9
TOTAL ECONOMIC.....	13.7	7.4	73.3	7.4	65.9
Loans.....	9.1	1.2	33.6	7.4	26.2
Grants.....	4.6	6.2	39.7	-	39.7
MILITARY ASSIST. PROGRAM - (Chg. to App.).. (Additional Grants from Excess Stocks).	1.0	1.6	5.2	-	5.2
	(*)	(0.3)	(0.4)	(-)	(0.4)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	1.0	1.6	5.2	-	5.2
Loans.....	-	-	-	-	-
Grants.....	1.0	1.6	5.2	-	5.2
TOTAL U.S. ECONOMIC AND MILITARY.....	14.7	9.0	78.5	7.4	71.1
Loans.....	9.1	1.2	33.6	7.4	26.2
Grants.....	5.6	7.8	44.9	-	44.9
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IHRD - World Bank	-	2.6	38.1	-	-
UN Tech. Ass't. (CY)	0.2	0.3	1.8	-	-
UN Special Fund	0.9	0.7	1.6	-	-
Int'l. Dev. Association.....	-	3.0	3.0	-	-
Inter-Am. Dev. Bank	-	-	2.0	-	-

*Less than \$50,000.

DOMINICAN REPUBLIC

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	26.0	29.6	57.7	0.1	57.6
Loans.....	25.0	2.1	27.1	0.1	27.0
Grants.....	1.0	27.5	30.6	-	30.6
SOCIAL PROGRESS TRUST FUND.....	-	6.5	6.5	-	6.5
FOOD FOR PEACE - TOTAL.....	0.8	14.4	15.2	-	15.2
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Cannon Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	3.1	3.1	-	3.1
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.8	6.3	7.1	-	7.1
TITLE IV - DOLLAR CREDIT SALES.....	-	5.0	5.0	-	5.0
EXPORT-IMPORT BANK LONG-TERM LOANS.....	8.0	-	8.0	-	8.0
OTHER U.S. ECONOMIC PROGRAMS.....	0.2	1.3	2.1	-	2.1
TOTAL ECONOMIC.....	35.0	51.8	89.5	0.1	89.4
Loans.....	33.0	13.6	46.6	0.1	46.5
Grants.....	2.0	38.2	42.9	-	42.9
MILITARY ASSIST. PROGRAM - (Chg. to App.).. (Additional Grants from Excess Stocks).	0.2	1.9	11.4	-	11.4
	(*)	(0.2)	(2.5)	(-)	(2.5)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	0.2	1.9	11.4	-	11.4
Loans.....	-	-	-	-	-
Grants.....	0.2	1.9	11.4	-	11.4
TOTAL U.S. ECONOMIC AND MILITARY.....	35.2	53.7	100.9	0.1	100.8
Loans.....	33.0	13.6	46.6	0.1	46.5
Grants.....	2.2	40.1	54.3	-	54.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	*	0.1	0.5	-	-

*Less than \$50,000.

HAITI
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	6.8	0.2	57.0	0.3	56.7
Loans.....	* 2.8	7.6	0.3	7.3	
Grants.....	6.8	-2.6	49.4	-	49.4
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	0.7	0.9	10.6	-	10.6
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	3.5	-	3.5
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.7	0.9	7.1	-	7.1
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	25.0	13.1	11.9
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	3.0	0.1	2.9
TOTAL ECONOMIC.....	7.5	1.1	95.6	13.5	82.1
Loans.....	* 2.8	32.9	13.5	19.4	
Grants.....	7.5	-1.7	62.7	-	62.7
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	0.5	0.2	3.4	-	3.4
	(*)	(*)	(0.2)	(-)	(0.2)
OTHER MILITARY ASSISTANCE.....	-	-	1.1	-	1.1
TOTAL MILITARY.....	0.5	0.2	4.5	-	4.5
Loans.....	-	-	-	-	-
Grants.....	0.5	0.2	4.5	-	4.5
TOTAL U.S. ECONOMIC AND MILITARY.....	8.0	1.3	100.1	13.5	86.6
Loans.....	* 2.8	32.9	13.5	19.4	
Grants.....	8.0	-1.5	67.2	-	67.2
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	2.6	-	-
UN Tech. Ass't. (CY).....	0.3	0.4	3.3	-	-
UN Special Fund.....	0.7	-	1.0	-	-
Int'l. Dev. Association.....	-	0.4	0.4	-	-
Inter-Am. Dev. Bank.....	-	-	3.5	-	-

*Less than \$50,000.

MEXICO
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	20.6	0.2	28.7	-	28.7
Loans.....	20.0	-	20.0	-	20.0
Grants.....	0.6	0.2	8.7	-	8.7
SOCIAL PROGRESS TRUST FUND.....	10.6	8.0	18.6	-	18.6
FOOD FOR PEACE - TOTAL.....	5.2	15.5	46.1	6.9	39.2
Title I - (Total Sales Agreements)....	(-)	(-)	(25.2)	-	(25.2)
Less: (Planned for U.S. Uses)....	(-)	(-)	(7.5)	-	(7.5)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	17.7	6.9	10.8
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	7.1	6.0	1.1
104g - Loans to Governments.....	-	-	10.6	0.9	9.7
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	1.1	1.4	-	1.4
TITLE III - VOLUNTARY RELIEF AGENCIES...	5.2	14.4	27.1	-	27.1
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	103.4	25.8	615.1	382.7	232.4
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	99.6	0.4	99.2
TOTAL ECONOMIC.....	139.8	49.5	808.1	390.0	418.1
Loans.....	134.0	33.8	671.7	390.0	281.7
Grants.....	5.8	15.7	136.4	-	136.4
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	0.7	0.9	6.2	4.3	1.9
	(-)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	0.7	0.9	6.2	4.3	1.9
Loans.....	0.4	0.7	5.4	4.3	1.1
Grants.....	0.3	0.2	0.8	-	0.8
TOTAL U.S. ECONOMIC AND MILITARY.....	140.5	50.4	814.3	394.3	420.0
Loans.....	134.4	34.5	677.1	394.3	282.8
Grants.....	6.1	15.9	137.2	-	137.2
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	160.5	12.5	399.3	-	-
UN Tech. Ass't. (CY).....	0.5	0.8	4.8	-	-
UN Special Fund.....	1.8	1.7	4.7	-	-
Inter-Am. Dev. Bank.....	21.7	31.7	53.4	-	-
Int'l. Finance Corp.	1.1	4.7	7.2	-	-

*Less than \$50,000.

PANAMA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A. I. O. AND PREDECESSOR AGENCIES - TOTAL..	12.4	8.1	49.2	0.7	48.5
Loans.....	-	6.0	20.8	0.7	20.1
Grants.....	12.4	2.2	28.4	-	28.4
SOCIAL PROGRESS TRUST FUND.....	10.4	-	10.4	0.1	10.3
FOOD FOR PEACE - TOTAL.....	0.4	0.7	6.8	-	6.8
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.4	0.7	6.8	-	6.8
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	2.0	-	19.0	6.6	12.4
OTHER U.S. ECONOMIC PROGRAMS.....	-	0.4	23.4	-	23.4
TOTAL ECONOMIC.....	25.2	9.2	108.8	7.4	101.4
Loans.....	12.4	6.0	50.2	7.4	42.8
Grants.....	12.8	3.3	58.6	-	58.6
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	0.3	0.7	1.3	-	1.3
(*)	(*)	(-)	(*)	(-)	(*)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	0.3	0.7	1.3	-	1.3
Loans.....	-	-	-	-	-
Grants.....	0.3	0.7	1.3	-	1.3
TOTAL U.S. ECONOMIC AND MILITARY.....	25.5	9.9	110.1	7.4	102.7
Loans.....	12.4	6.0	50.2	7.4	42.8
Grants.....	13.1	4.0	59.9	-	59.9
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	4.0	18.0	-	-
UN Tech. Ass't. (CY).....	0.2	0.1	1.4	-	-
UN Special Fund.....	-	0.4	0.4	-	-
Inter-Am. Dev. Bank.....	2.9	-	2.9	-	-

*Less than \$50,000.

PARAGUAY

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A. I. O. AND PREDECESSOR AGENCIES - TOTAL..	1.1	3.0	36.0	1.1	34.9
Loans.....	-0.7	-	15.2	1.1	14.1
Grants.....	1.8	3.0	20.8	-	20.8
SOCIAL PROGRESS TRUST FUND.....	-	2.9	2.9	-	2.9
FOOD FOR PEACE - TOTAL.....	6.9	3.4	15.1	-	15.1
Title I - (Total Sales Agreements)....	(6.9)	(3.3)	(13.1)	(-)	(13.1)
Less: (Planned for U.S. Uses)....	(1.0)	(0.8)	(2.6)	(-)	(2.6)
TITLE I - PLANNED FOR LOANS & GRANTS...	5.9	2.5	10.5	-	10.5
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	2.8	0.7	3.5	-	3.5
104e - Loans to Private Industry.....	0.3	0.8	1.1	-	1.1
104g - Loans to Governments.....	2.8	1.0	5.9	-	5.9
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	1.0	0.9	4.6	-	4.6
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	10.4	4.3	6.1
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	2.9	-	2.9
TOTAL ECONOMIC.....	8.0	9.3	67.3	5.4	61.9
Loans.....	2.4	4.7	35.5	5.4	30.1
Grants.....	5.6	4.6	31.8	-	31.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	0.2	0.5	2.2	-	2.2
(*)	(*)	(0.2)	(0.4)	(-)	(0.4)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	0.2	0.5	2.2	-	2.2
Loans.....	-	-	0.3	-	0.3
Grants.....	0.2	0.5	1.9	-	1.9
TOTAL U.S. ECONOMIC AND MILITARY.....	8.2	9.8	69.5	5.4	64.1
Loans.....	2.4	4.7	35.8	5.4	30.4
Grants.....	5.8	5.1	33.7	-	33.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	4.5	-	-
UN Tech. Ass't. (CY).....	0.4	0.4	3.9	-	-
UN Special Fund.....	0.5	0.4	0.9	-	-
Int'l. Dev. Association.....	6.0	-	6.0	-	-
Inter-Am. Dev. Bank.....	1.4	14.6	19.2	-	-

*Less than \$50,000.

URUGUAY

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	0.3	7.9	18.9	0.4	18.5
Loans.....	-	6.0	14.8	0.4	14.4
Grants.....	0.3	1.9	4.0	-	4.0
SOCIAL PROGRESS TRUST FUND.....	2.5	8.0	10.5	-	10.5
FOOD FOR PEACE - TOTAL.....	1.8	0.6	37.8	1.6	36.2
Title I - (Total Sales Agreements)....	(2.0)	(-)	(48.4)	(-)	(48.4)
Less: (Planned for U.S. Uses)....	(0.5)	(-)	(12.0)	(-)	(12.0)
TITLE I - PLANNED FOR LOANS & GRANTS...	1.5	-	36.4	1.6	34.8
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	0.5	-	12.1	1.0	11.1
104g - Loans to Governments.....	1.0	-	24.3	0.6	23.7
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	*	-	*
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.3	0.6	1.4	-	1.4
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	2.1	5.0	9.7	2.8	6.9
OTHER U.S. ECONOMIC PROGRAMS.....	-	0.6	3.8	1.8	2.0
TOTAL ECONOMIC.....	6.7	22.1	80.7	6.6	74.1
Loans.....	6.1	19.0	73.6	6.6	67.0
Grants.....	0.6	3.1	7.1	-	7.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	3.4	2.1	30.0	-	30.0
(Additional Grants from Excess Stocks).	(0.2)	(0.5)	(6.4)	(-)	(6.4)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	3.4	2.1	30.0	-	30.0
Loans.....	-	-	-	-	-
Grants.....	3.4	2.1	30.0	-	30.0
TOTAL U.S. ECONOMIC AND MILITARY.....	10.1	24.2	110.7	6.6	104.1
Loans.....	6.1	19.0	73.6	6.6	67.0
Grants.....	4.0	5.2	37.0	-	37.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	18.5	89.5	-	-
UN Tech. Ass't. (CY).....	0.2	0.3	1.9	-	-
UN Special Fund.....	0.9	1.1	2.0	-	-
Inter-Am. Dev. Bank.....	11.0	4.1	15.1	-	-

*Less than \$50,000.

VENEZUELA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	11.1	33.1	60.5	0.1	60.4
Loans.....	10.0	30.0	55.0	0.1	54.9
Grants.....	1.1	3.1	5.5	-	5.5
SOCIAL PROGRESS TRUST FUND.....	42.0	11.0	53.0	0.5	52.5
FOOD FOR PEACE - TOTAL.....	14.4	1.2	15.6	-	15.6
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.5	1.2	1.7	-	1.7
TITLE IV - DOLLAR CREDIT SALES.....	13.9	-	13.9	-	13.9
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	0.4	135.3	24.0	111.3
OTHER U.S. ECONOMIC PROGRAMS.....	0.6	0.8	2.9	-	2.9
TOTAL ECONOMIC.....	68.1	46.5	267.3	24.6	242.7
Loans.....	65.9	41.4	257.2	24.6	232.6
Grants.....	2.2	5.1	10.1	-	10.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	4.7	6.0	62.7	25.8	36.9
(Additional Grants from Excess Stocks).	(0.1)	(-)	(0.3)	(-)	(0.3)
OTHER MILITARY ASSISTANCE.....	5.7	-	5.7	-	5.7
TOTAL MILITARY.....	10.4	6.0	68.4	25.8	42.6
Loans.....	4.1	5.0	60.5	25.8	34.7
Grants.....	6.2	1.0	7.9	-	7.9
TOTAL U.S. ECONOMIC AND MILITARY.....	78.5	52.5	335.7	50.4	285.3
Loans.....	70.0	46.4	317.7	50.4	267.3
Grants.....	8.4	6.1	18.0	-	18.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	45.0	-	45.0	-	-
UN Tech. Ass't. (CY).....	0.3	0.4	2.8	-	-
UN Special Fund.....	2.3	2.5	5.6	-	-
Inter-Am. Dev. Bank.....	-	13.9	23.9	-	-
Int'l. Finance Corp.	-	-	3.2	-	-

BRITISH GUIANA
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>1.4</u>	<u>1.2</u>	<u>4.0</u>	-	<u>4.0</u>
Loans.....	-	-	-	-	-
Grants.....	1.4	1.2	4.0	-	4.0
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>0.1</u>	<u>0.1</u>	<u>0.7</u>	-	<u>0.7</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.1	0.1	0.7	-	0.7
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>1.5</u>	<u>1.3</u>	<u>4.7</u>	-	<u>4.7</u>
Loans.....	-	-	-	-	-
Grants.....	1.5	1.3	4.7	-	4.7
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>1.5</u>	<u>1.3</u>	<u>4.7</u>	-	<u>4.7</u>
Loans.....	-	-	-	-	-
Grants.....	1.5	1.3	4.7	-	4.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	1.2	-	-
UN Tech. Ass't. (CY).....	0.1	0.1	0.4	-	-
UN Special Fund.....	0.6	-	1.8	-	-

JAMAICA
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>1.0</u>	<u>5.8</u>	<u>8.9</u>	-	<u>8.9</u>
Loans.....	-	5.0	5.0	-	5.0
Grants.....	1.0	0.8	3.9	-	3.9
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>0.8</u>	<u>2.0</u>	<u>7.5</u>	-	<u>7.5</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.8	2.0	7.5	-	7.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	5.0	5.0	-	5.0
OTHER U.S. ECONOMIC PROGRAMS.....	0.2	0.2	0.4	-	0.4
TOTAL ECONOMIC.....	<u>2.0</u>	<u>13.0</u>	<u>21.8</u>	-	<u>21.8</u>
Loans.....	-	10.0	10.0	-	10.0
Grants.....	2.0	3.0	11.8	-	11.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	(-)	*	0.5	(-)	0.5
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	*	0.5	-	0.5
Loans.....	-	-	-	-	-
Grants.....	-	*	0.5	-	0.5
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>2.0</u>	<u>13.0</u>	<u>22.3</u>	-	<u>22.3</u>
Loans.....	-	10.0	10.0	-	10.0
Grants.....	2.0	3.0	12.3	-	12.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.1	0.1	0.8	-	-
Int'l. Finance Corp.	-	-	0.2	-	-

SURINAM

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>0.4</u>	<u>0.3</u>	<u>3.1</u>	-	<u>3.1</u>
Loans.....	-	-	-	-	-
Grants.....	0.4	0.3	3.1	-	3.1
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>0.1</u>	<u>0.1</u>	<u>0.6</u>	-	<u>0.6</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES....	0.1	0.1	0.6	-	0.6
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
TOTAL ECONOMIC	<u>0.5</u>	<u>0.4</u>	<u>3.7</u>	-	<u>3.7</u>
Loans.....	-	-	-	-	-
Grants.....	0.5	0.4	3.7	-	3.7
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	<u>0.5</u>	<u>0.4</u>	<u>3.7</u>	-	<u>3.7</u>
Loans.....	-	-	-	-	-
Grants.....	0.5	0.4	3.7	-	3.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	-	*	*	-	-
UN Special Fund.....	-	-	0.8	-	-
EEC Dev. Fund.....	-	2.1	2.1	-	-

*Less than \$50,000.

TRINIDAD AND TOBAGO

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>2.6</u>	<u>10.8</u>	<u>21.4</u>	-	<u>21.4</u>
Loans.....	-	-	-	-	-
Grants.....	2.6	10.8	21.4	-	21.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>*</u>	<u>*</u>	<u>0.5</u>	-	<u>0.5</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES....	*	*	0.5	-	0.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	9.0	-	9.0	*	9.0
OTHER U.S. ECONOMIC PROGRAMS	0.1	-	0.1	-	0.1
TOTAL ECONOMIC	<u>11.7</u>	<u>10.8</u>	<u>31.0</u>	<u>*</u>	<u>31.0</u>
Loans.....	9.0	-	9.0	*	9.0
Grants.....	2.7	10.8	22.0	-	22.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	<u>11.7</u>	<u>10.8</u>	<u>31.0</u>	<u>*</u>	<u>31.0</u>
Loans.....	9.0	-	9.0	*	9.0
Grants.....	2.7	10.8	22.0	-	22.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	23.5	-	23.5	-	-
UN Tech. Ass't. (CY).....	0.1	0.1	0.8	-	-
UN Special Fund.....	-	-	0.9	-	-

* Less than \$50,000.

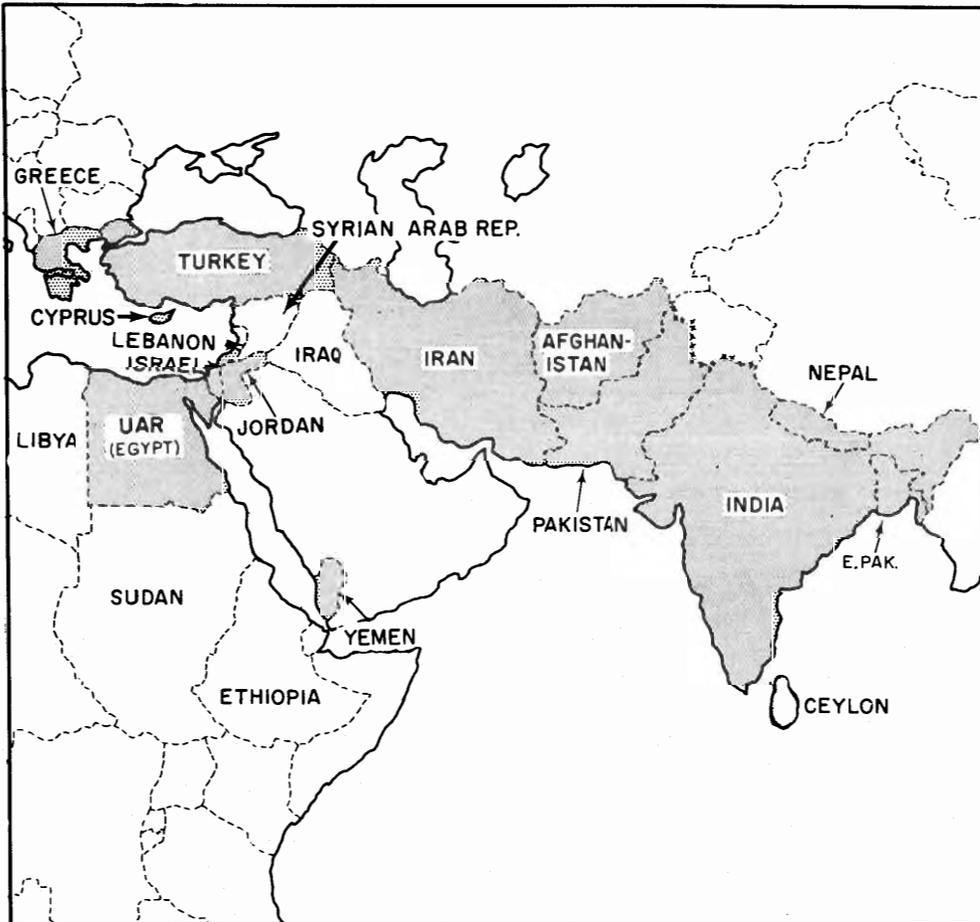
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NEAR EAST and SOUTH ASIA

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FY 1965 PROGRAM



Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Technical Cooperation & Development Grants	Supporting Assistance
TOTAL	872,100-902,100	785,000-815,000	49,300	37,800
Afghanistan	20,000	10,000	10,000	—
Cyprus	700	a/	700	—
Greece	0-10,000	0-10,000	—	—
India	391,800	385,000	6,800	—
Iran	12,900	10,000	2,900	—
Israel	0-10,000	0-10,000	—	—
Jordan	40,500	a/	7,500	33,000
Nepal	3,600	a/	3,600	—
Pakistan	233,450	225,000	8,450	—
Turkey	144,400	140,000	4,400	—
U. A. R. (Egypt)	17,100-27,100	15,000-25,000	2,100	—
Yemen	4,400	—	—	4,400
CENTO b/	850	—	450	400
Regional Prog.	2,400	—	2,400	—

a/ Eligible for lending.

b/ Central Treaty Organization.

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NEAR EAST AND SOUTH ASIA REGIONAL STATEMENT

The primary U.S. foreign policy objective in the Near East and South Asia is security and orderly political evolution.

Great stretches of the region lie along the borders of the Soviet bloc and Communist China. Communist pressure on countries situated on these borders, as well as on most other countries in the region, represents a constant danger. In addition to these external pressures, many countries of the region are subject to internal social and political unrest. Changes in this region are both desirable and inevitable, but it is in the U.S. interest that they occur in an orderly fashion. This requires maintenance of effective defenses against Communist aggression and subversion, social and economic changes in the individual countries, and resolution of political tensions within the area.

The countries of the region recognize that development and reform are essential to their strength, security, and independence. Most of them have instituted reforms and have been committed for a number of years to a serious development effort. The U.S. economic aid program therefore has a base upon which to build economic strength. Furthermore, Greece, Turkey, Iran, Pakistan, and India, which receive substantial amounts of military aid, are determined to maintain adequate defense forces. These countries now finance a large part of the costs of their forces. As their economies grow stronger, eventually they will be able to carry a greater share of the cost of their forces.

The South Asian subcontinent, by virtue of its location, its 600 million people, its economic potential, and the military traditions of India and Pakistan, could become a powerful deterrent to the spread of communism from China and the USSR. Continued security and stability for Greece, Turkey, Iran, and the Near East are also essential to free world military security and economic and political strength.

There are, however, issues which divide the countries of the area. Internal political tensions threaten the stability of each major area of the region. Resolution of these issues without undermining area stability is a continuing challenge to free world diplomacy and to the responsible pursuit of their real national interests by the leaders of the countries concerned. In the past year, progress was made in resolving the Afghanistan-Pakistan border dispute--the border has been reopened and diplomatic relations resumed. On the other hand, the immediate prospect of settling the Kashmir dispute, which aggravates relations between India and Pakistan, is not good. While the tension over Kashmir reduces their capacities to meet the larger threats to security and independence, progress toward U.S. objectives continues to be both feasible and essential to our interests.

Greece and Turkey, with their strong security and historical relationships with the United States, are now confronted with the highly complex Cyprus issue. The issue, if not resolved, could disrupt existing arrangements for defending the eastern flank of North Atlantic Treaty Organization (NATO).

In the Near East, the Arab-Israel dispute retains its emotional force and other divisive issues also contribute to the area's instability. The United States has declared its interest in the security and independence of all of the states in the area. The integrity of Israel and Jordan are particularly important to the maintenance of peace in the Near East. The United Arab Republic (UAR) is the largest and most populous of the Arab countries. U.S. policy seeks to help the UAR to channel its energies into internal development to make the country a force for stability in the Near East and to strengthen the area's capacity to resist Communist penetration.

FY 1965 Program

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	779.5	709.8-729.8	785.0-815.0
Technical Cooperation	56.8	51.3	49.3
Supporting Assistance	98.8	64.9	37.8
Contingency Fund	12.0	XXX	XXX
Total A.I.D. Assistance	947.1	826.0-846.0	872.1-902.1

Note: The totals in this table do not include funding for UNRWA, UNEF, and the INDUS project, all of which are included in the request for Contributions to International Organizations.

About 90% of the economic assistance funds requested for the region are for development loans. Assistance will be extended on a highly selective basis. Three countries -- India, Pakistan, and Turkey -- are expected to receive 88% of all funds programmed for the region.

Completion of A.I.D. Economic Programs

Several countries in the region are now in transition from relying on grants or loans under the Foreign Assistance Act to satisfying

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NEAR EAST AND SOUTH ASIA REGIONAL STATEMENT

their development needs from the International Bank for Reconstruction and Development (IBRD), Export-Import Bank and conventional sources of financing. P.L. 480 would continue to be available to these countries and military assistance programs would continue where appropriate when the transition is completed.

Greece and Israel, strongly supported by economic assistance in the past, have been the most successful in achieving development objectives. Grant assistance has been terminated and loans are now extended on increasingly harder terms. Iran's revenue from oil, which has increased more rapidly than expected, improves its capability of financing more of its development and far-reaching reform program from its own resources, and hastens the time when Iran can rely on conventional sources of financing for additional capital needs. The ultimate U.S. objective in countries such as Turkey, Pakistan and India is the same -- to help them reach the point where special arrangements for economic assistance are no longer necessary for continued growth and development.

Development Loans

Most Near East and South Asia countries have been intent on carrying out development programs. India, Pakistan, Turkey, Iran, the UAR, and other countries in the region are devoting substantial energy and resources to their own development. The quality of performance varies. Some countries have greater capacity and know-how than others; some have a more favorable political climate to work in. But the region is characterized by a fundamental drive for development. A number of these countries have made determined efforts to mobilize internal resources through private savings, and increased taxes, to undertake land and other institutional reforms, and have formulated development plans which have been accepted by donor countries as bases for extending assistance. Because of their relatively high capacity to use resources effectively, the major emphasis in the programs for NESAs countries is on development loans.

In FY 1963 and FY 1964 development loans accounted for 82% and 88% respectively, of economic assistance obligations in the region. Loans make up 90% of the funds requested for FY 1965.

India, Pakistan and Turkey are scheduled to receive \$750 million or about 95% of the region's development loan funds, leaving \$35 million or about 5% for loans to some six or seven other countries.

The loans will all be repayable in dollars and will be for procurement of goods and services in the United States. Their terms will vary, depending upon the strength of the foreign exchange position

of individual borrowing countries. Loans to Iran and Cyprus, for example, will carry at least 3-1/2% interest for a term of about 20 years. If loans are made to Greece and Israel, they too will bear at least this rate of interest. On the other hand, loans to countries such as India, Pakistan and Turkey will be made at lower rates.

The fact that the NESAs program has such a high development loan content means that most of this region's aid funds -- about 95% -- will be spent in the United States. It is estimated that no more than \$40 million of the \$872 million economic assistance requested will be spent abroad. The impact on the U.S. balance of payments is therefore relatively small.

Technical Cooperation and Development Grants

The \$49.3 million request is slightly below the FY 1964 estimated level of \$51.3 million. Three years ago grant programs were being carried out in 15 countries, plus Central Treaty Organization (CENTO) and regional programs. Greece, Israel, and Lebanon no longer require this type of assistance; the program in Ceylon was suspended in February 1963. Accordingly, the number of Near East and South Asia countries participating in technical cooperation programs dropped from 15 to 11. In FY 1965, 75% of the total funds requested will finance programs in five countries -- India, Pakistan, Turkey, Jordan, and Afghanistan.

The program will continue, through contracts with American universities, to help a number of large agricultural universities in India, Pakistan and Turkey. The curricula of these universities will emphasize research and extension. Teaching methods are patterned on those practiced in Western Nations. Assistance to Institutes of Education will be continued in India, Pakistan, and Turkey to improve teaching methods, research, and curriculum planning. The United States is joining with the Indian Ministry of Education in a major effort to introduce more mathematics and science teaching in the secondary schools. Contract teams from the Universities of Wisconsin and Illinois, Ohio and Michigan State Universities, Houston University, and Teachers College of Columbia University are carrying out this program. Elements of the land reform efforts of the Government of Iran are being supported. The teaching of vocational subjects is being emphasized in Iran, Turkey, Nepal and Afghanistan. The program brings to the United States annually over 1,000 government officials and young professionals from Near East and South Asian countries to study in U.S. universities, work with U.S. government officials, spend time at U.S. experimental stations, and study U.S. trade unions. In these ways the U.S. experience, techniques and ways of thinking, working and organizing are made available to developing countries.

NEAR EAST AND SOUTH ASIA REGIONAL STATEMENT

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The number of U.S. direct-hire employees now working on NESAs projects overseas is expected to be reduced by the end of FY 1965. A.I.D. is reducing or eliminating some activities and placing increasing emphasis on carrying out technical cooperation activities through outside contractors or other federal and state agencies.

Supporting Assistance

The reduction in the amount of Supporting Assistance requested for FY 1965 is a continuation of the policy of eliminating that type of aid wherever and whenever feasible. Afghanistan, Greece, Iran and Pakistan have received no grant Supporting Assistance since FY 1962. However, a Supporting Assistance loan to Iran under the CENTO Railway Project was approved in FY 1964. Turkey will receive no Supporting Assistance after FY 1964.

The \$37.8 million of Supporting Assistance requested for FY 1965 is the minimum necessary to meet essential requirements in Jordan, Yemen and for CENTO programs -- \$33 million of this amount is for Jordan, the one country in this region where budget support is still required. Jordan's independence is essential to the stability of the Near East. Its very existence depends upon the external cash subsidies received from the United States and the U.K.

Jordan's resources are as yet insufficient to finance ordinary government services, let alone to carry on a development program which can reduce -- and eventually eliminate -- its dependence on outside assistance. The Jordanian economy is growing stronger, however, and the amount of U.S. budgetary support is being gradually reduced -- from \$40 million in FY 1961 to a proposed \$33 million in FY 1965.

The remaining \$4.8 million of the Supporting Assistance request is needed to continue CENTO and Yemen capital projects -- \$0.4 million for the former and \$4.4 for the latter.

Military Assistance

The reduction of Supporting Assistance does not imply a lessening of U.S. interest in the maintenance of adequate security forces.

U.S. military assistance programs in a number of countries of the area are required in pursuit of mutual security objectives. Substantial programs are carried out in five major countries on the Communist periphery -- Greece, Turkey, Iran, Pakistan, and India. Greece and Turkey are attempting to maintain forces consistent with their NATO membership and obligations. Pakistan and Iran, both CENTO members, are modernizing their forces in keeping with mutually agreed plans. India has responded to the Chinese threat

by building up its forces. In each of these cases there is a need to acquire from abroad military equipment and supplies to help meet defense objectives. The total program for military assistance proposed for FY 1965 is \$316.8 million.

Economic development has permitted elimination of Supporting Assistance grants previously needed to support military forces in most of these countries, and eventually it should eliminate also the need for military assistance.

P.L. 480

A.I.D. economic assistance programs in the NESAs region are supplemented by sales and grants of surplus agricultural commodities under the several Titles of P.L. 480 (Food for Peace).

Title I sales, to nine NESAs countries, are expected to total about \$712 million during FY 1964 and \$702 million during FY 1965. The largest programs are in India, Pakistan, the UAR and Turkey. These sales, for local currency, save foreign exchange for other imports needed to support development programs, and at the same time provide the food, feed, and fiber -- such as vegetable oils, wheat, corn, rice and cotton -- needed to support increasing populations while domestic agricultural production is still insufficient.

Title III programs are conducted by Voluntary Agencies in 15 NESAs countries, the largest programs being in India, the UAR, Pakistan, Greece, Iran and Turkey. Much of the assistance under this title is for school milk and school lunch programs. For example, under the CARE program alone, over 6 million Indian children benefit from milk served at school. In Turkey more than a million school children receive lunches under CARE and Catholic Relief Services programs.

Title IV sales for U.S. dollars have been made to Syria and Iraq. Further sales are expected to be made to these countries in FY 1965.

Assistance to Private Enterprise

Private investment, domestic and foreign, is expected to play a large role in the economic development of the countries of the NESAs region. Since November 1961, A.I.D. has authorized eight loans totaling \$72 million directly to private firms to establish new plants, and expand existing facilities. From 1958 through FY 1963, 18 loans were signed with Development Banks to help expand their lending facilities to the private sector. Moreover, the largest part of the machinery, components, spare parts, and

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NEAR EAST AND SOUTH ASIA REGIONAL STATEMENT

raw materials financed by development program loans, which account for about half the loan programs to India, Pakistan and Turkey, goes to private industry for the continued expansion of this sector.

The investment guarantee program continues to stimulate U.S. investment in NESAs countries. A.I.D. has Investment Guarantee Agreements covering convertibility and expropriation with 11 of the 18 NESAs countries, including all major aid recipients. Two of these agreements were signed during 1963. Eighteen guarantees totaling nearly \$20 million were issued under these agreements during the first six months of FY 1964, bringing the region's total number of active guarantees to 143, with outstanding balances totaling over \$312 million.

Also benefiting the private sector are "Cooley" local currency loans, 64 of which were approved for a total of nearly \$97 million, between January 1962, when A.I.D. assumed administration of this program, and January 31, 1964. Fourteen loans approved during FY 1964 will help increase the production of tires and other rubber goods in Iran and India, steel tubes and other steel products in Turkey and India, fertilizers and other chemicals in Israel, Turkey and India, and sulphur in India. They will assist also construction of a hotel in Pakistan and in foreign banking services in Turkey.

Nine investment surveys were approved during the first seven months of FY 1964, for a total of over \$157,000. These surveys will investigate such investment feasibilities as propane gas distribution in Pakistan, paper manufacturing in Turkey, and iron castings in India.

India, Pakistan and Turkey

The two largest economic aid recipients in the region are India and Pakistan. Their continued independence and stability is essential to the security and defense of the Asian subcontinent. They are both committed to economic development. India is well into its Third Five-Year Plan, and Pakistan will soon begin the last year of its Second Five-Year Plan.

Resources for carrying out these development plans come substantially from within the countries themselves. India is financing some 75% of its Third Plan, while Pakistan is financing approximately 54% of its Second Plan. Domestic savings are increasing, as are tax collections and investment.

Outlines for India's Fourth Plan and Pakistan's Third Plan call for an even larger share of the Plan to be financed from their own resources. Despite these achievements they still lack the foreign exchange and internal savings necessary to carry out development programs; it is for this reason that they seek external assistance.

U.S. aid to India for the past several years has been pledged through a Consortium organized by the IBRD. IBRD/IDA and other industrially advanced countries pledged \$635 million for India in 1963 and \$617 million for FY 1964. The A.I.D. loan contribution to financing the past two years of the Indian Plan was \$385 million for each year. A comparable lending level for FY 1965 is deemed necessary to cover A.I.D.'s share of the U.S. pledge to be made in Spring 1964 for the fourth year of the Plan (which ends on March 31, 1965) plus a sum which will enable the United States to make development loans to India for the first quarter of the fifth year of the Plan -- that is, from April 1, 1965 to June 30, 1965. The forthcoming Consortium review of Indian requirements for additional assistance will provide the basis for a U.S. decision on the final amount to be pledged this spring.

The IBRD is also the leader of an international Consortium for Pakistan. A meeting will be held in Spring 1964 to consider Pakistan's foreign exchange needs for the last year of its Second Five-Year Plan. A.I.D. loaned Pakistan \$176 million in FY 1963 and is expected to make \$190 million of additional loans in FY 1964 depending on the feasibility of the projects submitted to A.I.D. The IBRD and other Consortium members pledged \$212.5 million for FY 1964. The FY 1965 requirement will be about the same order of magnitude as FY 1964 but, as with India, the final amount pledged this spring depends on the Consortium review. Progress is being made in Pakistan, particularly in the establishment of basic infrastructure. Manufacturing output, private sector activity, savings and investment rates and tax collections all show marked improvement.

The third largest aid recipient in the region is Turkey. The United States has a strong national security interest in the political stability and the economic improvement of this important NATO ally. A Five-Year Development plan was approved by the Turkish Parliament in November 1962, and a number of measures have been undertaken in order to improve performance -- tax reform, incentives for exports, budgetary improvements, increased savings and investment. The Turks expect to finance 75% of the Plan's requirements from their own resources. However, a critical shortage of foreign exchange makes outside assistance essential if Turkey is to carry out an effective development program.

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NEAR EAST AND SOUTH ASIA REGIONAL STATEMENT

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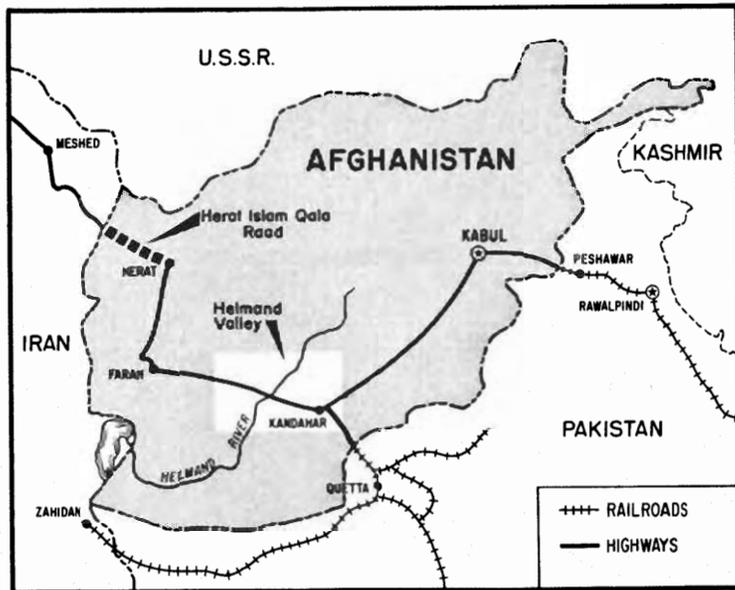
In July 1962 an Organization for Economic Cooperation and Development (OECD) Consortium of aid donor countries was formed to examine Turkey's development plan and help meet the country's plan goals through the provision of foreign assistance. The Consortium met in January 1964 to consider Turkey's requirements for calendar year 1964. The United States pledged \$70 million for development program lending. In addition, A.I.D. is prepared to consider making additional loans for projects in FY 1964, which total another \$30-\$50 million.

The total estimate of A.I.D. development lending to Turkey in FY 1965 is somewhat higher than the FY 1964 amount. A higher level of lending is expected to be justified as Turkey completes more feasibility surveys for a number of important projects. The final amount to be pledged to Turkey in FY 1965 will depend on the progress Turkey makes in carrying out its plan and will take into account the contributions to be made by the European countries under the Consortium.

Two kinds of loans will be made to all three countries -- India, Pakistan, and Turkey. Some loans will finance specific projects in power, transport, water development and industry. Others will finance imports of equipment, spare parts, components and critically needed raw materials required for the support of their development programs. Most of these commodity imports go to the private sector. As the economies of the countries grow, as they produce a larger amount of machinery and equipment for their own development, commodity imports become as important as imports of power generators or railway locomotives for particular projects. For example, in the past ten years India has imported thousands of railway wagons and locomotives as project items. India now has reached the point where it can meet almost all its requirements for these items from domestic production but still needs to import some of the raw materials and components.

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Afghanistan - GENERAL ECONOMIC DATA



BASIC DATA

Population (millions - mid-1963)	13.8	Life Expectancy (years)	n.a.
Annual Growth Rate (percent)	2	People per Doctor	34,500
Area (1000 square miles)	251	Literacy Rate (percent)	5-10
Agricultural Land as % of Area	19	Pupils as % of Population	2
		(Primary & Secondary)	
GNP Per Capita (dollars)	70		

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963(Est.)</u>
PRODUCTION TRENDS					
Agricultural Prod. Index (1952-54=100)	114	114	112	118	122
Index per Capita	101	99	96	98	100
Coal Production (1000 MT)*	41	48	66	80	n.a.
Cotton Fabrics (Mill. sq. meters)*	16	24	27	52	n.a.
INTERNATIONAL TRADE (\$ millions)*					
Total Exports (f.o.b.)	60	50	53	59	67
Karakul	(17)	(14)	(15)	(12)	(15)
Total Imports (c.i.f.)	<u>81</u>	<u>87</u>	<u>99</u>	<u>116</u>	<u>105</u>
Trade Balance	- 21	- 37	- 46	- 57	- 38
GOLD & FOREIGN EXCHANGE (\$ millions) ...	n.a.	n.a.	43	47	53(July)
(As of March 21 of next year)					
COST OF LIVING INDEX (1958-59=100)	105	114	107	n.a.	n.a.

* - Years beginning March 22 of year stated.

Country: AFGHANISTAN

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	2.6	10.0	10.0
Technical Cooperation	14.8	12.5	10.0
Total A.I.D. Assistance	17.4	22.5	20.0

U.S. Objectives and Policy

The primary U.S. objective is an independent and non-aligned Afghanistan friendly to the broad objectives of the Free World. The United States seeks to help Afghanistan improve its relations with its free world neighbors, and to assist that country improve its economy. With Western aid Afghanistan has become less dependent on the USSR for economic development. The government is now attempting to undertake internal political reform.

A.I.D. policy in Afghanistan is to provide limited support to the country's development, on a selective basis. A.I.D. objectives in the principal areas in which we will cooperate are: (a) developing a Western-oriented education system; (b) improving the Afghanistan government's capacity to administer and carry out a development program; (c) achieving fuller use of the resources of the Helmand Valley; (d) completing the road network which will link Afghanistan to the Free World; and (e) fostering a privately owned productive capacity. A.I.D.'s immediate policy is to concentrate on the successful completion of the projects in which we are now engaged. The extent of U.S. support of any new activities will depend on the capacity of the Afghan government in defining, financing, and carrying out development projects. Financing of new capital projects will be limited to development loans.

Progress, Self-Help, Aid from Others

A new government led by the first non-royal Prime Minister came into power in March 1963. This change constituted a sharp break with the past. A new constitution, to broaden the base of the government and increase public participation in political institutions, is in preparation.

Among the first steps the new government took was the negotiation to open the border with Pakistan and to renew trade and diplomatic relations. The two countries had broken off relations and closed their border in September 1961 after the long-standing Pushtunistan issue erupted. The immediate effect had been to increase Afghanistan's dependence on Russian trade and communication routes.

In keeping with the stabilization agreement concluded by the previous government with the International Monetary Fund (IMF), the new government is conducting Afghanistan's first thorough review of the budget. As a result, the budget deficit should be reduced and over-all efficiency of the government improved. Smuggling has been reduced because of the border opening, and the government has been able to increase customs and export tax collections. Over the long run, the new, more favorable exchange rates given to the exporters of carpet wool, karakul skins and cotton should result in a substantial increase in production of all three, thereby improving both government tax receipts and foreign currency earnings. Infrastructure investment, financed principally by the United States and the USSR, continues to be large but the current policy is to place more emphasis on private investment.

The Afghan economy is still basically agricultural and on a subsistence basis. Industrialization, which is still meager, started much later than in Pakistan or India. Investment in the early postwar period was concentrated in the Helmand Valley. The First Five-Year Plan (1956-1961) recognized the need to plan investment according to the needs of the economy, but amounted to little more than a list of ill-defined projects. The Second Five-Year Plan (1962-1967) reflects improved project definition, but it still fails to recognize the need for a larger Afghan contribution to the local cost of capital improvement and to estimate realistically the continuing cost of operating and maintaining new facilities. During the past year, however, the government has tried to relate the projects to each other and to national priorities. It has started work on a modified plan for the fourth and fifth years of the Second Five-Year Plan.

There have been visible improvements in the economy since the First Plan began. Hundreds of schools have been constructed. Irrigation facilities were built and improved with U.S. assistance in the Helmand Valley. A thousand miles of main highways, plus many more of feeder roads have been provided; six new airports were opened, of which four were U.S. financed, and electric power capacity has been multiplied several times. Taken together, these achievements lay a foundation for economic growth.

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Country: AFGHANISTAN

Other free world countries are conducting assistance programs in Afghanistan. Western Germany has a small technical assistance program under which it supports a trade school and provides technical advisory services, e.g., a geological survey team, and recently, a large forestry team, and faculty for Kabul University. Germany also made a \$50 million loan commitment to the Second Five-Year Plan for assisting the country's largest textile mill, building a power dam on the Kabul River, constructing petroleum and grain storage facilities, and modernizing and expanding the Kabul telephone system. Japan is providing assistance to three small industries--bicycle assembly, plastics, and bottle manufacturing. France and Yugoslavia also have small programs. UN organizations are providing approximately \$1.0 million a year in the fields of education, community development and health.

In comparison with the \$235 million of economic assistance from the United States between 1950 and 1963, Soviet bloc aid has totaled over \$500 million over the last ten years; \$250-300 million has been committed toward the Second Five-Year Plan. These figures exclude military assistance, where the USSR contribution is substantial. Russian economic projects include a 700-mile road, development of natural gas resources, a fertilizer plant, a large multipurpose dam and a 10,000-hectare irrigation canal system on the Kabul River, the Salang Pass tunnel, and others. Czechoslovakia also is providing technical assistance.

FY 1965 Program

The \$10 million programmed for Technical Cooperation and Development Grants in FY 1965 is consistent with the objective of operating only in selected sectors of the Second Five-Year Plan and concentrating on completing existing projects. No new technical cooperation projects are proposed.

Emphasis on the program continues to be qualitative improvement of the Western-oriented education system. Our efforts to improve the teaching of science and mathematics in secondary schools will be accentuated in FY 1965, so that graduates will be better prepared for study at Kabul University. We will continue work with

the University to improve curriculum and teaching methods. An American contract team will arrive during FY 1965 as part of the final push to consolidate the long-standing program to modernize Afghanistan's technical secondary school--the Afghan Institute of Technology. Equipment will be purchased for the Institute's new building, which is expected to be financed in FY 1964.

For the second year, 35 to 40 Afghan government officials will visit the United States as participants in a program to improve Afghanistan's government management. The Cadastral Survey to establish the basis for an increase in land revenues will have progressed to the third year of its five-year schedule. The U.S. advisory team on planning will help Afghanistan prepare a realistic program for the fourth and fifth years of the Second Five-Year Plan.

Major grant funding for commodities in the 15-year old Helmand Valley Development project will end in FY 1965. Emphasis in FY 1965 will be on improving the capacity of the Helmand Valley Authority to take full advantage of the large investments in the Helmand Valley through a four-year program in planning and management of irrigation and agricultural techniques.

Grant funding of the construction of roads and airports, which in earlier years was the principal focus of the program, has ended. FY 1965 financing will be confined to the Corps of Engineers' supervision of the completion of the Kabul-Kandahar road and for Federal Aviation Agency supervision of the installation of electronic aviation aids and airport control systems.

Loan applications are expected to total about \$10 million for: (a) electrical power development in the Helmand Valley; (b) several small manufacturing and food processing plants in the private sector; and (c) a rail spur across the Afghanistan/Pakistan border near Peshawar to be financed jointly by Afghanistan and Pakistan. Favorable loan action would depend on the results of feasibility studies now being carried out by U.S. contractors and the ability of the Afghan government to raise its share of the necessary financing.

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Afghanistan

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	0.3	39.0	7.9	19.9	16.8	12.7	37.7	16.1	150.4	1.1	149.3
Loans.....	-	-	12.2	-	-	0.7	-	-0.7	2.6	11.8	1.1	13.7
Grants.....	-	0.3	26.8	7.9	19.9	16.1	12.7	38.4	13.5	135.5	-	135.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	-	6.6	6.2	7.6	0.1	21.5	0.8	0.1	42.8	-	42.8
Title I - (Total Sales Agreements).....	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses).....	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'TS.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	6.5	6.1	7.5	-	20.9	0.7	-	41.7	-	41.7
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	-	0.1	0.1	0.1	0.1	0.6	0.1	0.1	1.1	-	1.1
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	21.0	18.3	-	-	-	-	-	-	39.3	17.5	21.8
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	-	-	-	-	-	*	0.3	0.4	-	0.4
TOTAL ECONOMIC	-	21.4	63.9	14.1	27.5	16.9	34.2	38.5	16.5	232.9	18.6	214.3
Loans.....	-	21.0	30.5	-	-	0.7	-	-0.7	2.6	51.1	18.6	35.5
Grants.....	-	0.4	33.4	14.1	27.5	16.2	34.2	39.2	13.9	178.7	-	178.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) ..	-	-	-	*	0.2	0.2	0.5	0.6	0.7	2.9	-	2.9
(Additional Grants from Excess Stocks).....	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	*	0.2	0.2	0.5	0.6	0.7	2.9	-	2.9
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	-	-	*	0.2	0.2	0.5	0.6	0.7	2.9	-	2.9
TOTAL ECONOMIC AND MILITARY	-	21.4	63.9	14.1	27.7	17.1	34.7	39.1	17.2	235.8	18.6	217.2
Loans.....	-	21.0	30.5	-	-	0.7	-	-0.7	2.6	51.1	18.6	35.5
Grants.....	-	0.4	33.4	14.1	27.7	16.4	34.7	39.8	14.6	181.6	-	181.6

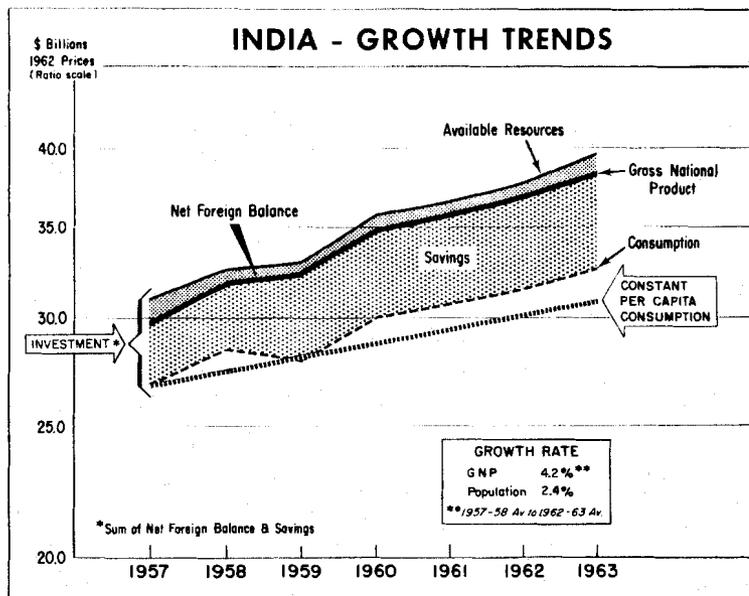
* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	1.1	1.3	9.3
UN Special Fund	-	2.8	4.1

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	n.a.
1963 (Calendar Year).....	n.a.
Cumulative thru 1963.....	507.0

India - GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions - mid-1963)	463
Annual Growth Rate (percent)	2.4
Area (1000 square miles)	1,260
Population Density per square mile	367
Agricultural Land as % of Total Area	53
Percent of Population in Agriculture	70
Life Expectancy (years)	47
People per Doctor	5,000
Literacy Rate (percent)	24
Pupils as Percent of Population	10
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)* a/	32,370	34,872	35,940	36,880	38,500
Per Capita GNP (dollars)	76	80	81	81	83
Investment as percent of GNP	15	17	16	17	19
Domestic Savings as % of Investment	89	83	87	86	81
Net Foreign Balance as % of GNP	2	3	2	2	3
Agricultural Prod. Index (1952-54=100)	119	126	130	128	130
Index per Capita	105	110	110	106	106
Food Grains (Mill. MT)	80	84	85	83	84
Industrial Prod. Index (1958=100)	108	120	129	138	148
INTERNATIONAL TRADE (\$ millions) b/					
Total Exports (f.o.b.)	1,310	1,324	1,402	1,433	1,560
Tea (customs basis)	(271)	(260)	(257)	(271)	(260)
Total Imports (c.i.f.)	1,949	2,322	2,103	2,288	2,680
Trade Balance	-639	-998	-701	-855	-1,120
GOLD & FOREIGN EXCHANGE (end of FY - \$ millions)	801	667	662	660	608(Sept.)
COST OF LIVING INDEX (1958=100)	104	106	108	112	115
CENTRAL GOVERNMENT FINANCES* - Million Dollar Equivalents -					
(FY ending March 31)	1962	1963 ^(hev. Est.)	1964(Budget)		
Total Expenditures	4,681	5,905	7,212		
(Defense Expenditures)	(705)	(1,097)	(1,858)		
(Capital Outlays)	(2,035)	(2,541)	(2,910)		
Total Domestic Revenues c/	3,322	3,855	4,834		
As percent of GNP	9%	11%	12%		
Deficit (-) or Surplus (+)	-1,359	-2,050	-2,378		

● Converted at 4.762 rupees per U.S.\$.

a/ FY beginning April 1.

b/ Payments basis; FY beginning April 1 of year stated.

c/ The state governments levy substantial revenues of their own, not included here. For FY 1962/63, this amounted to about \$1,700 million equivalent.

Country: INDIA

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	396.1	369.0	385.0
Technical Cooperation	6.1	6.8	6.8
Total A.I.D. Assistance	402.2	375.8	391.8

U.S. Objectives and Policy

U.S. objectives are to help India remain free and independent; promote close and friendly relations between India and other free world countries; and improve India's capability of resisting encroachments from Communist China.

Achievement of these objectives requires economic expansion sufficient to finance rising defense needs and maintain the confidence of the Indian people in the ability of their democratic system to improve their standard of living. A reduction of Indo-Pakistan tensions would encourage greater concentration on economic problems and would permit better regional planning for the defense and development of the entire sub-continent. Solution of a wide range of financial, economic, technical and institutional problems is required if the development and defense efforts are to meet their targets.

The U.S. has joined with other free world members in an International Bank for Reconstruction and Development (IBRD)-organized Consortium in support of India's development program. In Spring 1964 the Consortium will meet to consider India's plans for the final two years (April 1964-March 1966) of the Third Five-Year Plan and to assess India's requirements for external assistance. The Consortium will scrutinize carefully Indian policies and plans. While consideration of policy issues will be in the context of longer-range Indian plans, financial commitments are contemplated for one year only. The IBRD can be expected to continue its major role in providing expert advice to the Government of India in its analysis of India's economic problems. Within the framework of the Consortium, the United States will also press for increased contributions by other free world countries.

For the third year of the Third Plan (1963-64) Consortium members pledged \$1,052 million, of which the United States contributed \$435 million (exclusive of Food for Peace). Requirements in the

same order of magnitude are anticipated for the fourth Plan year. However, the size of the final pledges will be decided in late Spring.

In order to relieve pressure on India's balance of payments and to insure that the economic development program is not unduly affected by India's need to provide increased resources for defense, the United States and the U.K. are also providing military assistance.

Progress, Self-Help, Aid from Others

In 1951 India embarked on a quarter-century of planned development with the aim of eliminating its reliance on external assistance for future growth and of creating an institutional framework consistent with and contributing to the formation of a democratic society.

India has completed two Five-Year Plans and is now starting the fourth year of its Third Plan. The Plan calls for development outlays of \$25 billion, about the same as the total invested during the first two Plans. Two-thirds of the program is to be in the public sector, one third in the private sector. This compares to a fifty-fifty investment ratio during the first two Plans. Thus far, private sector performance has considerably exceeded Plan targets. The goal of the Third Plan, which began in April 1961, was to accelerate the development process substantially. It postulated an increase in agricultural production of 30%, in industrial production of 70% and in national income of 30%. Actual increases during the first two Plans were over 40%, 90%, and 40%, respectively.

Since 1951 the groundwork for future growth has been laid through the expansion of basic facilities such as irrigation, power and transportation; the development of basic industry including steel, chemicals, and industrial machinery; and the expansion of educational facilities to provide skilled manpower. During the past ten years, investment has risen from 10% to 19% of Gross National Product (GNP), with about 80% of the investment being financed by India through domestic savings. In recent years foreign aid and private foreign investment have been about 20% of investment expenditures, somewhat below the Plan estimate of 25%.

U.S. assistance has been concentrated principally in the fields of power, transportation, agriculture and education, all of which are major bottlenecks to Indian economic development. Twenty-one development loans totaling about \$430 million have been made for power projects alone. When plants under construction are completed,

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Country: INDIA

total installed capacity will increase by 3,600 MW. Five equipment loans totaling \$175 million have been extended to the Indian railways, including about 300 diesel locomotives. The Indian Railways now have expanded their facilities in production of locomotives and wagons to the point that volume imports will no longer be required. Substantial aid also has been given to development banks and other private sector activities.

Despite the considerable progress made since India became independent, the Third Five-Year Plan has thus far fallen short of its goals, with national income increasing only a little faster than population. Agriculture failed to expand beyond the high levels achieved toward the end of the Second Plan period, largely because of adverse weather conditions, but also because of lack of fertilizer and other inadequacies in rural development programs. A number of factors have contributed to some underutilization of existing industrial capacity, the extent of which remains to be fully assessed. An added burden is the defense expenditures, which have more than doubled in the past two years and now account for one-fourth of central government expenditures.

India's self-help record is excellent, but further measures are now vital. Particular emphasis needs to be given to the role of the price system in the allocation of scarce resources, the promotion of exports, the reduction of the inefficient controls, the improvement of the investment climate for domestic and foreign private enterprise, and the expansion of agricultural production.

The Mid-Term Appraisal of the Third Plan recently issued by the Indian Government officially recognizes some of the shortcomings of the development program and makes significant recommendations to improve performance of the economy. India has taken many steps during the past two years to overcome obstacles to more rapid economic growth. Special committees have been established to study the principal problems. One significant result of these studies was the recent lifting of price controls on 16 commodities, possibly foreshadowing a general movement toward a less regulated economy. The government, with assistance from private business, has mounted a program aimed at stimulating exports. There has been a noticeable improvement in the climate for private foreign investment. Rural development officials now are concentrating on improving agricultural output. More investment than had originally been planned is being made in sectors which have been bottlenecks. In general, there appears to be an increasing awareness of the need to improve performance and undertake a number of major policy changes to prevent a slowdown in the development program.

During the first three years of the Third Plan, the major share of India's foreign exchange requirements has been provided by the IBRD Consortium members, as follows:

India Consortium Pledges for First Three Years of Plan

(In millions of dollars)

	1961-63	1963/64	3 Yr. Total
IBRD & IDA	450.0	245.0	695.0
U.S.A.*	980.0	435.0	1,415.0
(Ex-Im Bank)	(122.5)	(50.0)	(172.5)
W.Germany	364.0	99.5	463.5
U.K.	266.0	84.0	350.0
Japan	105.0	65.0	170.0
Six Others**	200.0	123.5	323.5
Total	<u>2,365.0</u>	<u>1,052.0</u>	<u>3,417.0</u>

*Does not include P.L. 480.

**Austria, Belgium, Canada, France, Italy and Netherlands.

In addition, the Soviet bloc is expected to provide about \$700 million in aid during the five-year period.

FY 1965 Program

A.I.D. assistance to India will be extended principally on a loan basis, within the framework of the existing IBRD Consortium. A.I.D.'s share of the U.S. pledge has been \$385 million for the past two years of India's Third Five-Year Plan. A comparable lending level for FY 1965 is deemed necessary to cover A.I.D.'s share of the U.S. pledge to be made in the Spring of 1964 for the fourth year of the Plan plus a sum for the first quarter of the fifth year of the Plan. The Export-Import (Ex-Im) Bank's portion of the total pledge has been \$50 million a year.

As a result of earlier assistance and its own efforts, India now produces much of its machinery and other capital equipment requirements. Thus one-half or more of A.I.D. loans will finance critically needed components, spares, fertilizers, and industrial raw materials. This type of program assistance, which goes largely to the private sector, makes possible a fuller use of existing productive capacity and is as essential to the success of the development program as is financing of projects. Other loans will finance high priority projects, principally power, fertilizer production, and private investment in manufacturing.

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Country: INDIA

The Technical Cooperation program concentrates on agricultural and industrial productivity problems, shortages of specialized skills in health and education, and managerial problems in other fields. Projects are designed to improve efficiency and increase the quantity of skilled personnel needed to support and supplement the heavy capital investments India is making. About two-thirds of the requested funds will be devoted to improving the quality of Indian education, particularly in engineering and agriculture at

the university level. About 20% of the funds will finance training, both in India and in the United States, of scientists, technicians, and managers needed to improve and expand Indian agricultural extension services and agricultural research.

In addition, the United States expects to provide over \$300 million of food and fibers under P.L. 480, to supplement India's domestic production of these commodities.

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India

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A. I. D. AND PREDECESSOR AGENCIES - TOTAL	-	57.3	342.5	89.8	137.0	194.6	200.8	465.5	397.2	1,884.5	80.6	1,803.9
Loans ^{a/}	-	-	130.0	75.0	120.0	171.3	180.1	445.9	392.3	1,514.6	80.6	1,434.0
Grants.....	-	57.3	212.5	14.8	17.0	23.3	20.7	19.6	4.9	369.9	-	369.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.6	362.7	63.5	229.7	550.2	387.5	282.8	329.7	2,206.7	14.3	2,192.4
Title I - (Total Sales Agreements).....	(-)	(-)	(354.6)	(50.0)	(237.9)	(616.9)	(412.8)	(288.3)	(351.2)	(2,311.7)	(-)	(2,311.7)
Less: (Planned for U.S. Uses).....	(-)	(-)	(74.3)	(8.1)	(27.6)	(78.8)	(44.1)	(31.7)	(35.1)	(299.7)	(-)	(299.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	280.3	41.9	210.3	538.1	368.8	256.6	316.1	2,012.1	14.3	1,997.8
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	54.0	-	37.5	253.6	174.1	121.1	149.2	789.5	-	789.5
104e - Loans to Private Industry.....	-	-	-	12.5	65.0	30.9	20.6	14.4	17.7	161.1	2.3	158.8
104g - Loans to Governments.....	-	-	226.3	29.4	107.8	253.6	174.1	121.1	149.2	1,061.5	12.0	1,049.5
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	4.0	-	2.1	-	-	-	6.1	-	6.1
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	4.9	-	-	0.3	-	3.4	-	8.5	-	8.5
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	0.6	77.5	17.6	19.4	10.0	18.4	22.8	13.6	180.0	-	180.0
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	151.8	-	13.6	79.5	25.7	40.3	310.9	18.1	292.8
OTHER U.S. ECONOMIC PROGRAMS	39.9 ^{b/}	190.8	-	-	-	-	-	0.4	1.0	232.1	66.5	165.6
TOTAL ECONOMIC	39.9	248.7	705.2	305.1	366.7	758.4	667.8	774.4	768.2	4,634.2	179.5	4,454.7
Loans.....	39.9	190.2	356.3	268.7	292.8	469.4	454.3	607.1	599.5	3,278.2	179.5	3,098.7
Grants.....	-	58.5	348.9	36.4	73.9	289.0	213.5	167.3	168.7	1,356.0	-	1,356.0
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).....	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	37.1 (3.2)	58.7 (13.6)	(-)	58.7 (13.6)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-	-	-	-	37.1	58.7	-	58.7
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	-	-	-	-	-	-	-	37.1	58.7	-	58.7
TOTAL ECONOMIC AND MILITARY	39.9	248.7	705.2	305.1	366.7	758.4	667.8	774.4	805.3	4,692.9	179.5	4,513.4
Loans.....	39.9	190.2	356.3	268.7	292.8	469.4	454.3	607.1	599.5	3,278.2	179.5	3,098.7
Grants.....	-	58.5	348.9	36.4	73.9	289.0	213.5	167.3	205.8	1,414.7	-	1,414.7

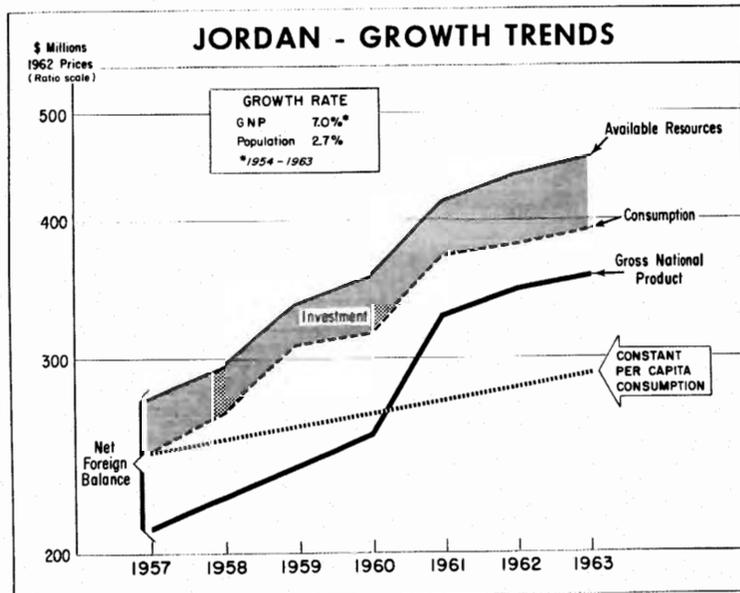
a/ Does not include \$20.0 million loan in FY 1958 financed by Asian Economic Development Fund. b/ Includes the utilization during FY 1946 of \$29.2 million of lend-lease silver credits.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	145.5	29.9	847.4
UN Tech. Ass't. (CY) .	3.7	3.8	26.9
UN Special Fund	2.7	3.5	19.9
Int'l. Dev. Association	62.0	178.0	300.0
Int'l. Finance Corp...	-	0.9	2.5

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	32.5
1963 (Calendar Year).....	-
Cumulative thru 1963.....	982.0

Jordan — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	1.77
Annual Growth Rate (percent)	2.7
Area (1000 square miles)	37
Population Density per square mile	47
Agricultural Land as % of Total Area	11
Percent of Population in Agriculture	75
Life Expectancy (years)	n.a.
People per Doctor	5,900
Literacy Rate (percent)	30-35
Pupils as Percent of Population	17
(Primary & Secondary)	



GROWTH INDICATORS

	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	240	257	329	345	355
Per Capita GNP (dollars)	151	158	196	200	201
Investment as percent of GNP.	12	16	13	17	18
Domestic Savings as % of Investment.	-243	-145	-95	-61	-59
Net Foreign Balance as % of GNP.	40	38	26	27	28
Agricultural Prod. Index (1952-54=100)	71	60	104	87	59
Index per Capita	61	50	84	68	45
Wheat (1,000 M.T.)	103	44	139	112	55
Phosphate Rock (1,000 MT)	338	362	442	681	500

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	10	11	15	17	20
Vegetables and Fruits	(4)	(4)	(5)	(6)	(7)
Total Imports (c.i.f.)	113	120	117	128	145
Trade Balance	-103	-109	-102	-111	-125

GOLD & FOREIGN EXCHANGE (end of year)
(- \$ millions)

1959	1960	1961	1962	1963 Est.
85	86	95	114	104

WHOLESALE PRICE INDEX (1958=100)

1959	1960	1961	1962	1963 Est.
102	111	96	93	101

CENTRAL GOVERNMENT FINANCES*

	- Million Dollar Equivalents -		
	1962	1963 (Rev. Est.)	1964 (Budget)
(FY ending March 31)			
Total Expenditures	100.1	111.6	125.5
(Defense Expenditures)	(52.4)	(54.2)	(59.0)
(Capital Outlays)	(21.1)	(23.0)	(30.1)
Total Domestic Revenues	41.1	54.7 ^{a/}	50.1
As percent of GNP	12%	16% ^{a/}	14%
Deficit (-) or Surplus (+)	+1.7	-2.1	-14.8

* Converted at \$2.80 per pound.

^{a/} Includes \$10 million extraordinary receipts from accumulated Tapline fees.

Country: JORDAN

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963	FY 1964	FY 1965
	Actual	Estimated	Proposed
Development Loans	-	-	- a/
Technical Cooperation	7.0	6.0	7.5
Supporting Assistance	36.0	34.0	33.0
Total A.I.D. Assistance	43.0	40.0	40.5

a/ Eligible for lending.

U.S. Objectives and Policy

The primary U.S. objective remains the preservation of an independent and stable Jordan. Its collapse could disrupt the political balance in the area and perhaps lead to a renewal of Arab-Israeli hostilities.

U.S. aid policy is designed to help the Government of Jordan broaden the base of its support and strengthen its capability to assume greater responsibility for meeting its current and capital development costs. The economic and technical assistance provided in the past created a base for continued growth. These favorable growth prospects now make it possible to plan on a steady, though gradual, reduction in U.S. budget support. This will require the government to increase its domestic revenues, improve management of its financial and institutional resources, and engage in sound project planning which concentrates on income and revenue-producing activities. Carrying out these measures should reduce budget and balance-of-payments deficits.

The A.I.D. tools to be used include: (a) steadily reduced cash grants of Supporting Assistance for the Jordanian budget; (b) carefully selected technical cooperation projects concentrated on income and revenue-producing activities, coupled with improving government management of financial and institutional resources; and (c) Development Loans for projects which directly produce income. P.L. 480 will be used to provide food and the proceeds used to substitute for dollar expenditures made under the A.I.D. program.

Progress, Self-Help, Aid from Others

Jordan has always been heavily dependent on external foreign aid, formerly provided by budget subsidy from the U.K. In 1957, Jordan

terminated the U.K.-Jordanian Treaty of Alliance and, in view of the rapidly deteriorating situation and the danger that dismemberment of Jordan could produce violence in the area, the United States assumed the burden and has since provided the major contribution to financing Jordan's essential government operations, including defense.

The large amount of U.S. economic and technical assistance provided to Jordan over the last ten years has helped produce a level of development and economic activity and create institutions and infrastructure upon which eventual viability may be more securely rooted. Gross National Product (GNP) is increasing by about 7% a year, and per capita income is now about \$200, compared with \$150 in 1959. Gross investment, relying heavily on foreign resources, has been increasing steadily since 1959. A highway system now connects all the major sections and cities of the country. Despite several years of drought which affected the wheat crop, other agricultural production has improved, largely as a consequence of rapid increase in canal and well irrigation facilities along with improved extension services, and agricultural credit -- all of which have been substantially assisted by the United States. Earning from tourism are increasing sharply-- from \$8 million in 1959 to over \$14 million in 1962, and an estimated \$17 million in 1963.

A progressive government installed early in 1962 undertook a number of significant steps which strengthened the government's capability to cope with its own problems. New elections and a shift in cabinets occurred in 1963. The current government appears willing to carry forward most of the progressive measures initiated by its predecessor. The following apply particularly to future growth. Legislation governing the East Ghor Irrigation project includes provision for the first time for charges for water provided from irrigation facilities. Customs duties have been revised upward. Revision of the income tax law to provide for broader and more equitable assessment and for more effective collection has been approved by the Cabinet and referred to Parliament for consideration. A Budget Department has been established and a new budget law enacted. A Central Bank was formally established in December 1963 and is expected to begin operations in 1964. A new Companies Law was passed eliminating the confusion resulting from a multiplicity of laws and regulations formerly in effect. A comprehensive labor law and strong government support of cooperatives increases the number of local self-governing institutions on which a broader representative government structure may eventually be based.

A revised Seven-Year Development Plan (1963-1970), expected to be issued early in 1964, is the product of two years of critical

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Country: JORDAN

Jordanian re-examination of a first attempt to formulate development goals and reflects a more realistic resource allocation. Although the target date set by Jordan -- 1970 -- for eliminating both trade and budget deficits is probably over-optimistic, the areas which have been selected for concentration of investment -- agricultural production (including water resources), tourism, import substitution industries and mining -- are agreed to be the most critical areas in which domestic and foreign investment must be concentrated.

This favorable assessment, which reflects recent economic developments and the apparent determination of the new government to improve resource use, does not imply that Jordan will be able to support its current budget expenditures from its own resources in the near future. Defense expenditures, including public security, now total nearly \$60 million and account for about half of total government expenditures. To effect a reduction in the budget deficit, Jordan must limit increases in ordinary expenditures, and take further decisive actions to capture tax proceeds obtained from increased production. For some time to come, Jordan will face difficult problems for which it will require substantial continuing budget support. The present balance-of-payments deficit presents an equally difficult problem, even though there are good prospects for some improvement, primarily from tourism and an increase in agricultural production to substitute for current agricultural imports, which now total over one-fourth of the total import bill.

The U.K. is providing grant budget support which amounted to \$4.2 million a year for FY 1963 and FY 1964, and non-interest bearing development loan assistance for transportation and water resources development of \$2.1 million a year in FY 1963 and FY 1964. Germany gave technical assistance in geological surveys and vocational training amounting to \$600,000 in FY 1962 and FY 1963, and a loan of \$3.8 million for expansion of Aqaba Port facilities. A \$21 million loan from Kuwait approved in April 1962 is earmarked for development projects, including phosphate production and a storage dam on the Yarmouk River. The UN and other international agencies also provide technical and loan assistance to Jordan.

The International Development Association (IDA) has provided loans in FY 1964 totaling \$6.5 million for agricultural credit and municipal water supplies.

In addition, United Nations Relief and Works Agency (UNRWA) assistance to Palestine refugees in Jordan totals \$15 million annually.

FY 1965 Program

The United States has steadily reduced its Supporting Assistance grants -- from \$40 million in FY 1961 to \$34 million in FY 1964, and to a proposed \$33 million in FY 1965. The United States will review the forthcoming Seven-Year Plan carefully for new development activities which would be eligible for development grant and loan financing.

Technical Cooperation and Development Grant assistance totaling \$7.5 million is proposed for FY 1965. Approximately half is concentrated in three priority areas which serve to save foreign exchange and to increase national income and government revenue-- the East Ghor Irrigation project, development of ground water resources by the Central Water Authority, and tourism. Agricultural incomes of the families served by the Ghor project should be doubled when the project is completed in 1966. These projects are also supported by Jordan Army personnel and equipment under the Civic Action program. Tax and budget advisors are provided to help Jordan increase its revenue and improve government management. Additional assistance will help improve the government's technical and administrative capabilities in other departments.

Proceeds generated under P.L. 480 programs to meet emergency food deficits are being used to substitute for dollars in Technical Cooperation and Development Grant programs wherever possible. The first Title I program agreement was signed in FY 1964 and a requirement for further Title I is expected in future years. Title I sales will result in balance-of-payments savings to the A.I.D. program and to the United States.

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Jordan

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD				FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963			
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	4.7	49.2	32.7	49.1	47.8	47.5	42.8	42.0	315.7	0.4	315.3
Loans	-	-	-	-	3.7	-1.0	1.0	-1.0	-	2.7	0.4	2.3
Grants	-	4.7	49.2	32.7	45.4	48.8	46.5	43.8	42.0	313.1	-	313.1
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.4	4.3	4.7	14.4	3.2	20.3	1.5	16.3	64.9	-	64.9
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	3.5	12.4	1.6	17.4	0.2	14.4	49.3	-	49.3
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.4	4.3	1.2	2.0	1.6	2.9	1.3	1.9	15.6	-	15.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	1.6	-	1.6	-	1.6
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	1.2	-	-	-	-	-	-	1.3	-	1.3
TOTAL ECONOMIC	-	5.2	54.7	37.4	63.5	52.0	67.8	45.9	58.3	383.5	0.4	383.1
Loans	-	-	-	-	3.7	-1.0	1.0	0.6	-	4.3	0.4	3.9
Grants	-	5.2	54.7	37.4	59.8	52.0	66.8	45.3	58.3	379.3	-	379.3
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	(-)	(-)	(-)	8.5	2.2	2.9	1.9	2.6	2.5	28.7	-	28.7
	(-)	(-)	(-)	(0.5)	(-)	(0.1)	(0.3)	(0.2)	(-0.2)	(0.9)	(-)	(0.9)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	8.5	2.2	2.9	1.9	2.6	2.5	28.7	-	28.7
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	8.5	2.2	2.9	1.9	2.6	2.5	28.7	-	28.7
TOTAL ECONOMIC AND MILITARY	-	5.2	54.7	45.9	65.7	53.9	69.7	48.5	60.8	412.2	0.4	411.8
Loans	-	-	-	-	3.7	-1.0	1.0	0.6	-	4.3	0.4	3.9
Grants	-	5.2	54.7	45.9	62.0	54.9	68.7	47.9	60.8	408.0	-	408.0

ASSISTANCE FROM INTERNATIONAL AGENCIES

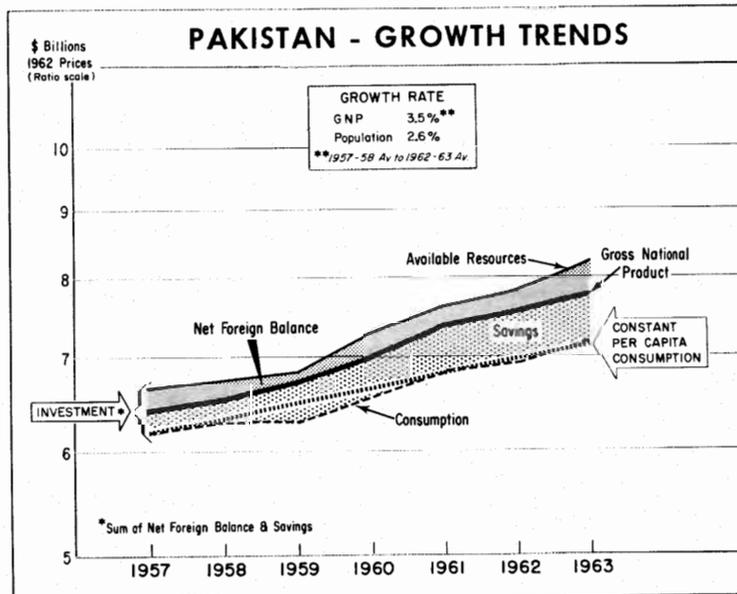
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	0.3	0.5	3.9
UN Special Fund	-	1.1	1.9
Int'l. Dev. Association	2.0	-	2.0

SINO-SOVIET BLOC ASSISTANCE

1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Pakistan - GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions - mid-1963)	99.5
Annual Growth Rate (percent)	2.6
Area (1000 square miles)	365
Population Density per square mile	273
Agricultural Land as % of Total Area	31
Percent of Population in Agriculture	75
Life Expectancy (years)	35-40
People per Doctor	8,700
Literacy Rate (percent)	20
Pupils as Percent of Population	7
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	6,695	7,002	7,353	7,595	7,800
Per Capita GNP (dollars)	74	76	78	78	78
Investment as percent of GNP.	9	10	11	13	13
Domestic Savings as % of Investment.	82	66	67	77	60
Net Foreign Balance as % of GNP.	2	3	4	3	5
Agricultural Prod. Index (1952-54=100)	114	119	124	121	124
Index per Capita	101	103	105	100	100
Rice (1,000 MT)	14,410	16,050	16,130	14,490	15,500
Industrial Prod. Index (1958=100)	112	119	126	144	n.a.
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	321	393	400	397	380
Jute, Raw	(143)	(169)	(188)	(163)	(168)
Total Imports (c.i.f.)	353	654 ^{a/}	642	738	815
Trade Balance	-32	-261	-242	-341	-435
GOLD & FOREIGN EXCHANGE (end of year - \$ millions)	311	319	281	284	306(Oct.)
COST OF LIVING INDEX (1958=100)	97	103	105	105	106
CENTRAL GOVERNMENT FINANCES*					
(FY ending June 30)	- Million Dollar Equivalents -				
	1962	1963 ^{Bud}	1964(Budget)		
Total Expenditures	802	1,102	1,427		
(Defense Expenditures)	(228)	(236)	(255)		
(Capital Outlays)	(327)	(517)	(756)		
Total Domestic Revenues ^{b/}	554	617	718		
As percent of GNP ^{b/}	8%	8%	n.a.		
Deficit (-) or Surplus (+)	-248	-485	-709		

* Converted at 4.762 rupees per U.S.\$.

^{a/} Higher level due to increased foreign credits.

^{b/} In addition to the Central Government, the Provincial Governments levy substantial revenues of their own, not included here.

Country: PAKISTAN

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PROGRAM SUMMARY
(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	176.8	190.0	225.0
Technical Cooperation	9.0	8.2	8.4
Contingency Fund	0.3	XXX	XXX
Total A.I.D. Assistance	186.1	198.2	233.4

U.S. Objectives and Policy

U.S. objectives are to help Pakistan maintain its independence and develop its national unity; retain its Western alignment; and continue to cooperate in maintaining the stability and defense of South Asia. These objectives are served by Pakistan's alliance relationship with the United States and its membership in Central Treaty Organization (CENTO) and Southeast Asia Treaty Organization (SEATO).

The achievement of these objectives will depend to a considerable extent on U.S. willingness to continue to help Pakistan with its basic security and economic needs and on Pakistan's increasing ability to use growing amounts of domestic resources, and foreign assistance from all sources, for the orderly development of its institutions and economy. Such development must aim both at a sustained increase in per capita income and at a reduction of Pakistan dependence on external assistance.

On the political side, there has been increasing dissatisfaction within Pakistan concerning its relations with the United States. This view is based on the impasse over Kashmir and the extension of U.S. military assistance to India, which Pakistan states is posing a threat to its security interests. Continuation of these conditions can be expected to prolong the difficulties in U.S.-Pakistan relations. Because its foreign policy is concerned chiefly with India, Pakistan has sought to complement its policy of alignment with the West by improving relations with Communist and neutralist nations, particularly Communist China. The United States repeatedly has expressed concern at this latter trend, but Pakistan's continued alliance relationship with the Free World still makes the achievement of U.S. objectives feasible and the possibility for effective U.S. programs remains.

U.S. assistance policy is to work within the Consortium organized by the International Bank for Reconstruction and Development (IBRD)

in support of Pakistan's general economic development. The Consortium reviewed Pakistan's Second Five-Year Plan (1960-1965) and found it an adequate framework for development. Foreign assistance required to support the Plan was estimated at \$1,972 million, with total investment expenditures estimated at \$4,509 million.

The United States supports the Plan generally, but has selected for special attention several major areas which are essential to the success of the development effort. Agricultural development must be accelerated sharply to increase the food supply and improve living standards. Private enterprise must be given the necessary incentives, services, and materials for increased industrial expansion. The upgrading of the education, skills and health of the population is basic to the long-run success of the development effort. Administrative controls, particularly over imports, must be reduced, thereby permitting a better allocation and freer flow of resources to developing industries. To finance an enlarged development effort, exports must be increased, savings and taxes raised, and resources used more effectively. Administrative efficiency of public agencies concerned with planning and implementation must be improved. Pakistan has planned a seven-fold increase in funds for Family Planning in its Third Plan (1965-1970), a program essential to more rapid increases in per capita income.

Progress, Self-Help, Aid from Others

Although Pakistan has made important economic progress since its creation in 1947, growth in terms of per capita income has been slow. A 21% increase in Gross National Product (GNP) since 1957 was largely offset by a 15% increase in population. A discouraging performance in agriculture slowed the rate of increase in GNP. Development, however, also is limited by the scarcity of exploitable resources. Poor use is made of water in the West and Pakistan has insufficient land in the East. Managerial, administrative and technical talent is scarce and the educational system does not yet fully meet the demands of a developing society.

During the past decade Pakistan has been making strenuous efforts to mobilize its own resources better, to lay the basis for rapid growth in the future, and to achieve some immediate increases in the growth rate. Gross domestic savings rose from 4% of GNP in 1957 to 8% in 1963, while the investment rate doubled to 13% of GNP.

During the First Five-Year Plan (1955-1960) large-scale industrial infrastructure was expanded significantly with U.S. and

Country: PAKISTAN

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other foreign assistance. The private sector almost doubled its output with support from U.S. loans to the Pakistan Industrial Credit and Investment Corporation (PICIC), which reloaned these funds to private industrialists. The Second Plan called for a 70% increase in development expenditures, yielding a growth of 24% in national income. Increased domestic savings, a greater self-sufficiency in food supplies, and increased exports were called for. With three full years of the Second Plan completed, it is expected that national income will have grown 22% by the end of the Plan. Manufacturing output already is up 20%, private sector investment is exceeding targets, transportation and electric power facilities have been expanded greatly--all with assistance from U.S. loans. Exports have risen. The Government has pushed through a major tax program and tax revenues have risen from 6.5% to 8.3% of GNP between FY 1960 and FY 1964. By the end of the Second Plan, Pakistan will have completed a preparatory phase as the basis for an accelerated development program. Nevertheless, major problems remain in agricultural productivity, development administration, promotion of exports and mobilization of resources.

In the Third Plan (1965-1970), development expenditures will be more than doubled while the foreign assistance financed portion will decline from 44% to 35%. Agriculture, including a U.S.-supported Public Works program, will receive increased attention. If the Plan is successful, per capita income will be raised by 16% over the five-year period.

In 1961 the IBRD established an international Consortium for free-world assistance to Pakistan. The Consortium pledged \$945 million for the second and third years of the Plan (FY 1962 and FY 1963), and \$427 million for the fourth year of the Plan (FY 1964) as follows:

(In millions of dollars)

	For 1962 and 1963	For 1964	Total
U.S.*	500.0	212.5	712.5
Export-Import Bank	(50.0)	(25.0)	(75.0)
A.I.D.	(450.0)	(187.5)	(637.5)
IBRD/IDA	209.0	80.0	289.0
Germany	80.0	27.5	107.5
U.K.	48.0	22.4	70.4
Canada	38.0	19.0	57.0
France	25.0	10.0	35.0
Japan	45.0	30.0	75.0
Belgium	**	10.0	10.0
Netherlands	**	8.8	8.8
Italy	**	10.0	10.0
Total	945.0	430.2	1,375.2

* exclusive of P.L.480

** joined the Consortium in FY 1964

Although there are now more donors and somewhat softer terms, the United States continues to urge Consortium members to increase their contributions and improve their terms.

The Indus Basin project, which is an integral part of West Pakistan's water resources development program, is described in the section on Contribution to International Organizations.

FY 1965 Program

Within the Consortium framework U.S. loans will again be made to help finance the raw materials, equipment and spare parts which are an integral part of Plan requirements and are essential to its successful implementation. Moreover, the bulk of U.S. non-project imports goes to the private sector and is an important element in maintaining the pace of private investment activity. With an acceleration of the development program and completion of feasibility studies for roads, power and water resources, an increasing number of project loan requests are expected for FY 1965. Additional financing may also be made available through existing private financial institutions for the rapidly expanding private sector. The actual U.S. pledge at the Spring 1964 meeting of the Pakistan Consortium will depend on Pakistan's requirements and performance, and on the contribution of other Consortium members.

Pakistan probably will purchase \$155 million of commodities under the four-year Food for Peace, Title I agreement signed in 1960.

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Country: PAKISTAN

The technical cooperation program will emphasize agricultural improvement. An integrated agricultural productivity program in West Pakistan is focused on reversing the encroachment of waterlogging and salinity on arable land. A pilot scheme is demonstrating the value of the techniques applied. Loans also will be made in support of this program. In East Pakistan, where rice is the main diet item, the goal is to double rice production by 1985 by using small pumps, improving extension services, and through a large-scale public works program supported by P.L. 480-generated local currency funds. Work with agricultural universities in both Provinces supports these programs.

To promote and encourage private enterprise the United States is helping establish a graduate business administration program at the University of Karachi. Also in the private sector, advisory services will be provided to increase productivity and improve production through a national productivity center, and to identify and develop new investment opportunities through the newly-established Investment Advisory Center. Assistance will be given to improve administration in public institutions concerned directly with development activities. A development grant program in public safety will improve the capability of the Pakistan police service to maintain public order.

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Pakistan

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.O. AND PREDECESSOR AGENCIES - TOTAL.....	-	10.6	330.3	92.9	162.7	198.6	124.2	240.1	174.3	1,333.7	45.1	1,288.6
Loans.....	-	-	103.0	38.6	63.2	102.0	27.2	207.1	169.4	710.5	45.1	665.4
Grants.....	-	10.6	227.3	54.3	99.5	96.6	97.0	33.0	4.9	623.2	-	623.2
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	-	0.1	169.5	67.1	72.3	99.2	41.4	159.5	185.4	794.6	6.7	787.9
Title I - (Total Sales Agreements).....	(-)	(-)	(118.9)	(65.4)	(85.9)	(114.6)	(45.2)	(168.0)	(155.4)	(753.4)	(-)	(753.4)
Less: (Planned for U.S. Uses).....	(-)	(-)	(17.0)	(8.2)	(24.2)	(16.5)	(6.2)	(11.1)	(9.3)	(82.5)	(-)	(82.5)
TITLE I - PLANNED FOR LOANS AND GRANTS.....	-	-	101.9	57.2	71.6	98.0	39.0	156.9	146.1	670.7	6.7	664.0
104c - Grants for Common Defense.....	-	-	74.3	5.0	-	-	-	-	-	79.3	-	79.3
104e - Grants for Econ. Development.....	-	-	5.0	15.0	32.4	48.7	20.6	112.9	107.2	341.8	-	341.8
104e - Loans to Private Industry.....	-	-	-	6.4	3.1	8.2	2.5	8.5	7.8	36.5	0.9	35.6
104g - Loans to Governments.....	-	-	22.6	30.8	36.1	41.1	15.9	35.5	31.1	213.1	5.8	207.3
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'TS.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	40.6	8.0	-	-	-	-	35.5	84.1	-	84.1
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	0.1	27.0	1.9	0.7	1.2	2.4	2.6	3.8	39.8	-	39.8
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	3.2	-	3.5	6.4	37.9	-	51.0	3.8	47.2
OTHER U.S. ECONOMIC PROGRAMS.....	0.1	0.4	67.4 ^{a/}	-	-	-	-	1.1	2.3	71.3	0.1	71.2
TOTAL ECONOMIC.....	0.1	11.1	567.2	163.2	235.0	301.3	172.0	438.6	362.0	2,250.6	55.7	2,194.9
Loans.....	0.1	-	125.6	79.0	102.4	154.8	52.0	289.0	208.3	1,011.2	55.7	955.5
Grants.....	-	11.1	441.6	84.2	132.6	146.5	120.0	149.6	153.7	1,239.4	-	1,239.4
MILITARY ASSISTANCE PROGRAM - (Chg. to App.).. <i>(Additional Grants from Excess Stocks)</i>	(-)	(-)	157.5 (3.8)	93.8 (2.1)	104.4 (2.9)	79.6 (5.5)	56.7 (1.1)	29.1 (2.4)	65.9 (1.7)	635.5 (21.5)	- (-)	635.5 (21.5)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY.....	-	-	157.5	93.8	104.4	79.6	56.7	29.1	65.9	635.5	-	635.5
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	-	157.5	93.8	104.4	79.6	56.7	29.1	65.9	635.5	-	635.5
TOTAL ECONOMIC AND MILITARY.....	0.1	11.1	724.7	257.0	339.4	380.9	228.7	467.7	427.9	2,886.1	55.7	2,830.4
Loans.....	0.1	-	125.6	79.0	102.4	154.8	52.0	289.0	208.3	1,011.2	55.7	955.5
Grants.....	-	11.1	599.1	178.0	237.0	226.1	176.7	178.7	219.6	1,874.9	-	1,874.9

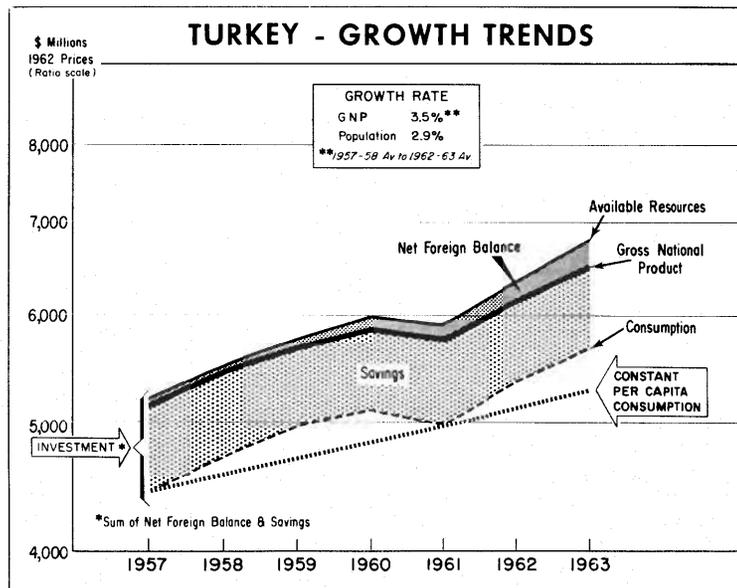
a/ PL 77 Wheat to Pakistan.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank . . .	-	42.9	299.2
UN Tech. Ass't. (CY) . .	1.5	1.6	13.7
UN Special Fund	3.0	-	11.3
Int'l. Dev. Association	21.0	11.5	32.5
Int'l. Finance Corp. . .	4.0	0.4	5.8

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	33.0

Turkey - GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions - mid-1963)	30.1
Annual Growth Rate (percent)	2.9
Area (1000 square miles)	300
Population Density per square mile	100
Agricultural Land as % of Total Area	69
Percent of Population in Agriculture	72
Life Expectancy (years)	48
People per Doctor	2,000
Literacy Rate (percent)	35
Pupils as Percent of Population	13
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	5,654	5,864	5,764	6,109	6,500
Per Capita GNP (dollars)	211	213	202	209	217
Investment as percent of GNP	14	15	16	16	17
Domestic Savings as % of Investment	85	87	86	76	74
Net Foreign Balance as % of GNP	2	2	2	4	5
Agricultural Prod. Index (1952-54=100)	120	123	121	124	135
Index per Capita	102	101	97	96	102
Wheat (1,000 MT)	5,850	7,080	6,120	6,800	7,950
Cement Production (1,000 MT)	1,728	2,040	2,028	2,316	2,700
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	354	321	347	381	380
Tobacco	(92)	(56)	(95)	(96)	(85)
Total Imports (c.i.f.)	470	468	509	622	670
Trade Balance	-116	-147	-162	-241	-290
GOLD & FOREIGN EXCHANGE (end of year) (- \$ millions)	265	252	237	218	229
COST OF LIVING INDEX (1958=100)	127	133	137	143	152
CENTRAL GOVERNMENT FINANCES*					
	- Million Dollar Equivalents -				
(FY ending February 28)	1962	1963 (Prel.)	1964 (Budget)		
Total Expenditures	1,053	1,086	1,295		
(Defense Expenditures)	(307)	(336)	(370)		
(Capital Outlays)	(336)	(345)	n.a.		
Total Domestic Revenues	879	916	1,103		
As percent of GNP	16%	15%	16%		
Deficit (-) or Surplus (+)	-174	-170	-192		

* Converted at 9 lira per 1 U.S.\$.

Country: TURKEY

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	71.4	100.0	140.0
Technical Cooperation	4.4	4.2	4.4
Supporting Assistance	55.0	6.0	-
Total A.I.D. Assistance	130.8	110.2	144.4

U.S. Objectives and Policy

The maintenance of Turkey's territorial integrity and independence continues to be an integral element of the defense of the Atlantic Community. Turkey is a valuable member of North Atlantic Treaty Organization (NATO) and Central Treaty Organization (CENTO). Our primary interests are to continue Turkey's strong commitment to the West and its close political and military cooperation with the United States.

Advancement of these interests depends in the long run on the further emergence of stable political institutions and an accelerated rate of economic and social development. The United States supports Turkey's efforts to achieve rapid economic development and independence of foreign assistance. Turkey's continued progress in obtaining increased support for these efforts from the European community is in the U.S. interest. Through bilateral efforts and international organizations, we seek to consolidate European military, economic and political relationships with Turkey, both to spur Turkey's development, and to involve the Europeans in greater responsibility for providing adequate and suitable assistance.

In 1963, European members of the Organization for Economic Cooperation and Development (OECD) Consortium for Turkey were not fully responsive to foreign exchange needs of the Turkish Development Plan. Turkey made interim arrangements to meet its payment requirements by additional short-term liabilities secured by pledging its gold reserve. Thus, although its gross foreign exchange holdings had risen slightly by the end of the year, its net foreign exchange position worsened. In addition to a higher volume of aid, Turkey must have assistance on better terms than so far have been provided by most European nations. Turkey's present foreign debt export ratio is one of the worst in the world--about 35% of export earnings are devoted to principal and interest

payments on past debts. A detailed review of Turkey's Five-Year Development Plan by Consortium experts shows that terms offered must be improved if Turkey is to meet its Plan target of eliminating foreign aid by 1973.

Turkey has substantial national resources and capacity for more rapid economic development. The United States is interested in Turkey's maintaining the momentum of economic activity and advancing the development program at a sustained rate through better legislation and administration, especially in taxation, export promotion and resource management.

A.I.D. support and Turkey's development now has been placed on a loan basis, except for technical cooperation. Supporting assistance is not being programmed after FY 1964.

Progress, Self-Help, Aid from Others

Turkey represents one of the main U.S. assistance efforts to strengthen the defense of a strategic country, while at the same time trying to make it economically self-supporting. Turkey has achieved a high degree of success in meeting its security objectives and is an effective ally. Progress has also been made in economic development.

Since 1950 there has been a substantial increase in the rate of investment (from 11% to 15% of Gross National Product (GNP)), most of which was financed by an increase in government revenues and private savings. During the early 1950's the economy grew at 5% per year but later in the decade its growth was hampered by misuse of resources and increasingly serious foreign exchange difficulties. Nevertheless, significant changes in the structure of the government, and in the size and quality of the work force were taking place. For example, with U.S. help, Turkey expanded its trained water resources development staff from 240 to 12,000 in the ten-year period from 1953 to 1963. This staff now carries out a comprehensive program to supply water to 250,000 additional acres of irrigable land each year. These efforts have been supplemented by development loans for feasibility studies for further irrigation and power installations and by technical assistance in soil conservation, farm credit, and forestry. P.L. 480 sales proceeds are used for agriculture and forestry work camps which provide training in conservation and farm practices for village farmers.

Over-all performance has improved since the inauguration of the Five-Year Development Plan in 1963 which aims at increasing GNP by about 40%. Total investment proposed is \$6.6 billion with

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Country: TURKEY

external aid requirements at \$1.8 billion. The Plan gives priority to agriculture, industry, low cost housing, education and health.

During the first year of the Plan period, important legislation was passed to obtain more tax revenues through increased rates and from formerly exempt categories, to provide incentives for increased exports, to institute a population control program, to encourage collective bargaining and to increase education and health services. Budgetary procedures have been improved. Government revenues rose by 20%, and outlays for current operations were curtailed so that total expenditures were financed from non-inflationary sources. Economic growth in 1963 is estimated at over 6%--industrial production increased 10%, and agricultural output was exceptionally good.

There are, however, serious problems impeding Turkey's efforts to be more self-sufficient, including an urgent need for the government to strengthen the instruments of investment and to improve Plan implementation in both the public and private sectors.

In industry and mining, Turkey is responding to the U.S. program emphasis on strengthening the private sector. The largest single U.S. project, the Ereğli Steel Mill, will begin production in late 1965. Cooley loans to pharmaceutical and tire manufacturers have helped increase production and save foreign exchange. The Industrial Development and Credit Bank has been established to meet the need for long-term industrial credit.

Efficient government management, particularly in state economic enterprises, is recognized by Turkey as necessary to effective use of its substantial natural and human resources. A reorganization of the machine and chemical industry, one of the largest state enterprises, has been adopted and is being implemented. Operations of the major ports have been improved through standardization of procedures. Separate agencies in power and water resource development have been combined for better coordination into a new ministry.

External capital assistance from non-U.S. sources in 1963 was provided through the OECD Consortium. Major pledges were:

(In millions of dollars)

Germany	40.0
U.K.	10.8
Italy	10.0
France	25.0
Other European	5.3
Canada (project)	5.0
Total	<u>96.1</u>

Debt rollover was a large element of the European pledges. In addition, over \$65 million of foreign exchange needs was covered by rollover of short-term European Monetary Agreement (EMA) credits and an International Monetary Fund (IMF) standby credit. The 1963 flow from International Development Association (IDA) credits was about \$9 million against total projects of \$26.7 million. Turkey has improved its presentation for the 1964 Consortium sessions in an effort to attract more and better financing.

FY 1965 Program

U.S. assistance to Turkey will continue to be provided largely through the OECD Consortium formed to help Turkey finance its Five-Year Development Plan. Turkey has moved ahead with feasibility studies, particularly in water resource development, industry and tourism and has accelerated project preparation in these and other fields. It is likely that A.I.D. project loans will be made in FY 1965 for power installations, mineral processing and manufacturing industries. Program loans will finance imports of raw materials and semi-finished commodities to help maintain production and the pace of investment.

About \$55 million in surplus commodities will be needed in FY 1965 to cover the food deficit. They will be supplied under a three-year P.L. 480 Title I program of \$161 million signed in 1963.

The proposed technical cooperation program has several aims. The program in agriculture will stress increased production on irrigated land by better water use, provision of agricultural credit, and improved cultivation methods. Assistance in such fields as planning organization and management and statistics will strengthen government institutions. The Turkish private sector will be helped by projects encouraging small industry, improving Chambers of Commerce, and promoting mineral exploration. The program will continue to emphasize vocational and technical training to increase the number of skilled workers.

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Turkey

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD				FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963			
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A. I. D. AND PREDECESSOR AGENCIES - TOTAL	-	225.1	394.0	81.7	141.8	91.5	200.1	70.8	127.5	1,332.3	20.1	1,312.2
Loans.....	-	85.0	70.0	10.0	37.5	6.0	117.3	10.0	71.1	406.9	20.1	386.8
Grants.....	-	140.1	324.0	71.7	104.3	85.5	82.8	60.8	56.4	925.4	-	925.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	*	61.8	29.0	24.7	29.6	21.3	117.7	49.8	333.9	6.7	327.2
Title I - (Total Sales Agreements).....	(-)	(-)	(99.8)	(52.0)	(34.7)	(35.0)	(25.4)	(127.5)	(55.9)	(430.3)	(-)	(430.3)
Less: (Planned for U.S. Uses).....	(-)	(-)	(51.4)	(23.5)	(12.5)	(6.7)	(5.1)	(25.5)	(10.8)	(135.5)	(-)	(135.5)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	48.4	28.5	22.2	28.4	20.3	102.0	45.0	294.8	6.7	288.1
104c - Grants for Common Defense.....	-	-	48.4	15.3	-	11.5	3.9	15.0	-	94.1	-	94.1
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	2.3	-	2.3	-	2.3
104e - Loans to Private Industry.....	-	-	-	7.8	5.2	5.3	2.7	21.0	9.8	51.8	3.8	48.0
104g - Loans to Governments.....	-	-	-	5.4	17.0	11.6	13.7	63.7	35.2	146.6	2.9	143.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.....	-	-	-	-	1.8	-	-	-	-	1.8	-	1.8
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	12.2	-	-	-	-	12.8	-	25.0	-	25.0
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	*	1.2	0.5	0.7	1.2	1.0	2.9	4.8	12.3	-	12.3
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	32.3	-	5.6	-	37.5	-	-	-	-	75.4	44.6	30.8
OTHER U.S. ECONOMIC PROGRAMS	12.2	-	-	-	-	-	-	0.1	0.7	13.0	14.0	-1.0
TOTAL ECONOMIC	44.5	225.1	461.4	110.7	204.0	121.1	221.4	188.6	178.0	1,754.6	85.4	1,669.2
Loans.....	44.5	85.0	75.6	23.2	97.2	22.9	133.7	94.7	116.1	692.9	85.4	607.5
Grants.....	-	140.1	385.8	87.5	106.8	98.2	87.7	93.9	61.9	1,061.7	-	1,061.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks)	-	146.1	895.2	249.4	196.4	92.6	85.9	156.4	160.8	2,211.6	-	2,211.6
(Additional Grants from Excess Stocks).....	(-)	(21.4)	(15.4)	(4.9)	(14.8)	(13.2)	(10.1)	(4.9)	(7.9)	(95.5)	(-)	(95.5)
OTHER MILITARY ASSISTANCE	68.8	89.8	21.3	-	5.2	7.9	-	-	-	193.0	-	193.0
TOTAL MILITARY	68.8	235.9	916.5	249.4	201.6	100.5	85.9	156.4	160.8	2,404.6	-	2,404.6
Loans.....	68.8	235.9	916.5	249.4	201.6	100.5	85.9	156.4	160.8	2,404.6	-	2,404.6
Grants.....	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	113.3	461.0	1,377.9	360.1	405.6	221.6	307.3	345.0	338.8	4,159.2	85.4	4,073.8
Loans.....	44.5	85.0	75.6	23.2	97.2	22.9	133.7	94.7	116.1	692.9	85.4	607.5
Grants.....	68.8	376.0	1,302.3	336.9	308.4	198.7	173.6	250.3	222.7	3,466.3	-	3,466.3

* Less than \$50,000. a/ Includes Greek-Turkish Aid, \$158.6 million.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	-	-	60.7
UN Tech Ass't. (CY) ...	0.6	1.1	6.8
UN Special Fund	0.6	1.9	4.5
Int'l. Dev. Association	-	26.7	26.7

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	17.0

Other NESAs -- Basic Data

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	TOTAL (1963)	ANNUAL GROWTH RATE	TOTAL	AGRICUL- TURAL LAND	PER CAPITA (EST.)	TOTAL EXPORTS (1962)	MAIN EXPORTS	PEOPLE PER DOCTOR	LITERACY RATE
	MILLIONS	PERCENT	1000 SQ. MI.	PERCENT OF AREA	DOLLARS	\$ MILL.	ITEM	PERSONS	PERCENT
Cyprus	0.6	1.7	4	57	457	58	Minerals	1,390	82.
Greece	8.5	0	51	68	461	250	Tobacco	800	82
Iran	22.1	2.5	636	11	211	971 ^a	Petroleum	4,000	15
Israel	2.4	4	8	53	940	279	Citrus fruits	400	90
Nepal	9.8	1.7	54	28	56	n.a.	Rice	72,000	5
United Arab Republic	28.0	2.5	386	3	123	407	Cotton	2,600	30
Yemen	4.0	n.a.	75	n.a.	90	n.a.	Coffee	125,000	25

a - Payments basis; year beginning March 21.

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OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

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above that figure as major special funds projects reach full implementation.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	2.3	2.8	a/
Technical Cooperation	0.7	0.8	0.7
Total A.I.D. Assistance	3.0	3.6	0.7

a/ Eligible for lending.

U.S. aid serves to achieve the U.S. objective of continued access to valuable communication facilities which were erected before Cyprus gained its independence. Support of the Cypriot development effort addresses as secondary objectives improved Cypriot communal relationships and blocking the growth of Communist strength.

The level and content of U.S. aid to Cyprus during FY 1965 will depend on the Greek and Turkish Cypriots' finding a mutually agreeable settlement of their differences. If the political situation offers the possibility of effective assistance, we would finance \$700,000 worth of technical assistance devoted primarily to institution building and training key personnel in areas important to economic development--agricultural and water resources development, development planning, and management assistance to the new Development Bank.

A small amount of development lending may be authorized if suitable project applications are received. Because Cyprus is able to service debt at harder interest rates, such loans would bear at least a 3-1/2% interest rate.

Cyprus has been able to obtain financing from non-U.S. sources for its major development needs. Cypriot foreign exchange earnings from the British bases alone average \$45 million a year. The U.K. gave \$4.9 million of budget support in 1963; lesser amounts will be made available for 1964 and 1965. The International Bank for Reconstruction and Development (IBRD) made a \$21 million loan to increase power output and distribution. West Germany has loaned \$4 million for water development projects, and is expected to loan \$1 million to the Cyprus Development Bank. The UN has a technical assistance program of \$200,000 a year; total UN outlays will rise

GREECE

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	31.6	7.0	0-10.0

Greece has progressed to the point where economic assistance--grants and loans on concessional terms--may soon no longer be needed. Supporting Assistance and Development Grants were stopped in FY 1962. A.I.D. loans in FY 1963 were made at 2% and 3-1/2% interest and those proposed for FY 1964 will be at 3-1/2% interest. Such loans as may be made in FY 1965 would bear at least 3-1/2% interest.

Greece is eligible also for Export-Import (Ex-Im) Bank loans and surplus agricultural commodities under P.L. 480. Military Assistance (MAP) will continue. Increased financing of Greek development by European countries and international agencies, such as IBRD, is expected. Foreign private investment--including American--in Greece is on the increase also as the country becomes a more attractive place for such investment.

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OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

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IRANPROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	17.4	10.0	10.0
Technical Cooperation	3.8	3.3	2.9
Supporting Assistance	0.5	-	-
Contingency Fund	1.7	XXX	XXX
Total A.I.D. Assistance	23.4	13.3	12.9

The basic objective of U.S. aid policy toward Iran is to assist its economic and institutional development as a means of strengthening the country's determination and ability to safeguard its independence.

Iran has undertaken to improve its economy through comprehensive, long-term development plans. The Second Plan, successfully concluded in September 1962, increased the Gross National Product (GNP) by an average of about 5% per year. Achievements under the Plan included construction of multipurpose dams, the beginning of a national highway system, airport construction, and railroad extension and modernization. In September 1962, the government began its Third Plan, which will end in March 1968. The primary objective of the Third Plan is expressed in terms of a target growth rate of 6% per annum in GNP. Other goals include a widening of the productive base of the economy through increased industrialization, increased employment opportunities to keep pace with the number of new entrants into the labor force and a more equitable distribution of income. A key element in Iran's modernization drive is the Land Reform Program, which is breaking down the traditional feudal social structure of Iran. A modern civil service law prepared with the assistance of U.S. advisors and a village autonomy law have been submitted to the Parliament. The Government has embarked on a crash literacy program using the services of army conscripts.

Oil revenues are the principal source of financing Iran's development plan. They have been rising much more rapidly than originally estimated in the Plan. Therefore, Iran should be able to finance a large proportion of its development from its own resources and to take loans on harder terms.

A.I.D. plans to make available in FY 1965 up to \$10 million of Development Loans to help finance Third Plan projects. Loans will bear a medium term interest rate of at least 3-1/2%. If the present rate of progress continues, Iran should be able to rely on the Ex-Im Bank, the IERD, and commercial sources of financing by FY 1966. Iran already has arranged for some European commercial credits to finance development projects. The IB&D is considering making loans, and the Ex-Im Bank has offered \$8.7 million in loans in FY 1964.

Iran continues to need technical assistance. Its government machinery and development institutions are not yet capable of carrying out their functions in an efficient and skilled manner. Consequently reform programs and Third Plan project formulation and implementation are delayed or inefficiently executed. During the past decade American advisors have helped Iran establish new, as well as upgrade and expand old, institutions for training its own people in modern skills and knowledge. They also have helped the Government of Iran with the difficult task of setting up new governmental machinery for channeling public services to its citizens, even in remote villages. As a result of the progress achieved and because the UN is now prepared to enlarge its technical assistance program, the United States is now in a position to reduce the scale of its technical cooperation activities and concentrate in areas which require special attention. Since the success of the land reform program rests on the ability of the Iranian Government to provide extensive rural advisory and credit services for the new peasant landowners, the agricultural element of the Technical Cooperation program will be emphasized. We will continue also programs in the fields of vocational education and government administration.

ISRAELPROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	45.0	20.0	0-10.0

The United States has provided over \$950 million in assistance to Israel since its creation in 1948. This aid, together with other external assistance to Israel, combined with the energy and

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OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

foresight of the new nation, has resulted in one of the highest economic growth rates in the world. In recognition of this economic progress, Supporting Assistance was terminated in FY 1961, and Development Grants ended the following year. Loan terms have been progressively hardened from 3/4% interest in FY 1962, to 2% in FY 1963, and 3-1/2% in FY 1964. If loans are made to Israel in FY 1965, the interest rate will be at least 3-1/2%. Israel will continue to be eligible for loans from the Ex-Im Bank and surplus agricultural commodities under P.L. 480.

P.L. 480 sales are expected to amount to approximately \$27 million in FY 1965. During FY 1964 and 1965 Israel is expected to ask for Ex-Im Bank loans totaling about \$12 million in each year.

NEPAL

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	-	1.0	a/
Technical Cooperation	3.9	3.7	3.6
Total A.I.D. Assistance	3.9	4.7	3.6

a/ Eligible for lending.

U.S. assistance to selected aspects of Nepal's development program serves to strengthen Nepal and helps to maintain the independence of the country, which lies between China and India. U.S. assistance policy concentrates on helping to lay the basis for economic and social growth. Through our aid, the United States encourages the Government of Nepal to introduce needed reforms and to finance a larger share of its own development.

Nepal's development program, financed mainly from foreign aid, has produced significant economic and social changes, but much remains to be done. Primary school enrollment has risen from 20,000 to 210,000 in the past eight years; this is still only 19% of the children of primary school age.

With U.S. assistance an Industrial Development Corporation (IDC) was established. The Government has begun to overhaul its

administrative system, and to improve the land tenure system. Tenants' rights are now guaranteed, the landlord's share of farm production has been reduced by law, and taxes which previously went to the landlord now go to the state. Tax rates on land were increased 60% during the last two years; and the increased tax return will help finance the development program.

The proposed \$3.6 million Technical Cooperation and Development Grant program will continue to fund projects in primary and secondary teacher training, agricultural extension and community development, forest resources exploitation, government management, and strengthen the operations of the IDC. Nepal's forest resources represent a major aspect of the economy which has not yet been fully exploited; they could provide the basis for much higher government revenues and foreign exchange earnings. A development loan also may be considered to provide additional capital to Nepal's IDC, which already has made loans to a match factory, a hotel, a brick and tile factory, and to jute and sugar mills--all private enterprise projects.

In addition, \$9.0 million in U.S.-owned Indian rupees is expected to be made available to Nepal in FY 1965--\$7.5 million equivalent in grants and \$1.5 million equivalent on a loan basis. These rupees finance both the local currency costs of development projects and Indian goods and services used in the development program. With these rupees and the dollar assistance in combination, the United States is making a major contribution to Nepal's development effort.

Thus far, the United States has provided over half of Nepal's external economic assistance, India has provided approximately one-third, the UN and other free world sources 7%, and the Sino-Soviet bloc 7%.

UNITED ARAB REPUBLIC

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	36.3	0-20.0	15.0-25.0
Technical Cooperation	2.3	1.7	2.1
Contingency Fund	10.0	XXX	XXX
Total A.I.D. Assistance	48.6	1.7-21.7	17.1-27.1

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OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

The United Arab Republic (UAR) is the largest, most populous, and in many ways the most influential of the Arab countries. U.S. policy seeks to help the UAR channel its energies into internal development, to make the country a force for stabilization in the Near East and to strengthen the area's capacity to resist Communist penetration.

In mid-1960 the UAR started its first economic development plan. The objective of this ten-year program is to double national income. However, the experience of the past three and a half years indicates that investment goals have generally been too high and a number of observers believe that UAR pricing and social welfare policies have inhibited economic growth. On the other hand, the government's land, tax, and education reforms are significant steps in its program to redistribute wealth and raise the status of the peasantry. Annual per capita income in the UAR is only about \$125.

To alleviate a balance-of-payments crisis in 1961/1962 the International Monetary Fund (IMF) developed a \$112 million stabilization program in which the United States and European countries participated. The U.S. contribution was a \$30 million loan. The stabilization program revised the exchange rate and placed certain checks on imports. The balance-of-payments deficit was not reduced in 1963, despite reasonably close application of the measures. Consequently, the UAR expressed interest in a second standby arrangement, on terms to be agreed with the IMF. They also have requested additional financing from the United States in 1964 to support a revised stabilization effort. The U.S. response to this request will be based largely on evidence concerning the steps that the UAR is taking to eliminate the principal causes of the foreign exchange imbalance.

The major form of U.S. assistance to the UAR in FY 1965 will continue to be sales of agricultural commodities under Title I of P.L. 480. The amended multi-year agreement calls for sales valued at \$139 million during FY 1965.

A.I.D. planning levels for 1965 include \$2.1 million for technical cooperation projects and \$15 to \$25 million of loans. Technical cooperation funds will be used to continue engineering education assistance to Assiout University to help meet the increased need for professional skills in upper Egypt. These funds also will finance further work by RCA in establishing a communications training center, and continue groundwater research and development in the Western Desert.

Other free world aid sources from which the UAR drew loans and supplier credits from 1959 through June 30, 1963, are IBRD \$54.0 million, U.K. \$47.8 million, West Germany \$59.5 million, Italy \$98.4

million, Japan \$26.1 million, with smaller amounts from Netherlands, Sweden and Switzerland.

In addition, the Communist bloc has provided a total of about \$740 million in loans since 1955.

YEMEN

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Supporting Assistance	5.6	5.2	4.4

The principal U.S. objective is to deny the use of Yemen as a base to forces hostile to vital Western interests in the Arabian Peninsula. This objective is endangered by the lack of a stable or effective government, an impressive Soviet aid program, and the uncertainties engendered by the September 1962 revolution and ensuing civil strife. Yemen has tried to move from a feudal monarchy to a modern republic. The coup led to continuing strife within Yemen, with the UAR supporting the new government while Saudi Arabia supported elements of the old regime. A political settlement acceptable to the warring Yemeni parties has not yet been achieved.

In these circumstances, the United States has concentrated its aid efforts on completing the projects undertaken in FY 1960 and 1961. The cost of this program in FY 1965 is \$4.4 million of Supporting Assistance. The major project, the road from Mocha to Sana'a via Taiz, will be completed by the end of FY 1965. Construction of a 34-mile spur road from Taiz to the Aden border is contemplated, to provide an improved link with that Western-controlled area. This section also would be completed in FY 1965. The Taiz water supply project should be completed during the fiscal year. Training assistance in the maintenance of municipal water systems, and in developing rural water supplies through well-drilling will continue. We will also continue the scholarship program under which Yemeni students attend high school in Beirut so that they can qualify for the American University of Beirut (AUB) and ultimately provide Yemen with badly needed administrators and technicians.

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OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

Other countries also have assisted Yemen. The Chinese Communists built a \$17 million road from Hodeida to Sana'a. The Russians have constructed an airfield at Sana'a and have improved the port of Hodeida. West Germany has been conducting a program of technical assistance in agriculture and has established a credit for other projects. Kuwait has provided limited budget support.

finance a number of regional conferences on technical problems, provide American experts in specific regional programs, and cover foreign exchange costs of training programs carried out under the CENTO Multilateral Technical Cooperation Fund.

CENTRAL TREATY ORGANIZATION (CENTO)

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	0.5	0.5	0.5
Supporting Assistance	1.7	19.7	0.4
Total A.I.D. Assistance	2.2	20.2	0.9

The U.S. objective in supporting the CENTO program is to promote a community of interest among CENTO countries, and increase their appreciation of the advantages of regional collaboration. All CENTO project proposals are reviewed by CENTO working groups and approved by the CENTO Economic Committee.

Assistance to CENTO capital projects has been concentrated on communications projects; roads, railroads, telecommunications and air systems. In FY 1964 long-term loans totaling \$18.5 million from Supporting Assistance were authorized to be made to Turkey and Iran to finance the foreign exchange costs of completing the CENTO Railway Project. These funds will help complete the final 181-mile section of the railway between Van, Turkey and Shahpur, Iran, linking the Turkish and Iranian railways.

In addition to the FY 1964 funding shown above, up to \$1 million may be required for one-year maintenance and operations contract costs for the CENTO Telecommunications Project. This will provide a training and breaking-in period which was not provided for in the construction contract and which was recommended by the construction contractor and confirmed in February 1964 by the U.S. Army Signal Corps as expert advisors to A.I.D.

In FY 1965, \$400,000 of Supporting Assistance funds are required to finance continued Federal Aviation Agency technician costs to insure proper installation of equipment under the Air Navigational Aids Projects. A technical cooperation program of \$450,000 will

REGIONAL PROGRAMS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	2.8	2.2	2.4

The major regional project is participant training at the AUB. About 630 contract participants will be trained in FY 1964; a similar number will be programmed for FY 1965. About 480 participants come from over half of the countries within the NESR Region; about 150 from a number of countries in Africa. Participants from Africa will be funded by the A.I.D. Africa Bureau in FY 1964 and in subsequent years.

AUB facilities have been used for the training of participants since 1951. Through 1962, 1,843 participants completed training in fields such as public health (708), agriculture (398), education (328), and engineering (174). Of these 308 come from Pakistan, 248 from Iran, 232 from Jordan.

During the 1963-64 academic year 117 participants from the NESR Region were registered in the field of agriculture, 106 in education, 94 in engineering, 54 in public administration, and 34 in business administration. Of these, 274 were registered as undergraduate degree candidates, 94 were doing graduate work, and 37 were registered for special one-year courses. Eighty participants from the NESR Region were also registered in various fields of health.

Training at this American-supported institution has provided a common bond among the leaders and future leaders of countries extending from the Atlantic Ocean to the Bay of Bengal.

Other projects regionally funded include seminars and regional conferences, and technical advisors working on regional matters, for example, in participant training, malaria eradication and water resources.

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CYPRUS

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	0.7	3.0	3.7	-	3.7
Loans.....	-	2.3	2.3	-	2.3
Grants.....	0.7	0.7	1.4	-	1.4
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	6.8	1.1	16.1	-	16.1
Title I - (Total Sales Agreements)....	(-)	(1.1)	(1.1)	(-)	(1.1)
Less: (Planned for U.S. Uses)....	(-)	(0.3)	(0.3)	(-)	(0.3)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	0.9	0.9	-	0.9
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	-	0.3	0.3	-	0.3
104g - Loans to Governments.....	-	0.6	0.6	-	0.6
TITLE I - ASSIT FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	6.8	-	15.0	-	15.0
TITLE III - VOLUNTARY RELIEF AGENCIES...	*	0.2	0.2	-	0.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	0.1	0.1	0.2	-	0.2
TOTAL ECONOMIC.....	7.6	4.2	20.0	-	20.0
Loans.....	-	3.2	3.2	-	3.2
Grants.....	7.6	1.0	16.8	-	16.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks)</i>	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	7.6	4.2	20.0	-	20.0
Loans.....	-	3.2	3.2	-	3.2
Grants.....	7.6	1.0	16.8	-	16.8
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	1.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	21.0	21.0	-	-
UN Tech. Ass't. (CY).....	0.1	0.2	0.5	-	-
UN Special Fund.....	1.3	0.7	2.8	-	-

* Less than \$50,000.

GREECE

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	30.3	31.5	1,081.9	9.4	1,072.5
Loans.....	10.0	31.6	119.6	9.4	110.2
Grants.....	20.3	-0.1	962.3	-	962.3
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	15.5	14.6	193.7	5.9	187.8
Title I - (Total Sales Agreements)....	(10.2)	(11.2)	(108.1)	(-)	(108.1)
Less: (Planned for U.S. Uses)....	(3.6)	(4.7)	(34.1)	(-)	(34.1)
TITLE I - PLANNED FOR LOANS & GRANTS...	6.6	6.5	74.0	5.9	68.1
104c - Grants for Common Defense.....	-	5.0	5.0	-	5.0
104e - Grants for Econ. Development...	-	-	7.5	-	7.5
104e - Loans to Private Industry.....	1.5	1.5	9.1	1.6	7.5
104g - Loans to Governments.....	5.1	-	52.4	4.4	48.0
TITLE I - ASSIT FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	-	-	3.5	-	3.5
TITLE III - VOLUNTARY RELIEF AGENCIES...	8.9	8.1	116.2	-	116.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	2.1	3.0	21.4	11.7	9.7
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	536.7	104.8	431.9
TOTAL ECONOMIC.....	47.9	49.1	1,833.7	131.8	1,701.9
Loans.....	18.7	36.1	299.1	131.8	167.3
Grants.....	29.2	13.0	1,534.6	-	1,534.6
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks)</i>	34.9	68.2	1,225.7	-	1,225.7
(Additional Grants from Excess Stocks)	(19.7)	(6.2)	(112.3)	(-)	(112.3)
OTHER MILITARY ASSISTANCE.....	-	17.6	430.3	-	430.3
TOTAL MILITARY.....	34.9	85.8	1,656.0	-	1,656.0
Loans.....	-	-	-	-	-
Grants.....	34.9	85.8	1,656.0	-	1,656.0
TOTAL U.S. ECONOMIC AND MILITARY.....	82.8	134.9	3,489.7	131.8	3,357.9
Loans.....	18.7	36.1	299.1	131.8	167.3
Grants.....	64.1	98.8	3,190.6	-	3,190.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.3	0.4	2.5	-	-
UN Special Fund.....	0.4	0.9	2.1	-	-
Int'l. Finance Corp.....	0.6	-	0.6	-	-

IRAN

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	53.0	22.0	580.2	29.8	560.4
Loans.....	19.7	17.4	216.9	29.8	187.1
Grants.....	33.3	4.6	373.2	-	373.2
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	17.9	34.2	35.4	0.5	24.9
Title I - (Total Sales Agreements)....	(9.0)	(7.7)	(51.0)	(-)	(51.0)
Less: (Planned for U.S. Uses)....	(2.2)	(1.9)	(13.9)	(-)	(13.9)
TITLE I - PLANNED FOR LOANS & GRANTS...	6.8	5.8	37.1	0.5	36.6
104c - Grants for Common Defense.....	-	-	5.9	-	5.9
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	0.5	1.2	3.4	-	3.4
104g - Loans to Governments.....	6.3	4.6	27.8	0.5	27.3
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	8.2	25.0	45.2	-	45.2
TITLE III - VOLUNTARY RELIEF AGENCIES...	2.9	3.4	13.1	-	13.1
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	70.1	37.4	32.7
OTHER U.S. ECONOMIC PROGRAMS.....	0.4	0.2	27.9	2.4	25.5
TOTAL ECONOMIC.....	71.3	56.4	783.6	70.1	713.5
Loans.....	26.5	23.2	344.0	70.1	273.9
Grants.....	44.8	33.2	439.5	-	439.5
MILITARY ASSIST. PROGRAM - (Chg. to App.)..	33.3	66.0	631.9	(-)	631.9
(Additional Grants from Excess Stocks).	(1.1)	(2.7)	(53.1)	-	(53.1)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	33.3	66.0	631.9	-	631.9
Loans.....	-	-	-	-	-
Grants.....	33.3	66.0	631.9	-	631.9
TOTAL U.S. ECONOMIC AND MILITARY.....	104.6	122.4	1,415.5	70.1	1,345.4
Loans.....	26.5	23.2	344.0	70.1	273.9
Grants.....	78.1	99.2	1,071.4	-	1,071.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	0.5	38.9	45.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	194.2		
UN Tech. Ass't. (CY).....	1.2	1.5	13.0		
UN Special Fund.....	1.0	3.0	9.1		
Int'l. Finance Corp.	-	-	0.3		

IRAQ

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	0.7	0.6	18.7	-	18.7
Loans.....	-	-	-	-	-
Grants.....	0.7	0.6	18.7	-	18.7
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	0.1	0.1	2.5	-	2.5
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.1	0.1	2.5	-	2.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	0.9	0.9	-
TOTAL ECONOMIC.....	0.8	0.7	22.1	0.9	21.2
Loans.....	-	-	0.9	0.9	-
Grants.....	0.8	0.7	21.2	-	21.2
MILITARY ASSIST. PROGRAM - (Chg. to App.)..	*	*	46.2	-	46.2
(Additional Grants from Excess Stocks).	(-)	(-)	(3.3)	(-)	(3.3)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	*	*	46.2	-	46.2
Loans.....	-	-	-	-	-
Grants.....	*	*	46.2	-	46.2
TOTAL U.S. ECONOMIC AND MILITARY.....	0.8	0.7	68.3	0.9	67.4
Loans.....	-	-	0.9	0.9	-
Grants.....	0.8	0.7	67.4	-	67.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	1.4	-	218.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	6.3		
UN Tech. Ass't. (CY).....	0.6	0.7	5.9		
UN Special Fund.....	1.7	-	3.7		

*Less than \$50,000.

ISRAEL

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	44.9	44.8	464.0	15.3	448.7
Loans.....	45.0	45.0	186.0	15.3	170.7
Grants.....	-0.1	-0.2	278.0	-	278.0
SDCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	26.3	22.1	272.8	18.7	254.1
Title I - (Total Sales Agreements)....	(27.5)	(23.2)	(244.3)	(-)	(244.3)
Less: (Planned for U.S. Uses)....	(2.7)	(3.4)	(31.1)	(-)	(31.1)
TITLE I - PLANNED FOR LOANS & GRANTS...	24.8	19.8	213.2	18.4	194.8
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development....	5.5	4.6	23.4	-	23.4
104e - Loans to Private Industry.....	5.5	3.5	40.0	3.6	36.4
104g - Loans to Governments.....	13.8	11.7	149.8	14.9	134.9
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	2.5	0.3	2.2
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	1.5	1.5	-	1.5
TITLE III - VOLUNTARY RELIEF AGENCIES....	1.5	0.8	55.6	-	55.6
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	10.8	11.2	220.1	155.6	64.5
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	0.1	-	0.1
TOTAL ECONOMIC.....	82.0	78.1	957.0	189.6	767.4
Loans.....	75.1	71.4	598.4	189.6	408.8
Grants.....	6.9	6.7	358.6	-	358.6
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	*	0.1	28.2	3.6	24.6
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	*	0.1	28.2	3.6	24.6
Loans.....	*	0.1	28.2	3.6	24.6
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	82.0	78.2	985.2	193.2	792.0
Loans.....	75.1	71.5	626.6	193.2	433.4
Grants.....	6.9	6.7	358.6	-	358.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	25.0	22.0	74.5	-	-
UN Tech. Ass't. (CY).....	0.4	0.5	4.9	-	-
UN Special Fund.....	0.5	-	2.6	-	-

* Less than \$50,000.

NEPAL

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	3.7	3.4	30.9	-	30.9
Loans.....	-	-	0.4	-	0.4
Grants.....	3.7	3.4	30.5	-	30.5
SDCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	-	15.3	35.8	*	35.8
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development....	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	15.1 ^{B/}	31.9	*	31.9
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	0.2	3.9	-	3.9
TITLE III - VOLUNTARY RELIEF AGENCIES....	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	0.3	0.5	0.8	-	0.8
TOTAL ECONOMIC.....	4.0	19.2	67.5	*	67.5
Loans.....	-	-	1.4	*	1.4
Grants.....	4.0	19.2	66.1	-	66.1
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	4.0	19.2	67.5	*	67.5
Loans.....	-	-	1.4	*	1.4
Grants.....	4.0	19.2	66.1	-	66.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	n.a.	-	54.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.5	0.6	3.2	-	-
UN Special Fund.....	-	-	1.0	-	-

* Less than \$50,000.

^{B/} Rupees from FY 1957 India sales agreement.

SYRIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>24.7</u>	<u>-13.3</u>	<u>19.6</u>	<u>0.1</u>	<u>19.5</u>
Loans.....	23.7	-13.5	18.4	0.1	18.3
Grants.....	1.0	0.2	1.2	-	1.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>15.1</u>	<u>0.2</u>	<u>58.9</u>	<u>0.2</u>	<u>58.7</u>
Title I - (Total Sales Agreements)....	(9.0)	(-)	(37.2)	(-)	(37.2)
Less: (Planned for U.S. Uses)....	(1.8)	(-)	(7.9)	(-)	(7.9)
TITLE I - PLANNED FOR LOANS & GRANTS	<u>7.2</u>	<u>-</u>	<u>29.3</u>	<u>0.2</u>	<u>29.1</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	-	-	-	-	-
104e - Loans to Private Industry.....	1.3	-	6.5	-	6.5
104g - Loans to Governments.....	5.9	-	22.8	0.2	22.6
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	7.7	-	27.6	-	27.6
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.2	0.2	2.0	-	2.0
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	<u>5.0</u>	<u>-</u>	<u>5.0</u>	<u>-</u>	<u>5.0</u>
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
TOTAL ECONOMIC	<u>44.8</u>	<u>-13.1</u>	<u>83.5</u>	<u>0.3</u>	<u>83.2</u>
Loans.....	35.9	-13.5	52.7	0.3	52.4
Grants.....	8.9	0.4	30.8	-	30.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	<u>44.8</u>	<u>-13.1</u>	<u>83.5</u>	<u>0.3</u>	<u>83.2</u>
Loans.....	35.9	-13.5	52.7	0.3	52.4
Grants.....	8.9	0.4	30.8	-	30.8
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	15.0	16.3	209.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.5	0.8	5.9		
UN Special Fund.....	2.6	1.4	4.5		

UAR (EGYPT)

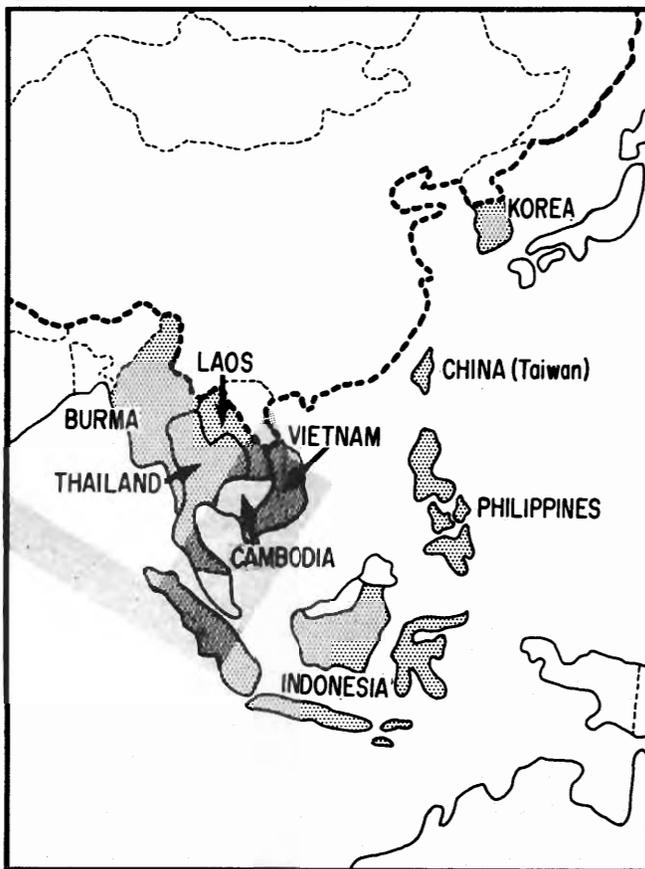
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>41.1</u>	<u>46.0</u>	<u>171.6</u>	<u>2.0</u>	<u>169.6</u>
Loans.....	40.0	44.0	106.7	2.0	104.7
Grants.....	1.1	2.0	64.9	-	64.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>177.4</u>	<u>143.7</u>	<u>571.9</u>	<u>9.2</u>	<u>562.7</u>
Title I - (Total Sales Agreements)....	(165.8)	(138.6)	(524.3)	(-)	(524.3)
Less: (Planned for U.S. Uses)....	(33.2)	(14.5)	(99.9)	(-)	(99.9)
TITLE I - PLANNED FOR LOANS & GRANTS	<u>132.6</u>	<u>124.1</u>	<u>424.4</u>	<u>9.2</u>	<u>415.2</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	13.7	-	25.7	-	25.7
104e - Loans to Private Industry.....	16.6	7.3	64.7	0.3	64.4
104g - Loans to Governments.....	102.3	116.8	334.0	8.9	325.1
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV...	24.3	-	24.3	-	24.3
TITLE III - VOLUNTARY RELIEF AGENCIES...	20.5	19.6	123.2	-	123.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	10.0	47.8	17.7	30.1
OTHER U.S. ECONOMIC PROGRAMS	-	-	11.1	10.7	0.4
TOTAL ECONOMIC	<u>218.5</u>	<u>199.7</u>	<u>802.4</u>	<u>39.6</u>	<u>762.8</u>
Loans.....	158.9	178.1	563.9	39.6	524.3
Grants.....	59.6	21.6	238.5	-	238.5
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	<u>218.5</u>	<u>199.7</u>	<u>802.4</u>	<u>39.6</u>	<u>762.8</u>
Loans.....	158.9	178.1	563.9	39.6	524.3
Grants.....	59.6	21.6	238.5	-	238.5
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	88.6	44.0	741.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	56.5		
UN Tech. Ass't. (CY).....	0.8	1.2	8.5		
UN Special Fund.....	2.4	1.5	10.0		

YEMEN
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>6.7</u>	<u>5.6</u>	<u>19.5</u>	-	<u>19.5</u>
Loans.....	-	-	-	-	-
Grants.....	6.7	5.6	19.5	-	19.5
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	-	<u>0.6</u>	<u>9.5</u>	-	<u>9.5</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASSIT FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	0.6	9.5	-	9.5
TITLE III - VOLUNTARY RELIEF AGENCIES...	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPRT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>6.7</u>	<u>6.2</u>	<u>29.0</u>	-	<u>29.0</u>
Loans.....	-	-	-	-	-
Grants.....	6.7	6.2	29.0	-	29.0
MILITARY ASSIST. PROGRAM - (Chg. to App.).. (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>6.7</u>	<u>6.2</u>	<u>29.0</u>	-	<u>29.0</u>
Loans.....	-	-	-	-	-
Grants.....	6.7	6.2	29.0	-	29.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	0.2	43.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.2	0.2	0.8		

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FAR EAST

FY 1965 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Technical Cooperation & Development Grants	Supporting Assistance
TOTAL	379,700 - 384,700	70,000 - 75,000	47,500	262,200
Burma	19,300	-	1,000	18,300
China (Taiwan)	535 - 5,535	0 - 5,000	535	-
Indonesia	10,000	-	10,000	-
Korea	120,565	40,000	5,565	75,000
Laos	43,500	-	8,600	34,900
Philippines	18,000	15,000	3,000	-
Thailand	27,800	15,000	8,800	4,000
Vietnam	137,000	-	7,000	130,000
Regional	3,000	-	3,000	

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FAR EAST REGIONAL STATEMENT

U.S. economic assistance is a prime weapon in the struggle for freedom and the defense of U.S. security in the Far East. A.I.D. programs in this area of persistent Communist threat and attack are essential elements of U.S. national security policies designed to contain communism and promote the growth of healthy societies.

The unique character of each of the Far Eastern countries has required considerably different foreign assistance programs in each case. Despite great difficulties, including recent unfavorable developments in Cambodia and Indonesia, these programs in large measure have succeeded. The line has been held, from Korea around the arc through Taiwan to Southeast Asia. Moreover, economic growth has taken place, particularly in Japan, the Republic of China, Thailand, the Philippines and British-assisted Malaysia, all countries where the security threat has been contained and responsible governments have promoted economic and social progress and made the best use of foreign assistance. Today only three Far Eastern countries remain heavily dependent on U.S. economic assistance--Vietnam, Laos, and Korea--all three standing at critical frontiers of the free world's confrontation with communism.

The Communist Challenge

South Vietnam's independence is threatened. A long and difficult struggle lies ahead. Though it is too soon to tell, the government appears likely to prosecute the war effort vigorously. With our help the Communists' major bid for conquest can be defeated. Despite a deterioration over the last few months in the Delta region, progress has been made in the central and northern areas of the country, particularly in the coastal provinces. Throughout the northern two-thirds of the country the strategic hamlet program in which A.I.D. assistance plays a major role has developed well and there has been a growth of freedom of movement in the rural areas.

In Laos during the past decade, the Pathet Lao has conducted an unrelenting campaign to subvert the Royal Lao Government and gain control of the countryside. Today despite the Geneva Accords, the Viet-Minh-supported Pathet Lao continues its piecemeal military aggression and poses a direct and immediate challenge to the Government of National Union under Prince Souvanna Phouma. This Government, which is now effectively a union of conservatives and neutralists, must have U.S. economic, political and military support if it is to continue to resist the Pathet Lao.

In both countries U.S. assistance is making it possible for independent nations to defend themselves against the nibbling process the Communists call "wars of liberation."

Aid to the Republic of Korea has prevented its fall to communism and helped lay a basis for economic growth. Thailand has been helped in strengthening its internal security and assuring steady economic gains to its people. The more subtle forms of Communist political penetration, too, have failed to capture control of any Far Eastern government receiving U.S. aid. Indonesia, stirred by internal conflicts between the largest Communist party outside of the bloc and the largest army in Southeast Asia, and a recipient of massive assistance from Communist countries, remains neutral and open to persuasion by the United States and other free world nations. The situation, while not encouraging, is far better than if Indonesia were a Communist state. American influence, **magnified and targeted by training and advisory projects** has been a key factor in this continuing struggle.

It is true that billions of dollars have been spent on aid without causing the Communist challenge to vanish. It is equally true that hundreds of billions of dollars have been spent on U.S. national defense, and the Communist challenge remains. Certainly no American would argue that for this reason our national defense expenditures were wasted. Similarly, there is no basis for arguing that our foreign aid was for naught. Prevention of Communist takeover in a country as a justification of aid seems trite only because it has been repeated for so many years. It is, nonetheless, still valid. The effort would have been worthwhile if defense against communism had been its only accomplishment, but in fact, it also contributed to the economic strength of non-Communist Asia.

Development Progress

Behind the security shield that our aid has helped support, resources and talents are being applied to the slow and difficult tasks of economic and social development. On Taiwan, the Republic of China has not only maintained its independence but has succeeded beyond the hopes of its friends a decade ago in sustaining a broadly shared economic growth. Indefinite dependence on U.S. economic aid to offset Taiwan's huge defense burden seemed certain in the early 1950's. The accomplishments of the Free Chinese reflect great credit upon their industry, ingenuity and effective use of U.S. aid. The United States can also be proud of its role in this development. The Chinese have nearly reached the point where A.I.D. assistance will no longer be needed. China has even begun to give technical assistance to other developing countries in Asia and Africa. **A.I.D.'s present intention is that, barring an unexpected deterioration in Taiwan's economy, the modest program for FY 1965 will be the last A.I.D. request for China.**

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FAR EAST REGIONAL STATEMENT

Another bright spot is the transfer of power in other Far Eastern countries in recent years to governments committed to accelerated economic growth. The Philippines offers an example in Asia of development carried out within the framework of a free society. Its dynamic, free enterprise economy helps to make it an example for Asia of what the United States intends in promoting freedom and social progress in the less-developed countries. With the assistance of the Export-Import (Ex-Im) Bank, the International Bank for Reconstruction and Development (IBRD) and other free world sources, the Philippines has achieved a 5% economic growth rate. This is offset, however, by one of the highest population growth rates in the Far East, about 3.2%, and the Philippines must therefore do even more to speed up the growth in its economy. A.I.D. is doing its part in this effort by helping the Philippines to push agricultural development, improve governmental procedures and give further stimulus to the private industrial sector. In view of the special relationship between the United States and its former territory, A.I.D. will also make loans to the Philippines for worthy development projects for which appropriate aid from other free world sources is not forthcoming.

Thailand, although threatened by the danger of insurgency spreading across the Mekong from Laos, has achieved and maintained a rate of economic growth of about 5-1/2%, which offers the promise of substantial national development in the immediate future. A.I.D. capital assistance has been reduced in recent years, as other free world nations and institutions have met more of Thailand's foreign investment requirements.

Even Korea, although still heavily dependent on the United States is undertaking a steadily expanding development program. It is still in United States' as well as South Korean interests that the threat from the north be met by a large continuing defense effort.

As Korean production and exports have grown, however, A.I.D. has been able to reduce the total of Supporting Assistance to Korea from about \$200 million a few years ago to a proposed \$75 million for FY 1965 while increasing both loans for economic development and P.L. 480 sales.

FY 1965 Program

U.S. economic assistance programs in the Far East under the Mutual Security appropriations, which totaled about \$700 million in 1958 and 1959, are now about half that despite the heavy demands of Vietnam. Whereas in that period the Far East took about half of the world-wide total of funds obligated by the foreign aid agency, today this region requires about 15%. At the same time,

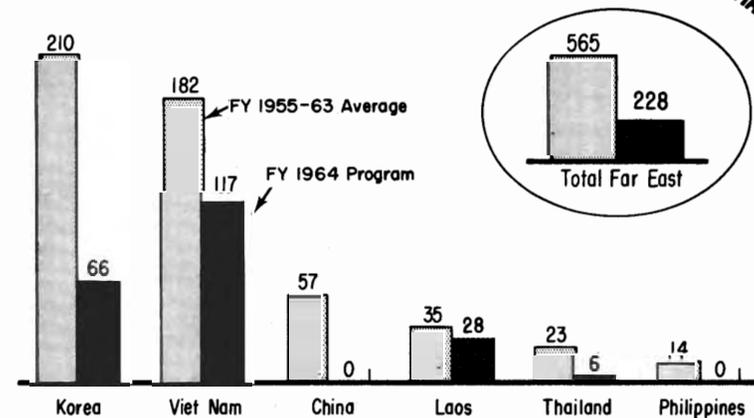
obligations for the Military Assistance Program in the Far East (see below) have declined from a FY 1962 peak of about \$850 million to an estimated \$525 million in FY 1964 and a proposed \$495 million in FY 1965.

The Far East estimate of \$379.7 million for economic assistance compares with actual aid obligations of \$443.1 million in FY 1963 and \$319.5 million now estimated in FY 1964. The FY 1964 figure marks a sharp dip in the downward curve because it reflects simultaneous declines in the Republic of China's need for capital, termination of the Cambodia program and delays in feasibility and other studies preliminary to committing funds to capital projects in several countries, which it is now proposed to undertake in the coming year.

FAR EAST: REDUCTIONS IN SUPPORTING ASSISTANCE

FY 1955-63 Average vs. FY 1964 Program
(Millions of Dollars)

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Supporting Assistance

Supporting Assistance grants to Far Eastern countries during the period 1955-1963 averaged \$565 million annually and \$262 million is proposed for FY 1965. The Republic of China and the Philippines no longer receive Supporting Assistance, and none is planned for Indonesia in 1965. This kind of aid for Thailand is

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FAR EAST REGIONAL STATEMENT

confined to internal security projects. Korea's grant support has been greatly reduced. Only in Laos has A.I.D. been forced to set aside plans for a substantial reduction in grant financial support, because the unavoidable postponement of military demobilization has necessitated greater rather than less U.S. and other Western assistance. As noted, the war in Vietnam also continues to require a substantial American outlay.

Supporting Assistance funds finance essential commercial commodity import programs in Vietnam, Korea and Laos. They also buy counterinsurgency supplies and services for Vietnam, Laos and Thailand. Supporting Assistance must be used to fulfill a grant commitment made to Burma in 1959 of \$18.1 million for the second segment of the Burma highway project, which will be deferred from FY 1964.

Technical Cooperation and Development Grants

The Far East estimate for FY 1965 is \$47.5 million, slightly below FY 1964 expected obligations of \$51 million. This sum will permit operations in most countries on approximately the same scale as in 1963 and 1964. These funds support rural development programs in Thailand, Laos and Vietnam. They assist land reform efforts in the Philippines. They spur industrial development and the growth of the private sector in Korea, Taiwan, the Philippines and Thailand. They bring American public health advice and medicines to the people of the Philippines, Indonesia, Vietnam, Laos and Thailand. U.S. technical cooperation helps develop road building and maintenance capability in Burma, Thailand, Laos, Vietnam and Korea. Improvements in education are undertaken in Thailand, Laos, Vietnam, Indonesia, the Philippines and Korea. These programs improve the effectiveness of police forces and encourage the police to respect human rights. They reach the villagers of Southeast Asia and the key men who are today's and tomorrow's leaders in Far Eastern capitals. They bring more than 1,600 technicians, government officials and young professionals from Far Eastern countries to the United States annually for study, provide U.S. university contract teams and other advisory groups, put American agricultural and industrial experience and techniques to work in developing nations, and serve America's finest traditions in many other ways.

Development Lending

Loans of \$70 million for economic development are proposed for FY 1965, with Korea again the principal claimant. The level of

development lending in the Far East corresponds to project allocations but is not a measurement of capital requirements. In several countries insecurity and the costs of counterinsurgency present serious obstacles to investment in longer-term development. In other countries, there is a lack of technical sophistication in the identification and preparation of sound development projects. Consequently good project proposals presented to foreign lending agencies fall short of the actual requirement for capital and opportunities for productive investment. A.I.D. technical cooperation for feasibility studies, economic planning and project preparation should gradually lead to a greater demand for external capital to be supplied by private investors, international agencies, the United States and other national lending agencies. A.I.D., as a supplementary lender, will not bear the major burden.

Military Assistance Program

The objectives of the Military Assistance Program (MAP), administered by the Department of Defense, are closely related to A.I.D.'s objectives in the Far East. Both are part of the effort to offset the constant threat to the free nations of the region from Communist China and its allies. MAP programs exist in all of the countries where there are A.I.D. programs, as well as in Japan. The largest MAP programs continue to be in Vietnam, Korea, the Republic of China, and Thailand.

P.L. 480

Concessional sales and grants of surplus U.S. farm products under P.L. 480 are also a major element of U.S. assistance to several Far Eastern countries. For example, distribution of surplus feed grains and vegetable oils to Vietnamese villagers is a successful feature of the strategic hamlet program. The freedom and economic stability of Vietnam, Korea and the Republic of China rest partially on their access to P.L. 480 cotton, wheat, rice and other products of America's farms. Approximately \$200 million in Title I sales were made to Far Eastern countries in 1963 and about the same level is expected in 1964.

The first Title IV program in the Far East, on a dollar-repayable loan basis, was signed in FY 1963 with China for over \$8 million. In future years it is expected that there will be an increase in Title IV agreements with China and a decline in Title I.

In FY 1963, Title II programs for emergency relief and Food-for-Work in the Far East amounted to \$40 million, of which almost \$35 million went to Vietnam. Title III programs, administered through American voluntary agencies in eight Far Eastern countries, amounted in FY 1963 to \$38 million.

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FAR EAST REGIONAL STATEMENT

Organization and Administration

In line with A.I.D. policy to reduce direct-hire personnel, the Agency expects to trim the program-funded staff of six of the eight Far East field missions between December 1963 and June 30, 1964 by 17%--from 420 to 350. In the same period, however, it has proven necessary to make nearly offsetting increases in A.I.D. staffs in Vietnam and Laos, in order to carry out urgent U.S. responsibilities in intensive, country-wide rural operations directly related to the suppression of Communist insurgency. A separate action was the closing at the beginning of this year of the 109-man Cambodia mission. A further United States staff reduction is planned for FY 1965.

A.I.D. is also moving toward making greater use of private institutions and other U.S. Government agencies to carry out its programs. Agencies such as the Navy Bureau of Yards and Docks are supervising A.I.D. surveys and construction projects in the Far East. The Customs Bureau provides specialists in Laos. Some 26 contracts with American universities from Kentucky and Michigan to Hawaii are providing technical assistance to schools of medicine, business administration, engineering, and agriculture, technological institutes and economic planning bureaus throughout the region. Private engineering companies have undertaken the design and supervision of construction projects involving water distribution, sanitation, electric power and roads. Management consultant firms and private research organizations provide specialized advice to private industry and government alike in problems of industrial growth and management, financial policy, tax reform and civil service organization.

Other Donor Participation

Although the United States is not yet satisfied that the multi-lateral agencies and other prosperous nations are carrying a fair share of the responsibilities for economic stability and development in the Far East, substantial progress has been made. In FY 1963 the World Bank (IBRD) and its soft-loan subsidiary International Development Association made loans in the Far East, excluding Japan, totaling \$57.8 million, as compared with A.I.D.'s loans of \$67.1 million. Japan, the Western European countries, Australia, and New Zealand expended over \$150 million in all forms of bilateral economic assistance, including reparations, to the Far Eastern countries in 1962, primarily in Vietnam, Indonesia, Burma and Malaya. This is somewhat less than one-fourth of the amount of aid in that year from the United States (including P.L. 480 and Ex-Im Bank).

The Development Assistance Committee of the Organization for Economic Cooperation and Development has a coordinating group in Thailand which studies and responds to Thailand's needs for technical assistance, resource surveys, feasibility surveys, private foreign investment and ultimate capital requirements. The U.K., France, West Germany, Italy, Japan, several other Western European countries and IBRD participate together with the United States. Representatives of aid donor countries also meet periodically in Vietnam to coordinate their assistance. The U.K., France and Australia are sharing with the United States in the costs of the economic stabilization program in Laos.

The long-delayed Korean-Japan settlement, whose conclusion appears imminent, provides for Japanese financial grants of \$300 million and liberal loans of \$200 million over the next ten years. Significant Japanese private investment is also likely to flow to Korea.

At best, however, major requirements will remain for U.S. grant support of the economies of three defense-burdened countries standing on the frontiers of the Free World--Korea, Vietnam and Laos--whose economies cannot service heavy debt. The United States has assumed the primary role in maintaining the security of the Far East, and is the only nation capable of fully discharging that responsibility. A.I.D.'s assistance programs in these threatened countries are direct extensions of U.S. national security policy. In certain other countries, whether or not the major assistance burden is borne by other donors, U.S. interests require U.S.-controlled programs of internal security assistance, leadership training and advisory services, coordinated with American political efforts.

Private Enterprise

Notwithstanding the fact that much development borrowing in the Far East is by governments for physical infrastructure, transportation, communications and power, there have been marked increases in the role of the private sector in several countries of the region. With encouragement and assistance from A.I.D., private industry in Taiwan today has become responsible for 60% of industrial output, whereas in 1952 it accounted for only 40%. Even in the absence of projects qualifying for foreign investment in Philippines infrastructure, the growth of that nation's private sector has been a major factor in the achievement of a national economic growth rate of about 5% per year. The Government of Thailand is considering relinquishing control of enterprises to private hands, and governmental incentives to promote

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FAR EAST REGIONAL STATEMENT

private investment have been a major factor in Thailand's growth rate of about 5-1/2%. In Korea, businessmen have been reassured by the newly elected government that private enterprise will be allowed the major role in the economy.

A.I.D. has made an important contribution to the growth of the private sector. The bulk of U.S. financing of imports, which accounts for nearly three-fourths of the Supporting Assistance program in the Far East (for Vietnam, Korea, and Laos), is channelled through local private businessmen. The raw materials, machinery and spare parts imported through these programs in Vietnam and Korea keep private industries alive and growing. A.I.D. favors development lending to productive private enterprise projects or to utilities and transportation essential to the support of private industrial and agricultural production. Assistance is given to local development banks and other intermediate credit institutions for relending to small and medium private industry and farmers. "Cooley" loans of local currency are made to private U.S. and local companies in China, the Philippines and Korea. Investment guarantee insurance and financial assistance to investment surveys encourage American private investments in Thailand, the Philippines, and other countries in the Far East. Through the financing of feasibility surveys, A.I.D. attracts local and foreign private investment in Thailand, the Philippines, China and elsewhere in the region. Advisory services everywhere in the region help improve private management of industry and agriculture and improve the public climate for their success.

Support for Regional Development

In the colonial era, peoples of the Far East were in more direct contact with the colonial powers than they were with their neighbors. With independence, ancient rivalries, which had been

played upon by the colonial powers, came to the fore once again. For a number of years the Asian countries talked of regional cooperation in Economic Commission for Asia and the Far East (ECAFE) and Colombo Plan meetings, identified the common problems they faced but did little to solve the problems jointly. The picture is changing. ECAFE has achieved limited regional cooperation in the project for developing the Lower Mekong River basin, a work of many decades comparable to the management of the Mississippi. The Southeast Asia Treaty Organization (SEATO), while primarily a military alliance, represents a political link among three Asian countries--the Philippines, Thailand and Pakistan--and between them and the Western powers.

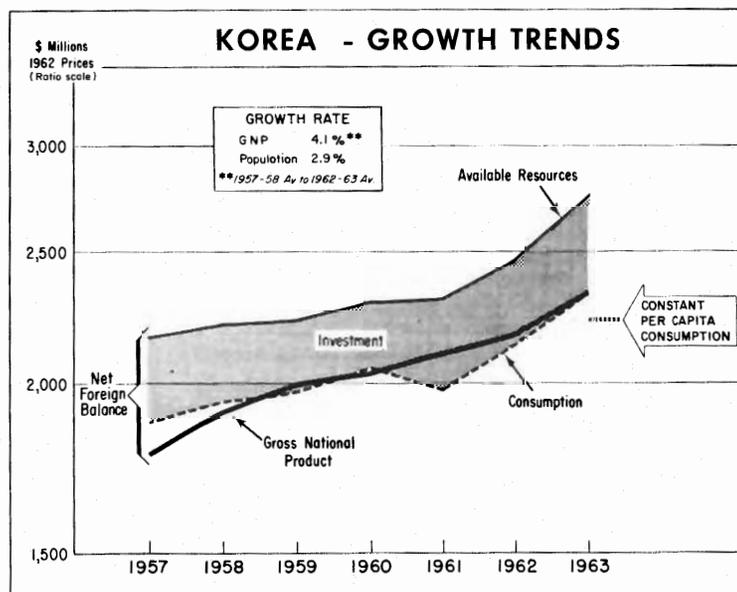
U.S. foreign policy supports these regional efforts, which by promoting political and military, as well as economic and social, links among the free world countries of the Far East, serve as further blocks to Communist expansion in the area. A.I.D. serves U.S. interests by support to certain enterprises undertaken by these and other regional organizations. The United States is a significant but minority contributor to the Mekong River project, along with the four riparian countries, Vietnam, Cambodia, Laos and Thailand, and other Western nations and the UN. A.I.D. assists several projects sponsored by SEATO in the training of engineers, cholera research and telecommunications. A.I.D. helped to create the Asian Productivity Organization which now comprises nine governments. A minority financial contribution in the early years of this organization has stimulated the member governments toward taking over full financing by themselves.

In FY 1965, A.I.D. proposes to continue to support the inter-related U.S. objectives of security and development in the Far East. The U.S. investment required is relatively small in comparison with our commitments and our responsibility.

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Korea — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	27
Annual Growth Rate (percent)	2.9
Area (1000 square miles)	38
Population Density per square mile	710
Agricultural Land as % of Total Area	21
Percent of Population in Agriculture	60-70
Life Expectancy (years)	47
People per Doctor	3,000
Literacy Rate (percent)	85
Pupils as Percent of Population	18
(Primary & Secondary)	



	1959	1960	Calendar Years		1963 Est.
			1961	1962	
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	1,993	2,034	2,105	2,160	2,330
Per Capita GNP (dollars)	83	82	83	83	87
Investment as percent of GNP	13	12	15	15	18
Domestic Savings as % of Investment	10	-5	39	7	-
Net Foreign Balance as % of GNP	11	13	9	14	18
Agricultural Prod. Index (1952-54=100)	126	125	142	131	132
Index per Capita	110	106	117	106	103
Rice, rough (1,000 MT)	3,260	3,130	3,710	3,130	3,760
Industrial Prod. Index (1958=100)	115	125	132	154	174
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	20	33	41	55	86
Fish	(1)	(3)	(5)	(9)	(10)
Total Imports (c.i.f.)	304	344	316	422	550
Trade Balance	-284	-311	-275	-367	-464
GOLD & FOREIGN EXCHANGE (end of year — \$ millions)	147	157	207	167	131
COST OF LIVING INDEX (1958=100)	103	112	121	129	158
(Seoul)					
CENTRAL GOVERNMENT FINANCES*					
	— Million Dollar Equivalents —				
	1961	1962	1963 (Rev. Bud.)		
Total Expenditures	415	574	613		
(Defense Expenditures)	(128)	(157)	(165)		
(Capital Outlays)	(113)	(193)	(207)		
Total Domestic Revenues	219	305	362		
As percent of GNP	12%	14%	13%		
Deficit (-) or Surplus (+)	-196	-269	-251		

* Converted at 130 won per U.S.\$.

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Country: KOREA

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	30.6	35.0	40.0
Technical Cooperation	7.3	5.2	5.6
Supporting Assistance	90.0	66.2	75.0
Total A.I.D. Assistance	127.9	106.4	120.6

Progress, Self-Help, Aid from Others

The new, popularly elected government under President Park took office in December 1963, ending two and a half years of military rule. The Park Government is showing strong interest in economic development, including long-range planning and expansion of exports. Monetary and fiscal stabilization policies are being adopted, and an early settlement with Japan of issues arising out of past Japanese control of Korea is looked upon as a matter of prime importance.

The Republic of Korea's recent economic history has been a continuing struggle against such fundamental handicaps as the artificial division of the country, relative scarcity of natural resources, high population density, reconstruction problems, shortages of managerial talent and technological skills, and lack of institutions required for economic development (particularly in the field of finance). To preserve its independence, the nation has also had to shoulder the burden of a large military establishment.

Since 1960, increased foreign resources and shifts in the use of these resources have led to rising investment levels, although current consumption continues to make extraordinarily heavy demands on the country's Gross National Product (GNP). There has been substantial growth in essential industrial infrastructure (power, transportation, and communication), and industrial production has grown steadily, increasing nearly one-third in the last two years. The year 1963 brought the first significant rise in per capita GNP in real terms since 1959. Levels of U.S. assistance have been declining, and the focus of U.S. economic aid has shifted increasingly toward economic development and away from the support of consumption levels.

A notable recent achievement, made possible by expanding production, has been the increase of Korea's visible exports from an annual average of \$20 million for the period 1955-1959 to \$86 million in 1963, an increase of over 300%. The government has set a target of \$105 million for 1964. Major export markets are Japan and the United States, with Hong Kong and Vietnam also significant.

Inflation, rapid depletion of foreign exchange reserves, and excessive reliance on foreign supplier credits were serious problems in 1962 and the first half of 1963. The United States informed the Korean Government that serious self-help action to correct these difficulties would be necessary before actual commitment of the full funds planned for Korea. After extended, delicate negotiations with A.I.D. in May 1963, Korea adopted a stabilization program of credit and fiscal restraint and tightened controls over use of foreign exchange and supplier credits. This program brought an end to rapid reserve depletion and slowed the pace of inflation.

For 1964 the government has announced further measures of fiscal and monetary restraint as a base for encouraging sound long-term investment and export promotion. Stringent limitations are to be imposed on the budget deficit, supply of money and credit, and non-capital goods imports. The program is a significant self-help effort.

Korea's economic future depends heavily on the expansion of manufacturing for both domestic and foreign markets. Considering its intelligent, energetic, and literate population, this goal should be attainable so long as sound policies continue to be followed. Investment projects now under way will give Korea a modern railway system, largely meet its immediate electric power needs, and expand and improve its communication network. These projects will give major stimulus to further growth in the private sector. While further expansion of infrastructure will be needed in some public sector areas, A.I.D. intends to concentrate on private sector projects to the extent possible in making future development loans.

A political-economic settlement with Japan, which may be completed soon, should provide a substantial capital inflow to assist continued industrial expansion. It should also bring substantial increase

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Country: KOREA

in Korean exports to Japan, particularly of products of labor-intensive industries in which Korea will have a competitive advantage.

The German Federal Republic agreed in December 1961 to lend Korea \$18.75 million on reasonably favorable terms. One project (\$8.75 million for telecommunications) is being implemented; a second (\$5 million for coal production) is awaiting A.I.D. review of the borrower's capacity to service the new debt at the same time as its outstanding A.I.D. loan. Germany has also provided economic advisors to the Korean Government.

Other assistance includes: (a) a \$14 million loan in August 1962 from the International Development Association for railroad cars (b) \$4,863,000 allocated since 1961 by the UN Special Fund for six projects executed by UN specialized agencies; (c) \$951,000 of residual United Nations Korean Reconstruction Agency funds for current technical assistance; (d) various UN technical experts and training fellowship in 1963-64; (e) grain from the World Food Program for four proposed self-help work projects; and (f) United Nations Children's Fund allocation since 1962 of \$468,000 for three health projects, and the proposed addition of \$252,000 for 1964-65.

Korea recently contracted with Gulf Oil for the latter's substantial capital participation in the Ulsan refinery. Supplier credits from Western Europe and Japan have also been accepted. At the insistence of A.I.D., the Korean Government is now reviewing and screening supplier credits with greater care because of the debt servicing burden they impose.

U.S. Objectives and Policy

The basic U.S. objective is the maintenance of an independent Republic of Korea, resistant to subversion and capable of deterring or repelling renewed Communist aggression. Related objectives are the development of a stable, democratically-oriented, and economically self-supporting nation. U.S. support is essential if these objectives are to be achieved. It enables the Republic of Korea to maintain a major military force serving Korean and U.S. security interests in Northeast Asia, and at the same time, to devote substantial resources to economic development. Without it there would be no hope that the economic growth of at least 5% annually, believed essential to strengthening South Korea against North Korean economic competition and subversion, could be attained.

Economic and Military Assistance Programs (MAP) are coordinated to promote increased production in Korea of some of the military maintenance requirements now provided by MAP. It is anticipated

that up to \$40 million of items now funded under MAP will be turned over to Korean financing over the next several years. U.S. military assistance helps maintain and improve the Republic of Korea armed forces which number 600,000 men. These forces include 18 combat-ready active army divisions, a two fighter wing Air Force and small but efficient Marine and Navy units.

A.I.D. economic assistance programs support U.S. objectives by:

1. Encouraging Korea's continued adherence to stringent stabilization programs and other measures to strengthen the economy through a higher investment rate, improved investment patterns and resource allocation, expanded exports and increased self-financing of investment.
2. Stimulating the expansion of private business, particularly in labor-intensive industries.
3. Increasing agricultural productivity through programs and policies that will create adequate means and incentives to adopt improved techniques and rural land use patterns.

To further these purposes A.I.D. is steadily reducing supporting assistance and expanding development lending. It is also taking advantage of opportunities to encourage other countries and international agencies to provide capital to Korea on concessional terms for sound investment projects.

FY 1965 Program

The emphasis of the program will shift to the fullest extent possible directly to development of the private sector, although some development loans will continue to be made to finance improvement of basic facilities such as power and water.

Possible borrowers include Korean or Korean-American companies in industries such as fertilizers and basic metals. Loans have already been made to private cement and nylon filament plants. It is expected that FY 1965 funds will be used to support development of small and medium-sized private enterprises through additional loans and technical assistance to the Korea Reconstruction Bank, a development bank largely financed with A.I.D. dollar and counterpart loans.

The technical cooperation program is designed to improve and strengthen management in such essential areas as credit, power production and distribution, promotion of exports and planned use of available resources. In addition, the program provides technical

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Country: KOREA

cooperation to agriculture and fisheries, vocational education, public administration, and minerals and coal exploration. There are also limited programs in police administration, public health and communications.

Supporting Assistance (which has been drastically reduced from \$181 million in FY 1961 in accord with Congressional instructions in the Mansfield Amendment) finances general commodity imports essential to support of the economy. The amounts are carefully designed both to reduce the U.S. burden in Korea and to foster increased Korean self-reliance.

The Supporting Assistance level of \$75 million proposed for FY 1965 is determined by an assessment of Korea's unmet and essential import requirements, taking into account all factors affecting Korea's foreign exchange position. As in the recent past, these funds will continue to be released in increments subject to sound Korean Government performance in carrying out agreed stabilization and other self-help programs.

UNCLASSIFIED

Korea

(U.S. Fiscal Years - Millions of Dollars)

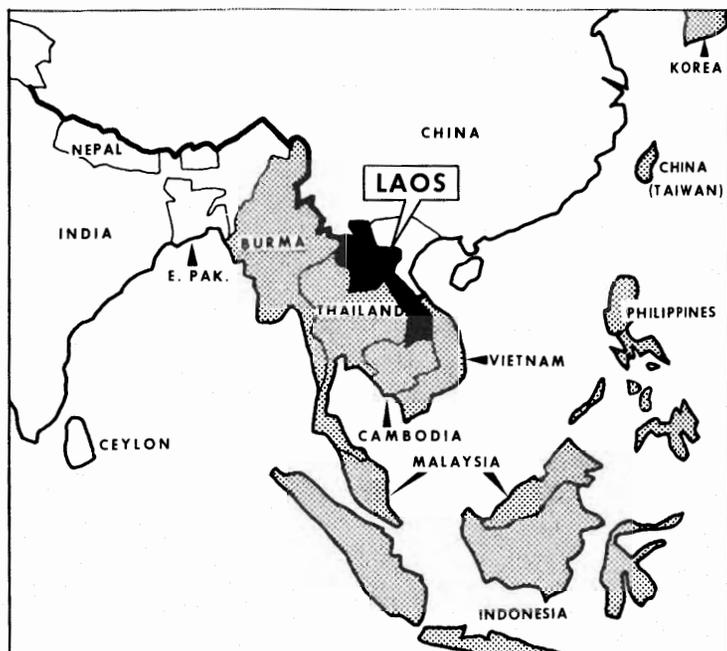
PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD				FOREIGN ASSISTANCE ACT PERIOD		TOTAL			
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			1946-1963
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	10.0	1,202.4	225.7	227.9	200.4	186.0	119.8	107.6	2,279.7	2.0	2,277.7
Loans.....	-	-	-	5.6	12.1	1.1	6.5	25.2	25.8	76.3	2.0	74.3
Grants.....	-	10.0	1,202.4	220.1	215.8	199.3	179.5	94.6	81.8	2,203.4	-	2,203.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.3	120.2	65.3	44.9	14.1	74.5	74.6	78.1	472.2	0.5	471.7
Title I - (Total Sales Agreements).....	(-)	(-)	(80.4)	(50.0)	(33.0)	(-)	(52.0)	(71.5)	(74.0)	(360.9)	(-)	(360.9)
Less: (Planned for U.S. Uses).....	(-)	(-)	(16.4)	(7.0)	(5.0)	(-)	(5.3)	(7.1)	(7.4)	(48.2)	(-)	(48.2)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	64.0	43.0	28.0	-	46.7	64.4	66.6	312.7	0.5	312.2
104c - Grants for Common Defense.....	-	-	64.0	41.0	28.0	-	45.6	62.8	65.0	306.4	-	306.4
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	2.0	-	-	1.1	1.6	1.6	6.3	0.5	5.8
104g - Loans to Governments.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	0.1	-	-	4.7	17.3	-	1.4	23.6	-	23.6
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	0.3	56.1	22.3	16.9	9.4	10.5	10.2	10.1	135.9	-	135.9
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS ^{a/}	181.2	475.3	202.8	-	-	-	-	-	-	859.4	6.5	852.9
TOTAL ECONOMIC	181.2	485.6	1,525.4	291.0	272.8	214.5	260.5	194.4	185.7	3,611.3	9.0	3,602.3
Loans.....	24.9	-	-	7.6	12.1	1.1	7.6	26.8	27.4	107.5	9.0	98.5
Grants.....	156.3	485.6	1,525.4	283.4	260.7	213.4	252.9	167.6	158.3	3,503.7	-	3,503.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) ..	-	11.7	487.6	331.1	190.5	187.1	192.2	136.9	160.4	1,971.7	-	1,971.7
(Additional Grants from Excess Stocks).....	(-)	(0.6)	(12.1)	(22.4)	(21.9)	(22.9)	(40.5)	(52.6)	(21.0)	(207.4)	(-)	(207.4)
OTHER MILITARY ASSISTANCE	-	-	40.2	-	-	3.1	-	-	-	43.3	-	43.3
TOTAL MILITARY	-	11.7	527.8	331.1	190.5	190.2	192.2	136.9	160.4	2,015.0	-	2,015.0
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	11.7	527.8	331.1	190.5	190.2	192.2	136.9	160.4	2,015.0	-	2,015.0
TOTAL ECONOMIC AND MILITARY	181.2	497.3	2,053.2	622.1	463.3	404.7	452.7	331.3	346.1	5,626.3	9.0	5,617.3
Loans.....	24.9	-	-	7.6	12.1	1.1	7.6	26.8	27.4	107.5	9.0	98.5
Grants.....	156.3	497.3	2,053.2	614.5	451.2	403.6	445.1	304.5	318.7	5,518.7	-	5,518.7

^{a/} Includes (in millions), CRIK, \$420.2; Civilian Supplies, \$292.1; Korean Aid Program, \$121.6; Surplus Property Credits, \$24.9; and UNRRA, \$0.6.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY)	0.2	0.4	1.6
UN Special Fund	2.1	1.6	4.8
Int'l. Dev. Association -	-	14.0	14.0

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Laos — GENERAL ECONOMIC DATA



BASIC DATA

Population (millions - mid-1963)	2.4	Life Expectancy (years).....	n.a.
Annual Growth Rate (percent)	2	People per Doctor	55,000
Area (1000 square miles)	91	Literacy Rate (percent)	15
Agricultural Land as % of Area	8	Pupils as % of Population ...	5
		(Primary & Secondary)	
GNP Per Capita (dollars) - 1961	60		

PRODUCTION TRENDS

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963(Est.)</u>
Agricultural Production					
Rice, rough (1,000 MT)	450	430	430	450	350
Tin Output (Sn content - 1,000 MT) ...	0.3	0.4	0.3	0.4	0.3
Electric Power Output (Mill. KWH)	6	7	8	9	10

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	1	1	1	1	1
Tin ore	(0.3)	(0.4)	(0.2)	(0.4)	(0.2)
Total Imports (c.i.f.)	17	15 ^E	19 ^E	26 ^E	24 ^E
Trade Balance	- 16	- 14 ^E	- 18 ^E	- 25 ^E	- 23 ^E

GOLD & FOREIGN EXCHANGE (\$ millions) ... (End of year)	23.5	27.7	21.6	22.3	11.2
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COST OF LIVING INDEX (1959=100)	100	114	115	134	254
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E - Estimate.

Country: LAOS

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	-	8.4	8.6
Supporting Assistance	33.2	28.4	34.9
Contingency Fund	4.9	4.8 ^{a/}	XXX
Total A.I.D. Assistance	38.1	41.6	43.5

^{a/} Programmed thru 1/31/64.

A persistent campaign of political pressure and limited military attack by the Viet Minh-supported Pathet Lao has drawn neutralist and conservative elements of Laos together in common defense of the country's independence. Prime Minister Souvanna Phouma has refused to bow to Communist pressure and is attempting to keep alive the Geneva plan for a neutral and unified buffer state between the power blocs.

U.S. policy in Laos is to support efforts of the Government of National Union headed by Prince Souvanna, both to resist Pathet Lao subversion and to maintain control over the Mekong River Valley and certain tribal areas where resistance to the Pathet Lao is strong. To achieve these objectives, the United States is supporting the Geneva Accords, and rendering assistance.

The A.I.D. program in Laos is concentrated on measures aimed at: (a) increasing domestic agricultural production and improving rural standards of living; (b) supporting economic stabilization in government controlled areas; and (c) providing relief for refugees and other victims of insecurity. The A.I.D. Mission in Laos also places orders for, and arranges delivery to Laos of, military materials for the conservative and neutralist forces.

Rural Development

The A.I.D. assisted rural development program is designed to increase the allegiance of the rural population to the government. The program has been expanded to reach non-Pathet Lao areas which have not been receiving adequate government attention. It is concentrated in selected areas in which activities in health, education, agriculture and transportation are combined to improve the villagers' productivity and standard of living. U.S. technicians

work directly with the villagers. A special pilot program is being carried out in seven clusters of villages where measures to improve physical security are closely coordinated with rural development activities.

The U.S. technicians involved are of two types: (a) A.I.D. technical experts who provide expertise in such fields as public health, agronomy and animal husbandry; and (b) International Voluntary Services (IVS) volunteers, under contract with A.I.D. IVS is a U.S. non-profit organization which predates the Peace Corps and operates in a very similar manner. IVS volunteers, of whom there are now about 50 in Laos, learn the local language and reside in the villages. They have been extremely effective in winning the confidence of the rural population.

Medical care is one of the most effective means of reaching the villagers. A.I.D. is supplying technical assistance, training, medical supplies and construction materials for establishing village dispensaries. Most of the non-Lao technical personnel under this program are furnished under contract between A.I.D. and Operation Brotherhood, a Philippine organization formed for the purpose of medical and development work in underdeveloped areas. Over 120 Philippine doctors, nurses and technicians are working in Laos under this contract.

The A.I.D. supported education project involves both community and central government activities. The National Education Center trains teachers for the village schools with emphasis on agriculture and community development techniques. The students grow a large portion of their own food as part of this training. U.S. assistance in FY 1965 will consist primarily of teacher training and provision of educational materials.

Improvements in the standard of living of villagers who are in a mixed cash and barter economy are difficult to measure, but the following are illustrative, significant accomplishments. A national and three provincial teacher training institutions, with a current enrollment of over 1,200 students, have been established. Some 2,700 village level sub-projects have been completed, including schools, irrigation facilities, dispensaries, markets and feeder roads. All of these sub-projects involved a 50% or larger self-help contribution by the villagers. Numerous connecting roads have been constructed. A major segment of the road linking Vientiane with the southern provinces is currently being built. The contagious skin disease, yaws, has been effectively controlled.

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Country: LAOS

Non-Project Assistance

The economy of Laos is one of the world's most underdeveloped. The bulk of the population is engaged in subsistence agriculture. Its output has been kept down in recent years by Pathet Lao insurgency. Lao industry is limited to small processing plants such as rice and saw mills and one tin mine. Laos must import virtually all of its manufactured and semi-manufactured requirements and fuels in addition to a large amount of rice. Current foreign exchange earnings are limited to around \$2.5 million annually.

The separate armed forces of the conservatives and neutralists (now cooperating closely) and the Pathet Lao have not been demobilized as was contemplated following the Geneva Accords. Instead Laos has continued to be a battlefield in the struggle between the Free World and Communism. Government expenditures for military forces must be continued at a level far in excess of what the Lao economy can support. The government budget deficit before aid in FY 1965 is expected to be approximately \$24 million (as against total expenditures of about \$30 million). To prevent the run-away inflation which would otherwise be inevitable, the United States and other nations interested in Lao independence are financing imports into Laos greatly in excess of what Laos can afford from its own foreign exchange earnings.

Until January 1962 A.I.D. provided import financing in the form of cash grants roughly equivalent in value to the Lao budget deficit. But this gave the United States no control over use of the dollar funds, and was therefore replaced by the United States Import Program, a system initiated in March 1963 for the direct financing of non-luxury imports. In addition to giving the United States more control over use of its assistance, this system has materially reduced the drain of the Laos program on the U.S. balance of payments. Approximately half of the commodities imported under the new system are procured in the United States, with all but 8% of the balance procured in Thailand and Taiwan.

The U.K. and Australia have joined the United States in financing essential Lao imports and are now providing slightly over \$3.1 million annually. In FY 1965 A.I.D. proposes to obligate \$15 million. FY 1964 A.I.D. obligations for commodity assistance are expected to be \$11 million. An additional \$7 million was obligated after the initiation of the import program late in FY 1963 for FY 1964 delivery.

During FY 1964 the United States will also contribute up to \$4 million toward the direct financing of essential non-commodity items such as the cost of international transportation and

insurance. The balance of such expenses will be met out of Laos' foreign exchange earnings. A similar U.S. contribution is proposed for FY 1965, bringing the total amount of U.S. non-project assistance proposed for that year to \$19 million.

By the end of 1963 Laos' free foreign exchange reserves were virtually exhausted. The value of the kip on the open market fell to more than 500 per dollar, as compared with the official rate of 80 per dollar. This led to serious economic distortion, prices rises in essential commodities, and a consequent threat to the economic foundation of U.S. policy in Laos.

Economic stabilization measures, including some new means of meeting residual foreign exchange demand, were badly needed. In December 1963 the Lao Government agreed to devalue the kip from 80 to 240 per dollar, to enforce a ceiling on the budget deficit, increase tax collections, and restrict credit. The United States, United Kingdom, France and Australia in turn agreed to an International Monetary Fund plan to establish a Foreign Exchange Operations Fund for open market trading in foreign exchange to hold down the spread between the official and open market rates of the kip. The United States contributed \$4 million (from FY 1964 funds), the other three participants \$3.8 million. Sales from the fund are made at the open market rate, currently about twice the official rate (i.e., 480 kip to the dollar). This has the effect of holding the open market rate down to a level which avoids the distortions previously caused by the wide disparity between the two rates, while still discriminating against non-essential foreign exchange transactions.

Concurrently with the provision of commodity and stabilization support, efforts are being made to lessen Laos' dependence on foreign assistance through increasing domestic output in ways which do not require long-term or substantial capital investments. For example, the A.I.D. Mission in Laos has devoted considerable effort to encouraging expanded production of vegetables to replace those previously imported from Thailand. Within the last nine months, dependence on vegetable imports in Vientiane has been reduced from 90% to 40%. It is anticipated that the Vientiane area will be completely self-sufficient in vegetables within the next few months.

Relief

Commodity costs and costs of transporting relief supplies, mainly by air, to some 150,000 refugees and anti-Communist groups throughout Laos account for a substantial part of the proposed FY 1965 program. These people are prevented from sustaining themselves

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Country: LAOS

by insecure conditions. As long as fighting continues those activities will remain a necessary adjunct to U.S. efforts to prevent a Communist take-over in Laos.

Military and Air Support

Since the Geneva Accords prohibit the stationing of U.S. military personnel in Laos, the A.I.D. Mission is charged with the placing of orders for, and arranging delivery to Laos of, military assistance of over \$15 million annually (funded under MAP) and arranging for limited training outside of Laos for the Conservative and Neutralist forces. A total of \$500,000 will be required in FY 1965 for civilian personnel to carry out this activity. In addition to military supplies, A.I.D. is furnishing approximately \$2.5 million worth of rice and other food to the Conservative and Neutralist

forces in the current fiscal year. The requirement for FY 1965 is estimated to be approximately the same.

Most of the relief supplies and some supplies for the military must be transported within Laos by air. The total cost of air support in FY 1965, the largest portion of which is for the relief and rural development programs, is expected to be about \$9 million.

Total supporting assistance proposed for Laos in FY 1965 is \$34.9 million. It includes \$19 million of non-project assistance, \$2.2 million for rural development, and a total of \$13.7 million for relief, air transport and military support.

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Laos

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			<u>133.6</u>	<u>31.5</u>	<u>25.1</u>	<u>42.1</u>	<u>30.5</u>	<u>26.9</u>	<u>37.0</u>	<u>326.7</u>	-	<u>326.7</u>
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			133.6	31.5	25.1	42.1	30.5	26.9	37.0	326.7	-	326.7
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			<u>0.8</u>	-	-	-	<u>0.3</u>	<u>0.1</u>	<u>0.5</u>	<u>1.7</u>	-	<u>1.7</u>
Title I - (Total Sales Agreements).....			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses).....			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS		No Programs Prior to FY 1955.	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense.....			-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....			-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....			-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....			-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.				-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.			0.8	-	-	-	-	-	-	0.8	-	0.8
TITLE III - VOLUNTARY RELIEF AGENCIES			*	-	-	-	0.3	0.1	0.5	0.9	-	0.9
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC ^{a/}			<u>134.4</u>	<u>31.5</u>	<u>25.1</u>	<u>42.1</u>	<u>30.8</u>	<u>27.0</u>	<u>37.5</u>	<u>328.4</u>	-	<u>328.4</u>
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			134.4	31.5	25.1	42.1	30.8	27.0	37.5	328.4	-	328.4
MILITARY ASSISTANCE PROGRAM - (Chg. to App.).. (Additional Grants from Excess Stocks)...			31.7 (1.4)	5.4 (10.2)	7.5 (0.4)	13.4 (1.1)	33.4 (7.9)	37.1 (3.9)	24.9 (-1.3)	172.5 (25.7)	- (-)	172.5 (25.7)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			<u>31.7</u>	<u>5.4</u>	<u>7.5</u>	<u>13.4</u>	<u>33.4</u>	<u>37.1</u>	<u>24.9</u>	<u>172.5</u>	-	<u>172.5</u>
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			31.7	5.4	7.5	13.4	33.4	37.1	24.9	172.5	-	172.5
TOTAL ECONOMIC AND MILITARY			<u>166.1</u>	<u>36.9</u>	<u>32.6</u>	<u>55.5</u>	<u>64.2</u>	<u>64.1</u>	<u>62.4</u>	<u>500.9</u>	-	<u>500.9</u>
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			166.1	36.9	32.6	55.5	64.2	64.1	62.4	500.9	-	500.9

a/ Excludes aid to Indochina prior to partition.

* Less than \$50,000.

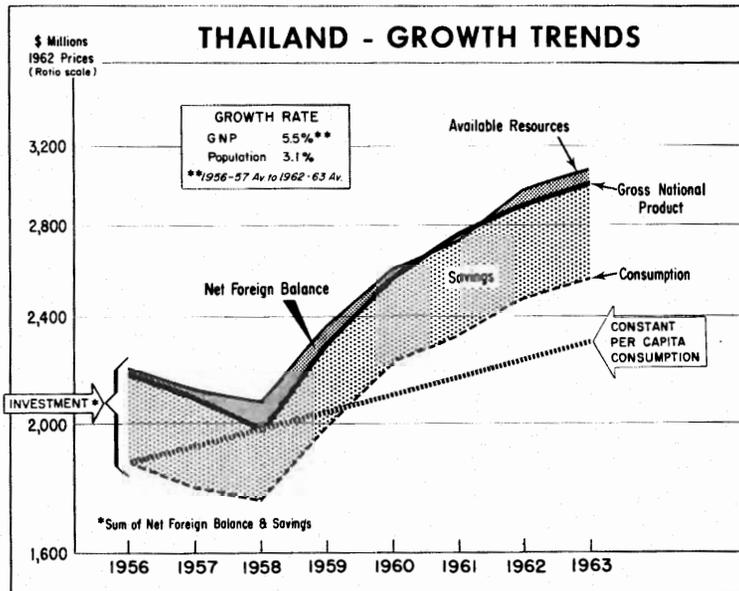
ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	0.5	0.5	2.5
UN Special Fund	-	-	0.6

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	n.a.
1963 (Calendar Year).....	n.a.
Cumulative thru 1963.....	12.0

Thailand — GENERAL ECONOMIC DATA

BASIC DATA

Population (millions — mid-1963)	30
Annual Growth Rate (percent)	3.1
Area (1000 square miles)	198
Population Density per square mile	150
Agricultural Land as % of Total Area	20
Percent of Population in Agriculture	65
Life Expectancy (years)	50
People per Doctor	7,900
Literacy Rate (percent)	70
Pupils as Percent of Population	17
(Primary & Secondary)	



	1959	1960	Calendar Years		1963 Est.
			1961	1962	
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	2,290	2,555	2,720	2,880	2,980
Per Capita GNP (dollars)	87	95	97	100	101
Investment as percent of GNP	16	15	15	17	17
Domestic Savings as % of Investment	81	90	101	85	85
Net Foreign Balance as % of GNP	3	2	--	2	3
Agricultural Prod. Index (1952-54=100)	115	136	146	156	146
Index per Capita	99	114	119	123	111
Rice, rough (1,000 M.T.)	6,770	7,790	8,250	9,160	8,240
Tin Output (1,000 M.T.)	10	12	13	15	16
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	358	408	477	459	460
Rice	(123)	(123)	(171)	(154)	(161)
Total Imports (c.i.f.)	426	453	485	553	570
Trade Balance	-68	-45	-8	-94	-110
GOLD & FOREIGN EXCHANGE (end of year)	340	395	489	556	610
COST OF LIVING INDEX (1958=100)	96	94	101	105	105
CENTRAL GOVERNMENT FINANCES*					
	- Million Dollar Equivalents -				
(FY ending December 31)	1961a/	1962	1963 (Rev. Bud.)		
Total Expenditures	485	449	554		
(Defense Expenditures)	(76)	(74)	(78)		
(Capital Outlays)	(155)	(140)	(189)		
Total Domestic Revenues	351	380	397		
As percent of GNP	13%	13%	13%		
Deficit (-) or Surplus (+)	-134	-69	-157		

* Converted at 21 baht per U.S.\$.

a/ Transitional fiscal year of nine months inflated to a 12-month basis.

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

Country: THAILAND

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	-	8.0	15.0
Technical Cooperation	7.3	8.0	8.8
Supporting Assistance	-	5.9	4.0
Contingency Fund	10.1	0.5 ^{a/}	XXX
Total A.I.D. Assistance	17.4	22.4	27.8

a/ Programmed through 12/31/63.

U.S. Objectives and Policy

Thailand is the only nation on the Southeast Asia mainland both stable and allied with the United States. U.S. assistance is a key element in carrying out the U.S. commitment to the security and development of Southeast Asia.

U.S. economic assistance is planned to help Thailand meet its internal security threat while maintaining a satisfactory rate of economic growth. A basic objective is accelerated economic and social progress in the more backward rural areas, particularly those bordering Laos, to combat potential insurgency.

U.S. assistance policy in FY 1965 will be to use U.S. aid and influence to draw increased Thai resources into areas in which Thai and Southeast Asian security is threatened by Communist subversion and aggression. In addition to the security-oriented programs, the United States will provide selective technical cooperation in education, government management, pre-investment surveys and industrial development to help Thailand sustain economic expansion and diversification, and to attract capital from non-U.S. sources.

Progress, Self-Help, Aid from Others

The deteriorating situation in Laos in 1962 gave rise to a serious security threat to Thailand, particularly in the Northeast. In this area, which has one-third of the country's population, adverse soil and water conditions, poor communications and neglect by the central government have combined to provide fertile grounds for Communist agitation. Communist agents, taking advantage of the

ethnic affinity of the people of this region with the Lao, have exploited these problems. In the North, a number of ethnic minority groups live isolated from central Thai influence and are subject to infiltration and subversion by Chinese-trained Communist agents.

During recent years, U.S. economic and military assistance has helped Thailand to improve its military and para-military capability, make important investments in transportation and irrigation, modernize its education facilities, and train officials for key roles in government management and administration. Economic indicators show that a combination of foreign assistance and Thai self-help measures have produced important economic gains. For example, since 1956, the Gross National Product (GNP) has increased at an average annual rate of 5.5% while per capita GNP has risen 2.5% per year. Aggregate investment as a percent of GNP has averaged about 16% for the years 1959 to 1963. The combination of investment and improved techniques promoted through technical assistance have produced a per capita increase in agriculture production of 20% over the last ten years. Government revenues are increasing by 9% annually.

Financing from the United States, the World Bank, and other free world sources, both government and private, has supported a number of major investment projects in transportation, power and water resources. The Development Assistance Committee in 1962 formed a continuing group to consider Thailand's technical and other aid needs. In 1963 the World Bank made two loans to Thailand totaling \$41.6 million; the Export-Import Bank made a loan of \$19 million. Germany in the last two years has provided loan assistance totaling approximately \$22 million, and Japan has approved supplier credits of \$7 million as well as grant assistance of approximately \$0.5 million.

Thailand's over-all economic prospects, however, are not free from danger. The economy is especially vulnerable to sharp world market price changes in rice, rubber and tin. The recent increases in foreign exchange holdings and the high growth rate owe a great deal to a fortuitous combination of good crop years and high export prices. Moreover, the Thai Government's conservative fiscal and monetary policies, while contributing to economic stability, have resulted in underuse of available Thai resources for development and security purposes.

Economic expansion has been uneven. Incomes in the Northeast are estimated at only two-thirds of the national average, and less

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than half the average in Bangkok. Thus, the general economic improvement is not affecting the relatively backward areas of the country sufficiently to ward off the threats of subversion and insurgency.

With U.S. encouragement, the Government of Thailand now more clearly recognizes the problem of potential insurgency and has begun to organize and deploy resources and manpower to cope with it. The principal task is to increase the effectiveness of the central Government in the remote areas. Better local government, expanded agricultural, educational and medical services, improved transport throughout these depressed areas and greater police, para-military and intelligence capabilities are all necessary to combat the Communist threat. A major effort will be required by the Government of Thailand to modify traditional centralization of authority and concentration of resources in the Bangkok and central plains area. Negotiations are now under way with the Government of Thailand to enable the U.S. program to work more closely with provincial authorities to which the Thai Government must delegate greater authority, budget resources and staff.

FY 1965 Program

A major portion of the U.S. assistance requested for FY 1965 is specifically directed toward the internal security threat. The United States will encourage decentralization of administrative responsibility and improvement in the provincial governments' response to village needs and, as progress is made in this direction, will station more American technicians in the outlying rural areas. A program for accelerating rural development in the Northeast will increase the capacity and responsibility of provincial authorities to construct needed dams, canals, roads and other village projects. The United States will also help train Thai mechanics and equipment operators. Under agreements negotiated by A.I.D., U.S. Seabee Technical Assistance Training Teams, which performed successfully in FY 1963-64, will be used extensively on these projects.

Community Development and Village Health activities will be concentrated in the Northeast. Thai competence in these fields is increasing, thus permitting a reduction in U.S. assistance. To provide for better crops and increased earnings in the depressed

areas, the United States will continue to aid Northeast agricultural development through extension work, soil and water conservation, agriculture research and farm management planning. Recently expanded programs for the training of local officials will reach over 1,000 persons in the rural areas in FY 1965.

Further improvement will be made during FY 1965 in training and equipping the Border Patrol Police and the Provincial Police. Civic Action programs carried out by the Border Patrol Police among the hill tribes of the North provide one of the few links between the central Government and these people.

In accordance with a recent assessment carried out by A.I.D. and World Health Organization, the Malaria Eradication program will be stepped up in FY 1965 to ensure the success of work carried out to date. The United States will continue to finance a contract with the University of Illinois providing for assistance to the Chiangmai Medical School, which is training badly needed doctors for Northern Thailand. The School will stress services in these rural areas.

Thailand's ability to plan both its development and security programs adequately is essential to meeting U.S. objectives. Thailand welcomes U.S. assistance in improving governmental operations. In FY 1965 the United States will complete programs in public administration and statistical services. A.I.D. will continue to assist a study of Thailand's manpower requirements and help plan educational policies to meet them.

To promote industrial development, feasibility surveys will be undertaken to identify development projects worthy of loans from other free world agencies. The United States will also continue to advise Thailand on means of strengthening the private industrial sector and reducing government ownership of industrial enterprises.

A.I.D. loans to Thailand will be largely limited to projects which would contribute both to economic development and to internal security, and for which other free world assistance is not available on reasonable terms.

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Thailand

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	16.1	129.1	25.8	44.9	23.8	24.2	35.8	15.5	315.0	3.9	311.1
Loans.....	-	-	20.0	1.8	20.8	-	-	11.1	-	53.6	3.9	49.7
Grants.....	-	16.1	109.1	24.0	24.1	23.8	24.2	24.7	15.5	261.4	-	261.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	-	1.8	0.1	0.1	2.0	0.1	0.1	0.1	4.3	0.1	4.2
Title I - (Total Sales Agreements).....	(-)	(-)	(4.3)	(-)	(-)	(-)	(-)	(-)	(-)	(4.3)	(-)	(4.3)
Less: (Planned for U.S. Uses).....	(-)	(-)	(2.6)	(-)	(-)	(-)	(-)	(-)	(-)	(2.6)	(-)	(2.6)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	1.7	-	-	-	-	-	-	1.7	-	1.7
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....	-	-	1.7	-	-	-	-	-	-	1.7	-	1.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'TS.	-	-	-	-	-	1.9	-	-	-	1.9	0.1	1.8
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7	-	0.7
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	1.0	1.2	-	14.0	0.1	-	10.9	5.0	32.3	7.3	25.0
OTHER U.S. ECONOMIC PROGRAMS	6.2	-	-	-	-	-	-	0.8	1.4	8.4	7.1	1.3
TOTAL ECONOMIC	6.2	17.1	132.1	25.9	59.0	25.9	24.3	47.6	22.0	360.0	18.4	341.6
Loans.....	6.2	1.0	22.9	1.8	34.8	2.0	-	22.0	5.0	95.7	18.4	77.3
Grants.....	-	16.1	109.2	24.1	24.2	23.9	24.3	25.6	17.0	264.3	-	264.3
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) ..	-	16.5	205.1	19.7	18.0	20.1	23.9	39.1	68.5	485.1	-	485.1
(Additional Grants from Excess Stocks).....	-	(1.7)	(10.1)	(9.4)	(1.4)	(0.7)	(5.1)	(9.1)	(15.2)	(54.8)	(-)	(54.8)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	4.6	-	-	-	4.6	-	4.6
TOTAL MILITARY	-	16.5	205.1	19.7	18.0	24.7	23.9	39.1	68.5	489.7	-	489.7
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	16.5	205.1	19.7	18.0	24.7	23.9	39.1	68.5	489.7	-	489.7
TOTAL ECONOMIC AND MILITARY	6.2	33.6	337.2	45.6	77.0	50.6	48.2	86.7	90.5	849.7	18.4	831.3
Loans.....	6.2	1.0	22.9	1.8	34.8	2.0	-	22.0	5.0	95.7	18.4	77.3
Grants.....	-	32.6	314.3	43.8	42.2	48.6	48.2	64.7	85.5	754.0	-	754.0

a/ Does not include \$7.0 million loan in FY 1958 financed by Asian Economic Development Funds. * Less than \$50,000.

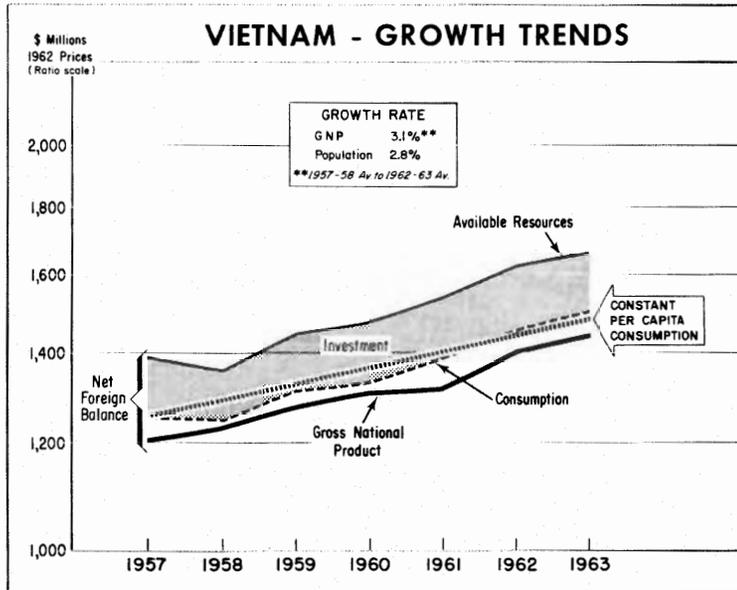
ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank . . .	-	43.2	171.9
UN Tech. Ass't. (CY) . . .	0.8	1.3	8.7
UN Special Fund	0.9	1.7	6.6
Int'l. Finance Corp. . . .	-	-	0.3

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Vietnam — GENERAL ECONOMIC DATA

BASIC DATA

Population (millions — mid-1963)	15
Annual Growth Rate (percent)	2.8
Area (1000 square miles)	66
Population Density per square mile	230
Agricultural Land as % of Total Area	33
Percent of Population in Agriculture	85
Life Expectancy (years)	35
People per Doctor	28,800
Literacy Rate (percent)	20-40
Pupils as Percent of Population	12
(Primary & Secondary)	



	1959	1960	Calendar Years		1963 Est.
			1961	1962	
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	1,275	1,315	1,320	1,400	1,440
Per Capita GNP (dollars)	93	93	91	94	94
Investment as percent of GNP	10	11	11	12	n.a.
Domestic Savings as % of Investment	-32	-12	-48	-30	n.a.
Net Foreign Balance as % of GNP	13	12	16	16	15
Agricultural Prod. Index (1952-54=100)	204	207	195	215	212
Index per Capita	163	162	148	159	153
Rice, rough (1,000 M.T.)	5,100	5,000	4,600	5,200	5,100
Rubber Output (1,000 M.T.)	75	78	79	78	77
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	75	86	71	55	75
Rubber	(47)	(48)	(44)	(38)	(35)
Total Imports (c.i.f.)	225	240	255	264	280
Trade Balance	-150	-154	-184	-209	-205
GOLD & FOREIGN EXCHANGE (end of year — \$ millions)	185	223	179	158	176(Oct.)
COST OF LIVING INDEX (1958=100)	100	99	105	108	116
CENTRAL GOVERNMENT FINANCES*					
(FY ending December 31)	— Million Dollar Equivalents —				
	1961	1962	1963 (Rev. Bud.)		
Total Expenditures	300	380	442		
(Defense Expenditures ^{a/})	(137)	(192)	(231)		
(Capital Outlays)	(40)	(64)	(39)		
Total Domestic Revenues	211	191 ^{b/}	208 ^{b/}		
As percent of GNP	16%	14%	13%		
Deficit (-) or Surplus (+)	-89	-189	-234		

* Converted at 60 piastres per U.S. \$.

^{a/} Includes Civil Guards and Self-Defense Corps.

^{b/} Devaluation in 1962 involved new import tax arrangements and new counterpart deposit requirements resulting in a decline in reported domestic revenues.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	10.3	6.0	7.0
Supporting Assistance	119.7	117.0	130.0
Contingency Fund	13.3	XXX	XXX
Total A.I.D. Assistance	143.3	123.0	137.0

U.S. Objectives and Policy

The immediate and overriding U.S. objective in Vietnam is to assist the Vietnamese Government and people to defeat the Communist insurgency. The Viet Cong has a strong grip on large areas of South Vietnam, particularly in the Mekong Delta. To win, the Government must make a sustained offensive on all fronts to gain the allegiance of the peasants now under full or partial Viet Cong domination.

In order to assure the peasants protection against Communist depredations, there must be a large military effort against the hard-core Viet Cong and their local irregulars. In addition to attack units, local defense forces and fortifications must be installed and maintained throughout the country. To give the peasant a stake in defending his home and his village and in upholding legitimate government, there must be effective political, social and economic programs to overcome the popular grievances and frustrated aspirations upon which the Viet Cong have built their strength.

A.I.D. programs are therefore designed:

1. To help meet the extraordinary costs of military and economic efforts which the situation requires of the Vietnamese Government, whose military budget has doubled since 1960.
2. To provide the technical skills, advice, training, commodities and equipment at the time and the place needed to push the Vietnamese effort decisively forward.
3. To counsel and encourage the Government to adopt and execute policies, particularly affecting the rural majority, which can lead to victory.

A.I.D. programs while responsive to the overriding need to win the war, are designed to bring forth the greatest possible Vietnamese effort and to contribute to long-range social and economic progress.

Progress, Self-Help, Aid from Others

The government established after Diem's overthrow on November 1, 1963 underwent an internal power change on January 30. General Nguyen Khanh engineered this change and is now in effective control of the governmental machinery. General Khanh has organized a largely civilian government with himself as Prime Minister. He intends to concentrate his personal attention on the military aspects of the struggle. General Minh, previous leader of the Military Revolutionary Council, remains as a figurehead chief of state. Khanh is capable, energetic, and hard-driving; he shows promise of promoting efficiency in government operations. The new government seems well aware of the magnitude of the problems it faces and of the need for imaginative action to gain rural support.

A major past deficiency has been the failure in parts of the Mekong Delta and several other sectors to assure lasting military security to peasants who had committed themselves to the Government's side by moving into the strategic hamlets. The strategic hamlets were extended too rapidly, against U.S. advice, into certain areas where effective military protection could not be given, and in such cases the hamlets were ineffective, if not actually counter-productive, in their aim of sealing off the population from Viet Cong influence and control. The program now is concentrating on secure areas and the consolidation of viable existing hamlets. The original hamlets have succeeded in the great majority of districts, however, in bringing the people and government together in constructive cooperation for economic and social progress and security.

In the period since November 1963, military authorities have also recognized a need for fundamental reforms to attract and hold the loyalties of the peasant, including higher farm prices, a revised land reform program, and honest, effective local government. Action to meet these needs will require strong and imaginative leadership by the new government.

The Military government has also responded to U.S. insistence on the necessity for sterner measures to mobilize Vietnam's economic resources for the war effort. Austerity taxes have been instituted on a broad range of imported goods, and plans are being

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formulated to increase tax revenues by broadening the tax base and improving tax administration to secure better compliance with tax laws. The government has also indicated a willingness to consider drawing down foreign exchange reserves, if necessary, and to restrict further the already reduced and highly taxed luxury imports. In general, the Government has been moving in the right direction, with the proof of sustained effective action yet to be seen.

Since the November coup, U.S. officials in Saigon have developed closer consultative relationships with counterparts in the Vietnamese Government. A.I.D. also has close contact with Vietnamese officials directly engaged in provincial administration. A.I.D. resident representatives are stationed in each of the 42 provincial capitals, and more than 100 other members of the Mission spend most of their time in the provinces. Together with the U.S. military sector advisors, the A.I.D. representatives counsel province chiefs on all aspects of the counterinsurgency program, and oversee the use of A.I.D. funds and commodities.

The main burden of foreign support of the South Vietnamese Government has been and will continue for the foreseeable future to be borne by the United States. In FY 1964, the total of economic assistance financed by A.I.D. is estimated at \$123 million, subject to contingencies that may require additional funds. Substantial funds have come from other sources, however, in the form of loans and grants and commercial credits. From 1960 through 1963 South Vietnam received an annual average of \$23 million in aid committed by other free world sources, and during calendar year 1963, commitments by France, Germany, Japan, the U.K., Australia, New Zealand, Canada and UN agencies amounted to \$34 million.

FY 1965 Program

The proposed program for FY 1965 supplements and is coordinated with substantial direct military support through the Military Assistance Program. The A.I.D. program has three elements:

1. Balance-of-payments support of \$95 million in Supporting Assistance funds will finance essential imports. It will be supplemented by sales of surplus agricultural commodities valued at approximately \$32 million under P.L. 480 Title I.
2. A counterinsurgency program will be financed by \$35 million of Supporting Assistance and agricultural surpluses valued at approximately \$30 million (Commodity Credit Corporation prices) under Title II of P.L. 480.

3. Technical Cooperation and Development Grant activities, totaling \$7 million, also will play a role in supporting the war effort but aim largely at longer-term institutional development in fields such as education, public health, public administration and industrial advice and training.

Commercial Imports. The amount proposed is based on an assessment of Vietnam's import-financing gap, given the projected level of Vietnam's production and export earnings and aid expected from other sources. Commercial import assistance is designed to provide the necessary degree of financial and economic stability by supplying essential commodities that could not otherwise be imported in adequate amounts such as medicine, trucks, fertilizer, machinery, cement and steel. Imports of A.I.D. and P.L. 480 sales commodities help prevent inflation by absorbing much of the increased money supply which has accompanied the stepped-up war effort. Counterpart piasters generated by this program cover most of the expanded military budget.

Counterinsurgency. The CI program provides immediate benefits to the strategic hamlet dwellers and in a variety of other ways directly supports the war effort in the rural areas. A.I.D. CI supplies and technicians enable both refugees from the Viet Cong and strategic hamlet dwellers to re-establish their means of livelihood, construct modest schools, health stations, rural water supply facilities and hamlet defenses. The program provides for other activities with immediate rural impact such as distribution of improved seed, fertilizer and rat poison, help in establishing hog raising and in growing better crops. Through this program A.I.D. is equipping 5,000 villages and hamlets with two-way alarm radios and providing 20,000 personal radio receivers to key residents. It also provides for repair and maintenance of worn and war-torn transportation facilities. Examples are: repair of railway and road sabotage, dredging of Delta waterways, and construction of new rural roads and airport control facilities. This direct counterinsurgency support responds to short-term economic and social needs of the harassed rural population, now demonstrating with tangible deeds the benefits of loyalty to the Vietnamese Government and national independence as contrasted to life under the Communist Viet Cong.

Technical Cooperation. The war effort continues to require the allocation of most available resources; a number of long-range activities with less bearing on immediate problems have been curtailed. In order to maintain the impetus of the short-term assistance, however, some help is needed in the building of basic

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institutions required to meet the continuing need for essential skills and services. Major projects are: (a) completion of a medical education center, technical cooperation to improve medical education and provide more doctors and nurses; (b) comprehensive spraying of areas where malaria is endemic and training

of Vietnamese technicians for this work; (c) maintenance and extension of a system of vocational, engineering and agricultural education capable of providing an increasing supply of skilled technicians; and (d) improvement of the Vietnamese education system, with particular emphasis on teacher education and hamlet-level elementary education.

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Viet Nam

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1963		
A.I.O. AND PREDECESSOR AGENCIES - TOTAL			783.9	179.1	200.6	169.0	132.6	110.7	133.2	1,709.1	0.6	1,708.5
Loans ^{a/}			50.0	-	19.5	9.7	10.7	-	-	89.9	0.6	89.3
Grants.....			733.9	179.1	181.1	159.3	121.9	110.7	133.2	1,619.2	-	1,619.2
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			39.4	9.7	6.5	11.5	12.0	32.5	64.4	176.0	-	176.0
Title I - (Total Sales Agreements).....			(-)	(5.9)	(-)	(7.0)	(10.0)	(30.5)	(27.0)	(80.4)	(-)	(80.4)
Less: (Planned for U.S. Uses).....			(-)	(1.4)	(-)	(1.8)	(2.5)	(3.1)	(2.7)	(11.5)	(-)	(11.5)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	4.5	-	5.2	7.5	27.4	24.3	68.9	-	68.9
104c - Grants for Common Defense.....			-	3.0	-	3.5	5.0	27.4	24.3	63.2	-	63.2
104e - Grants for Econ. Development.....			-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....			-	1.5	-	1.7	2.5	-	-	5.7	-	5.7
104g - Loans to Governments.....			-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGREEMENTS			-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.			0.7	-	*	-	-	1.3	34.8	36.8	-	36.8
TITLE III - VOLUNTARY RELIEF AGENCIES			38.7	5.2	6.5	6.3	4.5	3.8	5.3	70.3	-	70.3
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC ^{b/}			823.3	188.8	207.1	180.5	144.6	143.2	197.6	1,885.1	0.6	1,884.5
Loans.....			50.0	1.5	19.5	11.4	13.2	-	-	95.6	0.6	95.0
Grants.....			773.3	187.3	187.6	169.1	131.4	143.2	197.6	1,789.5	-	1,789.5
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).....			277.8 (18.6)	53.2 (26.9)	41.9 (-0.9)	70.9 (1.9)	65.0 (6.1)	144.0 (23.7)	185.6 (13.8)	969.1 (98.7)	- (-)	969.1 (98.7)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			277.8	53.2	41.9	70.9	65.0	144.0	185.6	969.1	-	969.1
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			277.8	53.2	41.9	70.9	65.0	144.0	185.6	969.1	-	969.1
TOTAL ECONOMIC AND MILITARY			1,101.1	242.0	249.0	251.4	209.6	287.2	383.2	2,854.2	0.6	2,853.6
Loans.....			50.0	1.5	19.5	11.4	13.2	-	-	95.6	0.6	95.0
Grants.....			1,051.1	240.5	229.5	240.0	196.4	287.2	383.2	2,758.6	-	2,758.6

a/ Does not include \$3.3 million loan in FY 1958 financed by Asian Economic Development Funds. b/ Excludes aid to Indochina prior to partition. *Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	0.4	0.5	2.7
UN Special Fund	-	-	0.2

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Other Far East -- Basic Data

BASIC DATA	UNIT	Burma	China (Taiwan)	Indonesia	Philippines
<u>POPULATION</u>					
Total (1963)	Millions	24	12	101	30
Annual Growth Rate	Percent	2.1	2.9	2.3	3.2
<u>AREA</u>					
Total	1,000 sq. mi.	262	14	576	116
Agricultural Land	% of Area	13	24	12	27
<u>GROSS NATIONAL PRODUCT</u>					
Per Capita (Est.)	dollars	59	154	85	128
<u>TRADE</u>					
Total Exports (1962)	\$ Millions	267	218	710 ^a	556
Main Exports	Item	Rice	Sugar	Rubber Oil	Sugar Coconut Prod.
<u>HEALTH & EDUCATION</u>					
Life Expectancy	Years	35	63	32	55
People per Doctor	Persons	11,400	1,600	49,000	1,700
Literacy Rate	Percent	60	90	60	75

a - Exchange record data.

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OTHER FAR EAST PROGRAMS

A.I.D assistance is proposed for FY 1965 in four other countries of the Far East:

Burma, where the program is essentially limited to completing previous commitments. Unless there is marked change in the political and economic outlook in Burma, A.I.D. does not expect to make any substantial new commitments in FY 1965.

China, whose sustained economic progress has permitted progressive reduction in A.I.D. assistance. A.I.D. expects to make no new program fund requests for China after FY 1965. Substantial P.L. 480 sales of U.S. agricultural products and military assistance continue to be required.

Indonesia, where present circumstances warrant only a program of technical cooperation primarily in education, leadership training and malaria eradication.

Philippines, where a modest technical cooperation program is focused on enabling that country to develop its resources more rapidly, and where limited development lending is foreseen.

The Far East program also includes Regional activities.

BURMA

Burma's continued independence, unaligned with Communist China or the Soviet Union, is an important objective of U.S. policy in Southeast Asia. Notwithstanding periodic shifts in the relative cordiality of its relations with the United States and Communist countries, Burma has thus far maintained its neutrality. However, two factors threaten to upset this position: (a) pressure from neighboring Communist China; and (b) the present Government's rejection of Western political, economic and social values in favor of concepts inspired by Communist models.

These factors, together with a tendency toward isolationism and xenophobia, make the Government inhospitable to U.S. influence and economic cooperation. Economic assistance therefore does not offer a promising means for advancing U.S. interests. A.I.D. activities are limited to fulfilling past commitments and to providing training and advisory services related to projects previously funded but not yet complete.

Outstanding Commitments

There are two commitments for economic assistance to Burma which are still partially outstanding:

1. A \$30 Million Grant Committed in 1959. Under this commitment \$2 million (together with a \$5.5 million P.L. 480 local currency grant) has been contributed to the design and construction of a new campus for the Rangoon University Liberal Arts College, scheduled for completion in 1966. The remaining \$28 million was committed to design and construction of part of the Rangoon-Mandalay Highway. Of this amount \$9.4 million was obligated in FY 1963 (\$4.0 million in P.L. 480 local currency grants will be obligated in FY 1964) for the Rangoon-Pegu sector which will be under construction by early fall of this year.

Obligation of the remaining commitment for construction of the Pegu-Pyu sector has been delayed until an economic and engineering feasibility study, for which \$500 thousand is scheduled to be obligated in FY 1964, can be completed. No U.S. financial assistance is planned for the final sector of the highway, from Pyu to Mandalay.

2. A \$25 Million Line of Credit Extended in 1957. Nine projects have been completed, and five on-going projects will fulfill this commitment by 1966. If final agreement is reached with the Burmese Government, A.I.D. will obligate the \$3.4 million remaining balance of the 1957 line of credit during FY 1964 for the design and construction of a large teakwood sawmill in Rangoon.

Other Assistance

As a neutral nation, Burma accepts aid from both free world and non-free world sources. During FY 1964 free world aid from sources other than the United States will total about \$35 million. Some \$21 million of this is reparations from Japan; the balance includes a \$5 million loan from Germany, and assistance totaling \$7.6 million from various UN agencies. Aid from Communist sources since 1955 is estimated at over \$100 million, the great bulk of which is from Communist China.

FY 1965 Program

Supporting assistance of \$18.3 million is proposed for FY 1965. \$18.1 million will be for the Pegu-Pyu sector of the Rangoon-Mandalay Highway provided agreement is reached with the Burmese

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after completion of the feasibility study. (P.L. 480 generated local currency may also be required to meet local construction costs.) The \$30 million grant commitment of 1959 will then have been fulfilled. The balance of \$0.2 million of the proposed FY 1965 supporting assistance for Burma is to provide U.S. technicians and maintenance equipment to assure satisfactory utilization of an \$8.8 million Police Equipment Loan made from prior year funds.

Technical Cooperation funds of \$1.0 million are requested for use as follows: (a) \$0.5 million for advisory assistance on maintenance and organization to the Department of Highways; and (b) \$0.5 million for a continuing general participant training program and technical assistance directly related to projects previously financed but still being completed.

CHINA (TAIWAN)

Despite drought, typhoon, and flood problems, the Republic of China's total output rose about 6.5% during 1963. Prices remained relatively stable for the third successive year. Assisted by the windfall from exceptionally high sugar prices, export earnings rose by about 50% (and the value of exports other than sugar about 30%), which reduced the deficit in the balance on goods and services from \$115 million in 1962 to about \$20 million in 1963.

Since 1953 Gross National Product (GNP) has increased by an average of more than 6% per year, and per capita GNP has increased about 3% per year to the current level of \$154. Agricultural production has averaged an increase of 4% annually and industrial production 10-12%. Education and health standards are relatively high for Asian countries. As the result of one of the most effective land reforms in the world, over 80% of the farmers now own their own land. A sound economic and social infrastructure has been established. In 1952 the private sector provided 40% of total industrial production; today, the private sector is responsible for over 60% of the total, in part reflecting A.I.D.'s support for growth of private enterprise.

Progress, Self-Help, Aid from Others

Taiwan's exceptional growth is the accomplishment of an industrious, capable, healthy people who have made good use of large-scale U.S. assistance. Under the influence of fiscal and monetary policies which are gradually becoming development-oriented, one-third of the rise in GNP between 1958 and 1962 was channeled into increased savings. During these years consumption rose 25%, investment 60%, and

savings 125%. The proportion of gross investment financed by domestic savings rose from 50% to 70%. In 1963, partly as a result of the sugar windfall, domestic savings almost equalled domestic investment.

Accompanying the rapid expansion in investment and output has been an annual average increase of 3% in per capita consumption levels. These gains have been fairly well distributed. At the same time, the Republic of China continues to carry one of the heaviest defense burdens of any free world nation, and plays an important role in free world defensive strength. Much remains to be done, however. Unemployment and underemployment are continuing problems. Social services are inadequate, and educational institutions need to be strengthened to meet the requirements of a developing economy.

Taiwan's large balance-of-payments deficits of past years have been supported primarily by U.S. economic assistance plus a steady inflow of overseas Chinese and other external private capital. Its economy has now reached the stage where future capital needs can probably be met by conventional credits, loans and investments from private sources, international agencies, the Export-Import (Ex-Im) Bank and similar sources. The International Development Association in 1961 extended \$15 million in credits for small industry, agricultural, water supply and port development projects. The World Bank recently made its first loan to Taiwan (\$7 million for fisheries) after making a detailed analysis of the economy that is expected to result in additional lending. American and Japanese companies have made substantial investments on the island, and West European investors, particularly German, are displaying a growing interest in Taiwan's potential. The Ex-Im Bank has guaranteed several American export credits to Taiwan.

FY 1965 Program

The continued security and development of the Republic of China will require substantial U.S. military assistance and sales of U.S. surplus agricultural products after the completion of A.I.D. programs in Taiwan. P.L. 480 sales, both Title I and IV, will be necessary to meet agricultural import requirements which otherwise would claim foreign exchange needed for industrial and other development imports. About \$42.5 million of P.L. 480 sales is foreseen for FY 1965. An increasing proportion of these sales will be repayable in U.S. dollars or in local currency earmarked for required U.S. Government uses. This will benefit the U.S. balance of payments, as does the steadily rising trend in China's non-aid financed imports from the United States.

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OTHER FAR EAST PROGRAMS

Consideration will be given in FY 1965 to a loan up to \$5 million for Chinese private enterprise investment. A.I.D. Development Loan funds for general balance-of-payments support have not been needed in FY 1964, nor are they likely to be necessary in the future.

The major emphasis of technical cooperation activities in the past year has been to stimulate the private sector. The A.I.D. Mission has concentrated heavily on providing technical, managerial and administrative guidance to individual private industries, particularly those with a potential for expansion in exports or import substitution. An additional \$0.5 million for technical cooperation to the private sector will be needed in FY 1965 to insure an orderly transition from U.S. assistance to reliance by the Chinese on their own resources and other sources of technical help. U.S. assistance will consist of industrial development advisory technicians and short-term consultants from U.S. industries, and public administration and management improvement advisors.

It is currently planned that FY 1965 will be the final year of A.I.D. funding in Taiwan. However, the recent French recognition of Communist China has made it politically unwise to announce this plan at this time, since it might be misinterpreted as a basic shift in U.S. policy toward the Republic of China.

INDONESIA

Continuation of technical cooperation activities limited in scope and concentrated in a few areas is proposed for FY 1965. The program is small, relative not only to the population, area and strategic importance of the country, but also to its development potential. So long as Indonesia pursues her present economic and foreign policies, new capital or general financial assistance would not be in the U.S. interest. After a brief period of apparent effort to reach a solution of its economic instability and stagnation last spring and summer, the Government of Indonesia has since adopted policies which have increased political tensions in the region and promise neither economic stability nor early development of the country's vast resources. Changes in conditions and Indonesian policies would require a reassessment of U.S. assistance plans.

The A.I.D. program is directed primarily toward long-term improvement of higher education and other essential institutions through advisory services and training in the United States of potential Indonesian leaders. It also supports military civic action, including training of army officers, and malaria eradication.

The continuation of these activities in the present circumstances is intended: (a) to maintain an element of U.S. influence in Indonesia; (b) to strengthen groups hostile to the spread of Communist influence such as friendly officials within the Government, the armed forces and police, and certain intellectuals; and (c) to support trends within Indonesian society favorable to the evolution of an Indonesian Government more compatible with the ideology and security interests of the United States in Southeast Asia. Further objectives are to promote an improved long-term foundation for economic development and preserve a favorable image of the United States among the Indonesian people.

Aid from Others

Sino-Soviet bloc military and economic assistance to Indonesia from 1956 to date has amounted to nearly \$1.7 billion, of which approximately \$1 billion was military aid and the balance was for lines of credit and capital project loans.

Economic assistance from free world sources other than the United States has been limited primarily to short-term supplier credits, although France, Japan and Germany have extended some longer-term loans, and Japan has committed some \$400 million in reparations grants, most of which has been expended. Expansion of economic credits from traditional free world sources is inhibited by Indonesia's uncertain international relations, internal economic difficulties and already heavy burden of external debt. Aid from the U.K. has been suspended due to the Malaysian confrontation, but Indonesia continues to receive significant technical assistance from Japan, Australia, France, Germany, the UN specialized agencies and the Ford Foundation.

FY 1965 Program

The A.I.D. program for FY 1965 proposes \$9.8 million to continue technical cooperation in these fields of activity:

1. Education and specialized training. Approximately 5,000 Indonesians have been trained by A.I.D. in the United States and third countries in such fields as education, governmental administration, police administration, agriculture and technology. Many hold important positions in government ministries and other institutions. Some 650 more will receive such training under the proposed program. A.I.D. also is financing affiliations between U.S. and Indonesian universities to improve faculties and curricula in Indonesia. It is proposed to expand this assistance to help in the establishment of agricultural and engineering faculties at selected universities outside Java. A.I.D. also will help in the production and

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OTHER FAR EAST PROGRAMS

distribution of more textbooks and teaching materials which will reach a broad and important audience.

2. Internal security assistance. These projects are intended to maintain and increase U.S. influence with key political and power groups and to increase acceptance of democratic concepts of the role of the police and armed forces in a free society. A.I.D. is providing technical assistance and training in public safety administration which will improve police capability to maintain internal security. Past assistance has fostered a strong anti-Communist orientation of the police, particularly the Mobile Brigade. All top leaders in the police have been trained in the United States and the police have consistently refused all offers of bloc assistance. Supply of arms and ammunition to the police has been halted since the confrontation policy with Malaysia began in September 1963 and is not provided in the FY 1965 program. A.I.D. is also supporting the Indonesian armed forces civic action program by training military officers in the United States in management fields and by furnishing technical assistance needed for civic improvement projects, such as road and bridge rebuilding, irrigation and flood control, and school construction, thereby helping the Army gain greater popular acceptance.
3. Advisory Services. Projects provide U.S. advisors and U.S. training to the Indonesian Government ministries concerned with economic development planning, fiscal management, civil aviation and maritime training.
4. Malaria Eradication. This decade-long program, in cooperation with the World Health Organization, provides technical advisers, training and supplies of drugs, insecticides and other commodities to assist Indonesia complete its program of malaria eradication in the Inner Islands (Southern Sumatra, Java, Madura and Bali). Malaria eradication reaches 65 million people and is the principal evidence of direct American aid to the mass of the Indonesian people.

In addition to the A.I.D. activities described above, P.L. 480 sales of cotton, rice, tobacco and other U.S. farm surpluses are being made under a three-year sales agreement extending through 1964.

PHILIPPINES

In view of the long and special association of the United States with the people of the Philippines, a dynamic Philippine economy,

marked by increasing social justice, can demonstrate the advantages of close ties with the United States and the vitality of a free, democratic society in Asia. Alliance with the Philippines is fundamental to the U.S. strategic position in Southeast Asia and the Western Pacific. Cooperation in support of Philippine economic progress is a pillar of the alliance.

Progress and Problems

The present Philippine Government has demonstrated increased willingness to face economic facts and to seek responsible solutions. The Macapagal administration has completed a program to remove import controls and free the peso. In addition, it has carried out a reform of the civil service and customs and tax administration.

These and other efforts to speed development, however, have not succeeded as yet in raising the average annual rate of growth beyond the 5% experienced in the last few years. Exchange rate reform along with higher prices for sugar and copra has strengthened the Philippine balance-of-payments and foreign exchange position. This should improve Philippine credit standing and make foreign capital more accessible. But obstacles to rapid development remain. Foremost among them are the uncertainty of Philippine attitudes toward foreign investors, governmental inefficiency and restrictive policies.

FY 1965 Program

The FY 1965 A.I.D. program proposes \$3 million in technical cooperation concentrated on three specific areas: (a) improved economic planning and implementation; (b) rural reform and development; and (c) stimulation of private sector initiative and investments. It also provides for the completion of previous technical assistance and development grant commitments in other fields.

Development lending totaling \$15 million is expected to resume after a long period of review of development projects by the Philippine Government. The Philippines also has access to funds from the World Bank, Ex-Im Bank and other free world sources. A.I.D. considers loans to the Philippines only for sound development projects for which funds from other leaders are unavailable on reasonable terms.

A.I.D., the World Bank, Ford Foundation, UN specialized agencies and other donors are coordinating their efforts to assist the Philippines in various aspects of economic planning and plan implementation. The World Bank provides a resident advisory mission which assists the Philippine Program Implementation Agency and the

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OTHER FAR EAST PROGRAMS

National Economic Council to formulate national and regional programs. The Ford Foundation makes technical advice available to government agency heads on planning and programming. A.I.D. is assisting the Philippines to improve budget planning and management, customs administration, tax collections and accounting procedures. In addition, A.I.D. is completing forest and mineral inventories and undertaking a water resources survey.

The Philippine Congress and administration made an encouraging fresh start last fall toward improving the lot of the Filipino farmer. They enacted a new agrarian reform law designed to increase productivity and relieve discontent by enabling tenant farmers to become owner-operators and by expanding agricultural credit and intensifying technical services to farmers. A.I.D. agricultural projects are being reoriented to serve the goals of the reform program more directly.

In an effort to stimulate Philippine private industrial development, A.I.D. is assisting in the identification, analysis and preparation of project proposals which meet investment or lending criteria of international agencies, banks and other sources of capital. In addition, an American firm will provide a team of experts in engineering, accounting and management to help meet the critical need for assistance of this type. Together with the inventory of Philippine natural resources, which A.I.D. is supporting, these activities should stimulate investment of both local and foreign capital in Philippine private enterprise.

REGIONAL PROGRAM

The Regional Program in the Far East, for which \$3 million is proposed in FY 1965, is aimed at building institutions which will assist the countries of the area to: (a) promote the economic development of the region as a whole; and (b) make progress toward regional economic and political cooperation. Although the benefits to be derived from regional economic cooperation among the nations of the Far East are great, progress to date has been slow and painful. Great power rivalries, Asian nationalism and historic conflicts, have created obstacles to cooperation. Nevertheless, a beginning has been made through the activities of organizations such as the South East Asia Treaty Organization (SEATO), the United Nations Economic Commission for Asia and the Far East (ECAFE), the Mekong Coordination Committee and the Asian Productivity Organization.

SEATO is a military alliance for the common defense of the area, but is also a channel for economic cooperation among its members.

A.I.D. provides assistance to projects within the SEATO framework which have both military and economic significance. The SEATO Graduate School of Engineering in Bangkok which trains engineers from all regional member countries will receive continued assistance from the United States in FY 1965 as well as considerable and increasing assistance from other SEATO members. A SEATO-planned meteorological and aeronautical telecommunications network between Bangkok and Manila will be financed to completion in FY 1965. These and other SEATO projects account for about one-fourth of the regional program cost.

More than half of the regional assistance for FY 1965 is proposed for investigations into possible methods of exploiting the Mekong River which flows through and along the borders of four countries of the region--Vietnam, Laos, Thailand and Cambodia. These investigations are being administered by the ECAFE-sponsored Mekong Coordination Committee. They require, and to date have received, the close collaboration and joint financial support of the four historically unfriendly riparian countries. The Mekong's great long-term potential for irrigation, power, flood control and navigation has attracted widespread international interest and support. Financial contributions total about \$37 million to date, including some \$12 million from the riparian countries and \$3 million from the United States. In FY 1965, the U.S. contribution will continue support to two projects: (a) a feasibility study for a major dam site on the Mekong at Pa Mong (between Thailand and Laos); and (b) spare parts for a hydrologic network. It also will complete the funding of two others: (a) the mapping of six Mekong tributaries; and (b) an economic and hydrologic analysis of the Mekong system.

A.I.D. will also seek to foster economic cooperation through continued support of the Asian Productivity Organization which provides for the regional exchange of technical information for raising industrial productivity. About half of the support for this organization now comes from countries of the region. The regional countries are expected to assume the full burden in the near future.

A small portion of regional assistance proposed for FY 1965 will finance other activities that can be carried out more efficiently and economically on a regional basis than through bilateral programs. Examples include the training of democratic trade unionists from a number of Far East countries at the Asian Labor Education Center at Manila, and a number of small region-wide technical assistance activities.

BURMA
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	-1.1	15.2	63.6	1.3	62.3
Loans.....	-	4.8	32.5	1.3	31.2
Grants.....	-1.1	10.4	31.1	-	31.1
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	0.3	8.5	48.5	0.1	48.4
Title I - (Total Sales Agreements)....	(-)	(10.7)	(51.4)	(-)	(51.4)
Less: (Planned for U.S. Uses)....	(-)	(2.6)	(10.8)	(-)	(10.8)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	8.1	40.6	0.1	40.5
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	2.1	8.1	-	8.1
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	6.0	32.5	0.1	32.4
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	5.0	-	5.0
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.3	0.4	2.9	-	2.9
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	5.0	5.4	-0.4
TOTAL ECONOMIC.....	-0.8	23.7	117.1	6.8	110.3
Loans.....	-	10.8	70.0	6.8	63.2
Grants.....	-0.8	12.9	47.1	-	47.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	8.4	10.7	60.6	-	60.6
(Additional Grants from Excess Stocks).	(*)	(1.7)	(9.0)	(-)	(9.0)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	8.4	10.7	60.6	-	60.6
Loans.....	-	-	-	-	-
Grants.....	8.4	10.7	60.6	-	60.6
TOTAL U.S. ECONOMIC AND MILITARY.....	7.6	34.4	177.7	6.8	170.9
Loans.....	-	10.8	70.0	6.8	63.2
Grants.....	7.6	23.6	107.7	-	107.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	5.3	2.6	99.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	33.4		
UN Tech. Ass't. (CY).....	1.1	1.0	9.4		
UN Special Fund.....	3.6	-	4.2		

* Less than \$50,000.

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CHINA (TAIWAN)

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	22.3	30.7	1,383.3	17.7	1,365.6
Loans.....	25.2	30.0	229.3	17.7	211.6
Grants.....	-2.9	0.7	1,154.0	-	1,154.0
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	52.2	50.5	205.6	0.7	204.9
Title I - (Total Sales Agreements)....	(48.7)	(36.7)	(146.6)	(-)	(146.6)
Less: (Planned for U.S. Uses)....	(9.2)	(6.9)	(31.5)	(-)	(31.5)
TITLE I - PLANNED FOR LOANS & GRANTS...	39.5	29.8	115.1	0.7	114.4
104c - Grants for Common Defense.....	25.7	18.3	77.1	-	77.1
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	3.3	1.9	15.0	0.5	14.5
104g - Loans to Governments.....	10.5	9.6	23.0	0.2	22.8
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	4.4	3.5	10.9	-	10.9
TITLE III - VOLUNTARY RELIEF AGENCIES...	8.3	7.9	70.3	-	70.3
TITLE IV - DOLLAR CREDIT SALES.....	-	9.3	9.3	-	9.3
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	33.2	27.8	5.4
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	502.3	29.6	472.7
TOTAL ECONOMIC.....	74.5	81.2	2,124.4	75.8	2,048.6
Loans.....	39.0	50.8	405.3	75.8	329.5
Grants.....	35.5	30.4	1,719.1	-	1,719.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	84.4	76.3	2,135.6	-	2,135.6
(Additional Grants from Excess Stocks).	(20.6)	(9.5)	(396.7)	(-)	(396.7)
OTHER MILITARY ASSISTANCE.....	-	-	213.6	-	213.6
TOTAL MILITARY.....	84.4	76.3	2,349.2	-	2,349.2
Loans.....	-	-	-	-	-
Grants.....	84.4	76.3	2,349.2	-	2,349.2
TOTAL U.S. ECONOMIC AND MILITARY.....	158.9	157.5	4,473.6^{a/}	75.8	4,397.8
Loans.....	39.0	50.8	405.3	75.8	329.5
Grants.....	119.9	106.7	4,068.3	-	4,068.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.4	0.4	3.6		
UN Special Fund.....	0.7	2.2	3.5		
Int'l. Dev. Association.....	15.3	-	15.3		

^{a/} Includes \$869.0 million for Mainland China in FY 1946-1950. Of this, \$141.4 million was military grants; and \$727.6 million economic assistance, including \$128.7 million in loans.

INDONESIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>21.6</u>	<u>35.3</u>	<u>278.6</u>	<u>12.5</u>	<u>266.1</u>
Loans	2.7	16.9	60.6	12.5	48.1
Grants	18.9	18.4	218.0	-	218.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>48.6</u>	<u>86.4</u>	<u>280.8</u>	<u>0.8</u>	<u>280.0</u>
Title I - (Total Sales Agreements)	(54.5)	(91.2)	(313.7)	(-)	(313.7)
Less: (Planned for U.S. Uses)	(7.3)	(9.1)	(47.4)	(-)	(47.4)
TITLE I - PLANNED FOR LOANS & GRANTS	<u>47.2</u>	<u>82.1</u>	<u>266.3</u>	<u>0.6</u>	<u>265.7</u>
104c - Grants for Common Defense	-	-	30.8	-	30.8
104e - Grants for Econ. Development	2.0	-	25.3	-	25.3
104e - Loans to Private Industry	2.7	4.5	21.0	-	21.0
104g - Loans to Governments	42.5	77.6	189.2	0.6	188.6
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	2.2	0.2	2.0
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	0.8	0.8	-	0.8
TITLE III - VOLUNTARY RELIEF AGENCIES	1.4	3.5	11.5	-	11.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	<u>0.7</u>	<u>-</u>	<u>162.1</u>	<u>78.8</u>	<u>83.3</u>
OTHER U.S. ECONOMIC PROGRAMS	<u>-</u>	<u>0.2</u>	<u>67.9</u>	<u>42.0</u>	<u>25.9</u>
TOTAL ECONOMIC	<u>70.9</u>	<u>121.9</u>	<u>739.4</u>	<u>134.1</u>	<u>655.3</u>
Loans	48.6	99.0	498.7	134.1	364.6
Grants	22.3	22.9	290.7	-	290.7
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	<u>16.3</u>	<u>13.9</u>	<u>80.6</u>	<u>(-)</u>	<u>80.6</u>
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	<u>16.3</u>	<u>13.9</u>	<u>80.6</u>	<u>-</u>	<u>80.6</u>
Loans	-	-	-	-	-
Grants	16.3	13.9	80.6	-	80.6
TOTAL U.S. ECONOMIC AND MILITARY	<u>87.2</u>	<u>135.8</u>	<u>870.0</u>	<u>134.1</u>	<u>735.9</u>
Loans	48.6	99.0	498.7	134.1	364.6
Grants	38.6	36.8	371.3	-	371.3
OTHER ASSISTANCE					
BINO-SOVIET BLOC ASSISTANCE (CY)	-	5.6	651.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	1.1	1.7	11.1	-	-
UN Special Fund	1.0	1.2	2.8	-	-

PHILIPPINES

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	<u>-1.4</u>	<u>0.7</u>	<u>275.6</u>	<u>6.2</u>	<u>269.4</u>
Loans	-5.2	-1.8	53.2	6.2	47.0
Grants	3.8	2.5	222.4	-	222.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	<u>23.9</u>	<u>9.8</u>	<u>75.8</u>	<u>0.2</u>	<u>75.6</u>
Title I - (Total Sales Agreements)	(21.8)	(-)	(35.6)	(-)	(35.6)
Less: (Planned for U.S. Uses)	(5.5)	(-)	(10.6)	(-)	(10.6)
TITLE I - PLANNED FOR LOANS & GRANTS	<u>16.3</u>	<u>-</u>	<u>25.0</u>	<u>0.2</u>	<u>24.8</u>
104c - Grants for Common Defense	5.0	-	7.8	-	7.8
104e - Grants for Econ. Development	3.1	-	3.1	-	3.1
104e - Loans to Private Industry	5.4	-	6.3	0.1	6.2
104g - Loans to Governments	2.8	-	7.8	0.1	7.7
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	0.5	-	0.5
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	7.6	9.8	50.3	-	50.3
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	<u>25.3</u>	<u>3.9</u>	<u>185.8</u>	<u>52.3</u>	<u>133.5</u>
OTHER U.S. ECONOMIC PROGRAMS	<u>2.4</u>	<u>77.4</u>	<u>857.1</u>	<u>117.3</u>	<u>739.8</u>
TOTAL ECONOMIC	<u>50.2</u>	<u>91.8</u>	<u>1,394.3</u>	<u>176.0</u>	<u>1,218.3</u>
Loans	28.3	2.1	359.8	176.0	183.8
Grants	21.9	89.7	1,034.5	-	1,034.5
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	<u>20.5</u>	<u>23.7</u>	<u>290.6</u>	<u>(-)</u>	<u>290.6</u>
OTHER MILITARY ASSISTANCE	1.0	-	132.7	-	132.7
TOTAL MILITARY	<u>21.5</u>	<u>23.7</u>	<u>423.3</u>	<u>-</u>	<u>423.3</u>
Loans	-	-	-	-	-
Grants	21.5	23.7	423.3	-	423.3
TOTAL U.S. ECONOMIC AND MILITARY	<u>71.7</u>	<u>115.5</u>	<u>1,817.6</u>	<u>176.0</u>	<u>1,641.6</u>
Loans	28.3	2.1	359.8	176.0	183.8
Grants	43.4	113.4	1,457.8	-	1,457.8
OTHER ASSISTANCE					
BINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	42.5	18.7	79.7	-	-
UN Tech. Ass't. (CY)	0.6	0.7	6.5	-	-
UN Special Fund	1.5	1.5	4.0	-	-
Int'l. Finance Corp.	-	4.4	4.4	-	-

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AFRICA

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FY 1965 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Technical Cooperation & Development Grants	Supporting Assistance
TOTAL	\$218,900- 244,400	\$105,000- 130,500	82,900	31,000
Algeria	2,000	-	2,000	-
Congo (Leopoldville)	17,555	-	2,555	15,000
East Africa				
Kenya	4,856	2,000	2,856	-
Tanganyika	7,895	5,000	2,895	-
Uganda	3,675	1,000	2,675	-
Ethiopia	6,741	1,000	5,741	-
Ghana	1,232	-	1,232	-
Guinea	14,655	5,500	3,155	6,000
Liberia	14,997 - 17,497	7,000 - 9,500	7,997	-
Libya	300	-	300	-
Mali	1,070	-	1,070	-
Morocco	21,200	10,000	1,200	10,000
Nigeria	36,620 - 50,620	19,000 - 33,000	17,620	-
Northern Rhodesia	1,025	-	1,025	-
Nyasaland	1,377	-	1,377	-
Sierra Leone	4,920 - 6,920	2,500 - 4,500	2,420	-
Somali Republic	7,991	4,000	3,991	-
Sudan	13,107 - 15,107	9,000 - 11,000	4,107	-
Tunisia	33,648 - 38,648	31,500 - 36,500	2,148	-
U.A.M. States ^{2/}	13,185	7,500	5,685	-
Regional	10,851	-	10,851	-

^{2/} UNION AFRICAN & MALAGASY STATES
 Cameroon Dahomey Niger
 Central Af. Rep. Gabon Senegal
 Chad Ivory Coast Togo
 Congo (Brazzaville) Malagasy Rep. Upper Volta

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U.S. Objectives

Most African nations have been independent less than four years. Until recently, the all-consuming drive for independence left little energy or will for other matters. Now, however, the countries of the continent are turning their attention to the long and grinding task of consolidating their independence and providing greater economic and social opportunities for their people.

It is strongly in the U.S. interest that their efforts succeed. The character and outlook of the African regimes are likely to be shaped in the early years of independence. Unless the Free World shows an interest in African economic development and a willingness to help, these nations under great economic and social pressures are likely to turn to extremist solutions, with far-reaching and irreversible implications for Africa and the world. While U.S. aid and that of other free world donors cannot guarantee the emergence of stable, democratic and progressive nations, it can assist in moderate solutions to Africa's problems.

The primary goal of U.S. economic aid to Africa is the support of African development efforts, in a few cases through substantial support of well conceived development programs; elsewhere through technical assistance designed to strengthen institutions and train needed manpower, and through financing selected capital projects.

In a few countries, U.S. aid serves other, more limited foreign policy objectives as well as promoting moderate solutions for progress. In Morocco, aid is used in part to maintain access to military or communications facilities. In Guinea, Mali, and Somalia our aid is intended to provide an alternative to dependence on Communist assistance.

In a number of countries, limited U.S. development assistance makes continued primary reliance on the former metropole politically feasible. The domestic opposition in these countries and other more radical African countries often charge their governments of these countries with submitting to a form of neo-colonial dependence. Therefore, such governments may find it politically imperative to diversify their sources of external assistance.

While U.S. interest and objectives in Africa are quite broad, the role of U.S. assistance is limited in much of Africa and varies significantly from country to country, reflecting: (a) the importance to the United States of accelerating development in the country; (b) the ability of the country to use aid effectively; (c) the ability of the United States to provide the types of aid required; and (d) the availability of other free world aid. The last factor is particularly significant in Africa.

In the field of economic assistance, the Western European powers have continued to carry primary responsibility in much of Africa. Although U.S. aid commitments have grown, our aid is less than a third of total free world aid to the continent. More than a half-century of colonial experience has created a corps of administrators and technical specialists in the Western European nations who are familiar with many aspects of African problems.

The United States does not wish to supplant the efforts of the Western European nations. Nor could we do so effectively in many instances. Language is one simple but important problem -- we have trouble finding French-speaking technical specialists to serve in former French and Belgian territories. Ties of trade and monetary arrangements also often make assistance from the former colonial power easier for the donor and for the recipient than aid from other sources.

This does not mean that the United States cannot make a real contribution to African development. It does mean that in most African countries U.S. aid is not intended to provide broad support but rather to finance selected projects for which other funds are not forthcoming, or to provide technical assistance in fields of special U.S. competence or relevant experience.

Moreover, although African needs for capital and technical assistance are large, lack of experienced personnel to plan and implement projects and programs limits the aid that can be effectively absorbed. The problem is not only one of selecting and building sound projects, but also of utilizing them after they are built. Factories need skilled labor to run efficiently; roads must be maintained. Schools without teachers are useless, and merely arouse hopes that will be disappointed. The Peace Corps and other external sources of middle level manpower can lift but not remove this ceiling on the rate of progress.

Therefore, economic assistance to Africa follows a highly individualized approach, depending in each country on the role of other donors, the country's capacity to use more aid well, and the effectiveness of U.S. aid in the country's circumstances.

Africa's Prospects

The years ahead will test the judgment, determination and patience of both the African nations and the free world countries aiding them. Frustrations will grow. The realities of independence have generally fallen short of expectations. In some countries the drive for nationhood was accompanied by exaggerated promises of post-independence wealth and freedom from responsibilities.

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AFRICA REGIONAL STATEMENT

Continued unrest in some African nations may be expected as old institutions and traditions disappear and new ones evolve, popular hopes for a better way of life create growing pressures, and the new nations work out relationships with their neighbors and the broader international community.

Compounding problems of exaggerated expectations and the inevitable strains of growth, many African nations are badly split internally. Their borders were drawn with little regard for ethnic homogeneity or an adequate resource and population base for nationhood. Centuries-old tribal and ethnic hostilities strain unity in many states, and have flared into violence in the Congo, Sudan, Zanzibar and Rwanda.

Country boundaries have also split tribes among two or more states, leading to border disputes and irredentist movements. Skirmishes between Ethiopia and Somalia, and bitter fights between Rwanda and tribesmen from Burundi are only the most recent instances.

The Communists have been quick to exploit these problems. The Soviet Union was standing by to fill the gap when France withdrew her aid, after Guinea voted "no" in the referendum offering membership in the French Community. Nkrumah's actions and beliefs met a ready response in Soviet aid. The effort to capture the turmoil in the Congo for the Communist cause was only narrowly averted. The drive for independence and racial tensions in Zanzibar brewed an explosive mixture from which Chinese and possibly Cuban-trained agents have tried to benefit. Somalia's quarrel with Ethiopia has led the former to accept Soviet military assistance and budgetary support from the Communist Chinese. Premier Chou En-Lai's recent tour of Africa illustrates these efforts which are bound to increase. But the foregoing is only one part of the picture. There are also more hopeful prospects.

Nigeria, with the largest population of any country in Africa, has established a federal framework within which traditionally rival regions and tribes can reach agreement on national policies. Nigeria's six-year Development Plan has been described by the World Bank as "a major achievement -- an excellent beginning." Nigeria's Gross National Product (GNP) has risen at an annual rate of 4% over the past five years; savings as a proportion of GNP have also increased in recent years; and investment has averaged 15% of GNP. At independence in 1960, Nigeria had one graduate liberal arts college; she now has four universities offering training in engineering, medicine, agriculture, public administration and other essential fields. Her private sector is forging ahead more rapidly than the Plan forecasts.

Tunisia, despite an exodus of French capital and French and Italian specialists after Bizerte, increased her GNP 10% from 1961 to 1962, the latest year for which actual data are available. Gross investment increased 17%. Similar gains are believed to have been made in 1963. While the country does not have abundant natural resources, Tunisia's economic prospects are enhanced by its relatively large cadre of well-trained personnel who are effectively led and dedicated to development.

Although a number of African countries are resource poor, others are richly endowed. Iron ore in Gabon and Liberia, copper in Rhodesia and the Congo, oil in Libya and Algeria and bauxite in Ghana promise good exports and/or the basis for eventual industrial development. Kenya, Ethiopia, and other states embrace both temperate highlands and subtropical and tropical regions capable of growing a wide range of crops. Equatorial Africa's timber resources have barely begun to be tapped.

Africa's ability to moderate national differences and regulate its own affairs is growing. During 1963 the Organization for African Unity (OAU) was created. The OAU provides a forum in which the developing but quite real sense of African unity and responsibility may encourage African states to solve their differences peacefully and without non-African intervention. The ceasefire along the border of Algeria and Morocco is being moderated by the OAU, and may provide the first test of its ability to resolve African problems without outside intervention.

On the economic side, the Economic Commission for Africa is encouraging regional cooperation. More and more of the African nations are coming to the conclusion that their national markets are not large enough to support major industrial plants and that cooperative efforts are required. They also are becoming increasingly aware that uneconomic duplication of projects wastes scarce resources and that multi-national planning and cooperation are essential to efficient growth. Agreement to establish an African Development Bank was reached in Khartoum in 1963. Within the next year or so, a sufficient number of nations are expected to ratify the agreement and contribute to its capitalization so that the Bank will be able to begin operation. This Bank could become a focal point of Inter-African regional projects.

Total Free World Aid

During the last five years, annual obligations to Africa from free world countries other than the United States increased from \$906 million in FY 1959 to \$1.1 billion in 1963. U.S. assistance,

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AFRICA REGIONAL STATEMENT

including P.L. 480, in that year was less than a third of total free world aid. In FY 1963, 83% of other free world assistance was provided on a bilateral basis. France and the U.K. accounted for over \$725 million or nearly two-thirds of the total. The European Economic Community (EEC) has been providing over \$100 million a year in grant aid. United Nations grants and loans from the World Bank family (International Bank for Reconstruction and Development, International Finance Corporation, and International Development Association) provided \$87 million, or nearly 7%. Current estimates indicate that total obligations from all free world sources in FY 1964 will be at about the same level as in 1963. Approximately 62% of total other free world obligations in Africa in 1963 were on a grant basis.

A.I.D. Assistance to Africa

(In millions of dollars)

Fiscal Year	Development Loans	Technical Cooperation & Development Grants	Development Assistance (D.L.&T.C.)	Supporting Assistance	Total
1961	53	21	(74)	190	264
1962	86	105	(191)	124	315
1963	98	84	(182)	79	261
1964	76	78	(154)	48	202
1965 (Proposed)	105	83	(188)	31	219

Free World Economic Assistance to Africa by U.S. Fiscal Year

(In millions of dollars)

	1959	1960	1961	1962	1963 (Est)
<u>Other Free World Aid</u>	<u>906</u>	<u>1,073</u>	<u>1,207</u>	<u>1,273</u>	<u>1,149</u>
Bilateral Aid From					
Other Countries	809	837	1,031	1,055	951
European Economic Community	18	39	111	126	111
International Organizations	79	197	65	92	87
<u>Total U.S. Aid (including P.L. 480 and Ex-Im Bank)</u>	<u>185</u>	<u>209</u>	<u>484</u>	<u>500</u>	<u>510</u>
<u>Total Free World Aid</u>	<u>1,091</u>	<u>1,282</u>	<u>1,691</u>	<u>1,773</u>	<u>1,659</u>

In FY 1965, A.I.D. proposes a total program for Africa of \$219 million, slightly above estimated obligations for 1964. A.I.D. is concentrating its assistance to Africa in countries where U.S. interests are important, where development prospects are best, and where external aid requirements are not being met from other sources. Over half of the proposed program is concentrated in four countries -- Nigeria, Tunisia, Sudan and Liberia. The first three have moderate and effective leadership and are conducting well-conceived development programs. All three receive more aid from other free world sources than from the United States, but need our additional assistance to meet Plan targets. Liberia's efforts to mobilize her resources have left room for considerable improvement, but in the past year the Government has established tight budgetary controls under International Monetary Fund direction, and has taken other needed development measures. This fact, coupled with the special historical ties between the United States and Liberia leads the United States to conduct a substantial program in Liberia.

U.S. Assistance to Africa

A.I.D. Programs. The significant increase in U.S. development assistance to Africa dates from 1962. Before that year, much of our aid went to those countries where the United States maintained strategic facilities. In 1961, three-fourths of U.S. economic aid to Africa was in the form of supporting type assistance. In 1962, development loans and technical cooperation and development grants together more than doubled, while Supporting Assistance began to fall. The steady reduction in non-development aid since then is largely the result of reduced base payments requirements in North Africa and the cessation of hostilities in the Congo.

In contrast with these few countries in Africa where U.S. aid is concentrated, the United States conducts limited programs in some 15 former French and Belgian countries which are receiving very substantial aid and trade benefits from their former metropolises and the EEC. Our assistance in these countries usually consists of technical assistance for specific short-term projects and occasional development loans for sound capital projects for which other financing is not available. In several, the Peace Corps also conducts programs. Only \$13 million is proposed for this group of countries -- a twentieth of A.I.D. assistance to Africa, and less than 1% of A.I.D.'s total proposed program.

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AFRICA REGIONAL STATEMENT

In several other African countries, the level and nature of U.S. aid falls between the four substantial programs and the very limited programs in most of the former French and Belgian territories. Our programs in the Congo, Morocco, Ethiopia, Guinea, and British East Africa are in this middle group.

Fiscal Year 1965 will mark the termination of A.I.D. assistance to two African countries which can depend on internal and other external sources to support development. The discovery of oil in Libya gives this nation enough foreign-exchange resources to finance its own development directly or through borrowing from conventional financing institutions. The program in Southern Rhodesia will be terminated because of its favorable economic position and because the program is of marginal value to U.S. interests under present circumstances.

No funds are programmed in 1965 for three other countries which have been receiving aid -- Rwanda, Burundi and Mauritania. However, if appropriate projects develop in these three, it may be considered advisable to finance them. No funds are now planned for Gambia, but the situation there requires considerable planning flexibility.

Development Loans. Loans of about \$105 million are proposed for FY 1965, of which more than 75% is earmarked for Nigeria, Tunisia and Sudan. Development loans finance both major capital projects such as the Niger Dam and less ambitious but important projects such as farm-to-market roads. The Niger Dam loan will cover up to \$15 million of the total costs of over \$200 million. The Government of Nigeria is covering all local costs, the World Bank is the primary external lender, and the U.K., Netherlands and Italy are also supporting the project. A project of this scope is clearly a major contribution to Nigeria's development.

Less dramatic but equally basic to development is the expansion of a transportation network to permit the opening of isolated areas of the continent. A.I.D. has assisted in the construction of farm-to-market roads not only for the fundamental purpose of allowing wider domestic and export marketing of cash crops, but also to stimulate national cohesion through increased social and commercial ties. In FY 1965, A.I.D. may extend a loan to Tanganyika for a major road from the capital to the southern part of the country opening up an area rich in agricultural resources. Loan funds may also go to Sierra Leone for a road; opening outlying regions for marketing of rice and other staples in Freetown, the capital, and in other urban centers.

A \$9.2 million loan for extending the Trans-Cameroon railroad, complemented by assistance from the EEC (\$17 million) and France (\$8.8 million), will open important bauxite deposits in Northern Cameroon and will make it possible to export Chadian livestock and meat, Central African Republic timber and Cameroonian cotton. A side-effect will be to encourage these Equatorial African neighbors to coordinate their development efforts in a variety of fields. Sanitary municipal water systems to reduce pollution and disease will be constructed for the first time in some areas, expanded in others, through U.S. loans in FY 1965 to Liberia, Kenya, and Nigeria. A.I.D. loans may also bring telecommunications and electric power to rural areas of Guinea.

Technical Cooperation and Development Grants. About \$83 million is proposed for technical assistance to Africa in FY 1965, compared with estimated obligations of \$78 million in FY 1964.

The primary need in most African countries is development of skilled manpower and basic institutions necessary to support further growth. Although these are long-term tasks, our aid has already enabled a number of African countries to expand their educational institutions to train personnel necessary to replace the expatriate officials or to prepare teachers for primary, secondary and higher educational institutions. In some countries, such as Nigeria and Liberia, vocational education institutions have been established or expanded to better equip these nations with the skills basic to economic growth.

Part of the funds for technical cooperation finance contracts with 32 U.S. colleges and universities. For example, nine American universities are assisting in various activities in Nigeria, some to help establish or strengthen departments of Nigerian universities and specialized colleges. Michigan State University has advised the University of Nigeria in the organization of its administrative apparatus, physical plant, curricula, and research and extension programs.

Technical cooperation funds also finance a program through which A.I.D. and more than 200 American colleges and universities cooperate to bring young Africans to the United States for undergraduate training. The universities provide scholarships; the students' governments pay for travel costs; and A.I.D. provides a living allowance during the students' stay in the United States. Under this program, about 800 students have thus far come for training.

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The vast majority of Africans depend primarily on agriculture. Therefore, much of A.I.D. assistance, both capital and technical, has been directed to improving agricultural techniques and practices and to reaching farmers through modern extension services. In Sudan, Mali, Nigeria and elsewhere, livestock and poultry production has been increased primarily by the provision of U.S. technical assistance. Training in land-use, soil conservation, land reclamation, and water resource utilization will benefit Tunisia, Morocco, and Somalia among others, in their drives toward development.

In a few cases, training projects in public health and sanitation and endemic disease control programs, financed in part with A.I.D. funds, have enabled countries to fight the crippling effects of illness. Sometimes a very simple program can have a profound effect. In upper Volta, measles used to be among the most serious causes of tragically high infant mortality. An A.I.D. financed measles control program has immunized over 730,000 adults and children, almost one-fifth of the entire population.

Technical cooperation may directly dovetail with development lending, as in Congo (Brazzaville) where we supply road maintenance advisors and are financing road construction on a loan basis. Technical cooperation grants also bring some 500 Africans a year to the United States or to third countries for specialized training.

While most of the proposed assistance is on a bilateral basis, increasing emphasis is being given to providing technical assistance on a regional basis. This approach should encourage African nations to get the most from their scarce resources through joint or multi-country approaches to common economic and social problems. Existing African organizations and institutions are utilized where possible. For example, the United States plans to fund 650 scholarships in African universities for students of other African countries. The United States is also supporting organizations such as the U.S.'s Economic Commission for Africa; the Commission for Technical Cooperation in Africa (CCTA) of which 26 African governments are full members; the Organization for Control of Endemic Diseases (OCCGE) with an African membership of seven nations; and the East African Desert Locust Control Organization (EADICIO) consisting of six African nations.

Supporting Assistance. \$31 million in Supporting Assistance is planned for Africa for FY 1965, compared to \$48 million in FY 1964 and \$124 million in FY 1962. The Congo remains the largest claimant. Supporting Assistance for base rights has been sharply reduced in Morocco and none is programmed in FY 1965 for Libya.

Management Improvement. The FY 1965 program reflects both new and continued management and administrative improvements. A.I.D. direct-hire staff is being reduced in many African countries during FY 1964. Every effort will be made in FY 1965 to eliminate the need for A.I.D. direct-hire program and administrative personnel in certain African countries and to service the small programs in these countries by dispatching personnel from Washington or neighboring missions. To an increasing extent, projects will be implemented through contracts with other agencies and private institutions.

There are now 16 African posts where housekeeping and administrative services for all U.S. agencies are combined. This arrangement eliminates duplication and competition for local facilities and skills. The consolidated USIA/State Department/A.I.D. supply center in Nigeria, which services the neighboring countries of West Africa, will also achieve economies.

As a result of these measures, overseas direct-hire administrative personnel in Africa decreased from 313 at the end of August 1962 to 279 at the end of FY 1963 and are expected to decrease to approximately 260 at the close of FY 1965.

Other U.S. Assistance. Concessional sales and grants of surplus U.S. farm products under P.L. 480 are a major element of U.S. assistance to Morocco and Tunisia, and make up most of U.S. assistance to Algeria. In all three countries, Food-for-Work Programs are providing jobs for unemployed workers on soil conservation reforestation and irrigation projects, and are stimulating construction of roads, schools, and medical facilities. P.L. 480 programs for Africa amounted to approximately \$230 million in 1963, of which \$67 million was in Title I and IV sales and the balance largely Title II.

The Peace Corps conducts programs in 17 African countries, providing essential middle-level manpower as well as encouraging understanding between Africans and Americans.

Conclusion

The African program reflects the application of A.I.D. principles and policies to African conditions. Assistance, particularly lending, is concentrated in four important countries which show development promise. Smaller programs are conducted in other countries to achieve specific U.S. objectives. In some 15 countries, only tightly limited U.S. assistance is extended. U.S. aid in Africa is one-half that supplied by other donors, and it is our policy to coordinate our aid with theirs in all countries

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and subordinate our role to theirs in many. The administration of the program is being tightened, and the fullest possible use made of other U.S. agencies, public and private organizations as well as private investment and enterprise. Most African nations have

a long road to travel before reaching self-sustaining growth. U.S. assistance, imaginatively used in combination with that of other donors, can help remove some of the roadblocks and encourage the responsible decisions and cooperation within and between African nations necessary to move down that road.

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Congo (Leopoldville) — GENERAL ECONOMIC DATA



BASIC DATA

Population (millions - mid-1963)	15.1	Life Expectancy (years)	37
Annual Growth Rate (percent)	2.3	People per Doctor	63,400
Area (1000 square miles)	906	Literacy Rate (percent)	50
Agricultural Land as % of Area	22	Pupils as % of Population	11
		(Primary & Secondary)	
GNP Per Capita (dollars)*	88		

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963(Est.)</u>
PRODUCTION TRENDS					
Agricultural Prod. Index (1952-54=100)	116	125	96	86	89
Index per Capita	103	108	81	70	71
Cassava (1000 MT)	7,212	7,500	6,000	6,000	6,150
Copper, smelter prod. (1000 MT)	282	302	295	297	300
INTERNATIONAL TRADE (\$ millions)^{a/}					
Total Exports (f.o.b.)	568	n.a.	350	325	320
Total Imports (f.o.b.)	298	n.a.	240	200	215
Trade Balance	+270	n.a.	+110	+125	+105
GOLD & FOREIGN EXCHANGE (\$ millions) ... (End of year)	n.a.	86	56	29	47(Sep.)
COST OF LIVING INDEX (1961=100) (Leopoldville)	n.a.	n.a.	100	161	253(9 mos)

* - For 1959; converted at 50 Congo francs per U.S. dollar.

^{a/} Exchange receipts and expenditures; 1959 data include former Ruanda-Urundi.

Country: CONGO (LEOPOLDVILLE)

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Technical Cooperation	3.0	2.4	2.5
Supporting Assistance	35.0 <u>a/</u>	20.0	15.0
International Organizations & Programs <u>b/</u>	(4.4)	(5.0)	(5.0)
Total A.I.D. Assistance	<u>38.0</u>	<u>22.4</u>	<u>17.5</u>

a/ Commodity import programs funded from IO funds and shown as SA for comparative purposes.

b/ UN Technical Assistance: Details in section on Contributions to International Organizations. Shown here for information only.

U.S. Objectives and Policy

Though serious problems remain, some progress was made last year in moving the Congo away from the chaos of its immediate post-independence period. With the re-integration of Katanga, the principal threat to national unity has been overcome. Assurance of the presence of UN military forces until June 1964 has gained additional time for training the national army. The Adoula government is growing more experienced and has successfully weathered all attempts to dislodge it. A beginning has been made toward upgrading secondary and post-secondary education and improving the level of public administration.

For some time the country has suffered from persistent and heavy inflation complicated by lack of physical security, secessionist movements, the departure of a large number of expatriate technicians, the almost complete lack of trained Congolese and the breakdown of the transportation system. In late 1963, a start was made on a program of economic stabilization, in cooperation with the International Monetary Fund (IMF), designed to bring the inflation under control this year. The Congolese franc was devalued last November and a set of general stabilization policies was agreed upon. These policies call for limitations on wage increases, strict control of Bank credit and a gradual elimination of the budget deficit. The devaluation was an important first step in a stabilization program.

The over-all U.S. objective in the Congo remains the establishment of a moderate central government of a unified and viable independent state, capable of resisting Sino-Soviet influence and of maintaining political stability, internal security and a reasonable rate of economic and social progress.

At this time, however, U.S. assistance is still directed basically at helping to assure the more immediate political and economic stability required in the Congo. For this purpose, at least in the near future, U.S. plans call for a continued heavy technical and financial commitment. The U.S. responsibility must also take account of the limited duration of the UN presence which is assured in civil affairs until December 1965.

U.S. assistance policy supports this objective by focusing action in three essential areas: economic stabilization, internal security, and administrative capability. The United States is making an intensive effort to assure participation by other donors and international agencies in the provision of assistance to the Congo and to strengthen coordination and sense of common purpose among several assistance sources.

In the stabilization area, the IMF is continuing an advisory role to the Government of the Congo in fiscal and monetary matters, and in planning in cooperation with the UN Civil Operations Programs, to provide operational personnel to staff key financial institutions. Other donors are providing grants or loans for balance-of-payments purposes, including the U.K., Germany, and the European Economic Community (EEC). The Belgian Government is presently considering a credit of \$20 million to the Congo. U.S. balance-of-payments assistance is intended, together with other external aid, to enable a level of imports sufficient to sustain economic recovery. U.S. assistance will be related to estimates of need as defined above, and will be used to assist the Government in carrying out its part of the stabilization effort. Among the key areas of policy and administration in which improvements are needed are: reorganization and liberalization of an ineffective system of licensing and quotas for access to foreign exchange; improved planning for utilization of over-all foreign exchange availabilities; control over bank credit; and reduction of the government's budget deficit through effective control of expenditures and tax measures.

With respect to internal security, the United States is participating with other nations in a coordinated program to improve the training and equipment of the Congolese police. The police are ineffective, and require substantial training in development of leadership cadres and improvement of technical services as well as material aid in communications and vehicle equipment.

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Country: CONGO (LEOPOLDVILLE)

These joint efforts with respect to the police forces are related to, and coordinated with, multilateral assistance being furnished to the Congolese National Army.

With respect to the improvement of public administration capability, the U.S. efforts fall into two categories. In the short run, and recognizing the lack of qualified, trained Congolese, the United States and other donors are making possible a major UN program for the provision of operating personnel to the Congo. In the longer run, the United States is supporting selected training institutions which will eventually produce Congolese trained to take over responsibility from expatriate staff. The Belgian and other governments are providing large numbers of technicians to the Congo in coordination with the UN program.

Progress, Self-Help, Aid from Others

The Congolese Government has demonstrated good intentions in carrying out self-help measures, but lack of internal discipline and administrative capacity are limiting factors. In the stabilization area, the Congo took an important step in carrying through a major devaluation in November 1963. The next important step contemplated is a simplification and liberalization of administrative arrangements for access to foreign exchange which will improve management of fiscal affairs. The U.S. aid program will help achieve the additional fiscal and monetary reforms appropriate to a stabilization program.

The United States assumed a leadership role in the Congo during the period of the Katanga secession, and took a major share of the financial responsibility as well. In the past year, the United States has made a substantial effort to broaden the base of Western support for the Congo and has facilitated the re-engagement of Belgium without, however, sacrificing the common direction and purpose of the Western effort. The United States hopes to obtain increased participation of other donors and to play a lesser role than heretofore.

The International Bank for Reconstruction and Development (IBRD) is expected to provide some \$10 million; Germany will provide loans for imports estimated at \$5 million; the U.K. will provide a grant for imports in the amount of \$2 million; the Common Market organization is expected to provide some \$5.5 million for local costs of road projects and possibly additional assistance for development projects, and France is expected to provide approximately \$1 million for support of 100 technicians.

Belgium will continue to provide large-scale technical assistance (now approximately 2,000 people).

FY 1965 Program

In FY 1965 U.S. aid will be used to bolster the stabilization efforts of the Congolese Government in two ways. The provision of imports through Supporting Assistance funds and P.L. 480 agricultural products, which will constitute the bulk of U.S. economic aid, will be needed to provide essential commodities to reduce shortages and also to ease pressure on the country's balance of payments.

The political and economic situation of the Congo is still so unsettled that it is difficult to make accurate predictions as to the size of the aid program that will be required. The best estimate is approximately \$15 million in Supporting Assistance funds plus a P.L. 480 program of \$25-30 million at market value. Thus, the U.S. program for FY 1965 (excluding P.L. 480 and including \$5.0 million funded from "Contributions to International Organizations") would total \$22.5 million, a reduction of \$5 million, from the FY 1964 total of \$27.4 million and of \$20.0 million from the FY 1963 total of \$42.4 million.

Prior to 1963 U.S. import assistance was of a generalized nature and mainly channeled through the UN. Because of U.S. concern about the effectiveness of aid in the circumstances prevailing in early 1963, authorization of SA-funded imports was withheld in the last nine months of CY 1963. As a consequence of improvements since the November devaluation, release of funds was resumed in January 1964. It is hoped that by FY 1965 at least a portion of the imports provided through Supporting Assistance can be in the form of loans. A small input of P.L. 480 basic agricultural commodities is anticipated in the future as a result of increases in Congolese food production.

The remainder of the A.I.D. program to be financed by technical cooperation funds, is directed toward overcoming the lack of internal security and sufficient high-level manpower which continues to plague the central Congolese government. American military aid in limited amounts will support training programs in which Belgium, Italy, and Israel are also providing assistance. The United States will also be providing equipment in support of a government police training program being carried out in cooperation with the UN, Nigeria, and Belgium. The U.S. contribution to

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Country: CONGO (LEOPOLDVILLE)

the UN helps to defray the cost of the 400-man contingent of Nigerian police which will continue to provide badly needed operational backup for the Congolese police during the period of its training.

At the same time, the United States is continuing to press for all-important educational and training gains through moderate technical assistance administered both bilaterally and through the UN. The latter continues to provide experts and technicians in the key areas of economics and finance. The IMF, the EEC and other donors will be providing similar technical assistance.

While dependence on expatriates will continue to be necessary to maintain even a minimum of administrative effectiveness, the U.S. technical cooperation program continues to furnish limited support

for long-range technical and administrative training institutions, principally the National School of Law and Administration. A prime element in training Congolese administrators, this institution has made great progress since its initiation in 1961, and is jointly supported by Congolese Government, UN, and Ford Foundation. A contract with the Agricultural and Technical Assistance Foundation provides for the establishment and operation of four agricultural schools in the Congo. Three schools have been completed with the present enrollment of 181 students.

Further funds are required to continue the present contract which has a target phase-out date of FY 1967. In addition, over 450 Congolese have received or are receiving U.S. training, and a Congo-American Language Institute is preparing Congolese teachers and administrators. A peak enrollment of about 1,000 students was reached last October.

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Congo (Leopoldville)

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD				TOTAL 1946-1963
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			*	-	*	*	67.3	67.0	37.8	172.3	-	172.3
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			*	-	*	*	67.3	67.0	37.8	172.3	-	172.3
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			*	-	*	0.1	8.2	16.6	37.2	62.1	-	62.1
Title I - (Total Sales Agreements).....			(-)	(-)	(-)	(-)	(-)	(12.2)	(30.6)	(42.8)	(-)	(42.8)
Less: (Planned for U.S. Uses).....			(-)	(-)	(-)	(-)	(-)	(1.3)	(3.1)	(4.4)	(-)	(4.4)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	-	-	-	-	10.9	27.5	38.4	-	38.4
104c - Grants for Common Defense.....			-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....			-	-	-	-	-	10.9	27.5	38.4	-	38.4
104e - Loans to Private Industry.....			-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....			-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGREEMENTS.....			-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....			-	-	-	-	7.6	4.1	6.3	18.0	-	18.0
TITLE III - VOLUNTARY RELIEF AGENCIES.....			*	*	*	0.1	0.6	1.6	3.4	5.7	-	5.7
TITLE IV - DOLLAR CREDIT SALES.....			-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC			*	-	*	0.1	75.5	83.6	75.0	234.4	-	234.4
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			*	-	*	0.1	75.5	83.6	75.0	234.4	-	234.4
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)			-	-	-	-	-	-	0.1	2.7	-	2.7
(Additional Grants from Excess Stocks).....			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			-	-	-	-	-	-	0.1	2.7	-	2.7
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			-	-	-	-	-	-	0.1	2.7	-	2.7
TOTAL ECONOMIC AND MILITARY			*	-	*	0.1	75.5	83.6	75.1	237.1	-	237.1
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			*	-	*	0.1	75.5	83.6	75.1	237.1	-	237.1

* Less than \$50,000.

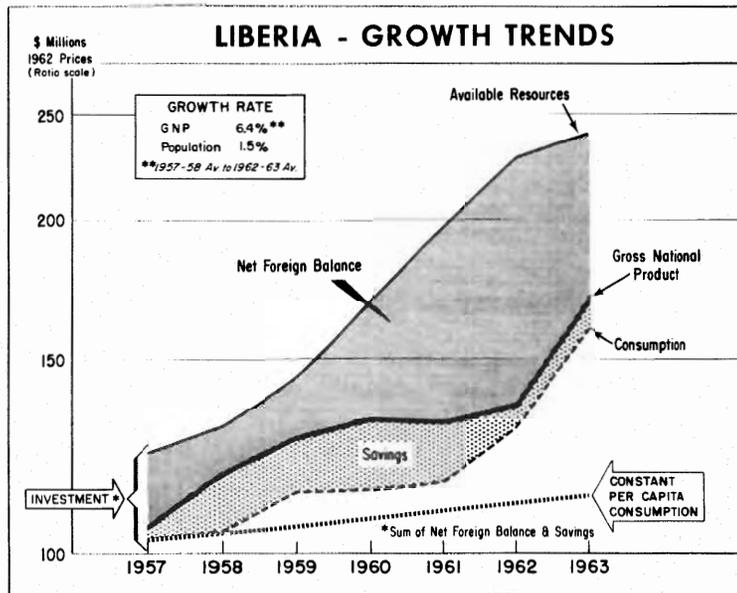
ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	-	-	150.0 ^{a/}
UN Tech. Ass't. (CY)	0.1	0.1	0.3
UN Special Fund	-	1.4	1.4
EEC Dev. Fund	-	9.7	11.9

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

^{a/} Includes \$30.0 million loaned to Belgian government for Congo.

Liberia - GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions - mid-1963)	1.0
Annual Growth Rate (percent)	1.5
Area (1000 square miles)	43
Population Density per square mile	24
Agricultural Land as % of Total Area	20
Percent of Population in Agriculture	50
Life Expectancy (years)	n.a.
People per Doctor	12,600
Literacy Rate (percent)	5-10
Pupils as Percent of Population	7
(Primary & Secondary)	



GROWTH INDICATORS

	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	127	132	131	136	170
Per Capita GNP (dollars)	130	133	130	133	164
Investment as percent of GNP	24	42	63	71	47
Domestic Savings as % of Investment	43	33	18	6	12
Net Foreign Balance as % of GNP	13	28	52	67	41
Agricultural Prod. Index (1952-54=100)	115	117	107	113	110
Index per Capita	105	105	95	98	95
Rice, Paddy (1000 MT)	144	129	115	135	135
Rubber Exports (1000 MT)	44	48	41	44	41

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	69	77	66	67	90
Iron Ore	(28)	(32)	(32)	(32)	(60)
Total Imports (c.i.f.)	51	84	102	135	125
Trade Balance	+18	-7	-36	-68	-35

SHORT-TERM DOLLARS (end of year - \$ millions)	20	17	22	13	n.a.
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RUBBER EXPORT PRICE INDEX (1958=100)	129	137	105	102	91
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CENTRAL GOVERNMENT FINANCES*

	- Million Dollar Equivalents -		
	1961	1962	1963(Budget)
(FY ending December 31)			
Total Expenditures ^{a/}	50.6	59.0	50.1
(Defense Expenditures)	n.a.	n.a.	n.a.
(Capital Outlays) ^{a/}	(23.2)	(29.2)	(18.0)
Total Domestic Revenues	32.4	35.6	37.0
As percent of GNP	26%	26%	21%
Deficit (-) or Surplus (+)	-18.2	-23.4	-13.1

* - Liberian currency is U.S. dollar.

^{a/} Includes capital outlay financed by contractors' credits.

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Country: LIBERIA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	31.3	0.3	7.0-9.5
Technical Cooperation	8.6	7.2	8.0
Total A.I.D. Assistance	39.9	7.5	15.0-17.5

U.S. Objectives and Policy

The United States has had a continuing interest in Liberia since its settlement in 1820 by former U.S. slaves supported by private philanthropy. American protective diplomacy in the nineteenth and early twentieth centuries assisted the struggling nation to remain independent. President Tubman's 1944 pronouncement of an "open door" investment policy, the World War II military rights accorded us at Robertsfield and the Monrovia Port, and the recent agreement for a Voice of America relay station illustrate the unique ties between Liberia and the United States.

Despite rapid progress in recent years, Liberia is less developed than many newly independent African countries in many important respects. Liberia's Gross National Product (GNP) is estimated to have increased about 150% during the past decade, one of the highest rates in the world. However, this increase has occurred as a result of foreign investment in the iron ore sector, whereas growth in other areas of the economy has been negligible. Liberia's long-range problem is to upgrade its indigenous economy without discouraging the foreign private investment needed in the foreseeable future for most of its economic growth.

Liberia is currently in a position of extreme budgetary stringency, and a sharp reduction in the previously very high rate of investment has slowed the economy down despite the substantial increase in GNP since 1962. The reduction in the large inflow of foreign capital which has supported a high rate of economic development in recent years resulted from: (a) the completion of the iron ore industry's "tooling up" process; and (b) the prohibition of further contractor credits and a ceiling on commercial bank borrowing, necessitated by Liberia's inability to service additional medium and short-term debt.

The U.S. assistance program to Liberia is directed to influencing the course of Liberian economic and social development in order

to: (a) assist Liberia in making the institutional changes and basic reforms necessary for progress toward broader based development; (b) provide a demonstration that an African country devoted to private enterprise can be responsive to the needs of its people and can grow and develop economically and socially; and (c) to assure a stable government which will play a constructive role in Africa.

In the course of seeking to influence Liberian development, the United States is providing significant technical cooperation to improve the institutions responsible for planning and carrying out government reforms as well as more effective, comprehensive economic and social programs.

Other approaches to effecting necessary changes have involved the application of stimulants to improved financial stabilization, greater discipline in government spending, tax reform and more savings incentives.

Progress, Self-Help, Aid from Others

Liberia's most striking economic feature, thanks to its rich natural resources, has been the influx of foreign capital, technicians and managers to develop those resources. The government's efforts to encourage this foreign investment have been eminently helpful. Since World War II, private foreign direct investment in Liberia has totaled an estimated \$450 million, which has increased government domestic revenues from less than \$1 million before World War II to approximately \$37 million in 1963, and employed many Liberians in the monetized sector.

Although Liberia's physical resources appear adequate to support a healthy growth rate, its social and political development is at a low level. Liberia's human resources are not adequate to meet the demands of a growing country. Its institutions are so limited as to create a significant deficiency in the ability to absorb capital and new techniques. The tribal groups comprising the bulk of the population are not well integrated into the national life.

There are some effective steps being taken, however. In an effort to obtain better fiscal and debt management in the future, the government last year signed a standby agreement with the International Monetary Fund (IMF), committed itself to limit 1964 budgetary expenditures for current purposes other than debt servicing to \$29.6 million (\$33.4 million was originally budgeted)

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Country: LIBERIA

and to increase domestic revenues to \$39 million, an increase of \$2 million over 1963. More important, the government agreed to refrain from further contractor credit financing and to restrict expenditures to development projects of high priority. Loans of less than 15 years' maturity are prohibited. An IMF resident representative in Monrovia is advising the government concerning fiscal practices and monitoring compliance, which has been good thus far.

Another important action was the recent creation of four new counties replacing the three provinces of the interior. This will give the majority of the population which resides in the interior representation in the Liberian Senate, a more effective voice in national affairs, and increased local government autonomy.

In the area of government reorganization, more than 18 acts of legislation have been passed to implement Liberia's "little Hoover Commission" (SCOGO) recommendations for administrative improvements in departments and agencies. Studies and recommendations of all major agencies have been completed by SCOGO with the help of its American contract staff. The government recently requested UN Special Fund assistance to finance the services of four Harvard University economists to serve on the country's first National Planning Agency (NPA). It is believed that the NPA will be instrumental in the establishment of sounder development priorities and in helping to make wiser decisions than in the past concerning public sector resource allocations.

Liberia is receiving aid from other free world sources. Principal ones include the IMF which in 1963-64 will provide drawing rights of \$5.7 million, the International Bank for Reconstruction and Development (IBRD) which will make available \$3.25 million for road construction, and the West German Government which will provide credits for road construction and development bank capitalization totaling \$12.5 million. Smaller amounts of assistance are made available by Sweden, Israel, Switzerland and Italy.

FY 1965 Program

The proposed magnitude of the total A.I.D. assistance in FY 1965 is \$15 million, comprised of \$8 million for technical cooperation activity and \$7.9 million of Development Loans, approximately a third of the \$40 million provided in FY 1963. About \$3.0 million of P.L. 480 commodities is also proposed. The proposed program is designed to continue A.I.D.'s stress on long-range economic development and institutional changes. In carrying this out, it is planned to retain also the emphasis on: (a) improved public sector resource allocations; (b) inducement of further "self-help"

including a meaningful Liberian contribution to joint projects and reform measures; and (c) better government operations and machinery, particularly in the country's interior areas.

The principal emphasis of the FY 1965 technical cooperation program will be in the areas of public administration and public works development as a necessary basis for accelerated social and economic growth. In the attempt to improve government administration, A.I.D. will continue to finance the American contract staff of SCOGO, to help in installing the approved recommendations for administrative improvement in all government agencies, particularly those concerned with fiscal management and sector program planning. Last year, the U.S. technicians established central budget and accounting systems and introduced better tax collection procedures. Specialists will help with publication of the country's first national population census as well as to follow up on the economic and transportation surveys which A.I.D. financed. Advisors will be provided to improve the effectiveness of the Public Works Department, Labor Bureau, Department of Agriculture, Liberian Information Service, and National Police Force. Other technicians will be made available to help develop viable local governments in the four new counties, where geographically concentrated road assistance is opening up areas formerly inaccessible to development and effective communication.

In view of the need to increase the role of agricultural production, greater stress is planned to extend farm-to-market roads to valuable forest areas and to improve the national credit organization and management of cooperatives. Past U.S. assistance in agriculture has been successful, for example, in training an 86-man extension field staff now doing very creditable work in teaching farmers better farming techniques, and in stimulating a very healthy timber industry. There will be an expansion of A.I.D. technical cooperation to the Liberian Development Corporation so as to encourage investment in a variety of agricultural processing industries.

In the field of education, the A.I.D. program will continue to train key staff for two rural teacher training institutes, Liberian University, the Monrovia consolidated school system, and the only high school level vocational school in Liberia, as well as working with the Department of Education to develop a better national school system. American assistance to village self-help projects in the Gbarnga district has facilitated the expansion of the elementary school system in that area. This kind of aid to Liberia has been pivotal in the increase of rural schools, particularly during the past decade, from the 26 which existed when U.S. aid began to 169 last year.

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Liberia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A. I. D. AND PREDECESSOR AGENCIES - TOTAL	-	1.1	7.7	2.3	6.4	5.5	6.2	10.6	36.2	76.1	0.2	75.9
Loans	-	-	-	-	3.2	-	-	-	28.4	31.6	0.2	31.4
Grants	-	1.1	7.7	2.3	3.2	5.5	6.2	10.6	7.8	44.5	-	44.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.1	*	*	0.2	0.3	0.4	3.0	3.0	7.0	-	7.0
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASSIST FROM OTHER COUNTRY SALES AGREEMENTS	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	*	*	0.2	0.3	0.4	0.1	0.2	1.3	-	1.3
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	2.9	2.8	5.7	-	5.7
EXPORT-IMPORT BANK LONG-TERM LOANS	-	10.4	15.0	-	7.3	0.9	40.8	-	4.5	78.8	16.8	62.0
OTHER U.S. ECONOMIC PROGRAMS	6.8	1.1	-	-	-	-	-	0.5	1.6	10.0	-	10.0
TOTAL ECONOMIC	6.8	12.7	22.7	2.3	13.9	6.7	47.4	14.1	45.3	171.9	17.0	154.9
Loans	6.8	10.6	15.0	-	10.5	0.9	40.8	2.9	35.7	123.1	17.0	106.1
Grants	-	2.1	7.7	2.3	3.4	5.8	6.6	11.2	9.6	48.8	-	48.8
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks)	-	-	1.1	*	*	0.3	0.3	0.4	1.2	4.5	0.3	4.2
	(-)	(-)	(-)	(-)	(-)	(-)	(*)	(*)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	1.1	*	*	0.3	0.3	0.4	1.2	4.5	0.3	4.2
Loans	-	-	1.0	*	-	0.3	*	-	-	1.2	0.3	0.9
Grants	-	-	0.1	-	*	-	0.3	0.4	1.2	3.3	-	3.3
TOTAL ECONOMIC AND MILITARY	6.8	12.7	23.8	2.3	13.9	7.0	47.7	14.5	46.5	176.4	17.3	159.1
Loans	6.8	10.6	16.0	*	10.5	1.2	40.8	2.9	35.7	124.3	17.3	107.0
Grants	-	2.1	7.8	2.3	3.4	5.8	6.9	11.6	10.8	52.1	-	52.1

* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	0.4	0.4	3.5
UN Special Fund	-	-	1.0

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Nigeria — GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions — mid-1963)	41.8
Annual Growth Rate (percent)	2.0
Area (1000 square miles)	357
Population Density per square mile	117
Agricultural Land as % of Total Area	24
Percent of Population in Agriculture	75
Life Expectancy (years)	n. a.
People per Doctor	38,600
Literacy Rate (percent)	20
Pupils as Percent of Population	8
(Primary & Secondary)	

GROWTH INDICATORS

	Calendar Years				
	1959	1960	1961	1962	1963 Est.
Total GNP (in 1962 prices; \$ millions)*	3,108	3,212	3,337	3,470	3,609
Per Capita GNP (dollars)	81	82	83	85	86
Investment as percent of GNP	16	15	15	15	15
Domestic Savings as % of Investment	81	60	64	72	76
Net Foreign Balance as % of GNP	3	6	6	4	4
Agricultural Prod. Index (1952-54=100)	115	124	122	127	129
Index per Capita	102	108	104	106	106
Sorghum & Millet (1000 MT)	2,900	3,300	3,200	3,300	3,400
Petroleum Exports (1000 MT)	540	852	2,364	3,324	3,750

INTERNATIONAL TRADE (\$ millions)

Total Exports (f.o.b.)	458	475	486	472	500
Peanuts & Peanut Oil	(90)	(77)	(104)	(108)	(110)
Total Imports (c.i.f.)	500	604	623	568	570
Trade Balance	-42	-129	-137	-96	-70

GOLD & FOREIGN EXCHANGE (end of year — \$ millions)

(Lagos)	567	508	470	381	292(Oct.)
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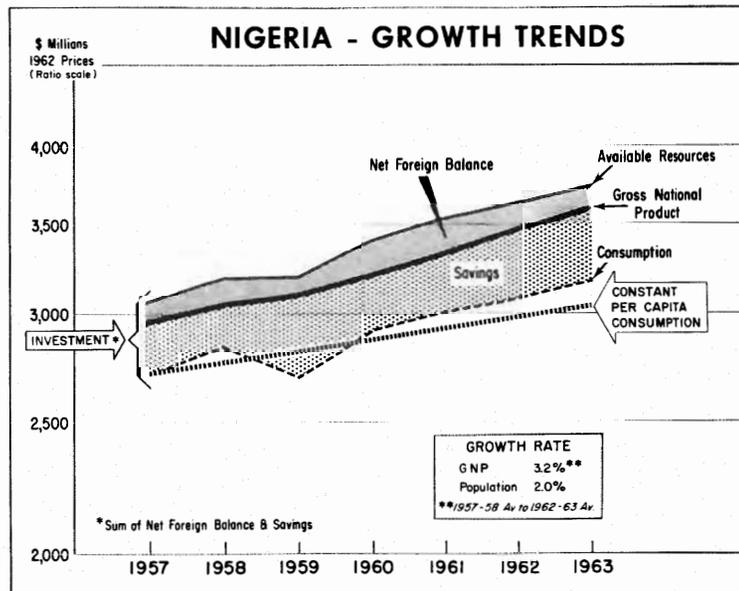
COST OF LIVING INDEX (1958=100)

(Lagos)	104	111	118	122	122
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CENTRAL GOVERNMENT FINANCES*
(FY ending March 31)

	— Million Dollar Equivalents —		
	1962	1963 (Rev. Bud.)	1964 (Budget)
Total Expenditures	444	468	530
(Defense Expenditures)	(17)	(20)	(32)
(Capital Outlays)	(160)	(161)	(182)
Total Domestic Revenues	369	379	402
As percent of GNP	11%	11%	11%
Deficit (-) or Surplus (+)	-75	-89	-128

* - Converted at \$2.80 per Nigerian pound.



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Country: NIGERIA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	12.1	31.0-37.4	19.0-33.0
Technical Cooperation	15.0	16.6	17.6
Total A.I.D. Assistance	27.1	47.6-54.0	36.6-50.6

U.S. assistance policies call for: (a) limiting support to specific projects in fields given highest priority in the Development Plan, (education and training for middle and higher level manpower, agricultural and industrial production, and training of government and business personnel); (b) increasing the participation of other free world donors in support of the Plan; and (c) requiring sound self-help performance by Nigeria and encouraging improved development of project priorities, better Plan implementation, avoidance of low-priority expenditures, and more efficient and equitable tax administration.

U.S. Objectives and Policy

The basic U.S. objective is to assist Nigeria to develop as a strong, united, independent nation based on democratic principles and providing moderate leadership, sense of direction, and a good example to other African countries.

Nigeria has the largest population of any country in Africa. It has a heritage of British political and economic institutions and has adopted a parliamentary form of government. Although Nigeria espouses an "independent" policy, its historic and contemporary connections are with the West. During three years of independence, Nigeria has demonstrated a substantial potential for leadership in African and UN affairs.

Nigeria's economy is relatively free of government control, and government policy is directed to the encouragement of domestic and foreign private enterprise. Diversity in agriculture, increasing petroleum exports, water power, and timber resources--combined with the vitality of its people--give Nigeria a good potential for growth. The lines of this growth have been carefully assessed and charted in a National Development Plan described by the World Bank as "a major achievement--an excellent beginning." The Plan involves a projected investment of \$3 billion in public and private domestic and foreign funds. U.S. assistance policy is to support the Nigerian Development Plan, which calls for foreign public assistance of about \$900 million, and to play a leading role in obtaining support by other free world countries. The major element in this policy is the commitment by the United States to provide an amount of \$225 million during the Plan period (1962-68), subject to the development of projects meeting A.I.D. criteria and the availability of funds. It is proposed to meet this commitment principally through A.I.D. loans and grants and Export-Import (Ex-Im) Bank development credits.

Progress, Self-Help, Aid from Others

Nigeria's growth continued in 1963, although not at a rapid rate. Its Gross National Product (GNP) rose by 4% while there was a 2% population growth. Exports increased by 6% to about \$500 million, but foreign exchange reserves dropped from \$381 million at the end of 1962 to \$292 million by October 1963, an amount adequate to finance roughly 6 months of imports. The 50% decline in foreign exchange reserves since 1959 partly reflects Nigeria's determination to push ahead with development in accordance with the Plan in spite of delays in obtaining the amount of foreign assistance anticipated. While public sector investment has been delayed because of lags in project preparation, private sector investment has moved ahead of Plan forecasts.

Nigeria's development is still at a relatively low level. About 80% of the population is illiterate and per capita GNP is only about \$85. Despite these handicaps, Nigeria has achieved a ratio of domestic savings to GNP averaging over 10% in recent years and domestic government revenues now amount to 11% of GNP. In other important ways also, Nigeria's self-help efforts are contributing to meeting development goals. Besides introducing new and higher taxes, the government has restricted salary increases, reduced subsidy programs and maintained a close review over expenditures. It has launched a major drive to mobilize small savings by issuing new low-cost securities to help finance development projects. The tariffs on luxuries and the Marketing Board policy of paying producers less than world market prices are restraining consumer imports. In addition, Nigeria's progress in developing institutions of and investment in education should facilitate the country's future growth. The Nigerian Government is contributing at least 20% of the cost of all A.I.D. capital projects and is financing all recurrent costs.

Significant levels of aid from other free world sources are being pledged, notably in connection with the \$200 million Niger Dam project which has been the focal point of aid coordination by the International Bank for Reconstruction and Development (IBRD)'s

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Country: NIGERIA

consultative group. The IBRD has indicated its intention to provide up to 60% of the foreign exchange costs of the Niger Dam. It is also making loans of over \$46 million for power transmission, port development and possibly regional roads, and its affiliate, the International Finance Corporation (IFC), is assisting the newly established National Development Bank. The U.K. contribution over the Plan period is estimated at \$110 million in such forms as educational grants, a balance-of-payments loan, railroad equipment, and contributions to the Niger Dam. West Germany is expected to provide up to \$30 million over the Plan period for equipment credits. Equipment credits totaling \$32 million have also been pledged by the Netherlands, Switzerland, Israel, and Canada. It is likely that Italy will provide about \$25 million in credits toward the Niger Dam. Technical assistance from UN agencies and the Ford Foundation is expected to exceed \$22 million.

FY 1965 Program

The program plan for FY 1965 includes \$19-33 million in Development Loans and between \$17 and \$18 million to provide for the continuation of technical cooperation projects already under way.

In over-all support of the Development Plan, this assistance is planned to concentrate on meeting Nigeria's massive needs for trained manpower and on more direct measures for increasing agricultural and industrial production. Development loans will continue to assist in meeting the infrastructure needs (primarily power, communications, water supply) and goals of the Plan. The technical cooperation program emphasizes education and agriculture.

In education, the Plan goal is to train 85,000 professional and technically skilled men by 1972. A.I.D. development loans for construction of facilities are now being considered for Northern Region teacher training schools and a Port Harcourt comprehensive secondary school. In FY 1965, there may be loans approved for an agricultural college and schools in the Eastern Region. The U.S. technical cooperation effort also emphasizes aid to teacher training and secondary schools with substantial assistance also to Nigeria's universities. A.I.D. funds have provided the services of 100 staff members from nine major American universities. They have, for example, helped to establish the University of Nigeria (along the lines of an American land grant college), now training Nigerians for the practical tasks of their country's growth. Other educational assistance is significantly influencing Nigeria's secondary schools and teacher training colleges. In one instance, 150 Nigerian teachers trained by American educators are now instructing some 5,000 prospective teachers in 35 training institutions. Peace Corps volunteers are also playing an effective part in this total program.

A second high priority Nigerian goal is to increase production of agricultural commodities by 45% over ten years in order to attain higher incomes and better diets. Road assistance through development lending will help open up potentially rich areas to greater agricultural production, as in the case of the Calabar-Ikom road loan approved this year. The planned assistance for agricultural education facilities mentioned above will also be constructive in the long term. American technical cooperation in support of this goal emphasizes disseminating the best available knowledge of practical agricultural methods to the farmer, as well as to uncover new production opportunities. A.I.D.'s approach includes the development and improvement of agricultural education institutions, upgrading of extension services, research on food grains and other crops, improvement of livestock and range management techniques, water exploration and development, soil conservation, and distribution and marketing. Results to date on demonstration projects include increasing the yield of edible grain and legumes by 140%. Eight hundred agricultural assistants and poultry farmers have been trained in the Eastern Region where over 1,000 farmers have begun to follow the improved drainage methods which A.I.D. technicians have demonstrated can double their rice yields. U.S. technical advice has greatly increased the efficiency of the campaign to eradicate tsetse flies in an area which has a potential 500,000 acres for development. Range management principles advocated in the U.S. technical assistance program are now being applied in Northern Nigeria where calving has increased markedly and calf death losses cut in half.

In order to achieve Development Plan objectives, it is estimated that an additional \$90 million of private foreign investment will be required each year. A.I.D.'s industrial growth program is designed to help the Nigerians strengthen and expand established industries and to encourage the growth of new industry. In addition to a possible loan for the Niger Dam which will greatly enhance the possibilities for industrial growth, the United States is helping the Nigerians to determine the best possibilities for private foreign investment. Under an A.I.D. contract, feasibility studies have been completed on production of nitrogen fertilizer from gas, jute sacks production, fruit canning, industrial finance corporations, power for industrial development, and cassava starch and sugar production. Brochures and reports have been prepared for distribution to private foreign investors on industrial labor, transportation and 100 industrial possibilities in Nigeria. Investment advisory assistance has been provided to approximately 100 companies exploring investment opportunities in Nigeria, including such firms as the Ford Motor Company and General Foods Corporation. An American firm will begin this year to train Nigerians in the establishment and operation of small industrial plants.

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Nigeria

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS									REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST	
	POST-WAR RELIEF PERIOD 1946-1948	MARSHALL PLAN PERIOD 1949-1952	MUTUAL SECURITY ACT PERIOD				FOREIGN ASSISTANCE ACT PERIOD		TOTAL 1946-1963			
			1953-1957	1958	1959	1960	1961	1962				1963
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			1.9	0.1	1.6	2.2	13.0	20.8	26.4	66.0	0.4	65.6
Loans.....			-	-	0.8	-	3.0	-	12.0	15.8	0.4	15.4
Grants.....			1.9	0.1	0.8	2.2	10.0	20.8	14.5	50.3	-	50.3
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			0.1	*	*	0.1	0.1	0.2	0.3	0.7	-	0.7
Title I - (Total Sales Agreements).....		No Programs Prior to FY 1953.	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses).....			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense.....			-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....			-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....			-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments.....			-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.....			-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....			-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES.....			0.1	*	*	0.1	0.1	0.2	0.3	0.7	-	0.7
TITLE IV - DOLLAR CREDIT SALES.....			-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	2.0	9.5	11.5	-	11.5
OTHER U.S. ECONOMIC PROGRAMS			0.2	-	-	-	-	2.0	2.7	4.8	0.2	4.6
TOTAL ECONOMIC			2.2	0.1	1.6	2.3	13.1	25.0	38.9	83.0	0.6	82.4
Loans.....			0.2	-	0.8	-	3.0	2.0	21.5	27.5	0.6	26.9
Grants.....			2.0	0.1	0.8	2.3	10.1	23.0	17.5	55.6	-	55.6
MILITARY ASSISTANCE PROGRAM - (Chg. to App.).. (Additional Grants from Excess Stocks).....			-	(-)	(-)	(-)	(-)	*	*	0.1	-	0.1
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			-	-	-	-	-	*	*	0.1	-	0.1
Loans.....			-	-	-	-	-	-	-	-	-	-
Grants.....			-	-	-	-	-	*	*	0.1	-	0.1
TOTAL ECONOMIC AND MILITARY			2.2	0.1	1.6	2.3	13.1	25.0	38.9	83.1	0.6	82.5
Loans.....			0.2	-	0.8	-	3.0	2.0	21.5	27.5	0.6	26.9
Grants.....			2.0	0.1	0.8	2.3	10.1	23.0	17.5	55.7	-	55.7

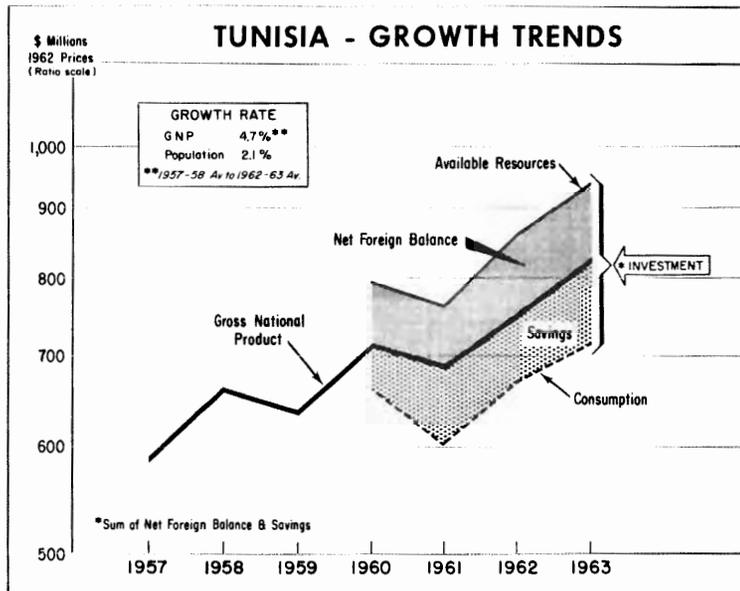
* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
IBRD - World Bank	-	13.5	41.5
UN Tech. Ass't. (CY) ..	0.6	1.5	3.0
UN Special Fund	2.9	3.3	11.1

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	-
Cumulative thru 1963.....	-

Tunisia - GENERAL ECONOMIC DATA

BASIC DATA	
Population (millions - mid-1963)	4.3
Annual Growth Rate (percent)	2.1
Area (1000 square miles)	48
Population Density per square mile	90
Agricultural Land as % of Total Area	40
Percent of Population in Agriculture	75
Life Expectancy (years)	n.a.
People per Doctor	10,200
Literacy Rate (percent)	25-35
Pupils as Percent of Population	13
(Primary & Secondary)	



	Calendar Years				
	1959	1960	1961	1962	1963 Est.
GROWTH INDICATORS					
Total GNP (in 1962 prices; \$ millions)*	635	713	684	750	825
Per Capita GNP (dollars)	155	171	162	175	191
Investment as percent of GNP	12	18	24	25	27
Domestic Savings as % of Investment	n.a.	52	51	42	49
Net Foreign Balance as % of GNP	n.a.	9	12	15	14
Agricultural Prod. Index (1952-54=100)	109	131	79	95	120
Index per Capita	100	118	71	83	104
Olive oil (1,000 M.T.)	45	125	34	45	91
Mining Prod. Index (1958=100)	91	91	82	81	90
INTERNATIONAL TRADE (\$ millions)					
Total Exports (f.o.b.)	142	120	110	116	125
Phosphate (Rock & Fertilizer)	(25)	(21)	(24)	(22)	(25)
Total Imports (c.i.f.)	153	191	211	216	220
Trade Balance	-11	-71	-101	-100	-95
GOLD & FOREIGN EXCHANGE (end of year) (-\$ millions)	97	97	77	68	73(Nov.)
COST OF LIVING INDEX (1958=100) (Tunis)	97	95	98	95	97
CENTRAL GOVERNMENT FINANCES*					
- Million Dollar Equivalents -					
(FY ending December 31)	1961	1962	1963(Budget)		
Total Expenditures	211	236	269		
(Defense Expenditures)	(11)	(11)	(12)		
(Capital Outlays)	(93)	(111)	(132)		
Total Domestic Revenues	155	162	163		
As percent of GNP	23%	22%	20%		
Deficit (-) or Surplus (+)	-56	-74	-106		

* Converted at .420 dinars per U.S.\$.

Country: TUNISIA

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1963 Actual	FY 1964 Estimated	FY 1965 Proposed
Development Loans	23.3	21.6	31.5-36.5
Technical Cooperation	2.2	2.2	2.1
Supporting Assistance	6.7	-	-
Contingency Fund	0.1	XXX	XXX
Total A.I.D. Assistance	32.3	23.8	33.6-38.6

U.S. Objectives and Policy

The importance of Tunisia stems from its central location in North Africa, its moderating influence on the Arab and African World, and its potential as an example of the benefits to be derived from a stable, honest and efficient government dedicated to social and economic development. While the country does not possess an abundance of natural resources or a clearly outstanding growth potential, Tunisia's economic prospects have been greatly enhanced by its relatively experienced and well-trained cadres and more advanced development policies compared to most other African countries. Its strong leadership, with broad popular support and a generally realistic approach to the solution of its problems, has produced a Ten-Year Development Plan considered by the International Bank for Reconstruction and Development (IBRD) and other experts to be well designed and realistic.

For these reasons, the United States has provided substantial aid for several years based on the policy of making Tunisia an area of concentration of development assistance. The U.S. has also encouraged fruitful cooperation with France and Western Europe and, to the extent possible, a closer relationship between Tunisia and other African states, particularly those of the Maghreb. This policy took concrete form in an agreement in the fall of 1962 to support Tunisia's Three-Year Development Plan with commitments of up to \$180 million. Tunisia's Three-Year Plan calls for total investments of approximately \$785 million, a 60% increase from the 1960-62 amount. Of these totals over half is to be supplied by the country from its own resources. The large proportion of external aid requirements reflects the structural changes resulting from the severance of the former French ties, involving the shift of agricultural production to Tunisian owners and expansion of indigenous industry to replace previous imports from France. The United States will supply slightly less than half of total external help, or one-fourth of the costs of the Development Plan.

U.S. assistance under the commitment emphasizes loans for projects meeting A.I.D. criteria and having a high priority in the Development Plan. It includes provision for some general commodity import loans, depending on the balance-of-payments situation and the country's ability to absorb general U.S. imports without causing serious economic dislocations. Extensive use of "Food for Peace" commodities is also planned.

A.I.D. seeks to influence the government to improve the execution of the Plan, notably with respect to observing its administrative capabilities, non-inflationary financing, and protection of minimum essential foreign exchange reserves. Looking to the future, A.I.D. is encouraging the Tunisians to make greater use of the Development Assistance Committee (DAC) and IBRD mechanisms in order to obtain more funds on better terms from other sources.

Progress, Self-Help, Aid from Others

After organizing for the long development effort, and undertaking numerous economic and institutional reforms, the Tunisian Government began in 1962 to realize some economic progress. There were estimated increases over 1961 of about 10% in Gross National Product (GNP), 17% in gross investment, over 20% in agricultural production (although still below the 1959-60 average), and smaller gains in manufacturing, transportation, and other services. No official appraisal has been made of progress since 1962, but it appears that the momentum carried forward into 1963 with similar increases. The recent apparent growth of per capita GNP is above average for the less developed countries. Given sufficient attention to exports and a continuation of current investment and savings rates, Tunisia has made a good start toward eventual self-sustained economic growth.

This progress was made possible by a stepping-up of Tunisian self-help efforts, particularly in the important area of economic policies for avoiding inflation and increasing domestic savings. These policies include: (a) import controls to discourage luxury consumption; (b) price controls; and (c) increases in tax rates on higher incomes and fiscal reforms to increase revenues and to replace antiquated agricultural taxes by a 3% and 4% tax on gross agricultural income. More attractive Treasury bills were issued to encourage greater domestic savings--a device which is believed to have substantially held down the amount of central bank deficit financing. Efforts are under way with both U.S. and IBRD advisors to create monetary and financial markets to channel private savings into productive private investment or make them available for Treasury financing.

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Country: TUNISIA

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Tunisian planning for the next phase of their Development Plan lays relatively greater emphasis on industry, opening up more opportunity for domestic and foreign private investment.

Education and training, as keys to successful development, are given a high priority in Tunisian resource use. Vocational education is emphasized to meet the manpower needs of an expanding economy and to replace departed European managers and skilled workers. In agriculture, the Tunisian Government has taken a unique approach to the problem of land reform in its goal to combine increased production and social justice. Rather than divide lands formerly held by foreigners among small Tunisian farmers who lack technical knowledge and capital, the government proposes to merge these with adjacent small holdings to avail itself of the management and mechanization advantages of larger units. Tunisian assistance to the cooperatives will be provided through programs of government loans, agricultural extension and other means designed to bring the new farms to higher levels of efficiency.

Tunisia has made progress in its efforts to attract external assistance from a wide variety of sources through the IBRD Consultative Group, the UN and its bilateral contracts. In 1963, France agreed to provide assistance of \$38.4 million suppliers' credits and direct government loans. Total non-U.S. assistance available for public investment is estimated to increase from about \$23 million in 1963 to \$52 million in 1964. Tunisia is now exploring the possibility of obtaining additional non-U.S. assistance through the DAC and European Economic Community (EEC).

Of perhaps greater importance for the long-term development of Tunisia's trade and investment patterns, because of the country's dependence on European markets, is its current exploration of association with the EEC.

In spite of the progress made in 1962 and 1963, significant problems remaining in 1964 are Tunisia's already precarious balance-of-payments situation and increased deficit financing. Thus, Tunisia faces serious difficulties in meeting Plan goals unless it can bring about a steady flow of external assistance, continuous adjustment of investment goals to match available financing, tight operating budget control, and intensified efforts to increase domestic funds for investment.

FY 1965 Program

Fiscal Year 1965 will be the third year of assistance to Tunisia under the U.S. commitment to its first Plan. Although the Plan covers the Calendar Years 1962-64, it has been understood by

Tunisia that the investment will not be achieved in less than four fiscal years in view of the Plan's slow start and probable rate of implementation. The schedule for meeting the commitment is tied to Tunisia's own progress under the Plan and its ability to absorb the U.S. aid.

The proposed FY 1965 program calls for a concentrated effort to help the Tunisians meet the high priority goals of their Three-Year Plan -- development of water and manpower resources; increased agricultural production; and expanded transportation, communication, and industrial facilities. The United States, in conjunction with the IBRD's Consultative Group, also is stressing the importance of policies to avoid inflation, improve the balance-of-payments position, achieve an increased volume of public and private savings, improve budgeting and financial practices, and provide a greater role for the private sector.

As in the past, development loans will comprise the major element of U.S. assistance and are expected to total from ~~\$31-36 million~~. Depending on the results of technical studies and availability of other financing, potential development loan projects include the construction of dams and distribution facilities for the irrigation of about 50,000 acres of land, the construction of a cooperative training center, equipment for agricultural cooperatives, the expansion and modernization of the phosphate mining industry, and the improvement of the Tunis International Airport. In addition, it is probable that a loan smaller than in previous years will be required to finance general commodity imports. The necessity for this loan relates to the continuing balance-of-payments problems resulting from the increased investment and normal imports of an expanding economy.

The Food for Peace Program, the second largest element in the program, is expected to total \$16.5 million. The program includes Title I sales (\$7.5 million) which, beginning this year, are to provide additional development resources and which A.I.D. will seek to include in discharging the U.S. commitment. Title III commodities will be used in a school lunch program (\$1.5 million) and to supplement wages which the Tunisian Government pays over 200,000 otherwise unemployed workers engaged in labor-intensive, development-related projects (\$5.0 million). The additional \$2.5 million will be made available in Title III voluntary agency relief programs.

Technical cooperation activities will continue in FY 1965 as the smallest element in the U.S. assistance program, largely supplementing France's \$5-6 million aid. A.I.D. will provide advisory and technical services, primarily through contracts

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Country: TUNISIA

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with private organizations and other Federal agencies, and for participant training. A.I.D. will support projects for the development and operation of agricultural cooperatives, soil conservation, product improvement, and agricultural education in a new school being financed under a U.S. loan. Projects designed to increase Tunisia's trained manpower in business and industry include expansion of the Manpower Information and Employment

Service, acceleration of occupational training programs, and the staffing of the School of Law and Business Administration of the University of Tunis. In conjunction with development loans for the improvement of the Tunis International Airport (El Aouina) a Federal Aviation Agency team is providing training and advisory services in the operation of the airport and the installation of equipment.

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Tunisia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD		TOTAL		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	8.5	20.6	25.9	45.6	36.8	28.2	24.4	190.1	1.3	188.8
Loans.....	-	-	2.5	5.3	4.4	23.4	10.0	12.4	23.3	81.3	1.3	80.0
Grants.....	-	-	6.0	15.3	21.5	22.2	26.8	15.8	1.1	108.8	-	108.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.2	9.1	6.6	7.2	11.5	70.6	17.7	39.0	161.8	*	161.8
Title I - (Total Sales Agreements).....	(-)	(-)	(-)	(-)	(-)	(-)	(15.3)	(5.7)	(12.6)	(33.6)	(-)	(33.6)
Less: (Planned for U.S. Uses).....	(-)	(-)	(-)	(-)	(-)	(-)	(3.1)	(0.9)	(1.3)	(5.3)	(-)	(5.3)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	12.2	4.8	11.3	28.3	*	28.3
104c - Grants for Common Defense.....	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Econ. Development.....	-	-	-	-	-	-	7.6	-	-	7.6	-	7.6
104e - Loans to Private Industry.....	-	-	-	-	-	-	1.5	-	2.5	4.0	-	4.0
104g - Loans to Governments.....	-	-	-	-	-	-	3.1	4.8	8.8	16.7	*	16.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRM'T'S.....	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.....	-	-	8.4	6.4	7.0	11.3	57.8	12.2	25.7	128.8	-	128.8
TITLE III - VOLUNTARY RELIEF AGENCIES.....	-	0.2	0.7	0.2	0.2	0.2	0.6	0.7	2.0	4.7	-	4.7
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	1.8	0.6	-	2.4	0.2	2.2
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-	-	-	0.3	0.6	0.9	-	0.9
TOTAL ECONOMIC	-	0.2	17.6	27.2	33.1	57.1	109.2	46.8	64.0	355.2	1.5	353.7
Loans.....	-	-	2.5	5.3	4.4	23.4	16.4	17.8	34.6	104.4	1.5	102.9
Grants.....	-	0.2	15.1	21.9	28.7	33.7	92.8	29.0	29.4	250.8	-	250.8
MILITARY ASSISTANCE PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).....	(-)	(-)	(-)	(-)	1.3	1.5	2.7	2.3	5.7	18.9	1.6	17.3
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	1.3	1.5	2.7	2.3	5.7	18.9	1.6	17.3
Loans.....	-	-	-	-	1.3	1.5	*	*	3.3	11.6	1.6	11.7
Grants.....	-	-	-	-	-	-	2.7	2.3	5.7	15.6	-	15.6
TOTAL ECONOMIC AND MILITARY	-	0.2	17.6	27.2	34.4	58.6	111.9	49.1	69.7	374.1	3.1	371.0
Loans.....	-	-	2.5	5.3	5.7	24.9	16.4	17.8	34.6	107.7	3.1	104.6
Grants.....	-	0.2	15.1	21.9	28.7	33.7	95.5	31.3	35.1	266.4	-	266.4

* Less than \$50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES			
	FY 1962	FY 1963	FY 1946-63
UN Tech. Ass't. (CY) ..	0.4	0.5	2.4
UN Special Fund	2.0	1.5	5.0
Int'l. Dev. Association ..	-	5.0	5.0
Int'l. Finance Corp. ...	-	3.5	3.5

SINO-SOVIET BLOC ASSISTANCE	
1962 (Calendar Year).....	-
1963 (Calendar Year).....	1.5
Cumulative thru 1963.....	48.0

Other Africa -- Basic Data

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	TOTAL (1963)	ANNUAL GROWTH RATE	TOTAL	AGRICUL- TURAL LAND	PER CAPITA (EST.)	TOTAL EXPORTS (1962)	MAIN EXPORTS	PEOPLE PER DOCTOR	LITERACY RATE
	MILLIONS	PERCENT	1000 SQ. MI.	PERCENT OF AREA	DOLLARS	\$ MILL.	ITEM	PERSONS	PERCENT
Algeria	10.9	2.5	920	19	281	770 ^E	Petroleum	6,670	9
Burundi	2.7	3.0	11	n.a.	60 ^b	14	Coffee	58,700	n.a.
Cameroon	4.4	1.0	183	35	86 ^b	121	Cocoa, coffee	37,600	5-10
Central African Rep. .	1.3	1.8	238	n.a.	40	14	Cotton, coffee	43,800	5-10
Chad	3.1	2.5	496	47	40	17	Cotton	70,000	5
Congo (Brazzaville) ..	1.0	2.6	132	n.a.	40	35	Wood, diamonds	13,600	20
Dahomey	2.2	2.8	45	n.a.	40	11	Palm prod.	18,100	20
Ethiopia	19.6	1.4	457	59	46	84	Coffee, hides	93,900	5
Gabon	0.5	0.3	103	n.a.	200	59	Wood, petroleum	7,700	5-10
Ghana	7.2	2.5	92	22	210	322	Cocoa	17,900	25
Guinea	3.4	3.0	95	n.a.	60	45	Alumina	28,700	10
Ivory Coast	3.5	2.3	125	n.a.	185	193	Coffee, cocoa	22,700	20
Kenya	0.9	3.0	225	10	85	124	Coffee, tea	11,300	20-25
Libya	1.3	1.5	679	6	296	141	Petroleum	4,500	30
Malagasy Republic	5.9	2.7	228	65	75	94	Coffee, vanilla	n.a.	30-35
Mali	4.4	2.0	465	n.a.	60	30	Livestock, Peanuts	45,600	5
Mauritania	0.8	1.4	419	n.a.	n.a.	3	Livestock	42,700	1-5
Morocco	12.6	2.7	171	42	164	365	Phosphate rock	10,700	13
Niger	3.2	2.7	459	25	40	15	Peanuts	65,700	5
Northern Rhodesia ..	3.5	3.0	288	41	166	325 ^E	Copper	9,800	20-25
Nyasaland	4.1	2.5	46	30	40	17 ^E	Tea, tobacco	44,200	7
Rwanda	2.9	3.2	10	n.a.	40	14 ^a	Coffee, minrls.	189,300	n.a.
Senegal	3.2	2.5	76	40	185	124	Peanuts	52,500	5
Sierra Leone	2.2	1.9	28	81	70	57	Diamonds, iron ore	22,600	10
Somali Republic	1.9	1.2	246	34	40	25	Bananas, livestock	27,800	5
Southern Rhodesia ...	4.0	3.3	150	17	206	245 ^E	Tobacco	5,100	20-25
Sudan	12.8	2.8	968	12	100	227	Cotton	32,000	10
Tanganyika	9.8	2.0	362	28	63	146	Sisal, cotton	16,800	5-10
Togo	1.6	3.0	22	42	70	17	Coffee, cotton	47,800	5-10
Uganda	7.2	2.5	94	12	68	114	Coffee, cotton	13,600	25
Upper Volta	4.6	1.9	106	n.a.	40	8	Livestock	56,700	8
Zanzibar	0.3	1.6	1	59	n.a.	13	Cloves	7,100	5-10

E - Estimate a - 1961 data. b - East Cameroon only.

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NORTH AFRICA

Aid policies towards Algeria, Morocco and Tunisia have a number of elements in common: (a) recognition of the country's strong economic ties with Western Europe and encouragement of continued close association with Europe, especially France; (b) an effort to put the United States in the role of supplemental donor; (c) large-scale use of Food for Peace commodities for "food-for-work" projects directed at alleviating unemployment; and (d) emphasis on agricultural and rural development in the traditional sectors which have not received the benefit of intensive development. There are nonetheless also marked economic differences among the North African countries. Tunisia has a realistic Development Plan and relatively high administrative competence. Algeria and Morocco have rich and varied resources. Libya stands apart from its North African neighbors in its ample financial capacity to meet its development needs. There is also a continuing but reduced requirement for assistance in connection with strategic facilities.

ALGERIA

Following the destructive years of its war for independence and the aftermath of terrorism and chaos, Algeria in the immediate post-independence period has emphasized efforts to restore order and economic viability and to reconcile divergent thought in the country -- a situation further complicated by diverse cross-currents of Arab, Maghreb and African relationships and by the nationalist drive and socialist tendencies of Algeria's leaders.

Algeria's location, resources and demonstrated weight in Arab and African affairs, provide the basis for the U.S. interest in assisting Algeria to attain stability and economic recovery. In doing so, the United States strives to promote Western interests in harmony with Algeria's neutrality policy, while seeking to encourage Algerian energies in the direction of reconstruction and growth within the context of a supplementary donor role. A breakdown of order in Algeria would pose a serious threat to Western interests in the Mediterranean.

U.S. assistance plans for FY 1965 are heavily conditioned by three factors: (a) Algeria's natural trade ties and primary economic relationships with France and the rest of Europe; (b) the continuing high level of French aid (estimated at almost \$200 million for CY 1964) under the Evian Accords, as well as substantial assistance from other European and Arab nations, international

institutions and Communist countries; and (c) continued disorganization of the Algerian economy and inexperienced administration which have prevented any significant start on orderly development.

The current U.S. aid program in Algeria is directed almost wholly to the immediate alleviation of unemployment and hunger. It consists of: (a) substantial shipments (over 300,000 tons annually) of surplus agricultural commodities for feeding the needy and partial wage payments for those employed on work projects; (b) technical cooperation, hand tools and equipment in support of rural rehabilitation projects in four selected areas using P.L. 480 food as part wage payments for the work force of about 60,000; (c) U.S. training of some Algerian technicians in agriculture and related fields; and (d) emergency medical aid. The rural rehabilitation project to which A.I.D. is contributing is likely to be the most significant element of the broad work relief program the Algerian Government has just begun to organize. There are plans for increasing the proportion of food aid being used for partial wages on work projects rather than for direct relief feeding.

FY 1965 assistance is estimated at \$2 million for technical cooperation, mostly for an expanded rural rehabilitation project; 210,000 tons of P.L. 480 foods for this and other work projects; and 125,000 tons of P.L. 480 food (Title III) for the relief program administered by voluntary agencies equivalent to around \$80 million at Commodity Credit Corporation (CCC) prices. A modest Title I sale may be considered. The possibility of future capital aid is not excluded but appropriate conditions do not now exist.

MOROCCO

The U.S. continues to have access to certain facilities in Morocco. The longer-range objective continues to be to strengthen Morocco's ties with the West and its resistance to all forms of Communist influence.

Assistance policy to obtain these objectives is based on two assumptions: (a) European countries, particularly France, bear the major responsibility for external aid to Morocco, and (b) regardless of the extent to which France or other free world donors fulfill their responsibility in this regard, the U.S. role in the long run is necessarily supplemental and intended to demonstrate primarily an interest in Morocco's economic development.

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OTHER AFRICAN PROGRAMS

The program element in the immediate future is a Supporting Assistance loan of \$10 million tied to U.S. procurement. Local currency proceeds from this loan will be applied to the Development Budget. Development loan applications of up to \$10 million will also be considered. Technical cooperation will be provided in a few select projects to help establish or improve basic facilities in agriculture or private-enterprise industry (\$1.2 million) and P.L. 480 programs of about \$23.5 million (U.S. export prices) are planned.

EASTERN AFRICA

In the eastern portion of Africa, U.S. policy calls for appropriate support in advancing political and economic progress. In the Sudan, U.S. policy is to supplement aid from the International Bank for Reconstruction and Development (IBRD) and other donors to the Sudanese development plan. The U.S. role in the other former British colonies which depend primarily on the U.K. for continuing help is to provide evidence of interest in their growth. An exception is Southern Rhodesia where A.I.D. proposes to discontinue its activities. In addition, the FY 1965 plan provides for the same active interest in the growth of Ethiopia while pursuing a more cautious line in the Somali Republic. Sino-Soviet influence there, the visit of Chou En-lai, the changes in government and army revolts in former British East Africa may signal greater political instability in this area with possible ramifications for U.K. and U.S. interests.

ETHIOPIA

The U.S. communications facility at Asmara and the leadership of Haile Selassie in inter-African and international affairs make Ethiopia politically important. The United States is also interested in political stability in the "Horn of Africa." In FY 1965, A.I.D. proposes to continue helping Ethiopia in efforts to establish the conditions for sustained economic growth through technical cooperation efforts (estimated at between \$5 and \$6 million) concentrated in education, public health and public safety; capital assistance for infrastructure; and encouragement of private industry.

SOMALIA

Somalia's relations with Ethiopia and Kenya are strained because of the problem of the Somali ethnic minorities in the latter two countries, the issue which led to Somalia's breaking off relations with the U.K. in March 1963. Both the Soviet Union and Communist China are operating substantial economic aid programs in Somalia, which in November 1963 also accepted a large military aid offer from the USSR. A.I.D. proposes in FY 1965 a continuation of current technical assistance (about \$4 million) activities stressing agriculture, education, port improvement, and public safety. In consultation with other Development Assistance Committee (DAC) parties, the United States will be watching for opportunities to reduce the tensions between Somalia and its neighbors.

SUDAN

The Sudan is important because of its location across air routes into East and Central Africa and as a borderland between the Arab and tropical African worlds. The country, largest in area in Africa, has a good base for economic development in its resources, power potential and favorable government attitude toward private industry. The Sudan Government has developed a modest, almost conservative, Ten-Year Development Plan and has obtained IBRD leadership of a Consultative Group for encouraging and coordinating external assistance. It is in the U.S. interest to participate actively in this program.

In FY 1965, A.I.D. will continue to provide technical cooperation primarily in agriculture and education (about \$4 million) and may lend capital assistance in transportation and for public utilities. Technical cooperation is also being provided to an Industrial Development Bank (IDB) in order to stimulate growth in the private sector.

KENYA, UGANDA, TANGANYIKA

Last December, Kenya followed Uganda (1962) and Tanganyika (1961) into independence. These former British territories have a combined population of nearly 26 million people representing a variety of tribal groups and generally impoverished people.

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OTHER AFRICAN PROGRAMS

The exodus of expatriates is leaving the administrations of the three countries understaffed and undertrained in a situation where stability and economic growth demand effective administration.

The U.K. is providing the primary assistance in this area. The United States proposes to continue a supplementary role in FY 1965 through the provision of technical cooperation concentrated on education, agriculture, community and cooperative development, and public administration, although recent potential events may require expanded aid. Selected capital assistance is being planned in each of the three countries on a loan basis, primarily for water supply and educational facilities.

Recognizing the importance of keeping the means of regional cooperation viable, A.I.D. is providing additional assistance to the East African common services organization and university.

RHODESIA AND NYASALAND

In December 1963, the Federation of Rhodesia and Nyasaland was dissolved and the three territories now proceed to seek their separate ways to independence.

Nyasaland, economically the most underdeveloped, is scheduled for independence on July 6, 1964. The government is already faced with the exodus of expatriates and the need for rapid Africanization. Supplementing assistance provided by the U.K., A.I.D. proposes in FY 1965 to continue technical cooperation in community development, education, agriculture, and public administration. Selected capital assistance may be considered for transportation or education facilities.

Northern Rhodesia is also expected to achieve independence in 1964, and faces the need for rapid Africanization. A.I.D. will provide about \$1 million of technical cooperation in education, agricultural extension, community development and public administration. The small program previously conducted in Southern Rhodesia will be terminated.

GUINEA

Guinea took several additional strides last year along more liberal economic and political lines and away from the USSR orientation which characterized her immediate post-independence position.

Guinea reopened trade in the private sector and relaxed some price controls. The new environment was evident also in the cooperation given Harvey Aluminum which signed an important contract for bauxite exploitation with this mineral-rich country last year. American assistance to Guinea has been successful in providing an alternative to complete dependence on the Sino-Soviet oriented countries and in facilitating the resumption of French economic relations. Because domestic economic conditions remain unfavorable, the United States expects to continue the balance-of-payments relief which has been afforded by U.S. financed commodities. As in FY 1964, this aid will be largely through P.L. 480 Title I food sales. The continuing technical cooperation program is scheduled at over \$3 million, somewhat less than in previous years because of the reduction in the number and scope of A.I.D. activities. In line with the reported priorities of the country's new, improved Development Plan, A.I.D. is emphasizing greater concentration on transportation.

"UAM" STATES

A.I.D. has limited assistance objectives in this group of states, 15 in all, which includes 11 former French colonies--Mauritania, Senegal, Ivory Coast, Upper Volta, Niger, Dahomey, Chad, Central African Republic (CAR), Congo (Brazzaville), Gabon and the Malagasy Republic; two former French-British trusteeships--Togo and Cameroon; and Rwanda and Burundi, former Belgian trusteeships. They cover an area of about 2.7 million square miles (23% of Africa) and have a population of some 41 million or about 15% of Africa. All these states receive substantial financial and technical assistance from the former metropolises who are also the principal sources of their external trade, foreign private investment, and many government officials.

U.S. aid to these states, amounting to about 6% of all funds requested for Africa, consists of technical cooperation projects, consideration of a few loans for capital projects, encouragement or assistance for U.S. private investment and P.L. 480 programs.

A.I.D. has initiated in previous years and proposes to undertake in FY 1965 technical cooperation programs estimated at \$5-6 million, primarily in the fields of agriculture, transportation, education and public health. The "UAM" countries are among those "limited objective" countries in Africa in which A.I.D. plans to reduce progressively the number of its direct-hire personnel to attain a more efficient administration of A.I.D. programs. It is currently planned to withdraw as many as possible of A.I.D.

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OTHER AFRICAN PROGRAMS

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direct-hire personnel from Gabon, Central African Republic and Senegal. This process will be continued throughout the "UAM" States with future technical services and advice to be provided through contracts with universities, other non-profit institutions, and private firms, or through other government agencies. In particular, it is planned to make increased use of Peace Corps volunteers and the Navy Seabees.

Agricultural projects will be carried on in virtually all of these countries, largely to assist in up-grading subsistence agriculture. Since transportation needs are very pressing in these countries, other plans are concentrated on improvement of maintenance and operation of road building equipment and increasing use of the U.S.-financed regional heavy equipment operators' training center in Togo. Loans of some \$6-8 million for road construction or improvement and for maintenance equipment in these countries will be considered.

Training in the United States, both academic and technical, is proposed for FY 1965, an activity which helps alleviate the critical shortage of trained manpower in most of these countries. Public health activities will be carried on in Niger, Upper Volta, Gabon, Malagasy Republic, CAR, Chad and Cameroon. These consist mainly of provision of technical assistance in health education, plus limited supplies for control of major endemic disease.

Similarly, modest objectives and principally technical cooperation programs are planned for the other sub-Saharan African countries of Ghana, Mali, and Sierra Leone in FY 1965. In Ghana, A.I.D. plans to continue the limited program of assistance in the fields of agriculture extension, soil conservation, and rural public works, primarily through demonstration and advisory services. The FY 1965 program plan for Mali is scheduled to emphasize vocational training and livestock improvement. The primary technical cooperation projects in Sierra Leone are directed to strengthening the rural institutions in agriculture extension, teacher training, and health education. Limited technical and possibly capital assistance in transportation is planned.

REGIONAL PROJECTS

The Regional Projects program will continue to encourage cooperation and coordination among African states by supporting multi-country efforts to overcome economic development problems. Particular emphasis is placed on helping to meet Africa's needs for trained manpower by promoting regional utilization of African universities and scholarship programs.

A.I.D. plans to join with the U.K. and the three principal East African countries in their concerted effort to link existing independent colleges in an integrated regional University of East Africa. U.S. assistance is primarily directed to Makerere College and the Veterinary School. A regional education grants program provides scholarships available at selected African universities to other than local students, thereby stimulating greater regional use of these institutions. FY 1965 grants are planned for the Universities of Cuttington (Liberia), Fourah Bay (Sierra Leone), Haile Selassie I (Ethiopia), Ibadan (Nigeria) and others. Another contribution to meeting Africa's needs for trained manpower will be met through the highly successful African Scholarship Program of American Universities (ASPAU). Initially, there were 200 American universities providing tuition-free scholarships for 239 African students. In the coming year, the peak of this program may be reached when four waves of such students, approximately 1,000 in number, will be engaged in undergraduate studies in 215 American universities. The students' government provides transportation costs while A.I.D. provides maintenance support. A modest graduate program modeled upon ASPAU will provide advanced higher education for about 150 African students.

In West Africa, the Regional Heavy Equipment Training Center in Togo will expand both its enrollment and curriculum to meet increasing demands for trained operators and mechanics. It is planned to increase annual enrollment from 30 mechanics and 90 operators to 60 mechanics and 180 operators. New short courses are being developed to provide more specialized training.

In the field of agriculture, A.I.D. will continue to support the multilateral program coordinated by the Commission for Technical Cooperation in Africa (CCTA) to eradicate rinderpest. Four area campaigns are designed to eliminate this disease from the continent of Africa thereby permitting the development of an export market in livestock which is currently limited because of the contagious rinderpest. The first campaign, which began field operations in September 1962, focused on the Lake Chad area in which rinderpest is prevalent. This area was a primary target, as it provides pasture for 8 million head of cattle and is crossed by important cattle trade routes. The second campaign, scheduled to begin in late 1964, will vaccinate cattle in an area west of Lake Chad. Also in agriculture, A.I.D. will continue to assist CCTA in the development of a vaccine that will provide immunity to the highly debilitating incidence of bovine-pluro pneumonia.

A measles control program in the "UAM" states, to be carried out in cooperation with a regional health organization, is under consideration. Under this program, A.I.D. would provide the vaccine required to mount a program which individual countries would thereafter continue.

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ALGERIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>0.3</u>	<u>1.8</u>	<u>2.1</u>	-	<u>2.1</u>
Loans.....	-	-	-	-	-
Grants.....	0.3	1.8	2.1	-	2.1
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>10.1</u>	<u>77.8</u>	<u>92.5</u>	-	<u>92.5</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Connon Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	6.4	63.8	70.2	-	70.2
TITLE III - VOLUNTARY RELIEF AGENCIES...	3.7	14.0	22.3	-	22.3
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>10.4</u>	<u>79.6</u>	<u>94.6</u>	-	<u>94.6</u>
Loans.....	-	-	-	-	-
Grants.....	10.4	79.6	94.6	-	94.6
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>10.4</u>	<u>79.6</u>	<u>94.6</u>	-	<u>94.6</u>
Loans.....	-	-	-	-	-
Grants.....	10.4	79.6	94.6	-	94.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	2.0	156.0	158.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	60.0	-	-
UN Tech. Ass't. (CY).....	*	0.2	0.2	-	-
UN Special Fund.....	-	1.2	1.2	-	-
EEC Dev. Fund.....	2.7	-	20.4	-	-

* Less than \$50,000.

KENYA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>3.2</u>	<u>4.8</u>	<u>13.0</u>	-	<u>13.0</u>
Loans.....	-	2.2	2.2	-	2.2
Grants.....	3.2	2.6	10.8	-	10.8
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>6.7</u>	<u>0.8</u>	<u>9.6</u>	-	<u>9.6</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Connon Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	6.5	0.6	8.6	-	8.6
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.2	0.2	1.0	-	1.0
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>9.9</u>	<u>5.6</u>	<u>22.6</u>	-	<u>22.6</u>
Loans.....	-	2.2	2.2	-	2.2
Grants.....	9.9	3.4	20.4	-	20.4
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>9.9</u>	<u>5.6</u>	<u>22.6</u>	-	<u>22.6</u>
Loans.....	-	2.2	2.2	-	2.2
Grants.....	9.9	3.4	20.4	-	20.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	8.4	-	14.0	-	-
UN Tech. Ass't. (CY).....	0.1	0.3	0.7	-	-
UN Special Fund.....	3.2	-	3.2	-	-

TANGANYIKA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>2.4</u>	<u>8.7</u>	<u>13.7</u>	*	<u>13.7</u>
Loans.....	.*	6.9	8.8	*	8.8
Grants.....	2.4	1.8	4.9	-	4.9
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>2.5</u>	<u>3.2</u>	<u>14.5</u>	-	<u>14.5</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	9.3	2.9	13.7	-	13.7
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.3	0.3	0.8	-	0.8
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	0.3	0.3	0.6	-	0.6
TOTAL ECONOMIC.....	<u>12.2</u>	<u>12.2</u>	<u>28.8</u>	*	<u>28.8</u>
Loans.....	.*	6.9	8.8	*	8.8
Grants.....	12.2	5.3	20.0	-	20.0
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>12.2</u>	<u>12.2</u>	<u>28.8</u>	*	<u>28.8</u>
Loans.....	.*	6.9	8.8	*	8.8
Grants.....	12.2	5.3	20.0	-	20.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.2	0.7	1.6		
Int'l. Finance Corp.	-	-	2.8		

UGANDA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>3.6</u>	<u>6.9</u>	<u>11.2</u>	-	<u>11.2</u>
Loans.....	-	4.4	4.4	-	4.4
Grants.....	3.6	2.5	6.8	-	6.8
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>0.6</u>	<u>0.1</u>	<u>0.9</u>	-	<u>0.9</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	0.4	-	0.4	-	0.4
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.2	0.1	0.5	-	0.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>4.2</u>	<u>7.0</u>	<u>12.1</u>	-	<u>12.1</u>
Loans.....	-	4.4	4.4	-	4.4
Grants.....	4.2	2.6	7.7	-	7.7
MILITARY ASSIST. PROGRAM - (Chg. to App.) (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>4.2</u>	<u>7.0</u>	<u>12.1</u>	-	<u>12.1</u>
Loans.....	-	4.4	4.4	-	4.4
Grants.....	4.2	2.6	7.7	-	7.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	8.4		
UN Tech. Ass't. (CY).....	0.1	0.3	0.7		
UN Special Fund.....	1.2	-	1.5		

* than \$50,000.

ZANZIBAR

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	0.1	-	0.1	-	0.1
Loans.....	-	-	-	-	-
Grants.....	0.1	-	0.1	-	0.1
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	*	*	*	-	*
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	*	*	*	*	*
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	0.1	*	0.1	-	0.1
Loans.....	-	-	-	-	-
Grants.....	0.1	*	0.1	-	0.1
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	0.1	*	0.1	-	0.1
Loans.....	-	-	-	-	-
Grants.....	0.1	*	0.1	-	0.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.1	0.1	0.5	-	-

* Less than \$50,000.

ETHIOPIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	6.3	9.5	92.3	0.8	91.5
Loans.....	-	3.8	33.5	0.8	32.7
Grants.....	6.3	5.6	58.8	-	58.8
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	2.0	3.0	13.9	-	13.9
Title I - (Total Sales Agreements)....	(-)	(0.9)	(0.9)	(-)	(0.9)
Less: (Planned for U.S. Uses)....	(-)	(0.2)	(0.2)	(-)	(0.2)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	0.7	0.7	-	0.7
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	0.2	0.2	-	0.2
104g - Loans to Governments.....	-	0.5	0.5	-	0.5
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	1.5	-	9.7	-	9.7
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.5	0.9	2.1	-	2.1
TITLE IV - DOLLAR CREDIT SALES.....	-	1.4	1.4	-	1.4
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	12.5	8.6	3.9
OTHER U.S. ECONOMIC PROGRAMS.....	0.5	2.3	3.7	0.5	3.2
TOTAL ECONOMIC.....	8.8	14.8	122.4	9.9	112.5
Loans.....	-	5.9	48.5	9.9	38.6
Grants.....	8.8	8.8	73.9	-	73.9
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	10.9	10.9	73.3	-	73.3
(Additional Grants from Excess Stocks).	(2.1)	(0.8)	(13.2)	(-)	(13.2)
OTHER MILITARY ASSISTANCE.....	5.9	-	5.9	-	5.9
TOTAL MILITARY.....	16.8	10.9	79.2	-	79.2
Loans.....	-	-	-	-	-
Grants.....	16.8	10.9	79.2	-	79.2
TOTAL U.S. ECONOMIC AND MILITARY.....	25.6	25.7	201.6	9.9	191.7
Loans.....	-	5.9	48.5	9.9	38.6
Grants.....	25.6	19.7	153.1	-	153.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	114.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	4.9	-	28.4	-	-
UN Tech. Ass't. (CY).....	0.7	0.9	5.8	-	-
UN Special Fund.....	-	-	1.4	-	-
Int'l. Dev. Association.....	-	13.5	13.5	-	-

GHANA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	63.9	1.6	89.5	0.2	89.3
Loans.....	62.0	-	82.0	0.2	81.8
Grants.....	1.9	1.6	7.5	-	7.5
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	0.7	0.6	3.5	-	3.5
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	0.6	-	0.6
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.7	0.6	2.9	-	2.9
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	65.0	-	65.0	0.3	64.7
OTHER U.S. ECONOMIC PROGRAMS.....	0.5	0.7	1.2	-	1.2
TOTAL ECONOMIC.....	130.1	2.9	159.2	0.5	158.7
Loans.....	127.0	-	147.0	0.5	146.5
Grants.....	3.1	2.9	12.2	-	12.2
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks)</i>	*	*	*	-	*
Loans.....	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	*	*	*	-	*
Loans.....	-	-	-	-	-
Grants.....	*	*	*	-	*
TOTAL U.S. ECONOMIC AND MILITARY.....	130.1	2.9	159.2	0.5	158.7
Loans.....	127.0	-	147.0	0.5	146.5
Grants.....	3.1	2.9	12.2	-	12.2
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	191.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	47.0	-	47.0		
UN Tech. Ass't. (CY)	0.6	0.9	2.8		
UN Special Fund	0.8	2.6	4.3		

*Less than \$50,000.

GUINEA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	6.1	12.2	20.7	-	20.7
Loans.....	-	3.1	3.1	-	3.1
Grants.....	6.1	9.1	17.6	-	17.6
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	4.3	3.6	9.6	-	9.6
Title I - (Total Sales Agreements)....	(5.7)	(4.7)	(10.4)	(-)	(10.4)
Less: (Planned for U.S. Uses)....	(1.4)	(1.1)	(2.5)	(-)	(2.5)
TITLE I - PLANNED FOR LOANS & GRANTS...	4.3	3.6	7.9	-	7.9
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	0.3	0.6	0.9	-	0.9
104g - Loans to Governments.....	4.0	3.0	7.0	-	7.0
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	1.7	-	1.7
TITLE III - VOLUNTARY RELIEF AGENCIES...	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	0.3	0.3	-	0.3
TOTAL ECONOMIC.....	10.4	16.1	30.6	-	30.6
Loans.....	4.3	6.7	11.0	-	11.0
Grants.....	6.1	9.4	19.6	-	19.6
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks)</i>	-	-	-	-	-
Loans.....	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	10.4	16.1	30.6	-	30.6
Loans.....	4.3	6.7	11.0	-	11.0
Grants.....	6.1	9.4	19.6	-	19.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	13.0	-	122.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.1	0.4	0.7		
UN Special Fund.....	-	1.1	1.5		

LIBYA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>11.2</u>	<u>10.8</u>	<u>132.7</u>	<u>0.7</u>	<u>132.0</u>
Loans.....	-	-	8.5	0.7	7.8
Grants.....	11.2	10.8	124.2	-	124.2
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>0.7</u>	-	<u>34.7</u>	-	<u>34.7</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	27.5	-	27.5
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.7	-	7.2	-	7.2
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	<u>1.0</u>	<u>1.0</u>	<u>31.4</u>	-	<u>31.4</u>
TOTAL ECONOMIC.....	<u>12.9</u>	<u>11.8</u>	<u>198.8</u>	<u>0.7</u>	<u>198.1</u>
Loans.....	-	-	8.5	0.7	7.8
Grants.....	12.9	11.8	190.3	-	190.3
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	<u>1.3</u>	<u>0.4</u>	<u>6.1</u>	-	<u>6.1</u>
(*)	(*)	(0.3)	(0.7)	(-)	(0.7)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>1.3</u>	<u>0.4</u>	<u>6.1</u>	-	<u>6.1</u>
Loans.....	-	-	-	-	-
Grants.....	1.3	0.4	6.1	-	6.1
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>14.2</u>	<u>12.2</u>	<u>204.9</u>	<u>0.7</u>	<u>204.2</u>
Loans.....	-	-	8.5	0.7	7.8
Grants.....	14.2	12.2	196.4	-	196.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.7	0.8	8.6		
UN Special Fund.....	-	-	1.6		

*Less than \$50,000.

MALI

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>2.5</u>	<u>3.8</u>	<u>8.9</u>	-	<u>8.9</u>
Loans.....	-	2.1	2.1	-	2.1
Grants.....	2.5	1.7	6.8	-	6.8
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	-	-	-	-	-
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>2.5</u>	<u>3.8</u>	<u>8.9</u>	-	<u>8.9</u>
Loans.....	-	2.1	2.1	-	2.1
Grants.....	2.5	1.7	6.8	-	6.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	<u>0.7</u>	<u>0.1</u>	<u>1.8</u>	-	<u>1.8</u>
(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>0.7</u>	<u>0.1</u>	<u>1.8</u>	-	<u>1.8</u>
Loans.....	-	-	-	-	-
Grants.....	0.7	0.1	1.8	-	1.8
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>3.2</u>	<u>3.9</u>	<u>10.7</u>	-	<u>10.7</u>
Loans.....	-	2.1	2.1	-	2.1
Grants.....	3.2	1.8	8.6	-	8.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	13.1	-	98.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.1	0.5	0.6		
UN Special Fund.....	2.0	-	2.0		
EBC Dev. Fund.....	7.6	17.2	32.3		

MOROCCO

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>30.7</u>	<u>20.2</u>	<u>259.8</u>	<u>13.3</u>	<u>246.5</u>
Loans.....	30.0	20.0	242.9	13.3	229.6
Grants.....	0.8	0.2	17.0	-	17.0
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>18.6</u>	<u>52.6</u>	<u>150.4</u>	-	<u>150.4</u>
Title I - (Total Sales Agreements)....	(14.2)	(7.7)	(21.9)	(-)	(21.9)
Less: (Planned for U.S. Uses)....	(3.6)	(1.9)	(5.5)	(-)	(5.5)
TITLE I - PLANNED FOR LOANS & GRANTS...	<u>10.6</u>	<u>5.8</u>	<u>16.4</u>	-	<u>16.4</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	2.1	-	2.1	-	2.1
104g - Loans to Governments.....	8.5	5.8	14.3	-	14.3
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	1.7	35.3	96.6	-	96.6
TITLE III - VOLUNTARY RELIEF AGENCIES...	6.3	11.5	37.4	-	37.4
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	0.8	0.8	-	0.8
TOTAL ECONOMIC.....	<u>49.4</u>	<u>73.6</u>	<u>411.0</u>	<u>13.3</u>	<u>397.7</u>
Loans.....	40.6	25.8	259.3	13.3	246.0
Grants.....	8.8	47.8	151.8	-	151.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks).</i>	<u>1.5</u>	<u>6.1</u>	<u>19.5</u>	<u>(-)</u>	<u>19.5</u>
(Additional Grants from Excess Stocks).	(0.6)	(1.2)	(2.5)	(-)	(2.5)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>1.5</u>	<u>6.1</u>	<u>19.5</u>	<u>(-)</u>	<u>19.5</u>
Loans.....	-	-	-	-	-
Grants.....	1.5	6.1	19.5	-	19.5
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>50.9</u>	<u>79.7</u>	<u>430.5</u>	<u>13.3</u>	<u>417.2</u>
Loans.....	40.6	25.8	259.3	13.3	246.0
Grants.....	10.3	53.9	171.3	-	171.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	16.8	-	17.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	15.0	15.0	-	-
UN Tech. Ass't. (CY)	0.4	0.7	2.3	-	-
UN Special Fund	1.8	2.3	6.2	-	-
Int'l. Finance Corp.	-	1.5	1.5	-	-

RHODESIA AND NYASALAND

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>2.8</u>	<u>1.7</u>	<u>15.4</u>	<u>7.0</u>	<u>8.4</u>
Loans.....	-	-	10.0	7.0	3.0
Grants.....	2.8	1.7	5.4	-	5.4
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	-	*	*	-	*
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES...	-	*	*	-	*
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	0.4	22.8	26.7	-3.9
TOTAL ECONOMIC.....	<u>2.8</u>	<u>2.1</u>	<u>38.2</u>	<u>33.7</u>	<u>4.5</u>
Loans.....	-	-	32.4	33.7	-1.3
Grants.....	2.8	2.1	5.8	-	5.8
MILITARY ASSIST. PROGRAM - (Chg. to App.) <i>(Additional Grants from Excess Stocks).</i>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>2.8</u>	<u>2.1</u>	<u>38.2</u>	<u>33.7</u>	<u>4.5</u>
Loans.....	-	-	32.4	33.7	-1.3
Grants.....	2.8	2.1	5.8	-	5.8
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	146.6	-	-
UN Tech. Ass't. (CY).....	0.2	0.3	0.8	-	-
UN Special Fund	0.6	1.0	2.4	-	-

*Less than \$50,000.

SIERRA LEONE

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>1.5</u>	<u>2.4</u>	<u>4.6</u>	-	<u>4.6</u>
Loans.....	-	-	-	-	-
Grants.....	1.5	2.4	4.6	-	4.6
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>0.2</u>	<u>0.5</u>	<u>1.0</u>	-	<u>1.0</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'IT FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES... 0.2	0.5	1.0	-	1.0	
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	<u>0.8</u>	<u>1.0</u>	<u>1.8</u>	-	<u>1.8</u>
TOTAL ECONOMIC.....	<u>2.5</u>	<u>3.9</u>	<u>7.4</u>	<u>-</u>	<u>7.4</u>
Loans.....	-	-	-	-	-
Grants.....	2.5	3.9	7.4	-	7.4
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>2.5</u>	<u>3.9</u>	<u>7.4</u>	<u>-</u>	<u>7.4</u>
Loans.....	-	-	-	-	-
Grants.....	2.5	3.9	7.4	-	7.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.2	0.3	0.8	-	-

SOMALI REPUBLIC

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>11.5</u>	<u>7.0</u>	<u>31.3</u>	*	<u>31.3</u>
Loans.....	-	3.6	5.6	*	5.6
Grants.....	11.5	3.4	25.6	-	25.6
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>2.9</u>	<u>1.2</u>	<u>4.4</u>	-	<u>4.4</u>
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'IT FROM OTHER COUNTRY AGRMT'S..	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.. 2.8	1.2	4.3	-	4.3	
TITLE III - VOLUNTARY RELIEF AGENCIES... 0.1	*	0.1	-	0.1	
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	<u>0.4</u>	<u>0.2</u>	<u>0.7</u>	-	<u>0.7</u>
TOTAL ECONOMIC.....	<u>14.8</u>	<u>8.4</u>	<u>36.4</u>	<u>*</u>	<u>36.4</u>
Loans.....	-	3.6	5.6	*	5.6
Grants.....	14.8	4.8	30.7	-	30.7
MILITARY ASSIST. PROGRAM - (Chg. to App.) - (Additional Grants from Excess Stocks).	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>14.8</u>	<u>8.4</u>	<u>36.4</u>	<u>*</u>	<u>36.4</u>
Loans.....	-	3.6	5.6	*	5.6
Grants.....	14.8	4.8	30.7	-	30.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	23.0	86.0	-	-
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.7	1.3	2.8	-	-
UN Special Fund.....	0.6	-	1.5	-	-
EEC Dev. Fund.....	2.6	-	5.1	-	-

* Less than \$50,000.

SUDAN
U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1963	TOTAL LESS REPAYMENTS AND INTEREST
	1962	1963	TOTAL 1946-1963		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	<u>9.8</u>	<u>5.4</u>	<u>66.4</u>	-	<u>66.4</u>
Loans.....	2.0	3.8	15.8	-	15.8
Grants.....	7.8	1.6	50.6	-	50.6
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	<u>3.5</u>	<u>4.5</u>	<u>8.1</u>	-	<u>8.1</u>
Title I - (Total Sales Agreements)....	(4.6)	(6.0)	(10.6)	(-)	(10.6)
Less: (Planned for U.S. Uses)....	(1.1)	(1.5)	(2.6)	(-)	(2.6)
TITLE I - PLANNED FOR LOANS & GRANTS...	<u>3.5</u>	<u>4.5</u>	<u>8.0</u>	-	<u>8.0</u>
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development...	1.2	1.5	2.7	-	2.7
104e - Loans to Private Industry.....	0.7	0.9	1.6	-	1.6
104e - Loans to Governments.....	1.6	2.1	3.7	-	3.7
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	-	*	-	*
TITLE III - VOLUNTARY RELIEF AGENCIES...	*	-	0.1	-	0.1
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	<u>13.3</u>	<u>9.9</u>	<u>74.5</u>	-	<u>74.5</u>
Loans.....	4.3	6.8	21.1	-	21.1
Grants.....	9.0	3.1	53.4	-	53.4
MILITARY ASSIST. PROGRAM - (Chg. to App.)	*	*	0.1	-	0.1
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE.....	-	-	-	-	-
TOTAL MILITARY.....	<u>*</u>	<u>*</u>	<u>0.1</u>	-	<u>0.1</u>
Loans.....	-	-	-	-	-
Grants.....	-	-	0.1	-	0.1
TOTAL U.S. ECONOMIC AND MILITARY.....	<u>13.3</u>	<u>9.9</u>	<u>74.6</u>	-	<u>74.6</u>
Loans.....	4.3	6.8	21.1	-	21.1
Grants.....	9.0	3.1	53.5	-	53.5
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	22.0		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	74.0		
UN Tech. Ass't. (CY)	0.7	0.9	4.1		
UN Special Fund	1.7	1.5	6.8		
Int'l. Dev. Association	-	-	13.0		

*Less than \$50,000.

U.A.M. COUNTRIES IN AFRICA

Net Obligations and Loan Authorizations

(In millions of dollars)

U.A.M. Countries	Fiscal Year 1963					Cumulative Thru June 30, 1963						
	U.S. Overseas Loans and Grants				Total Economic and Military	Assistance from International Agencies	U.S. Overseas Loans and Grants				Total Economic and Military	Assistance from International Agencies
	A.I.D.	Other Economic	Total Economic	Military			A.I.D.	Other Economic	Total Economic	Military		
<u>Total - 15 Countries</u>	<u>\$ 8.5</u>	<u>\$12.1</u>	<u>\$20.6</u>	<u>\$ 1.6</u>	<u>\$22.2</u>	<u>\$109.0</u>	<u>\$49.6</u>	<u>\$26.3</u>	<u>\$75.9</u>	<u>\$3.0</u>	<u>\$78.9</u>	<u>\$458.4</u>
Burundi ^{a/}	*	1.5	1.5	-	1.5	1.7	*	6.5	6.5	-	6.5	7.8
Cameroon	0.8	0.6	1.4	*	1.4	11.0	15.3	1.3	16.6	0.2	16.8	47.0
Central African Republic	0.7	*	0.7	-	0.7	2.3	1.0	*	1.0	-	1.0	13.1
Chad	1.0	0.1	1.1	-	1.1	9.9	1.3	0.1	1.4	-	1.4	25.5
Congo (Brazzaville)	0.4	0.2	0.6	-	0.6	0.5	1.7	0.2	1.9	-	1.9	17.0
Dahomey	0.7	0.3	1.0	*	1.0	5.8	3.3	3.0	6.3	0.1	6.4	16.4
Gabon	0.5	0.6	1.1	-	1.1	6.4	1.0	0.7	1.7	-	1.7	50.6
Ivory Coast	2.0	5.3	7.3	*	7.3	7.7	6.1	5.7	11.8	0.1	11.9	34.6
Malagasy Republic	0.4	0.5	0.9	-	0.9	24.9	1.5	0.6	2.1	-	2.1	54.0
Mauritania	0.1	0.1	0.2	-	0.2	1.2	1.6	0.3	1.9	-	1.9	77.4
Niger	1.0	0.2	1.2	*	1.2	12.4	4.2	0.2	4.4	0.1	4.5	25.7
Rwanda ^{a/}	-	*	*	-	*	1.3	-	1.1	1.1	-	1.1	5.0
Senegal	0.1	1.6	1.7	1.6	3.3	7.5	6.7	2.0	8.7	2.4	11.1	39.2
Togo	0.4	0.6	1.0	-	1.0	4.0	2.7	4.0	6.7	-	6.7	16.5
Upper Volta	0.4	0.5	0.9	*	0.9	12.4	3.2	0.6	3.8	0.1	3.9	28.6

Note: Sino-Soviet aid to these countries was nil. Interest and repayments to the United States were also nil, with the exception of less than \$50,000 from a loan in Mauritania.

* Less than \$50,000.

^{a/} Title III PL 480 aid of \$1.6 million in FY 1962 for Burundi and Rwanda is included in the Burundi figures as separate data were not available for that year.

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The Agency for International Development has become increasingly a catalyst to enlist the resources, the skills, the experience, and the talents of American society in the Foreign Assistance Program. No single government agency could possibly have the expertise, the business acumen and technical knowledge that are necessary to create the capital plant, organize the human and material resources, supply the monetary investment and provide the administrative knowledge for a modern economy in underdeveloped countries. Private enterprise and resources of the American economy that exist in our industries, farms, labor unions, banking institutions, co-operatives, business concerns, savings and loan associations, professional groups, state and local governments are being drawn upon to help other countries achieve economic and social development.

It is a major responsibility of A.I.D. to encourage and assist direct private activities which will serve U.S. objectives in this way as well as to utilize private resources in carrying out A.I.D. programs. Our effort to do so takes two main directions:

1. Stimulation of private investment and enterprise--American and local--in the less-developed countries; and
2. Cooperation and encouragement for the assistance efforts of private American groups and institutions.

STIMULATION OF PRIVATE INVESTMENT AND ENTERPRISE

American private investment is potentially the greatest single support this country can provide to the economic progress of the less-developed countries of the Free World. Investment by private companies not only supplies necessary capital but it brings with it technical know-how, management competence, and marketing experience and organization. In many developing countries these are even more of a bottleneck than shortage of capital.

The U.S. government, largely through A.I.D., now provides a comprehensive series of incentives, services, and protections to encourage increased U.S. private investment in less-developed countries. A.I.D. can:

- provide the prospective investor with information concerning studies already made on a wide range of possible investment opportunities;
- help finance surveys of investment opportunities;
- lend dollars or local currencies to help finance new investments in many countries;

-- insure against a wide range of political and economic risks through the Investment Guaranty Program.

In addition, the proposed new tax credit would provide the U.S. private investor with important tax incentives, both at the time of investment and when profits are reinvested.

A new Advisory Committee on Private Enterprise in Foreign Aid is being appointed by the Administrator. This Committee will strengthen present programs and explore new ways to expand the role of Private Enterprise in the development effort. The Committee will report its recommendations by the end of 1964.

Investment Tax Credit

A new tax credit proposed by the Executive Branch is designed to encourage a greater flow of U.S. private capital to developing countries. Separate proposed legislation provides for a tax credit against the total tax liability of a U.S. investor equal to 30% of his investment in developing countries. It also authorizes a credit on reinvested earnings in excess of 50% if they remain at work in the developing country. This legislation could tip the balance in favor of a decision to invest in the less-developed countries where the combined risk and rate of return do not now attract sufficient private capital to meet the needs of these nations.

Two other tax measures are designed to encourage U.S. investment in less-developed areas: (a) the 1962 amendment to the Internal Revenue Code excludes less-developed areas from the requirement for the immediate repatriation of investment income from abroad; and (b) the arrangements for the proposed interest equalization tax exclude less-developed areas.

Identifying Investment Opportunities

A.I.D. makes a major effort to alert businessmen to the opportunities that exist in the developing countries and to encourage them to give consideration to such opportunities.

A Businessmen's Information Center has been established within A.I.D. to help businessmen learn where and how they can participate in A.I.D. private enterprise programs. This "one-stop" information center is compiling a directory, listing those functions of the Agency which affect private business and whom to contact. A.I.D. is also compiling a bibliography and abstract of investment opportunities which have been studied by numerous public and private organizations (international banks, foreign

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PRIVATE ENTERPRISE AND RESOURCES

governments, U.S. and foreign corporations, universities, and foundations). This information will be made available to potential investors in key locations in the United States, and also in developing countries.

Investment Survey Program

A.I.D.'s investment survey program expanded rapidly in the past year. Under this program A.I.D. can agree to pay up to half of the cost of investment surveys undertaken by prospective investors. If the survey results in an actual investment, the investor pays the full cost of the survey. If not, A.I.D. takes title to the survey and pays half the cost.

The volume of applications has risen so rapidly that A.I.D. is requesting a \$2.1 million appropriation for this program to cover anticipated requests during FY 1965. In 1963 A.I.D. participated in the financing of 60 surveys compared to 5 in the previous year. These included such diverse fields as food processing in Brazil, plastics fabrication in Turkey, machine tool production in India, and housing construction in Ecuador. Two firms have definitely decided to proceed with their investments--one to establish a book distribution venture in Nigeria and one to build a plastic coating factory in Mexico. A number of other firms have informally indicated that they probably will go ahead. Ten of the 65 surveys have resulted in decisions not to invest. These 65 surveys represent a maximum A.I.D. obligation of \$723,000. As of February 1, 1964, there were 20 more applications in process for an additional A.I.D. obligation of \$174,000.

The investment potential is many times the contingent cost to A.I.D. For example, the survey for a wire and cable plant now under way in Thailand, with a possible cost to A.I.D. of \$16,000, could result in a \$5 million investment.

Investment Guaranty Programs

To overcome extraordinary risks which act as a major barrier to U.S. investment in developing areas, A.I.D.'s Investment Guaranty Programs are being rapidly expanded.

Specific-Risk Investment Guaranties. The oldest A.I.D. program to assist the U.S. investor is the specific-risk Investment Guaranty Program, covering convertibility, expropriation, or war risk. Outstanding guaranties have doubled over the past two years and are

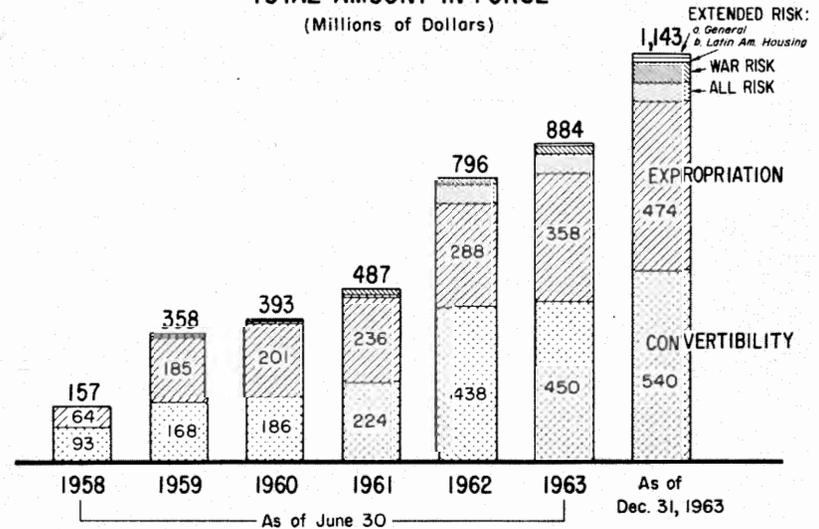
expected to double again over the next two years. From the inception of the program through December 1963, 778 guaranty contracts worth \$1.4 billion had been written for specific political risks; of this amount \$1.1 billion was still outstanding. In 1963, the Congress increased guaranty issuing authority by \$1 billion to a total of \$2.5 billion; this authority is sufficient to meet the needs for the coming fiscal year.

The pressure of unprecedented demand for these guaranties has called for administrative improvements to handle the backlog and to clear the ground for even higher demands. New staff has already been added to the Investment Guaranties Division, and further administrative improvements are under way.

INVESTMENT GUARANTIES

TOTAL AMOUNT IN FORCE

(Millions of Dollars)

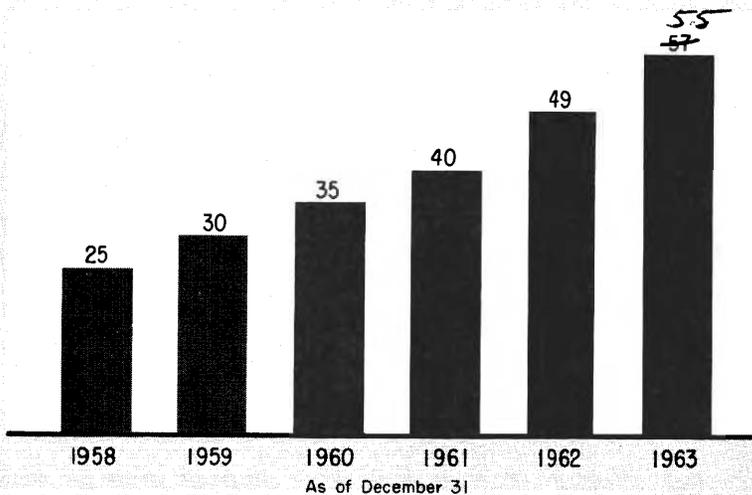


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The specific-risk program operates in countries whose governments agree to institute the various programs. During 1963, eight new bilateral agreements were signed and 12 countries broadened their original guaranty agreements. Altogether, agreements are now in force with 55 countries covering the specific risks of convertibility and expropriation. Of these, 36 countries have signed agreements covering war risks and 28 countries have, in addition, agreed to permit the extended-risk guaranty program.

NUMBER OF LESS DEVELOPED COUNTRIES PARTICIPATING IN THE INVESTMENT GUARANTY PROGRAM



Extended-Risk Guaranties. The extended-risk Investment Guaranty Program is designed to give greater protection than that afforded by specific-risk guaranties (against convertibility, expropriation, and war risk). The object is to emphasize economic development projects which further social progress and the development of small independent business enterprises. This portion of the Act now authorizes up to \$180 million for assuring against loss of any loan investment for housing projects, or against loss of not to exceed 75% of any other investment.

In 1963, the first contract granting such coverage was signed with a group of U.S. companies to cover an \$8 million portion of a \$70 million investment in a petro-chemical complex in Argentina. A.I.D. is now processing additional applications. Rapid expansion

of extended-risk guaranty coverage is anticipated during this fiscal year and in FY 1965. To handle this expected expansion, the Administration again is requesting an increase in the authorized guaranty issuing authority of \$120 million, bringing the total to \$300 million.

Latin American Housing Guaranties. An additional specialized form of extended-risk guaranty for U.S. investors (Section 224 of the Foreign Assistance Act) is moving forward very rapidly. To date A.I.D. has approved 13 investment guaranties for self-liquidating demonstration housing projects in eight countries in Latin America. These guaranties will result in construction of approximately 15,000 housing units, representing a total investment guaranty commitment of about \$70 million. More than 5,500 units are already under construction, and the first 100 houses to be built and financed under this program were formally dedicated and delivered in Lima, Peru on January 18, 1964.

Legislation proposed for FY 1965 would raise the authorized guaranty issuing authority by \$100 million to a total of \$250 million. Guaranties for almost all of the \$250 million are expected to be authorized by the end of FY 1965. With the additional \$100 million of guaranty authority proposed in the pending legislation, the pilot program for the guaranty of housing construction projects in Latin America will come to an end. During the next year, the Administration will study the results of existing housing guaranty programs as well as the character of remaining needs as a basis for recommending any additional measures of help for the housing needs of Latin America.

Local Currency Investment Loans

Under the Cooley lending program, A.I.D. lends, mainly to U.S. investors, local currencies generated from the sale of U.S. agricultural surpluses. Interest rates are similar to those charged for comparable loans in foreign countries.

In calendar year 1963, 49 loans were authorized totaling the equivalent of \$56 million, compared to 36 loans totaling \$35 million in 1962, an increase of 60%. These loans were made to U.S. companies and their affiliates for such purposes as production of foodstuffs in Colombia; soap manufacture in Taiwan; fish canning in the Philippines; dairy manufacture in Vietnam; plastics, aluminum products, and tires in Israel; hotels and pharmaceuticals in Pakistan; and machinery, chemicals, paper, and tires in India. Eight Cooley loans were made to non-U.S. affiliated companies which will expand markets for U.S. agricultural products.

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In 1963, the largest "Cooley loan" ever authorized by A.I.D.-- equivalent to \$17.5 million--went to a joint venture of two U.S. firms and an Indian company to help finance the construction of a \$68 million private fertilizer plant in India.

Nearly \$100 million equivalent in various currencies was available in about 20 countries for Cooley loans as of December 31, 1963. Funds for "Cooley loans" now are becoming available in a number of new countries in Africa as a result of the negotiation in 1963 of new sales agreements under Title I of P.L. 480.

Building Private Enterprise in Developing Countries

A.I.D. is working aggressively to build sound private enterprise in the developing countries. Plans to develop a healthy, vigorous private sector form an integral part of our over-all development program in each A.I.D.-recipient country. Each Mission is being asked to analyze the obstacles to increased private sector development and to recommend methods by which the countries themselves can deal with such obstacles. Institutions which have been introduced successfully in several developing countries include development banks, industrial development corporations, investment promotion centers, productivity centers, industrial districts, savings and loan institutions, cooperatives, credit unions, and similar organizations.

A.I.D. has continued during the past year to provide both technical assistance and capital in the form of dollar and local currency loans to intermediate credit institutions for relending to qualified subborrowers in the fields of industry, housing, and agriculture. As of December 31, 1963, A.I.D. had authorized dollar loans

as follows: (a) \$196 million to 32 industrial development banks located in 27 countries, which has resulted in over 2,400 subloans (well over half of them in 1963); (b) \$135 million to 13 housing institutions in 11 countries, which had made 20,000 subloans; and (c) \$85 million to nine agricultural credit banks in eight countries, which had made a total of 30,000 subloans.

Dollar loans directly to private enterprise, both U.S. and foreign, continue to be available under Section 201 of the Foreign Assistance Act. However, the increasing availability of funds from alternate free world sources means that qualified projects can now normally obtain financing from other sources, including A.I.D.-financed developed banks, the Ex-Im Bank, or the World Bank.

Foreign Assistance and Private Enterprise in the United States

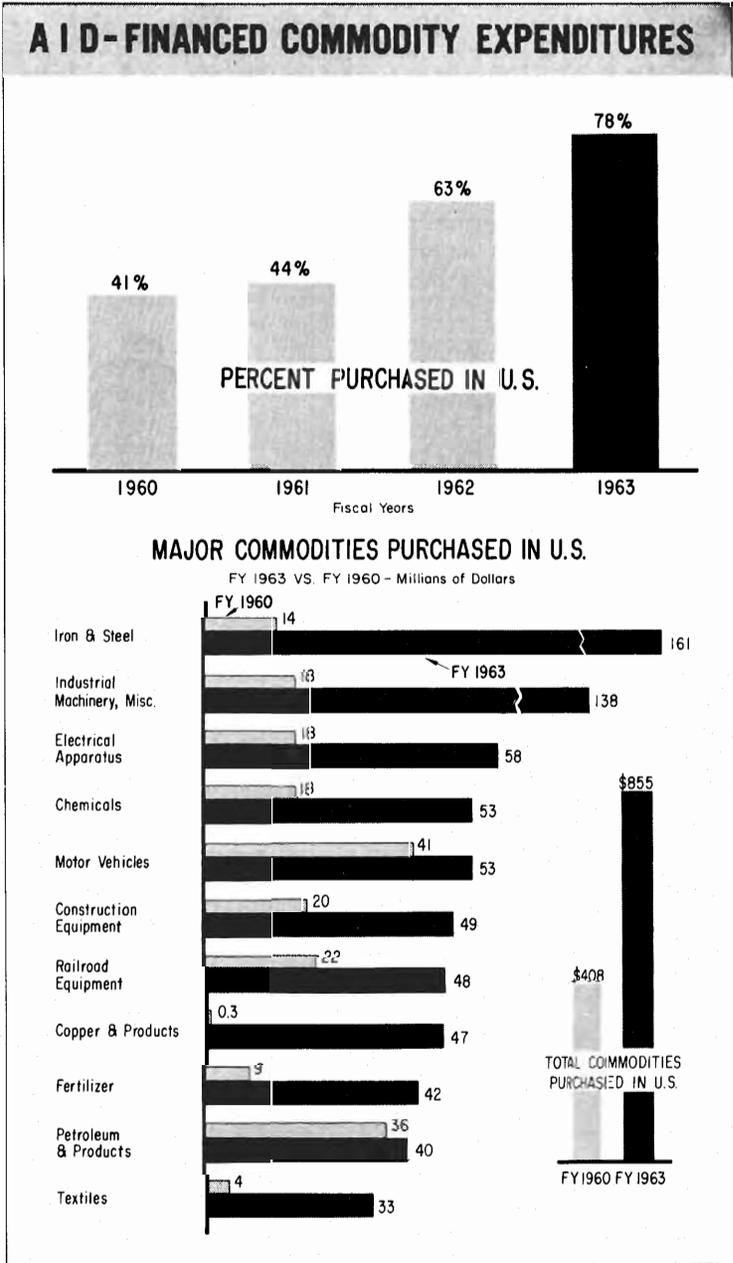
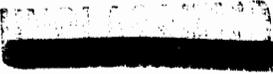
The Effect of Procurement. More than 80% of all economic assistance funds now is committed to be spent in the United States. In FY 1963, economic assistance expenditures within the United States totaled \$1.3 billion, nearly one-half billion dollars more than the previous year. This means that there are a greater number of Americans involved in the Foreign Assistance Program.

An example of this effect is the small town of Ubly, Michigan, (Pop. 900) site of a milk processing plant whose entire output was purchased in 1963 under the Foreign Aid Program. In Ubly, 90 plant workers and 650 farmers are working to produce goods purchased for one foreign country with A.I.D. financing.

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Sharp Increases in Three Years. The increasing involvement of Americans is reflected in the higher amounts registered in 1963 for procurement of commodities. For example, iron and steel products entering foreign aid channels in 1960 totaled \$129.6 million. Of this amount, only 11%, or \$13.9 million, was spent in the United States. In 1963, on the other hand, the total reached \$182 million, of which 88%, or \$160.9 million, was spent in the United States--more than ten times the amount of three years ago.

There were other sharp increases in U.S. procurement, all making an impact on jobs and communities. Fertilizer purchases in the United States quadrupled, from \$9.4 million in 1960 to \$41.9 million in 1963; chemical products more than doubled; and textiles, pulp and paper and miscellaneous machinery procurement in the United States multiplied seven times.

HOW PEOPLE TAKE PART IN FOREIGN AID

The United States' role in helping underdeveloped countries involves much more than governmental decisions and dollars. It involves increasingly the imagination, experience and energy of private individuals and organizations that strengthen and enrich American life.

Specifically, this means the participation of business and financial firms, professional groups, universities, charitable institutions, cooperatives and credit unions. It summons into international service farm organizations and labor unions, state and local governments, and voluntary agencies.

The Executive Service Corps

It is essential to mobilize the management and technical skills that exist in private enterprise in addition to capital resources. A new proposal--the Executive Service Corps--has been developed to meet this need. There are many Americans with long experience in business who would welcome the challenge and opportunity to put their know-how to work directly to help the growth of free enterprise in developing countries.

The Executive Service Corps will provide a cadre of experienced American business leaders who will offer specialized advice and help to businessmen of the less-developed countries. As now visualized, the Corps will be operated entirely by a private organization, working with similar local groups in the developing countries. It would be financed from four sources:

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1. The business firm or group overseas which obtained the services of an American management or technical man would pay his local living expenses in the form of a salary in local currency.
2. The American businessman who undertook to provide the requested service would, in effect, contribute the actual value of his time. In some cases, this might be contributed by his current U.S. employer.
3. U.S. firms, business organizations, and foundations would support the continuing costs of the program.
4. A.I.D. might provide supplemental funds to cover some of the initial costs of launching the program and of helping support it during its early life.

The proposed new Corps will emphasize placing people directly in productive enterprises and in actual operating jobs rather than purely advisory functions. These men would fill the great demand in the developing countries for top and middle level management skills.

Technical Assistance Contractors

A.I.D. is using, in increasing numbers, private institutions, firms, and individuals, as well as other Federal agencies, participating in providing technical assistance. At present about 25% of all U.S. technical assistance is now provided by such groups.

A.I.D. is increasing its efforts to tap these vast reservoirs of American talent and know-how by contracting more technical assistance activities.

Universities. A.I.D.'s total number of contracts with universities and colleges at the end of calendar year 1963 reached 235. Of this number, 112 contracts held by 72 universities were for technical cooperation efforts in some 40 countries.

Of particular significance is the work being done by American universities in establishing and developing land grant type institutions. In India, five universities are engaged in an A.I.D. contract which is furnishing 31 technicians serving in seven Indian states. The Universities are Illinois, Missouri, Ohio State, Tennessee and Kansas State. The project, begun in 1954, has resulted in the establishment of seven universities. There are expected to be 15 by the end of 1970.

A number of American universities are aiding in more than one country. Columbia University Teachers' College is providing education advice and service in India, Afghanistan, Kenya and Peru. Michigan State University is offering assistance in engineering, agriculture, business administration and education to Nigeria, Free China, Brazil and India. Indiana University is helping Nigeria, Sierra Leone, Pakistan and Thailand in communications, education, medicine and public administration.

Cooperatives and Savings-Credit Institutions. The number of A.I.D. contracts with cooperatives and savings-credit organizations more than tripled during calendar year 1962--from 12 to 40. Through these efforts, the number of cooperative assistance programs rose from 25 to 93 in 1963.

Savings and loan associations also are spreading swiftly throughout Latin America. Those in Chile, Ecuador, the Dominican Republic and Venezuela have 95,000 members who have saved \$32 million. This number is increasing rapidly.

Labor. The participation of labor in foreign assistance programs has been particularly effective in Latin America. Through contracts with the American Institute for Free Labor Development (AIFLD), spearheaded by the AFL-CIO, A.I.D. has been able to further the principles of free labor under the Alliance for Progress.

The AIFLD has trained 206 labor leaders in the United States and 3,658 in Latin America. Free labor institutes have been set up in Lima, Peru; San Pedro Sula, Honduras; Montevideo, Uruguay; Sao Paulo, Brazil; La Paz, Bolivia; Bogota, Colombia; and Santo Domingo in the Dominican Republic.

Voluntary Organizations

In Iran, Israel, Morocco and Tunisia, 30,000 underprivileged boys and girls are learning to use tools and instruments donated by American Organization for Rehabilitation Through Training (ORT). This \$750,000 worth of equipment, in turn was acquired by ORT without charge from excess stocks administered by A.I.D. This unique agreement between ORT and A.I.D. is the first in which a voluntary agency has included excess equipment in its assistance program. It represents the type of cooperation that exists between A.I.D. and the eligible organizations that are enabled to carry on their overseas efforts through A.I.D.'s payment of ocean freight costs.

During FY 1964, A.I.D. expects to pay \$4 million to ship \$80 million worth of goods--tools, medicines, clothing and food packages--

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PRIVATE ENTERPRISE AND RESOURCES

donated or purchased by the private voluntary groups. No food under Title III of Public Law 480 is transported under this program. The voluntary agencies bear the costs of acquisition, processing, storage and delivery to U.S. ports, as well as administrative and maintenance costs of their overseas personnel.

Recipient countries must allow duty-free entry. Costs of overseas inland transportation are paid by host governments or other non-U.S. Government sources. The U.S. origin of these supplies is clearly indicated.

Partners in Progress

A.I.D. serves as a catalyst in encouraging and implementing a new type of grass roots participation, based on the concept of community and local partnership. This involves the establishment of a direct relationship between a region or a state in the United States and an area of a developing country. A.I.D. expedites these people-to-people efforts, by encouraging such contacts and providing means by which these people can get together. A unique example of partnership is that between the State of California and Chile. Under formal agreements, California is furnishing technicians and other assistance to the Latin American nation in fields common to both.

More typical of the people-to-people link being sought is the Oakland County, Michigan partnership with the Cauca Valley of Colombia. In this case, an Alliance for Progress Committee has been formed in Oakland County. The Committee has sent a public administration expert to the Cauca Valley where he will work for two years with a counterpart in setting up governmental offices and modern procedures. In exchange, a counterpart committee has been formed in Cauca Valley. This group will send an industrial promotion representative to Oakland County for a year. He will maintain liaison with the Oakland Committee, acquaint the people of the Michigan community with the problems and resources of the Cauca Valley and encourage financial and business institutions to explore investment opportunities in his home area.

The relationship between Oakland County and Cauca Valley reaches into education also. Oakland University has established two full scholarships which will be awarded to two Cauca Valley students selected by the Cauca Committee. The Universidad del Valle in Colombia is creating two similar scholarships to be given to two students selected by the Oakland Committee. Financing of the program between the Michigan and Colombian communities is divided three ways; one-third by Cauca Valley; one-third by Oakland County, and one-third by the A.I.D. Mission in Colombia.

Further plans call for development of small impact projects involving barriada associations, schools, villages and similar groups. The projects, costing between \$100 and \$300, would be sponsored by Oakland County civic clubs, service organizations, and school clubs.

The Oakland-Cauca concept has been taken up elsewhere in the United States. Utah has organized a Utah-Bolivia Alliance Committee and is sending a team of four to the Latin American nation to establish liaison with a counterpart group. Pensacola, Florida, has financed and built a medical post in Chimbote, Peru, and a committee of mothers is equipping four playgrounds.

An Idaho-Ecuador Alliance Committee has been formed, and plans are under way for a Texas-Peru partnership. Other plans are in varying stages in Ohio, Kentucky, Indiana, Wisconsin, Massachusetts, Alabama-Guatemala, New Mexico-Colombia, Oregon, Illinois, Minnesota, Virginia, Nevada, Arizona, Oklahoma, Nebraska, Rhode Island and Connecticut.

To further these local participation programs in Latin America, a special assistant to the U.S. Coordinator of the Alliance for Progress was appointed during the past year.

Participant Trainees

The training of young men and women from the developing countries is an activity of A.I.D. that involves the participation of increasing numbers of Americans. In FY 1963, for example, 6,188 trainees came to the United States. Of these, 3,231 attended educational institutions; 1,232 served with federal, state or municipal governmental agencies; 206 went to private industry; while the remainder received a varied type of training.

The largest number of trainees, 1,405, was in the field of education. Agriculture drew the second largest number, 1,018; public administration, 719; while 483 sought industrial knowledge. Other training areas included transportation, labor, health, public safety, community development, housing, atomic energy and communications media.

Not only were foreign nationals in contact with American teachers, workers, officials and students in their training here, but almost 30,000 volunteers welcomed them to the United States, arranged for their housing, reception, transportation, and served as guides and advisors. Such duties were performed by 59 local and 19 national organizations belonging to the National Council for Community Services to International Visitors to which A.I.D. contributes financially.

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**MANAGEMENT
IMPROVEMENTS**

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MANAGEMENT IMPROVEMENTS

Improving The Management of A.I.D.

The plan for a more tightly-managed, more effective foreign assistance program involves every aspect of A.I.D.'s operations. Changes now under way or planned will:

- Reduce the size of the A.I.D. staff by 1200 people and improve its quality;
- Streamline A.I.D. organization and cut administrative overhead;
- Simplify the Agency's operations and make them more efficient;
- Tighten control and evaluation of all activities.

To insure that the major tools of economic assistance were used effectively, the 1961 Act for International Development placed them under a single roof, the Agency for International Development. The A.I.D. management improvements outlined here build directly on the foundations of the 1961 Act, and reflect the concern of the Congress and of the Administration that the foreign assistance program be carried out as effectively and efficiently as possible.

A Smaller, Better A.I.D. Staff

The growing expertise of non-governmental contractors in technical assistance, A.I.D.'s increased emphasis on the use of other federal agencies, businesses, universities and service organizations in carrying out the A.I.D. program, and the elimination of projects and activities which are not of the highest priority in terms of U.S. interest, will permit the Agency to cut back on its use of direct-hire personnel for many technical assistance jobs.

Total employment is already being reduced this fiscal year. More substantial cuts will be made in FY 1965. U.S. and foreign national staff will be decreased from 16,782 as of June 30, 1963 to 16,500 by June 30, 1964. Between June 30, 1964 and June 30, 1965, A.I.D. staff will be further reduced by an additional 900 U.S. and foreign national employees, to 15,600.

Improving Staff Quality

The organization of A.I.D. put an entirely new top executive staff in charge of the administration of the foreign assistance program. A recruitment drive launched shortly after the Agency's organization brought additional new top management into the Agency from the fields of private business, labor, colleges and universities and the professions. By the end of 1963, more than half of the Agency's Mission Directors, its top field executives, were new men.

Under A.I.D.'s newly-reorganized Office of Personnel, a major overhaul of the Agency's employee evaluation and performance rating system is now under way. This will provide a fairer, more accurate basis not only for identifying marginal employees, but for singling out those ready for greater responsibility and promotion as well.

A.I.D. has revised and strengthened its orientation program for new employees. The Congressional authority to assign Foreign Service Reserve appointees to Washington duty prior to overseas service in order to prepare them better for the special demands of work in the field has been an important tool. The Agency is asking that this authority be expanded to permit its continued, effective use.

The FY 1965 request includes \$1,000,000 in additional funds earmarked for advanced professional training programs for A.I.D. staff members, with emphasis on development assistance, management and foreign economic problems. To attract highly specialized and outstanding personnel to A.I.D. for limited assignments, the Agency is asking Congressional authority to raise its maximum per diem rate for consultants from \$75 to \$100, a level comparable with the practice in other agencies.

Separation Authority

Each of these measures will continue to improve the quality of the A.I.D. staff. But the Agency's ability to carry out its planned staff reduction without impairing efficiency depends heavily on whether or not it is given the power to terminate employees on the basis of Agency need and employee performance.

The need for these authorities stems from the changing nature of the foreign assistance program itself. Assistance to developing nations requires a different collection of skills than did aid to the recovery of Western Europe or Japan. The changing nature of the A.I.D. program now, in Asia, Africa and Latin America, and the increased use of private resources requires still a different mixture and supply of skills and abilities in the A.I.D. staff.

If A.I.D. is to achieve its goal of operating with minimum staff, it must have the authority to terminate employees whose skills have become marginal or surplus to a program in continuing change. It has been the experience of A.I.D. and its predecessors that the Agency's existing reduction in force authorities are no guarantee that the least competent employees will be released and the most productive retained.

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MANAGEMENT IMPROVEMENTS

In view of this problem, the Agency is requesting new authorities of the Congress:

1. Authority to terminate up to 100 supervisory, policy-making and key operating personnel in each of two years notwithstanding the provisions of any other law, to enable the Agency to adjust the size of its staff to changing program requirements.
2. Authority to extend the current overseas "selection out" authority to Washington headquarters employees, to insure that all employees retained are those who are most competent and productive.

Both authorities are requested as part of a careful and continuing evaluation program. In response to related problems, abrupt mass separations were carried out in the foreign assistance programs in 1952, 1953 and 1961 under special and temporary legislation. This procedure did not permit orderly planning, it lowered morale and led to serious personnel recruitment problems later.

In contrast, selection out authority of the kind A.I.D. is requesting for all personnel has already been granted the Agency for Foreign Service personnel. Orderly procedures have been developed and are now being used. Experience to date suggests that it will be an effective and fair procedure on an Agency-wide basis.

Streamlining the A.I.D. Organization

A.I.D. has undertaken several major steps to streamline its organization and cut administrative overhead. During 1963, major mission reorganizations were carried out in Vietnam, the Republic of China, Jordan and Pakistan. The composition of the China Mission, for example, was changed to reflect the shift from grant technical assistance to loan-financed activities; in addition, the size of the Mission's direct-hire American staff was reduced from 82 to 65. In Pakistan, the A.I.D. Mission was reorganized along regional lines to reflect the semi-autonomy Pakistan has granted to development authorities in its east and west regions.

A regional Controller staff was established in Greece to consolidate financial services previously performed in eight separate locations with an estimated saving of \$300,000 a year.

The newest development in the Agency's drive for administrative economy will be the elimination of separate A.I.D. Missions in more countries where the United States conducts limited programs of economic assistance. Technical assistance projects under way

in these countries will be carried out by private firms or institutions on contract with A.I.D., or by experts from other Federal agencies. Planning and supervision will be carried out from Washington, or from A.I.D. Missions nearby. Withdrawal of A.I.D. direct-hire staffs from these countries will pare administrative costs to the minimum required for program control, inspection and evaluation.

Simpler, More Efficient Operations

The merger that produced the Agency for International Development combined predecessor organizations with different rules, different reporting and inspection procedures, different accounting systems, and different methods of doing business.

These differences created problems in control and management, and practical problems not only for Agency staff, but for contractors working in the A.I.D. program and businessmen who wished to bid on A.I.D.-financed procurement orders or for A.I.D.-financed engineering and construction service contracts.

A.I.D. completed in 1963 a major "housekeeping" operation, the Implementation Project, which completely overhauled and unified the Agency's basic methods of doing business. Among the results of this and related projects were:

- A new "rule book" in the form of some 200 new directives, replacing a much larger number of outdated (and sometimes conflicting) directives. One single directive, for example, superseded 23 prior directives.
- Elimination of 13 reports required quarterly from every A.I.D. Mission, with an estimated saving of 500,000 pieces of paper annually, and many manhours in preparation, distribution, filing, and review.
- A much needed revision of "Regulation I", the basic document covering A.I.D.-financed commodity procurement and the principal guide for U.S. business and industry in filling more than \$850 million in A.I.D.-financed export orders in FY 1963. The revised version has been circulated to several hundred U.S. firms, Trade Associations and Banking Institutions for their comments. The final version will be a short, clear and practical guide for American business.

Other improvements in operation have already produced clear savings in the foreign assistance dollar. Centralized purchase of DDT for the Malaria Eradication Program produced a saving of

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more than \$900,000 in FY 1963 by consolidating buying during the manufacturer's period of slack production. Tighter travel policies and regulations imposed by A.I.D. saved \$1,200,000 during the first six months of 1963 alone. A.I.D. saved \$34,000,000 through use of U.S. Government-owned excess property in its overseas projects during FY 1963. At a total cost of \$6 million (for repair, handling and transportation) A.I.D. acquired U.S. Government excess property originally valued at \$40 million and a current replacement value of over \$50 million.

Decentralized Authority

A pilot experiment in further decentralization to the field is being undertaken in the USAID to Ethiopia, giving increased authority to the Mission Director in certain areas, including personnel, commodity procurement and contracting. The purpose of this pilot operation is to determine whether: (a) quicker and more effective action can be obtained on project implementation; and (b) paperwork can be reduced in the Mission and Washington with savings in manpower and funds.

A thorough revamping of Development Loan procedures has cut the time needed to process loan applications, while assuring a more comprehensive and thorough review of the applications. These improvements provide greater authority to the Regional Bureaus, and new measures to assure closer follow-up of approved loans.

Since no business can afford to study its management practices only occasionally, emphasis will be placed in FY 1965 on a newly introduced Management Improvement Program. This program provides all levels of the Agency, for the first time, with a means for systematically streamlining operations, increasing employee productivity and cutting the costs of doing business. The program provides a framework within which priorities for improvement projects can be established and assures coordinated use of all available management tools and resources.

Tighter Control and Evaluation

Most of the funds appropriated for foreign assistance go to finance specific goods and services for use in specific development projects and programs. Precisely what A.I.D. will provide, for what purpose, and what the recipient country will furnish from its own resources is spelled out clearly in agreements between the United States and the host government. The use of A.I.D.-financed goods and services is monitored or supervised in the field by A.I.D. staff and contract technicians who are experts in their areas.

A.I.D. is making increased use of other federal agencies to handle specialized supervisory jobs in the field. In Laos where a private U.S. contractor is building an A.I.D.-financed road, the U.S. Bureau of Public Roads is supervising the project for A.I.D. In the Philippines, the Bureau of Reclamation is supervising A.I.D. contractors mapping approximately 15 reservoir sites. An A.I.D.-financed road project in Burma, carried out by private U.S. contractors, is supervised for A.I.D. by the U.S. Army Corps of Engineers.

Financial Control and Auditing

The Agency is placing heavy emphasis on effective financial control and accountability of funds placed under its jurisdiction. A.I.D. now has more than 1,600 full-time employees, including 1,100 foreign nationals, engaged in controller-type activities. Among these are approximately 150 American professional auditors, two-thirds of whom are stationed in strategic locations abroad conducting audits of overseas transactions with the help of 200 foreign nationals skilled in auditing and monitoring services.

The Agency's financial control activities are comparable to those existing in most commercial organizations. They include budgeting, accounting, financial reporting, financial review and related activities designed to assure effective internal control of funds.

A.I.D.'s auditing activities are carried on in accordance with generally accepted professional auditing techniques. These include site verifications to assure that A.I.D.-financed goods and services are actually used effectively in A.I.D.-approved programs and projects, that A.I.D. has not been overcharged, and that provisions of law and regulations are complied with.

Besides providing a normal psychological deterrent to importers, suppliers, cooperating countries and others handling A.I.D. transactions, the audit program does much to recover amounts from contractors and to uncover unauthorized commissions, rebates, kickbacks, and other unethical practices. Audit disclosures which require further investigation through interrogation and other methods not normally covered within the field of professional auditing are referred to the Management Inspection Staff (see below).

During FY 1963 more than 2,800 audit examinations were made at various sites in the United States and in the foreign countries in which A.I.D. operates. Coverage approximated \$2 billion of expenditures -- a one-third increase over FY 1962 audit coverage.

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As a result of audit examinations, recommendations to correct deficiencies are made to senior agency officials and to cooperating country governments. Frequently refund claims are instituted against suppliers or benefiting countries. The Agency's refund claims exceeded \$23 million during FY 1963.

These examples are typical of recent actions resulting from audit activities:

1. A settlement in excess of \$1.4 million from a foreign government for violation of the Cargo Preference Act which requires that 50% of A.I.D.-financed commodities be shipped in U.S. flag vessels.
2. A request that the Department of Justice take legal action to recover \$217,000 paid by an American exporter to a foreign importer for "promotion activities" which may not be financed with A.I.D. funds.
3. A \$40,000 refund from a foreign importer whose U.S. supplier inflated invoice charges 10% and retained the surplus for the foreign firm in a U.S. account.
4. A \$400,000 refund from a foreign government for failure to use A.I.D.-financed equipment for the purpose for which it was supplied.
5. Refunds totaling more than \$1.5 million from another foreign government for violations that included the use of some A.I.D. credits to import non-essential goods.

A.I.D. is expanding its auditing and monitoring activities by improving the caliber of its own auditors and by refining its internal audit procedures. Greater use is also being made of the audit facilities of other government agencies and of public accounting firms. At the present time the Air Force is providing substantial audit assistance in the audit of A.I.D. contracts. The Army and Navy Audit Agencies have just begun to provide comparable service in locations where they have audit personnel. Arrangements have also been made with Certified Public Accounting firms to assist in overcoming a backlog of contracts requiring audit to determine allowability of cost reimbursements claimed by some 200 contractors who are providing services under A.I.D.-financed programs. This new approach not only will expand audit coverage but provides the agency specialized "on call" talent as needed.

Inspection Activities

The Agency's professional audit activities are reinforced by a small Management Inspection Staff, many of whom are ex-FBI agents. They carefully investigate reports of misuse of funds, misconduct and improper procurement practices in Washington and the field. They pursue audit findings which suggest the need for interrogation or other techniques to ferret out the specifics on questionable actions, misconduct, conflict of interest, and the like. Among the results of their activities during FY 1963 were ten referrals to the Department of Justice for civil and criminal action and 15 administrative actions including separating four employees.

External Examinations

In addition to the comprehensive internal audit and inspection programs being conducted by A.I.D., two "outside" organizations are conducting independent auditing and monitoring activities in accordance with statutory requirements. The Inspector General, Foreign Assistance, an office created by the Congress and reporting directly to the Secretary of State, has personnel in almost continuous travel overseas, checking on the management of A.I.D. programs and the conduct of A.I.D. personnel. The General Accounting Office, an arm of the Congress, conducts continuous over-all reviews of A.I.D. activities. It has approximately 30 full-time personnel engaged in A.I.D. examinations. The A.I.D. system of internal control provides for systematic monitoring and follow-up to assure that effective actions are taken on the recommendations of the Inspector General and the Comptroller General.

A Bi-Partisan General Advisory Committee

To provide a continuing source of guidance and evaluation, a General Advisory Committee on the Mutual Defense and Development Programs is being appointed. This bi-partisan Committee will meet at least four times a year, will be composed of distinguished private citizens of different backgrounds, and will have the function of reviewing the programs and advising the President on how to improve the effectiveness of U.S. economic and military assistance programs.

In addition, the Committee will undertake to examine the aid program in specific countries, carrying out a suggestion made in 1963 by Senator John Sherman Cooper of Kentucky. These country

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reviews -- four or five will be undertaken in 1964 -- will be made by members of the Advisory Committee augmented, as necessary, by the appointment of additional persons.

The country reviews would include study of the recipient country's self-help efforts, the effectiveness of A.I.D. program design in the country, program administration and the relative importance of current A.I.D. programs and projects to the recipient country's

progress and the degree to which the benefits of the country's development program are actually reaching the people.

The Advisory Committee will help insure that foreign assistance activities are not only efficiently conducted, but increasingly effective in helping the United States build a world community of independent, freedom-oriented and self-supporting nations.

AGENCY FOR INTERNATIONAL DEVELOPMENT
AND ALLIANCE FOR PROGRESS

Summary of Total Direct Hire Personnel Strength
End of FY 1963, FY 1964, and FY 1965

	Actual On-Board Employment As of June 30, 1963			Estimated On-Board Employment As of June 30, 1964			Estimated On-Board Employment As of June 30, 1965		
	Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
<u>Direct Hire U.S. Nationals</u>									
Washington	1,840	881	2,721	1,851	1,010	2,861	1,851	1,010	2,861
Overseas	987	3,110	4,097	949	2,975	3,924	904	2,715	3,619
Sub-Total	2,827	3,991	6,818	2,800	3,985	6,785	2,755	3,725	6,480
<u>Foreign Nationals</u>									
U.S. Appropriations	1,583	3,692	5,275	1,522	3,737	5,259	1,522	3,528	5,050
Foreign Trust Funds	-	4,689	4,689	-	4,456	4,456	-	4,070	4,070
Total Direct Hire	4,410	12,372	16,782	4,322	12,178	16,500	4,277	11,323	15,600

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**TOTAL
FREE WORLD AID**

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TOTAL FREE WORLD AID

The United States is not alone in assisting the developing countries. Today, all the other developed free nations provide capital and technical assistance. They provide it on a bigger scale than is generally known--about \$2-1/2 billion in new bilateral commitments in 1962.

Increasing assistance from other free world sources is an important factor in determining the level and kind of aid the United States provides. In a number of countries, particularly in Africa, major responsibility for development assistance now rests with other free world donors, enabling the United States to limit its programs to a supplementary and relatively minor role.

The other free world assistance donors are Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, and the U.K. All of them, except for Canada, were recipients of U.S. economic aid a decade ago. The "donor's club" continues to grow--Israel, the Republic of China on Taiwan, and Mexico now provide technical assistance to other less-developed countries.

Between 1960 and 1962, the total volume of free world aid commitments rose from \$6.5 billion to \$8.4 billion, an increase of about 28%. As the following table indicates, the U.S. percentage share of this total declined during the period, while the share of multilateral agencies increased and that of other bilateral donors remained about the same. The table compares commitments from the United States (including assistance under the Foreign Assistance Act, the Export-Import Bank and P.L. 480) from the multilateral agencies and from the 11 other major free world donors who (with the United States) are members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

Total Free World Aid Commitments

(Commitments of grants and loans of over five year maturity)

	(In billions of dollars)					
	1960		1961		1962	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. Bilateral	3.9	60%	4.4	54%	4.7	56%
Other DAC Bilateral	1.8	28%	2.4	30%	2.4	29%
Int'l. Agencies	0.8	12%	1.3	16%	1.3	15%
Total	6.5	100%	8.1	100%	8.4	100%

In 1962, the bilateral commitments of free nations other than the United States were 29% of total free world assistance, and the other donors contributed about equally with the United States to the growing assistance programs of international agencies. We believe the other donors should continue to increase their share of the total aid effort and improve the terms of their assistance.

More Aid from Others

Increasing the volume and improving the terms of aid from other donors is, and for more than two years has been, a major concern of the U.S. Government. Largely on U.S. initiative, the DAC of the OECD was formed in 1961 to coordinate the common aid effort of the Free World. The United States pressed vigorously for the creation of formal consortia or consultative groups to coordinate bilateral and international aid for the development of key nations such as India, Pakistan, Turkey, Nigeria and Colombia.

This effort continues, and it is showing results. The bilateral aid commitments of the other free world donor countries have shown a steady upward climb. During the period 1960-62, the other DAC countries increased their annual bilateral commitments 34%, as compared with 20% for the United States.

Recently, several countries have recognized the need for even greater efforts. The British Government issued a White Paper on aid in the Fall of 1963, stating its intention to increase its efforts. The Canadian Government recently announced in Parliament its plans for a sharp increase in foreign aid, and the French Government made public the report of an official study which advocated continued expansion of French economic assistance and its greater use in countries outside the franc zone. The Japanese Prime Minister, in a nationwide telecast in 1963, stated his intention to increase Japanese aid significantly.

Terms of Aid

While there is still room for much improvement, terms of the other donors are becoming more liberal. In 1959, for example, German loans all carried five years' maturity or less and were at commercial interest rates. By 1962 new commitments averaged 17 years at 4.2%. In 1963, Germany made its first loans for maturities of 25 years and 30 years.

A significant softening of British terms is likely in 1964. British lending in 1962 averaged about 26.3 years' maturity, at 5.6% interest. The recent British White Paper, however, announced

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TOTAL FREE WORLD AID

a new policy permitting a greatly increased number of loans up to 30 years' maturity, grace periods up to 10 years and forgiveness of interest payments in the first seven years. The interest waiver (several have already been granted) lowers the 6% interest rate on a long-term loan to about 3%.

Canada, while relying heavily on grants, is also setting up a soft loan program with lending terms expected to be similar to those of the International Development Association (IDA); that is, 50 years' maturity, 3/4% interest and 10 years' grace.

The recent improvement of loan terms stems in great part from a policy agreement reached by the DAC members in 1963, which recognized that terms of all donors should be more nearly comparable and should be consistent with the debt-servicing capacity of the recipient countries.

Aid Consortia

The OECD sponsors aid consortia for Greece and Turkey; the World Bank has provided sponsorship for consortia for India and Pakistan. These consortia include as many as 11 member countries. The World Bank and the IDA contribute to the India and Pakistan consortia, and the IDA to the Turkey consortium. Their sessions provide an opportunity to assess the needs of the recipient and determine the contributions of each of the donors. The pledges provide the recipient countries with an orderly basis for their own developing planning.

Total external aid provided through consortia has amounted to more than \$5 billion, of which the United States has contributed 44% or about \$2.3 billion. The following table shows the amounts and average terms of assistance from the United States, other bilateral donors, and international agencies in the consortia for India, Pakistan, Turkey and Greece (for the Indian and Pakistani fiscal years, and calendar years for Turkey and Greece).

(In millions of dollars)

	India (IFY 1962-64)	Pakistan (PFY 1962-64)	Turkey (CY 1963)	Greece (CY 1963)	Total
Other Bilateral	1,307.2	371.1	96.1	35.5	1,809.9
IBRD/IDA	695.0	289.4	26.7	-	1,011.1
U.S.	1,415.0	712.5	120.0	10.0	2,257.5
Total	3,417.2	1,373.0	242.8	45.5	5,078.5

a/ Includes grants of \$54 million for India, \$59.5 million for Pakistan, and \$28 million for Turkey.

Multilateral Capital Assistance

Multilateral capital assistance has increased more rapidly in recent years than bilateral assistance. Multilateral aid is financed by subscriptions from member countries and by borrowings in private capital markets.

The principal international financial institutions are the International Bank for Reconstruction and Development (World Bank) and its two affiliates, the IDA and the IFC, the Inter-American Development Bank (IDB); and the European Development Fund and the European Investment Bank of the European Economic Community (EEC).

The aid commitments of these five financial institutions to developing countries have risen from \$665 million in 1960, to \$1.1 billion in 1962; net disbursements have risen from \$261 million to \$581 million in the same period, and are expected to continue at this or higher levels for the next several years. In addition, commitments of technical assistance programs under the UN and its specialized agencies have reached about \$200 million a year. Thus, the total flow of commitments from international agencies amounted to \$1.3 billion in 1962.

The United States subscribes no funds for the assistance programs of the EEC. Its subscriptions to other programs range from 30% of the backing of World Bank capital to 43% of the ordinary capital of the IDB.

The Task Ahead

The United States can take pride in having launched a program of massive assistance to other countries in 1947. It can take satisfaction from the fact that many former recipients of that assistance have joined the United States in a continuing effort to provide a better world for all nations. But much has yet to be done. The United States must continue to press other free world donors: (a) to increase the total of their aid commensurate with their increased wealth; (b) to extend that assistance over longer periods of time, and at lower rates of interest, in recognition of the fact that less-developed countries cannot service large, short-term debts at high rates of interest; (c) to broaden their assistance to countries other than their former colonies or protectorates; and (d) to make their assistance more truly an instrument of development rather than a means of promoting trade.

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