CONFIDENTIAL

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROPOSED REGIONAL PROGRAMS FOR FISCAL YEAR 1963

VOLUME III: WORLD-WIDE SUMMARY
THE ALLIANCE FOR PROGRESS
NEAR EAST AND SOUTH ASIA

CONFIDENTIAL

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794, THE TRANSMISSION OR THE REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

GROUP 4

DOWNGRADED AT 3-YEAR INTERVALS.
DECLASSIFIED 12 YEARS AFTER
DATE OF ORIGIN.

NOT RELEASABLE TO FOREIGN NATIONALS

April 29, 1963

FOREWORD

Volumes III and IV provide additional program and project data relating to the FY 1964 Congressional Presentation of the Agency for International Development.

The following tables have been included for each country:

Table I - Summary of program by function - project and non-project assistance (other than Development Loans and Alliance for Progress Loans) for FYs 1962-1964, by major cost component and related personnel data.

Table II - Summary data on project assistance proposed for FY 1964 in Table I, grouped by major areas of economic and social activity.

Table III - Status of individual projects for each new and continuing project in excess of $100,000 for which FY 1964 funds are requested, and for each project having unliquidated obligations of $1 million or more as of June 30, 1962 even though no funds are requested for such projects for FY 1964. A minimum of two project descriptions are included for each country (unless there is only one project in the country), even if the above criteria could not be met, or if the projects normally listed would present an unbalanced view of the Development Grant program. Such additional projects are illustrative of the country program and goal plans.

Table IV - Summary of activity and component cost data for proposed FY 1964 projects under $100,000.

Table V - Loan status as of February 28, 1963 of individual approved Development Loans and Alliance for Progress Loans, with descriptive narrative depicting the status of the loan, the reason for having made the loan, and how the loan fits into the needs of the country, the U.S. strategy and goal plans.

Regional summary tables are also included to summarize (1) Project and Non-Project Assistance (Table I), Project Assistance by Activity Proposed for 1964 (Table II), and the Status of Development Loans and Alliance for Progress Loans (Table VI).

In addition, Volume III contains a World-Wide section in which entries on the Regional Summaries are summarized on a world-wide basis. This section also contains other pertinent world-wide data prepared subsequent to completion of the section on World-Wide Summaries included in Volume I of the Congressional Presentation.

CLASSIFICATION OF VOLUMES

Although the greater part of information contained in Volumes III and IV is unclassified, the books have been classified CONFIDENTIAL because certain pages contain proposed country levels for Supporting Assistance and other material which cannot be made public at this time. In general, information concerning the funding of continuing Development Grant projects is unclassified, as is data on Development Loans which have been announced to the receiving country. Supporting Assistance for FY 1964, and in some cases for FY 1963 as well, over-all country programs for FY 1964 and new projects proposed for FY 1964 must remain classified. Pages which are marked CONFIDENTIAL contain some classified information. All of the material on pages which are not marked CONFIDENTIAL is unclassified.

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CLASSIFICATION OF VOLUMES

This year AID has endeavored to present the maximum possible amount of information on an unclassified basis, and to reduce the classification of other materials to the lowest possible level consistent with security considerations. The "World Wide Book" (Volumes I and II) has been prepared as a completely unclassified document and is available for unlimited use by the members of the Congress. The FY 1963 AID proposals by country, as well as other statistical data which must remain classified, have been incorporated in the classified regional books (Volumes III and IV).

These classified Volumes III and IV not only provide the Congress with the FY 1963 economic assistance programs country-by-country, but also provide a frank evaluation of the political, economic and social situations existing in the countries for which assistance is proposed. Clearly, candid judgments by the U. S. Government, for example, with respect to the effectiveness of foreign governments in responding to demands for reform and development, cannot be published on an unclassified basis. And yet just this kind of judgment and evaluation is essential for the comprehension by the Congress of the foreign policy interests underlying this aid request, as well as an understanding of the specific country aid proposals themselves.

The country program books (Volumes III and IV) are this year classified Confidential, rather than Secret, which has been the classification of similar volumes in the past.

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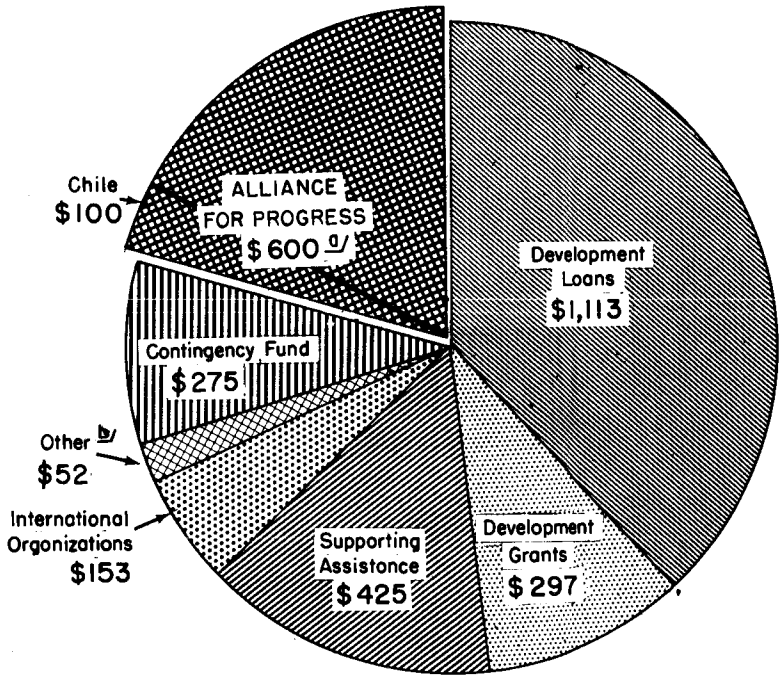
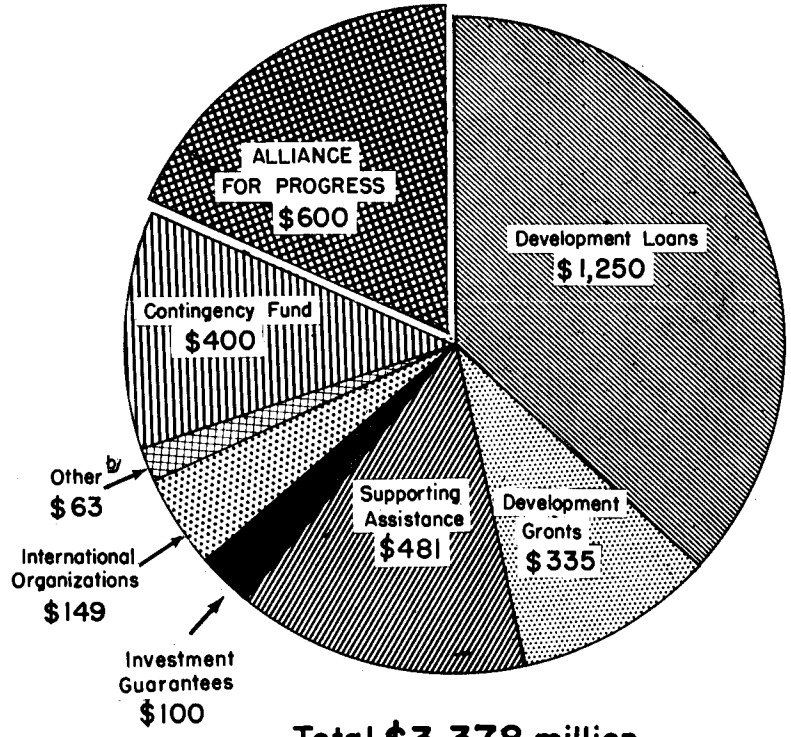
AGENCY FOR INTERNATIONAL DEVELOPMENT

FY 1962 APPROPRIATION[a]



Total $2,915 million[a]

FY 1963 APPROPRIATION REQUEST



Total $3,378 million

a/ Includes supplemental FY 1961 appropriation for Alliance for Progress pursuant to PL 87-41, dated May 27, 1961, effectively available in FY 1962 and subsequently.

b/ Includes administrative expenses (AID), administrative expenses (STATE) and Investment Surveys.

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROPOSED FY 1963 APPROPRIATIONS COMPARED WITH FY 1962

(In millions of dollars)

	FY 1962	FY 1963
Development Lending	1,112.5	1,250.0
Development Grants	296.6	335.0
Contributions to International Organizations and Programs	153.5	148.9
Supporting Assistance	425.0	481.5
Contingency Fund	275.0	400.0
Alliance for Progress	600.0 a/	600.0
Investment Guaranty Program	-	100.0
Surveys of Investment Opportunities	1.5	5.0
Administrative Expenses (AID)	47.5	55.0
Administrative Expenses (State)	3.0	3.1
Total	2,914.6 a/	3,378.5

a/ Includes supplemental FY 1961 appropriation for Alliance for Progress pursuant to P.L. 87-41, dated May 27, 1961, effectively available in FY 1962 and subsequently.

SUMMARY OF PROGRAMS BY AREA, COUNTRY AND FUNCTION

Fiscal Years 1961, 1962 and 1963

(In thousands of dollars)

Country	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			Other Programs		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962a/	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
TOTAL - ALL PROGRAMS	2,080,408	2,962,987	3,310,850	628,518	1,120,440	1,760,400	315,032	388,460	441,000	917,405	708,797	496,950	219,453	745,290	612,500
LATIN AMERICA - TOTAL	257,733	904,560	625,250	133,270	188,440	510,400	68,645	109,320	99,850	55,318	112,800	15,000	-	494,000	-
Argentina	6,936	42,748	103,800-128,800	6,000	39,000	100-125,000	936	3,748	3,800	-	-	-	-	-	-
Bolivia	27,875	20,830	10,000	3,750	400	b/	1,626	4,430	6,000	22,499	16,000	4,000	-	-	-
Brazil	7,506	114,130	164,000-184,000	-	94,000	140-160,000	7,506	20,130	24,000	-	-	-	-	-	-
British Guiana	745	1,500	1,500	-	-	-	745	1,500	1,500	-	-	-	-	-	-
British Honduras	98	565	500	-	-	-	98	265	500	-	300	-	-	-	-
Chile	31,227	3,653	53,300-63,300	8,200	400	50-60,000	23,027c/	3,253	3,300	-	-	-	-	-	-
Chile Reconstruction Loan	-	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000	-
Colombia	28,163	38,077	44,000-64,000	25,000	-	40-60,000	3,163	8,077	4,000	-	30,000	-	-	-	-
Costa Rica	10,015	2,205	2,400	8,625	-	b/	1,390	2,205	2,400	-	-	-	-	-	-
Cuba	43	-	-	-	-	-	43	-	-	-	-	-	-	-	-
Dominican Republic	80	26,000	3,000	-	-	b/	80	1,000	3,000	-	25,000	-	-	-	-
Ecuador	9,578	18,989	4,000	6,736	5,000	b/	2,842	5,989	4,000	-	8,000	-	-	-	-
El Salvador	2,872	4,221	2,000	1,600	500	b/	1,272	3,721	2,000	-	-	-	-	-	-
Guatemala	21,039	4,500	2,900	7,499	-	b/	3,515	4,500	2,900	10,025	-	-	-	-	-
Haiti	10,769	13,255	9,000	-2,750	-	-	2,049	2,255	4,000	11,470	11,000	5,000	-	-	-
Honduras	5,230	4,100	3,000	-	600	b/	1,723	3,500	3,000	3,507	-	-	-	-	-
Jamaica	995	6,620	1,000	-	5,500	b/	399	1,120	1,000	596	-	-	-	-	-
Mexico	1,173	670	800	-	-	b/	1,173	670	800	-	-	-	-	-	-
Nicaragua	8,307	4,243	2,500	7,100	1,440	b/	1,207	2,803	2,500	-	-	-	-	-	-
Panama	15,745	12,400	3,500	7,800	-	b/	2,945	2,500	3,500	5,000	9,900	-	-	-	-
Paraguay	9,621	2,669	3,000	7,710	-	-	1,911	2,669	3,000	-	-	-	-	-	-
Peru	29,150	20,658	6,000	26,000	9,000	b/	3,150	5,658	6,000	-	6,000	-	-	-	-
Surinam	430	480	400	-	-	-	430	480	400	-	-	-	-	-	-
Uruguay	87	5,110	1,500	-	-	b/	87	5,110	1,500	-	-	-	-	-	-
Venezuela	15,170	21,746	3,000	15,000	20,000	b/	170	1,746	3,000	-	-	-	-	-	-
West Indies (E.Caribbean)	3,669	9,224	7,400	-	-	-	948	2,624	1,400	2,721	6,600	6,000	-	-	-
Central American Bank for Economic Integration	7,000	3,000	-	5,000	-	b/	2,000	3,000	-	-	-	-	-	-	-
Central American Region	-	-	4,500	-	-	b/	-	-	4,500	-	-	-	-	-	-
Contributions to OAS	1,500	1,500	1,700	-	-	-	1,500	1,500	1,700	-	-	-	-	-	-
Contribution to PAHO	1,625	2,300	2,300	-	-	-	1,625	2,300	2,300	-	-	-	-	-	-
OAS (Development Planning)	-	6,000	-	-	-	-	-	6,000	-	-	-	-	-	-	-
Office of Inspector General	-	-	(150)	-	-	-	-	-	(150)	-	-	-	-	-	-
Seasonal Marketing Arrangement	-	12,600	-	-	12,600	-	-	-	-	-	-	-	-	-	-
Trust Fund (IDB)	-	394,000	-	-	-	-	-	-	-	-	-	-	-	394,000	-
Regional	1,085	6,567	3,850	-	-	-	1,085	6,567	3,850	-	-	-	-	-	-

a/ As of February 28, 1962.
b/ Development lending contemplated, project applications will be considered.
c/ Includes $20 million grant to Chile for earthquake reconstruction and is comparable to the $100 million appropriation for this purpose.

SUMMARY OF PROGRAMS BY AREA, COUNTRY AND FUNCTION

Fiscal Years 1961, 1962 and 1963

(In thousands of dollars)

Country	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			Other Programs		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962 a/	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
NEAR EAST AND SOUTH ASIA - TOTAL	730,259	904,530	1,028,150-1,128,150	377,525	634,100	850-950,000	68,646	63,530	78,050	284,088	206,900	100,100	-	-	-
Afghanistan	12,820	16,700	19,000	-	-	b/	9,082	9,200	19,000	3,738	7,500	-	-	-	-
Ceylon	269	1,500	1,300	-1,424	-	-	1,693	1,500	1,300	-	-	-	-	-	-
Cyprus	15	350	850	-	-	b/	15	350	850	-	-	-	-	-	-
Greece	20,500	20,330	20,000-40,000	-	-	20-40,000	500	330	-	20,000	20,000	-	-	-	-
India	201,600	403,300	465,000	180,100	388,100	450,000	21,500	15,200	15,000	-	-	-	-	-	-
Iran	63,288	55,200	45,400-65,400	37,155	6,000	40-60,000	4,333	5,200	5,400	21,800	44,000	-	-	-	-
Iraq	1,087	800	1,100	-	-	-	1,087	800	1,100	-	-	-	-	-	-
Israel	24,500	10,430	15,000-20,000	16,000	10,000	15-20,000	1,000	430	-	7,500	-	-	-	-	-
Jordan	47,580	43,800	42,500	1,000	-	b/	6,580	6,800	6,500	40,000	37,000	36,000	-	-	-
Lebanon	761	500	150	-	-	b/	761	500	150	-	-	-	-	-	-
Nepal	4,755	3,700	4,600	400	-	-	4,355	3,700	4,600	-	-	-	-	-	-
Pakistan	130,317	233,000	235,000	27,244	200,000	225,000	7,519	8,000	10,000	95,554	25,000	-	-	-	-
Syria	-	9,170	1,600	-	-	b/	-	170	1,600	-	9,000	-	-	-	-
Turkey	211,715	73,370	121,000-141,000	117,300	10,000	60-80,000	4,415	5,370	6,000	90,000	58,000	55,000	-	-	-
UAR (Egypt)	2,032	22,030	2,900	-250	20,000	b/	2,282	2,030	2,900	-	-	-	-	-	-
Yemen	3,996	5,000	6,900	-	-	-	-	-	-	3,996	5,000	6,900	-	-	-
CENTO	1,820	1,750	2,550	-	-	-	320	350	350	1,500	1,400	2,200	-	-	-
Regional	3,204	3,600	3,300	-	-	-	3,204	3,600	3,300	-	-	-	-	-	-
FAR EAST - TOTAL	532,642	412,688	624,100-704,100	46,250	30,450	200-280,000	72,031	69,580	75,000	414,361	312,658	349,100	-	-	-
Burma	417	5,200	32,200	-	-	b/	417	400	2,100	-	4,800	30,100	-	-	-
Cambodia	24,322	30,200	21,700	-	-	b/	7,122	12,900	10,200	17,200	17,300	11,500	-	-	-
China (Taiwan)	91,005	8,800	57,800-87,800	38,900	5,200	55-85,000	8,857	3,600	2,800	43,248	-	-	-	-	-
Indonesia	15,844	24,200	46,100-71,100	-	-	25-50,000	15,844	18,600	18,600	-	5,600	2,500	-	-	-
Japan	1,294	533	-	-	-	-	1,294	-	-	-	533	-	-	-	-
Korea	199,168	122,250	180,000-195,000	6,500	25,150	50-65,000	11,576	7,100	5,000	181,092	90,000	125,000	-	-	-
Laos	32,365	39,400	40,000	-	-	-	1,524	-	-	30,841	39,400	40,000	-	-	-
Philippines	3,312	4,300	34,500-54,500	-9,850	100	30-50,000	4,090	4,200	4,500	9,072	-	-	-	-	-
Thailand	25,260	22,900	39,500-49,500	-	-	30-40,000	6,860	9,700	9,500	18,400	13,200	-	-	-	-
Vietnam	138,548	152,000	160,000	10,700	-	-	13,357	12,000	20,000	114,491	140,000	140,000	-	-	-
West Samoa	-	25	-	-	-	-	-	-	-	-	25	-	-	-	-
SEATO	442	1,800	1,100	-	-	-	425	-	1,100	17	1,800	-	-	-	-
Regional	665	1,080	1,200	-	-	-	665	1,080	1,200	-	-	-	-	-	-

a/ As of February 28, 1962.
b/ Development lending contemplated, project applications will be considered.

SUMMARY OF PROGRAMS BY AREA, COUNTRY AND FUNCTION

Fiscal Years 1961, 1962 and 1963

(In thousands of dollars)

Country	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			Other Programs		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962 a/	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
AFRICA - TOTAL	204,717	199,804	350,250-420,250	53,294	42,000	200-270,000	69,672	96,835	117,750	81,751	60,969	32,500	-	-	-
Cameroon	1,949	3,200	1,500	-	-	b/	469	200	1,500	1,480	3,000	-	-	-	-
Central African Republic	46	160	440	-	-	-	46	160	440	-	-	-	-	-	-
Chad	56	335	490	-	-	-	56	335	490	-	-	-	-	-	-
Congo (Leopoldville)	2,369	3,300	3,500	-	-	b/	2,369	3,300	3,500	-	-	-	-	-	-
Congo (Brazzaville)	54	520	500	-	-	-	54	520	500	-	-	-	-	-	-
Dahomey	1,961	1,000	1,550	-	-	b/	1,961	1,000	1,550	-	-	-	-	-	-
Ethiopia	38,687	6,400	5,900	29,130	-	b/	8,492	6,400	5,900	1,065	-	-	-	-	-
Gabon	54	260	470	-	-	b/	54	260	470	-	-	-	-	-	-
Ghana	21,577	9,200	4,250	20,000	7,000	b/	1,577	2,200	4,250	-	-	-	-	-	-
Guinea	206	3,500	3,400	-	-	b/	206	-	1,400	-	3,500	2,000	-	-	-
Ivory Coast	2,088	1,500	1,800	-	-	b/	2,088	1,500	1,800	-	-	-	-	-	-
Kenya	401	3,016	3,250	-	-	b/	401	3,000	3,250	-	16	-	-	-	-
Liberia	6,336	10,650	24,000-30,000	-	-	12-18,000	6,336	10,650	12,000	-	-	-	-	-	-
Libya	16,573	13,500	13,900	-	-	b/	2,552	2,500	3,400	14,021	11,000	10,500	-	-	-
Malagasy Republic	509	650	615	-	-	b/	509	650	615	-	-	-	-	-	-
Mali	2,496	8,700	2,500	-	5,600	b/	247	-	2,500	2,249	3,100	-	-	-	-
Mauritania	44	-	-	-	-	-	44	-	-	-	-	-	-	-	-
Morocco	40,986	31,050	31,550-36,550	-	-	10-15,000	986	1,050	1,550	40,000	30,000	20,000	-	-	-
Niger	1,958	1,200	1,650	-	-	b/	1,958	1,200	1,650	-	-	-	-	-	-
Nigeria	13,080	45,000	115,000-135,000	2,964	25,000	90-110,000	10,116	20,000	25,000	-	-	-	-	-	-
Rhodesia and Nyasaland	634	2,000	3,200	-	-	b/	634	2,000	3,200	-	-	-	-	-	-
Ruanda-Urundi	-	-	-	-	-	b/	-	-	-	-	-	-	-	-	-
Senegal	3,642	2,700	3,400	-	-	b/	3,642	2,700	3,400	-	-	-	-	-	-
Sierra Leone	496	1,500	2,500	-	-	b/	496	1,500	2,500	-	-	-	-	-	-
Somali Republic	4,227	10,253	7,750	-	-	b/	4,227	9,900	7,750	-	353	-	-	-	-
Sudan	9,401	10,800	35,500-45,500	-	2,000	30-40,000	7,965	8,800	5,500	1,436	-	-	-	-	-
Tanganyika	2,524	2,000	7,200	1,900	-	5,000	624	2,000	2,200	-	-	-	-	-	-
Togo	1,147	1,000	1,300	-	-	b/	1,147	1,000	1,300	-	-	-	-	-	-
Tunisia	37,202	15,900	37,400-47,400	10,000	2,400	30-40,000	5,702	3,500	7,400	21,500	10,000	-	-	-	-
Uganda	51	3,100	2,500	-	-	b/	51	3,100	2,500	-	-	-	-	-	-
Upper Volta	1,953	1,000	1,150	-	-	b/	1,953	1,000	1,150	-	-	-	-	-	-
Regional Programs	-7,990	6,410	9,085	-10,700	-	-	2,710	6,410	9,085	-	-	-	-	-	-

a/ As of February 28, 1962.
b/ Development lending contemplated; project applications will be considered.

[redacted]

[redacted]

SUMMARY OF PROGRAMS BY AREA, COUNTRY AND FUNCTION

Fiscal Years 1961, 1962 and 1963

(In thousands of dollars)

Country	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			Other Programs		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962[a]	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
EUROPE - TOTAL	92,579	17,250	0-10,000	17,879	-	0-10,000	4,750	2,250	-	69,950	15,000	-	-	-	-
Berlin	4,000	-	-	-	-	-	-	-	-	4,000	-	-	-	-	-
Iceland	6,000	-	-	-	-	-	-	-	-	6,000	-	-	-	-	-
Poland	100	1,500	-	-	-	-	100	1,500	-	-	-	-	-	-	-
Spain	26,029	15,000	-	-9,821	-	-	900	-	-	34,950	15,000	-	-	-	-
Yugoslavia	56,450	750	0-10,000	27,700	-	0-10,000	3,750	750	-	25,000	-	-	-	-	-
OEEC/OECD Plus Third Country Participants	-	-	-	-	-	-	(.2)[b]	-	-	-	-	-	-	-	-
ADMINISTRATIVE EXPENSES															
Administrative Expenses, AID	45,205	51,604	55,000	-	-	-	-	-	-	-	-	-	45,205[c]	51,604	55,000
Administrative Expenses, Dept. of State	7,765	5,035	3,100	-	-	-	-	-	-	-	-	-	7,765	5,035	3,100
NON-REGIONAL - TOTAL	209,508	234,166	224,750	300	250	250	31,288	46,945	70,350	11,437	470	250	166,483	186,501	153,900
Investment Surveys	-	1,500	5,000	-	-	-	-	-	-	-	-	-	-	1,500	5,000
Investment Guarantee Fund [d]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International Organizations															
Afro-Malagasy Economic Cooperation Organization (OAMCE)	-	200	-	-	-	-	-	-	-	-	-	-	-	200	-
Asian Productivity Organization	(165)	200	200	-	-	-	-	-	-	-	-	-	(165)[e]	200	200
Atoms for Peace and IAEA	1,677	2,750	1,250	-	-	-	1,037	2,000	-	-	-	-	640	750	1,250
Commission for Technical Cooperation in Africa - South of the Sahara (CCTA)	(12)	1,700	600	-	-	-	-	-	-	-	-	-	(12)[f]	1,700	600
Indus Waters	6,807	20,100	30,000	-	-	-	-	-	-	-	-	-	6,807	20,100	30,000
International Control Commission - Laos	-	100	-	-	-	-	-	-	-	-	-	-	-	100	-
NATO Science Programs	1,328	1,400	1,530	-	-	-	-	-	-	-	-	-	1,328	1,400	1,530
U.N. Children's Fund	12,000	12,000	12,000	-	-	-	-	-	-	-	-	-	12,000	12,000	12,000
U.N. Congo: Economic Assistance	28,512	33,000	34,300	-	-	-	-	-	-	-	-	-	28,512	33,000	34,300
Military Operations	36,413	20,256	-	-	-	-	-	-	-	-	-	-	36,413	20,256	-
U.N. Education, Social & Cultural Organizations (Special African Program)	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000	-	-
U.N. Emergency Force	3,200	1,800	1,320	-	-	-	-	-	-	-	-	-	3,200	1,800	1,320
U.N. Relief and Works Agency	17,000	17,938	17,200	-	-	-	-	-	-	-	-	-	17,000	17,938	17,200
U.N. Technical Assistance and Special Fund	36,950	44,000	50,000	-	-	-	-	-	-	-	-	-	36,950	44,000	50,000
World Health Organizations:															
Community Water Supply	175	400	-	-	-	-	-	-	-	-	-	-	175	400	-
Malaria Eradication	4,000	2,500	-	-	-	-	-	-	-	-	-	-	4,000	2,500	-
Medical Research	500	500	500	-	-	-	-	-	-	-	-	-	500	500	500

a/ As of February 28, 1962.
b/ Included in Interregional Expenses.
c/ Includes $1,875 thousand from DLF and $618 thousand from Administrative Expenses (State), but excludes reimbursements.
d/ All guaranties issued to date have been funded from reserves consisting of Borrowing Authority, fee income and some appropriated capital of the former corporate DLF. An appropriation of $100 million is being requested in FY 1963 to increase the reserve funds.
e/ Included under Far East Regional Development Grants.
f/ Included under Africa Regional Development Grants.

SUMMARY OF PROGRAMS BY AREA, COUNTRY AND FUNCTION

Fiscal Years 1961, 1962 and 1963

(In thousands of dollars)

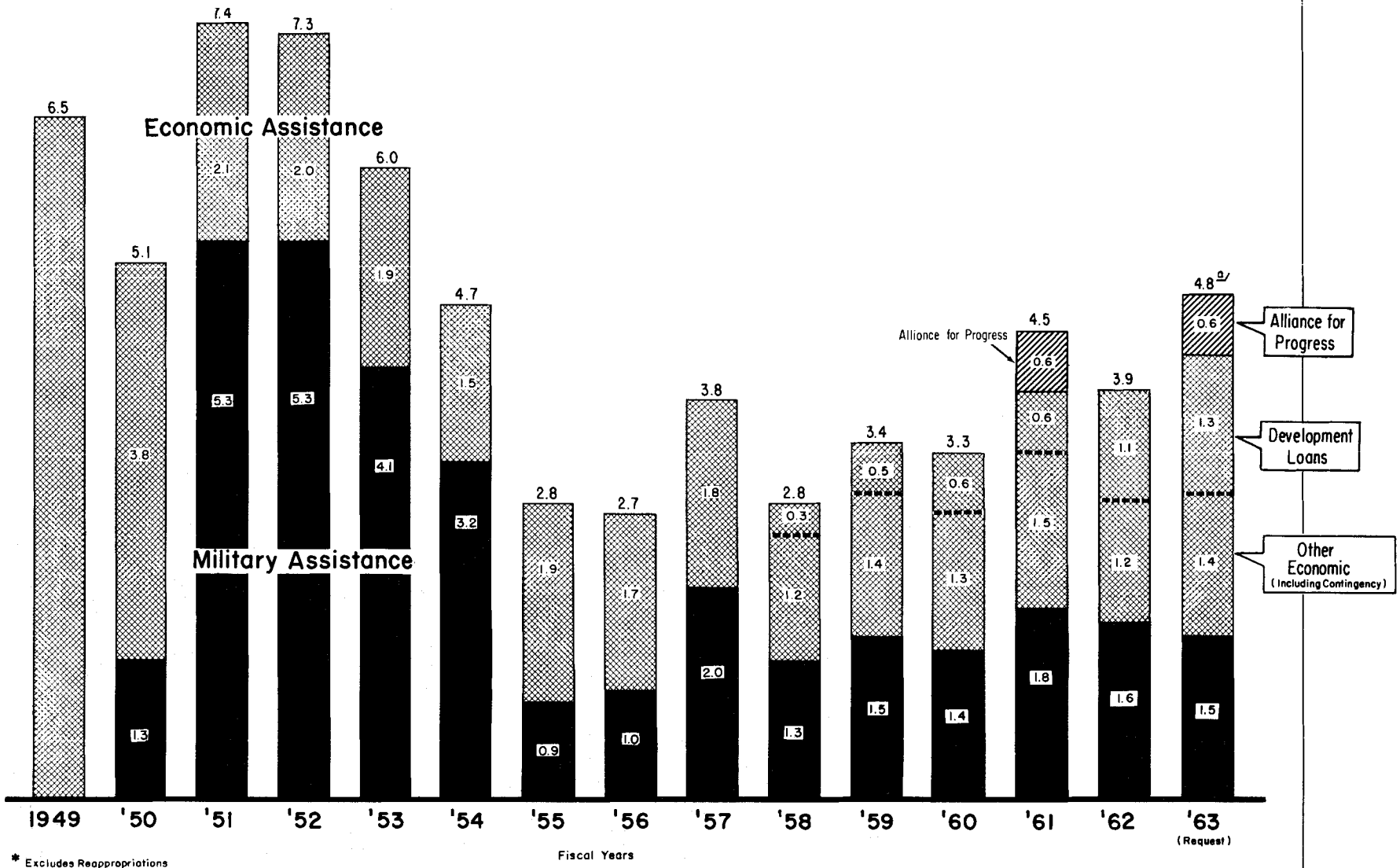
	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			Other Programs		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962[a]	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
NON-REGIONAL (Continued)															
Other Programs															
American Schools Abroad	4,500	4,000	4,000	-	-	-	4,500	4,000	4,000	-	-	-	-	-	-
Building and School Facilities	-	1,505	1,500	-	-	-	-	1,505	1,500	-	-	-	-	-	-
Civic Action Projects	-	-	10,000	-	-	-	-	-	10,000	-	-	-	-	-	-
Cuban Refugees	4,090	25,560	-	-	-	-	-	-	-	-	-	-	4,090	25,560	-
Development Research	(513)	6,000	20,000	-	-	-	(513)[b]	6,000	20,000	-	-	-	-	-	-
Disaster Relief	110	220	-	-	-	-	-	-	-	110	220	-	-	-	-
Escapee Program	3,516	1,442	-	-	-	-	-	-	-	-	-	-	3,516	1,442	-
Excess Property Pool	-	5,000	-	-	-	-	-	5,000	-	-	-	-	-	-	-
Freight Differentials	3,250	-	-	-	-	-	-	-	-	3,250	-	-	-	-	-
General Technical Services	-	1,035	1,300	-	-	-	-	1,035	1,300	-	-	-	-	-	-
Intergovernmental Committee for European Migration	9,052	-	-	-	-	-	-	-	-	-	-	-	9,052	-	-
Interregional Programs	22,223	24,105	30,000	-	-	-	22,223[c]	24,105	30,000	-	-	-	-	-	-
Ocean Freight, Vol. Relief Agencies	2,659	3,100	3,200	-	-	-	2,659	3,100	3,200	-	-	-	-	-	-
Office of Inspector General [d]	871	700	850	300	250	250	202	200	350	369	250	250	-	-	-
Other (Including Classified)	6,157	175	-	-	-	-	-	-	-	6,157	-	-	-	175	-
Project HOPE	1,551	-	-	-	-	-	-	-	-	1,551	-	-	-	-	-
Refugee and Migration - Admin. Exp.	-	980	-	-	-	-	-	-	-	-	-	-	-	980	-
U.N. High Commissioner for Refugees	1,300	-	-	-	-	-	-	-	-	-	-	-	1,300	-	-
World-Wide Community Water Supply	343	-	-	-	-	-	343	-	-	-	-	-	-	-	-
World-Wide Malaria Eradication	324	-	-	-	-	-	324	-	-	-	-	-	-	-	-
UNDISTRIBUTED PROGRAMS - TOTAL	-	233,350	400,500	-	225,200	-	-	-	-	-	-	-	-	8,150	400,500
Development Loans	-	225,200	-	-	225,200	-	-	-	-	-	-	-	-	-	-
Contingency Fund	-	8,150	400,500	-	-	-	-	-	-	-	-	-	-	8,150	400,500

a/ As of February 28, 1962.
b/ Included in Interregional Expenses.
c/ Consists of: $21,477 thousand for Interregional programs; $513 thousand for Research; $172 thousand for Europe Regional, and $61 thousand for miscellaneous items.
d/ In addition, Military Assistance contributions are as follows: FY 1961 - $356; FY 1962 - $300; FY 1963 - $350.

TREND OF APPROPRIATIONS*

(Adjusted for Transfers and Other Reciepts)

($ Billions)



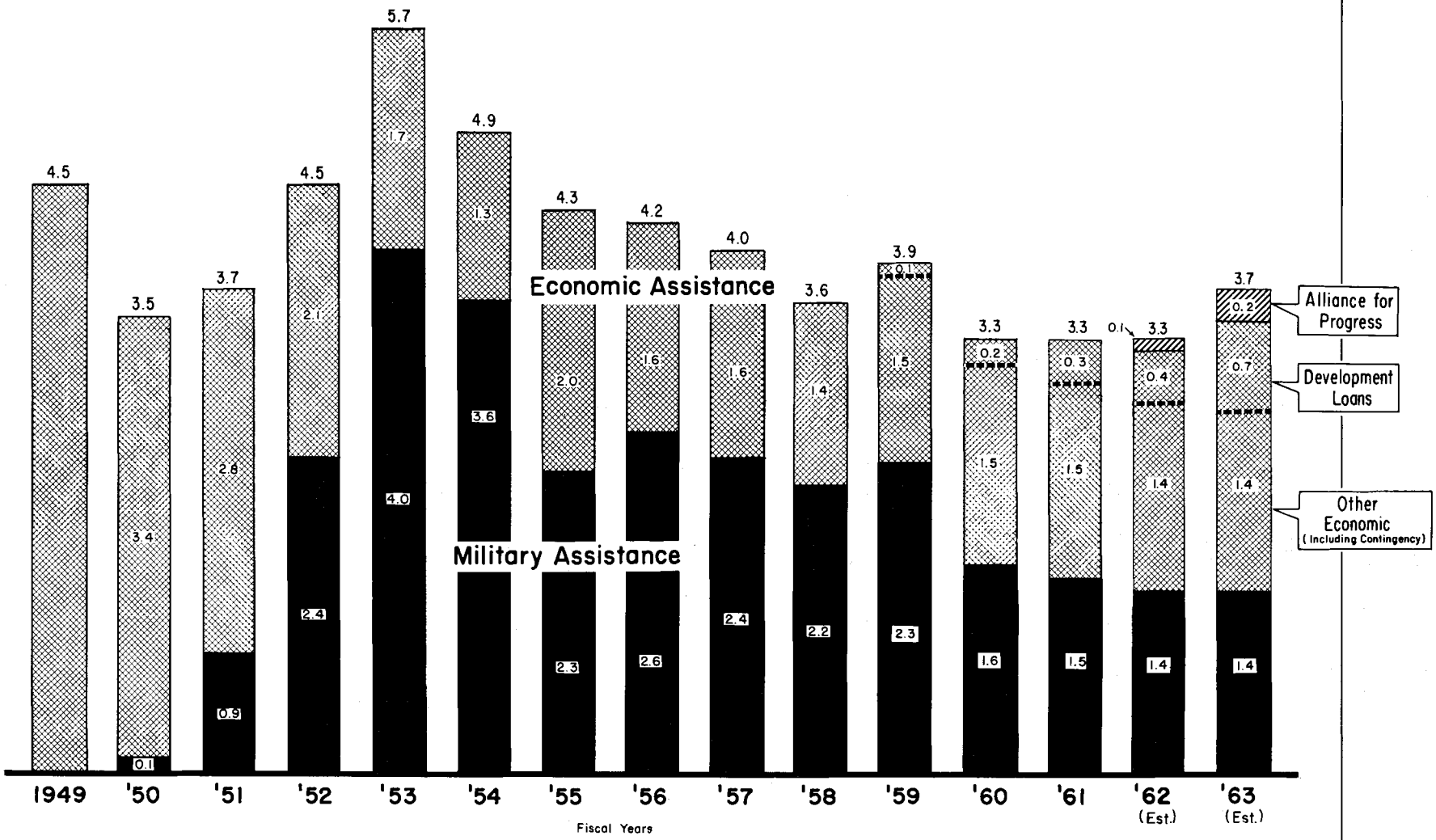
* Excludes Reappropriations

a/ In addition, $ 0.1 is requested for Investment Guarantee Fund.

TREND OF EXPENDITURES

APPROPRIATIONS BASIS

$ Billions)



ALLIANCE
FOR
PROGRESS

ALLIANCE
FOR
PROGRESS

LATIN AMERICA

FY 1963 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Alliance for Progress		Supporting Assistance
		Loans	Grants	
TOTAL	445,000-625,400	330,000-510,400	100,000	15,000
Argentina	103,800-128,800	100,000-125,000	3,800	–
Bolivia	10,000	*	6,000	4,000
Brazil	164,000-184,000	140,000-160,000	24,000	–
British Guiana	1,500	–	1,500	–
British Honduras	500	–	500	–
Chile	53,300-63,300	50,000-60,000	3,300	–
Colombia	44,000-64,000	40,000-60,000	4,000	–
Costa Rica	2,400	*	2,400	–
Dominican Rep.	3,000	*	3,000	–
East Caribbean	7,400	–	1,400	6,000
Ecuador	4,000	*	4,000	–
El Salvador	2,000	*	2,000	–
Guatemala	2,900	*	2,900	–
Haiti	9,000	–	4,000	5,000
Honduras	3,000	*	3,000	–
Jamaica	1,000	*	1,000	–
Mexico	800	*	800	–
Nicaragua	2,500	*	2,500	–
Panama	3,500	*	3,500	–
Paraguay	3,000	–	3,000	–
Peru	6,000	*	6,000	–
Surinam	400	–	400	–
Uruguay	1,500	*	1,500	–
Venezuela	3,000	*	3,000	–
Central Am. Reg.	4,500	*	4,500	–
OAS	1,700	–	1,700	–
Pan. Am. H'lth Org.	2,300	–	2,300	–
Regional & Other	4,000	–	4,000	–

* Development lending contemplated, project applications will be considered.

[redacted]

[redacted]

SUMMARY OF PROGRAMS - LATIN AMERICA

By Country and Function

(In thousands of dollars)

Country	TOTAL			Alliance for Progress: Development Loans			Alliance for Progress: IDB Trust & Chile Reconstruction			Alliance for Progress: Development Grants			Supporting Assistance		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962a/	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
Argentina	6,936	42,748	103,800-128,800	6,000	39,000	100-125,000	-	-	-	936	3,748	3,800	-	-	-
Bolivia	27,875	20,830	10,000	3,750	400	b/	-	-	-	1,626	4,430	6,000	22,499	16,000	4,000
Brazil	7,506	114,130	164,000-184,000	-	94,000	140-160,000	-	-	-	7,506	20,130	24,000	-	-	-
British Guiana	745	1,500	1,500	-	-	-	-	-	-	745	1,500	1,500	-	-	-
British Honduras	98	565	500	-	-	-	-	-	-	98	265	500	-	300	-
Chile	31,227	3,653	53,300-63,300	8,200	400	50-60,000	-	-	-	23,027c/	3,253	3,300	-	-	-
Chile Reconstruction Loan	-	100,000	-	-	-	-	-	100,000	-	-	-	-	-	-	-
Colombia	28,163	38,077	44,000-64,000	25,000	-	40-60,000	-	-	-	3,163	8,077	4,000	-	30,000	-
Costa Rica	10,015	2,205	2,400	8,625	-	b/	-	-	-	1,390	2,205	2,400	-	-	-
Cuba	43	-	-	-	-	-	-	-	-	43	-	-	-	-	-
Dominican Republic	80	26,000	3,000	-	-	b/	-	-	-	80	1,000	3,000	-	25,000	-
Ecuador	9,578	18,989	4,000	6,736	5,000	b/	-	-	-	2,842	5,989	4,000	-	8,000	-
El Salvador	2,872	4,221	2,000	1,600	500	b/	-	-	-	1,272	3,721	2,000	-	-	-
Guatemala	21,039	4,500	2,900	7,499	-	b/	-	-	-	3,515	4,500	2,900	10,025	-	-
Haiti	10,769	13,255	9,000	-2,750	-	-	-	-	-	2,049	2,255	4,000	11,470	11,000	5,000
Honduras	5,230	4,100	3,000	-	600	b/	-	-	-	1,723	3,500	3,000	3,507	-	-
Jamaica	995	6,620	1,000	-	5,500	b/	-	-	-	399	1,120	1,000	596	-	-
Mexico	1,173	670	800	-	-	b/	-	-	-	1,173	670	800	-	-	-
Nicaragua	8,307	4,243	2,500	7,100	1,440	b/	-	-	-	1,207	2,803	2,500	-	-	-
Panama	15,745	12,400	3,500	7,800	-	b/	-	-	-	2,945	2,500	3,500	5,000	9,900	-
Paraguay	9,621	2,669	3,000	7,710	-	-	-	-	-	1,911	2,669	3,000	-	-	-
Peru	29,150	20,658	6,000	26,000	9,000	b/	-	-	-	3,150	5,658	6,000	-	6,000	-
Surinam	430	480	400	-	-	-	-	-	-	430	480	400	-	-	-
Uruguay	87	5,110	1,500	-	-	b/	-	-	-	87	5,110	1,500	-	-	-
Venezuela	15,170	21,746	3,000	15,000	20,000	b/	-	-	-	170	1,746	3,000	-	-	-
West Indies (E. Caribbean)	3,669	9,224	7,400	-	-	-	-	-	-	948	2,624	1,400	2,721	6,600	6,000
Central American Bank for Economic Integration	7,000	3,000	-	5,000	-	b/	-	-	-	2,000	3,000	-	-	-	-
Central American Region	-	-	4,500	-	-	b/	-	-	-	-	-	4,500	-	-	-
Contributions to OAS	1,500	1,500	1,700	-	-	-	-	-	-	1,500	1,500	1,700	-	-	-
Contribution to PAHO	1,625	2,300	2,300	-	-	-	-	-	-	1,625	2,300	2,300	-	-	-
Office of Inspector General	-	-	150	-	-	-	-	-	-	-	-	150	-	-	-
OAS (Development Planning)	-	6,000	-	-	-	-	-	-	-	-	6,000	-	-	-	-
Seasonal Marketing Arrangement	-	12,600	-	-	12,600	-	-	-	-	-	-	-	-	-	-
Trust Fund (IDB)	-	394,000	-	-	-	-	-	394,000	-	-	-	-	-	-	-
Regional	1,085	6,567	3,850	-	-	-	-	-	-	1,085	6,567	3,850	-	-	-
Total	257,733	904,560	625,400	133,270	188,440	510,400	-	494,000	-	68,645	109,320	100,000	55,818	112,800	15,000

a/ As of February 28, 1962.
b/ Development lending contemplated, project applications will be considered.
c/ Includes $20 million grant to Chile for earthquake reconstruction and is comparable to the $100 million appropriation for this purpose.

[redacted]

[redacted]

President Kennedy's proclamation of the Alliance for Progress, on March 13, 1961 stated the purpose of the Alliance to be:

> " . . . to demonstrate . . . that man's unsatisfied aspirations for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions."

The proclamation forcefully drew attention to the fact that an insistent and effective demand for change is the dominant political keynote of the Western Hemisphere. It is in this demand for change that the opportunity lies to accomplish the purpose of the Alliance for Progress.

The economic and social ills which it is the purpose of the Alliance to overcome are not new, even though the adverse conditions from which they spring have become intensified. However, many of the political conditions in which the demand for revolutionary change, either peaceful or otherwise, is being expressed, are different. The opportunity for free political expression in Latin America has moved forward rapidly and steadily during the past decade. During the past year, for example, the 31 year old Trujillo tyranny in the Dominican Republic has given way to a new Council of government which is providing the Dominican people once again with the opportunity for self-determination and which is setting the stage for fully representative democracy. The tragic example of Cuba stands out, in fact, as almost the only area of the continent where retrogression rather than progress toward democratic opportunity is the order of the day.

It is undeniable, however, that the progress toward freer expression, and the intensified determination of large sectors of the population to use this freedom to achieve change from the conditions of poverty, disease, lack of education and lack of economic opportunity, also offer an area into which the exploiters of discontent are moving. Castro communism and its Sino-Soviet manipulators, although clearly and unanimously repudiated by the governments at the recent Meeting of Foreign Ministers at Punta del Este, seek to spread their subversive doctrine and to take advantage of every nationalistic or local prejudice in doing so. Likewise, there are in some places blind forces of reaction exploiting stagnation -- a serious challenge to measures of self-help which are essential to attaining the goals of the Alliance.

Despite increasing instances of courageous and able leadership, strong governments with secure popular support exist in few Latin American countries.

In Brazil the present regime lacks support to exercise strong leadership, the complexion of the next Congress is uncertain and the return of Janio Quadros to Brazil compounds uncertainty. In Argentina the Frondezi government has weathered countless crises, but to do so has been forced to adopt numerous compromises.

In Chile the government is composed of a coalition of parties and the President was elected with only about one-third of the popular vote. In Colombia an election will be held soon but the question of an orderly succession remains in some doubt. In Mexico the Prohibited and Restricted Industries (PRI) Party, which has been dominant since the revolution, is beginning to show signs of strain. The revolution is passing into history and is no longer a rallying point for a political party.

Strong-man rule in Nicaragua, Paraguay and Haiti provides stability, but these governments are more dictatorships than democratic regimes.

The newest bright spots in the turbulent scene are in El Salvador and Costa Rica. In El Salvador, a bloodless coup d'etat established a civilian-military Directorate in January 1961 which pledged itself to hold free elections and to institute a social reform program in line with the principles of the Act of Bogota. A number of reforms were put into effect, including increased income taxes, minimum wage legislation, minimum dietary standards for farm labor, a financial stabilization program in cooperation with the International Municipal Workers' Federation (IMF), etc. In December 1961, the free election pledge was fulfilled. In this election the candidates supporting the government and its reform program won all of the seats in the 54-man Assembly, making a clean sweep of the election.

In Costa Rica Francisco Orlich received a majority of the popular vote in winning the recent election. In his campaign he stressed full support of the Alliance for Progress.

Both in El Salvador and in Costa Rica the new governments must follow through with adequate social and economic progress; otherwise disenchantment of the electorate could lead to most unfortunate consequences, not only to these particular governments but to the cause of democratic institutions and procedures in each country.

In Ecuador the recent experience of the Velasco government gave forceful demonstration to the folly of ignoring campaign promises. In June 1960 President Velasco was elected after having made

extravagant promises; these promises were not fulfilled, and instead certain regressive measures were introduced. Street riots and other demonstrations in late 1961 forced Velasco out of office.

In Venezuela the Betancourt government, which is carrying out an impressive program of social improvements, is under heavy attack from extremist groups. There is, however, increasing evidence of support of the Betancourt government from the more conservative groups who are coming to realize that his program coincides with their long-run interests.

Throughout Latin America profound discontent lies only a short distance below the political surface. Existing governments do not rest securely and few have anything resembling a popular mandate.

It is the objective of the Alliance for Progress to assist free men and free governments in meeting the challenge of poverty and discontent and in bringing about social and economic progress in an orderly and constructive manner.

In the Charter of Punta del Este, agreed upon in August by all the governments of the American Republics, except Cuba, the goals and framework for the vast cooperative effort were laid down. The cooperative nature of this program has been recognized by the steps which have been accomplished or initiated by all of the governments. The incompatibility of communism -- the Marxist-Leninism which is trying to portray the Cuban tragedy as the only valid method of achieving the goals of the Alliance for Progress -- with the cooperative program of the Americas was affirmed and confirmed by the American governments at the January Punta del Este meeting.

The governments have begun to act to demonstrate that democratic regimes "can encompass all the efforts for economic advancement and all the measures for improvement and social progress without sacrificing the fundamental values of the human being." As demonstrated by the almost unbounded enthusiasm with which President Kennedy was received by the people of Venezuela and Colombia in December, these are basic goals and programs in which the peoples of the Americas are prepared to join. Leadership, courage and capacity, all of which are becoming increasingly apparent in their governments, must ensure that the forces of obstruction and subversion do not undermine or destroy the common effort.

Economic and Social Conditions

The average yearly increase of gross regional product of about 4% between 1948 and 1961 has permitted only a very small rise in per capita income for the Latin American population of 210 million, which has been growing at a rate of 2-1/2% per year. Furthermore, the pace of development has slackened in recent years. It is estimated that in 1961 the regional gross product was approximately $62 billion; in other words, per capita Gross National Product (GNP) was less than $300. Of course the regional averages conceal considerable variants among the different economies. In some, production is expanding at a rate sufficient to raise living standards, while in others per capita incomes have actually been declining. Moreover, the average figures conceal the vast differences in income between privileged groups and the majority of the people.

There is a need for planned and determined action to promote more rapid economic growth. The need arises from the explosive growth of the population and from the unfavorable trends and outlook for exports. World demand for primary products, which make up the bulk of Latin America's exports, has not increased rapidly and does not appear likely to do so. In fact, total export earnings of Latin American Republics (not including Cuba and Venezuela) in dollar values were actually lower in 1960 than in 1951.

Latin America has been beset in recent years with balance of payments difficulties and instability in exchange rates. With only a single exception, every country in South America has made within the last five years a major adjustment in its exchange rate. Some of these countries, moreover, must give serious consideration within the coming months to further adjustments in their exchange rates.

Mexico has had no change in its exchange rate since 1954 but during 1961 a loss of business confidence and serious capital flight occurred. There is, however, good reason to believe now that the crisis has been successfully weathered.

These recurring crises in the foreign exchange position, often prompting countries to resort to a variety of restrictive measures, discourage private investment. Limitations on the ability to transfer or to repatriate funds are a major consideration for private enterprise and particularly for foreign private investment.

Most of the countries face heavy annual debt service burdens, particularly in the next 5-10 years. In some cases debt service in the next few years will require more than 20% of anticipated foreign exchange earnings and in most cases the ratio substantially exceeds 10%. Largely for this reason there is an acute need to arrange, insofar as feasible, repayment of new debt on [redacted]

terms substantially easier than conventional terms and over extended periods of time.

With the export sector a shrinking proportion of their economies and with world markets unlikely to expand rapidly, Latin American countries are forced to look to the development of their domestic markets to provide the base for acceleration of economic growth.

In terms of manpower utilization, Latin America is predominantly agricultural, with about half of the labor force in that sector. However, agriculture represents a much smaller share of gross product, due to low labor productivity, which is in turn a result of an antiquated agrarian structure and technology.

In Latin America 1961 was a year of mixed results. Although some countries, such as Argentina, showed strong advances in production and employment, balance of payments and inflation problems became more prevalent in the area, as for example in Brazil, Argentina, Chile and Colombia. It may be anticipated that unless new and increased international lending is forthcoming, a good many of the countries will be forced to lower their development sights during 1962 and 1963, principally because of an inability to finance imports.

If the relative stagnation of the fifties is to be converted into rapid economic growth and social progress in the sixties, a number of far-reaching changes are essential. An increased flow of capital from outside can be important, both in itself and as a stimulus to other actions. But the needs for institutional change and reform and improved allocation of resources by the Latin American countries themselves are critical.

The importance of self-help and reform measures cannot be overemphasized. While the particular measures needed will vary from one country to another, all countries need institutional and structural changes to facilitate more rapid economic and social growth and in particular to maintain a self-sustaining rate of growth.

An increase in public revenues is essential. It must be achieved both through improvements in tax administration and through judicious increases in tax rates. In many countries the tax systems are regressive to an extreme degree and successful tax reforms will often include change to a more progressive system. In few instances do existing tax systems contain effective incentive features. As tax reforms are developed they should include incentives to encourage savings and productive investment.

In all countries improvement in agriculture is needed. Greatly increased facilities for agricultural credit for small-scale farmers coupled with extension services would contribute significantly to increased agricultural productivity and output and to improved opportunities and better lives for such farmers. In a number of areas redistribution of large estates, often inefficiently used, to those who cultivate the land would bring far greater political stability. Reclamation and settlement programs on presently unused land, the building of roads into inaccessible areas, and other programs to make agriculture more productive would also provide invaluable contributions to political stability and enlarged opportunities for the large rural populations.

In the field of education expanded facilities in the form of classrooms, trained teachers and materials are needed on a massive scale. Human resources can best be improved through education; its contribution to economic growth has no parallel. The annual costs of maintaining such a program, however, will place a heavy burden on the public budget and point up the essentiality of increasing government revenues.

Other major fields in which fruitful opportunities exist for self-help and reform measures include government administration, financial stabilization policy and treatment of private enterprise.

Measures Initiated

A number of steps have already been taken, particularly since the Act of Bogota in 1960, which demonstrate the growing realization among Latin American countries of the nature of the problem and a determination to move in the right direction. Some countries, of course, are moving faster than others. Moreover, most of the measures which have been initiated will require further modification before reaching an optimum stage.

Examples of such self-help and reform measures are indicated below:

(1) Argentina, reversing the trend of the Peron era, in 1958 opened up the oil resources of the country to foreign exploration. As a result Argentina is now substantially self-sufficient in oil, saving about $280 million annually in foreign exchange.

(2) Bolivia has improved its revenue collection and administration resulting in an increase of 30% in customs collections and 10% in other taxes.

(3) Since August 1960, in a step-up of the agrarian reform program, Bolivia granted 71,000 land titles to small-scale farmers.

(4) In Brazil, a comprehensive five-year development plan for the depressed Northeast region has been completed and the Brazilian Congress has appropriated funds for the first year equivalent to $100 million.

(5) Over-all development plans have been completed and submitted to international machinery for review by the Governments of Chile, Colombia and Bolivia. It is expected that Venezuela will submit its plan soon. Other countries are in the process of developing long-term plans or organizing machinery to do so.

(6) In November 1960 Colombia enacted an agrarian reform law providing for the redistribution of inadequately used land. Compensation would depend upon the size and present use of land holdings and would vary from 20% cash plus five-year bonds to 25-year 2% interest bonds for large unused estates.

(7) Effective July 1, 1961, Uruguay adopted an income tax with a base of 10% plus a progressive rate ranging up to 30%. This is the first income tax law in the country's history.

(8) In 1960 Venezuela adopted a land reform program and has already resettled 40,000 families on 3,000,000 acres of land. During his visit to Venezuela, President Kennedy distributed land titles under this program.

(9) Since 1958 in Venezuela under an expanded education program primary school enrollment has increased well over 50%; secondary school enrollment has doubled; teacher training enrollment has quadrupled.

(10) In December 1961, Colombia began a rapid expansion of the primary education system, with federal expenditures for education in 1962 budgeted at a higher figure than those for military purposes for the first time in recent Colombian history.

(11) In El Salvador new labor laws established a minimum wage for large and middle-sized commercial establishments, liberalized the law on strikes and lockouts and protected wages against garnishment. Urban slum rents were ordered cut by one-third.

(12) Expenditures on education in Mexico now amount to 21% of the total budget as compared to 5% for the military.

(13) In 1959, a stabilization program was instituted in Peru which has successfully reduced the rate of inflation to only 4% last year.

(14) The home savings loan system inaugurated in 1960 in Peru continued to expand during 1961 with impetus provided by Development Loan Fund (DLF) loans. The number of credit union cooperatives expanded beyond the 200 mark. In February 1962, the maximum for commercial bank interest rates was lowered from 14% to 12%, with a ceiling for commissions and other charges set at 1%.

Evaluation of the significance of a specific measure must take into account a comparison with past efforts as well as a comparison of the effort with the need. Evaluation of a country's effort must not only be in terms of specific measures but also in terms of over-all effort.

The need for specific self-help and reform measures must be judged in terms of the economic situation in the particular country, the probable effects of the measure (including its potential contribution to growth) and the strength and nature of the political forces concerned with it.

The adoption of self-help and reform measures is a complex and somewhat lengthy process. If, for example, a specific tax reform measure should be proposed, it must be (1) prepared and approved by the government administration, (2) introduced and debated in Congress, (3) possibly revised in the Congress, (4) after passage by the Congress, enforced and administered by the government. This process requires time. Finally great care must be taken to determine the actual impact of the measure on the system.

External aid will be most effective if it is made available at the optimum time to support national plans and programs -- not later and merely as a reward for national accomplishment. This means that we must, where justified by evidence of firm intentions, join with the country in implementing its development plans and programs. Only if the country fails substantially to do its part should we reduce or hold back our coope[redacted]

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Development Planning

In the past, much investment in Latin America has been misdirected. Low priority activities have been undertaken while urgent needs went unmet; construction has often been initiated and then delayed for years for lack of funds; plants have frequently been partially idle for lack of markets or lack of raw materials or power. And the total effort has generally been improperly related, or not related at all, to fiscal and balance of payments considerations.

In the Charter of Punta del Este it was agreed that national development plans would be valuable guides to countries in directing the use of available resources and in developing measures to make the national effort more effective.

The purpose of a planned development effort is to accelerate the rate of economic growth, to encourage the participation of all segments of the population in the effort and in the fruits of the effort and to attain self-sustaining growth in the shortest reasonable period of time. The general content of a development plan was specified in the Charter of Punta del Este.

In the public sector programs and projects, which have an impact upon the government budget, would be specified and developed in detail, their priorities indicated, and their financing provided for. In the private sector much less specific treatment of programs and projects could be included, except insofar as private investors have presented their own plans. For the private sector the principal elements in the national plan would concern governmental policies and measures designed to encourage and influence investment.

The best plans will be those importantly concerned with policies and measures which would energize the latent initiative of the private sector, which would bring human resources -- now idle -- into economic activities, which would promote competition and which would provide opportunity and incentive to the entrepreneur. Such plans will merit maximum encouragement and support from external sources.

Procedures were outlined in the Charter for external assistance in formulating and considering Development Plans:

> International assistance as well as assistance from other governments would be offered countries in creating their planning agencies and training staff and in the preparation of plans.

A panel of nine experts was created and attached to the Pan American Union for the purpose of reviewing plans, which are submitted to it, and offering suggestions to the government for modifying and strengthening the Plan. After being satisfied with the results, the panel would be prepared to offer comments and recommendations concerning the Plan to appropriate external financing sources.

At the request of a government, and after an adequate review had been made of the plan, a financing institution, such as the International Bank for Reconstruction and Development (IBRD) or the Inter-American Development Bank (IDB), would be prepared to organize a group of international institutions and interested governments to consider coordinated arrangements to assist in financing the external resources needed to implement the plan.

The Charter of Punta del Este also anticipates the need for periodic review of progress and provides for an annual review culminating in a meeting of the Inter-American Economic and Social Council (UN) (IAECOSOC) at ministerial level. The review of each country's progress would consider actual performance and accomplishment in relation to the schedules set forth in the national plan. The review would identify those actions to which greater effort must be given as well as those features in the Plan which might require some adjustment.

Long-range commitments of external assistance in support of a national plan will be subject to adequate performance in implementing the Plan. The annual review process, together with continuing evaluation by our field missions, will enable the Agency for International Development (AID) to assess progress in relation to our long-range commitment.

Interim Assistance Pending Completion of National Plan

Most countries will need at least another year, and sometimes substantially more, to reach an advanced stage of planning. During the period prior to the completion of a satisfactory national development plan, progress must not stand still and it will be essential to press ahead, particularly in initiating priority programs, in completing projects already started and in beginning basic institutional reforms.

In some cases limited short-run balance of payments assistance, supplementing IMF stabilization arrangements, will be needed to enable countries to improve substantially the "climate" for

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private enterprise and investment. Such stabilization programs are designed to reduce restrictions upon private enterprise and to stimulate business confidence.

High priority programs and projects can often be readily identified in advance of a completed plan. They will vary among countries but generally will include the expansion of educational and training facilities to improve human resources, projects to increase agricultural productivity and employment opportunities for rural workers, housing for low-income groups and infrastructure projects in the public sector.

Among the basic institutional reforms most urgently required are continuing improvements in tax administration and tax systems; the strengthening of government services in agriculture, education and public health; and the expansion of credit facilities for small-scale farming, housing and industries. Such reforms could be started in practically all countries without risk of inconsistency with the national plan which would be completed subsequently.

Support by AID of activities such as those outlined above will take into account the self-help and reform measures which the recipient country is prepared to undertake. The preponderant part of AID assistance will be extended on a loan basis with terms relatively easy but with repayment in dollars. Moreover, recipient countries will be expected to provide the bulk of the resources required to carry out programs.

New Arrangements to Promote Foreign Trade

In order to improve the opportunities to expand foreign trade and export earnings of Latin American countries and to reduce the severity of periodic fluctuations in world markets, which result from factors outside the control of individual countries, certain proposals are under intensive examination by multilateral or international groups.

An examination of the coffee situation is now being made to determine whether a basis exists for negotiating an international agreement to stabilize the market for coffee. Coffee is the principal export product of Latin American countries, accounting for more than half the export earnings of five countries and being an important export of eight others. From a peak of about $1 per pound in 1954 the price of coffee has fallen to about 34 cents. Despite steady but slow growth in world consumption, export earnings of Latin American countries from coffee in 1960 of $1.4 billion were about 35% below the high point of 1954. Surplus stocks now amount to about one and one-half years' consumption needs and annual production exceeds consumption by 25%. The international agreement would be designed to stabilize prices at or near present levels and to work down gradually the surplus stocks now overhanging the market.

The Latin American countries have themselves already formed two separate regional groupings to provide larger market areas for their products. Four central American countries have joined in forming a common market in which nearly all their products now move within the area without any tariff barriers, and they are in the process of establishing common external tariffs. Costa Rica, the fifth Central American country, has signified intention of joining this arrangement.

The Latin American Free Trade Area, the members of which are Argentina, Chile, Brazil, Uruguay, Paraguay, Ecuador, Colombia and Mexico, is designed to provide a single market area for specified products of member countries. The principal products to benefit from this arrangement will probably be those of new industries not yet established. Although a central organizational mechanism has been set up, little practical effect has yet been achieved.

Proposed Program for FY 1963

Lending for Economic and Social Development. In FY 1963 several major countries are expected to reach the stage in their development planning which will permit the effective use of long-range development financing. It will be in the U.S. interest in such cases to make long-range commitments in combination with other industrialized countries and international financial institutions. Such commitments would provide for both general program support - that is, capital goods and industrial raw materials - and funding for particular development projects. In the case of countries which have not yet formulated a comprehensive plan, it will be necessary to consider development financing projects that will fit into future development plans of the country. The ability of the Latin American countries to design sound developmental plans and projects and to take the necessary self-help actions to back up these projects is increasing, and the level of lending for economic and social development can be expected to increase correspondingly. In FY 1961 development loan commitments totaled $133 million; in FY 1962 the level of lending from the IDB Social Progress Trust Fund, development loans, and other sources may total over $500 million, as compared to an estimated $685 million in FY 1963 ($510 million requested for FY 1963 and $175 million IDB Trust Fund).[redacted]

Grants for Development. The $100 million grant program requested for FY 1963 for assistance to educational development, planning and better government administration and improved rural institutions is slightly below the estimated FY 1962 level. These activities, which are individually not massive, are vital ingredients to the development of human skills and institutions necessary to successful development. However, it is planned to keep all these activities under review as to their effectiveness, in light of the new criteria, bearing in mind the desirability of shifting to development lending as rapidly as suitable programs are developed.

Supporting Assistance. A $15 million program of Supporting Assistance is proposed for FY 1963, a major reduction from FY 1961 and FY 1962 levels. This is based on favorable assumptions that development aid will provide an adequate substitute and bring about the necessary growth. However, there remains a continuing need for supporting aid aimed at political and economic stability which may need to be supplemented at any time given the ever-changing picture in the Latin American scene.

Bolivia, which has experienced chaotic economic and political conditions over the past several years, continued to require external support in FY 1962 at a level of $16 million. Supporting Assistance funds were increased above the original amount planned in order to avoid the imminent collapse of the state mining corporation and the state-operated railways, and in response to President Paz's emergency request to President Kennedy for assistance in establishing law and order. As a precondition to such aid the Government of Bolivia took the politically difficult but economically necessary steps to increase gasoline taxes, to remove labor veto power over management decisions and to reduce employment of surplus workers in the state mining corporation. In FY 1963 it is planned to reduce Supporting Assistance to the level of $4 million. Efforts will continue to aid Bolivia to increase production for export and reduce its balance of payments deficit so that similar aid will not be required in future years.

The precarious situation in Haiti continues. Although the Haitian Government has requested assistance from the tripartite group of the Organization of American States (OAS), Inter-American Development Bank, and the Economic Commission for Latin America (ECLA) in the formulation of a national development plan, Haiti does not yet qualify for long-range commitments. At the same time, continued existence of almost hopeless poverty and a backward economic, social, and political structure make this country one of the worse danger spots in the hemisphere for Castro-Communist infiltration. The most productive possibility for U.S. assistance strategy appears to be to provide the Haitians with limited assistance keyed to developmental projects which at the same time will stimulate employment and raise living standards in rural Haiti. Budget support, which was required in recent years, is being eliminated, making it possible to reduce FY 1963 aid levels substantially from FY 1962.

The third area requiring Supporting Assistance in FY 1963 is the Eastern Caribbean, where the maintenance of our rights to military facilities on Trinidad, Barbados, Antigua, St. Lucia, Jamaica, and Grand Turk have resulted in the commitment of the United States to assistance in the development of certain projects. Our proportionate share in the financing of these projects is still being negotiated, the situation being further complicated by the breaking up of the proposed West Indies Federation. U.S. programmed Supporting Assistance to this area for FY 1963 is designed to satisfy the commitments as interpreted by the United States based on a fair appraisal of the recommendations made by the U.S. Delegation to the Defense Area negotiations of 1961.

Machinery for Administration of Programs in Latin America. As our programs are in the first phase of major reorientation, so are the various mechanisms established and available to administer assistance programs. The United States has placed major emphasis on strengthening the Latin American institutions, both national and multilateral. As an important objective of the Alliance for Progress this has been expressed through various forms of U.S. Support to the IDB, the OAS, the U.N. ECLA and the Panel of Experts.

The Inter-American Development Bank is currently administering a Social Progress Trust Fund established by the United States with a contribution of $394 million. Under the Agreement between the United States and the Bank loans are made from the Trust for the following four activities: (1) Land settlement and full land-use; (2) low income housing; (3) community water supplies and sanitation, and (4) advanced education and training. It is estimated that in the first year of operation the Bank will have committed more than $200 million.

Under a contract with the U.S. Government the OAS has undertaken efforts which are aimed at strengthening national and regional development planning in Latin America, including the fields of education, public health, and public administration. The techniques employed by the OAS include special missions, seminars, and training programs. Under the auspices of the OAS and the terms of the Charter at Punta del Este a nine-man panel of experts has been organized to review and analyze the comprehensive

plans as submitted by governments. This panel consists of outstanding Latin American and U.S. experts in the field of development planning.

The U.N. Economic Commission for Latin America also plans to assume an important role in conducting economic studies useful in the development process. It has organized an Economic Development Institute in Santiago to provide top level training for persons engaged in national decision-making processes on the utilization of available resources.

The FY 1963 program does not presently contemplate supplementing the resources available to the multilateral institutions for their planned activities. To the extent, however, that their activities are accelerated beyond current rates, consideration will be given to the transfer of additional funds of these agencies. The Agency for International Development is the principal instrument to administer U.S. assistance in FY 1963. Its focus will be primarily on the development plans which are being analyzed and reviewed through multilateral channels of the OAS panel of experts, the IDB, the World Bank, or the Organization for European Economic Cooperation and Development. In addition, it will continue to provide financing for development loans and grants.

In this first year of utilizing multilateral machinery, it has become evident that hard and fast delineation of responsibilities between the various institutions is not practicable. The work of the financing institutions and the bilateral efforts of the United States must complement each other and must operate in a framework of close coordination. There has to be a recognition of each other's role but this cannot be confined to individual functions, tasks, or activities.

Both the multilateral institutions and the U.S. agencies engaged in providing assistance have agreed that there is no substitute for close working relationships in bringing about effective administration. This has been encouraged within the U.S. Government through an Alliance for Progress Committee, headed by the U.S. Coordinator for the Alliance, with membership from the various U.S. Government agencies concerned with the economic and social development of Latin America, and the U.S. representatives to the multilateral agencies. In addition to the day-to-day working relationships with the international institutions, there are existing formal mechanisms which consider the various activities on a country-by-country basis.

The organizational arrangements and working relationships have yet to be fully tested and improvements will take place in their evolution. Progress is being made both in Washington and in the field in the delegation of increased authority and responsibilities of the officials charged with carrying out the Alliance for Progress.

New Directions in AID Programs. In the Latin American region a drastic and dramatic change is taking place in the programs of assistance. A small bilateral program primarily emphasizing individual forms of technical assistance has been changed to a major cooperative effort which makes the United States a partner, through development lending, in long-term programs of economic development keyed to steady progress in making vital social and economic reforms.

Various facets of this changed direction are reflected in (1) emphasis on specific reforms, (2) development of sound plans and programs, (3) elimination of multitudinous minor activities, (4) involvement of other industrialized nations, other financial institutions and U.S. land-grant universities of the United States, (5) adaptation of program to major goals such as economic integration, (6) relating assistance programs to commodity and trade problems, and (7) reorientation of field missions.

Recognizing that the type of self-help measure which is feasible or desirable in each country will vary, U.S. assistance strategy now attempts to identify the kinds of reform or improvement which will contribute most toward growth, and what specific steps the country is able to take; efforts are then concentrated on helping the cooperating governments to bring about such measures. The U.S. Country Teams in Latin America will play an important role in this process.

A major portion of the proposed aid program is keyed to development plans which will have as their objective rapid growth to the point of self-sustainment. Recognition is also given to the short-term and the desirability of supporting projects which can eventually become part of a long-range plan.

During the current fiscal year U.S. AID missions in Latin America have re-evaluated their programs in an effort to achieve greater concentration. The first steps taken have been the phasing out of activities which are not closely related to long-range development goals. In some cases the elimination of such projects required lengthy negotiations with the national governments

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concerned because they resulted in closing down cooperative programs of many years' standing. But many such projects are being eliminated, and negotiations are continuing for the termination of others.

There are several notable examples of these changes. In Panama steps were taken to phase out long standing cooperative activities in education, health, and agriculture; all three "servicios" or cooperative services are scheduled to be turned over to the Panamanian Government to continue operation, but without requiring further U.S. financial support, by the end of the current calendar year. In Costa Rica the two existing servicios of the U.S. AID Mission are also being terminated. In El Salvador eight projects have been scheduled for termination to permit greater concentration of efforts in other fields. The AID Mission in Peru has already turned over responsibility for operation of the agricultural servicio to the host government and expects to transfer responsibility for servicios in health, education, employment, and rural development during the current fiscal year.

Our program in Northeast Brazil is a reflection of joint U.S.-Brazilian effort to deal with the priority political, economic and social problems in the context of a well-conceived plan on more than a one-year basis. As part of this effort, participation is anticipated by other industrialized nations and international financial institutions.

The proposed program for Central America is another step forward to the goal of economic integration. All the individual country programs were examined in the light of regional requirements. In addition, specific programs are requested which will aid the furtherance of the goal of integration.

Other efforts under way include a program to improve training to increase the availability of scarce human skills through the OAS, Latin American countries, the Organization for Economic Cooperation and Development (OECD) and its members, and the United States.

Argentina

Argentina

Argentina is roughly equivalent in size to all of the United States east of the Mississippi River with a population of over 21 million of predominantly Italian and Spanish extraction. The governmental structure of Argentina is described in the National Constitution as a republican, representative and federal democracy, but an elected administration could not long remain in power without the support of the Armed Forces.

Significant statistics, with comparison to the United States, tell part of the story:

	Argentina	United States
Per Capita GNP	$454	$2,800
Calories Per Day Per Capita	3,360	3,220
Infant Mortality (deaths prior to age one per 1,000 live births)	61	26
Life Expectancy	59 yrs.	70 yrs.
Literacy	86 %	98 %
Rate of Population Growth	2.0 %	1.7 %
Cost of Living Index (Buenos Aires) (1953 = 100)	670	112

Until recent times Argentina pursued a strongly nationalistic anti-U.S. policy. Since the overthrow of Peron, and largely due to the efforts of President Frondizi, Argentina has moved toward closer cooperation and friendship with the United States. These efforts, and the attempt to maintain constitutional government, have been severely jeopardized by recurrent governmental crises and the constant threat of a military takeover. The future of democracy in Argentina largely depends on Frondizi's ability to continue his term of office and accomplish a peaceful, democratic succession. Since his inauguration Frondizi has survived some 30 government crises which threatened to result in his overthrow and bring about military rule. A successful military takeover would undoubtedly lead to a rapid increase in the strength of the Communists and the extreme left.

The March 1962 elections for half of the lower house of Congress are vital to the future of Frondizi's Radical Intransigent Party (UCRI) and his economic development program, but are of even greater import for the 1964 presidential election.

Frondizi came into office with the support of the Peronists and Communists. He was compelled to embark on a wide series of unpopular economic measures, including a severe austerity program which alienated many elements in the electorate. In addition he reversed the trend toward state-owned enterprise and encouraged private investment and participation in the economy, including the participation of American-owned oil companies. His declining popularity was indicated in the Buenos Aires elections of February 1961 when his party ran third in a field of three major parties which was led by the Communist-supported Argentine socialist party. The forthcoming election is, therefore, a vital test of Frondizi's economic and political policies. His party, representing about 20% of the vote, must find support among the right-wing Peronists, the Conservatives and the left-of-center.

Argentina is the most economically advanced country in South America. Its economic position is roughly analogous to that of the poorer European countries in the late 1940s. The developments of the next few years will largely determine whether Argentina is to move rapidly ahead into self-sustaining growth -- no longer requiring external assistance -- or be beset by insuperable economic difficulties and stagnation.

Frondizi has successfully reduced the rate of inflation. Thus, although the cost of living doubled in 1958, it increased only 30% in 1960, and less than 19% in 1961. On the other hand, after improving dramatically since 1958 foreign exchange reserves have declined from $658 million in the third quarter of 1960 to $454 million in January of 1962. In addition there was a trade deficit of $400 million in 1961. A continuation of this reserve decline would necessitate the virtual termination of the Argentine development program.

Agriculture, which provides 95% of the country's exports, has failed to increase its productivity, with the result that foreign exchange earnings of the country are entirely inadequate to support its industrial development.

With the provision of external assistance we can hope to bring Argentina to a stage of self-sustained growth within a relatively short period of time. This is one of the most hopeful countries for a real breakthrough in the Alliance for Progress.

Self-Help Measures

From 1958 to 1961 the government discharged 50,000 employees as part of a courageous and politically difficult program to reduce the work force of 1,000,000 federal employees to half that level.

In 1958 Frondizi embarked upon a broad program of self-help measures designed to reorient the economy toward free enterprise and

to promote economic growth while maintaining a stable exchange rate and suppressing inflation. Monetary and fiscal reforms of broad scope have been undertaken in order to rectify some of the damage done to the economy by the Peron regime. In dismantling economic controls, the Government of Argentina abolished the multiple exchange rate system in early 1959.

Private enterprise already is active in the formerly wholly state-operated petroleum industry and has taken over former state railway repair shops and other facilities, river-dredging operations, and cross-country bus lines. In 1958 the oil resources of the country were opened to foreign exploration, reversing the trend of the Peron era and making Argentina substantially self-sufficient in oil, saving $280 million in foreign exchange yearly. American and European companies are operating throughout Argentina.

In August 1961 a National Development Council was set up in the Office of the President to do the medium and long-range planning required by the Alliance for Progress. This council has been directed to pull together and coordinate existing development plans, grouping them in sectors, and assigning priorities. Where gaps in sector planning exist, the council is to expedite the necessary studies for completion.

The over-all effect of this broad program of self-help has been to inspire new confidence in the economy and increase the mobilization of domestic resources.

Argentina is approximately the size of the United States east of the Mississippi River with over 21 million people of predominantly Spanish and Italian extraction. The governmental structure of Argentina is in many respects similar to that of the United States, and is described in the National Constitution as a republican, representative and federal democracy, but an elected administration could not long remain in power without the acquiescence of the Armed Forces.

Until recent times Argentina pursued a strongly nationalistic anti-U.S. policy. Since the overthrow of Peron, and largely due to the efforts of Frondizi, Argentina has moved toward closer cooperation and friendship with the United States. These efforts, and the attempt to maintain constitutional government, have been severely jeopardized by recurrent governmental crises and the constant threat of a military takeover. The future of democracy in Argentina largely depends on Frondizi's ability to continue his term of office and accomplish a peaceful, democratic succession. Since his inauguration Frondizi has survived some 30 government crises which threatened to result in his overthrow and bring about military rule. A successful military takeover would undoubtedly lead to a rapid increase in the strength of the Communists and the extreme left.

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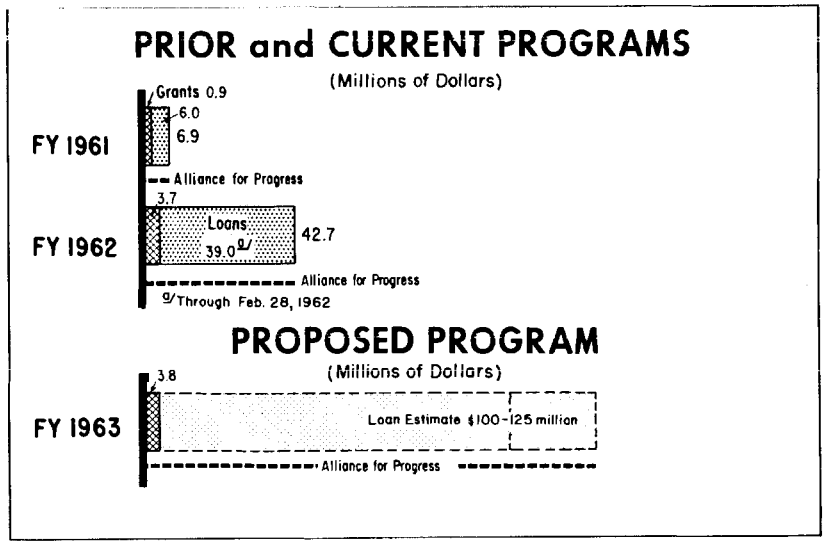
Country Background

General Political and Economic Situation. Argentina was well along the way toward self-sustaining economic growth prior to the



Peron dictatorship, but in the 10 years under that regime became virtually bankrupt. Its agricultural economy was nearly destroyed, vital public facilities were neglected, and the industrial plant was permitted to wear out. For example, after 10 years of Peron it was estimated that the total value of all capital invested in railroads in 1955 was half the value in 1925; and per capita Gross National Product (GNP) was actually less in 1955 than it was in 1947.

Since Peron, the political, institutional and financial climate has improved, and important sectors of the Argentine economy are being recapitalized. Approximately $1.5 billion in external capital has been injected into the economy since May 1958, of which over $400 million was private investment. Growth has been very irregular, ranging from a decline of 4.8% in GNP in 1959 to an average increase of 5% in 1960 and 1961. The per capita GNP in 1961 was $454. Unlike most Latin American countries, there is a large middle class, land ownership is widespread, and 86% of the population is literate.

However, this period of transition has created severe strains on the economy. The cost of living rose 19% in 1961. The trade deficit for 1961 was $400 million, double that of 1960. In

addition there has been virtual stagnation in agricultural productivity, which supplies 95% of the country's exports.

Interfering with substantial improvement in the agricultural situation is the shortage of highly skilled agricultural specialists, lack of mechanization and inadequate credit.

A further important factor retarding economic growth is inadequate transport. Paved road mileage will have to be doubled in 10 years; railways and airports require substantial modernization, and the main harbor, that of Buenos Aires, is in need of major refurbishing of its freight-handling facilities. In 1955, 65% of the rolling stock of the railways was more than 45 years old.

A deficit of well over one million units must be met in order to provide adequate housing, while adequate power will require the construction of facilities generating an additional 25 billion KWH by 1970.

In February the United States announced it was prepared to provide assistance totaling $150 million to aid in the development of Argentina. This assistance was to be made available for specific projects and development imports to be financed by the Export-Import Bank and AID, $50 million by Ex-Im Bank and $100 million by AID. Of the AID portion, $20 million is being made available for capital imports, $60 million for projects which were being reviewed by AID at the time of the commitment, and $20 million for projects still to be submitted. In addition to providing resources essential to development, the credits announced had the salutary effect of strengthening the peso.

None of the project funds will become available except as specific projects are mutually agreed upon by the lender and the Government of Argentina.

Self-Help and Social Reform

From 1958 to 1961, the government discharged 50,000 employees as part of a courageous and politically difficult program to reduce the work force of 1,000,000 federal employees to half that level.

In 1958 Frondizi embarked upon a broad program of self-help measures designed to reorient the economy toward free enterprise and to promote economic growth while maintaining a stable exchange rate and suppressing inflation. Monetary and fiscal reforms of broad scope have been undertaken in order to rectify some of the damage done to the economy by the Peron regime. In dismantling economic controls, the Government of Argentina abolished the multiple exchange rate system in early 1959.

Private enterprise already is active in the formerly wholly state-operated petroleum industry and has taken over former state railway repair shops and other facilities, river-dredging operations, and cross-country bus lines. In 1958 the oil resources of the country were opened to foreign exploration, reversing the trend of the Peron era and making Argentina substantially self-sufficient in oil, saving $280 million in foreign exchange yearly. American and European companies are operating throughout Argentina.

In August 1961 a National Development Council was set up in the Office of the President to do the medium and long-range planning required by the Alliance for Progress. This council has been directed to pull together and coordinate existing development plans, grouping them in sectors, and assigning priorities. Where gaps in sector planning exist, the council is to expedite the necessary studies for completion.

The over-all effect of this broad program of self-help has been to inspire new confidence in the economy and increase the mobilization of domestic resources.

U.S. Assistance Strategy

Argentina, as the most advanced nation of Latin America, appears to be on the point of a breakthrough into rapid economic development leading toward self-sustaining growth which will not require foreign aid. Behind Argentina's present economic difficulties lies a great potential capacity for such growth. By aiding Argentina rapidly to increase its capacity for capital formation in the next few years, we can lead it toward the day when it will be our partner in assisting the less developed nations of the hemisphere.

To facilitate proper mobilization of resources and aid in reaching such goals, we intend to assist the National Development Council to prepare coordinated sector plans with clearly assigned priorities.

In the interim we intend to concentrate our efforts on projects in a few high priority development sectors such as agriculture, transportation and power. These areas will be selected on the basis of the effectiveness of their ultimate contribution to capital formation.

To maintain a 6% rate of growth, investment requirements for 1963 will total about $2.5 billion as compared with $2.2 billion in 1961; $600 million of this will have to be foreign investment, and, because of growing confidence by the business community, it is estimated that only $350 million of this will be needed from public funds. We intend to concentrate on securing European public resources to meet these needs. Thus, it is estimated that less than $200 million will be needed from U.S. Government sources.

Funds from the social progress trust fund will be used to make a start in meeting the current housing deficit, which is Argentina's most critical social problem.

As part of the process of development, we intend to insist on Argentine progress in working with the International Monetary Fund (IMF) to achieve reasonable economic stability.

Proposed AID Program for FY 1963

It is estimated that development lending in excess of $100 million will be required in FY 1963 to finance projects in transportation, power and institutional facilities. Loans will constitute most of the U.S. assistance program for Argentina in FY 1963, the balance being technical advisory services in important sectors specifically related to priority goals.

Major aspects of the FY 1963 program are the following:

(1) Support of the National Development Council's program for establishing national economic development priorities and long-range planning, by a $1 million loan and $370 thousand grant for technical and economic studies.

(2) A $1 million grant for scientific studies to increase beef production and quality for export.

(3) Improvement of higher education in the critical fields of economics, science, engineering, and agriculture, by grants of $1.870 million for six university contracts, and loans of about $11 million for vocational and agricultural secondary school modernization.

(4) Improvement of transportation by loans of $40-$60 million for airport construction and technical advisory services for airways modernization.

(5) Help overcome the housing deficit, by loans of about $20 million.

(6) If the Industrial Development Bank's studies indicate the economic desirability of the El Chocon hydroelectric project, participation in this project to the extent of $30 to $60 million, if $200-$275 million additional financing from European and multilateral sources can be obtained.

Accomplishments and Changes

Our aid programs in Argentina have consisted almost exclusively of a few small technical assistance activities. We intend to completely reorient the program in Argentina toward lending for specific development projects designed to increase Argentina's capacity for rapid growth.

Some illustrations of past technical assistance projects are:

(1) The Institute for the Development of Executives in Argentina (IDEA) was founded with U.S. assistance in 1960. Nearly 70 major firms have subscribed their membership and support of the Institute and during FY 1963 the organization will become financially and technically self-sustaining, requiring no further assistance from AID.

(2) An Aeronautical Training and Development Center was established in 1959 and 100 students have been graduated in air traffic control, communications, electronics and specialized techniques. U.S. assistance after 1963 will be reduced to advice on course material.

(3) Since the inauguration of "Operation Beef" in 1959, beef herds have been increased 9% to 45.1 million head in 1961, despite a severe drought during that period.

Co[redacted]NA

BASIC DATA

	Unit	ARGENTINA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	1,084	xxx
Population (1961)	Mil.	21.4	xxx
Annual Growth	%	2.0	2.4
Density per sq.mi.	No.	20	40
AGRICULTURAL LAND			
% of Total Area	%	52	25
Per Capita	Acres	18	2.5
POWER PER CAPITA	KWH/Yr	463	80
EDUCATION			
Literacy Rate	%	86	35
Pupils as % of Pop. (Prim. & Sec.)	%	15	9
Pupils per Teacher (Prim. only)	No.	23	38
HEALTH			
Life Expectancy	Yrs.	59	40
People per Doctor	No.	780	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	8,864	9,239	9,700
Per Capita GNP	Dollars	430	441	454
Investment as Percent of GNP	Percent	18	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	102	95	102
Index Per Capita	"	91	83	88
Wheat	1,000 MT	5,851	4,080	5,100
INDUSTRIAL PRODUCTION INDEX	1953=100	111	116	125
COST OF LIVING INDEX (Buenos Aires)	1953=100	464	590	670
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	1,009	1,079	1,000
Meat	"	259	219	225
Total Imports (c.i.f.)	"	993	1,249	1,400
Trade Balance	"	+16	-170	-400
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	126	99	104
Imports from U.S. (f.o.b.)	"	231	349	428
Trade Balance	"	-105	-250	-324
GOLD & FOREIGN EXCHANGE *(end of year)* (Central Bank only)	"	349	658	518 (Oct)

CENTRAL GOVERNMENT FINANCES* FY ending Oct. 31	*- Million Dollar Equivalents -* 1959	1960	1961[a]
Total Expenditures	1,265	1,444	2,051
(Defense Expenditures)	(234)	(272)	(346)
(Capital Outlays)	(277)	(366)	(542)
Domestic Revenues	800	1,107	1,753
Budget Receipts from Non-U.S. Foreign Aid	--	--	--
Budget Receipts from U.S. Aid (Grants & Loans)	15	10	8
Remaining Deficit (-) or Surplus (+)	-450	-327	-290

* - Converted at 85 Pesos per U.S. $.
a - Preliminary actuals.

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FINANCIAL DATA

Country: ARGENTINA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY (1950-61)	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	33.3	6.9	42.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	30.8	6.0	39.0
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	2.4	0.9	3.7
Supporting Asst.(DS/SA prior to 1961)	0.1	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	42.9	-	-
(Sales Agreements).....	(62.3)	-	-
Title II.....	-	-	-
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	446.3	62.0	0.6 a/
OTHER U.S. ECONOMIC PROGRAMS.....	0.1	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	1.6	1.4	3.3
M.A.P. - Credit Assistance.....	5.9	-	-
Non-M.A.P. Military Assistance.....	7.9	7.9	NA
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	48.5	48.5	- a/
International Finance Corp.	5.2	1.5	3.0 a/
Inter-American Develop. Bank	-	-	30.0 a/
UN Tech. Assist.-CY ending in FY ...	2.4	0.6	0.4
UN Special Fund	4.2	2.4	- a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	104.0	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	1.6	1.2	0.9
Export-Import Bank	119.7	16.3	18.6 a/
Other Government Loans	-	-	-

a/ July-Dec. 1961.

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Bolivia

Bolivia

THE ALLIANCE FOR PROGRESS IN BOLIVIA

Bolivia is a land-locked country in west-central South America with a population of about 3.5 million spread over some 424,000 square miles. In 1952 a violent and bloody revolution profoundly altered the structure of Bolivian society. It brought to power the Movimiento Nacionalista Revolucionario (MNR), a political movement with broad support among workers and peasants. The feudal oligarchy was divested of all political power. The MNR came into power as a party having a left-of-center, moderate majority and an extreme left-wing, Communist-oriented minority. Broad social and economic reform was legislated. Land was distributed to the campesinos and large estates eliminated. Major mines were nationalized. The Indians were enfranchised when universal suffrage was introduced. The army was subordinated to party discipline and reduced in size.

The following significant statistics, with comparisons to the United States, tell part of the story:

	Bolivia	United States
Per Capita GNP	$ 62	$2,800
Calories per day per capita	1,880	3,220
Infant mortality (deaths prior to age one per 1,000 live births)	102	26
Life expectancy	50 yrs.	70 yrs.
Literacy	31 %	98 %
Rate of population growth	1.4 %	1.7 %
Cost of living index (1953 = 100)	3,585	112

Since 1952, the MNR has continued to receive broad support among labor unions and peasants in spite of generally deteriorating and often desperate economic situation. It has organized an armed labor and farmer militia. Despite Communist encroachments on the MNR left, which receives considerable union support, the party under the leadership of President Paz thus far has managed to maintain a reasonably moderate government. This government is under constant fire from the extreme left. Riots, agitation and a steady flow of Communist propaganda have marked the steadily rising power of the extreme left which seeks to capture the MNR and overthrow the government by force if necessary. The desperate economic situation of most of Bolivia's people lends strength to the Communists; and it can be realistically stated that the imminent danger of an extreme left take-over is greater in Bolivia than in any other country in South America.

The Ministries of Labor and Education are heavily Communist-infiltrated. University faculties and teachers' organizations are strongly influenced by Communist philosophy; 40% of the officers in the National Confederation of University Students are Communists or fellow-travelers. Local student federations are also infiltrated, with an estimated 30% of elected officials sympathetic to Communist philosophy. The national labor and mine workers' organizations are controlled by a mixture of Communists and members of the MNR extreme left. They also rule important mining locals, including the one at Catavi-Siglo XX, the largest mining complex in Bolivia. Since many of these union members are armed, they constitute a dangerous threat to the government.

At the root of these political dangers is one of the weakest and most poverty-striken economies in Latin America. Despite the fact that basic social reforms have been completed, the Bolivians have been unable to bring about economic growth. Per capita GNP has actually decreased over the past few years. Per capita income is substantially less than $100, which means that the majority of the people of Bolivia live on a minimum subsistence basis. Mortality rates are extremely high, accounting for the lowest net rate of population growth in all Latin America. Illiteracy is 69% and only one out of every four children ever go to school.

Since 1952, Bolivia has faced chronic trade deficits which at times have reduced reserves to less than $1.5 million. The Bolivian Mining Corporation has incurred increased operating losses culminating in an estimated $10-12 million deficit in 1960. State-operated railways came to the verge of collapse after the British pulled out in 1959. Industry is using less than one-half of installed capacity. The only major foreign investment in Bolivia since 1956 has been in private petroleum exploration. Limited employment opportunities and political instability have driven the country's small reservoir of technically trained personnel to seek employment opportunities outside Bolivia.

Self-Help and Social Reform

The basic social structure was profoundly altered by the Revolution of 1952. The landed oligarchy no longer exists and extreme contrast between wealth and poverty was eliminated. But the people have yet to experience any significant economic advantage from these changes.

In June 1961, after detaining some 60 Communist agitators, the government promulgated and enforced a decree increasing efficiency in the state mining corporation by reducing labor control of management decisions and by introducing foreign management advisers. In April 1961, a voluntary employee reduction program to eliminate an estimated 6,000 surplus workers was also initiated.

In October 1961, a 65% increase in domestic gasoline prices was instituted, despite heavy rioting in the capital and other urban centers which resulted in 40 casualties.

Since August 1960, 71,000 land titles were granted in a step-up of the agrarian reform program.

Revenue collection, the tax structure, and fiscal administration have been improved. A team of British experts now manages customs administration; a customs code has been framed; pay-rolling machines have been installed; and administration improvements have been instituted in the Finance Ministry. These efforts thus far have resulted in an increase of 30% in customs collections and of 10% in other taxes.

In December 1960, a new investment code was adopted to stimulate private investment. U.S. interests are considering the construction of an antimony smelter and other mining investments; Japanese firms have recently purchased two medium size copper mines and are negotiating for the purchase of a lead mine.

Bolivia is a land-locked country in west-central South America with a population of about 3.5 million spread over some 424,000 square miles. A popular and far-reaching social revolution, occurring in 1952, has resulted in monumental changes but has left problems and dislocations. Liberation, suffrage and the establishment of more democratic institutions has not succeeded in eliminating inflation, economic stagnation and gross inefficiency in government and in the use of resources.

Country Background

Economic and Political. The 1952 revolution brought to power the Movimiento Nacionalista Revolucionario (MNR), a political movement with broad support among workers and peasants. The feudal oligarchy was divested of all political power. The MNR came into power as a party having a left-of-center, moderate majority and an extreme left-wing, Communist-oriented minority. Broad social and economic reform was legislated. Land was distributed to the campesinos and large estates eliminated. Major mines were nationalized. The Indians were enfranchised when universal suffrage was introduced. The army was subordinated to party discipline and reduced in size.

Since 1952, the MNR has continued to receive broad support among labor unions and peasants in spite of a generally deteriorating and often desperate economic situation. It has organized an armed labor and farmer militia. Despite Communist encroachments on the MNR left, which receives considerable union support, the Party under the leadership of President Paz thus far has managed to maintain a reasonably moderate government. The government is under constant fire from the extreme left. Riots, agitation and a steady flow of Communist propaganda have marked the steadily rising power of the extreme left which seeks to capture the MNR and overthrow the government by force if necessary. The desperate economic situation of most of Bolivia's people lends strength to the Communists; and it can be realistically stated that the imminent danger of an extreme left take-over is greater in Bolivia than in any other country in South America.

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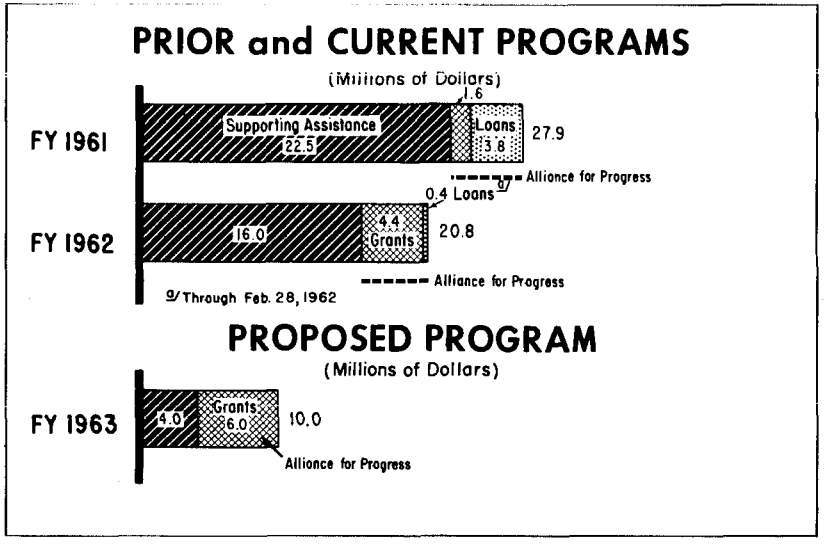

Bolivia. Since many of these union members are armed, they constitute a dangerous threat to the government.

At the root of these political dangers is one of the weakest and most poverty-striken economies in Latin America. Despite the fact that basic social reforms have been completed, the Bolivians have been unable to bring about economic growth. Per capita GNP has actually decreased over the past few years. Per capita income is substantially less than $100, which means that the majority of the people of Bolivia live on a minimum subsistence basis. Mortality rates are extremely high, accounting for the lowest net rate of population growth in all Latin America. Illiteracy is 69% and only one out of every four children ever go to school.

Since 1952, Bolivia has faced chronic trade deficits which at times have reduced reserves to less than $1.5 million. The Bolivian Mining Corporation has incurred increased operating losses culminating in an estimated $10-12 million deficit in 1960. State-operated railways have now come to the verge of collapse after the British pulled out in 1959. Industry is using less than one-half of installed capacity. The only major foreign investment in Bolivia since 1956 has been in private petroleum exploration. Limited employment opportunities and political instability have driven the country's small reservoir of technically trained personnel to seek employment opportunities outside Bolivia.

Self-Help and Social Reform. The basic social structure was profoundly altered by the Revolution of 1952. Although a number of the reforms have been completed, more work and management assistance is needed to achieve economic development. Since the 1960 inauguration of a new administration, Bolivia has made serious efforts to attack the causes of its depressed economy. A three-year, $37.5 million program to reorganize the state mining corporation, which produces 75% of total foreign exchange earnings, has been initiated with joint financing by the Inter-American Development Bank, the United States and Germany. In connection with this program Bolivia accepted foreign management consultants to assist in improving the mines. In April 1961, Bolivia adopted a voluntary employee reduction program to eliminate an estimated 6,000 surplus employees. In order to restrict union veto power over management decisions in the mines, Bolivia found it necessary in June to declare a national emergency and imprison about 60 Communist agitators and Communist union leaders.

At the insistence of the United States, which regarded a gasoline price increase as a necessary prerequisite to any further assistance to the National Petroleum Agency, Bolivia instituted a 65% increase in gasoline prices in October 1961, raising prices from a previous level which was less than the cost of production. This was done in the face of serious rioting in urban centers and in spite of strong objections from the powerful transportation workers union. The previous price did not permit expansion of this vital industry, whose production has been declining about 7% annually.

Action is also being taken to correct financial difficulties of other state enterprises, currently operating at below-cost levels. The government agreed to accept a management contract for state operated railways in December 1961, as part of a British and U.S. financed emergency rehabilitation program. It has also requested a team of foreign management consultants to study and subsequently manage the state agricultural bank.

In July 1961, Bolivia adopted a comprehensive ten-year social and economic development plan, and immediately thereafter established a high level planning agency to coordinate development activities. This plan was presented to the Organization of American States (OAS) in January 1961 for review and evaluation. Bolivia has recently been successful in securing multilateral financing of a five-year feasibility and engineering studies program.

Partly as a result of the success of a liberal petroleum code adopted in December 1956, a new investment code was adopted in December 1960 to increase domestic investment and attract further foreign investment. In consequence, United States firms have invested in gold and other mining ventures and are considering construction of an antimony smelter. Japanese firms have purchased two copper mines and are negotiating for a lead mine. Belgium, German and Italian investors have also been active in investigating investment opportunities.

Increased activity in implementing earlier reforms is also indicative of Bolivia's recent self-help endeavor. Of a total of 175,000 land titles issued since 1953 under the agrarian reform program, 71,000 have been granted since August 1960.

Revenue collections, which had gone up 30% in 1960, increased another 17% in 1961 after further administrative improvements. Additional improvements are expected from a contract executed in July 1961 for British management of the customs and from planned construction of new customs facilities at La Paz.

U.S. Assistance Strategy

Although the Bolivian development plan does not yet define realistic goals or specific measures of implementation, we intend to offer technical help in order to improve the plan to the point where we can assist in its implementation. Our project financing--both current and under the completed plan--will be designed to create a basic social and economic structure which can support a process of steady economic growth. This means meeting basic and unfulfilled needs for health and education to improve human resources and concentrating on the industrial and agricultural sectors which appear capable of supporting future development. For example, the rehabilitation of the tin mines which supply most of Bolivia's foreign exchange is a top priority item, as is the improvement of the country's debilitated transportation system. In this way we can move from an important but relatively sterile program of budgetary support, to a process of development which will make permanent improvements in the standard of living.

We have already begun this process and, while we have stepped up development lending, Supporting Assistance is being reduced from $16 million to $4 million.

The availability of U.S. financial support will be closely related to further self-help action in connection with the reorganization and improved efficiency of specific enterprises--the decrease of the number of workers in the tin mines, the reorganization of the state agricultural and mining banks, and the increase in gasoline prices are examples of this type of reform.

We intend to continue our efforts to secure financing for Bolivian development from other sources. The Inter-American Development [redacted]

Bank is studying proposed housing, agricultural colonization, and municipal water and sewage projects with a view toward extending substantial credits in these fields. In addition, the Inter-American Development Bank, the West German and U.S. Governments have agreed to finance rehabilitation of the nationalized mines up to a total of $37.5 million. The International Bank for Reconstruction and Development has sent a team to Bolivia to make recommendations on long-run rehabilitation of state operated railways and may participate in their financing. Increasing interest in mineral development is being shown by foreign investors; Japanese and American firms have already purchased some mines and are considering others.

Proposed AID Program for FY 1963

Development loans for private mining enterprises, the nationalized mining and petroleum agencies, and a new industrial bank will be advanced as rapidly as the capacity develops to absorb them effectively. P.L. 480 local currency generations of approximately $6 million will be used for supplemental project financing and for continuing the voluntary employee reduction program in the nationalized mines.

Assistance required in support of balance of payments and the national budget is projected at a level of $4 million in 1963 as compared to $16 million in 1962. This reduction is possible because of expected production increases in mining, industrial and petroleum sectors, and stepped-up improvements in tax and customs collections. Continued technical aid will be given in revenue collection and expenditure control matters. Financial support for technical and engineering studies started in 1962 to provide basic information to national planning agencies will be expanded in 1963.

In order to boost agricultural production, credit capital of $1.5 million will be made available during 1962 and it is expected that the demand for small agricultural loans may necessitate a further development loan of $2 million in 1963. Development Grant funds will also be used in establishing marketing facilities and demonstration centers to supplement the credit program.

To improve transportation, development loans of approximately $8 million will be considered for highway construction and improvement. The IBRD is expected to finance the rehabilitation of state operated railways.

In 1963, Development Grant funds will support an expanded rural education program, including teacher training, textbook publications, literacy campaign, and school construction. They will also be used to supplement GOB funds in constructing urban schools.

Accomplishments and Changes

In Bolivia we intend a drastic shift in our program from Supporting Assistance to a program of development lending concentrated on a few high priority goals designed to bolster those segments of the economy most critical to future economic development. Such sectors as mining, transportation, agricultural productivity and education will have the highest priority.

Significant and encouraging changes have occurred in the attitude of Bolivia toward self-help action. The present determined effort to secure further development is all the more impressive when compared with the failure to act in the earlier years. These changes occurred in 1961 and are partially, if not entirely, the result of U.S. assistance policy. Although intangible, this change in attitude is viewed as the most important single accomplishment of the Agency for International Development in Bolivia.

In 1956, a petroleum code drafted under AID contract, was approved which has produced nearly all subsequent private investment in the country; private U.S. companies now maintain a smooth working relationship with the Bolivian National Petroleum Agency and have been instrumental in convincing the government of the value of private investment in other sectors.

A combined approach has been achieved in the expanded agricultural credit program, supported both by the Inter-American Development Bank and AID working on different types of credit. The past AID supervised credit program (making use of local currency funds) boosted production of many crops, its major accomplishment being a seven-fold increase in sugar cane production and a doubling of rice production since 1955.

A serious political and social problem in Bolivia has been rioting and lawlessness in the major cities. This problem has been kept under greater control in recent months largely as a result of the GOB's determination to control lawlessness and the demonstrated ability of the police to exercise control without unnecessary violence. The new police capability is the direct result of intensive AID technical training efforts.

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Country: BOLIVIA

[redacted]

BASIC DATA

	Unit	BOLIVIA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	424	xxx
Population (1961)	Mil.	3.5	xxx
Annual Growth	%	1.4	2.4
Density per sq.mi.	No.	8	40
AGRICULTURAL LAND			
% of Total Area	%	2	25
Per Capita	Acres	1.6	2.5
POWER PER CAPITA	KWH/Yr	144	80
EDUCATION			
Literacy Rate	%	31	35
Pupils as % of Pop. (Prim. & Sec.)	%	6	9
Pupils per Teacher (Prim. only)	No.	23	38
HEALTH			
Life Expectancy	Yrs.	50	40
People per Doctor	No.	4,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	212	216	218
Per Capita GNP	Dollars	62	62	62
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	102	103	105
Index Per Capita	"	94	94	94
Corn	1,000 MT	140	133	136
PETROLEUM PRODUCTION (crude)	"	412	466	420
COST OF LIVING INDEX (La Paz)	1953=100	2,990	3,350	3,585
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	59	50	56
Tin (c.i.f.)	"	53	43	49
Total Imports (c.i.f.)	"	65	68	70
Trade Balance	"	-6	-18	-14
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	8	9	10
Imports from U.S. (f.o.b.)	"	24	25	25
Trade Balance	"	-16	-16	-15
GOLD & FOREIGN EXCHANGE *(end of year)*	"	13.3	7.0	6.5 (Nov)

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	- Million Dollar Equivalents - 1959	1960	1961[a]
Total Expenditures	40.7	40.1	51.5
(Defense Expenditures)	(4.0)	(5.1)	(5.5)
(Capital Outlays)	(6.9)	(3.3)	(11.7)
Domestic Revenues	20.9	27.3	31.9
Budget Receipts from Non-U.S. Foreign Aid	4.0	0.3	4.7
Budget Receipts from U.S. Aid (Grants & Loans)	12.4	8.9	12.5
Remaining Deficit (-) or Surplus (+)	-3.4	-3.6	-2.4

* - Converted at 12,000 Bolivianos per U.S. $.
a - AID estimates.

[redacted]

FINANCIAL DATA

Country: BOLIVIA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	157.2	27.9	20.8
Alliance for Progress:			
Loans (DLF prior to 1962).....	7.8	3.8	0.4
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	22.2	1.6	4.4
Supporting Asst.(DS/SA prior to 1961)	127.0	22.5	16.0
Other MSP Economic.....	0.2	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	2.5	2.5	3.9
(Sales Agreements).....	(3.3)	(3.3)	(4.6)
Title II.....	17.4	-	-
Title III.....	6.6	0.4	0.6
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	26.4	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	10.6	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	2.2	1.7	1.3
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
Inter-American Develop. Bank	10.0	10.0	4.5 a/
UN Tech. Assist.-CY ending in FY	3.9	0.6	0.5
UN Special Fund	1.5	0.9	- a/
OTHER FREE WORLD ASSISTANCE			
Argentina	-	1.3	6.1
Brazil	-	1.0	3.7
Germany	-	0.7	5.5
England	-	-	0.8
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	0.3
Export-Import Bank	21.5	-	- a/
Other Government Loans	NA	-	-

a/ July-Dec. 1961.

[redacted]

[redacted]

Brazil

Brazil

In terms of population (67 million), area (almost as large as the United States; one-half of South America) and economic potential, Brazil stands in the front rank of the nations of the world and is the dominant nation of Latin America. Rampant inflation, rapid population growth, recurrent balance-of-payments crises, enormous social and economic disparities among the people, political instability and a vigorous Communist movement, all combine to make Brazil the greatest challenge as well as the greatest opportunity of the Alliance for Progress. But despite Brazil's political and economic ills, its Gross National Product (GNP) is growing at the rate of 3.3% per capita per year.

Northeast Brazil, where 25,000,000 people are crowded along the coastline, is the largest area of extreme poverty and misery in all Latin America.

Some statistics, with comparisons to the United States, help illustrate the problems:

	Brazil (incl. Northeast)	Northeast Brazil	United States
Per capita GNP	$200	$90	$2,800
Calories per day per capita	2,818		3,220
Infant mortality (deaths prior to age one per 1,000 live births)	171	213	26
Life expectancy	45 years	42 years	70 yrs.
Literacy	50 %	31 %	98 %
Rate of population growth	2.5 %	3 %	1.7 %
Cost of living index (1953 = 100) Nov. 1961	694		112

The resignation of President Quadros in August, 1961 provoked a major political crisis in Brazil. Constitutional government itself was threatened for a time and the new government which emerged has been weak, lacking in leadership and thus far unable to deal adequately with Brazil's critical problems.

In spite of this, an Alliance for Progress program was formulated. The "Program of Action" presented by the Neves Cabinet when it took office last October, and approved by the Chamber of Deputies, reflects both comprehension of Brazil's obligations under the Charter of Punta del Este and the desire to undertake a series of essential administrative and legislative actions.

However, little action has thus far been taken to put the program into effect. With critical congressional and gubernatorial elections scheduled for October, the climate for energetic action is not favorable.

Though the Communist Party is illegal, the Communists are publicly active. The Party is estimated to have 25,000 members, with many times that number of sympathizers. In its campaign to regain legal status, it is encouraged by the renewal of relations with the Soviet Union and by the growing influence in Congress of the Nationalist Parliamentary Front (which controls about 100 out of 400 Congressional seats), which frequently lines up with the Communists on significant issues. Communists control two of the three major national student organizations and are well represented among journalists and intellectuals. In the northeast, where per capita income is less than $100, Peasant Leagues led by Francisco Juliao, a declared Marxist, are rapidly expanding.

Of the five national labor federations, the Communists now control the bank and the industrial federations. A majority of the key dock, railroad and metal workers' locals are Communist-led, as well as the majority of the unions in the principal cities of the northeast.

In addition to Communist activity, there has been a resurgence of extreme nationalist activity with Castro-type tendencies. This is typified by the activity of Brizzola, the Governor of Rio Grande do Sul, who has assumed leadership of the nationalists anti-U.S. groups in Southern Brazil.

The growing strength of extremists has been helped by the inability of the moderate pro-U.S. forces - which constitute the vast majority of Brazil's population -- to organize and to agree on a program of political action.

In Brazil, political uncertainty has gone hand-in-hand with financial instability. The extraordinary inflation has been caused largely by budget deficits (which resulted in an increase of cruzeiro from 29 billion to 293 billion over the last decade) and accompanying expansion of the money supply (from 90 billion to 950 billion cruzeiros over the same period).

At the same time, Brazil has experienced recurrent balance-of-payments crises and a large increase in external debt (which reached $2 billion in 1961). Financial collapse in the spring of 1961 was averted only by debt rescheduling and massive new external credits of over $600 million.

Part of Brazil's external financial difficulties reflects a decline in annual exports from $1.7 to $1.3 billion over the past decade. Coffee exports represented 56% of total exports of $1.3 billion in 1960. Efforts to diversify exports so as to decrease reliance upon coffee have thus far not been sufficient to offset the decline in the value of coffee exports to a little over $700 million in 1960 from the peak level of $1 billion reached in 1956 and earlier years.

Self-Help Measures

In certain restricted areas of social reform and self-help, some steps have been taken by the federal government. In addition, under Brazil's federal system much planning and development work is carried on by the States, with progress varying widely from State to State. Federal progress includes:

Planning. While a national development plan is not completed, substantial planning has been undertaken on a functional and regional basis. In August 1961 President Quadros established a National Planning Commission which the present government is reactivating and giving the task of drawing up a long-term development plan. A draft of a five-year plan for agriculture has been prepared by the Ministry of Agriculture and the preparation of a five-year plan for education is well under way.

Northeast. In northeast Brazil the Northeast Development Administration (SUDENE) has completed a comprehensive five-year, $900 million, development plan. More than $500 million of the necessary resources will be provided by Brazil. The program has been approved by the Brazilian Congress and funds for the first year equivalent to $100 million have been appropriated. The United States has offered to make available for an emergency impact program and the first two years of the plan the equivalent of $131 million in dollar loans and grants and P.L. 480 local currencies.

Agrarian Reform. A new agrarian reform plan has just been completed, has been approved by the Brazilian Cabinet, and is now before the Congress. In previous years Congress has refused to approve agrarian reform proposals.

Tax Reform. In November 1961, Prime Minister Neves proposed new income tax legislation to the Congress designed to increase revenues by $70 million a year and to increase the tax burden on the wealthy taxpayers while reducing indirect taxes. Stricter penalties for tax evasion are also proposed. The bill is still before Congress.

Housing. The Ministry of Labor has prepared a 10-year low-cost housing program calling for the construction of 3,810,000 self-help housing units. Several of the state governments are already implementing low-cost housing and slum clearance programs.

Education. Congress passed a special school bill in December 1961 creating the organization needed to carry out the national educational program drawn up by the Cabinet in September 1961. Congress also trebled the budget of COSUPI, an agency to improve higher education.

In terms of population (67 million), area (almost as large as the United States; one-half of South America) and economic potential, Brazil stands in the front rank of the nations of the world and is the dominant nation of Latin America. Rampant inflation, rapid population growth, recurrent balance-of-payments crises, enormous social and economic disparities among the people, political instability and a vigorous Communist movement, all combine to make Brazil the greatest challenge as well as the greatest opportunity of the Alliance for Progress. But despite Brazil's political and economic ills, its GNP is growing at the rate of 3.3% per capita per year.

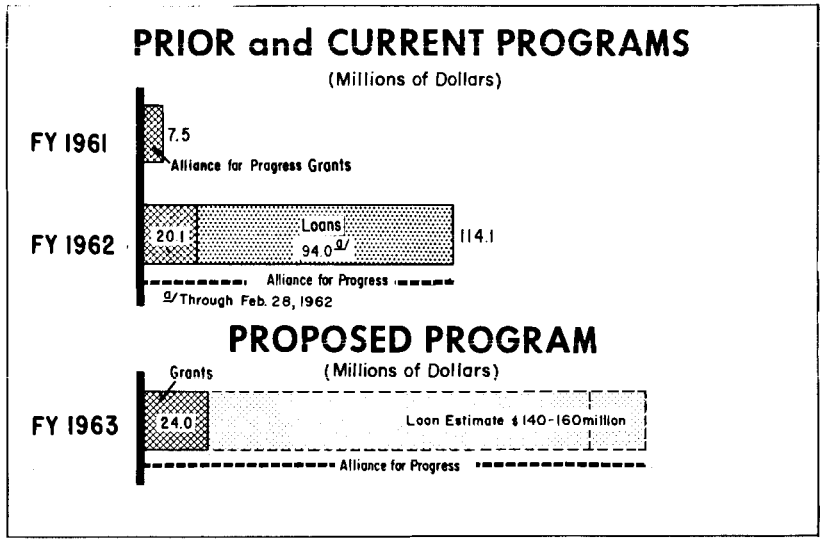
Northeast Brazil, where 25,000,000 people are crowded along the coastline, is the largest area of extreme poverty and misery in all Latin America.

In Brazil are centered all of the political, economic and strategic problems to which the Alliance for Progress is a response. If United States policy fails in Brazil, it will become nearly impossible to achieve success elsewhere in Latin America. The United States seeks a stable, progressive government capable of moving forward rapidly with economic and social development and thereby avoiding revolution and possible domination by the extreme right or the extreme left. The same conditions are required if the United States and its largest Latin neighbor are to have normal and mutually beneficial commercial relations.

Country Background

Political. The resignation of President Quadros in August 1961 provoked a major political crisis in Brazil. Constitutional government itself was threatened for a time, and the new government which emerged has been weak, lacking in leadership and thus far unable to deal with Brazil's critical problems.

In spite of this, an Alliance for Progress program was formulated. The "Program of Action" presented by the Neves Cabinet when it took office last October, and approved by the Chamber of Deputies, reflects both comprehension of Brazil's obligations under the Charter of Punta del Este and the desire to undertake a series of essential administrative and legislative actions. It fixes as objectives, inter alia, an economic growth target of 7.5% a year, productive absorption of underemployed labor, provision of minimal conditions of housing and sanitation to alleviate social tensions, reasonable stability of prices and reduction of imbalance in Brazil's external accounts.



However, little action has thus far been taken to put the program into effect. With critical congressional and gubernatorial elections scheduled for October, the climate for energetic action is not favorable.

Though the Communist Party is illegal, the Communists are publicly active. The Party is estimated to have 25,000 members with many times that number of sympathizers. In its campaign to regain legal status, it is encouraged by the renewal of relations with the Soviet Union and by the growing influence in Congress of the Nationalist Parliamentary Front (which controls about 100 out of 400 Congressional seats), which frequently lines up with the Communists on significant issues. Communists control two of the three major national student organizations and are well represented among journalists and intellectuals. In the northeast, where per capita income is less than $100, Peasant Leagues led by Francisco Juliao, a declared Marxist, are rapidly expanding. Of the five national labor federations, the Communists now control the bank and the industrial federations. A majority of the key dock, railroad and metal workers' locals are Communist-led, as well as the majority of the unions in the principal cities of the Northeast.

In addition to Communist activity, there has been a resurgence of extreme nationalist activity with Castro-type tendencies. This is typified by the activity of Brizzola, the Governor of Rio Grande do Sul, who has assumed leadership of the nationalistic anti-U.S. groups in Southern Brazil.

The growing strength of extremists has been helped by the inability of the moderate pro-U.S. forces--which constitute the vast majority of Brazil's population--to organize and to agree on a program of political action.

Economic. Brazil's average annual growth in GNP over the past decade has been 5.8%--the highest in Latin America--but the growth of population has reduced this to 3.3% per capita. This progress, however, has increasingly depended upon external public assistance and foreign private investment. Moreover, growth has been greatest in industry with little improvement of agriculture (51% of the labor force is engaged in agriculture), transportation or education. In addition, the northeast area, with a population of 25 million and a per capita income of less than $100, has not shared in the growth of GNP.

Inflation has been endemic for many years, with the cost of living rising almost 45% in 1961. The principal cause of inflation has been a series of large budget deficits (which resulted in an increase of cruzeiro debt from 29 billion to 293 billion over the past decade) and accompanying expansion of the money supply (from 90 billion to 950 billion cruzeiros over the same period). In 1961 the budget deficit was the equivalent of $579 million out of a total budget of $2,081 billion. Inflation has been accompanied by periodic balance-of-payments crises and a large increase in external debt (which reached $2 billion in 1961). With the aid of substantial assistance from the United States, the IMF and European countries, financial collapse was averted in 1961 by new credits totaling over $600 million and by rescheduling the existing external debt over a longer period.

The present administration in Brazil has not yet adopted a program to achieve reasonable financial stability. However, the Finance Minister is aware of the necessity for new policies and the International Monetary Fund is being consulted.

Brazil's budget revenues are derived mainly from indirect taxes. In 1960, the income tax yield was only 30% of total budget revenues, while consumption taxes were 40%, customs duties 10% and other indirect taxes and fees 20% of the total. Personal income tax rates in Brazil, however, are relatively high and equal to those in the United States in the medium income tax brackets. The relatively low yield from income taxes reflects evasion or collection difficulties rather than the level of tax rates.

Part of Brazil's external financial difficulties reflects a decline in annual exports from $1.7 billion to $1.3 billion over the past decade. Coffee exports represented 56% of total exports of $1.3 billion in 1960. Efforts to diversify exports so as to decrease reliance upon coffee have thus far not been sufficient to offset the decline in the value of coffee exports to a little over $700 million in 1960 from the peak level of $1 billion reached in 1956 and earlier years.

Brazil's development potential is enormous. There have been substantial investments by European and Japanese as well as U.S. private investors. U.S. private investments alone total almost $1 billion. The rapidly growing population affords a large market. Rich deposits of minerals, including iron ore and bauxite, remain to be developed.

Self-Help Measures. In certain restricted areas of social reform and self-help, some steps have been taken by the federal government. In addition, under Brazil's federal system much planning and development work is carried on by the States, with progress varying widely from State to State. Federal progress includes:

Planning. While a national development plan is not completed, substantial planning has been undertaken on a functional and regional basis. In August 1961 President Quadros established a National Planning Commission which the present government is reactivating and giving the task of drawing up a long-term development plan. A draft of a five-year plan for agriculture has been prepared by the Ministry of Agriculture, and the preparation of a five-year plan for education is well under way.

Northeast. Probably the most significant reform measure taken by the Brazilian Government has been the recognition of the plight of the northeast area, with the establishment of SUDENE (Northeast Development Administration) and approval of its five-year, $900 million, development plan. More than $500 million of the necessary resources will be provided by Brazil. Last December the Brazilian Congress appropriated the cruzeiro equivalent of $100 million for the first year of the plan.

The United States is now negotiating with the Government of Brazil both immediate impact and long-range development programs in the northeast, to be undertaken jointly with SUDENE.

The impact program will include small community water supply systems, rural electrification and mobile and permanent health units. In addition, community centers will be established, and community self-help projects will be developed to improve general living conditions.

The long-range program will concentrate on irrigation, rural roads, small power plants, elementary education, increasing food supplies and additional water supply systems.

The United States has offered to make available the equivalent of about $131 million in dollar loans and grants and local currency over two years for these programs, subject to satisfactory project proposals and other conditions. Negotiations are in process as of this writing.

Agrarian Reform. A new agrarian reform plan has just been completed, has been approved by the Brazilian Cabinet, and is now before the Congress. In previous years Congress has refused to approve agrarian reform proposals.

Tax Reform. In November 1961 Prime Minister Neves proposed new income tax legislation to the Congress designed to increase revenues by $70 million a year and to increase the tax burden on the wealthy taxpayers while reducing indirect taxes. Stricter penalties for tax evasion are also proposed. The bill is still before Congress.

Housing. The Ministry of Labor has prepared a 10-year low-cost housing program calling for the construction of 3,810,000 self-help housing units. Several of the state governments are already implementing low-cost housing and slum clearance programs.

Education. Congress passed a special school bill in December 1961 creating the organization needed to carry out the national educational program drawn up by the Cabinet in September 1961. Congress also trebled the budget of COSUPI, an agency to improve higher education.

Malaria Eradication. The government has committed the local currency financing required for effective prosecution of the malaria eradication program.

U.S. Assistance Strategy

The strategy of our aid program in Brazil will be to motivate and support Brazilian efforts to maintain a rapid and equitably distributed process of economic development and to strengthen social development, thereby encouraging a political and economic stability capable of resisting the demands of the far left and the far right.

While the present Brazilian Government has delineated its problems and its responsibilities and formulated its Program of Action, there has been inadequate performance to date on this Program.

Thus, five principal purposes will guide our aid policies:

(1) Before Brazil's Congressional elections in October, we will initiate programs that will demonstrate the continued interest of the United States in promoting the economic and social development of Brazil. Large-scale aid will depend upon sound development programming and substantial progress in achieving essential reforms.

(2) We will work with the government of Brazil to formulate and carry out a sound development program and basic reforms.

(3) We will try to strengthen the political forces which stand for sound long-term economic and social growth.

(4) Where sound programming has been completed -- as in the northeast -- we will participate with the Brazilians in long-range development efforts.

(5) We will continue to press the government of Brazil for an effective stabilization program.

In all discussions with Brazilians, we will emphasize that the United States and other potential sources of aid are prepared to contribute the amounts required to supplement Brazilian investment, but only as the Brazilian authorities themselves undertake the essential and practicable measures necessary to make foreign assistance effective.

This approach does not contemplate the provision of aid on the scale that would be feasible and desirable if the government of Brazil were more vigorously carrying out its responsibilities under the Alliance for Progress. But it does avoid, on the one hand, making general purpose loans that might only encourage fiscal irresponsibility, and on the other hand, cutting off all assistance until Brazilian performance improves.

The latter policy, in the face of present threats from both left and right extremist elements, would undoubtedly fail to achieve

its purpose. Cutting off aid would penalize Brazil unreasonably for failing to take action beyond its capacity, given the present political situation. Most importantly, it would be likely to weaken the democratic and progressive forces in the country, whose strength and effective leadership are essential prerequisites for the formulation and implementation of a successful long-range development plan.

We will continue to urge, both directly and in the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), the governments of Western Europe and Japan to improve the terms and the magnitude of their assistance to Brazil.

Proposed AID Program for FY 1963

In line with our basic strategy, the program for FY 1963 will have three parts.

First, in northeast Brazil -- where a five-year plan has been prepared, Brazilian resources have been committed, and a development institution is in operation -- we will cooperate in immediate impact and long-range development efforts.

An emergency program of dollar and cruzeiro grants, and loans totaling the equivalent of $33 million is now being negotiated, and will be financed in part from FY 1962 funds. The United States also plans to contribute an estimated $98 million to the first two years of the long-range program, as follows:

> In 1962 $24 million of dollar grants and loans. From FY 1963 funds, $38 million, including $32 million in development loans and $6 million in development grants. In addition, a total of $36 million from U.S.-owned cruzeiros generated from P.L. 480 sales will be made available in 1962 and 1963.

Second, Approximately $18 million in grants would be available for other projects designed to demonstrate the continued interest of the United States in Brazilian development and to help stabilize the country against political threats from both right and left. Major projects would include:

> Agriculture. For FY 1963, proposed obligations amount to approximately $4 million to strengthen agricultural institutions and extension services and to encourage diversification to decrease dependence on coffee.
>
> Education. For FY 1963 approximately $6.3 million is proposed. Projects include teacher training, aid to school construction, adult education and preparation of teaching materials.
>
> Public Health. For FY 1963 approximately $4 million is proposed for malaria eradication and community water supply systems. These systems will be developed jointly with the Inter-American Development Bank, with the Bank providing loans and the U.S. technical assistance for development of the institutional structures to operate numerous small community water supply systems.

The third part of our program for FY 1963 would be contingent upon the Brazilian Government providing concrete evidence of determined effort in three directions: (a) adoption of a reasonable and appropriate stabilization program; (b) adequate self-help and social reform measures; and (c) progress in the preparation of a sound long-term development plan.

Including the activities in the northeast, development lending in the range of $140-$160 million will be considered, upon satisfaction of these conditions, for programs in the following sectors, which are included in the priority sectors for development identified in the Program of Action of the present government: transportation, communications, electric power and land use (particularly crop diversification).

Accomplishments and Changes

AID programs in Brazil under the Alliance for Progress will be drastically shifted from traditional technical assistance to development lending which will focus on the limited number of priority objectives outlined in the preceding section.

Before 1961 U.S. development assistance, other than from the Export-Import Bank, was negligible. Recognizing the needs for technical skills to staff and manage a successful development program, the AID enlarged its participant program and over 350 Brazilians were scheduled for States-side training for FY 1962.

Among the most effective accomplishments in the technical assistance program are:

(1) The use of SESP, an organization originally established by the United States and now wholly-financed by Brazil, to develop over 100 community water supply systems throughout the rural areas of Brazil.

Country: BRAZIL

(2) The AID program has helped make the Getulio Vargas Foundation one of the outstanding educational institutions in Latin America. Its school of business administration in Sao Paulo is currently being duplicated by universities in Rio de Janeiro, Salvador and Porto Alegre. Graduates of the Sao Paulo school are eagerly sought by both foreign and domestically owned private enterprises.

(3) Aided by U.S. technical assistance over a 15-year period, a reasonably effective public health service has been brought into being. As a result, it is now considered practicable to terminate further technical assistance in this sector, except for malaria eradication and community water supplies.

(4) A public safety program has been most effective and will be largely terminated by 1964. The program is making a major contribution toward increasing the morale and efficiency of local police forces.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1940-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	53.5	7.5	118.2
Alliance for Progress:			
Loans (DLF prior to 1962).....	0.2	-	94.0
I.D.B. Trust Fund Loans.....	-	-	4.1
Grants (T.C. prior to 1961).....	50.9	7.5	20.1
Supporting Asst.(DS/SA prior to 1961)	2.4	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	236.9	88.8	58.4
(Sales Agreements).....	(282.9)	(104.5)	(73.0)
Title II.....	-	-	27.5
Title III.....	21.4	3.2	6.0
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	1,178.4	204.9	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	45.5	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	148.7	24.2	23.7
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	26.8	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	267.1	-	- a/
International Finance Corporation....	10.1	-	- a/
Inter-American Develop. Bank.....	15.5	15.5	12.0 a/
UN Tech.Assist. - CY ending in FY....	6.0	0.6	0.5
UN Special Fund.....	2.3	1.3	1.3 a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	4.0	-	- a/
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans.....	-	-	-
Export-Import Bank.....	649.0	61.8	30.4 a/
Other Government Loans.....	NA	6.4	13.4

a/ July- December, 1961.

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Country: [redacted] BRAZIL

BASIC DATA

	Unit	BRAZIL	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	3,280	xxx
Population (1961)	Mil.	67.4	xxx
Annual Growth	%	2.5	2.4
Density per sq.mi.	No.	21	40
AGRICULTURAL LAND			
% of Total Area	%	15	25
Per Capita	Acres	5	2.5
POWER PER CAPITA	KWH/Yr	352	80
EDUCATION			
Literacy Rate	%	50	35
Pupils as % of Pop. (Prim. & Sec.)	%	10	9
Pupils per Teacher (Prim. only)	No.	32	38
HEALTH			
Life Expectancy	Yrs.	45	40
People per Doctor	No.	2,100	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	12,153	12,916	13,500
Per Capita GNP	Dollars	189	196	200
Investment as Percent of GNP	Percent	16	15	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	143	140	151
Index Per Capita	"	124	119	124
Rice, rough	1,000 MT	4,915	5,384	5,800
ELECTRIC POWER PRODUCTION	Mill. KWH	21,108	23,500	25,000
COST OF LIVING INDEX (Sao Paulo)	1953=100	325	438	596
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	1,282	1,269	1,380
Coffee	"	733	713	690
Total Imports (c.i.f.)	"	1,374	1,462	1,570
Trade Balance	"	-92	-193	-190
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	628	570	546
Imports from U.S. (f.o.b.)	"	413	427	496
Trade Balance	"	215	143	50
GOLD & FOREIGN EXCHANGE *(end of year)*	"	457	442	524 (Oct)
		- Million Dollar Equivalents -		
CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31		1959	1960	1961(Bud)
Total Expenditures		1,015	1,558	2,081
(Defense Expenditures)		(232)	(310)	(316)
(Capital Outlays)		(n.a.)	(302)	(394)
Domestic Revenues		801	1,225	1,502
Budget Receipts from Non-U.S. Foreign Aid[a]				
Budget Receipts from U.S. Aid (Grants & Loans)[a]				
Remaining Deficit (-) or Surplus (+)		-214	-333	-579

* - Converted at 190 Cruzieros per U.S. $.
a - General budget only. Does not cover extrabudgetary accounts, semi-autonomous agencies and foreign aid which goes directly to the semi-autonomous agencies.

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Chile

Chile

Chile is an Andean country 2,600 miles long with a maximum width of 220 miles. Its population, now about 7.8 million, increases at an annual rate of 2.6%. It has a long democratic tradition. The plight of Chile's rural population, the precarious state of Government finances, and the narrow margin by which leftist elements have been denied power, combine to project Chile into that category of Latin American countries where continuing the economic and social status quo could bring disaster.

Significant statistics, with comparisons to the United States, tell part of the story:

	Chile	United States
Per Capita GNP	$ 585	$2,800
Calories per day per Capita	2,610	3,220
Infant Mortality (deaths prior to age one per 1,000 live births) (1959)	120	26
Life Expectancy	52 yrs.	70 yrs.
Literacy	80%	98%
Rate of Population Growth	2.6%	1.7%
Cost of Living Index (1953 = 100)	1,252	112

The political party structure of the country is roughly divided into three major groups: (1) right of center, including the Conservative and Liberal parties; (2) center and center-left, including the Radical and Christian Democratic parties; and (3) an extreme left Popular Action Front, including the Socialist, Communist, and National Democratic parties.

In 1958 President Alessandri, as the candidate of the right of center Liberal and Conservative parties, won the presidency with only 32% of the vote in a four-way electoral race. The extreme left Popular Action Front - with a Marxist candidate - was second with 29%. In the 1961 congressional elections the Popular Action Front received 30% of the vote, the Liberal and Conservative parties received 32%, while the center and left of center parties received 38%.

The growing power of the extreme left has largely stemmed from their exploitation of rural discontent, based on the sharp contrast between rural poverty and the relative prosperity of the rest of the country as well as the archaic highly concentrated land tenure structure. In addition virtual economic stagnation along with chronic inflation have fanned the unrest of the lower economic groups. If progress is not made in resolving these problems before the 1964 Presidential elections, it is highly likely that a Marxist, Communist-supported candidate will be voted into power. If this occurs, it will be the first time in Latin America that an extreme left group has assumed power through democratic elections.

While the Communists control only about 10% of organized labor, Communist domination of the "Central Union of Chilean Workers," with which some 300,000 workers are at least vaguely identified, gives the Communists the opportunity to portray themselves as a very strong force in labor circles. While the Communists, through the Central Union, have insufficient power to call a general strike, the Party does have the means to harass the Government with partial labor stoppages.

A major portion of the rural population lacks schools and adequate housing. Most farm children do not attend school beyond the third grade, and half of those who enter school drop out after the first grade. Illiteracy rates are high in rural Chile - in some places 60% to 80%, whereas in the rest of the country illiteracy is only 20%. More than 300,000 of the approximately half million rural families live in poverty without land and with estimated incomes of only $100-$300 per family.

In the municipal elections of 1960, and in congressional elections of 1961, the Communists and other Marxist parties gained votes in the rural areas of Chile. It is here that the Communists have stepped up their agitation. In June 1961, Communists organized for the first time a confederation of farm laborers and tenant and small farmers. One of their proposals called for land reform of the Castro type.

The Chilean economy has been virtually stagnant. Per capita Gross National Product (GNP) has declined steadily since 1950. Thus there is a continual deterioration of economic activity in relation to population growth resulting in the worst such situation in all South America.

Large budget deficits have been a regular feature of the Chilean fiscal picture in recent years. This year the deficit will be at least $300 million out of a total budget of around $1.2 billion. Resultant government borrowing from the Central Bank has been the major source of the chronic inflation that Chile has experienced since the Second World War. Chileans pay personal income and corporation taxes at rates considerably below those in the United States. Land is valued for taxation purposes at one-tenth of its commercial value. Taxes are assessed at 1/2 of 1% of that value. Thus rates are 1/2000th of outmoded commercial values. In addition, these taxes are irregularly enforced.

Since 1958 prices have risen over 70% despite the increasingly unpopular stabilization program launched by Alessandri in early 1959.

Chile's trade deficit in 1961 was $75 million. This imbalance plus a large capital flight practically destroyed Chile's reserves, consuming all but about $26 million of the country's foreign exchange reserves. Agricultural production has not kept up with the population increase and the country must import 20% of its food needs. The deficit in housing units is estimated to be around 400,000, and is increasing by 38,000 units per year. Industry is producing at only about 50% to 60% of capacity. Development capital is almost unavailable and interest rates of 20%-25% are customary.

Self-Help and Reform

The August 1961 entry of the Radical Party into the Alessandri Government has raised hope for some remedial action. In January 1962 the Government submitted a constitutional amendment to the Congress permitting land reform. This amendment would enable the Government to stretch out payments for expropriated land over a ten-year period. Abandoned and poorly-worked land would be subject to this measure.

In the latter part of 1961, the Chilean Government submitted a comprehensive ten-year national economic development plan to the International Bank for Reconstruction and Development (IBRD) for study. The plan has recently been submitted to the Pan American Union panel of experts for review and evaluation. This was the first national plan to be completed in Latin America. It calls for investments of about $10 billion over ten years, about 80% from Chile's own resources. Over 23% of this investment would go into housing, schools, hospitals, and water supplies and sewerage.

A tax reform bill is now being studied by the Chilean Government with the intention of introducing it in the next session of Congress.

In August 1961 the Chilean Internal Tax Service started a special tax administration school financed by ICA. One hundred officials will complete training by the summer of 1962. The Government expects to receive additional revenues of $48 million as a result of improved tax collection and enforcement and the provisions of the new tax bill mentioned above.

Chile has set up a nation-wide savings and home loan association system. Fifteen associations are already in existence and eleven have authorization to make loans.

Chile, a long narrow coastal strip between the Andes and the Pacific, is 2,600 miles long with a maximum width of 220 miles. Its population, now about 7.8 million, increases at an annual rate of 2.6%. With the longest democratic tradition of any Latin American country, Chile is regarded as a political and cultural leader. Large private U.S. investments (over $700 million), particularly in copper mining (the principal source of Chile's foreign exchange earnings) but also in iron mining, electric power and telecommunications, are one indication of our economic interests.

The expansion of Chile's basic economic and social services must be accomplished soon if political extremism is to be avoided. It must be undertaken against the backdrop of an economic austerity program which has become increasingly unpopular.

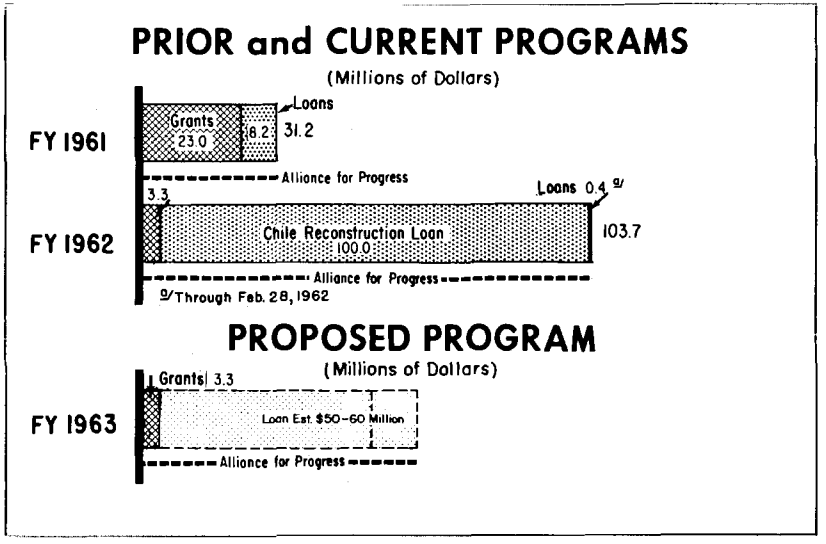
Country Background

Since 1959 there has been a definite trend to the left in municipal and congressional elections. The next presidential election will be in September 1964. In 1958, the combined votes of the Liberal and Conservative Parties plus a heavy independent vote elected Alessandri with 32% of the vote in a four-way contest. As a result, he had no formal congressional majority during the first part of his administration. The extreme left Popular Action Front - with a Marxist candidate - was second with 29%.

The Radicals, Chile's largest and most powerful party, entered an informal agreement with Alessandri in 1959 and supported his stabilization program. In August 1961, the Radicals entered the government accepting four cabinet positions, Foreign Affairs, Economy, Agriculture, and Health. Their price was Liberal and Conservative backing of the key Radical goals of land and tax reform.

Under Alessandri, relative economic and financial stability was achieved for a time. Price rises, which had amounted to slightly over 30% in 1958 and 1959, were held to 6% in 1960, and 10% in 1961. Until the last few months of 1961, the escudo remained firm at the rate pegged in 1958 of 1.05 to the dollar. With the participation of the Radical Party in the government beginning last August, work was started on tax and land reform measures. Despite this seeming progress, Chile's present situation is precarious because the economy has failed to grow.

The Chilean economy has been virtually stagnant. Per capita GNP has declined steadily since 1950. Thus continual deterioration



of economic activity in relation to population growth has resulted in the worst such situation in all South America.

Agricultural production has not kept up with the population increase and the country must import 20% of its food needs. The deficit in housing units is estimated to be around 400,000, and is increasing by 38,000 units per year. Industry is producing at only about 50% to 60% of capacity. Development capital is almost unavailable and interest rates of 20%-25% are customary.

Chile's imports in 1961 rose to $550 million, $50 million over the 1960 level; exports remained constant at about $480 million. This imbalance and the flight of capital almost exhausted the country's foreign exchange reserves. The government's borrowing from the Central Bank toward the end of 1961 exceeded the level agreed upon with the International Monetary Fund (IMF) by $70 million and resulted in the IMF suspending its January 1961 support arrangement. Wage and salary raises of 16.6% enacted late in 1961 are bringing on price rises.

The government stopped sales of foreign exchange on December 27, 1961 and instituted a dual system using the official rate for

essential imports and a fluctuating free-market rate for all other transactions. Foreign exchange sales began again January 15, with only about $8 million in reserves. Since then, the free-market price of dollars has gone as high as 1.60 escudos compared with the official rate of 1.05 to the dollar.

Self-Help and Reform

Planning. In the latter part of 1961 Chile submitted a ten-year plan of national development which calls for investments of about a billion dollars a year, of which about 80% is expected to come from internal resources. The IBRD has been studying the Chilean plan with a view to organizing a consortium of industrialized countries to provide the necessary external resources. The plan has been submitted for review and evaluation to the Pan American Union's panel of experts. The Plan's targets are a 2.9% average annual per capita increase in gross domestic product and an increase in investment from the existing 10% rate to 17.9% in the final year of the plan.

Agrarian Reform. An amendment to the Constitution permitting agrarian reform was presented to Congress January 16. The proposed legislation would permit the government to stretch out over a ten-year period its payments to owners of certain expropriated land. Only abandoned and poorly-worked land would be subject to this measure. However, if the expropriation of "poorly worked" land is vigorously carried forward the law could encompass large amounts of the country's crop land.

Housing. Chile set up in 1961 a nationwide savings and home loan association system. Fifteen associations are already in existence, and 11 have authorization to make loans. More than $500,000 in loans for home constructions have already been made by associations in various parts of the country.

The Chilean housing corporation built almost 70,000 housing units during the 1959-1961 period.

Public Administration. The Chilean internal tax service started a tax administration school in August 1961 to train inspectors in tax laws and in accounting and auditing procedures. One hundred officials will complete training by the summer of 1962.

Tax Reform. A tax reform bill is now being studied by the Chilean Government with the intention of introducing it in the next session of Congress. The Government expects to receive additional revenues of $48 million as a result of improved tax collection and enforcement and the provisions of the new tax bill.

U. S. Assistance Strategy

U.S. policy is to press the Alessandri administration to accelerate Chile's development because of the very real possibility that, if substantial economic and social progress is not made soon, a coalition of extremist groups including the Communist Party may win the 1964 Presidential election. It is therefore especially urgent that Chile adopt the self-help measures essential to development.

U.S. participation in Chile's Ten-Year Plan of Economic Development is subject to adequate self-help on Chile's part. In recent discussions with the Chilean Government, long-range U.S. assistance was considered as part of a proposed international consortium drawing on public funds from other countries. U.S. participation, which could amount to as much as $350 million over the first five years of the Plan, would be contingent on Chile's making steady and substantial progress in solving basic problems of land tenure, tax structure, and stabilization. Performance in self-help would be determined mainly on the basis of an annual progress review of Chile's Ten-Year Plan. In addition to evaluating the general effectiveness of the Chilean Government's stabilization program, the U. S. Government intends to take into account the following specific considerations:

(1) Whether the Government of Chile has enacted necessary tax reform legislation and has taken the necessary administrative measures to attain the level of tax revenues necessary for the financing by the Government of Chile of at least 80% of the total costs of the public sector development projects being implemented as estimated in Chile's Ten-Year Plan, and to improve adequately the equity with which the tax burden is distributed among the different income groups of Chile.

(2) Whether the Government of Chile has enacted necessary agrarian reform legislation and has vigorously implemented that legislation. This would include the questions in particular, of whether (a) a land tax had been enacted and had been so enforced as to encourage better land utilization, (b) adequate farm credit facilities were being established, and (c) appropriate land redistribution measures were being pursued.

(3) The results of the initial review and evaluation of the Plan and of its periodic review and evaluation by the panel of experts of the Pan-American Union.

In addition to the domestic and external resources required for implementation of the public sector projects included in the national development plan, Chile needs to achieve and to maintain financial stability and create the proper climate to assure the direct private investment goals.

Grant assistance through the AID program is proposed to assist the Chilean Government in the improvement of social and economic services essential to carrying out the Ten-Year Plan. Goals have been established for the grant program in rural improvement, educational systems reforms, public administration, and financial and credit institutional improvement. More immediate human needs will be met, preferably through loan assistance by the appropriate credit agency or agencies, in water supply, housing, and agricultural credit projects.

The United States is also supporting the program of earthquake reconstruction. In May 1960, Chile suffered a series of disastrous earthquakes which caused damage estimated at $372 million. To assist in the reconstruction and rehabilitation of Chile, the United States loaned $100 million on August 3, 1961 and an advance of $30 million was made on that date. Project agreements for reconstruction work amounting to $85 million have now been signed, and about $20 million to actual expenditures have been approved by our AID Mission. It is estimated that the balance of $15 million will be agreed upon by early April.

Proposed AID Program FY 1963

Development loan assistance for FY 1963 is predicated on three assumptions: (1) that by early FY 1963 fiscal and financial measures designed to stabilize the economy will be in effect, (2) that progress will have been made on tax, land, customs and administrative reforms, and (3) that a consortium will be organized to meet the external resource requirements for Chile's Ten-Year Plan.

AID's contribution to this consortium is based on the assumption that other sources - industrialized countries and international lending agencies - will provide somewhat more than half the financing required. A substantial part of our participation will go towards support of the institutional framework needed to implement the plan; such as an industrial development bank and a cooperative bank. Loans for social progress such as school construction are similarly envisaged. Funds would also be provided for specific development projects such as one now under consideration, costing $10 million, to provide port facilities for Concepcion -- Chile's largest industrial complex. Program support for capital imports might be provided. Funds are also planned for feasibility and engineering studies necessary to translate the broad investment-production goals of the program into loanable projects.

Grants of $3.3 million, primarily for technical assistance, are proposed in FY 1963. These would concentrate on (1) helping improve conditions for people in rural Chile who lack schools, do not have proper housing with water and sanitary facilities, lack knowledge of modern agricultural methods, and who, in general, are economically underprivileged; (2) fostering and assisting a reform of Chile's educational system with emphasis on improving primary education; (3) improving Chile's administrative machinery for development planning and operations with emphasis on tax administration; and (4) assisting in the establishment of credit and financial institutions necessary for development with emphasis on institutions providing medium and long-term credits to small and medium-sized business enterprises.

Accomplishments and Changes

Our program in Chile represents a drastic shift in emphasis from technical assistance to participation through development lending in a long-term program of economic development keyed to steady progress in making vital social and economic reforms.

Housing. U.S. assistance has enabled Chile to set up a nationwide savings and home loan association system to help solve this problem. To date, 15 savings and loan associations have been established in various parts of the country and 11 have already been authorized to make loans. To regulate this system a central savings and loan association regulatory authority and mortgage bank has been established. More than $500,000 in loans for home construction have already been made through the savings and loan system in various parts of the country.

Rural Improvement. The Institute of Rural Education is making a dedicated effort at improving the social and economic condition of farm people through rural education programs. The Institute now has 12 training centers in operation; five more are under construction. More than 4,000 rural youths have received instruction at these centers. More than 1,250 rural schools are enrolled in a radio school program that the Institute conducts. Teachers from 400 of these schools have participated in leadership training courses given by the Institute. Also the Institute has printed and circulated 48,000 copies of 70 instructional bulletins on matters of concern to the rural population. Rural leaders from the Institute have organized over 400 farm community

groups to attack cooperatively rural problems that cannot be solved on an individual basis.

Past U.S. assistance has enabled the Institute to increase its training capacities and improve the quality of its educational programs. U.S. assistance to the Institute is continuing.

Economic Training. A U.S. financed contract between the University of Chicago and Catholic University of Santiago resulted in the establishment of a modern School of Economics. The school, with one of the best libraries on economic subjects in Chile, has recently been enlarged and a postgraduate school added.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1940-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	76.3	31.2	117.4
Alliance for Progress:			
Loans (DLF prior to 1962).....	19.0	8.2	0.4
I.D.B. Trust Fund Loans.....	-	-	13.7
Grants (T.C. prior to 1961).....	41.2	23.0	3.3
Reconstruction Loan	-	-	100.0
Supporting Asst.(DS/SA prior to 1961)	5.7	-	-
Other MSP Economic	10.5	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	56.6	23.3	11.6
(Sales Agreements).....	(71.2)	(29.2)	(14.5)
Title II.....	-	-	11.0
Title III.....	42.5	7.1	10.4
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	283.1	77.0	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	5.2	0.1	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	48.6	7.6	8.6
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	5.0	5.0	NA
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	112.2	6.0	-
International Finance Corp.	5.8	0.2	-
International Develop. Assn.	19.0	19.0	5.5
Inter-American Development Bank	6.0	6.0	13.4
UN Tech. Assist.-CY ending in FY ...	4.3	0.8	0.9
UN Special Fund	5.1	3.5	1.4 a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	1.9	0.9	0.9
Export-Import Bank	156.2	13.8	6.6 a/
Other Government Loans	-	-	-

a/ July-Dec. 1961.

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Country: CHILE

BASIC DATA

	Unit	CHILE	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	286	xxx
Population (1961)	Mil.	7.8	xxx
Annual Growth	%	2.6	2.4
Density per sq.mi.	No.	27	40
AGRICULTURAL LAND			
% of Total Area	%	18	25
Per Capita	Acres	5	2.5
POWER PER CAPITA	KWH/Yr	590	80
EDUCATION			
Literacy Rate	%	80	35
Pupils as % of Pop. (Prim. & Sec.)	%	15	9
Pupils per Teacher (Prim. only)	No.	42	38
HEALTH			
Life Expectancy	Yrs.	52	40
People per Doctor	No.	2,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	4,356	4,465	4,565
Per Capita GNP	Dollars	584	585	585
Investment as Percent of GNP	Percent	11	9	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	122	120	119
Index Per Capita	"	108	103	100
Wheat	1,000 MT	1,177	1,105	1,100
INDUSTRIAL PRODUCTION INDEX	1953=100	124	121	124
COST OF LIVING INDEX (Santiago)	1953=100	1,040	1,160	1,252
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	495	488	475
Copper bars, ores, concentrates	"	322	344	320
Total Imports (c.i.f.)	"	413	500	550
Trade Balance	"	+82	-12	-75
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	202	193	176
Imports from U.S. (f.o.b.)	"	137	195	226
Trade Balance	"	+65	-2	-50
GOLD & FOREIGN EXCHANGE *(end of year)*	"	145.9	129.8	91.9 (Nov)

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*- Million Dollar Equivalents -* 1960	1961(Prel)	1962(Bud)
Total Expenditures	802	929	1,230
(Defense Expenditures)	(125)	(135)	(170)
(Capital Outlays)	(196)	(242)	(310)
Domestic Revenues	674	773	890
Budget Receipts from Non-U.S. Foreign Aid	-14	17	130
Budget Receipts from U.S. Aid (Grants & Loans)	12	55	92
Remaining Deficit (-) or Surplus (+)	-130	-84	-118

* - Converted at 1.05 Escudos per U.S. $.

Colombia

Colombia

Colombia faces crucial elections in 1962 with all senators and representatives up for re-election in mid-March and a new president to be elected in May. No possible successor enjoys the personal prestige of President Lleras, so that factional maneuvering has been bitter and may even present a threat to domestic stability. It is possible that civil strife may erupt during the critical election period.

An additional political problem stems from rural banditry and violence. Deaths from this violence average 250 per month. There are at least two areas of the rural countryside under the domination of bandit gangs, some of which are Communist infiltrated. It is expected that the Communists will make an increased effort to infiltrate other bandit groups.

It is estimated that there are 8,000 Communist Party members plus 25,000 sympathizers. Nevertheless, the Colombian Government remains particularly friendly to the United States and frequently takes helpful initiatives in international bodies. These have ranged from President Lleras' proposals on Cuba (which led to the Punta del Este Conference), to support of our policies in the U.N., with Colombia being the only Latin American country to send troops to Korea.

Public opinion surveys indicate that President Kennedy's visit to Bogota increased the percentage of Colombians who are aware of the aims of the Alliance for Progress from 33% to 87%.

The following table gives some comparisons between Colombia and the United States:

	Colombia	United States
Per Capita GNP	$261	$2,800
Calories Per Day Per Capita	2,225	3,220
Infant Mortality (deaths prior to age one per 1,000 live births)	100	26
Life Expectancy	46 yrs.	70 yrs.
Literacy	62 %	98 %
Rate of Population Growth	2.8 %	1.7 %
Cost of Living Index (1953 = 100)	185	112

In recent years, Colombia's annual population growth has averaged 2.8%, so that the average increase in the GNP of 3% has meant a per capita increase of less than one-half of 1%. Agricultural production has lagged behind the population growth and is actually declining at a rate of .7% per capita. Maldistribution of land is indicated by the fact that at one extreme 50% of farms occupy only 4% of total farm lands and at the other extreme 1% of farms occupy 31% of farm lands.

Colombia depends on coffee for 75% of its export earnings. Thus the decline in raw coffee prices from $.80 a pound in 1954 to $.44 in 1961 has considerably harmed Colombia's economy. In 1954, the Colombians earned $550 million from coffee exports. In 1961, earnings had dropped to $320 million.

The past year has witnessed a serious deterioration in the balance-of-payments position of the Colombian Government. It is expected that the 1962 deficit will be approximately $262 million, which is more than half of their annual export earnings. This trend resulted largely from too early relaxation of import restrictions and financial controls.

Efforts to eliminate the poverty of the bulk of the country's 15,000,000 people are severely hampered by an illiteracy rate of about 38% of the adult population. This rate is probably increasing rather than declining at present, since more than one-third of all Colombian children between the ages of seven and 12 never have an opportunity to go to school at all and many others attend classes only briefly.

A potential source of serious social unrest is the evercrowded cities, to which an ever increasing percentage of the population is moving in search of jobs. Migration to cities has increased the urban proportion of the population from 39% in 1951 to 49% in 1961.

Self-Help and Reform Measures

In December 1961 Colombia completed formulation of the first 10-year economic and social development plan under the Alliance for Progress. This plan projects a 5.6% annual increase in GNP. Most of the $8 billion of development expenditures envisaged in the plan will be provided by Colombia itself. The balance must come from public and private U.S. and European sources plus international agencies.

In December 1960 Colombia passed a tax reform law. This law substantially raised rates, in a progressive fashion, on the upper levels of corporate and personal incomes. Personal and corporate income taxes are providing nearly 50% of the Colombian national budget revenues.

In November 1961 Colombia enacted an agrarian reform law. It provides for the redistribution of inadequately used land, with compensation to the present owner. The manner in which compensation

is to be made depends on the size and present use of an individual's land holdings and varies from 20% cash plus five-year bonds for adequately used land up to payment by 25-year 2% interest bonds for large unused tracts.

In December 1961 Colombia began a rapid expansion of the primary education system, with federal expenditures for education in 1962 budgeted at a higher figure than those for military purposes for the first time in recent Colombian history.

Country: COLOMBIA

Colombia, with more than 15 million people, is the fourth most populous country in Latin America. It occupies a strategic position which dominates sea and air approaches to the Panama Canal. Colombia's democratic government has stressed the country's active allegiance to western traditions and values and its close partnership with the United States. Colombia was the only Latin American country to send troops to Korea and has taken initiatives helpful to the United States in the Organization of American States (OAS) on Cuba and in the United Nations on the China representation issue.

The United States has a particular interest in furthering Colombia's development aspirations, since Colombia has been in the forefront carrying out the objectives of the Alliance for Progress. U.S. exports to Colombia in recent years have totaled about $240 million annually and direct U.S. investment in the country exceeds $400 million.

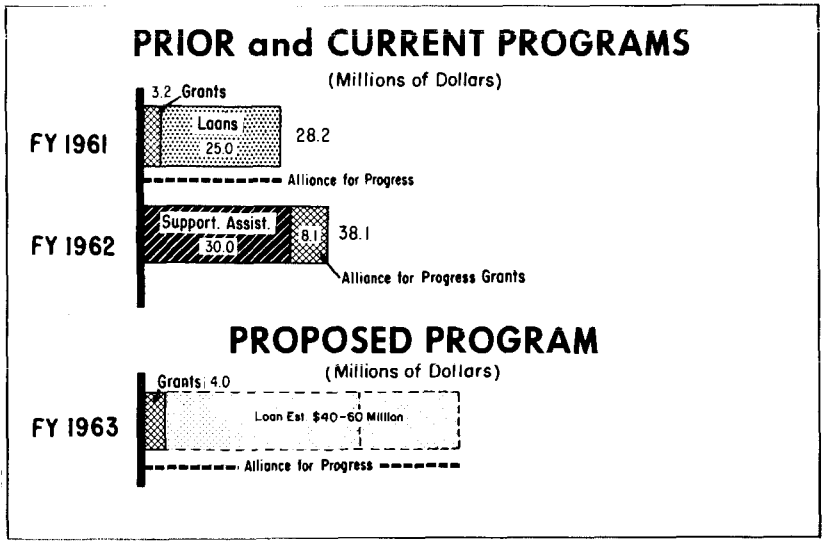
Country Background

The present Government of Colombia, which replaced a military dictatorship four years ago, appears to have caught the spirit and adopted the aims of the Alliance for Progress.

Colombia faces crucial elections in March, and must soon select a new president who will take office in August. Extremists of both wings are prepared to press for power if the traditional Conservative and Liberal parties are unable to provide a stable and forward looking government.

Colombia's economic and social problems include poor distribution of land and wealth, an illiteracy rate of 38% combined with serious shortages of schools, widespread violence and banditry in certain rural areas, and overcrowded cities where lack of housing and serious public health problems foster social unrest. The average increase of 3% in the Colombian Gross National Product (GNP) has barely exceeded the population growth rate of 2.8%. The rate of increase of agricultural production, which was only 2% in 1960, has lagged behind the rate of population growth.

Overdependence on coffee, which provides an average of 75% of Colombia's export earnings, and weakening of world coffee prices have resulted in declining earnings of foreign exchange while import needs rose. A relaxation of previous austere import restrictions was an added factor in bringing about a deterioration of Colombia's balance-of-payments position during 1961. The problem has been compounded by the need for increased budgetary



expenditures and the importation of goods and technical services in connection with the government's development program.

Self-Help Measures. The Colombian Government's National Economic Planning Council is well organized and submitted a comprehensive 10-year development plan for review by the OAS Panel of Experts in December 1961. Portions of this plan are already being implemented, e.g., the education budget for 1962 is higher than the military budget for the first time in recent history.

A tax reform law was passed in December 1960; Colombia now obtains almost 50% of its federal budget from personal and corporate income taxes. An Agrarian Reform Law, passed in November 1961, seeks to promote wider land ownership, colonization and increased agricultural productivity; the availability of good undeveloped land enhances the probability of early implementation of the law. A low-cost housing construction program has been launched to meet mounting needs for urban housing. In 1959 housing starts were only 3,000 but in 1960 had risen to 10,000; 40,000 are planned for 1963.

U.S. Assistance Strategy

It is recognized that Colombia's economic potential, its progressive attitude toward social and economic reform, and the relatively advanced state of its national planning qualify the country for major developmental assistance under the Alliance for Progress. However, premature relaxation of national fiscal and financial policies have recently placed the country in a precarious balance-of-payments position which seriously impeded developmental effort. Through a Supporting Assistance loan of $30 million in March 1962 AID is trying to assist the Government of Colombia to maintain the flow of essential (non-luxury) imports, at the same time obtaining the promise of a more realistic financial policy. Efforts are also being made jointly by Colombia and the U.S. Government to obtain credit extensions from member countries of the Development Assistance Committee in meeting the current balance-of-payments situation.

U.S. assistance strategy assumes that in FY 1963 (1) Colombia's emergency balance-of-payments needs will have been met; (2) Colombia will have taken the necessary fiscal, monetary and related reforms to correct the current payments imbalance; (3) the International Bank for Reconstruction and Development (IBRD) and the OAS Panel of Experts will have completed their review and evaluation; (4) the external resources mobilized in support of the Plan will be adequate to avoid an unmanageable payments deficit in FY 1963 and over the life of the Plan; and (5) Colombia will be carrying out the vigorous and effective enforcement and administration of its recently enacted tax and land reform laws.

If these assumptions are borne out, AID should join IBRD, IDB, and other lending sources to provide external support for the Plan. As illustrative of the general levels of external public assistance called for by the Plan, the following estimates of orders of magnitude have been made. Any necessary changes in these estimates will be made after the review of the Plan has been completed (about June, 1962).

A group consisting of the IBRD, the IDB, and other international and foreign government sources would provide a minimum of $65 million in FY 1963.

AID development lending would be $40-$60 million.

Food for Peace programs would be about $7.5 million under Title I and $20.0 million under Title III.

Proposed AID Program for FY 1963

Anticipating a return to economic stability in early FY 1963 and general agreement with Colombia on its 10-year Development Plan, it is estimated that development loans to Colombia in the amount of $40 million to $60 million will be required for FY 1963. Specific development project proposals must await the review of Colombia's development plan and the organization of a consortium by the IBRD to assist in its financing. AID development financing might well need to encompass both general program support for the Plan - that is, capital goods and industrial raw materials - and funding for particular development projects.

Further development of Colombia's agricultural and mineral resources is being promoted through two autonomous government corporations, the Cauca Valley Authority and the Magdalena Valley Authority, whose integrated approach to regional development is similar to that of the Tennessee Valley Authority (TVA). These regional authorities can use development loans to finance rural penetration roads in these areas, thereby incorporating a larger part of rural Colombia into the Colombian economy, increasing access to materials and markets, and stimulating agricultural production.

Loan funds would be needed to finance a plan for the construction of 40 rural health centers to serve four million Colombians living in rural areas with acute social unrest and currently lacking basic health services.

Another development loan might be required to support the primary education program which promises to reduce the illiteracy rate and to provide the primary education needed to expand and modernize the economy. The program calls for building 22,000 primary classrooms and training 16,200 teachers over the four-year period. Colombia itself plans to spend over $59 million on this program. AID made a grant of $3,770,000 in FY 1962 to this program, and is considering a loan of $5 million in FY 1963.

In support of Colombia's economic development, loan funds for feasibility and engineering studies needed to convert broad sector development plans into loanable projects will also be required.

Proposed grant projects for FY 1963 total $4 million, of which three-fourths will be in the form of technical assistance in support of Colombia's development goals in agrarian reform,

primary education, and rural health. This technical assistance is needed to upgrade skills and establish the necessary institutions to make loan assistance effective in these fields. The balance of the grant assistance will provide for limited technical assistance in the related fields of higher education, industrial management, and community development.

Accomplishments and Changes

Technical cooperation has been the chief form of help provided Colombia by AID. AID is now shifting drastically away from its traditional emphasis on technical assistance to development lending in support of specific long-run Alliance for Progress development objectives.

A team of five technicians provided by AID has been assisting the Government of Colombia in the preparation of its newly enacted agrarian reform law. AID is also extending a grant of $1.4 million for a basic resources survey to provide basic data essential to effective implementation of the program. An $8 million loan (August 1961) from the Development Loan Fund for agricultural credit will also facilitate implementation of the agrarian reform program.

A U.S. development grant of $500,000 made in early 1961 for a pilot project in self-help housing has stimulated rapid progress in constructing middle and low-cost housing. Colombia has now expanded its housing program, financed partly from its own funds and partly by loans from the DLF and from the Social Progress Trust Fund of the Inter-American Development Bank. Colombian sources are providing about $51 million, the DLF loan was $12 million and the IDB loan was $15 million. Through the Instituto de Credito Territorial, the principal housing agency, 13,500 family units were constructed in 1961, and 30,000 and 40,000 are expected for 1962 and 1963.

U.S. assistance in malaria control has aided in the reduction of the number of cases from 80,000 in 1958 to about 25,000 in 1961.

AID technicians assisted Colombia in drawing up its primary education plan and continue to help Colombia in carrying out its plans for an expanded nationwide primary educational system.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY (1946-61)	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	40.5	28.2	60.9
Alliance for Progress:			
Loans (DLF prior to 1962).....	25.0	25.0	-
I.D.B. Trust Fund Loans.....	-	-	22.8
Grants (T.C. prior to 1961).....	15.3	3.2	8.1
Supporting Asst.(DS/SA prior to 1961)	0.2	-	30.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	51.0	-	6.4
(Sales Agreements).....	(69.5)	-	(8.5)
Title II.....	-	-	-
Title III.....	26.1	4.9	10.0
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	169.0	56.6	NA a/
OTHER U.S. ECONOMIC PROGRAMS.....	2.8	0.2	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	29.8	3.8	10.1
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	8.0	8.0	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	200.6	27.4	19.5 a/
International Finance Corp.	2.9	1.4	4.0 a/
International Develop. Assn.	-	-	19.5 a/
Inter-American Develop. Bank	13.1	13.1	0.5 a/
UN Tech. Assist.-CY ending in FY ...	3.5	0.6	0.4
UN Special Fund	3.9	3.0	-
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP & P.L. 480 Loans	-	-	-
Export-Import Bank	76.6	7.5	1.3 a/
Other Government Loans	NA	-	-

a/ July-Dec. 1961.

[redacted]

Country: COLOMBIA

BASIC DATA

	Unit	COLOMBIA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	440	xxx
Population (1961)	Mil.	15.2	xxx
Annual Growth	%	2.8	2.4
Density per sq.mi.	No.	35	40
AGRICULTURAL LAND			
% of Total Area	%	36	25
Per Capita	Acres	7	2.5
POWER PER CAPITA	KWH/Yr	230	80
EDUCATION			
Literacy Rate	%	62	35
Pupils as % of Pop. (Prim. & Sec.)	%	11	9
Pupils per Teacher (Prim. only)	No.	39	38
HEALTH			
Life Expectancy	Yrs.	46	40
People per Doctor	No.	2,900	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	3,754	3,850	3,960
Per Capita GNP	Dollars	261	261	261
Investment as Percent of GNP	Percent	21	23	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	132	135	139
Index Per Capita	"	112	111	111
Rice	1,000 MT	422	450	460
PETROLEUM PRODUCTION (crude)	"	7,410	7,713	7,465
COST OF LIVING INDEX (Bogota)	1953=100	162	169	185
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	474	465	455
Coffee	"	363	334	320
Total Imports (c.i.f.)	"	416	519	505
Trade Balance	"	+58	-54	-50
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	340	300	277
Imports from U.S. (f.o.b.)	"	206	246	239
Trade Balance	"	+134	+54	+38
GOLD & FOREIGN EXCHANGE *(end of year)* (Central Bank only)	"	212	153	144 (Oct)
		-Million Dollar Equivalents -		
CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31		1959	1960	1961(Bud)
Total Expenditures		345	392	466
(Defense Expenditures)		(47)	(52)	(56)
(Capital Outlays)		(109)	(126)	(190)
Domestic Revenues		318	365	416
Budget Receipts from Non-U.S. Foreign Aid		-15	-3	13
Budget Receipts from U.S. Aid (Grants & Loans)			1	31
Remaining Deficit (-) or Surplus (+)		-42	-29	-6

* - Converted at 6.7 Pesos per U.S. $.
a - Includes Central Government and "Decentralized Agencies" of the Central Government.

Costa
Rica

Costa
Rica

Costa Rica, located between Panama and Nicaragua, is one of the smallest countries in Latin America. It is about equal in size to West Virginia and has a population of 1.2 million. Unlike the other Central American countries, the Costa Rican population is predominantly of European origin, the Indian population constituting less than 1% of the total.

Significant statistics, with comparisons to the United States, tell part of the story:

	Costa Rica	United States
Per capita GNP	$ 335	$2,800
Calories per day per capita	2,555	3,220
Infant mortality (deaths prior to age one per 1,000 live births) 1958	69	26
Life expectancy	60 yrs.	70 yrs.
Literacy	88%	98%
Rate of population growth	4.2%	1.7%
Cost of living index (1953=100)	117	112

Costa Rica is one of the few traditional democracies of Latin America and it has been relatively free from internal strife. In an election in February of this year, the National Liberation Party elected a moderate liberal, Francisco Orlich, as President and won 29 of the 57 seats in the Legislative Assembly. In a four-way presidential race, Orlich's margin of 15% over the runner-up precluded the violence which might have resulted from a close election.

The Communist Party, which has about 300 members and about 20,000 sympathizers, has lost considerable support over the past few months because of popular disillusionment with Castro and aggressive anti-Communist action by the Catholic Church and by organizations of aroused citizenry. In the recent elections, the Communist-supported Popular Action Democratic Party received for its presidential candidate less than 1% of the votes cast and succeeded in electing only one deputy to the Legislative Assembly.

Costa Rica lacks the extreme concentration of wealth and mass poverty chronic in other areas of Latin America. A substantial middle class exists. Per capita Gross National Product (GNP) in 1961 was $335. Total GNP has been increasing at about 4% per year. But this economic growth has been outstripped by a phenomenal 4.2% increase in population, the largest in Latin America. The result has been a steady net decline in per capita GNP.

In 1961 there was a budget deficit of 10.2 million. The Government was unable to pay the interest on a sterling bond issue and on a loan made by the Export-Import Bank. Receipts for its traditional export crops, coffee, bananas, and cocoa, declined drastically in 1961 while imports remained stable. This resulted in a sharp decline of foreign reserves which totaled $17.4 million in 1960 as compared with $11.5 million at the end of 1961. The impending elections during the last year contributed to the failure of the Government to take many effective measures to strengthen its economic position. However, the decision to devalue its currency by 15% in September 1961 resulted in the granting of a U.S. Treasury standby credit of $6 million and an increase of $10 million in International Monetary Fund (IMF) standby credits. It is expected that when the new President takes office in May even more forceful measures to strengthen the economy will be forthcoming.

Self-Help Measures

In 1961 a number of self-help measures were undertaken. Among them were:

(1) an increased excise tax to discourage the importation of nonessentials,

(2) an agrarian reform law to aid farm laborers,

(3) the imposition of a tax on nonproductive land,

(4) implementation of a currency stabilization program which included devaluation, and

(5) a program to increase the supply of potable water and improve sewage disposal.

[redacted]

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Country Background

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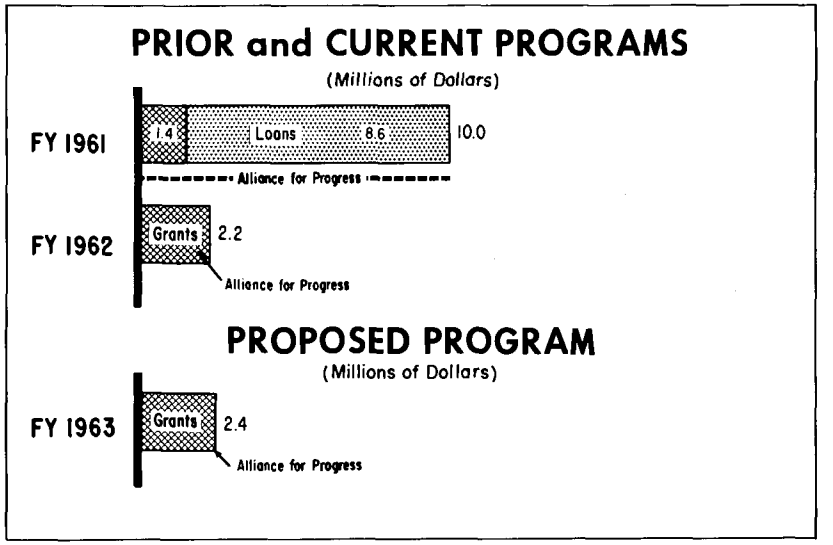
Now that the February 1962 elections are over, the Government must face the decision to take urgently needed fiscal and tax reforms and to sign the agreements for Central American Integration.

The general economic situation of Costa Rica must be understood in the light of a phenomenal population growth coupled with declining world market prices for the traditional exports of Costa Rica: coffee, bananas, and cocoa.

There is urgent need for planning, but at this time no central planning office nor national development plan exists.

Costa Rica is devoting 30% of its national budget to education. In 1962 it plans to build 300 classrooms, which is far short of the estimated need of 500.

Costa Rica has no army, and police costs represent less than 7% of the budget.



Agriculture, forestry and fishing accounted for 40% of GNP in 1961. The economy is predominantly agricultural. Most of the farmers are engaged in economically marginal agriculture on small plots.

Self-Help

In April of 1961 a national authority of water and sewage was established to administer a program designed to make potable water available and to improve sewerage.

In June of 1961, the Costa Rica Public Housing Authority completely reorganized its savings and loan operation placing stress on a program to provide houses for lower income groups through a salary deduction plan.

In September of 1961 customs duties on nonessential imports were increased to at least 30%, and, in the case of luxury items, to 50%.

Also in September 1961 as a part of currency reform, a standby agreement was concluded with the International Monetary Fund, a unitary rate was established, and the currency was devalued by about 15%.

[redacted]

In October 1961 a tax was placed on real estate designed to discourage nonproductive holdings.

Also in October 1961 an agrarian reform law was enacted which protects the security of tenure of farm laborers, small farmers, and squatters.

U.S. Assistance Strategy

The U.S. strategy is to assist Costa Rica to engage in comprehensive development planning in order to coordinate the Government of Costa Rica's (GOCR) expenditures on social and economic development within a rational framework.

Loans and grants will be marshalled to meet the needs for planning educational improvement, agricultural diversification, and industrial development.

Proposed AID Program for FY 1963

Assistance in organizing a national development planning office and in the drawing up of a development plan will be provided. A start on this activity is regarded as essential to the attainment of the three priority goals in the fields of education, industrial and agricultural development, and public health.

To establish a private industrial financing institution which can provide entrepreneurs with the loan capital which they need, a loan of at least $3 million from external sources would be required during FY 1963 to supplement locally subscribed capital.

During the next five years Costa Rica will have to remodel or construct a number of important health facilities to give reasonably adequate care to its growing population. The total cost is estimated at $8,388,000. In FY 1963 an Agency for International Development (AID) loan of $1.9 million will be considered, of which $1.8 million will be for hospitals outside of San Jose and $100,000 for remodeling and building 15 rural health centers .

Accomplishments and Changes

As a result of U.S. AID Mission and U.S. Embassy efforts to move the Government of Costa Rica towards organizing a planning office and drawing up a development plan, the GOCR has requested the International Bank for Reconstruction and Development (IBRD) to send a team of economists to make a study of the economy and design an economic development plan. It is expected that the newly elected President will vigorously push towards establishing a planning office. Pending the completion of a national plan, AID loan and grant activities will concentrate on projects which have a direct impact on the population and assist in meeting critical needs in the agricultural, educational, health, and industrial development fields.

With U.S. AID Mission assistance the Government of Costa Rica drafted legislation which was approved to establish a Department of Rural Credit, Land, and Colonies to implement the new agrarian reform policy.

An International Development Services contract team, presently financed by U.S. AID, is helping the Bank of Costa Rica to start (a) a pilot agricultural resettlement project at La Perla on the Atlantic Coast, (b) supervised agricultural credit projects, (c) the stimulation of cooperatives.

The new Housing Authority program was also the result of the work of a U.S. AID Mission short-term contractor and a U.S. AID technician. A $3.5 million loan from the Inter-American Development Bank (IDB) is providing seed capital. A rural housing project based on similar techniques is to be financed by a second loan from IDB of $2.0 million.

The U.S. AID assisted the Government of Costa Rica in drafting National Water and Sewer Authority as well as in developing the preliminary plans for the metropolitan water supply project.

BASIC DATA

	Unit	COSTA RICA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	19.7	xxx
Population (1961)	Mil.	1.2	xxx
Annual Growth	%	4.2	2.4
Density per sq.mi.	No.	62	40
AGRICULTURAL LAND			
% of Total Area	%	19	25
Per Capita	Acres	2	2.5
POWER PER CAPITA	KWH/Yr	350	80
EDUCATION			
Literacy Rate	%	88	35
Pupils as % of Pop. (Prim. & Sec.)	%	17	9
Pupils per Teacher (Prim. only)	No.	24	38
HEALTH			
Life Expectancy	Yrs.	60	40
People per Doctor	No.	2,828	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	383	402	410
Per Capita GNP	Dollars	340	343	335
Investment as Percent of GNP	Percent	18	18	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	117	132	130
Index Per Capita	"	92	99	94
Rice, rough	1,000 MT	55	57	59
ELECTRIC POWER PRODUCTION	Mill. KWH	384	410	450
COST OF LIVING INDEX (San Jose)	1953=100	113	114	117
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	77	84	78
Coffee	"	40	43	38
Total Imports (c.i.f.)	"	103	110	109
Trade Balance	"	-26	-26	-31
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	33	35	40
Imports from U.S. (f.o.b.)	"	41	44	43
Trade Balance	"	-8	-9	-3
GOLD & FOREIGN EXCHANGE *(end of year)*	"	19.8	17.4	11.5 (Nov)

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*Million Dollar Equivalents* - 1959	1960	1961(Rev.Bud)
Total Expenditures	74.3	80.6	88.7
(Defense Expenditures)[a]	(2.0)	(2.0)	(2.0)
(Capital Outlays)	(15.5)	(17.3)	(21.0)
Domestic Revenues	68.2	72.0	78.5
Budget Receipts from Non-U.S. Foreign Aid	0.8	--	2.3
Budget Receipts from U.S. Aid (Grants & Loans)	6.4	1.4	5.3
Remaining Deficit (-) or Surplus (+)	+1.1	-7.2	-2.6

* - Converted at rate of 6.65 Colones per U.S. $.
a - Police only; country has no armed forces. (AID estimate)

[redacted]

FINANCIAL DATA

Country: COSTA RICA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	20.9	10.0	5.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	8.9	8.6	-
I.D.B. Trust Fund Loans.....	-	-	3.5
Grants (T.C. prior to 1961).....	9.9	1.4	2.2
Supporting Asst.(DS/SA prior to 1961)	2.1	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	0.2	-	-
Title III.....	0.8	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	21.0	-	4.5a/
OTHER U.S. ECONOMIC PROGRAMS.....	35.9	0.1	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.1	0.1	0.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	17.3	8.8	8.5a/
Inter-American Develop. Bank	-	-	3.0a/
UN Tech. Assist.-CY ending in FY.....	1.4	0.1	0.1
OTHER FREE WORLD ASSISTANCE.....			
SINO-SOVIET BLOC ASSISTANCE.....			
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	*	*	*
Export-Import Bank	12.8	1.9	0.5a/
Other Government Loans	-	-	-

a/ July-December 1961
* Less than $50,000.

[redacted]

Dominican
Republic

Dominican
Republic

The Dominican Republic, a country of 18,815 square miles, the size of the states of New Hampshire and Vermont combined, with a population estimated at three million, occupies the eastern two-thirds of the island of Hispaniola in the Caribbean Sea.

Significant statistics, with comparisons to the United States, are as follows:

	Dominican Republic	United States
Per Capita GNP	$229	$2,800
Population Growth	3.7%	1.7%
Cost of Living Index (Santo Domingo)	96	112

For 31 years the country was under the dictatorship of General Trujillo. After the seven-month period of political turmoil which followed his assassination, an interim seven-man Council of State was established on January 1, 1962 to perform both executive and legislative functions until an elected government is installed in February 1963. Shortly thereafter, Organization of American States (OAS) sanctions were lifted and the United States resumed diplomatic relations.

The members of the Council are known to be anti-Communist as are most Ministry heads and other key persons in influential government positions. However, Castro-Communists are known to have infiltrated all political parties and the 14th of June Party which is now openly Castroist, is slowly gaining strength, particularly among the younger Dominicans.

The students at the University of Santo Domingo are taking an active part in politics for the first time in 32 years. While the student federation is now controlled by prodemocratic members, its extreme left is making a concerted effort to dominate the university and to use the students for its own purposes.

The newly formed, weak and inexperienced labor conferation is split into one faction led by a Castro/Communist and one prodemocratic faction having the moral support and backing of the Inter-American Regional Organization of Workers (ORIT). Although members of the Council have expressed concern over the labor situation, the Council's influence in labor matters is limited by the fact that the principal pro-Communist labor leader has the personal support of the President of the UCN, the dominant political group in the country. A showdown on the control of the labor movement is expected within a few weeks.

The rural population, representing a majority of the people, have not as yet been organized along political lines to any important degree.

Radio broadcasts emanating from Cuba are attempting to undermine confidence in the Council of State and to incite the Dominican people to violence. Agitation against the Government is becoming more open and sabotage more widespread, principally in the form of burning of cane fields and sugar mills. The Council of State, which until recently had felt itself powerless to counter the propaganda and agitation of the Castro-Communists, has now embarked upon an intensive propaganda campaign of its own and is taking severe measures against the principal Castro/Communist personalities. On February 21 the Council, under a decree law declared a state of emergency charging that Trujillo elements have combined with extreme leftists to try to create chaos in the country and reimpose a dictatorship. This law also provided for the deportation of those elements creating public disorders.

While the economy of the Dominican Republic is basically sound, its short-term financial position is difficult. The $25 million which the United States made available on February 17, 1962 will assist the Dominican Government in meeting its short-run commercial obligations and in establishing public work projects to meet the serious unemployment until expected foreign exchange earnings of about $200 million and tax revenues as a result of increased imports permit the Government to carry forth its normal social and economic programs. Foreign exchange earnings as presently projected by the Dominicans are based on their assumption that exports of sugar to the United States will be in the magnitude of 800,000 tons during calendar year 1962. All that can be assured at this time is a U.S. quota of 464,000 tons of sugar for the first half of the year. Thus, any change in the U.S. sugar legislation during the second half of the year which either reduces quotas or the premium price will cause considerable maladjustment in the earning ability of the economy.

The Dominican budget currently set at $128 million will be in imbalance as a result of poor tax collections and the wholesale reductions in taxes previously imposed on the commercial community by Trujillo for punitive purposes. An offset to the shortfall in tax revenues will come from taxes on increased

imports and earnings from the former Trujillo properties. In this connection, the Dominican Government has requested from the United States and international agencies technical assistance in the reorganization of the fiscal operations of the Government.

The former Trujillo properties constitute one of the more difficult problems facing the Dominican Government, which is attempting to arrange their disposition and management in a manner most advantageous to the national interests of the country. These properties, which may well represent as much as 50% of the productive sector of the Dominican economy, are presently under the control of the Government.

Self-Help and Reform

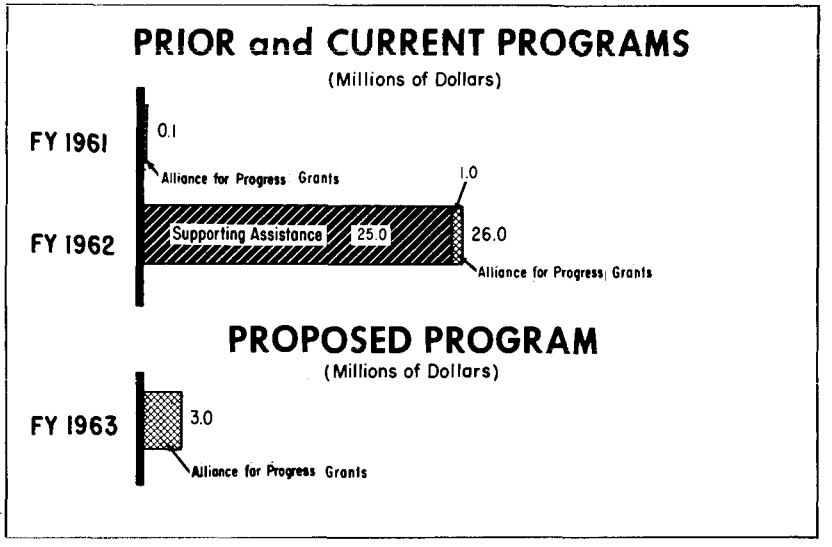
Programs for social changes in the fields of agrarian reform, housing, and education are under active consideration and the Dominican Government has indicated its willingness to proceed with reasonable reforms as soon as possible. However, this Government has been in power effectively only since mid-January, 1962, and a series of political disturbances complicated by lack of adequate economic direction have prevented it from fully formulating concrete economic and social programs.

Country: DOMINICAN REPUBLIC

[redacted]

The Dominican Republic, a country of 18,815 square miles, the size of the states of New Hampshire and Vermont combined, with a population estimated at three million, occupies the eastern two-thirds of the island of Hispaniola in the Caribbean Sea. For 31 years the country was under the dictatorship of General Trujillo. After the seven-month period of political turmoil which followed his assassination, an interim seven-man Council of State was established on January 1, 1962 to perform both executive and legislative functions until an elected government is installed in February 1963. Shortly thereafter, OAS sanctions were lifted and the United States resumed diplomatic relations.

The Council and most officials of the Government are inexperienced in administrative matters and politically immature. The temporarily depressed economy and empty treasury inherited from the Trujillo regime presented the new Government with immediate problems of an economic and political nature. An estimated 30 to 40% of the total work force is unemployed. The relatively small hard-core of Castro/Communists have seized upon the unemployment situation to attack the Government for ineptness in coping with economic and social problems in the few weeks the Council has been effectively in power.



Country Background

The uncertain political atmosphere which has existed since the destruction of the Trujillo regime can be expected to continue during the coming months, and the newly-formed, democratically-oriented Council of State faces a struggle for survival against the extremist elements which threaten it. However, the Council is currently taking strong measures to combat the influence of these elements and to maintain political stability.

While the long-range prospects for the Dominican economy are good, it is currently suffering from temporary though serious financial difficulties. Among the problems facing the new government were depleted foreign exchange reserves, a backlog of short-term foreign debts and large-scale unemployment. Due to the systematic depletion of the dollar reserves from the economy by the departing Trujillos, reserves were drastically reduced. It is estimated that in 1961 alone, when the Dominican Republic had a $73 million surplus in its balance of payments, the Trujillos withdrew $60 to $65 million. As of December 31, 1961, short-term commercial debts totaled some $28 million, with an additional $14 million in long-run obligations. Unemployment is estimated in the magnitude of about 400,000, 30 to 40% of the working force.

The recent $25 million Agency for International Development (AID) credit should help alleviate these problems and help provide political stability as the Dominican economy quickly responds to systematic recovery measures. The economy showed an excellent rate of growth during the 1950's as evidenced by the increase in its Gross National Product (GNP) from $381 million in 1951 to $710 million in 1961 in 1960 prices. However, the per capita GNP has remained practically stationary during the past six years due to rapid population growth. During this period the Dominican Republic enjoyed an enviable record of credit-worthiness, balanced budget and sound currency. Agricultural production of export crops boomed and there was considerable industrial development. As a result of the diversification and expansion of the economy, a middle class has emerged. However, when this class became a threat to Trujillo's power in 1960, he inflicted on them a series of exorbitant taxes and import duties and other punitive measures which, together with the transfer of capital by the Trujillos abroad and the psychological impact of the OAS sanctions, resulted ultimately in economic stagnation.

Once confidence has been restored in the credit-worthiness of the Dominican Republic coupled with expected revenues from sugar

[redacted]

and other tropically produced agricultural exports and import restrictions are removed, the economy hopefully should revive rapidly.

Self-Help and Social Reform. Although the Government has expressed its intentions to initiate needed social, institutional and fiscal reforms, it has been hampered thus far by preoccupation with political matters and a serious lack of trained manpower at all levels. A National Planning Board was formed last month, inspired by the OAS, but has not yet begun to function. The Government has requested planning advisors from the OAS. In addition, it is seeking technical assistance from the United States and international agencies to launch social development programs and to institute agrarian and tax reforms.

U.S. Assistance Strategy

In view of the fact that the Dominican Republic is in the process of creating a new government, our strategy must remain flexible. Based on the observations of a fact-finding team which recently returned from the Dominican Republic, U.S. aid strategy should be conceived in three phases: (1) Certain immediate actions to demonstrate U.S. support of the democratically-oriented government and to provide assistance with regard to the most urgent problems facing the government (i.e., $25 million credit, technical consultants to advise on public works program, management and disposition of Trujillo properties, land and tax reform legislation, and development planning); (2) initiation of a number of social development programs which will have social and psychological significance (i.e., labor education, adult literacy, aided self-help housing, training grants for university students, rural development projects involving participation of the Peace Corps); and (3) evolution of long-range goals in relation to the over-all economic and social development of the Dominican Republic. All of these actions will be conducted in the context of the country's own comprehensive economic efforts.

Because of the basically sound character of the economy of the Dominican Republic, it can be anticipated that the Export-Import Bank and the international lending agencies are disposed to consider positively loans to that country. However, the Dominicans have a great deal to do in terms of developing its human resources, development planning, establishment of priorities, and the preparation of development projects. AID should be ready to provide assistance both in terms of consultants and funds for feasibility and engineering studies in order to lay the groundwork for development lending by AID as well as by other lending agencies.

Proposed AID Program for FY 1963

A long-range program of AID assistance will be developed as an over-all development plan is evolved by the National Planning Board. A review of the report of the fact-finding team indicates that major AID goals will probably be established in the following areas:

Development of a Ten-Year Educational Program. The training of human resources is one of the major needs of the Dominican Republic, and effective educational development would be a highly significant means of contrasting the former dictatorship regime unfavorably with the democratic era ahead. A ten-year plan for education at all educational levels is under consideration and U.S. assistance will be provided to help meet the goals established.

Development of Agricultural Resources. While the country is basically rich in agricultural resources, much needs to be done to realize the full potential in this sector. Requirements include a broad program of agricultural education, research, and extension, the establishment of an Agricultural Planning Board, and the reorganization of the Department of Agriculture. Development of systems of agricultural credit and extension, land and tax reform, initiation of a forestry conservation program, and improvement of storage and marketing facilities are all of high priority.

Orientation of the Dominican People Towards Democracy. After 31 years of repressive dictatorship, a vast effort will be required to prepare the people of the Dominican Republic for democracy. U.S. assistance in this reorientation may well be the most important contribution it can make. Among the areas in which the United States might be of assistance are public administration training, labor education, and community development.

Most of the above activities will require Development Grant funds estimated at $3 million.

It is not possible to establish firm levels with regard to development lending for FY 1963 at this time. Some projects have already been identified and after feasibility and engineering surveys have been made might materialize to the point of loan applications. These could be in the fields of regional development, rural electrification, and water supply. It is expected that a substantial portion of the potential requirement for loan funds would be assumed by the Export-Import Bank, the Inter-American Development Bank (IDB) or other sources.

Country: DOMINICAN REPUBLIC

Accomplishments and Changes

Since the AID program is just being initiated in the Dominican Republic no accomplishments can be reported at this time. The rebirth of democracy in a nation so long under the rule of a dictator presents a challenging opportunity for the Dominicans with the assistance of the Alliance for Progress to demonstrate to all of Latin America that social and economic growth can be attained in a free society. It is hoped that the Dominican people will meet this challenge with vigor and courage. It will be the mission of AID, in accordance with the ideals and goals of the Alliance for Progress, to support and encourage with all available resources the efforts of the Dominicans to achieve economic and social progress as a free people.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	2.1	0.1	26.0
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	2.1	0.1	1.0
Supporting Asst.(DS/SA prior to 1961)	-	-	25.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	-	-	0.3
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	0.6	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	6.1	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY ...	0.3	*	-
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS	-	-	-

a/ July-Dec. 1961.
* Less than $50,000.

[redacted]

Cou[redacted] REPUBLIC

BASIC DATA

	Unit	DOMINICAN REPUBLIC	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	18.8	xxx
Population (1961)	Mil.	3.1	xxx
Annual Growth	%	3.7	2.4
Density per sq.mi.	No.	165	40
AGRICULTURAL LAND			
% of Total Area	%	26	25
Per Capita	Acres	1.1	2.5
POWER PER CAPITA	KWH/Yr	128	80
EDUCATION			
Literacy Rate	%	n.a.	35
Pupils as % of Pop. (Prim. & Sec.)	%	17	9
Pupils per Teacher (Prim. only)	No.	n.a.	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	5,200	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	635	700	710
Per Capita GNP	Dollars	219	232	229
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	125	158	161
Index Per Capita	"	102	123	123
Rice, rough	1,000 MT	116	109	113
BAUXITE PRODUCTION	"	771	689	n.a.
COST OF LIVING INDEX (Santo Domingo)	1953=100	102	98	96
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	130	180	175
Sugar	"	59	98	120
Total Imports (c.i.f.)	"	135	100	77
Trade Balance	"	-5	+80	+98
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	75	111	105
Imports from U.S. (f.o.b.)	"	60	41	30
Trade Balance	"	+15	+70	+75
GOLD & FOREIGN EXCHANGE *(end of year)*	"	41.7	31.7	11.0

CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31	*- Million Dollar Equivalents -* 1961 (Bud)
Total Expenditures	128
(Defense Expenditures)	(23)
(Capital Outlays)	n.a.
Domestic Revenues	129
Budget Receipts from Non-U.S. Foreign Aid	--
Budget Receipts from U.S. Aid (Grants & Loans)	--
Remaining Deficit (-) or Surplus (+)	+1

* - Converted at 1 Peso per U.S. $.
a - Does not include transactions of autonomous organizations. It is believed that actual transactions will produce a sizeable deficit.

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Ecuador

Ecuador

Ecuador is located on the Pacific coast of Latin America, with a population of 4.4 million and an area of 112,000 square miles, the approximate size of the State of Colorado.

Ecuador must achieve rapid and significant social and economic development if a violent social revolution, with possibility of Communist takeover, is to be avoided.

Significant statistics, with comparisons to the United States, tell part of the story:

	Ecuador	United States
Per Capita Income	$173	$2,309
Calories Per Day Per Capita	1,935	3,220
Infant Mortality (deaths prior to age one per 1,000 live births)	113	26
Life Expectancy	52 yrs.	70 yrs.
Literacy	60 %	98 %
Rate of Population Growth	3.4 %	1.7 %
Cost of Living Index (1953=100) November 1961	108	112

More than a quarter of the urban labor force is unemployed and its ranks are continually increased by mountain Indians vainly seeking opportunity in the cities. Housing for the urban population falls 600,000 dwellings short of being adequate. A fifth of the population has access to more than rudimentary sanitary facilities or running water. Four-tenths of one percent of all landowners control almost half of the arable land.

These inequities and substandard conditions have helped create rising social tensions and political instability, offering a fertile ground for the small (3,000-member) but aggressive Communist Party. The people's aspirations for a better life were expressed in June 1960 by the election of President Velasco (by the largest plurality in Ecuadorean history - 47%) on a platform of extravagant promises of rapid social and economic progress. Barely a year and a half later, Velasco's failure to institute promised social reforms, his erratic political course, his economic irresponsibility and his imposition of regressive indirect taxes, led to his overthrow on November 8, 1961 by a combination of left and right wing forces supported by the military after a series of Communist inspired street riots.

Buffeted by pressures from left and right, Velasco's constitutional successor, Vice President Carlos Julio Arosemena has thus far been unable to achieve sufficient political strength to institute the measures necessary for rapid social and economic development. Fearful of a repetition of the effective Communist-led street demonstrations that sparked Velasco's downfall, Arosemena maintains a hands-off attitude towards Cuba in the face of strong moderate and rightist pressures that threaten a military coup. On the other hand, he resists leftist pressures to institute revolutionary Castro-style reforms such as confiscatory agrarian reform and nationalization of industry. He has not appointed Communists in the upper levels of his government and has stated emphatically and publicly -- at the insistence of the military -- that he will not allow the country to be turned over to the Communists. Although the moderates and the right, allied with the military, are the most effective force at the moment, the Communists are gaining strength. The Ecuadorean Confederation of Workers, with 65,000 members, is Communist-controlled and is increasing its political influence. In late November 1961, a Communist captured leadership of the influential student organization of the Central University in Quito and Communists, as well as their supporters, have been appointed to lower and middle level government positions.

The very unstable political situation is complicated by Ecuador's serious economic difficulties. Dependent upon bananas, coffee and cacao for 90% of its foreign exchange earnings, Ecuador is beset by declining world market prices as well as reduced production as a result of drought and disease. Reduced export earnings (from $144 million for 1960 to $120 million for 1961) coupled with ineffective administration and the irresponsible fiscal policies of the former administration, have placed Ecuador's once stable economy in serious difficulty. Faced with rapidly falling foreign exchange reserves (which dropped from $37 to $17 million during the Velasco administration) and a budgetary deficit of about $10 million (over 10% of revenues) which could not be financed internally, the Government of Ecuador received assistance from the International Monetary Fund (IMF) ($10 million) and the United States ($8 million) in 1961. In July 1961, the sucre was devalued by 20%.

Per capita income for Ecuador is only $173. More than 50% of Ecuador's population are Indians who live on bare subsistence agriculture in the midst of grinding poverty, high infant mortality and short life expectancy. Two-thirds of the population live virtually outside the money economy. National economic growth has almost halted and per capita Gross National Product (GNP) increased at only one-half of one percent per year since 1958.

Notwithstanding these difficulties, Arosemena has stated his desire to participate in the Alliance for Progress and appears determined to adopt self-help measures. While the extreme right is equally determined to maintain the status quo, resistance to reforms by significant moderate and conservative forces has lessened.

Self-Help Measures

Ecuador has taken the following self-help steps: In July 1961, completed an agreement with the IMF to check excess credit expansion and to limit unnecessary public spending.

In November 1961, instituted a revised inheritance tax law increasing the maximum rate from 7.8% to 35%.

In January 1961, placed severe restrictions on luxury imports.

An agrarian reform law which gives tenant farms to those who work the land is now being studied in preparation for submission to the next session of Congress. Arosemena has stated that if the law is not enacted he will put it into force by executive decree.

A comprehensive tax revision program is now before the National Economic Council.

Education's share of the national budget was increased from 10% to 17% for 1962.

In 1961, Ecuador strengthened the National Planning Commission by providing it with additional funds and raising it to ministerial level. This Commission has been charged with the task of formulating a national development plan.

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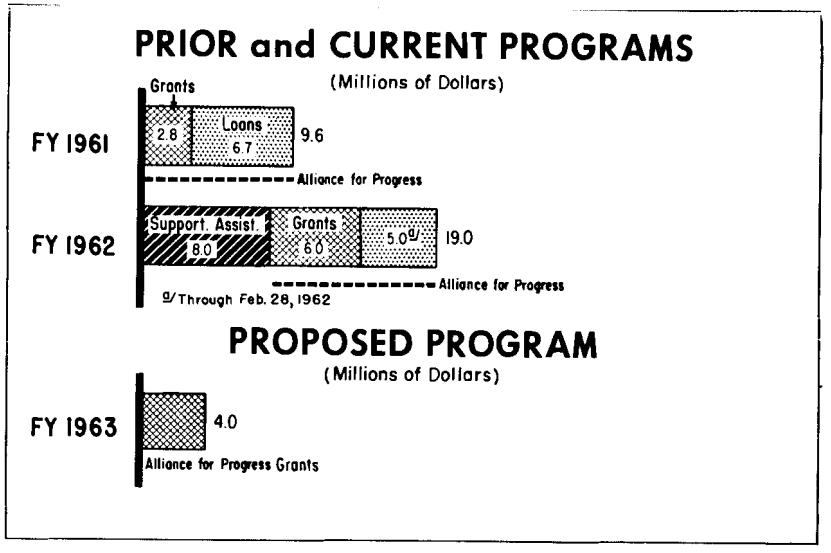
Ecuador is an equatorial country on the west coast of South America with a population of 4.4 million and an area of 112,000 square miles. Agricultural employment is half of the total. Bananas, coffee and cacao account for over 90% of exports.

Reasonable political stability under a republican form of government over the last ten years was interrupted in November 1961 by a governmental crisis resulting from popular disillusionment, led by leftist forces, with President Velasco who was forced out of office in favor of his Vice President Carlos Arosemena.

Country Background

Political. Ecuador is a nation threatened by a violent revolutionary explosion and a Communist takeover. Social and economic inequities and substandard conditions have helped create rising social tensions and political instability, offering a fertile ground for the small (3,000-member) but aggressive Communist Party. The people's aspirations for a better life were expressed in June 1960 by the election of President Velasco (by the largest plurality in Ecuadorean history - 47%) on a platform of utopian promises of rapid social and economic progress. Barely a year and a half later, Velasco's failure to institute promised social reforms, his erratic political course, his economic irresponsibility and his imposition of regressive, indirect taxes led to his overthrow on November 8, 1961, by a combination of left and right wing forces supported by the military after a series of Communist inspired street riots.

Buffeted by pressures from left and right, Velasco's constitutional successor, Vice President Carlos Julio Arosemena, has thus far been unable to achieve sufficient political strength to institute the measures necessary for rapid social and economic development. Fearful of a repetition of the effective Communist-led street demonstrations that precipitated Velasco's downfall, Arosemena maintains a hands-off attitude towards Cuba in the face of strong moderate and rightist pressures that threaten a military coup. On the other hand, he resists leftist pressures to institute revolutionary Castro-style reforms such as confiscatory agrarian reform and nationalization of industry. He has not appointed Communists in the upper levels of his government and has stated at the insistence of the military he will not allow the country to be turned over to the Communists. Although the moderates and the right, allied with the military, are the most effective force at the moment, the Communists are gaining strength. The Ecuadorean Confederation of Workers, with 65,000 members, is Communist-controlled and is increasing its political influence. In December 1961, a Communist captured leadership of the influential



student organization of the Central University in Quito and Communists as well as their supporters have been appointed to lower and middle level government positions.

Economic. The very unstable political situation is complicated by Ecuador's serious economic difficulties. Dependent upon bananas, coffee and cacao for 90% of its foreign exchange earnings, Ecuador is beset by declining world market prices as well as reduced production as a result of drought and disease. Reduced export earnings (from $144 million for 1960 to $120 million for 1961) coupled with ineffective administration and the irresponsible fiscal policies of the former administration, have placed Ecuador's once stable economy in serious difficulty. Faced with rapidly falling foreign exchange reserves (which dropped from $37 to $17 million during the Velasco administration) and a budgetary deficit of about $10 million (over 10% of revenues) which could not be financed internally, the Government of Ecuador received assistance from the IMF ($10 million) and the United States ($8 million) in 1961. In July 1961 the sucre was devalued by 20%.

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Per capita income for Ecuador is only $173 per annum. More than 50% of Ecuador's population are Indians who live on bare subsistence agriculture in the midst of grinding poverty, high infant mortality and short life expectancy. Two-thirds of the population live virtually outside the money economy. National economic growth has almost halted and per capita GNP increased at only one-half of one percent per year since 1958. Urban unemployment is more than a quarter of the urban population, having risen by nearly 60% since 1950.

The tax structure is overly complex, regressive and poorly enforced. Some steps are planned to improve this situation. Domestic tax collections are only about 15% of GNP.

Agriculture, forestry and fisheries present the greatest opportunities for development in Ecuador. Some diversification and expansion in industrial production to satisfy domestic demand is also a target. Ecuador may have substantial mineral resources, but their extent is presently unknown. Diversification in exports is indicated since world-over supply of bananas, coffee and cacao is limiting the potential of these products which have largely supported the growth of the past decade. Development prospects are for moderate continued growth, but current estimates project no higher annual per capita income increase than 2% through 1965.

Self-Help Measures

Planning. In 1961 Ecuador strengthened the National Planning Commission by providing it with additional funds and raising it to ministerial level. This commission has been charged with the task of formulating a national development plan.

Agrarian Reform. An agrarian reform law which gives tenant farms to those who work the land is now being studied in preparation for submission to the next session of the Congress. Arosemena has stated that if the law is not enacted he will put it into force by Executive Decree.

Credit. In 1961, a national housing bank and 12 savings and loan institutions were established, using $5 million of Ecuadorean funds and a $5 million DLF loan. The National Securities Commission, which mobilizes local funds for relending to small industry, has recently obtained a $5 million AID loan so as to be able to increase its activities.

Education. Education's share of the national budget increased from 10% to 17% in FY 1962. Ecuador has instituted a national program of vocational education with AID assistance.

Public Administration. Ecuador has taken steps to improve the budgetary system, including budget analysis, request procedures and account codification. A coordinating commission for customs and port authority has been established. On-the-job training in records management, accounting, personnel, public administration, etc., through courses offered at the Central University, is being emphasized.

Taxes. A comprehensive tax revision program is now before the National Economic Council and a revised inheritance tax law increasing the maximum rate from 7.8% to 35% has been instituted.

U.S. Assistance Strategy

Our immediate objective is to work with the government of Ecuador in order to develop the plans and projects necessary to meet the basic needs of the country for social development and agricultural productivity. Thus far, such programs have not been developed by the Ecuadorean government, partly due to the unstable and fluctuating political situation. It is clear that we must assist their inadequate programming mechanisms if their desire for development is to be translated into concrete projects capable of implementation.

In developing these plans, we will expect substantial progress in basic tax and land reforms to accompany a speedup of development lending.

It is clear that the immediate needs of Ecuador are in the fields of education, housing, water and industrial and agricultural productivity--and these fields will be the primary focus of our joint planning effort.

Proposed Aid Program For FY 1963

The planned program for Ecuador consists of Development Grants with emphasis on improvement of the planning mechanism in order to stimulate the development of capital projects to be financed from a variety of sources. Consideration will be given to Development Loans for some projects.

In FY 1963, we will give high priority to expanding and improving education for 50,000 adults, support for an eight-year program to construct 5,000 classrooms and train 9,000 teachers, improvement of five trade schools and assistance to two universities in improving library and laboratory facilities and teacher-training programs.

Since agricultural production is the basis of Ecuador's economy, a comprehensive program to diversify and increase agricultural production by 20% over a five-year period is proposed. To reach this goal, expanded projects in agricultural extension are contemplated as well as projects to improve cacao production and dairy herds, and to develop such new products as African palm oil, spices, and tropical fruits.

Technical assistance to improve activities in tax reform and administration, budgeting, accounting and procurement, contraband control and economic planning. The planning program will concentrate on the provision of competent technicians to complete a realistic long range plan for economic development, as well as the training of local personnel to carry on this activity. A development loan of $1.8 million was made in 1961 to complete aerial photogrammetric surveys which are essential to effective economic planning.

Two labor training centers and labor education courses expected to reach 500 workers each year will be established to counter Communist domination of the Ecuadorean Workers Confederation.

Accomplishments and Changes

We intend to emphasize lending and the development of capital projects for non-AID external financing. Particular attention will be devoted in the immediate future to financing social and agricultural projects or a means of alleviating the principal causes of current political unrest and economic distress.

In the recent past we have accomplished the following:

Since 1957, the Education Service has supervised self-help construction of 34 primary schools. In-service programs have been conducted, reaching at least 10,000 teachers.

In 1960, a vocational education project was inaugurated and two vocational secondary schools were equipped.

Past U.S. technical assistance efforts have endeavored to bring the knowledge and benefits of scientific farming to Ecuador's farmers. Two unspectacular but significant accomplishments involve hay-making and poultry production. Frequent droughts seriously affect the livestock population in Ecuador's coastal area. To overcome the loss of cattle from these droughts, farmers were instructed in the technique of hay-making, a new activity in Ecuador. Demonstrations were arranged and many small farmers participated. They, in turn, instructed other farmers in their communities in the preservation of native grasses for use during periods of feed shortage. During the most recent drought livestock in substantial numbers were saved.

The establishment of a central Housing Bank and the formation of savings and loan associations to mobilize savings for housing construction can be attributed directly to AID efforts. Consultants from U.S. savings and loan firms have advised the government concerning the necessary legislation. In the last three months three associations, which now have 1200 depositors, have been organized. An aided self-help housing program approved just before the end of FY 1961 is now being implemented. Local governments have made plans for housing projects and labor unions in several localities have made initial arrangements to form cooperative groups for housing construction.

Co[redacted]

BASIC DATA

	Unit	ECUADOR	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	112	xxx
Population (1961)	Mil.	4.4	xxx
Annual Growth	%	3.4	2.4
Density per sq.mi.	No.	40	40
AGRICULTURAL LAND			
% of Total Area	%	12.2	25
Per Capita	Acres	2	2.5
POWER PER CAPITA	KWH/Yr	81	80
EDUCATION			
Literacy Rate	%	60	35
Pupils as % of Pop. (Prim. & Sec.)	%	13	9
Pupils per Teacher (Prim. only)	No.	42	38
HEALTH			
Life Expectancy	Yrs.	52	40
People per Doctor	No.	2,900	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	714	757	770
Per Capita GNP	Dollars	170	175	173
Investment as Percent of GNP	Percent	15	16	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	154	164	165
Index Per Capita	"	129	133	130
Rice, rough	1,000 MT	112	132	145
PETROLEUM PRODUCTION (crude)	"	364	364	398
COST OF LIVING INDEX (Quito)	1953=100	102	104	109
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	142	144	120
Bananas	"	90	89	78
Total Imports (c.i.f.)	"	108	117	125
Trade Balance	"	+34	+27	-5
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	60	65	52
Imports from U.S. (f.o.b.)	"	49	55	51
Trade Balance	"	+11	+10	+1
GOLD & FOREIGN EXCHANGE *(end of year)* Central Bank only	"	39.9	37.0	38.3

	- Million Dollar Equivalents - 1959	1960
CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31		
Total Expenditures	119	138
(Defense Expenditures)	(14)	(19)
(Capital Outlays)	(28)	(35)
Domestic Revenues	121	133
Budget Receipts from Non-U.S. Foreign Aid	--	2
Budget Receipts from U.S. Aid (Grants & Loans)	2	5
Remaining Deficit (-) or Surplus (+)	+4	+2

* - Converted at 18 Sucres per U.S. $.
a - Includes Central Government and autonomous agencies.

[redacted]

FINANCIAL DATA

Country: ECUADOR

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	39.0	9.6	32.6
Alliance for Progress:			
Loans (DLF prior to 1962).....	16.7	6.7	5.0
I.D.B. Trust Fund Loans.....	-	-	13.6
Grants (T.C. prior to 1961).....	17.6	2.8	6.0
Supporting Asst.(DS/SA prior to 1961)	4.7	-	8.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	8.5	2.4	1.5
(Sales Agreements).....	(11.6	(3.2)	(2.0)
Title II.....	-	-	0.3
Title III.....	3.1	0.9	1.6
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	23.2	0.4	-a/
OTHER U.S. ECONOMIC PROGRAMS.....	3.7	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	19.5	2.3	2.3
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	3.5	3.5	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	45.0	-	-a/
Inter-American Develop. Bank	-	-	4.7a/
UN Tech.Assist.-CY ending in FY	4.4	0.5	0.4
UN Special Fund	2.5	1.3	-a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	0.3	0.3	0.2
Export-Import Bank	28.8	2.9	1.4a/
Other Government Loans	NA	-	-

a/ July-December 1961

[redacted]

[redacted]

El Salvador has made an outstanding start toward the goals of the Alliance for Progress. For the first time in its history it has a government committed to and embarked upon a far reaching program of basic economic and social reform. Moreover, it has achieved dramatic progress towards the primary goal of the Alliance for Progress - improving and strengthening of democratic institutions.

In October 1960, a bloodless coup-d'etat overthrew the constitutional government and set up a leftward leaning Civilian-Military Junta. In January 1961, a military counter-coup in turn overthrew the Junta and established a Civilian-Military Directorate, which has vigorously suppressed the pro-communist elements who had been engaged in a major drive for power. In order to broaden its initially narrow base of support among the politically-awakening Salvadorean people, it pledged itself publicly to the holding of free elections and to instituting a social reform program in line with the principles of the Act of Bogota. A number of reform measures followed over the increasing opposition of the dominant wealthy class.

The election pledge was fulfilled on December 17, 1961, when the party created by the civilian and military leaders in the Directorate Government, the Partido Conciliacion Nacional (PCN), won almost 70% of the votes and all the seats in the 54-man assembly. Constitutional government and guarantees were re-established in January, under a provisional president named by the assembly.

Elections for a chief executive will be held in April of this year. It appears likely that the PCN candidate will be elected, with broad support by the Salvadorean people. Thus there is encouraging progress toward a restoration of political and economic stability, though opposition by extremist elements of both right and left will continue.

On the other hand, the strength of the opposition to effective reform and the magnitude of the task ahead must not be underrated. While the Government has made an impressive and serious start in enacting and enforcing measures undertaken, further refinements and adjustments may be necessary. Moreover, thorny major problems such as improved education, long-term economic planning, more efficient public administration, and land reform are still in the study stage.

The economy of El Salvador is essentially semi-feudal. Average per capita Gross National Product (GNP) in 1961 was $180. As in neighboring countries, maldistribution of income is extreme. The tax structure is regressive to a pronounced degree, only 10% of government tax revenue being obtained from direct taxes.

Significant statistics, with comparisons to the United States, tell part of the story:

	El Salvador	United States
Per capita GNP	$ 180	$ 2,800
Calories per day per capita	1,975	3,220
Infant mortality (deaths prior to age 1 per 1,000 live births)(1958)	89	26
Life expectancy	51 years	70 years
Literacy	43%	98%
Rate of population growth	3.8%	1.7%
Cost of living index (1953=100)	106	112

Although there was appreciable growth in the economy of El Salvador during the 1950's, public and private social services were totally inadequate. Fifty-seven percent of the population is illiterate, and about 50 % of the children of primary school age do not attend school.

Sixty-three percent of the labor force is in agriculture and is largely migrant, landless, and unemployed a substantial part of the year. More than three quarters of the population is housed in unsanitary and primitive dwellings. Infant mortality is 89 per thousand and life expectancy is 51 years. Less than 15% of the rural population has access to safe water for drinking.

El Salvador has long been a net importer of foodstuffs. Nutrition standards are low and diet is based on starches - corn, beans and rice. Agricultural experimentation has demonstrated that El Salvador can be self-sufficient in foodstuffs.

El Salvador is the smallest country in area in Latin America and is approximately the size of Massachusetts. It has a population density of 331 per square mile which, after Haiti, is the highest in Latin America.

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Coffee exports make up over 60% of total exports and changes in prices of coffee have a marked effect on the economy.

In the latter part of 1960 and early 1961, largely as a consequence of political upheavals and continuing declines in coffee prices, there was a loss of business confidence and a flight of capital. Exchange reserves fell to $14 million, less than one-third of normal levels. In order to avert the deterioration, exchange controls on capital movements were instituted in April and an International Monetary Fund (IMF) stabilization program involving domestic credit restrictions was agreed to in July, 1961.

Basic economic and social problems include overpopulation and high birth rate, a 'one crop' economy and limited natural resources, maldistribution of income and a semi-feudal social structure.

Self-Help and Reform Measures

In 1961 a number of self-help measures were adopted. By decree laws, agricultural workers were given one day a week off with pay, a farm credit agency was established and a decree regulating working conditions for rural workers was issued containing provisions for such reforms as minimum dietary standards.

New labor laws established a minimum wage for large and middle-sized commercial establishments, liberalized the law on strikes and lockouts and protected wages against garnishment. Urban slum rents were ordered cut by one-third.

The Central Bank and the Coffee Company were reorganized to wrest control from the landed elite and place it in the Government.

Legislation was enacted increasing income tax rates particularly in the higher brackets. Income from this source in 1962 is expected to be one-third greater than in 1960.

The Government adopted a stabilization program in agreement with the IMF which has resulted in a restoration of confidence and a return of financial stability.

A consulting firm has been employed to assist the Government in organizing a Planning Commission.

Supervised agricultural credit facilities are being developed.

Country: EL SALVADOR

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El Salvador is the smallest country in area in Latin America and is approximately the size of Massacheusetts. It has a population density of 331 per square mile which, after Haiti, is the highest in Latin American.

Country Background

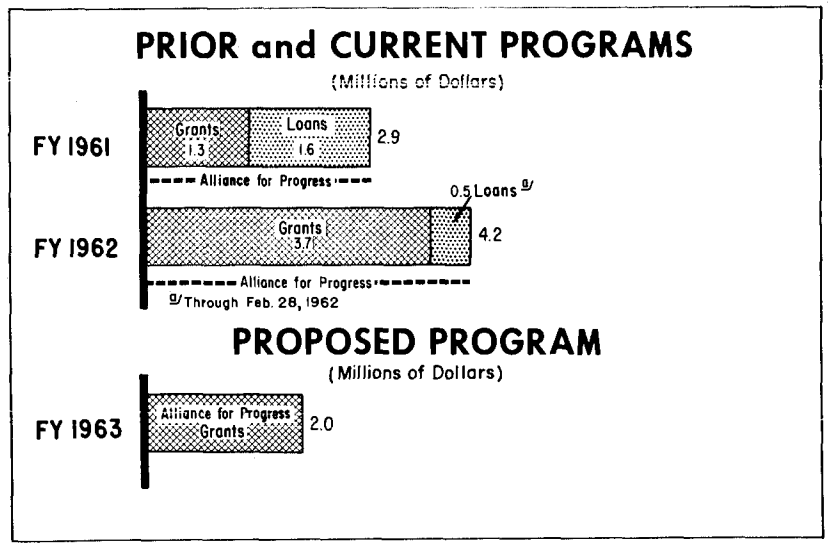
El Salvador has made an outstanding start toward the goals of the Alliance for Progress. For the first time in its history it has a government committed to and embarked upon a far reaching program of basic economic and social reform. Moreover, it has achieved dramatic progress towards the primary goal of the Alliance for Progress - improving and strengthening of democratic institutions.

In October 1960, a bloodless coup-d'etat overthrew the constitutional government and set up a leftward leaning Civilian-Military Junta. In January 1961, a military counter-coup in turn overthrew the Junta and established a Civilian-Military Directorate, which has vigorously suppressed the pro-Communist elements who had been engaged in a major drive for power. In order to broaden its initially narrow base of support among the politically-awakening Salvadorean people, it pledged itself publicly to the holding of free elections and to instituting a social reform program in line with the principles of the Act of Bogota. A number of reform measures followed over the increasing opposition of the dominant wealthy class.

The election pledge was fulfilled on December 17, 1961 when the party created by the civilian and military leaders in the Directorate Government, the PCN, won almost 70% of the votes and all the seats in the 54-man assembly. Constitutional government and guarantees were re-established in January, under a provisional president named by the assembly.

Elections for a chief executive will be held in April of this year. It appears likely that the PCN candidate will be elected, with broad support by the Salvadorean people. Thus there is encouraging progress toward a restoration of political and economic stability, though opposition by extremist elements of both right and left will continue.

On the other hand, the strength of the opposition to effective reform and the magnitude of the task ahead must not be underrated. While the Government has made an impressive and serious start in enacting and enforcing measures undertaken, further refinements and adjustments may be necessary. Moreover, thorny major problems such as improved education, long-term economic planning, more efficient public administration, and land reform are still in the study stage.



The economy of El Salvador is essentially semi-feudal. Average per capita GNP in 1961 was $180. As in neighboring countries, maldistribution of income is extreme. The tax structure is regressive to a pronounced degree, only 10% of government tax revenue being obtained from direct taxes.

Although there was appreciable growth in the economy of El Salvador during the 1950's, public and private social services were totally inadequate. Fifty-seven percent of the population is illiterate, and about 50% of the children of primary school age do not attend school.

Sixty-three percent of the labor force is in agriculture and is largely migrant, landless, and unemployed a substantial part of the year. More than three quarters of the population is housed in unsanitary and primitive dwellings. Infant mortality is 89 per thousand live births and life expectancy is 51 years. Less than 15% of the rural population has access to safe water for drinking.

El Salvador has long been a net importer of foodstuffs. Nutrition standards are low and diet is based on starches - corn, beans and rice. Agricultural experimentation has demonstrated that El Salvador can be self-sufficient in foodstuffs.

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Coffee exports make up over 60% of total exports and changes in prices of coffee have marked effect on the economy.

In the latter part of 1960 and early 1961, largely as a consequence of political upheavals and continuing declines in coffee prices, there was a loss of business confidence and a flight of capital. Exchange reserves fell to $14 million, less than one-third of normal levels. In order to avert the deterioration, exchange controls on capital movements were instituted in April and an IMF stabilization program involving domestic credit restrictions was agreed to in July, 1961.

Basic economic and social problems include overpopulation and high birth rate, a "one crop" economy and limited natural resources, maldistribution of income and semi-fedual social structure.

Self-Help and Reform Measures

In 1961 a number of self-help measures were adopted. By decree laws, agricultural workers were given one day a week off with pay, a farm credit agency was established and a decree regulating working conditions for rural workers was issued containing provisions for such reforms as minimum dietary standards.

New labor laws established a minimum wage for large and middle-sized commercial establishments, liberalized the law on strikes and lockouts and protected wages against garnishment. Urban slum rents were ordered cut by one-third.

The Central Bank and the Coffee Company were reorganized to wrest control from the landed elite and place it in the Government

Legislation was entacted increasing income tax rates particularly in the higher brackets. Income from this source in 1962 is expected to be one-third greater than in 1960.

The Government adopted a stabilization program in agreement with the IMF which has resulted in a restoration of confidence and a return of financial stability.

A consulting firm has been employed to assist the Government in organizing a Planning Commission.

Supervised agricultural credit facilities are being developed.

U.S. Assistance Strategy

El Salvador will be encouraged and assisted in the preparation of an over-all long-range plan to serve as a guide to the most effective use of available resources and to those measures needed to facilitate the achievement of self-sustaining growth and rapid social progress.

Immediate or short-term support will be given to encourage El Salvador's own self-help efforts and reform measures aimed at improving opportunities and conditions for the lower income groups of the population, particularly to programs and projects in the fields of education, agriculture and taxation.

Proposed AID Program for FY 1963

Assistance will be extended to aid in the establishment of a high-level national planning agency with authority and qualified staff to coordinate and guide economic development planning.

Technical assistance will be used to strengthen the labor Ministry for administration of the new legislation protecting campesino workers and developing apprentice training. Technical assistance will be extended also to reorganize the budget office and install modern budget practices and to advise on methods of increasing collections from direct taxes.

Development Lending projects will also be considered for agricultural development and for rural water supply systems.

Accomplishments and Changes

The program in El Salvador will be drastically shifted and concentrated upon a few selected impact projects (a) having important social and economic development values of benefit to large groups of the population, particularly in the fields of education and agriculture, and (b) encouraging the Government of El Salvador to undertake essential self-help and reform measures, particularly in the fields of long-term planning and taxation.

Following recommendations of U.S. technicians in 1959 the Ministry of Agriculture began planning for a supervised agricultural credit program. As one of the first steps to implement this program, over twenth young graduates of the National School of Agriculture, which was established in 1956 with U.S. technical assistance, were selected for training in Puerto Rico, under the sponsorship of the U.S. aid agency, to staff a supervised production credit program in El Salvador.

A group of Peace Corps volunteers are currently in training for work in agricultural extension and education in El Salvador. The US/AID Mission is collaborating with the Ministry of Agriculture

Country: EL SALVADOR

in a long-range training program for developing staff for their extension service which will eventually replace the Peace Corps volunteers.

AID Grants of $2.1 million have recently been extended to improve teacher training and to build 400 new primary school classrooms.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	9.9	2.9	9.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	1.6	1.6	0.5
I.D.B. Trust Fund Loans.....	-	-	5.5
Grants (T.C. prior to 1961).....	8.3	1.3	3.7
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	1.1	0.1	-
Title IV.....	-	-	0.4
EX-IM BANK LONG-TERM LOANS.....	3.7	3.7	10.0 a/
OTHER U.S. ECONOMIC PROGRAMS.....	1.8	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.3	0.2	0.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	35.5	3.8	- a/
International Finance Corp.	0.1	-	- a/
Inter-American Develop. Bank	0.2	0.2	5.7 a/
UN Tech. Assist.-CY ending in FY ...	2.1	0.1	0.1
UN Special Fund	0.3	-	- a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	-
Export-Import Bank	0.4	*	- a/
Other Government Loans	-	-	-

a/ July-Dec. 1961.
* Less than $50,000.

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BASIC DATA

	Unit	EL SALVADOR	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	8.2	xxx
Population (1961)	Mil.	2.7	xxx
Annual Growth	%	3.8	2.4
Density per sq.mi.	No.	331	40
AGRICULTURAL LAND			
% of Total Area	%	58	25
Per Capita	Acres	1.2	2.5
POWER PER CAPITA	KWH/Yr	115	80
EDUCATION			
Literacy Rate	%	43	35
Pupils as % of Pop. (Prim. & Sec.)	%	11	9
Pupils per Teacher (Prim. only)	No.	29	38
HEALTH			
Life Expectancy	Yrs.	51	40
People per Doctor	No.	6,146	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	488	490	488
Per Capita GNP	Dollars	194	188	180
Investment as Percent of GNP	Percent	10	16	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	129	140	157
Index Per Capita	"	105	110	119
Corn	1,000 MT	150	180	140
INDUSTRIAL PRODUCTION INDEX	1956=100	108	120	115
COST OF LIVING INDEX	1953=100	107	106	106
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	113	117	115
Coffee	"	71	77	65
Total Imports (c.i.f.)	"	100	123	109
Trade Balance	"	+13	-6	+6
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	37	32	37
Imports from U.S. (f.o.b.)	"	37	42	35
Trade Balance	"	0	-10	+2
GOLD & FOREIGN EXCHANGE *(end of year)*	"	47.4	37.4	26.7 (Nov)

	- Million Dollar Equivalents - 1960	1961(Prel)
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31		
Total Expenditures	75.7	79.9
(Defense Expenditures)	(7.7)	(9.1)
(Capital Outlays)	(20.7)	(19.8)
Domestic Revenues	76.8	73.2
Budget Receipts from Non-U.S. Foreign Aid	0.2	1.1
Budget Receipts from U.S. Aid (Grants & Loans)	--	6.0
Remaining Deficit (-) or Surplus (+)	+1.3	+0.4

* - Converted at 2.5 Colones per U.S. $.

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Guatemala

Guatemala

Guatemala, the northernmost country of Central America, is about the size of the State of Ohio and has a population of 3.9 million, of which 55% are Indians. Its economy is predominantly agricultural with principal exports consisting of coffee and bananas.

Comparative statistics for Guatemala and the United States are shown in the following table for the year 1961:

	Guatemala	United States
Per Capita GNP	$176	$2800
Calories per day per capita	2,175	3,220
Infant Mortality (deaths prior to age one per 1000 live births) 1956	89	26
Life expectancy	37 yrs.	70 yrs.
Literacy	30%	98%
Rate of Population Growth	3.1%	1.7%
Cost of Living Index (1953=100)	103	112

As a result of the elections in the spring of 1958 in Guatemala, no candidate received more than 40% of the popular vote. Accordingly, the election was decided in the National Congress and President Ydigoras came to power for a six-year term. Supported from the outset by heterogeneous political groups, Ydigoras has not sought to organize his supporters into a unified political force capable of backing real social and economic development in Guatemala. Instead, he has maintained himself in power by retaining the support of the military and by keeping the political elements fragmented. It is this precarious equilibrium which has continued to pose an almost constant threat of disruption to democratic government in Guatemala.

Although hard-core Communist strength probably does not exceed 1,000 in Guatemala, a fragmentation of all political forces has greatly enhanced the potential of Communists to bring about political disorder. In the last several weeks guerilla-type disturbances, which are not believed to be Communist-inspired, have broken out in rural areas. If they continue, these disturbances will render the present political balance even more precarious.

Unstable political and economic conditions have hampered industrial growth and the creation of new job opportunities; so has the failure of the Congress to ratify the Investment Guaranty Agreement with the United States which has been before it since August 1960. In spite of deterrent factors, however, foreign investment is estimated at over $210 million in Guatemala and is 62% American. Through increased emphasis on industrial growth, it is expected to increase investments to $272 million by FY 1967 and provide 54,000 new jobs.

Despite reduced earnings from coffee (70% of total exports) and bananas (15%), total exports have increased from $107 million in 1959 to $120 million in 1961. Imports decreased from $134 million in 1959 to $129 million in 1961. In addition, the GNP increased by 4.3% from $651.2 million in 1959 to $680 million in 1961. Because of the rapid population growth of 3.1% annually, the per capita GNP has declined slightly in recent years.

The Guatemalan Government is characterized by widespread graft and corruption. Of the land in farms 50% is held by 0.3% of the total number of operators, and at least 50% of all the farmers live at subsistence levels. Seventy percent of the adults in Guatemala are illiterate and 65% of children of school age lack educational facilities. Since 1950, the percentage of the labor force employed in agriculture has increased from 73% to about 80%. Seventy-five percent of the entire population lives in overcrowded, substandard housing and lacks potable water supply. Life expectancy is only 37 years, the second lowest in Latin America, and there is but one doctor per 6,500 people. The infant mortality rate is 89 per 1,000 live births.

Self-Help Measures

The National Economic Planning Council is being strengthened for preparation of a national development plan. The Government has proposed, and the Congress is considering, a Civil Service merit law, which is expected to pass this year. For the period from 1955 through 1966, the Government will have contributed $965,000 to the Industrial Promotion and Productivity Center. The Guaranteed Mortgage Law, similar to our Federal Housing legislation, was passed in June 1961.

Guatemala, the northernmost country of Central America, is about the size of the State of Ohio and has a population of 3.9 million, of which 55% are Indians. Its economy is predominately agricultural with principal exports consisting of coffee and bananas.

Country Background

Guatemala was the first Communist-dominated country in Latin America. However, since the overthrow of the Communist-controlled Arbenz regime in 1954, Guatemala has had a democratic form of government.

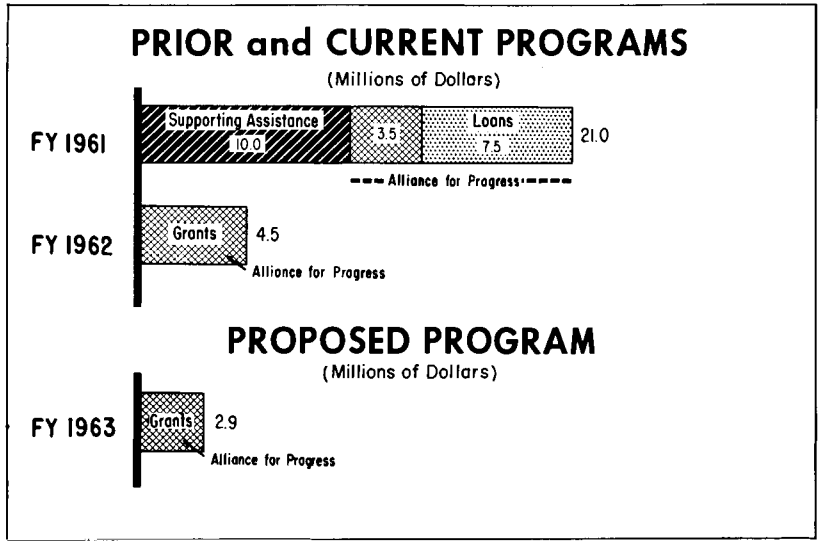
In the last presidential elections in 1958, no candidate received more than 40% of the popular vote. Accordingly, the election was decided in the National Congress and President Ydigoras came to power for a six-year term. Supported from the outset by heterogeneous political groups, Ydigoras has not sought to organize his supporters into a unified political force capable of backing real social and economic development in Guatemala. Instead, he has maintained himself in power by retaining the support of the military and by keeping the political elements fragmented. It is this precarious equilibrium which has continued to pose an almost constant threat of disruption to the democratic government in Guatemala.

Although hard-core Communist strength is probably small, there are two political groups who are Castro-Communist oriented. A fragmentation of all political forces has greatly enhanced the potential of Communists to bring about political disorder.

Former President Arevalo, a die-hard anti-American, is planning to run in the 1963 presidential elections. If he should be allowed to return by the present regime, there might be a polarization of leftist forces which may prove to be a threat to U.S. business interests in Guatemala.

Guatemala's external economic position appeared to be relatively stationary in 1961. Increased exports and decreased imports resulted in a slightly lower trade deficit. Its balance of payments remained relatively stable. Periodic fluctuations of political and economic instability have hampered industrial growth; however, foreign investment has continued to show a moderate increase.

Except for agrarian reform measures instituted immediately after the downfall of the Arbenz regime, and demonstrational



programs in aided self-help housing and school construction, little has been done to improve the lot of the vast majority of underprivileged people.

U.S. Assistance Strategy

Our strategy is to encourage the preparation and completion of a meaningful long-range economic development plan designed to accelerate a more balanced development in all segments of Guatemala's socio-economic structure.

Guatemala is currently in the process of developing a 10-year plan, and has requested assistance in four major fields. An immediate U.S. objective is to encourage the adoption of further self-help measures and reforms which Guatemala requires for the effective use of its own resources.

Proposed AID Program for FY 1963

In the absence of a meaningful economic development plan, and pending enactment of socio-economic self-help legislation, the AID program will be centered around technical assistance for a limited number of objectives already recognized by the

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Economic Planning Commission as necessary requisite steps leading to social and economic development.

The four top priority objectives towards which the FY 1963 program is directed include:

(1) Improvement in Administration and Organization of the Government, including creation of a Civil Service System. FY 1963 implementation costs are estimated at $298,000 for U.S. technicians, short-term consultants in highly specialized fields of job evaluation, tax administration, personnel management, organization and methods.

(2) Agricultural Crop Diversification to offset losses of income and foreign exchange incurred in decreased banana exports and lower world coffee prices. FY 1963 cost of $615,000 is estimated for U.S. technicians, research, animal and plant breeding material, supplies and equipment and participant training.

(3) Elimination of Illiteracy within a 10-year period beginning in FY 1962. This country-wide educational program will provide 5,400 volunteer teachers to reach an estimated 1,600,000 illiterates. The FY 1963 cost of $750,000 will be combined with Guatemala's contribution of $621,000 plus coordinated efforts of Guatemala's Indian Agency and Civic Action Programs of the Military. The Self-Help School Construction Program will provide classroom facilities for 160,000 students each year, and for adult classes in literacy training.

(4) Industrial Development and Creation of Job Opportunities. Projects in Industrial Development and Vocational Training are estimated at $421,000 U.S. contribution and $145,000 on the part of Guatemala, plus an external loan of $5 million to supplement $1.5 million financing of an Industrial Credit Bank.

Accomplishments and Changes

By June 30, 1962, the cooperative Area Development and Resettlement Program will have been completed with 4,300 titled owners on economic-sized farms of 50 acres each. A total of 2,700 aided self-help houses will be completed out of a total of 7,100 planned in seven major urban centers. Guatemala is seeking external loans to expand these programs in new areas.

In an Aided Self-Help School Construction Program of less than two-years duration with tripartite participation of the United States, the Government of Guatemala, and local communities, more than 2,000 classrooms will be completed by the end of FY 1962. Guatemala will resort to its own funding sources and external borrowing to build an additional 5,000 classrooms to provide for its accelerated literacy program and an estimated annual enrollment of 160,000 students.

Up to the present time, Guatemala has had a traditional technical assistance program dispersed over many activity fields. The FY 1963 and future programs in particular will involve a concentration of effort on a few priority sectors. Until needed reforms have been effected, and an over-all long-range development plan is prepared to permit our consideration of development lending for high priority projects, our support will be concentrated on projects directly affecting the welfare of the most underprivileged classes.

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BASIC DATA

	Unit	GUATEMALA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	42	xxx
Population (1961)	Mil.	3.9	xxx
Annual Growth	%	3.1	2.4
Density per sq.mi.	No.	92	40
AGRICULTURAL LAND			
% of Total Area	%	19	25
Per Capita	Acres	2	2.5
POWER PER CAPITA	KWH/Yr	98	80
EDUCATION			
Literacy Rate	%	30	35
Pupils as % of Pop. (Prim. & Sec.)	%	8	9
Pupils per Teacher (Prim. only)	No.	n.a.	38
HEALTH			
Life Expectancy	Yrs.	37	40
People per Doctor	No.	6,463	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	651	679	680
Per Capita GNP	Dollars	178	180	176
Investment as Percent of GNP	Percent	13	12	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	125	135	147
Index Per Capita	"	105	110	117
Corn	1,000 MT	381	432	445
INDUSTRIAL PRODUCTION INDEX	1953=100	148	148	n.a.
COST OF LIVING INDEX (Guatemala City)	1953=100	105	104	103
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	107	119	120
Coffee	"	76	79	72
Total Imports (c.i.f.)	"	134	135	129
Trade Balance	"	-27	-16	-9
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	65	59	63
Imports from U.S. (f.o.b.)	"	64	63	61
Trade Balance	"	+1	-4	+2
GOLD & FOREIGN EXCHANGE *(end of year)*	"	42.4	52.2	51.0 (Nov)

	- Million Dollar Equivalents - 1960[a]	1961[a]	1962 (Bud)
CENTRAL GOVERNMENT FINANCES* FY ending June 30			
Total Expenditures	101	89	108
(Defense Expenditures)	(10)	(9)	(9)
(Capital Outlays)	(25)	(18)	(37)
Domestic Revenues	88	86	91
Budget Receipts from Non-U.S. Foreign Aid	-1	-1	-1
Budget Receipts from U.S. Aid (Grants & Loans)	6	2	18
Remaining Deficit (-) or Surplus (+)	-8	-2	--

* - Converted at 1 Quetzal per U.S. $.
a - Preliminary actuals.

FINANCIAL DATA

Country: GUATEMALA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	91.0	21.0	4.5
Alliance for Progress:			
Loans (DLF prior to 1962).....	12.9	7.5	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	17.9	3.5	4.5
Supporting Asst.(DS/SA prior to 1961)	60.2	10.0	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	3.2	-	-
Title III.....	1.9	0.4	0.6
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	16.7	10.5	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	35.8	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	1.6	0.3	2.7
M.A.P. - Credit Assistance.....	0.1	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	18.2	-	- a/
International Finance Corp.....	0.2	-	- a/
Inter-American Develop. Bank.....	0.1	0.1	5.2a/
UN Tech. Assist.-CY ending in FY.....	2.2	0.3	0.2
UN Special Fund	0.6	0.6	- a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L 480 Loans.....	0.1	0.1	0.2
Export-Import Bank	1.5	0.2	- a/
Other Government Loans	-	-	-

a/ July-December 1961

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Haiti

Haiti

Haiti, undoubtedly the most poverty-stricken country in this hemisphere, is a prime example of historically inadequate and depleted natural resources, aggravated by endemic and chronic political instability, maladministration, inadequate technical competence, and a lack of effective and enlightened leadership.

The present (Duvalier) regime derives its power primarily from its secret police (The Ton Ton Macoutes). Like so many of its predecessors, it is autocratic, grossly incompetent, and has little interest in improving the lot of the Haitian people. It is dominated by a strong, deeply entrenched President who has surrounded himself with a small group of relatively young and dynamic advisors oriented in Marxist and ultra-nationalistic ideologies. The influence of these advisors has the effect of exacerbating U.S.-Haitian relations, and may be intended to create political and economic chaos in order to bring about Duvalier's own downfall or create conditions conducive to a Soviet-bloc offer of aid or a Communist takeover.

Perhaps even more dangerous from the U.S. viewpoint is the development of an anti-American civil militia under the President's direct control from among the lower echelon government employees, laboring class and peasants. This para-military force serves at the present time as a counter-balance to the regular armed forces and could eventually become more powerful than the generally pro-American armed forces.

Another element of uncertainty in the present situation is Duvalier's increased feeling of insecurity resulting from recent developments in the Dominican Republic. This could lead him to consider the possibility of a rapprochement with Castro.

Political opposition elements, inside and outside Haiti, have not thus far developed the necessary strength and cohesion to challenge Duvalier. Moreover, no existing opposition leader, party or coalition appears able to secure the necessary popular support and assure a higher degree of governmental competence.

Pending crystallization of an acceptable alternative to Duvalier, we consider it essential to avoid actions, such as the withdrawal of U.S. assistance, which would provoke an open break between his regime and the U.S., play into the hands of his leftist advisers, and result in further deterioration of the overall situation in the Caribbean area. Our current policy towards Haiti, therefore, is to attempt to maintain a practical basis of cooperation with the present regime, using means available to us to influence it to undertake needed reforms and to carry out the type of aid programs we believe essential to the long-range development of more enlightened and responsible government.

Haiti's basic economic problems and needs are staggering. It has the greatest population density of any American Republic (330 per square mile), the highest rate of illiteracy in this hemisphere (90%), and a per capita income of $76 per year. Economic effort is generally disorganized, and the chronically stagnant economy does not possess sufficient momentum to sustain itself, even at its present low level, without foreign assistance. The country's finances and financial administration are chaotic. Domestic savings and investment are grossly inadequate and, together with foreign investment, scarcely keep pace with capital depreciation, much less increase production sufficiently to support the increasing population.

The following significant statistics, with comparisons to the United States, tell part of the story:

	Haiti	United States
Per capita GNP	$ 76	$2,800
Calories per day per capita	1,875	3,220
Infant mortality (deaths prior to age one per 1,000 live births)	150	26
Life expectancy	33 yrs.	70 yrs.
Literacy	10 %	98 %
Rate of population growth	1.2 %	1.7 %
Cost of living index (1953 = 100)	104	112

Export earnings are heavily dependent on coffee. In Haiti a unique biennial cycle in the production of coffee results in a drop of as much as 30% in production and exports in off years. This combined with the downward trend in coffee prices has had a serious depressing effect on the economy in recent years.

U.S. assistance has kept the economy from collapse, laid the base for nationwide improvements in rural education, and increased and diversified agricultural production, particularly in the Artibonite Valley and the northern area.

At the same time there has been a decline in commercial activity and investment, and also some capital flight has resulted from a loss of business confidence in the policies of the government.

Self-Help and Reform Measures

The Duvalier Government has made only limited progress towards self-help, as follows: (a) adhered to a stabilization agreement with the International Monetary Fund for preventing inflation, (b) taken preliminary steps to formulate a national economic

development program with the help of an OAS/ECLA/IDB mission; (c) taken steps to establish more effective tax collection and budget and fiscal control; (d) agreed to increase by 10% funds budgeted for rural education; and (e) simplified its tariff laws and codified existing labor laws.

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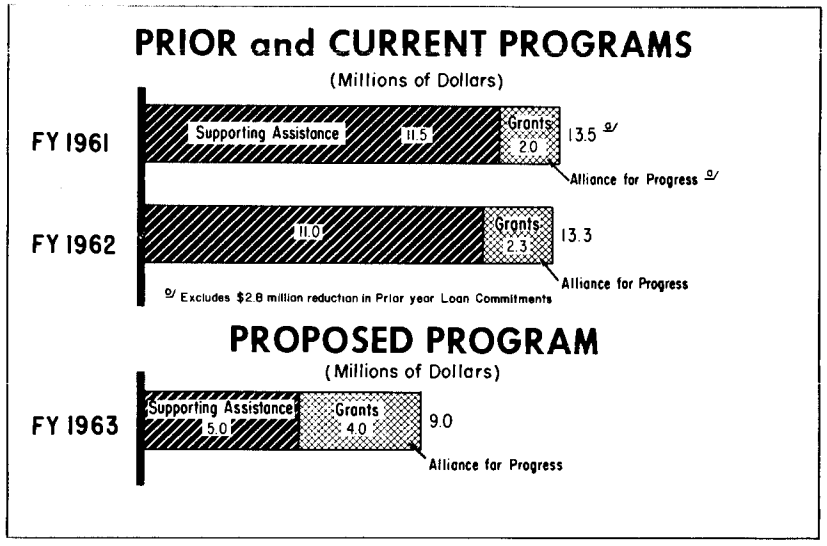
Situated in the Caribbean about 700 miles southeast of Florida, Haiti occupies the western third of the island of Hispaniola. Its 3.5 million people are packed onto 10,700 square miles of land. The bulk of the people exist from subsistence farming on badly eroded land, on which much of the forest cover has been destroyed. Grinding poverty ($76 annual per capita income) and illiteracy (90%) have resulted in chronic political instability and a long series of dictators, none with a firm ideological base.

Haiti's significance to the U.S. is mainly political arising from its location near Cuba and the importance of avoiding further complications in the troubled Caribbean. The government has traditionally been venal, oppressive, and incompetent, and there has been a disturbing increase in Communist tendencies on the part of a small group of advisors who have surrounded the President, but the bulk of the Haitian people are politically inert. Haiti is the only Negro republic in the western hemisphere and there is a growing tendency to seek identification with emerging African nations. The conditions of extreme poverty and instability in a country so close to our own shores cannot help but constitute a continuing source of embarrassment and reproach.



Country Background

Haiti lacks resources to achieve a significant increase in living standards without external assistance. At present there are in the private sector only an estimated 17,000 paying jobs in the entire country. Some important improvements, however, are possible in various fields. For example, the land is capable of far greater productivity. Tourism could enjoy a substantial growth. Given a favorable political climate, small labor-intensive industries would thrive.

In part due to the lack of legitimate job opportunities in the economy, the Government is traditionally beset by graft, corruption and maneuverings for power. The Haitian economy is firmly controlled by the present regime, making the investment climate uncertain and impeding social and economic development. Haiti's 90% illiteracy, the highest in the hemisphere, its 15% infant mortality rate, and its life-expectancy rate of only 33 years, compound this problem. The country's elite, the educated and generally wealthy group, has little interest in these problems.

Haiti's rate of investment in both the public and private sectors is grossly inadequate, amounting to no more than 6% of the Gross National Product (GNP) and barely sufficient to cover depreciation of existing plant. The government's revenues are insufficient for current expenditures. U.S. agencies and international agencies have been the principal sources of development financing in recent years.

Self-Help and Reform Measures

The Duvalier Government has made only limited progress towards self-help, as follows: (a) adhered to a stabilization agreement with the IMF for preventing inflation, (b) taken preliminary steps to formulate a national economic development program with the help of an Organization of American States/Industrial Development Bank/Economic Commission for Latin America (OAS/IDB/ECLA) mission; (c) taken steps to establish more effective tax collection and budget and fiscal control; (d) agreed to increase by 10% funds budgeted for rural education; and (e) simplified its tariff laws and codified existing labor laws.

Basic economic and social problems in land reform remain untouched. No deep concern for the people and little understanding of the real nature of economic and social development has been shown by the Government. The private investment climate has been worsened by government sponsored shakedowns of private business for contributions to alleged development projects.

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U.S. Assistance Strategy

The major goal of the assistance program is to prevent political collapse which would probably be followed by a Castro-Communist takeover. While pursuing this goal, the assistance program will concentrate on projects of direct economic benefit to the mass of the population and which will improve the quality of human resources. Thus, we will seek to increase agricultural production and to expand rural education to reach the 90% of the population now totally unschooled.

Every effort will be made to tie each project to specific self-help and reform measures. All of the international agencies working in Haiti, including the United Nations (UN), the International Monetary Fund (IMF), and Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD), have agreed informally to maintain a united front with AID on countering Haitian Government actions that impede performance.

In agricultural and rural education programs increasing participation at the community level will be encouraged. Continuing efforts will be exerted to induce the Government to expand its budgetary expenditures on agriculture and education.

The national development plan and the national planning agency now being prepared with the assistance of an OAS/IDB/ECLA group, should result in a more detailed formulation of Haiti's development needs. It is possible that a sound plan will afford a basis upon which the energies of the country might be mobilized.

Proposed Aid Program for FY 1963

In order to carry out programs in Haiti to achieve the objectives outlined above, both Development Grants and Supporting Assistance funds will be needed in FY 1963.

Education. A substantial program of aided self help school construction in rural areas coupled with expanded teacher training and adult literacy is under consideration.

Agriculture. An expanded program has been proposed which will include extension services, 4-H Clubs, supervised agricultural credits for small farmers and cooperatives, reforestation and soil conservation, the construction of small food-processing plants, improved breeding stock and related activities to increase and diversify agricultural production.

Malaria Eradication. This project will be carried forward throughout the entire country.

Roads. In order to facilitate the movement of crops to markets an immediate need is the completion of the arterial south road as well as the construction or improvement of a number of feeder roads.

Accomplishments and Changes

Subject to political developments which may affect the magnitude and character of our aid, we intend to concentrate upon the development of human resources through expanded programs in education and agriculture and to work more closely with rural communities. In FY 1962 steps were initiated to concentrate on these areas.

Examples of specific accomplishments of our assistance program in Haiti are:

(1) Professional training was provided in the last two years to 1400 rural school teachers.

(2) Kits of educational supplies were distributed to 445 rural schools.

(3) The rural normal school at Damien, assisted by our aid program, graduated 70 trained teachers in 1961 as compared with 22 in 1959.

(4) One million school lunches were served during the last two years.

(5) Constructed during the past two years 47 rural school classrooms and started 60 classrooms to accomodate 6300 children not now in school. These classrooms were constructed on an aided self-help basis.

(6) More than doubled membership in 4-H Clubs from about 2000 to more than 4000.

(7) Introduced hybrid corn seed potentially capable of quadrupling production of corn.

(8) Achieved self-sufficiency in rice, the major staple food item; the largest part of rice consumption requirements had previously been imported.

Country: HAITI

(9) Have assisted in the establishment of small food-processing plants including two butter processing plants, two canning plants, one cacao processing plant, two coffee washing plants, one rice mill, etc.

FINANCIAL DATA

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Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	49.9	10.7	13.3
Alliance for Progress:			
Loans (DLF prior to 1962).....	4.9	-2.8	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	13.0	2.0	2.3
Supporting Asst.(DS/SA prior to 1961)	32.0	11.5	11.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	3.5	-	-
Title III.....	5.4	1.1	0.9
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	25.0	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	3.0	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	2.9	0.4	2.2
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	1.1	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	2.6	-	- a/
Inter-American Develop. Bank	3.5	3.5	- a/
UN Tech. Assist.-CY ending in FY ...	2.6	0.2	0.2
UN Special Fund	0.3	0.3	0.7 a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	-
Export-Import Bank	13.7	-	0.1 a/
Other Government Loans	NA	-	-

a/ July-Dec. 1961.

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Country: HAITI

BASIC DATA

	Unit	HAITI	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	10.7	xxx
Population (1961)	Mil.	3.5	xxx
Annual Growth	%	1.2	2.4
Density per sq.mi.	No.	331	40
AGRICULTURAL LAND			
% of Total Area	%	31	25
Per Capita	Acres	0.6	2.5
POWER PER CAPITA	KWH/Yr	19	80
EDUCATION			
Literacy Rate	%	10	35
Pupils as % of Pop. (Prim. & Sec.)	%	6	9
Pupils per Teacher (Prim. only)	No.	51	38
HEALTH			
Life Expectancy	Yrs.	33	40
People per Doctor	No.	11,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	265	250	270
Per Capita GNP	Dollars	77	71	76
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	109	98	116
Index Per Capita	"	102	90	105
Rice, rough	1,000 MT	41	42	43
BAUXITE PRODUCTION	"	259	272	260
COST OF LIVING INDEX (Port-au-Prince)	1953=100	107	101	104
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	28	33	30
Coffee	"	15	17	12
Total Imports (c.i.f.)	"	30	36	32
Trade Balance	"	-2	-3	-2
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	16	18	18
Imports from U.S. (f.o.b.)	"	24	25	25
Trade Balance	"	-8	-7	-7
GOLD & FOREIGN EXCHANGE *(end of year)*	"	3.9	5.3	3.9 (Oct)

CENTRAL GOVERNMENT FINANCES* [a] FY ending Sept. 30	*- Million Dollar Equivalents -* 1960	1961 (Bud) [b]	1962 (Bud)
Total Expenditures	34.0	37.1	41.4
(Defense Expenditures)	(7.2)	(6.9)	(7.0)
(Capital Outlays)	(7.2)	(6.9)	(6.2)
Domestic Revenues[a]	30.6	27.3	33.3
Budget Receipts from Non-U.S. Foreign Aid	0.8	0.2	0.3
Budget Receipts from U.S. Aid (Grants & Loans)	4.1	12.3	6.6
Remaining Deficit (-) or Surplus (+)	+1.5	+2.7	-1.2

* - Converted at 5 Gourdes per U.S.$.
a - Does not include revenue from the "Regie du Tabac" which is not available.
b - Revised.

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Honduras

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Honduras is a mountainous country located in the middle of the Central American peninsula. It has a population of about 2,000,000 and is approximately 43,200 square miles in area, about the size of Tennessee.

The United States is interested in supporting Honduras' efforts to maintain its constitutional government, provide an orderly transfer of political power in the elections of 1963, and in helping it achieve its expressed dedication to the goals of the Alliance for Progress.

Significant statistics, with comparisons to the United States, tell part of the story:

	Honduras	United States
Per Capita GNP	$199	$2,800
Calories per day per capita	2,190	3,220
Infant mortality (deaths prior to age one per 1,000 live births)	58	26
Life expectancy	NA	70 yrs.
Literacy	35 %	98 %
Rate of population growth	3.3 %	1.7 %
Cost of living index (1953=100)	114	112

Political instability was chronic in Honduras until the election in November, 1957 of liberal President Villeda. Reversing previous traditions, his government has permitted free speech and a free press and has abolished political imprisonment and exile. Villeda has committed himself to the goals of the Alliance and has made some progress despite the unstable political situation (for example, a bloody revolt in the capital in July 1959 by the National Police cost over 100 lives).

The political stability necessary for reform in Honduras is also constantly threatened by the bitter division between the two major parties, the conservative Nationalist Party, which controlled the country before 1957, and Villeda's Liberal Party. Honduras will face a presidential election in October 1963, which will severely test whether power can be transferred peacefully so that Honduras can continue with its reforms and democratic government.

The economy of Honduras is virtually stagnant, with the growth of the Gross National Product (GNP) barely keeping pace with the increase of population. Housing is primitive, with only one-tenth of the population having water or sanitary facilities in their dwellings. With a population only 35% literate, less than half of the children receive more than one year's schooling. Agriculture accounts for 40% of GNP, while 80% of the population lives on farms, 40% of the rural population is landless.

At least 13,000 people have been thrown out of work as a result of a decline of the banana industry; however, as a result of strict credit controls, some diversification of exports (bananas represented 70% of total exports in 1950 but only 45% in 1960) and a $7.5 million drawing from the International Monetary Fund (IMF), Honduras' reserves have recovered from a low of $8 million at the end of 1958 to $12.3 million at the end of 1961.

Self-Help and Reform Measures

The National Economic Planning Council, which was established in 1955, has become effective within the last 18 months. Following the Act of Bogota and the Punta del Este Charter, a national four-year development plan was prepared which the Government plans shortly to submit to the Organization of American States (OAS). It is recognized that considerable improvement of the plan will be necessary before it will meet the standards of the Charter.

In 1962, the Government plans to increase the amount budgeted for education by 7% over 1961, an increase of $500,000.

In November 1961, a law was adopted which prohibits sub-leasing of government-owned lands; a practice that had led to exorbitant profits by middlemen at the expense of the campesinos.

At the beginning of 1962, incompetent and pro-Communist appointees to high posts in the Ministry of Education, the National Housing Institute and the National Development Bank were replaced by competent professionals.

Congress passed a law on April 26, 1961, creating the National Autonomous Water and Sewerage Authority (SANAA), with a 1962 budget of $200,000 to administer the installation of 56 new rural water supply facilities.

An important step was taken in January of this year, when the National Police Organization was reorganized to improve administration and to eliminate corrupt and incompetent personnel.

Honduras is a mountainous country located in the middle of the Central American peninsula. It has a population of about 2 million and is approximately 43,200 square miles in area, about the size of Tennessee.

The United States is interested in supporting Honduras' efforts to maintain its constitutional government and provide an orderly transfer of political power in the elections of 1963, and in helping it achieve its expressed dedication to the goals of the Alliance for Progress.

Country Background

Political and Economic Situation. Political instability was chronic in Honduras until the election in November 1957 of liberal President Villeda. Reversing previous traditions, his government has permitted free speech and a free press and has abolished political imprisonment and exile. Villeda has committed himself to the goals of the Alliance and has made some progress despite the unstable political situation (for example, a bloody revolt in the capital in July 1959 by the National Police cost over 100 lives). The political stability necessary for reform in Honduras is also constantly threatened by the bitter division between the two major parties, the conservative Nationalist Party, which controlled the country before 1957, and Villeda's Liberal Party. Honduras will face a presidential election in October, 1963, which will severely test whether power can be transferred peacefully so that Honduras can continue with its reforms and democratic government.

Although the Communist Party is small and not well organized, Communists control the second largest newspaper and may regain control of the student federation of the National University in elections to be held in July 1962.

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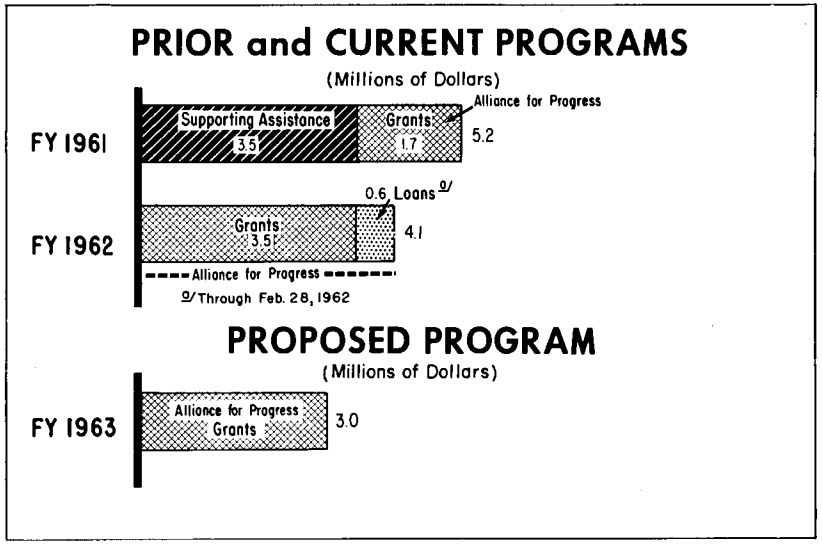

and a $7.5 million drawing from the IMF, Honduras' reserves have recovered from a low of $8 million at the end of 1958 to $12.3 million at the end of 1961.

There is sufficient unused land in Honduras to permit food production to expand greatly. In addition, there are large, unexploited forest resources and unexplored mineral resources. However, rural credit on reasonable terms is scarce, and basic communication facilities and sources of power needed to exploit these unused resources are among the least adequate in Latin America. A small and inefficiently operated railroad network serves only the banana-growing areas of the north coast. Road mileage is the lowest in Central America in relation to area. The sparsely populated eastern half of the country is almost inaccessible except by air, and the lack of efficient surface communication divides the western half of the country into two largely independent economies.

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An important step was taken in January of this year, when the National Police Organization was reorganized to improve administration and to eliminate corrupt and incompetent personnel.

U.S. Assistance Strategy

The United States proposes to encourage and assist the Government of Honduras (GOH) to improve and complete a four-year development plan to serve to expedite the social and economic development of the country.

Pending the completion and approval of the long-term plan, U.S. assistance will be concentrated upon sound projects to improve agricultural production and transport, e.g., feeder roads, supervised agricultural credit, land settlement.

The United States also proposes to encourage and support Honduran participation in the Central American integration movement which should improve the conditions for development of industries.

The United States will at the same time encourage programs, self-help and reform measures designed to improve institutional and human resources, e.g., tax reform, public administration and education.

Proposed AID Program for FY 1963

To supplement the expanded Honduran effort in primary and secondary education a program of $900,000 is proposed to continue aid for rehabilitation and expansion of the rural normal schools, assisting the teacher training project and increasing vocational training facilities. (A grant of $500,000 was made in FY 1962 to cover construction costs over a two-year period.)

In the field of agriculture it is proposed to strengthen the extension service, particularly with respect to the production of livestock, and to improve storage and marketing facilities. This program will require $550,000 in 1963.

In the field of public administration it is proposed to concentrate activities on tax collection and administration and on the Planning Agency. This program will require $270,000.

An additional $686,000 is required for terminating projects in public health and assistance to the Engineering Construction Unit.

By providing technical assistance in the industrial field it is proposed to improve productivity and techniques in 130 industrial establishments and in cottage industries and to conduct feasibility studies for 20 new industrial establishments. This program will require $221,000 in 1963.

As the Planning Agency (National Economic Council) develops project proposals which would have a substantial impact upon large groups of people and which are in the priority fields indicated above, consideration will be given to loan support of such projects.

Accomplishments and Changes

The Government of Honduras has become aware of the key role of an economic Planning Agency in a development program, and has increased its dependence on its National Economic Council. This Council has produced the first long-range development plan for any Central American country, and is now engaged in refining the plan for submission to the OAS experts.

The National Development Bank is being reorganized and redirected to be an effective source of credit for the small farmer, who had not previously been able to secure credit.

Honduras is preparing to receive a team of Peace Corps volunteers to assist in the Rural Health Program of the Ministry of Health.

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[redacted] Country: HONDURAS

A pilot project in Aided Self-help School Construction has largely completed projects in 23 communities, and has trained key personnel so that it was possible to expand this program substantially in FY 1962 with a grant of $600,000 and a loan of an equal amount covering a two-year period.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	27.5	5.2	4.1
Alliance for Progress:			
Loans (DLF prior to 1962).....	7.8	-	.6
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	12.3	1.7	3.5
Supporting Asst.(DS/SA prior to 1961)	7.4	3.5	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	0.2	-	-
Title III.....	2.7	0.3	0.3
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	3.5	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	6.4	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	1.2	0.1	1.1
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	20.0	-	- a/
International Develop. Assoc.....	9.0	9.0	- a/
Inter-American Develop. Bank.....	2.4	2.4	1.3
UN Tech. Assist.-CY ending in FY....	1.4	0.2	0.2a/
UN Special Fund	0.4	0.4	- a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	0.1
Export-Import Bank	0.8	0.2	0.4a/
Other Government Loans	NA	-	-

a/ July-December 1961

[redacted]

Country: HONDURAS

BASIC DATA

	Unit	HONDURAS	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	43.2	xxx
Population (1961)	Mil.	2.0	xxx
Annual Growth	%	3.3	2.4
Density per sq.mi.	No.	47	40
AGRICULTURAL LAND			
% of Total Area	%	25	25
Per Capita	Acres	4	2.5
POWER PER CAPITA	KWH/Yr	54	80
EDUCATION			
Literacy Rate	%	35	35
Pupils as % of Pop. (Prim. & Sec.)	%	8	9
Pupils per Teacher (Prim. only)	No.	29	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	4,800	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	366	384	400
Per Capita GNP	Dollars	194	197	199
Investment as Percent of GNP	Percent	13	14	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	124	125	134
Index Per Capita	"	102	100	104
Corn	1,000 MT	267	292	265
ELECTRIC POWER PRODUCTION	Mill. KWH	90	105	n.a.
COST OF LIVING INDEX (Tegucigalpa)	1953=100	112	110	114
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	69	64	68
Bananas	"	32	29	36
Total Imports (c.i.f.)	"	71	72	69
Trade Balance	"	-2	-8	-1
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	25	34	33
Imports from U.S. (f.o.b.)	"	32	34	36
Trade Balance	"	-7	0	-3
GOLD & FOREIGN EXCHANGE *(end of year)*	"	13.8	15.2	14.7 (Nov)

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*- Million Dollar Equivalents -* 1959	1960	1961 (Bud)
Total Expenditures	40.3	40.7	43.0
(Defense Expenditures)	(5.5)	(3.8)	(4.0)
(Capital Outlays)	(5.8)	(6.7)	(10.0)
Domestic Revenues	33.6	35.5	37.0
Budget Receipts from Non-U.S. Foreign Aid	1.9	1.9	0.6
Budget Receipts from U.S. Aid (Grants & Loans)	3.1	3.2	4.4
Remaining Deficit (-) or Surplus (+)	-1.7	-0.1	-1.0

* - Converted at 2 Lempiras per U.S. $.

Mexico

Mexico

THE ALLIANCE FOR PROGRESS IN MEXICO

Mexico, a country of 760,000 square miles with a population of 35 million, is our closest neighbor to the South and second most populous nation in Latin America. Mexico's political and economic attitudes have been strongly influenced by this proximity, and by the sometimes violent history of U.S.-Mexican relations, which have heightened Mexico's desire to maintain full political and economic sovereignty as well as cultural identity.

Significant statistics, with comparisons to the United States, are as follows:

	Mexico	United States
Per Capita GNP	$314	$2,800
Calories Per Day Per Capita	2,725	3,220
Infant Mortality (deaths prior to age 1 per 1,000 live births)	81	26
Life Expectancy (years)	60	70
Literacy	56 %	98 %
Rate of Population Growth	3.1 %	1.7 %
Cost of Living Index (1953=100)	166	112

Mexico's internal political structure is largely shaped by the pervasive influence of the Revolution of 1910 which destroyed the power of the traditional ruling groups and profoundly altered the structure of Mexican society.

More than 30 years ago, Mexico began to carry out a sweeping redistribution of agricultural land, a program which contributed decisively to Mexico's almost unique political stability. In the past few years, however, the rural areas of Mexico again became a focus of social and political unrest.

Last fall, peasant demonstrations in Baja California, Vera Cruz, Puebla and other states included armed assaults on rural guard stations and police. More recently, some 7,000 peasants from the northeastern states sought to march on the capital. Although the march was dispersed before it reached Mexico City, it sharpened the government's already grave concern about the country's rural problems. The population explosion, dependence on marginal land, inadequate credit facilities, lack of irrigation, and the absence of an adequate extension service have contributed to grinding poverty in these areas which is being exploited in a number of cases by Communist agitators.

The rising social pressures in Mexico have been accompanied by an increasing polarization of political sentiment. This polarization has been reflected in strife within the ruling Partido Revolucionario Institucional (PRI) which has controlled the country since 1929. Originally a kind of coalition, designed to pacify the country in the transition from the revolutionary period, the PRI embraces all shades of opinion.

Since the Castro revolution in Cuba, the PRI's extreme left wing, headed by pro-Communist ex-President Lazaro Cardenas, has enjoyed a resurgence of popularity. Cardenas has intimated that he would attempt to break up the PRI in order to form a party of his own. He is supported by the numerically small but active communist-line parties -- the Popular Socialist Party and the Communist Party of Mexico. The influence of Castroism is one of the major factors in the unsettled political situation. Simultaneously, the right wing and the Catholic Church have undergone a revival, and President Lopez Mateos has been forced to adopt equivocal positions on many issues in order to prevent the disintegration of the PRI, and in many cases in order to placate the extreme left. This reaction to these pressures has created a lack of confidence in the policies of the Government.

As a result, Mexico last year suffered a flight of capital and consequent balance-of-payment crisis which began to right itself in the last months of 1961.

Although Mexico has experienced rapid economic growth since the 1930's, particularly in the industrial sector, the rate of increase in the Gross National Product (GNP) has remained relatively constant in the past few years. In 1961 the growth in GNP was an estimated 4.5% compared to a population growth of 3%. The per capita GNP is about $310, only average for Latin America despite Mexico's relatively high rate of economic growth in the past 20 years. Less than 60% of the population is literate and only about half the country's school-age children received formal education in 1961. Life expectancy is only 38 years, one of the lowest rates in Latin America.

Self-Help and Social Reform

In the past three years about 17 million acres of land were distributed to some 4 million peasants. However, much of this land is unproductive and some is actually unirrigated desert.

In 1960, the Government initiated plans to open up new areas of unused land in currently inaccessible areas in the south through a colonization program that will include roads, housing, irrigation, supervised credit, and other necessities.

In 1960, over-all budgetary receipts increased by 34% or about 3 billion pesos over 1958 receipts; the increases resulted mainly from greater economic activity and improved collection procedures.

In 1961 the income tax laws were revised and made more progressive. Increased revenues are anticipated of about 6% from the income tax, or 250 million pesos annually. Income taxes now yield about one-third of total national government revenues.

In 1961 a National Planning Staff was created in the office of the President. It will first develop priorities and coordinate sector plans completed or in preparation by the various ministries.

Expenditures on education now amount to 21% of the total budget as compared to 5% for the military.

[redacted]

Mexico, a country of 760,000 square miles with a population of 35 million, is our closest neighbor to the south. Mexico's political and economic attitudes have been influenced strongly by this proximity and by the sometimes violent history of U.S.-Mexican relations which have heightened Mexico's desire to maintain full political and economic sovereignty as well as its cultural identity. Although basically strongly oriented toward the West and its values, Mexico has traditionally maintained an "independent" policy.

Country Background

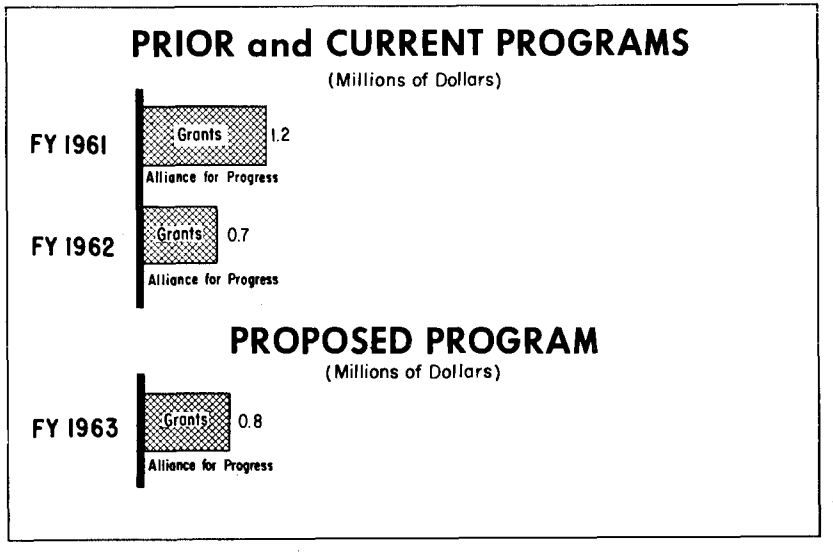
Mexico's internal political structure is largely shaped by the pervasive influence of the Revolution of 1910 which destroyed the power of the traditional ruling groups and profoundly altered the structure of Mexican society.

More than 30 years ago, Mexico began to carry out a sweeping redistribution of agricultural land, a program which contributed decisively to Mexico's almost unique political stability. In the past few years, however, the rural areas of Mexico again became a focus of social and political unrest.

Last fall, peasant demonstrations in Baja California, Vera Cruz, Puebla, and other states included armed assaults on rural guard stations and police. More recently, some 7,000 peasants from the northeastern states sought to march on the capital. Although the march was dispersed before it reached Mexico City, it sharpened the government's already grave concern about the country's rural problems. The population explosion, dependence on marginal land, inadequate credit facilities, lack of irrigation, and the absence of an adequate extension service have contributed to grinding poverty in these areas which is being exploited in a number of cases by Communist agitators.

The rising social pressures in Mexico have been accompanied by an increasing polarization of political sentiment. This polarization has been reflected in strife within the ruling PRI which has controlled the country since 1929. Originally a kind of coalition, designed to pacify the country in the transition from the revolutionary period, the PRI embraces all shades of opinion.

Since the Castro revolution in Cuba, the PRI's extreme left wing, headed by pro-Communist ex-President Lazaro Cardenas, has enjoyed a resurgence of popularity. Cardenas has intimated that he would attempt to break up the PRI in order to form a party of his own. He is supported by the numerically small but active communist-line parties -- the Popular Socialist Party and the Communist Party of



Mexico. This influence of Castroism is one of the major factors in the unsettled political situation. Simultaneously, the right wing and the Catholic Church have undergone a revival, and President Lopez Mateos has been forced to adopt equivocal positions on many issues in order to prevent the disintegration of the PRI, and in many cases in order to placate the extreme left. This reaction to these pressures has created a lack of confidence in the policies of the Government. As a result, Mexico last year suffered a flight of capital and consequent balance-of-payments crisis which began to right itself in the last months of 1961.

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[redacted]

Self-Help Measures

Mexico's rate of domestic investment, averaging 15 to 16% of GNP, has been one of the highest in Latin America and has served to finance over 90% of the country's development costs.

In the past three years about 17 million acres of land were distributed to some 4 million peasants. However, much of this land is unproductive and some is actually unirrigated desert.

In 1960, the Government initiated plans to open up new areas of unused land in currently inaccessible areas in the south through a colonization program that will include roads, housing, irrigation, supervised credit, and other necessities.

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In 1961 the income tax laws were revised and made more progressive. Increased revenues are anticipated of about 6% from the income tax, or 250 million pesos annually. Income taxes now yield about one-third of total national government revenues.

In 1961 a National Planning Staff was created in the office of the President. It will first develop priorities and coordinate sector plans completed or in preparation in the various ministries.

Expenditures on education now amount to 21% of the total budget as compared to 5% for the military.

U.S. Assistance Strategy

The principal roadblock to rapid economic development in Mexico--development that can lead in a relatively short period of time to self-sustained growth -- is low agricultural productivity and income. In addition, the poverty of the rural areas is a principal focus of political unrest and is a seedbed of Castroism. Thus our strategy is to concentrate United States aid on agricultural development, including resettlement, irrigation, credit, etc. At the same time we will seek the completion of integrated plans for agricultural development and decentralization of industry as well as the rapid implementation of Mexican land distribution programs.

Proposed AID Program for FY 1963

Our Ambassador to Mexico is now discussing a series of agricultural development projects which the Mexicans are preparing for submission to the United States. These discussions are designed to bring the applications into conformity with U.S. aid criteria and technical requirements. The programs include agricultural credit, irrigation and land resettlement. The magnitude of these requests for loan assistance from the U.S. Government is expected to be between $20 and $60 million.

In addition we are proposing a grant program in the fields of industrial productivity and public administration in the amount of some $800,000.

Accomplishments and Changes

We are drastically shifting our program from a small technical assistance effort to a major development lending program concentrating on agricultural productivity.

Assistance in vocational rehabilitation techniques was so successful that it will be converted to an area-wide project which will service requests from other countries for technical assistance. The Mexican rehabilitation center which we have assisted has rehabilitated over 1,500 disabled persons. About a third of these individuals have been given a full course of vocational training, equipping them to perform intricate assembly-line tasks.

Country: MEXICO

BASIC DATA

	Unit	MEXICO	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	760	xxx
Population (1961)	Mil.	35.7	xxx
Annual Growth	%	3.1	2.4
Density per sq.mi.	No.	47	40
AGRICULTURAL LAND			
% of Total Area	%	44	25
Per Capita	Acres	6	2.5
POWER PER CAPITA	KWH/Yr	310	80
EDUCATION			
Literacy Rate	%	56	35
Pupils as % of Pop. (Prim. & Sec.)	%	13	9
Pupils per Teacher (Prim. only)	No.	42	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	2,048	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	10,150	10,750	11,235
Per Capita GNP	Dollars	305	310	314
Investment as Percent of GNP	Percent	17	17	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	144	148	154
Index Per Capita	"	121	120	121
Corn	1,000 MT	5,570	5,207	5,580
INDUSTRIAL PRODUCTION INDEX	1953=100	158	171	n.a.
COST OF LIVING INDEX (Mexico City)	1953=100	154	162	166
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	750	765	800
Cotton	"	199	158	175
Total Imports (c.i.f.)	"	1,007	1,186	1,150
Trade Balance	"	-257	-421	-350
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	435	443	534
Imports from U.S. (f.o.b.)	"	744	811	803
Trade Balance	"	-309	-368	-269
GOLD & FOREIGN EXCHANGE *(end of year)* (Central Bank only)	"	413	393	348 (Sep)

CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31	*- Million Dollar Equivalents -* 1959	1960
Total Expenditures	828	1,020
(Defense Expenditures)	(77)	(87)
(Capital Outlays)	(287)	(286)
Domestic Revenues	767	977
Budget Receipts from Non-U.S. Foreign Aid	n.a.	n.a.
Budget Receipts from U.S. Aid (Grants & Loans)	--	8
Remaining Deficit (-) or Surplus (+)	-61	-35

* - Converted at 12.5 Pesos per U.S. $.
a - Semi-Autonomous agencies included only on a net basis.

FINANCIAL DATA

Country: MEXICO

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	7.9	1.2	0.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	7.9	1.2	0.7
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	17.7	-	-
(Sales Agreements).....	(25.2)	-	-
Title II.....	0.2	-	-
Title III.....	7.6	3.2	9.4
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	491.3	27.8	90.0 a/
OTHER U.S. ECONOMIC PROGRAMS.....	99.6	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.4	0.3	0.4
M.A.P. - Credit Assistance.....	5.4	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	226.3	40.0	- a/
International Finance Corp.	1.4	0.3	- a/
Inter-American Develop. Bank	-	-	16.0 a/
UN Tech. Assist.-CY ending in FY	3.5	0.5	0.4
UN Special Fund	1.2	0.8	0.9 a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	0.1	0.1	0.6
Export-Import Bank	244.0	24.6	26.8 a/
Other Government Loans	NA	-	-

a/ July-Dec. 1961.

[redacted]

Nicaragua

Nicaragua

Nicaragua, the largest of the Central American republics, is about the size of Michigan with a population of approximately 1,500,000.

The following significant statistics, with comparisons to the United States, tell part of the story:

	Nicaragua	United States
Per capita GNP	$209	$2,800
Calories per day per capita	1,985	3,220
Infant mortality (deaths prior to age one per 1,000 live births) (1959)	64	26
Life expectancy	50	70 yrs.
Literacy	40 %	98 %
Rate of population growth	3.7 %	1.7 %
Cost of living index (1953=100)	116	112

The elected president, Luis Somoza, is a member of the family which has ruled Nicaragua with an iron hand for the past 30 years. However, since the assassination of his father, President Somoza has allowed progressively greater democratic conditions, and there is now a relatively free press and many political exiles have been permitted to return. The most pressing problem now facing the country is whether or not a successful transition from a traditional Latin American dictatorship to a more representative government can be achieved. The administration is committed to free elections in February 1963, and is allowing considerable freedom to campaign to all except Communists. Members of the Somoza family are constitutionally excluded from being candidates in the 1963 elections. Thirty years of dictatorship have divided the country deeply. The intransigent attitude of this conservative opposition is illustrated by the frequent border incursions which have attempted to overthrow the present somewhat more moderate regime. As recently as April, 1961, a major armed invasion occurred.

The economy of the country is characterized by a vast disparity in the distribution of wealth. About 5% of the population owns almost half of the available land in a country whose major source of income is agriculture. Outside of the six main cities, the rural population has no potable water supplies. About 15% of the entire population has active tuberculosis. Approximately 80% of the population has intestinal parasitic infection. Eighty-five percent of Nicaraguans do not have even minimal sanitation facilities. The first general hospital in Nicaragua was not opened until December, 1961.

The most recent and accurate educational survey indicates that about 60% of the Nicaraguan people are illiterate. Sixty percent of school age children are unable to attend school. Only 7% of the school children reach the fourth grade.

Nicaragua is primarily agricultural, the main crops being coffee and cotton. Industrial pursuits represent only 20% of Gross National Product (GNP), but a slow continual rise is indicated. Efforts made by the Government of Nicaragua (GON) to diversify its agricultural production have lessened a downward trend in agricultural income which became evident during the late 1950's. Limited resources and debt servicing on substantial amounts in foreign loans, however, have permitted little more than maintenance of the status quo.

Nicaragua, the largest of the Central American republics, is about the size of Michigan with a population of approximately 1,500,000. The underdeveloped character of the country is evidenced by a per capita GNP of about $209.

Country Background

Confusion in planning and lack of clear goals have been recognized by the GON as major impediments to development. While a National Planning Office was created in 1961, effective national development planning has not been realized in the short time the office has been in operation. As a result, the highest priorities for use of Nicaragua's limited resources are not identified and development programs which are initiated are unbalanced or deficient. Not only is it important that effective planning be done, but Nicaragua's membership in the Central American Common Market also necessitates long-range development and economic planning.

The average life expectancy in Nicaragua is 50 years, and the infant mortality rate is 64 per thousand live births. In December of 1961, Nicaragua's first general hospital was opened; it brought the total national hospital facilities to 3,000 beds. But there still is only one hospital bed per 520 people.

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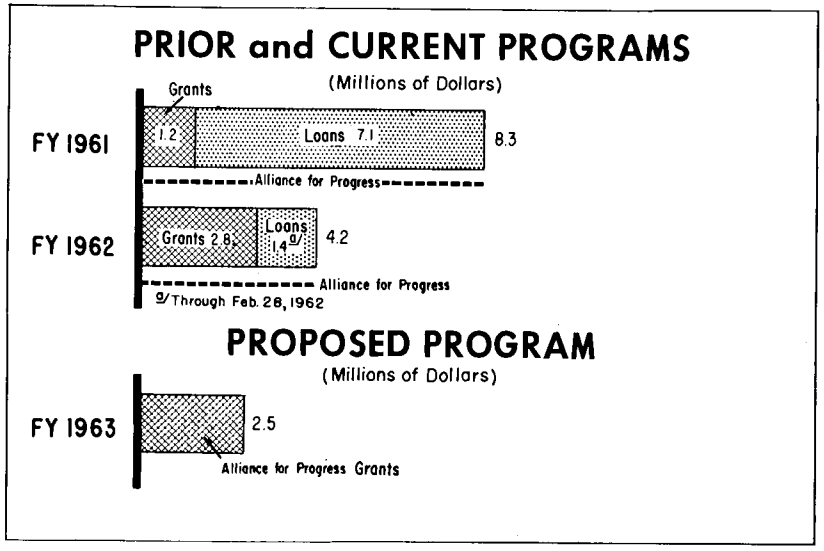
Self-Help Measures

Nicaraguan Government recognition that its development plans must be better administered and its many economic and social imbalances corrected was evidenced by its establishment of the National Planning Office in July of 1961 with ministry status.

In September, 1961 after extensive preparation and consultation with many political factions in Nicaragua, an agrarian reform law was submitted to the Congress. Because of this preparation, the administration expects it will be passed this year. Under the law an agrarian institute would be established, and a sliding scale of land taxes would be imposed -- the highest rate being on unused land. As agricultural land has been untaxed to date, the



law is expected to result in increased revenues of approximately $1 million in the first year and more thereafter.

U.S. Assistance Strategy

The Alliance for Progress will concentrate in the near future upon assisting those projects and programs which will provide the greatest benefits directly to the Nicaraguan people. The U.S. assistance efforts will be mainly focused upon the critical fields of education, health, agriculture, and housing. Thus the assistance program in the short run will not only assist in the development of the basic facilities and services needed by the mass of people, but also will be identified with the common people. In addition, during the near future, the Alliance for Progress will continue to provide technical assistance to assist in the preparation of the national development plan and other planning in fields which will provide a basis for development activities having a direct impact upon the people.

If the Nicaraguan Government moves forward in the fields of social progress and self-help actions called for in the Act of Bogota and the Charter of Punta del Este, we will be prepared to commit additional amounts of development assistance in the

critical field of social development. The United States will particularly encourage Nicaraguan efforts in the fields where progress is urgently needed -- agricultural and tax reform, education, public health, and regional integration -- but will take into account the fact that the successful transition from authoritarian regime to a democratically based government is of paramount importance in the near future. Alliance for Progress assistance will also encourage Nicaraguan efforts to obtain external assistance from private and other public services.

The international institutions which provide planning assistance to the National Planning Office are to do so on a coordinated basis as they will for all Central American countries. It is the U.S. intention to give immediate assistance in census and cadastral work because they are recognized as the basic tools for all future planning in Nicaragua. Encouragement and assistance will be given by the United States to those sectors in the national plan which are particularly weak. For example, assistance in capital formation techniques such as mutual funds and cooperatives is planned for the low income sector.

Proposed AID Program for FY 1963

As steps toward the goals of U.S. aid contained in the preceding section, the following should be carried out in FY 1963 in Nicaragua:

Development Grants

(1) In support of over-all and sector planning activities including tax and administrative reform, and a manpower survey.

(2) To assist in the implementation of the 10-year education plan.

(3) To continue the malaria eradication program.

(4) To start an aided self-help rural water supply program.

(5) To start a health center and latrine program.

(6) To finish the Rio Coco emergency health program.

(7) To support the Nicaraguan industrial productivity organization.

Development Loans. A Development Loan request of $3.5 million for extension of the Managua airport to accommodate jet aircraft will be considered in FY 1963. The GON is presently completing the necessary engineering studies.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	18.3	8.3	4.2
Alliance for Progress:			
Loans (DLF prior to 1962).....	10.2	7.1	1.4
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	7.7	1.2	2.8
Supporting Asst.(DS/SA prior to 1961)	0.4	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	(-)	(-)	(-)
Title II.....	-	-	-
Title III.....	0.2	0.2	0.4
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	13.1	2.0	a/
OTHER U.S. ECONOMIC PROGRAMS.....	20.7	1.4	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	2.1	0.6	1.7
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	35.5	-	a/
Inter-American Develop. Bank	2.0	2.0	0.4a/
UN Tech. Assist.-CY ending in FY	1.3	0.2	0.2
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENT.....	-	-	-
MSP & P.L. 480 Loans	*	*	0.1
Export-Import Bank	5.1	0.1	0.2a/
Other Government Loans.....	-	-	-

a/ July-December 1961

* Less than $50,000

Country: [redacted]

BASIC DATA

	Unit	NICARAGUA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	57	xxx
Population (1961)	Mil.	1.5	xxx
Annual Growth	%	3.7	2.4
Density per sq.mi.	No.	27	40
AGRICULTURAL LAND			
% of Total Area	%	10	25
Per Capita	Acres	3	2.5
POWER PER CAPITA	KWH/Yr	125	80
EDUCATION			
Literacy Rate	%	40	35
Pupils as % of Pop. (Prim. & Sec.)	%	9	9
Pupils per Teacher (Prim. only)	No.	26	38
HEALTH			
Life Expectancy	Yrs.	50	40
People per Doctor	No.	2,815	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	294	310	320
Per Capita GNP	Dollars	206	210	209
Investment as Percent of GNP	Percent	6	5	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	109	127	141
Index Per Capita	"	89	100	108
Corn	1,000 MT	97	113	115
ELECTRIC POWER PRODUCTION	Mill. KWH	166	185	n.a.
COST OF LIVING INDEX (Managua)	1953=100	116	114	116
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	65	56	64
Cotton	"	29	15	20
Total Imports (c.i.f.)	"	67	72	72
Trade Balance	"	-2	-16	-8
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	15	21	26
Imports from U.S. (f.o.b.)	"	28	30	32
Trade Balance	"	-13	-9	-6
GOLD & FOREIGN EXCHANGE *(end of year)*	"	9.9	9.9	16.3 (Nov)

CENTRAL GOVERNMENT FINANCES* FY ending June 30	*- Million Dollar Equivalents -* 1959	1961(Bud)	1962(Bud)
Total Expenditures	40.9	36.3	39.6
(Defense Expenditures)	(8.6)	(7.1)	(7.1)
(Capital Outlays)	(11.2)	(3.8)	(5.7)
Domestic Revenues	33.6	35.0	36.6
Budget Receipts from Non-U.S. Foreign Aid	--	-1.1	-0.9
Budget Receipts from U.S. Aid (Grants & Loans)	2.2	3.1	4.7
Remaining Deficit (-) or Surplus (+)	-5.1	+0.7	+0.8

* - Converted at 7 Cordobas per U.S. $.

[redacted]

Panama

Panama

Panama is an isthmus connecting the continents of North and South America, with a population of 1.1 million and an area of 29,100 square miles, slightly smaller than the State of South Carolina.

Significant statistics, with comparisons to the United States, tell part of the story:

	Panama	United States
Per capita GNP	$ 410	$2,800
Calories per day per capita	2,370	3,220
Infant mortality (deaths prior to age one per 1,000 live births) (1958)	57	26
Life expectancy	62 yrs.	70 yrs.
Literacy	70%	98%
Rate of population growth	3.0%	1.7%
Cost of living index (1953=100)	99	112

The Panama Canal is the basis for the unique relationship between Panama and the United States and is the dominant feature of the political and economic life of Panama. Since 1904, Panama's basic political objective has been to erode U.S. treaty rights in order to extend its jurisdiction over the Canal Zone. In the economic sphere, its major purpose has been to seek additional benefits, either directly from operating receipts of the Canal or indirectly through greater income earned by Panamanians working in or doing business with the Canal Zone.

The over-riding interest of the United States in Panama relates to the operation and defense of the Canal and to the development of a favorable climate for re-negotiation of Canal Treaty rights, should this be undertaken. The objective of the United States in Panama is to promote the strengthening of democratic institutions and friendly relations through the support of economic and social development programs.

The Chiari Government took office in October 1960, supported by about 40% of the electorate. It has depended upon the support of a rather loose political coalition. Chiari appears to be counting heavily on U.S. concessions in hoped-for treaty negotiations concerning the Canal. He hopes such concessions will bolster his own political position and will also provide additional revenues needed to finance Panama's contribution to the Alliance for Progress.

Economic growth in Panama has been good in recent years. Its Gross National Product (GNP) has risen at an average rate of 5.4% annually since 1951, or at an annual increment of 2.6% on a per capita basis. Such growth has been due largely to private investment, income from the Canal Zone, and expanding tourist trade. The average per capita GNP is $410.

Growth has, however, been uneven. Two-thirds of the population, including most of the farmers, have benefited very little. Fifty-five percent of the workers in Panama are in agriculture and receive but 25% of the national income. The average per capita income of the rural population is about $80 per year. Thirty percent of the population is illiterate, and 30% of the children of school age do not have facilities for schooling. Infant mortality is 57 per 1,000 live births. Average life expectancy is 62 years. There is only one modern hospital in the country. Two-thirds of the population live in substandard housing.

Self-Help Measures

In October 1960, the government established an Agricultural Credit Bank. In December 1960, the Panamanian Government raised income tax rates to bring in additional annual revenue of $4-$5 million. In late 1960 a national planning office was established under the Presidency, and in May 1961 a five-year investment program based on sectoral planning was completed. An Investment Guaranty Agreement with the United States was ratified in January 1962, and is expected to further improve the already favorable climate for foreign private investment.

Panama is an isthmus connecting the continents of North and South America, with a population of 1.1 million and an area 29,100 square miles, slightly smaller than the State of South Carolina.

Country Background

Political and Economic Situation. The present Government lacks broad majority support, and President Chiari draws his support from a number of loosely joined political forces. His administration publicly endorses the Alliance for Progress and can be expected to provide the country with political stability, if progress can be demonstrated with its five-year economic development program.

Although there is an abundance of good agricultural lands, Panama is not self-sufficient in the production of foodstuffs. If properly used, the land and human resources potential exist to increase the production of basic food crops and meet its domestic requirements by 1967.

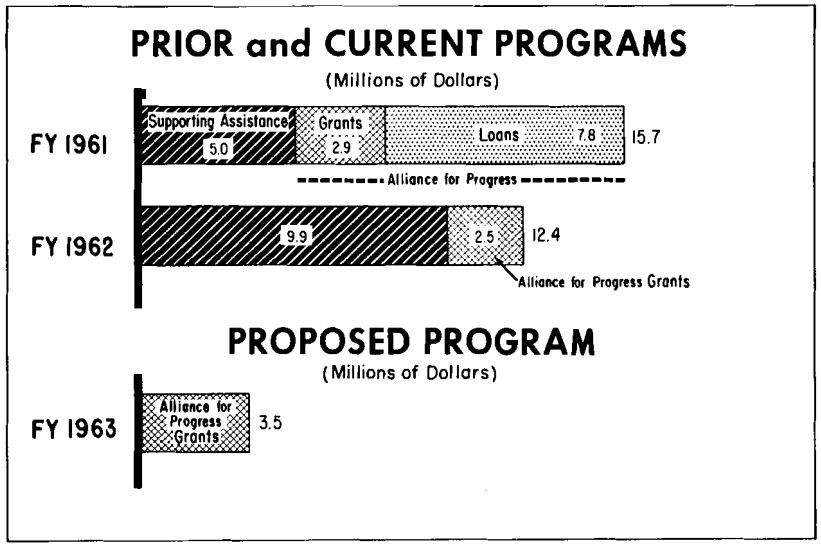
It is estimated that 30% of the school-age children of Panama do not attend school, primarily because of lack of facilities. Panama has a university, but it does not produce qualified graduates needed in such fields as agriculture and public administration.

The present caliber of personnel in the public service is poor. Without a comprehensive merit personnel system, payoffs, graft and political aggrandizement frequently determine government actions.

Of the 353,000 people in Panama City, one-fourth live in slums. Approximately 23,000 live as squatters with only the most primitive sanitation facilities.

Self-Help and Social Reform.

The principal self-help steps taken by Panama thus far are in the areas of taxation and planning. In December 1960 income tax rates were raised. This will increase revenues from $4 to $5 million in each of the years 1961 and 1962. In May 1961, the new Bureau of Planning and Administration, established in the President's office, developed a five-year sectoral investment plan which emphasizes agrarian reform, public health, housing, road and school construction, and electrification. A comprehensive long-range country plan has not been produced yet.



U.S. Assistance Strategy

The Agency for International Development (AID) strategy emphasizes encouragement of the preparation of an over-all long-range development plan, with adequate priorities, to serve as a guide for investment. Such a plan should give priority to the development of the interior provinces and to the lessening of Panama's dependence on income generated by the Canal operation. Until such a plan is perfected, we are supporting those projects within Panama's present sectoral plans which will have the greatest impact on low-income groups. Examples are schools, health centers, and self-help housing. In addition, we are assisting Panama to carry out surveys of basic resources and studies required for development planning.

At the same time, an immediate U.S. objective is to encourage the adoption of further self-help measures and reforms which Panama requires for the effective use of its own resources. It must be recognized that the special circumstances created by the Canal and the over-riding interest both of the United States and Panama is the Canal will be significant factors in conditioning the progress of self-help and reform measures.

Country: PANAMA

BASIC DATA

	Unit	PANAMA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	29.1	xxx
Population (1961)	Mil.	1.1	xxx
Annual Growth	%	3.0	2.4
Density per sq.mi.	No.	37	40
AGRICULTURAL LAND			
% of Total Area	%	13	25
Per Capita	Acres	2.3	2.5
POWER PER CAPITA	KWH/Yr	247	80
EDUCATION			
Literacy Rate	%	70	35
Pupils as % of Pop. (Prim. & Sec.)	%	16	9
Pupils per Teacher (Prim. only)	No.	29	38
HEALTH			
Life Expectancy	Yrs.	62	40
People per Doctor	No.	2,780	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	400	418	445
Per Capita GNP	Dollars	389	396	410
Investment as Percent of GNP	Percent	15	17	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	124	123	127
Index Per Capita	"	104	100	102
Rice, rough	1,000 MT	119	114	118
ELECTRIC POWER PRODUCTION	Mill. KWH	242	260	297
COST OF LIVING INDEX (Panama City)	Dec.1953=100	99	99	n.a.
FOREIGN TRADE[a]				
Total Exports (f.o.b.)	$ Millions	92	100	115
Bananas (Excl. C.F.Z.)	"	24	18	17
Total Imports (c.i.f.)	"	155	174	198
Trade Balance	"	-63	-74	-83
Trade with United States (Excl. C.F.Z.)				
Exports to U.S. (f.o.b.)	$ Millions	25	24	22
Imports from U.S. (f.o.b.)	"	90	89	106
Trade Balance	"	-65	-65	-84
GOLD & FOREIGN EXCHANGE *(end of year)* (Deposit Money Banks)	"	40.2	34.5	29.0 (Sep)
		- Million Dollar Equivalents -		
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31		1959	1960	1961(Bud)[b]
Total Expenditures		66.6	66.6	71.6
(Defense Expenditures)		(1.1)	(1.1)	(1.1)
(Capital Outlays)		(9.6)	(9.0)	(13.0)
Domestic Revenues		51.6	58.0	61.2
Budget Receipts from Non-U.S. Foreign Aid		0.5	-0.4	1.6
Budget Receipts from U.S. Aid (Grants & Loans)		9.4	8.0	5.4
Remaining Deficit (-) or Surplus (+)		-5.1	-1.0	-3.4

* - Converted at 1 Balboa per U.S. $.
a - Includes Colon Free Zone.
b - Revised.

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We anticipate that when Panama recasts its long-term development plan in a comprehensive framework, additional projects will become eligible for development lending. This should permit a constant reduction of the grant component of our assistance in favor of loans.

Proposed AID Program for FY 1963

The FY 1963 program must be viewed in the light of the assistance made available to Panama in FY 1962. In that year Panama received a special grant of $9.9 million designed to give an initial impetus to a number of projects included in key sectors of Panama's five-year investment program.

Because of the substantial assistance already made available to Panama it is proposed to reduce the FY 1963 grant program as compared to FY 1962 and to concentrate on a few key social impact projects in the fields of education, health and housing and to support at the same time programs to stimulate agricultural production and improve government management. An important development loan contemplated for FY 1963 would finance construction of a road in Cocle del Norte Province to open up a large and potentially productive agricultural area for settlement.

Accomplishments and Changes

Five experimental units have been established in important agricultural areas working with fruits, vegetables and livestock, both with and without irrigation. Last year, farmers in four communities were organized to put more than 1,000 acres of land under irrigation.

The United States has assisted in establishing a School of Agriculture in the University from which the first class of 14 will graduate in 1963. There are now 72 students enrolled in this school.

As an adjunct to increased farm production, a dual-purpose project provides on-the-job training for road construction equipment operators and maintenance men while building farm-to-market roads. Providing isolated farmers access to markets has encouraged them to increase production beyond their own consumption needs. In the year and a half since its inception, 42 men have been trained or are in training and 45 miles of road have been constructed.

Construction of classroom facilities to enable all children to receive a minimum of six years schooling, is under way. An aided self-help program to which the local communities are expected to contribute at least 25% of the costs in labor and materials has been started.

During the past year, a joint project by AID and the Government of Panama constructed and equipped 82 schoolrooms in 17 rural communities. In addition, new buildings and equipment or expansions of existing facilities have been completed for six vocational and industrial arts schools.

A self-help housing project conducted jointly by the Panama Housing Institute and AID has established a pattern for similar housing projects. Nineteen home owners have completed construction of their own houses and 40 additional costing $1,800 each are almost finished.

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FINANCIAL DATA

Country: PANAMA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY (1946-61)	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	28.6	15.7	20.0
Alliance for Progress:			
Loans (DLF prior to 1962).....	7.8	7.8	-
I.D.B. Trust Fund Loans.....	-	-	7.6
Grants (T.C. prior to 1961).....	13.8	2.9	2.5
Supporting Asst.(DS/SA prior to 1961)	7.0	5.0	9.9
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	5.7	0.4	0.4
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	17.2	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	23.3	0.1	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.1	0.1	0.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	14.0	7.2	- a/
Inter-American Develop. Bank	-	-	2.9 a/
UN Tech. Assist.-CY ending in FY ...	1.1	0.1	0.1
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	0.1	0.1	0.1
Export-Import Bank	5.0	0.4	0.3 a/
Other Government Loans	-	-	-

a/ July-Dec. 1961.

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Paraguay

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Paraguay is just now moving into the 20th century.

This small, semi-tropical, land-locked country has never known political stability or democracy. The present regime of General Alfredo Stroessner - about the 40th since 1900 - came to power in a rigged election in 1954. It rests on a coalition of the Army and the conservative Colorado Party. It governs by means of an authoritarian constitution, a continuous state of seige, and strong-arm methods. It has provoked opposition parties into boycotting all elections, and into plotting incessantly to overthrow it. Yet there are four factors in its favor. First, it has given the Paraguayan people the longest period of peace (seven years) they have enjoyed in this century. Second, it has bound Paraguay inextricably to the United States and the West. Third, it has prevented significant Communist-Castroist penetration. Finally, it is preparing to democratize Paraguay, step by step. The regime is planning to hold wholly free national elections in February, 1963; urging opposition parties to participate responsibly in them; planning a gradual lifting of the state of seige so as to restore civil rights, and considering amnesty for political exiles.

We foresee no complete democracy in Paraguay for many years, but we see the opportunity to begin moving toward it in the next elections.

Significant statistics, with comparisons to the United States, are as follows:

	Paraguay	United States
Per capita GNP	$ 114	$ 2800
Calories per day per capita	2,335	3220
Infant mortality (deaths prior to age one per 1,000 live births)	62	26
Life expectancy	45 years	70 years
Literacy	68%	98%
Rate of population growth	2.6%	1.7%
Cost of living index (1953=100)	333	112

Economically, the country is primitive and poor. Population growth (2.6%) persistently exceeds growth of productivity. Per capita national income is no more than $114. The main resources are land and timber. Industrialization is rudimentary, the financial and credit structure in its infancy. There are only 119 miles of paved roads. Only the capital city has a waterworks. Agricultural production is organized on a family basis, with low and stagnating yields. Trade unionism is virtually non-existent.

As of December 31, 1961, exchange reserves stood at less than $3 million; the chronic deficit on trade account persisted ($5 million), and the cost of living had risen 29%. Clearly, despite the regime's adherence to the International Monetary Fund (IMF)-sponsored stabilization program begun in 1957, and despite its efforts to acquire a minimum over-head capital stock, Paraguay's economy remains near the subsistence level.

Socially, Paraguay is almost feudal. Items: 1% of the students who enter the first grade finish the twelfth; probably a third of the population has never worn shoes, and lives in thatched cabins; law is largely administered by landowners, not in the courts; and the concept of state care for the aged, the sick and the unemployed is brand new in Paraguay.

Self-Help and Reform Measures

Since the Act of Bogota the Paraguayans are becoming increasingly aware of the need for social reform, and of the need for self-help to obtain it. In 1961, the Government of Paraguay initiated preparations to: contribute to a rural school construction program to be financed by the Agency for International Development (AID), establish a Secretariat for Social and Economic Planning, make a survey of the nation's housing requirements through a newly-formed Housing Institute, grant titles to land to squatters who are cultivating the land, seek technical assistance for tax reform, and establish credit facilities for small-scale agricultural producers through a newly-formed National Development Bank.

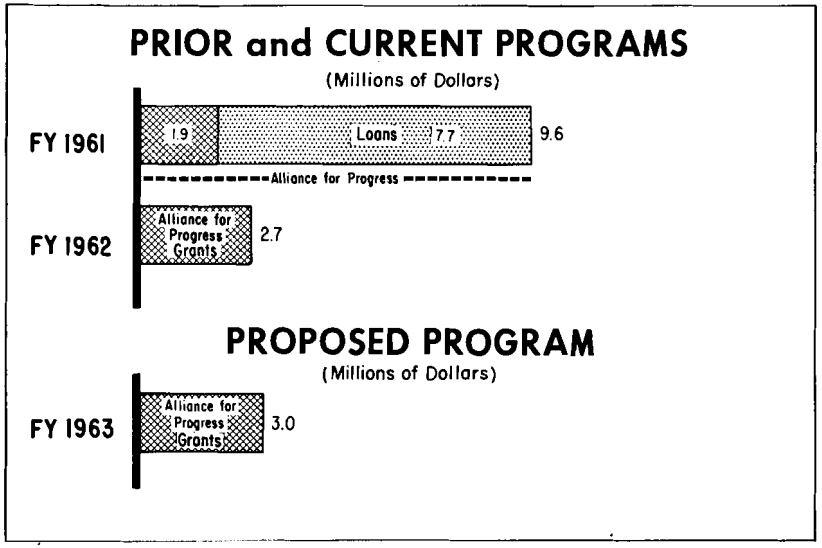
This small, semi-tropical, land-locked country is just now moving into the 20th century. Politically, it has never known stability or democracy. It has a tradition of personalistic, authoritarian regimes similar to the present one, which came into power in 1954. Economically, it is primitive and poor, with one of the lowest per capita incomes on the continent ($114). Socially, it is feudal. Probably not more than half of the population wears shoes, finishes primary school, or can count on living forty-five years.

Clearly, the Paraguayan form of government is a negation of the principles of the Alliance for Progress. Yet Paraguay holds our interest for three reasons. First, over the years it has unequivocally supported our positions on all international and hemispheric issues. Second, its people badly need external help if they are to advance beyond a subsistence existence. Third, the present regime shows evidence of sincerity in bringing democracy and socio-economic reforms to Paraguay, step by step.

Country Background

In February 1963, Paraguay will hold national elections. The present strongman regime, which has given the people a longer period of peace (seven years) than they have known in this century, seems inclined to share our judgment that the elections are the political point of no return for Paraguay. If, as in the past, they are rigged, boycotted by opposition parties, and conducted in an atmosphere in which civil rights are denied, then Paraguay will likely remain an authoritarian state, under Stroessner and other strongmen, for a long time to come. At this writing, the regime is planning to permit free elections with opposition party participation; grant amnesty for political exiles, and gradually lift the long-standing state of seige so as to restore civil rights. Our diplomatic representatives in Paraguay are persistently going as far as they can, without provoking Paraguayan charges of "intervention," to push the regime into moving swiftly, and by stages, toward democracy.

The move toward democracy is hamstrung, however, by the primitive nature of the wholly pastoral economy. Soil and timber are the country's main resources. Industrialization is rudimentary. The financial and credit structure is in its infancy, and the economy is only partially monetized. There are only 119 miles of paved roads; only the capital city has a waterworks; at least half the country has no electricity; and



the only telephonic communication abroad is to neighboring Argentina. The population keeps growing (2.6% annually) while productivity remains stagnant at a low level. Deficits on trade account are chronic (1961: $5 million). The high export and import taxes, which together provide 30% of public revenue, make Paraguay's exports non-competitive in the world market, and make imports of items required to raise productivity (fertilizers and seeds) prohibitive in price. In 1960 exchange reserves were all but exhausted ($.5 million), and rose to about $3 million in 1961 only by chance. Last year the cost of living increased roughly 29%. The brightest spot in this dismal economic picture is that an IMF-sponsored stabilization program inaugurated in 1957 has prevented domestic currency fluctuations and brought the central budget into balance.

Self-Help and Reform Measures

Since the Act of Bogota the Paraguayans have taken what is, for them, a giant step forward: they have become aware, for the first time, of the need for socio-economic reform, and of the need for self-help to obtain it. The awareness has produced these results:

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In April 1961, the Government reduced export taxes by 4-1/2% in an effort to expand output and exports.

In July, a Law was approved which gave women all civil rights.

In September, the Government requested technical assistance for a thorough overhaul of the tax structure.

On November 4, the Government agreed to continue for another year the IMF-sponsored stabilization program.

On November 20, the Government established a National Development Bank to provide supervised credit for small agricultural producers, and established a 5% import surcharge to provide capital funds for the Bank.

In November, the Government drafted a Decree establishing a Social and Economic Planning Commission, to function in the Presidency where all effective political power resides.

In early November, a Decree was promulgated which established a four-man "watchdog" Commission in the Customs, where graft and evasion have been rife. As a result Customs revenues rose 20% in November.

On February 6, 1962, the Government established a Paraguayan Housing Institute, to survey the nation's housing needs.

Although land redistribution does not present a major problem in Paraguay, where free land is abundant, the Government has established an Institute of Agrarian Reform designed primarily to grant squatters title to their lands.

U.S. Assistance Strategy

We cannot candidly say what the future type, size, and direction of U.S. assistance will be. It depends upon what the Paraguayans prove willing to do for themselves, and how far they prove willing to go with the introduction and operation of democratic institutions. We are now trying to determine precisely what we may reasonably expect, and in what period of time, in the way of reforms and self-help measures, as well as what help we should make available as reforms and self-help measures are accomplished.

Proposed AID Program for 1963

Significantly expanded activities are not foreseen in FY 1963, although useful, economically feasible projects may be considered on their merits.

Within the education sector, a two-year schedule has been established in connection with the Rural Education Development project, to train 150 new teachers per year and upgrade the qualifications of 2,500 existing teachers. The present classroom shortage is estimated to be 1,200, and the project target is to construct 650 new classrooms, 170 special service rooms, and rehabilitate 518 older rooms within two years.

Existing technical cooperation activities in health are being re-oriented to support the general thrust toward rural development. In agriculture it is intended to improve the lot of the small farmer by the formation of cooperatives and marketing organizations to channel fertilizers, seeds, and insecticides to the farm and to improve the flow of farm products to market. The FY 1963 development grant program will also integrate transportation into the rural development sector through training of a road maintenance organization to supervise the maintenance of the new penetration and feeder roads which are being completed to open up new agricultural areas to settlement. These activities are also related to the Development Loan Fund (DLF)-financed highway project to connect the capital with the Brazilian border.

It is proposed also to utilize local currency generated by P.L. 480 imports for agricultural credit to small farmers and for construction of feeder roads.

[redacted]

Country: [redacted]

BASIC DATA

	Unit	PARAGUAY	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	157	xxx
Population (1961)	Mil.	1.8	xxx
Annual Growth	%	2.6	2.4
Density per sq.mi.	No.	12	40
AGRICULTURAL LAND			
% of Total Area	%	3	25
Per Capita	Acres	1.7	2.5
POWER PER CAPITA	KWH/Yr	85	80
EDUCATION			
Literacy Rate	%	68	35
Pupils as % of Pop. (Prim. & Sec.)	%	17	9
Pupils per Teacher (Prim. only)	No.	29	38
HEALTH			
Life Expectancy	Yrs.	45	40
People per Doctor	No.	1,820	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	209	200	206
Per Capita GNP	Dollars	121	113	114
Investment as Percent of GNP	Percent	8	10	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	108	103	109
Index Per Capita	"	93	87	90
Corn	1,000 MT	127	142	138
ELECTRIC POWER PRODUCTION	Mill. KWH	120	150	168
COST OF LIVING INDEX (Asuncion)	1953=100	240	266	333
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	31	27	32
Meat and products	"	10	7	8
Total Imports (c.i.f.)	"	31	38	37
Trade Balance	"	0	-11	-5
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	9	9	21
Imports from U.S. (f.o.b.)	"	8	9	13
Trade Balance	"	+1	0	+8
GOLD & FOREIGN EXCHANGE *(end of year)*	"	4.6	1.5	3.5 (Oct)

CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31	- Million Dollar Equivalents - 1959	1960	1961 (Bud)
Total Expenditures	21.2	24.1	24.4
(Defense Expenditures)	(8.4)	(8.6)	(8.7)
(Capital Outlays)	(2.2)	(3.8)	(3.7)
Domestic Revenues	21.5	24.7	27.1
Budget Receipts from Non-U.S. Foreign Aid	-0.2	-1.0	-0.8
Budget Receipts from U.S. Aid (Grants & Loans)	0.1	0.7	0.3
Remaining Deficit (-) or Surplus (+)	+0.2	+0.3	+2.2

* - Converted at 126 Guaranis per U.S. $.

a - Consolidated statement of Central Government Budget Estimates and the Actual Transactions of "Special Laws" Accounts; transactions of the Autonomous Entities not included.

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FINANCIAL DATA

Country: PARAGUAY

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	31.8	9.7	2.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	14.9	7.8	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	15.5	1.9	2.7
Supporting Asst.(DS/SA prior to 1961)	1.5	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	2.1	-	5.9
(Sales Agreements).....	(2.9)	-	(6.9)
Title II.....	-	-	-
Title III.....	2.7	1.1	1.6
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	10.4	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	2.9	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.2	0.1	0.7
M.A.P. - Credit Assistance.....	0.4	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	4.5	-	- a/
International Develop. Assn.	-	-	6.0 a/
Inter-American Develop. Bank	3.4	3.4	0.6 a/
UN Tech. Assist.-CY ending in FY ...	3.1	0.4	0.4
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	0.3	0.2	0.6
Export-Import Bank	10.1	0.9	0.5 a/
Other Government Loans	-	-	-

a/ July-Dec. 1961.

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Peru

Peru

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Peru, on the Pacific coast of South America, is the size of France, Italy, and Spain combined, with a population only 8% as great (11 million). Forty per cent of the population live on the narrow coastal strip, while 60% of the population -- including most of the Indians -- live in the rugged Andean highlands known as the Sierra.

Our task is to help and to encourage Peru to maintain its political and economic stability while accelerating its economic development and social reform, thereby alleviating the dangerous basic conditions which could trigger an eruption.

Significant statistics, with comparisons to the United States, tell part of the story:

		Peru	United States
Per Capita Income	(Peru - 1960	$ 130	$2,342
	(Lima - 1959	$ 315	
	(Coast - 1959	$ 244	
	(Sierra - 1959	$ 79	
Per Capita GNP		$ 165	$2,800
Calories per day per Capita		2,040	3,220
Infant Mortality (deaths per 1,000 live births)		97	26
Life Expectancy	(Lima	46	70
	(Indians	35	
Literacy	(Peru	50%	98%
	(Coast	68%	
	(Sierra	27%	
Rate of Population Growth		2.8%	1.7%
Cost of Living Index (1953 = 100)		175	112

The Indian population, living in the mountainous areas which constitute 27% of the country, is virtually outside the monetary economy. The Indians are engaged in the most primitive subsistence farming, using digging sticks for plows; at least 80% of them do not speak Spanish and the great majority are illiterate. Recurring drought and chronic over-population, linked with the harshness of their existence and bleakness of their future, have driven thousands to the coastal cities where they congregate in roofless slums. Some 25% of Lima's population is made up of these socially isolated, illiterate, poverty-stricken outcasts.

By contrast, the so-called "forty families" control the bulk of the wealth and power in Peru, absorb the preponderance of the nation's resources, and have generally enjoyed the support of the military and the Church. The extent of this concentration is underlined by the fact that 76% of the total cultivated area of the country belongs to 1.6% of the land owners.

The present democratic, conservative government of President Prado is firmly pro-Western and anti-Communist. The next change in administration is on July 28, 1962. Two of the principal groups contending for the June 10, 1962 elections are broadly based liberal parties: Alianza Popular Revolucionaria Americana (APRA), an anti-Communist party dedicated to social reform, and Acción Popular, a non-Communist reform party in which there has been considerable infiltration by the extreme left. APRA offers an alternative to Communism for those seeking social reform. The same can be said of Acción Popular, although its candidate for president, Fernando Belaunde, has been maintaining ambiguous positions in an effort to retain leftist support.

The Communists have thus far generated little popular support and have a membership of only 7,000 although they have strength among the university students and a hold on a number of trade unions.

Underlying these political conditions is the tremendous gap between the thin layer of wealthy and well-born and the great mass of poverty-stricken Indians and mestizos. This structure, coupled with a lack of deeply-rooted democratic traditions and practices, has created problems which, if neglected, could well lead to violence and revolution. In addition, the great potential for Communist exploitation of the poverty and inequitable treatment of the masses will undoubtedly threaten the future stability of Peru unless basic reforms are made.

The economic base for further development looks favorable. The annual growth ratio is now about 4%. Peru enjoys a favorable balance of trade with both imports and exports on the increase. Central Bank dollar reserves have increased from $29.5 million in mid-1959 to $102 million at the end of 1961. Business confidence has increased and some flight capital has probably returned. Inflation has been reduced from 12% in 1959 to 4% in 1961. The sol has been stabilized at 26.8 to the dollar.

Underlying these encouraging signs, however, is the weakness of much of the basic infrastructure of the economy. Transport and communication are poor. Much of the country is inaccessible. The railroad systems are unconnected. Communication is erratic and inefficient. And agriculture, except on the coast, is inefficient and frequently primitive.

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In addition, the tremendously inequitable distribution of wealth and land means that economic growth rarely affects the living standards of the depressed masses.

Self-Help

In 1959, a stabilization program was instituted which has successfully reduced the rate of inflation to only 4% a year.

In November 1959, an Industrial Promotion Law was enacted to give tax and other incentives to new domestic and foreign investment, and has already proven effective in increasing investment in manufacturing.

In late 1961, an economic planning program was set in motion and a central economic planning agency was given the task of preparing a comprehensive national economic development plan, in the preparation of which International Bank for Reconstruction and Development (IBRD), Economic Commission for Latin America (ECLA) and Agency for International Development (AID) technical assistance has been requested.

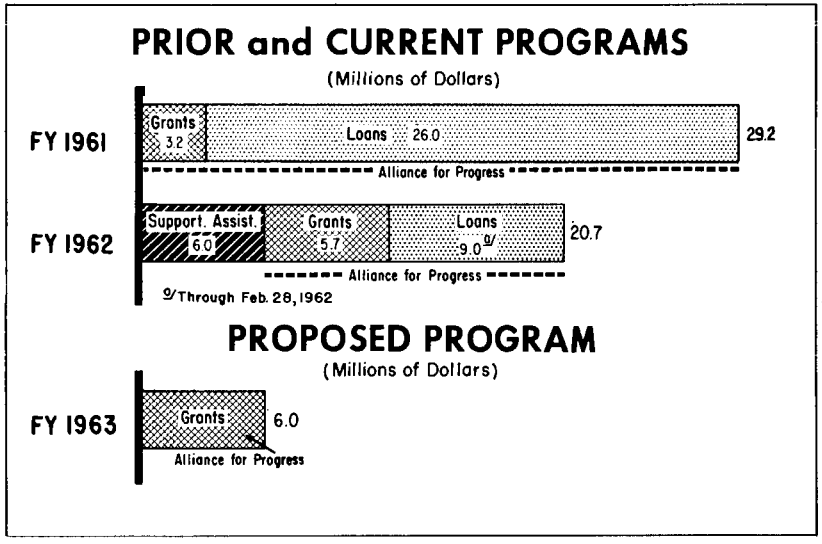
In 1960 and 1961, a savings and loan system to finance medium-low cost housing, and an over-all housing and slum clearance program got under way.

In March 1961, agrarian reform legislation was submitted to Congress, but has not yet been enacted.

Peru is located on the Pacific coast of South America, stretching from the equator to 18 degrees south latitude. The size of France, Italy and Spain combined, it has a population only 8% as great (11 million). It is divided into three well-defined zones: the dry, narrow coastal strip crossed by fertile irrigated valleys; the rugged Andean highlands; and the tropical, sparsely populated Amazon jungles.

Peru has a political history of strong-man rule, interspersed with episodes of democratic constitutional government; its political and economic life has been dominated by a small, wealthy oligarchy. The present democratic, conservative government will go out of office on July 28 of this year. Though the political future is not clear, the front-running candidates for the Presidency at the moment give promise of a turn toward non-Communist liberalism and accelerated economic development and social reform.

United States exports to Peru in 1960 totaled $143.3 million or 43% of Peru's total imports. In turn the United States purchased $182.2 million of such important commodities as copper, sugar, iron ore, silver, lead, zinc, fishmeal and cotton. U. S. trade with Peru ran at an even higher level in 1961. Our direct private investment amounts to over $446 million, primarily in mining and petroleum, and continues to increase.



Country Background

Peru is divided into two distinct parts, economically, socially and politically. The first is the Hispanized half, consisting principally of the whites and most of the mestizos, living mainly on the coast and in the urban centers of the altiplano in an economy which, despite the great disparity within it between extremes of income, shows considerable vitality. The second is the Indian half, living mainly in the rural mountainous areas which constitute 27% of the country, in poverty, ignorance and stagnation. Largely outside the money economy and unintegrated into the life of the nation, they are engaged in the most primitive subsistence farming, using digging sticks for plows; superimposed on them is a semi-feudal system of land tenure; at least 80% do not speak Spanish; the great majority are illiterate, the literacy rate in the Sierra being only 27% (including non-Indians) as opposed to 67% along the coast; their life expectancy is 35 years; and the infant mortality rate is at least 25%. Recurring drought and chronic overpopulation, linked with the harshness of their existence and bleakness of their future, have in recent years driven thousands to the coastal cities where they congregate in roofless slums. Some 25% of Lima's population is now made up of these socially isolated, illiterate, poverty-stricken outcasts. Ignored or exploited since the days of the Spaniards, the Indians are ready targets for revolutionary agitators and, in fact, the Communists have been directing increasing attention to the rural areas. The precise danger points could thus be the overcrowded city slums or the current attempts of large groups of Indians to move onto private lands in the altiplano, which may result in increasing violence.

The June 10 elections for Congress and the Presidency, because of the literacy requirements for voting, will be fought out mainly in the Hispanized half of the population. The three leading candidates to date are Fernando BELAUNDE Terry of Acción Popular; Victor Raúl HAYA de la Torre of APRA; and ex-President Manuel ODRIA of the Union Nacional Odriista. The more conservative parties of President Prado, who cannot succeed himself, and former Prime Minister Pedro Beltrán, originally a presidential aspirant, are discussing a possible alliance with APRA.

APRA is a broadly-based and well-organized left-wing liberal party, which has not only been effectively anti-Communist but has demonstrated increasing moderation in its position, as shown in its working association with the Prado government. However, results of its past militancy are still felt in a tendency to

polarize against it forces of both left and right. Accion Popular is also left-wing liberal and non-Communist, but not as forthrightly anti-Communist as APRA. Its spellbinding leader, Belaúnde, around whom the party is built, ran Prado a close second in the 1956 Presidential elections. With his party infiltrated to a considerable extent by the extreme left, he has been maintaining an ambiguous position in an effort to retain leftist support. Odría, an ex-dictator, has a special appeal to elements of the oligarchy while endeavoring to cultivate the masses by espousing social reform.

One of the two rival liberal groups, APRA or Acción Popular, is likely to have a predominant role in the new government, perhaps in coalition with more conservative elements.

The economic base for further development looks favorable. The annual growth ratio is now about 4%. Peru enjoys a favorable balance of trade, with both imports and exports on the increase. Central Bank dollar reserves have risen from $29.5 million in mid-1959 to $102 million at the end of 1961. Business confidence has increased and some flight capital has probably returned. Inflation has been reduced from 12% in 1959 to 4% in 1961. The sol has been stabilized at 26.8 to the dollar. Though fundamentally an agricultural country, with 60% of the active population in that field, mining occupies an important role in the Peruvian economy, and manufacture for local consumption is increasing. Peru has a diversity of agricultural and mineral exports.

Underlying these encouraging signs, however, are fundamental weaknesses. In addition to the depressed state of the large majority of the population, some of the basic sinews of economic strength are either flabby or nonexistent. Transport and communications are poor. There is only one road running the length of the country, and one -- which is not passable in all weather -- connecting the coast to the Amazon. The lack of penetration roads from the coast inland isolates vast areas from exploitation. The two major and eighteen minor railroad systems are unconnected.

Except for the efficient agriculture on the coast (cotton and sugar), farm production generally is far below capacity because much usable land is not under cultivation, the large holdings of absentee landowners are under-utilized, and farm technology is backward.

The banking and credit system is inadequate for present-day needs. The tax rate does not increase on incomes over $4,000, as the graduated system stops at that point. Collections are far below what they should be because of poor enforcement and a tradition of evasion.

Thus the economic picture is one of current promise resting on a foundation in sore need of strengthening.

Self-Help and Social Reform

Financial Stability. In 1959, a stabilization program was instituted which has successfully reduced the rate of inflation to only 4% last year.

Private Enterprise. In November 1959, an Industrial Promotion Law was enacted to give tax and other incentives to new domestic and foreign investments, and has already proven effective in increasing investment in manufacturing.

Planning and Development. The Central Office of Studies and Programs was created within the Ministry of Finance by Decree of August 1961 to coordinate the activities of planning offices already established or to be established in each of the ministries. The Government has requested the assistance of the World Bank and ECLA in preparing a 10-year national development plan and of AID in the preparation of specific projects and feasibility studies within the framework of such a plan.

Agrarian Reform. In March 1961, the Peruvian Government presented to the Congress an Agrarian Reform Bill which would set a variety of limits on the sizes of land holdings; institute a graduated land tax to force the breaking up of large estates, to bring idle land into production and to prevent land speculation in areas to be colonized; encourage consolidation of the land holdings of the Indian communes; protect the tenant farmer; and provide assistance of various kinds to small farmers. This bill has not passed the Congress, and will have to await the outcome of the June elections.

Credit. The credit picture improved during 1961 by the organization of a system of agricultural credits to small farmers and colonists through the Institute of Agrarian Reform and Colonization and the Agricultural Development Bank. A system of supervised farm credits had already been instituted with ICA assistance. The home savings loan system inaugurated in 1960 continued to expand during 1961 with impetus provided by DLF loans. The number of credit union cooperatives expanded beyond the 200 mark, and additional loan capital was provided by an Inter-American Development Bank (IDB) Social Progress Trust Fund loan.

[redacted]

In February 1962, the maximum for commercial bank interest rates was lowered from 14% to 12%, with a ceiling for commissions and other charges set at 1%.

Housing. In 1961 the Government developed a broad-scale housing and slum clearance program to be financed from Peruvian resources and from an IDB Social Progress Trust Fund loan, with a goal of 35,200 housing units in two years.

U. S. Assistance Strategy

To encourage the preparation and completion of a long-range economic development plan designed to accelerate more balanced development, particularly:

(a) to increase productivity and opportunity in agriculture.

(b) to expedite integration of the Indian population in the economy.

(c) to hasten development of depressed regions, e.g. southern Peru.

In connection with this program of development substantial progress must be made in the enactment and administration of basic reforms in land tenure, increased, more progressive taxes, and the integration of the Indian population into the life of the country. Until this progress has been made, our assistance will be limited to projects in agriculture and social development designed to bring immediate benefit to the distressed sectors of the population.

Proposed AID Program for FY 1963

In the absence of an economic development plan that could provide a guide to the use of AID and other external resources, AID's Development Grant program centers, first, around the provision of technical assistance for planning and administering an economic development plan. There will be emphasis on tax and administrative reform. With the help of AID and international agencies, Peru should be able to develop such a plan during FY 1963.

Five top priority objectives have been developed. We will provide selective assistance to these objectives along the lines of our country strategy; assisting with impact projects in agriculture, social development and distressed areas until progress is shown in social and economic reforms. The priority objectives are:

(a) Technical and loan assistance in the field of agriculture, including support for a national farm credit and extension system, agrarian reform, colonization, irrigation, research and education;

(b) Technical and loan assistance for a special program for the integrated regional development of Southern Peru, the center of much social unrest and communist agitation;

(c) Technical and loan assistance, primarily the former, to improve social developmental infrastructure in the fields of education, health, community development and community facilities, such as housing, water, sewage, etc.;

(d) Technical assistance to increase investment in new industry through management training and the development of investment institutions; and

(e) Technical and loan assistance, primarily the former, in developing an integrated highway and airway system.

Accomplishments and Changes

Our program in Peru represents a drastic shift from unrelated assistance projects to concentration on a few areas of development lending and development grant activity, such as agricultural production, water and education, designed to bring immediate benefit to those sectors of the population whose needs are the greatest, moving into a program of industrial development as progress is made in basic reforms. Consequently, we are completing transfer of all cooperative services to exclusive Peruvian administration.

Examples of recent accomplishment are:

School Lunch Program. Using food acquired under Title II of P.L. 480, a successful school lunch program was inaugurated in Southeast Peru in October of last year. Children receiving this food have shown a noticeable improvement in their physical condition and greater alertness in pursuing their studies. School attendance in some of the larger communities covered has increased 30%, and in rural areas as much as 50%.

Improvements in Rural Education. With the help of U.S. technical assistance, Peru has undertaken a large-scale in-service training program for rural school teachers. In the past two years over 5,000 teachers and school administrators have attended

[redacted]

summer workshops and seminars on teaching methods, course material, curriculum and related subjects. The primary purpose of this program has been to up-grade the skills of rural school teachers, many of whom are not graduates of the country's normal schools.

Public Administration. Training in government records management has been provided to several ministries, particularly education, health and agriculture. As a result of this training, the Government of Peru has recognized the importance of management training and has agreed to strengthen the existing Institute of Public Administration, which has already trained 3,000 Peruvian employees, and has begun to provide real leadership to a Peruvian administrative reform. In a related development during the last year, a course in records management has been initiated for selected students of the military academy in order to prepare them to handle administrative and records problems more effectively. In the field of taxation, the Superintendency of Taxes has adopted a system of self-assessment by the taxpayers for income taxes and has installed electronic data processing equipment. AID is now providing the services of a consultant from the Internal Revenue Service to advise and develop recommendations for effective use of this automatic data processing equipment.

Savings and Loan System. Largely as a result of AID technical assistance and two development loans totaling $9.5 million made in 1960 and 1961, legislation governing savings and loan system was adopted, savings and loan associations were and are continuing to be organized, and our financial assistance matched by Peruvian financing, is beginning to bring results in the accelerated construction of private, lower cost housing.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-61	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	57.2	29.2	44.5
Alliance for Progress:			
Loans (DLF prior to 1962).....	30.5	26.0	9.0
I.D.B. Trust Fund Loans.....	-	-	23.8
Grants (T.C. prior to 1961).....	24.7	3.2	5.7
Supporting Asst.(DS/SA prior to 1961)	2.0	-	6.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	23.4	-	2.1
(Sales Agreements).....	(33.2)	-	(2.8)
Title II.....	14.1	0.2	2.4
Title III.....	11.0	3.2	2.7
Title IV.....	-	-	1.8
EX-IM BANK LONG-TERM LOANS.....	195.4	26.5	2.0 a/
OTHER U.S. ECONOMIC PROGRAMS.....	10.6	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	37.7	3.9	10.8
M.A.P. - Credit Assistance.....	15.7	-	-
Non-M.A.P. Military Assistance.....	11.0	10.0	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	82.0	5.5	10.0 a/
International Finance Corporation....	4.7	-	2.4 a/
Inter-American Develop. Bank.....	3.9	3.9	1.5 a/
UN Tech.Assist. - CY ending in FY....	3.0	0.5	0.4
UN Special Fund.....	4.1	1.9	1.7 a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans.....	0.7	0.5	0.1
Export-Import Bank.....	62.5	24.7	20.8
Other Government Loans.....	NA	0.3	0.3

a/ July-December, 1961.

[redacted]

Country: PERU

BASIC DATA

	Unit	PERU	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	514	xxx
Population (1961)	Mil.	11.2	xxx
Annual Growth	%	2.8	2.4
Density per sq.mi.	No.	22	40
AGRICULTURAL LAND			
% of Total Area	%	11	25
Per Capita	Acres	3.3	2.5
POWER PER CAPITA	KWH/Yr	286	80
EDUCATION			
Literacy Rate	%	50	35
Pupils as % of Pop. (Prim. & Sec.)	%	13	9
Pupils per Teacher (Prim. only)	No.	37	38
HEALTH			
Life Expectancy	Yrs.	46	40
People per Doctor	No.	2,296	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	1,698	1,790	1,840
Per Capita GNP	Dollars	161	165	165
Investment as Percent of GNP	Percent	18	19	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	110	108	111
Index Per Capita	"	94	90	90
Rice, rough	1,000 MT	332	272	260
PETROLEUM PRODUCTION (crude)	1953=100	2,377	2,532	2,550
COST OF LIVING INDEX (Lima)	1953=100	152	165	175
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	312	430	465
Copper	"	25	95	105
Total Imports (c.i.f.)	"	293	375	460
Trade Balance	"	+19	+55	+5
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	119	182	193
Imports from U.S. (f.o.b.)	"	127	143	173
Trade Balance	"	-8	+39	+20
GOLD & FOREIGN EXCHANGE *(end of year)*	"	71.4	89.3	116.1 (Oct)

CENTRAL GOVERNMENT FINANCES* FY ending Dec 31	*- Million Dollar Equivalents -* 1959	1960	1961(Est.)
Total Expenditures	248	266	336
(Defense Expenditures)	(53)	(61)	(68)
(Capital Outlays)	(25)	(36)	(85)
Domestic Revenues	244	278	341
Budget Receipts from Non-U.S. Foreign Aid	-32	-13	-3
Budget Receipts from U.S. Aid (Grants & Loans)	21	4	
Remaining Deficit (-) or Surplus (+)	-15	+3	+2

* - Converted at 27 Soles per U.S. $.

Uruguay

Uruguay

Uruguay is the smallest country in South America. With an area of 72,000 square miles, it is about equal in size to North Dakota. Its population of 2.9 million is almost entirely composed of Italian-Spanish stock, and its rate of population growth is one of the smallest in the world.

Significant statistics, with comparisons to the United States, are as follows:

	Uruguay	United States
Per capita GNP	$ 450 1/	$ 2,800
Calories per day per capita	2,945	3,220
Infant mortality (deaths prior to age one per 1,000 live births) (1956)	73	26
Life expectancy	NA	70 yrs.
Literacy	88 %	98 %
Rate of population growth	1.7 %	1.7 %
Cost of living index (1953 = 100)	421	112

1/ Rough estimate - Statistics not available.

Uruguay has a long record of political stability, adherence to democratic principles and social progress.

The Communist Party, which numbers 13,000, is legal and operates openly. However, its electoral strength in the last national election in 1958 was only 2.16%. On the other hand, Communists have successfully penetrated the Central de Trabajadores del Uruguay (CTU), one of the two major labor federations, as well as several of the key labor unions such as the Meat Workers' Federation. The Uruguayan Student Federation is also now dominated by a Communist-Castroist coalition.

Sino-Soviet bloc efforts to penetrate the Uruguayan market were renewed in February 1962, and resulted in a barter deal to trade 20,000 tons of meat for Soviet imports.

Since March 1959, when a new administration (the Blanco Party) came into power, strong steps have been taken to check inflation and revive the country's agricultural sector.

Uruguay's economy is heavily dependent on the production, processing, and exportation of wool, meat and hides which normally account for over 80% of the country's total exports. On this foundation, Uruguay has built one of the highest and most broadly distributed standards of living in Latin America. Up to 1959 a government policy of industrialization and diversification of the economy, combined with neglect of the agricultural sector, has resulted in a distortion of established production patterns and placed the basic source of Uruguayan wealth -- agriculture -- at a relative disadvantage. However, since 1959 the inflationary spiral has been slowed and the currency stabilized. The trade deficit which has averaged $50 million per year was only $13 million in 1961, but this was the result of export carryovers and the balance of trade problems continues to be serious. Reserves, however, have remained relatively constant and in September 1961 totaled $194 million. A large tourist trade, P.L. 480 sales and Uruguay's ability, to date, to roll over commercial debts and outstanding foreign debts, principally to Argentina and Brazil, have made it possible to maintain foreign exchange reserves. Gross National Product (GNP) figures are not available, but production figures indicate that the GNP has remained at a relatively high per capita rate.

Since 1959, Uruguay has had budget surpluses which have been used for expansion of social welfare services.

Self-Help and Social Reform

In the spring of 1961, a national planning agency (CIDE) was established. An Organization of American States/Inter-American Development Bank/Economic Commission for Latin America (OAS/IDB/ECLA) Mission arrived in Uruguay in February 1962 and is now formulating a 10-year economic and social development plan.

In November 1960, an International Monetary Fund (IMF) stabilization agreement was signed; inflation has been slowed and the exchange rate has been stable for more than a year.

In 1960-1961 a balanced budget was achieved for the first time in over a decade.

Effective July 1, 1961 an income tax with a basic levy of 10% plus a progressive rate ranging from 5-30% was imposed for the first time in the country's history.

On November 30, 1960, a new tax law simplified the existing system by repealing a number of minor taxes and raising the rates on others such as the transactions tax which was boosted from 4-1/2 to 6-1/2% and the sales tax which was doubled.

In January 1962 the government ordered a national housing plan to be drawn up.

[redacted] URUGUAY [redacted]

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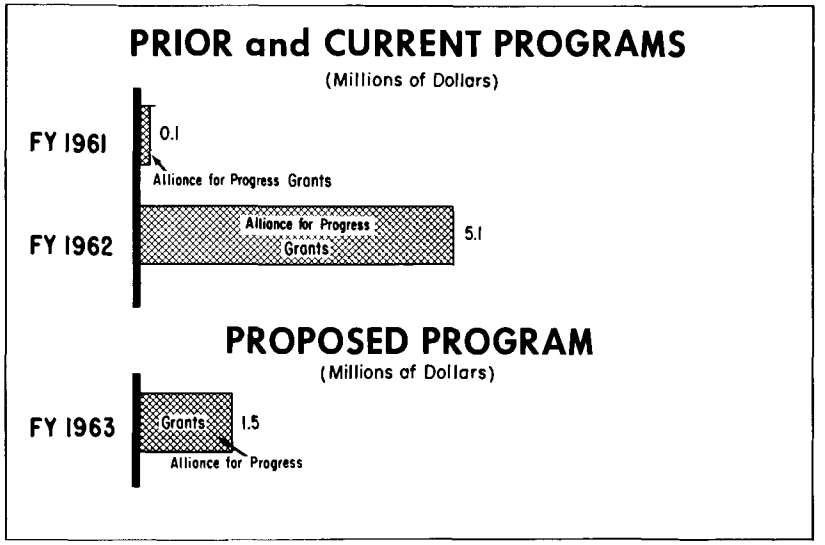

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Country: URUGUAY

In January 1962 the government ordered a national housing plan to be drawn up.

U.S. Assistance Strategy

Our strategy is to work with National Planning Commission in its efforts to develop a 10-year economic and social development plan. Pending the completion of the plan, U.S. AID efforts will concentrate on programs which increase agricultural production and improve social conditions outside the urban areas.

In providing assistance to Uruguay we will encourage (1) streamlining the overstaffed, loosely organized, and uncoordinated administrative structure, (2) further improvements in the tax system, (3) greatly stepping up services to agriculture, (4) the formulation in the shortest time possible of a coherent national economic and social development plan.

Proposed AID Program for FY 1963

The AID program proposed for Uruguay for FY 1963 is a continuation of the new program for that country initiated in FY 1962 with Act of Bogota (IAPSP) funds.

Activities in agriculture, which have been financed on a contract basis, will not require additional funding in FY 1963.

Social development activities growing out of the Special Aid Mission which was sent to Uruguay in November 1961 are in support of its Emergency Aid Program -- a 4-year plan to build: (1) 1,727 primary school classrooms throughout the country, and (2) 40 health-center hospitals. The plan also calls for assistance to the Labor University's agricultural farm machinery school, agriculture pilot production centers, and a mechanical and electrical school. The U.S. contribution will be a combination of loans and grants. Uruguayan national and local resources will supply the major part of construction costs. U.S. loan participation in these projects requires enactment of legislation by the Uruguayan Congress.

P.L. 480 surplus commodities have been provided to Uruguay in the past, and subject to continued availability a total of $3.0 million is proposed for FY 1963.

Accomplishments

The U.S. AID program in FY 1962 in Uruguay was operationally nonexistent, although steps were initiated to begin contractual arrangements for specific, planned, sector programs.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	10.7	0.1	7.6
Alliance for Progress:			
Loans (DLF prior to 1962).....	8.8	-	-
I.D.B. Trust Fund Loans.....	-	-	2.5
Grants (T.C. prior to 1961).....	1.7	0.1	5.1
Supporting Asst.(DS/SA prior to 1961)	0.2	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	34.9	2.4	1.5
(Sales Agreements).....	(46.4)	(3.2)	(2.0)
Title II.....	-	-	-
Title III.....	0.5	0.3	0.5
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	2.6	-	1.9a/
OTHER U.S. ECONOMIC PROGRAMS.....	3.2	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	27.3	4.5	2.2
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	71.0	-	-a/
Inter-American Develop. Bank.....	-	-	6.4a/
UN Tech. Assist.-CY ending in FY.....	1.4	0.2	0.2
UN Special Fund.....	-	-	0.9a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans.....	-	-	-
Export-Import Bank.....	17.5	1.0	0.6
Other Government Loans.....	NA	0.1	0.1

a/July-Dec. 1961

[redacted]

Country: [redacted]

BASIC DATA

	Unit	URUGUAY	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	72.2	xxx
Population (1961)	Mil.	2.9	xxx
Annual Growth	%	1.7	2.4
Density per sq.mi.	No.	40	40
AGRICULTURAL LAND			
% of Total Area	%	83	25
Per Capita	Acres	14	2.5
POWER PER CAPITA	KWH/Yr	460	80
EDUCATION			
Literacy Rate	%	88	35
Pupils as % of Pop. (Prim. & Sec.)	%	13	9
Pupils per Teacher (Prim. only)	No.	n.a.	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	860	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	n.a.	1,272	n.a.
Per Capita GNP	Dollars	n.a.	450	n.a.
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	73	94	93
Index Per Capita	"	68	85	82
Wheat	1,000 MT	182	413	419
ELECTRIC POWER PRODUCTION	Mill. KWH	1,300	1,300	n.a.
COST OF LIVING INDEX (Montevideo)	1953=100	244	338	421.
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	98	129	172
Wool	"	54	67	112
Total Imports (c.i.f.)	"	160	244	185
Trade Balance	"	-62	-115	-13
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	18	21	23
Imports from U.S. (f.o.b.)	"	33	62	48
Trade Balance	"	-15	-41	-25
GOLD & FOREIGN EXCHANGE *(end of year)* (Central Bank only)	"	192	187	194 (Sep)
		-Million Dollar Equivalents-		
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31		1960	1961[a]	1962[a]
Total Expenditures		140	195	225
(Defense Expenditures)		(13)	(18)	(20)
(Capital Outlays)		(6)	(10)	(25)
Domestic Revenues		147	200	220
Budget Receipts from Non-U.S. Foreign Aid		-3	--	5
Budget Receipts from U.S. Aid (Grants & Loans)		--	1	3
Remaining Deficit (-) or Surplus (+)		+4	+6	+3

* - Converted at 11 Pesos per U.S. $
a - AID estimates.

[redacted]

Venezuela

Venezuela is about one-third larger than Texas in size, with a population of approximately 6,900,000. After years of repressive dictatorship, ending in 1958, Venezuela has a democratically elected constitutional government headed by President Romulo Betancourt.

The Betancourt government led in carrying forward the social reforms envisioned by the Alliance for Progress even before the program was formulated. However, his regime is beset by critical political and economic problems which threaten his survival. He is under constant attack from the left which is using techniques of infiltration, subversion, violence and even armed attack in an effort to replace his government with an extreme left regime. Only the most vigorous police and internal security measures, coupled with a program of liberal reform and development, have kept the left from realizing this goal.

The Communist Party of Venezuela (PCV), among the strongest in Latin America, has about 30,000 members. It is able to exercise influence in the critical urban areas considerably in excess of its number because of its tight organization, control of key groups, and leadership over other leftist parties. Furthermore, it and its leftist allies dominate some unions, including the Maritime Federation, White Collar Workers and Heavy Equipment Construction Workers, and have strong minorities in key places in the vital oil unions. However, they still only control a small minority of the total organized labor force.

More than half of the politically active students at the Central University in Caracas - which has about two-thirds of the total university enrollment in Venezuela - are Communists and pro-Communist. This majority gives them control of the Student Federation. Similar penetrations have occured in at least four other major universities. The situation is estimated as being about the same among high school students. The Communists also have important minority strength in other intellectual circles such as teachers' unions, lawyers and doctors associations and in certain areas of the press. When combined with pro-Castro and other dissident elements, they have been able to create disturbances through popular insurrections, strikes and terrorism which have come dangerously close to toppling the Betancourt government.

While being pressed from the left, Bentancourt is being opposed by rightists and some dissident military elements who see in his reform programs a danger to their wealth and vested interests. Although Bentancourt has survived repeated coup attempts by rightist elements elements - including several attempts to assassinate him - he remains highly vulnerable.

Although Venezuela has the highest average per capita income in Latin America, it is suffering from severe economic difficulties due to (1) unequal distribution of wealth, (2) the destruction and waste of the country's wealth by the Perez Jimenez dictatorship which dissipated reserves and created financial burdens which still drain the economy, (3) a flight of capital and a drop in investment caused by political instability, and (4) a fall in oil prices contributing to a dramatic drop in oil investment.

Significant statistics, with comparisons to the United States, are as follows:

	Venezuela	United States
Per Capita GNP	$1,040	$2,800
Calories per day per capita	2,255	3,220
Infant Mortality (deaths prior to age one per 1,000 live births)	67	26
Literacy	51%	98%
Rate of Population Growth	3.2%	1.7%
Cost of Living Index (1953 = 100)	110	112

Venezuela's wealth is unevenly distributed with about 50% of the people receiving only 10% of the national income. This 50% has an average per capita income of about $150. Despite the agrarian reform program there is still a heavy concentration of land holdings in the hands of large landholders. In 1960 nearly 230,000 rural families were still without land or land sufficient to support a family.

Venezuela is now in serious financial straits with the growth rate recently dropping to about 1% per year unable to keep pace with a 3.2% population growth. Thus per capita the Gross National Product (GNP) is actually declining. Since the end of 1957 there has been a decline in reserves from $1.4 billion to about $600 million. In addition, there has been a steadily increasing budget deficit going from $163 million in 1958 to $320 million in 1960 of a total budget of $1.84 billion.

At the same time political instability has led to a sharp drop in private investment and a flight of capital estimated at $1.5 billion in the last three years.

Approximately 60% of the Venezuelan people live in the cities: Caracas alone has one-fifth of the total population. Over 40% of those living in cities have no running water while 67% lack minimum sanitation facilities.

Urban unemployment is presently over 12% of the labor force.

The housing shortage for the nation as a whole is estimated at 800,000 units - an immense figure for a country the size of Venezuela.

In rural areas living conditions are often primitive, and about 250,000 rural families lack running water and sanitation.

In 1958 half the adult population of Venezuela was estimated to be illiterate, and 40% of the school age children were not attending school.

Self-Help and Reform Measures

Since 1958, the Betancourt Government has vigorously pursued a number of self-help and reform measures:

Agrarian Reform. In March 1960, Venezuela adopted a land reform program which has already resettled 40,000 families on 3,000,000 acres of land. This comprehensive program is a model for all of Latin America. During his trip to Venezuela, President Kennedy distributed land titles under this program.

Development Planning. In 1961, Venezuela completed a comprehensive, four-year national development plan. It is expected that this plan will be presented to the Organization of American States (OAS) panel for review in the next few months. This plan is widely regarded, after preliminary study, as one of the best in Latin America. It calls for a GNP increase of 7%-8% per year.

Public Administration. In July 1961, the salaries of the government bureaucracy were cut 5%.

Education. Since 1958 primary school enrollment has increased well over 50%; secondary school enrollment has doubled; teacher training enrollment has quadrupled.

Tax Reform. In February 1961, tax rates were raised and an estimated annual increase of $60 million in revenues is projected. Another tax rate increase, intended to raise an additional $67 million in revenues, is being proposed for 1962.

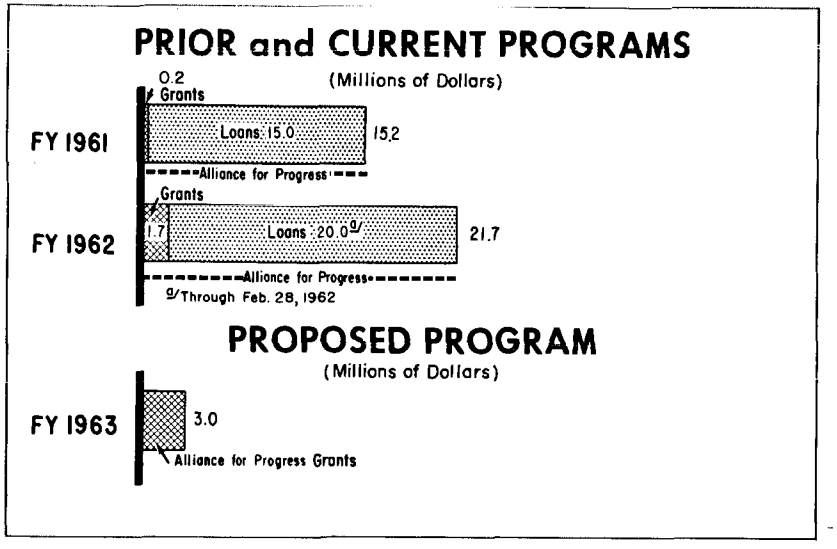
Housing. In November 1961, savings and loan associations and an Urban Mortgage Bank were established to assist in the housing effort.

[redacted]

Situated on the northern coast of South America, Venezuela is about a third larger than Texas in size and has a population of approximately 6,900,000. After years of dictatorship, Venezuela now has a democratically elected constitutional government headed by President Betancourt.

Venezuela has been an outstanding leader in the Alliance for Progress. The concrete steps already taken under the Betancourt administration to promote social reforms and economic development along the lines envisioned by the Alliance are considerable. Accordingly, the reform programs in Venezuela not only have significance for Venezuelan freedom, but they have unusual symbolic value for the Alliance for Progress throughout Latin America.

In the economic realm, U.S. total trade with Venezuela is greater than with any other country in Latin America. It supplies the United States with 60% of our oil imports and 30% of our iron ore imports. United States private investment of about $2.6 billion is greater in Venezuela than in any other country in the world except Canada.



Country Background

Venezuela's history has been characterized by a rule of dictators, mostly military men. Basic needs of the people were largely ignored by corrupt and incompetent governments. The present Betancourt coalition government, which came to office in February 1958, represents the longest democratic era in Venezuela history. Since that date, it has initiated a series of progressive social reform and economic development measures.

This government is now in serious trouble. Its political base has narrowed from more than 90% of the electorate to a present estimated 60% due to withdrawals of, or splits within, the coalition parties.

The government is under constant attack from the left which is using techniques of infiltration, subversion, violence and even armed attack in an effort to replace the government with an extreme left regime. Only the most vigorous police and internal security measures, coupled with a program of liberal reform and development have kept the left from realizing this goal.

The Communist Party of Venezuela, among the strongest in Latin America, has about 30,000 members. It is able to exercise influence in the critical urban areas considerably in excess of its number because of its tight organization, control of key groups, and leadership over leftist parties. Furthermore, it and its leftist allies dominate some unions, including the Maritime Federation, White Collar Workers and Heavy Equipment Construction Workers, and have strong minorities in key places in the vital oil unions. However, they still only control a small minority of the total organized labor force.

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While being pressed from the left, Betancourt is being opposed by rightists and some dissident military elements who see in his reform programs a danger to their wealth and vested interests. Although Betancourt has survived repeated coup attempts by rightist elements-including several attempts to assassinate him - he remains highly vulnerable.

[redacted]

Free World Assistance. Current prospects indicate significant assistance of as much as $130 million during 1962-1963 from Western European (Italy, England, West Germany, France, Belgium) and Japanese public and private sources.

U.S. Assistance Strategy

We intend to join our Agency for International Development (AID) program with other Free World sources of assistance in order to enable the Bentancourt government to continue important social development projects such as housing, education, land reform and agriculture, which are vital to improved political stability and the consequent confidence in the Venezuelan economy which is an essential condition of development.

Venezuela is making impressive advances along the path of the social reforms called for by the Alliance for Progress. However, we will work with the Venezuelans to improve these programs and institute other self-help measures, such as unification of exchange rates; further income tax increases; legislative authority enabling direct Central Bank purchase of long-term bonds; and further efficiencies in the Government's operating expenditures together with public administration reform.

Proposed AID Program for FY 1963

The proposed FY 1963 Alliance for Progress program will provide technical assistance of $3 million and will consider Development Loans within a range of $20 to $30 million. Following are examples of the highest priority activities to which AID will attempt to address itself during FY 1963, together with a rough indication of the order of magnitude of funds expected to be allocated for those purposes.

Agrarian Reform. A community development loan, designed to help improve living conditions and stabilize the population in rural areas.

Venezuelan Development Corporation. A loan to the Venezuelan Development Corporation for reloan to private industry.

Commercial Agricultural Development. Development Grant assistance for establishing a comprehensive land-use system, for substantially increasing agricultural extension offices, and for encouraging large-scale production of rice, corn, fruit and coffee.

Vocational Education. Development Grant funds to provide large-scale training of skilled industrial workers, teacher training in vocational education and special on-the-job training courses.

Economic Planning. U.S. economic advisers and short-term consultants to assist the Government of Venezuela's Economic Coordination and Planning Office (CORDIPLAN) in problem areas of national planning, to train necessary technicians and to help improve intra-government liaison.

Public Administration. Development Grant funds to assist the Government of Venezuela Public Administration Commission to develope a cadre of Venezuelan administrators and instructors to train annually 400 lower and middle echelon public servants in certain specialized fields.

Public Safety. AID will attempt to increase the effectiveness of public safety in Venezuela through a Development Grant.

Labor Programs. Under a three-year program initiated in FY 1962, AID expects to achieve a major impact through technical training for 1,000 Government of Venezuela labor officials. In addition an effort will be made to assist in improving the skills of 50,000 urban workers and in training labor officials in both leadership and labor-management government relations.

Accomplishments and Changes

The program in Venezuela will be concentrated on selected social development projects, such as community development, designed to improve political stability and move Venezuela toward the day when restored confidence in the economy will permit it to finance development from its own resources.

At the inception of the Alliance for Progress, U.S. assistance was requested by the Venezuelan Government to solve major problems impeding achievement of development goals and recovery from severe economic recessions. To assure that any assistance to Venezuela conforms to criteria established by Congress and the new administration, a special U.S. Team worked intensively for three months with GOV planning and operating officials at Federal and State levels to define key development problem areas and develop proposals for priority assistance. The USAID Mission working with the Venezuelan Government then formulated a cooperative developmental program.

[redacted]

Economic and Social. Venezuela is a country which has an extraordinary growth potential. During the 1950's, intensive exploitation of its petroleum and iron ore resources, together with substantial growth in manufacturing and commerce produced remarkable economic growth, averaging 8% per annum. Despite the highest per capita income in Latin America, the pattern of income distribution was extremely uneven. By 1958 about one-tenth of the income earners received one-half of the total national income. At the other extreme, about 50% received only about one-tenth of the income. Even today, the poorer half of the population is living close to subsistence levels with per capita income of about $150 per year. In the countryside, the average income of 400,000 families is around $300 a year. The appalling conditions in rural areas have caused a rapid shift of population to the cities where economic opportunities appear better. In the ten-year period ending in 1960, cities increased in size by 50% while the rural areas grew in population by only 14%. At present, 70% of the Venezuelan people live in urban areas. This urbanization has created tremendous social and economic problems as slums multiply and unemployment - now at 12% of the labor force - mounts.

The housing shortage is estimated at around 800,000 units - an immense figure for a population of 7 million. As of 1959-1960 about 600,000 families were without potable water supply and over 700,000 families lacked sanitation facilities. In 1958 half of the adult population was estimated to be illiterate and 40% of the school age children were not attending school. Of those who attended, the majority did not complete the first three grades of primary school.

During the past several years, Venezuela has been in a serious economic recession. As the world's largest oil exporter, the growing world oil surplus with consequent price reductions has seriously damaged the economy, which is heavily dependent upon such income. In addition, widespread apprehension over political changes in Venezuela since 1958 has caused a drastic reduction in new foreign investment and a serious flight of capital. Venezuela's second industry - construction - has also declined markedly due to sharp curtailment of monumental public works and a reduction in private housing starts. Unemployment has risen steadily and now stands at 12% of the labor force. The serious lack of growth is indicated by the fact that in 1960 and 1961, GNP grew only 1% per annum while population grew a little more than 3%, resulting in an actual decline of 2% in per capita GNP.

Self-Help and Social Reform

Confronted with social and economic problems of such staggering proportions, the Betancourt Government has moved vigorously to improve the general welfare and stimulate basic economic development. It initiated a comprehensive agrarian reform program in March 1960, and greatly expanded the education system. Moreover, the Government established a development plan which is revised annually to cover the next four years. The following measures have been taken as a part of President Betancourt's progressive program:

Agrarian Reform. In March 1960, Venezuela adopted a land reform program which has already resettled 40,000 families on 3,000,000 acreas of land. This comprehensive program is a model for all Latin America. During his trip to Venezuela, President Kennedy distributed land titles under this program.

Development Planning. In 1961, Venezuela completed a comprehensive, four-year national development plan. It is expected that this plan will be presented to the OAS panel for review in the next few months. This plan is widely regarded, after preliminary study, as one of the best in Latin America. It calls for GNP increase of 7%-8% per year.

Public Administration. In July 1961, the salaries of the government bureaucracy were cut 5%.

Education. Since 1958, primary school enrollment has increased well over 50%; secondary school enrollment has doubled; teacher training enrollment has quadrupled. Primary school enrollment has increased from 751,561 to 1,223,314; secondary school enrollment from 55,194 to 105,000; teacher training enrollment from 8,260 to 31,641; vocational school enrollment from 19,357 to 41,419; primary schools doubled and teachers in service increased from 26,230 to 45,132.

Tax Reform. In February 1961, tax rates were raised and an estimated annual increase of $60 million in revenues is projected. Another tax rate increase, intended to raise an additional $67 million in revenues, is being proposed for 1962.

Housing. In November 1961, savings and loan associations and an Urban Mortgage Bank were established to assist in the housing effort.

The success of U.S. efforts thus far, particularly those of an advisory nature, has been reflected in significant policy changes of the Venezuelan Government in areas related directly to AID objectives. As a practical matter, friendly persuasion by U.S. officials at every level has played a large part in effecting these necessary changes. Due in large part to our effort, the Government of Venezuela now recognizes that Agrarian Reform can be fully effective only if coupled with agricultural credit to farmers and adequate technical assistance designed to provide training in technical schools aimed at increasing agricultural production and establishing a comprehensive land-use system; the Ministry of Education now has come to accept the concept of developing multi-purpose secondary schools which would include vocational training in their regular curriculums; and the president of the Agricultural Bank, in conjunction with AID, the Rockefeller Foundation and the Council of Rural Welfare, has developed a sound program for supervised agricultural credit.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-61	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	16.3	15.2	53.7
Alliance for Progress:			
Loans (DLF prior to 1962).....	15.0	15.0	20.0
I.D.B. Trust Fund Loans.....	-	-	32.0
Grants (T.C. prior to 1961).....	1.3	0.2	1.7
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	-	-	0.7
Title IV.....	-	-	12.0
EX-IM BANK LONG-TERM LOANS.....	136.4	104.4	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	1.5	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	0.1	*	1.5
M.A.P. - Credit Assistance.....	41.4	2.0	10.0
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	-	-	45.0 a/
International Finance Corporation....	3.5	0.5	- a/
Inter-American Develop. Bank.....	10.0	10.0	- a/
UN Tech.Assist. - CY ending in FY....	2.1	0.5	0.3
UN Special Fund.....	0.8	0.8	1.3 a/
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans.....	-	-	*
Export-Import Bank.....	16.7	1.2	0.6 a/
Other Government Loans.....	NA	-	-

a/ July-December, 1961.
* Less than $50,000.

[redacted]

Country: VENEZUELA

BASIC DATA

	Unit	VENEZUELA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	352	xxx
Population (1961)	Mil.	6.9	xxx
Annual Growth	%	3.2	2.4
Density per sq.mi.	No.	20	40
AGRICULTURAL LAND			
% of Total Area	%	17	25
Per Capita	Acres	6	2.5
POWER PER CAPITA	KWH/Yr	671	80
EDUCATION			
Literacy Rate	%	51	35
Pupils as % of Pop. (Prim. & Sec.)	%	12	9
Pupils per Teacher (Prim. only)	No.	37	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	1,295	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	7,053	7,152	7,200
Per Capita GNP	Dollars	1,083	1,066	1,040
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	131	142	148
Index Per Capita	"	109	115	117
Corn	1,000 MT	335	399	439
MINING PRODUCTION INDEX	1953=100	179	192	193
COST OF LIVING INDEX (Caracas)	1953=100	108	112	110
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	2,369	2,432	2,400
Petroleum and products	"	2,174	2,210	2,230
Total Imports (c.i.f.)	"	1,577	1,188	1,020
Trade Balance	"	+792	+1,244	+1,380
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	890	948	893
Imports from U.S. (f.o.b.)	"	739	550	492
Trade Balance	"	+151	+398	+401
GOLD & FOREIGN EXCHANGE *(end of year)*	"	741	586	667 (Nov)

	-Million Dollar Equivalents- 1958/59a	1959/60a	Cal.year 1962 (Bud)
CENTRAL GOVERNMENT FINANCES*			
Total Expenditures	1,863	1,844	1,900
(Defense Expenditures)	(178)	(180)	(165)
(Capital Outlays)	(n.a.)	(n.a.)	(742)
Domestic Revenues	1,584	1,524	1,590
Budget Receipts from Non-U.S. Foreign Aid	n.a.	140	177
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	45
Remaining Deficit (-) or Surplus (+)	n.a.	-180	-88

* - Converted at 3.35 Bolivares per U.S. $.
a - FY ending June 30.

British
Guiana

British
Guiana

[redacted]

British Guiana is a British colony in northern South America which has been moving rapidly towards independence. With an area roughly the size of Idaho, its population is 566,000. The two main ethnic elements are East Indian, about 45% population, and Negro about 40%; the rest are largely a mixture of Portugese, Chinese and English. Political party membership has become polarized in two main parties, the People's Progressive Party (PPP) led by Cheddi Jagan and largely East Indian, and the People's National Congress (PNC), under the leadership of Forbes Burnham, dominated by the Negro group. A relative political newcomer, the United Front Party, was organized in 1961 by Peter D'Aguiar, a wealthy Portuguese businessman. This group is supported by the conservative middle class and by the natives in the interior.

The following significant statistics will assist in visualizing existing conditions:

	British Guiana	United States
Per capita GNP	$260	$2,800
Calories per day per capita	NA	3,220
Infant mortality (deaths prior to age one per 1,000 live births) 1958	61	26
Life expectancy	52 yrs.	70 yrs.
Literacy	80%	98%
Rate of population growth	2.9%	1.7%
Cost of living index (1953=100)	106	112

As the last step preceding independence British Guiana was granted internal self-government during the summer of 1961. Elections were held in August of that year to form a new government. Cheddi Jagan, the dominant political leader in British Guiana for a decade was returned to power.

The August elections returned the People's Progressive Party to power with 42% of the popular vote so distributed that it won 19 of the 35 seats within the legislative assembly. The People's National Congress secured 41% of the popular vote, but only 11 seats. The United Front gained 16% of the votes and 4 seats. Cheddi Jagan was made Premier and indicated that the party had two main goals, early independence and a greatly expanded development program.

The PPP was dedicated to securing complete independence during 1962, and the PNC supported the cry for independence but only with proper constitutional safeguards. The U.F. has not favored independence in the foreseeable future. The most recent timetable called for a conference with the British in May and possibly independence by the end of the year. However, this timetable may have been upset by riots and arson in Georgetown arising from a proposed highly controversial budget program.

During the week of January 26, 1962, the Minister of Finance tabled the new budget in the Legislative Assembly calling for drastic tax reforms. Five days of a public demonstration led by the Trades Union Congress (TUC), UF and PNC resulted in riots, arson and looting on February 16, 1962. Fire completely leveled one-third of the Georgetown business district, destroying an estimated $30,000,000. Upon the request of Cheddi Jagan, the Premier, British troops were landed and quickly restored order. The full impact of these events upon the future of British Guiana has not yet been completely assessed by the British or by the local government.

The economy of British Guiana is built upon sugar, rice and bauxite, the first two of which enjoy a preferred export market because of commonwealth agreements. The only significant source of development financing (except mining) comes from the British Colonial Development and Welfare grants and loans which, for the period 1960-64 approximately 7 to 8 million dollars a year. Jagan made requests for large low interest loans or grants from the United States during the course of his October visit to the United States. A U.S. press statement concurred in by Dr. Jagan was released at that time indicating that the United States was prepared to provide economic experts for the purpose of examining British Guiana's development program and also that the United States would be willing to expand its technical assistance program.

British Guiana cannot be characterized as a typical Latin American state. There is no pressing land reform problem and the tax system is graduated and relatively effective. The government structure is organized in the U.K. pattern of parlimentary democracy.

The United States faces a difficult political problem in British Guiana. Jagan is a self-described Marxist. Many individuals in the PPP hierarchy have had associations and views which have been described as even further to the left. Our general policy in British Guiana, a policy which depends in part on the U.S. aid effort, attempts to prevent the emergence of a Communist-Castro type of government in the Western Hemisphere.

[redacted]

Country: BRITISH GUIANA

British Guiana, located on the northeast coast of South America lying between Venezuela, Brazil and Surinam, has a population of 566,000 primarily East Indian and African in composition, largely settled along the low-lying coastal area. A territory of the United Kingdom, British Guiana has been expecting to receive its independence within the year. As a reaction to the budget presented January 26, which sharply increased taxes and proposed new controversial revenue measures, a general strike was called by the Trades Union Congress. The strike was supported and abetted by the opposition parties, PNC and UF. The budget controversy aroused deep-seated racial issues, antagonisms and fears. Peaceful demonstrations were effectively organized in a few main urban centers, but the countryside which is East Indian and loyal to Jagan, remained quiet. In Georgetown the demonstrations on February 16 degenerated into riots and arson and finally into racial conflict between Negroes and East Indians. At the request of Cheddi Jagan, the Premier, the British despatched troops, and order was quickly restored. These recent developments have cast doubt on the political future of British Guiana and on the immediacy of independence.

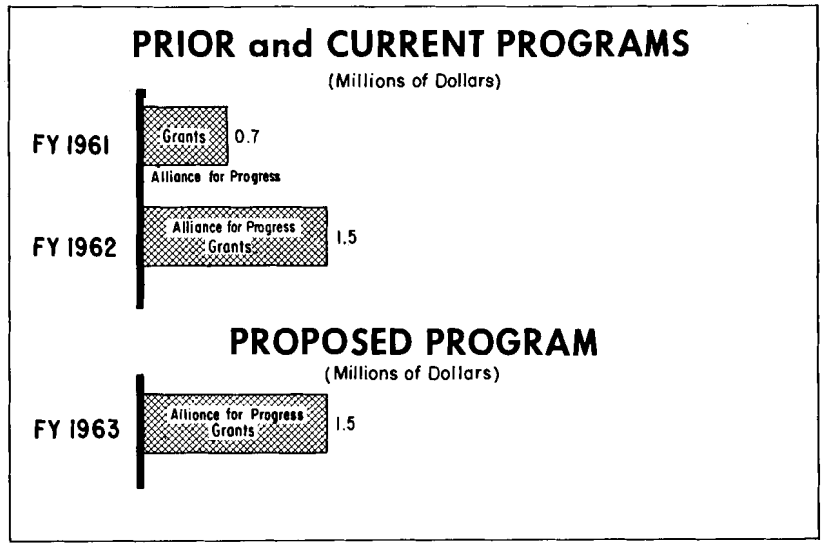
Country Background

The present economy is dependent upon sugar, rice and bauxite, all surplus on world markets and subject to price fluctuations. Unemployment and underemployment prevail and basic skills for development are lacking.

The Development Plan (1960-64) amounting to $64 million, is supported by United Kingdom loans and grants amounting to $36 million. The present government feels that the plan is grossly inadequate for the needs of the country. The plan has been lagging behind the goals set.

Arable lands of the interior, forest resources and minerals offer prospects for sound economic growth while maintaining the present economic base. Such growth requires both inflow of capital and an improvement of the basic skills and techniques of the citizenry. British Guiana has possibilities for the development of a viable economy.

The British Guiana Development Program concentrates on strengthening the present economic base through extensive coastal reclamation projects for rice production. This goal has the political advantage of providing land to the East Indian farmers. The program has been criticized, however, because of the extremely high capital investment that is necessary. Secondary emphasis is placed on opening up the vast interior area.



U.S. Assistance Strategy

The AID Program is a significant aspect of the U.S. attempt to prevent emergence of a Castro state. Through a small technical assistance program our strategy is to demonstrate U.S. interest in the welfare of the inhabitants of British Guiana and strengthen the ties between the United States and this colony.

The United States plans to continue the above strategy as long as it appears justified, though continuously alert to events dictating change of policy as tested by continuous observation, time and performance. This means that projects and the amount of U.S. support must be highly selective from the standpoint of U.S. interests, the welfare of the Guianese people, of favorable impact and accomplishment and support from the U.K. toward costs of development.

To accomplish the above objectives, constant reassessment of policy requirements in a fluid situation is necessary. With this in mind the 1963 AID program of technical assistance grants total $1.5 million. Should there be a significant change in the situation, additional funds may be required.

Country: BRITISH GUIANA

Development grants will continue to be concentrated in the field of agriculture, health, education and transportation with project development assistance in planning, engineering and feasibility surveys.

Accomplishments

Since the inception of the program over 140 Guianese civil servants have received training by the AID program within the United States and constitute a strong and continuing source of good will within the government. The rural youth activity owes its existence to ICA-AID and during the past two years doubled its membership; this constituted such a threat to the Communist Progressive Youth Organization that the People's Progressive Party felt obliged to attack the Rural Youth Program publicly. Popular revulsion to the attacks led the PPP government to call them off.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1956-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	1.4	0.7	1.5
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	1.4	0.7	1.5
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	0.6	0.2	.1
Title IV.....	-	-	--
EX-IM BANK LONG-TERM LOANS.....	-	-	-a/
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	1.2	1.2	-a/
UN Tech. Assist.-CY ending in FY.....	0.2	*	*
UN Special Fund.....	1.2	0.4	0.6a/
OTHER FREE WORLD ASSISTANCE			
United Kingdom.....	-	13.0	13.0
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/July-Dec. 1961
* Less then $50,000.

[redacted]

Country: BRITISH GUIANA

BASIC DATA

	Unit	BRITISH GUIANA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	83	xxx
Population (1961)	Mil.	0.6	xxx
Annual Growth	%	2.9	2.4
Density per sq.mi.	No.	7	40
AGRICULTURAL LAND			
% of Total Area	%	6.5	25
Per Capita	Acres	6	2.5
POWER PER CAPITA	KWH/Yr	133	80
EDUCATION			
Literacy Rate	%	80	35
Pupils as % of Pop. (Prim. & Sec.)	%	22	9
Pupils per Teacher (Prim. only)	No.	41	38
HEALTH			
Life Expectancy	Yrs.	52	40
People per Doctor	No.	3,125	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	n.a.	156	n.a.
Per Capita GNP	Dollars	n.a.	260	n.a.
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	131	145	144
Index Per Capita	"	109	118	114
Rice, rough	1,000 MT	191	209	217
SHRIMP CATCH	1,000 lb.	1,210	2,600	n.a.
COST OF LIVING INDEX	1953=100	103	104	106
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	61	74	78
Sugar	"	27	34	35
Total Imports (c.i.f.)	"	65	86	89
Trade Balance	"	-4	-12	-11
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	5.0	11.2	19.8
Imports from U.S. (f.o.b.)	"	7.3	12.2	12.5
Trade Balance	"	-2.3	-1.0	+7.3
GOLD & FOREIGN EXCHANGE *(end of year)*	"	n.a.	n.a.	n.a.

	- Million Dollar Equivalents - 1959	1960	1961(Bud)
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31			
Total Expenditures	38.0	40.1	44.0
(Defense Expenditures)	(-)	(-)	(-)
(Capital Outlays)	(11.2)	(9.9)	(11.7)
Domestic Revenues	28.6	30.4	33.9
Budget Receipts from Non-U.S. Foreign Aid	7.1	8.6	10.8
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	--
Remaining Deficit (-) or Surplus (+)	-2.3	-1.1	+0.7

* - Converted at $1.7 BWI per U.S. $.

British
Honduras

British
Honduras

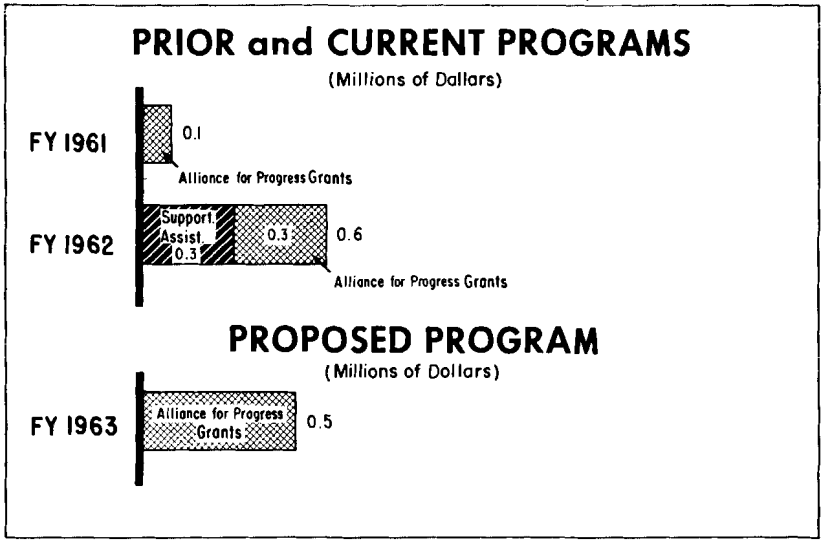
British Honduras, on the Caribbean coast of Central America, is bounded on the north by Mexico and on the south and west by Guatemala. The population numbers approximately 92,000 and total land area is 8,869 square miles. It is about the size of Massachusetts and twice the size of Jamaica. Literacy is estimated at 70%. British Honduras has recently gained greater internal autonomy under a freely elected, ministerial form of government operating within a new constitution. The country has suffered a major setback due to hurricane devastation. Guatemala has recently restated a long standing claim to the territory.

As with emerging colonial areas in the Caribbean, the United States has a political objective to develop a mutuality of interest with the people of British Honduras and wishes to see the country as a point of stability in the Central American area. This is especially important in light of the country's recent devastation and its effect on the already poverty-stricken people.

Country Background

Economic and social institutions are relatively underdeveloped. Health and sanitation facilities are primitive. Endemic disease is prevalent. Facilities are substandard. Skills are low and in short supply. Timber is the leading national resource and sawmill products the major export. Agriculture is fast approaching forestry products in importance. However, many foods which could be produced locally are imported. Citrus fruit and sugar are the main export crops, while the chief food crops are corn, rice and beans. Development of cacao and cotton is being attempted. There are some prospects for a specialized tourist industry. The small population of the country, and limited resources have thus far precluded the development of most manufacturing, though a processing plant expected to employ 300 people is being established. Mineral resources have so far proved negligible, but off-shore oil exploration is currently under way. The greatest problem, perhaps, is the socialogical bias held by the people against agricultural work.

Gross National Product (GNP), in 1960 prices, is $27 million, and per capita income $300. GNP per capita appears high for Latin America, but there are wide disparities in income. Such statistics as are available indicate a static growth situation, as economic expansion is offset by population growth. Many people are outside the money economy.



The government has traditionally run a large deficit in its budget and balance of payments. Government expenditures of $7 million per year are partly financed by revenue of $4 million. The deficit is made up by U.K. grants and loans. The chief source of government revenue is import duties.

Self-Help and Social Reform

The country had a development plan, now no longer applicable due to the recent hurricane. This plan was largely financed by U.K. grants. It may be some time before British Honduras is able to produce a plan to meet the new situation. Future planning will no doubt be based on the survey recently completed by a U.K. survey mission and a U.N. study. The U.K. mission, after a visit of several weeks, assessed the damage and will recommend steps to be taken for rehabilitation and future development. The U.N. has agreed to undertake an economic study to begin in March, 1962.

[redacted]

Country: BRITISH HONDURAS

U.S. Assistance Strategy

In the short run, U.S. assistance strategy will continue to help British Honduras overcome the effects of the recent hurricane within reasonable limits. The U.S. will not assume the primary British responsibility, but will supplement U.K. efforts toward rehabilitation, in order to help maintain a democratic and friendly neighboring territory and prevent serious unrest or instability, and protect U.S. private investment. In the current country situation, the short term prospects of rapid economic and social improvement are dim due to the hurricane's disastrous effect, and the continuing problem of British Honduras' meager resources.

Looking to the future, U.S. aid strategy will be to help British Honduras develop institutions and skills needed in the country's development so that when and if independence is attained, the country will be better prepared for it.

The U.K. will remain the chief source of external resources. Some assistance from the United Nations may be received. The Peace Corps has sent a representative to British Honduras to develop a program directed to improve teacher training and vocational and secondary education.

Proposed AID Program for FY 1963

Due to the hurricane disaster and the facts that its full effect on the economy and the development plan have not been assessed, we propose to project the program on the basis of last year's funding level.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1956-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	0.6	0.1	0.6
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	0.6	0.1	0.3
Supporting Asst.(DS/SA prior to 1961)	-	-	0.3
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	0.3	-	-
Title III.....	0.7	0.1	0.2
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	a/
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech.Assist.-CY ending in FY.....	-	-	*
OTHER FREE WORLD ASSISTANCE			
United Kingdom.....	3.0	3.0	3.0
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENT.....	-	-	-

a/July-Dec. 1961.
* Less than $50,000.

[redacted]

[redacted]

Country: BRITISH HONDURAS

BASIC DATA

	Unit	BRITISH HONDURAS	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	8.9	xxx
Population (1961)	Mil.	0.1	xxx
Annual Growth	%	2.7	2.4
Density per sq.mi.	No.	10	40
AGRICULTURAL LAND			
% of Total Area	%	5	25
Per Capita	Acres	0.6	2.5
POWER PER CAPITA	KWH/Yr	44	80
EDUCATION			
Literacy Rate	%	70	35
Pupils as % of Pop. (Prim. & Sec.)	%	22	9
Pupils per Teacher (Prim. only)	No.	49	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	4,303	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	n.a.	27	n.a.
Per Capita GNP	Dollars	n.a.	300	n.a.
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	240	241	n.a.
Index Per Capita	"	207	203	n.a.
Grapefruit and Oranges	1,000 MT	23	20	n.a.
FISH AND LOBSTER CATCH	"	239	n.a.	n.a.
COST OF LIVING INDEX (Belize)	1956=100	103	103	n.a.
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	7	8	n.a.
Timber and Logs	"	2.4	2.4	n.a.
Total Imports (c.i.f.)	"	14	13	n.a.
Trade Balance	"	-7	-5	n.a.
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	2.2	2.0	2.0
Imports from U.S. (f.o.b.)	"	5.2	4.8	6.8
Trade Balance	"	-3.0	-2.8	-4.8
GOLD & FOREIGN EXCHANGE *(end of year)*	"	n.a.	n.a.	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*Million Dollar Equivalents* - 1959	1960(Bud)	1961(Bud)
Total Expenditures	7.44	6.57	6.82
(Defense Expenditures)	(n.a.)	(n.a.)	(n.a.)
(Capital Outlays)	(1.54)	(0.91)	(0.56)
Domestic Revenues	4.24	4.43	4.55
Budget Receipts from Non-U.S. Foreign Aid	3.17	2.14	2.27
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	--
Remaining Deficit (-) or Surplus (+)	-0.03	--	--

* - Converted at $1.4 B.H. per U.S. $.

East
Caribbean

East
Caribbean

[redacted]

The Eastern Caribbean area includes the nine British island territories strategically located and stretching from St. Kitts and Nevis in the north through Trinidad in the south. The population of the islands is slightly more than 1.5 million.

These islands of the Eastern Caribbean are of importance to the United States due to the presence of military facilities there.

The major social and economic problems these islands face must be considered against their current individual evolution and in light of the changing political and economic climate of the troubled Caribbean and the Western Hemisphere.

Significant statistics, with comparisons to the United States, tell part of the story:

	East Caribbean (Trinidad & Tobago only)	United States
Per Capita GNP	$574	$2,800
Calories per day per Capita	NA	3,220
Infant Mortality (deaths prior to age one per 1,000 live births)	113	26
Life Expectancy	61 yrs.	70 yrs.
Literacy	74%	98%
Rate of Population Growth	2.8%	1.7%
Cost of Living Index (1953 = 100)	121	112

Gross National Product (GNP) ranges from approximately $574 in Trinidad to $140 in Monserrat.

Trinidad will probably obtain independence late this calendar year. Barbados appears to want to join the smaller islands in a "Little Federation." The possibilities are favorable that the two larger islands can become self-sustaining. The political future of the Windward and Leeward Islands has not been finally decided, but the chances of their becoming economically self-sustaining are remote.

Political parties in the Eastern Caribbean are generally democratic, and pro-Western. Communism has not made significant inroads in the islands, but conditions favoring Communist activities are certainly present. The fact that the Communist movement is well organized in the neighboring French islands of Martinique and Guadeloupe should not be overlooked. Two-party systems exist in all the English-speaking islands, with loose inter-island confederations based on the trade union associations. The dominant political figure in Trinidad is the Premier, Eric Williams. While pro-Western in outlook, he has not hesitated to bargain forcefully with the United States and the United Kingdom using every pretext or opportunity in order to obtain additional money for the development of his island.

Although the pace of economic development has varied throughout the area, certain storm signals are flying. Dependency upon the United Kingdom for budget support and development expenditures is high in the smaller islands where increases in banana production and tourism have had little more than a marginal effect upon the economy. Although economic data is unreliable and difficult to obtain in the smaller islands, it would appear that the unfavorable balance of trade in those areas presents a serious and continuing problem. Finally, attention should be paid to the increasing impact of the European Common Market on the area's continuing ability to sell to the United Kingdom and to Western Europe. England's participation in the Common Market may alter the traditional Commonwealth and Colonial preference systems which favored the area's trade with the United Kingdom.

Primary education is free and relatively widespread in the West Indies. But untrained teachers, mainly graduates of primary schools, are the rule on the smaller islands. Adequate secondary education facilities are lacking in the small islands. More important, vocational or trade school opportunities are everywhere insufficient. In spite of recent efforts towards more vocational education, the vast majority of students in the Eastern Caribbean enter the labor market with no skille or trade to earn a living and no preparation to participate in the modernization of their respective island societies.

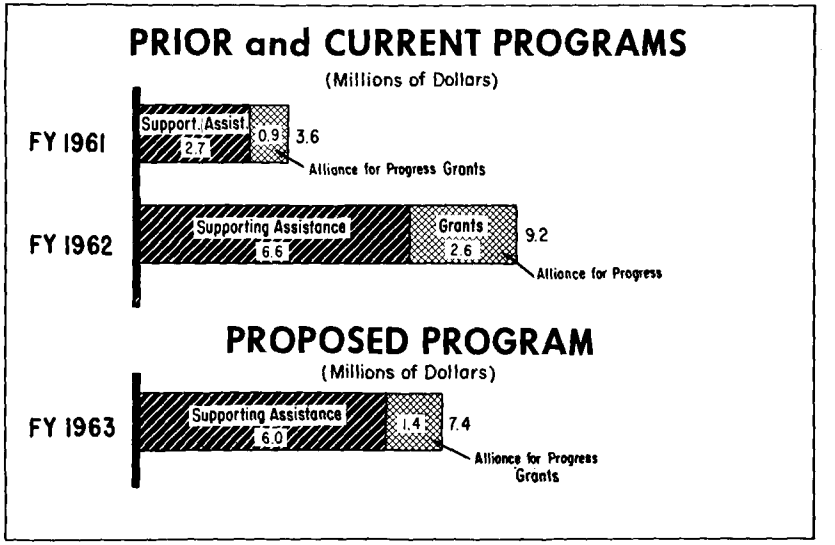
The economic growth of the smaller islands of the Eastern Caribbean has been hampered by their size and insularity. The hope for limited viability of these islands rests on agriculture, small and medium-sized industry and tourism. Because of growing population pressures and without transportation to open up new lands, markets, and recreation areas, there is little chance for their economies to expand.

[redacted]

The Eastern Caribbean area is considered to consist of the nine British unit territories stretching from St. Kitts and Nevis in the north through Trinidad in the south. The population of the islands is slightly more than 1.5 million, with a literacy rate of approximately $574 in Trinidad to $140 min Montserrat.

Trinidad may obtain independence during this calendar year. Barbados appears to want to join the smaller islands in a little Federation. The possibilities are favorable that Trinidad can become self-sustaining; the outlook is less promising for Barbados. The political future of the Windward and Leeward Islands has not been finally decided, but the chances of their becoming economically self-sustaining in the near future are remote.

The primary U.S. interest is the strategic one of retention, under favorable conditions, of our military base rights in Trinidad, Barbados, Antigua, and St. Lucia, for as long as such rights affect our security. The United States is also interested in insuring the political stability of the newly emerging nation or nations in this area and believes that such stability will be promoted by economic viability.



Country Background

Historically the economies of the islands of the Eastern Caribbean have been based on agriculture. In recent years oil production and refining have become dominant in the domestic economy of Trinidad. In Barbados and Antigua, tourism has been taking on increasing importance, and efforts are being made to develop the tourist and recreational potential of the other units.

The pace of development has varied throughout the area. Trinidad has advanced the most rapidly and has relatively modern facilities. From 1951 to 1961 Trinidad's per capita GNP increased about 50%, to nearly $580. Barbados has a slower gain, with a per capita GNP rise of 25% between 1954 and 1960, to $300. The Windward and Leeward Islands' per capita GNP rose 18% to $199 in the period 1956-1959. Trinidad's progress is due in large part to foreign capital, including sizeable U.S. investments in refining, chemical fertilizers, and bauxite trans-shipment facilities. The Barbados increase is due to a series of good sugar crops, together with local development efforts aimed at diversification. Increased banana production in the Windward Islands and tourism in Antigua have been insufficient to overtome the problems of isolation, a low economic base, and dependence upon United Kingdom and other outside economic aid.

Trinidad and Barbados have fairly comprehensive five-year development plans, both of which are in process of revision. The smaller territories have less sophisticated plans which in some cases are merely listings of desired projects.

The economic growth of the smaller islands of the Eastern Caribbean has been hampered by their size and insularity. The hope for limited viability of these islands rests on agriculture, small and medium-sized industry and tourism. With growing population pressures and without transportation to open up new lands, markets, and recreation areas, there is little chance for their economies to expand.

Self-Help Measures

Self-help throughout the area varies among the governments of the area and is conditioned by the fact that these islands have not yet obtained their independence and that the role of the United Kingdom is substantial. Under the currently terminating five-year plan of Trinidad and Tobago major emphasis has been on employment, with apparently secondary concern that work projects be directed toward long-range economic development.

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[redacted]

U.S. Assistance Strategy

The primary goal of U.S. assistance in the area is to maintain the U.S. presence in defense areas under mutually acceptable conditions. This involves fulfillment of U.S. commitments related to defense installations, but there remains some disagreement as to the exact extent of these commitments. When the West Indies defense talks were held in late 1960 and early 1961, U.S. representatives obtained an agreement which the United States interprets as limiting such commitments to specific projects, whose total cost over a two-three period is currently estimated by the United States at $20 million. This appraisal has not been accepted by the local government which desires full financing of both foreign exchange and local costs of the projects totaling roughly $50 to $75 million. Regardless of the ultimate evolution of the area's political organization, the United States in its assistance program must act to avoid endangering our interest in the retention of defense facilities on Trinidad, Barbados, and Antigua, plus a stand-by base on St. Lucia.

Uncertainty regarding the future constitutional organization of the smaller islands makes it difficult to define the nature of future assistance by the United Kingdom, the principal source of external governmental assistance; it is assumed that this assistance, perhaps with some Canadian aid, will continue at a total level of approximately $11 million annually, most of it going to the Windward and Leeward Islands.

If the United States is successful in channeling its Supporting Assistance into projects oriented to economic and social development goals, it should be possible to keep grant assistance from U.S. public funds to a minimum during the next few years, subject to a satisfactory understanding on base commitments.

Proposed AID Program for FY 1963

In order to maintain our defense facilities $6 million in supporting assistance is proposed.

Engineering for Port of Spain Harbor - $3,000,000. Funds will be used for engineering studies, plans, specifications, feasibility and economic justification to enable the government to obtain loans for the physical improvement of the harbor.

Chaguaramas Road - $370,000. The funding proposed is for the offshore procurement requirement for a four-mile-four-lane highway to relieve congestion on the Port of Spain-Chaguuaramas Road.

Trinidad Railway - $630,000. Within the limit of funds it is proposed to replace obsolete or uneconomic rolling stock, some of it dating to 1876, thereby reducing railroad maintenance and operating costs.

Engineering for Deep Water Harbor, Antigua - $500,000. This project provides for the design, specification feasibility, etc. to enable the Government of Antigua to apply for a loan for the construction of the harbor.

Illustrative Defense Area Projects for the Windward and Leeward Islands - $1,200,000. Illustrative projects include a sewerage system for St. Johns, Antigua, education facilities, Antigua, practical training facilities, St. Lucia, and agricultural credit, St. Lucia.

Development grant activities total $1.4 million and will be aimed at providing practical educational training, improving the facilities of the Trinidad Branch of the University College of the West Indies, general agriculture and general support.

Accomplishments

The proposed program is still basically oriented to military facility commitments.

To date, more than 400 participants in various vocational fields have been trained in the United States and Puerto Rico and most of these are usefully employed in development efforts throughout the West Indies. In addition, large numbers have been given on-the-job training. In furtherance of educational objectives, we have helped to equip the five science laboratories of the University College of the West Indies and are attempting to assist the Government of Trinidad and Tobago to establish an Agricultural Engineering and Liberal Arts branch in Trinidad. We have been working with the unit governments to establish a teacher training school to service the Windward Islands by upgrading and better qualifying the present teaching personnel and by training new instructors. Industrial Art wings and equipment have been established in five secondary schools of the Unit Territories. A trade training school was created utilizing existing buildings at the U.S. Navy Base, Chaguaramas, Trinidad, and graduates are contributing to local production. By March 1963, it is expected that 1,000 men will have been trained in various trades, alleviating some of the critical manpower shortage in Trinidad.

[redacted]

[redacted]

Country: EAST CARIBBEAN

In St. Lucia a major cooperative effort is being made to elevate this depressed area. Farm to market roads are being constructed; modern soil conservation practices and gravity flow irrigation are being introduced; livestock improvement programs emphasizing poultry and swine have been inaugurated; cold storage, slaughter-house and a feed mill are being erected; a site has been acquired and preliminary plans approved for a comprehensive secondary school (the first public secondary school on the island).

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1959-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	7.9	3.6	9.2
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	1.8	0.9	2.6
Supporting Asst.(DS/SA prior to 1961)			
Other MSP Economic.....	6.1	2.7	6.6
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	(-)	(-)	(-)
Title II.....	-	-	-
Title III.....	2.3	0.4	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	9.0 a/
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	-	-	23.5a/
UN Tech. Assist.-CY ending in FY....	0.6	0.1	0.1
UN Special Fund.....	0.9	-	a/
OTHER FREE WORLD ASSISTANCE			
United Kingdom and Canada.....	-	-	11.0
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/ July-Dec. 1961.

[redacted]

Country: EAST CARIBBEAN (TRINIDAD and TOBAGO Only)

BASIC DATA

	Unit	TRINIDAD and TOBAGO	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	2.0	xxx
Population (1961)	Mil.	0.9	xxx
Annual Growth	%	2.8	2.4
Density per sq.mi.	No.	429	40
AGRICULTURAL LAND			
% of Total Area	%	35	25
Per Capita	Acres	1.5	2.5
POWER PER CAPITA	KWH/Yr	546	80
EDUCATION			
Literacy Rate	%	74	35
Pupils as % of Pop. (Prim. & Sec.)	%	23	9
Pupils per Teacher (Prim. only)	No.	n.a.	38
HEALTH			
Life Expectancy	Yrs.	61	40
People per Doctor	No.	2,870	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	432	474	490
Per Capita GNP	Dollars	529	562	574
Investment as Percent of GNP	Percent	32	28	29
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	126	131	129
Index Per Capita	"	106	107	102
Citrus fruit	1,000 MT	50	28	39
CEMENT PRODUCTION	"	180	178	83
COST OF LIVING INDEX	1953=100	117	119	121
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	260	287	360
Petroleum products	"	213	230	290
Total Imports (c.i.f.)	"	261	292	350
Trade Balance	"	-1	-5	+10
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	44	53	93
Imports from U.S. (f.o.b.)	"	30	35	35
Trade Balance	"	14	18	58
GOLD & FOREIGN EXCHANGE *(end of year)*	"	n.a.	n.a.	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*- Million Dollar Equivalents -* 1959	1960(Bud)[a]	1961(Bud)
Total Expenditures	71.4	86.2	117.9
(Defense Expenditures)	(0.1)	(0.1)	(0.1)
(Capital Outlays)	(31.2)	(29.4)	(50.1)
Domestic Revenues	75.9	84.0	99.4
Budget Receipts from Non-U.S. Foreign Aid	1.0	0.9	4.9
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	---
Remaining Deficit (-) or Surplus (+)	+5.5	-1.3	-13.6

* - Converted at $1.70 WI per U.S. $.
a - Revised.

Jamaica

Jamaica

Jamaica, largest of the British West Indies islands, is 90 miles due south of Cuba and 500 miles from Miami, and is close to the important missile tracking stations located on the Turks Islands, which may become part of the new Jamaican nation. Jamaica will be the first new nation in this hemisphere in half a century. Its population is 1.6 million and increases at the rate of 1.9%. Last September, Jamaicans voted to withdraw from the proposed West Indies Federation and go it alone as a British Commonwealth nation. Total independence is scheduled for August 6 of this year.

The following significant statistics will assist in visualizing existing conditions:

	Jamaica	United States
Per Capita GNP	$ 433	$ 2,800
Calories per day per capita	NA	3,220
Infant mortality (deaths prior to age one per 1,000 live births)	NA	26
Life expectancy	NA	70 yrs.
Literacy	72 %	98 %
Rate of population growth	1.9 %	1.7 %
Cost of living index (1953 = 100)	121	112

Substandard living conditions in the overpopulated urban slum areas and isolated rural areas, create major social problems. Poor housing and lack of water and sanitary facilities are major factors contributing to Jamaica's social problems.

The principal political parties are Premier Norman Manley's Peoples National Party and Sir Alexander Bustamente's Jamaica Labor Party. Both are closely tied to the forces in the island's labor movement which led the struggle for independence through three decades. General elections pitting the Bustamente against the Manley forces have been called for April 10. To date, the issues have been more local and individualistic than international or ideological. Recently extremist groups with a tendency to organize local politics along racist lines, bent on destroying the existing social harmony, have entered the field. More important, Communist and pro-Castro propaganda activities have been stepped up in the last year, primarily in the slum areas of the major cities. But against these forces is arrayed a dedicated and honest cadre of civil servants, headed by a few highly competent leaders.

Housing conditions in the crowded island of Jamaica are reflected in these depressed areas where the majority of the island's

Housing conditions in the crowded island of Jamaica are reflected in these depressed areas where the majority of the island's population lives on a bare subsistence level in city slums or country villages, excluded from and unprepared to participate in the island's industrial economy.

Although national income over recent years has been increasing at the rate of 8-1/2%, distribution of wealth is not spread over a wide enough area of the population. There are large masses of urban and rural poor who have not benefited from Jamaica's progress.

Industry and agriculture contribute equally to Jamaica's Gross National Product, followed closely by bauxite mining. Bauxite and sugar production have been dramatically boosted by over 20% in three years; new industries offer about 7,000 new jobs a year.

Although these improvements have taken place, industrial expansion has been only partially successful and will remain so until Jamaica can build a better trained labor force. Chronic unemployment is currently 18-20% of the labor force. The reasons for this condition are quite clear: population pressures which outstrip all efforts to provide new employment and the lack of skilled workers who can provide the specialized labor new investment capital seeks. For this reason, increased vocational and trade school opportunities are prominent in both the Government's planning and U.S. assistance programs.

Self-Help and Social Reform

National planning in Jamaica is carried out by the Central Planning Unit and reports directly to the Premier. It aims directly at achieving necessary social reforms and a self-sustaining level of economic growth. The target is to increase national income by 7-1/2% annually and per capita GNP by 5%. This 10-year plan is estimated to require $525 million in the public sector. The Government of Jamaica will finance most of this but estimates external assistance requirements to the extent of approximately $15 million annually. Jamaica looks to her principal trading partners -- the United Kingdom, the United States and Canada -- for this external support.

Important starts have been made in agrarian reform, consumer and marketing co-ops, and urban and rural credit unions. The

[redacted]

Government has increased low-cost housing by 2,500 units a year over the last ten years and intends to double the figure in the next ten, making heavy use of the aided self-help principle. Fifteen percent of the national budget is devoted to education, with new emphasis on vocational schools and youth training camps, some of which have been built from the ground up by the students themselves. Public health represents the Government's second largest expenditure, with $14 million going annually to an island-wide program.

Country: JAMAICA

[redacted]

Jamaica, the first new nation in over 50 years in this hemisphere, has a long tradition of British Parlimentary Democracy. There are heavy U.S. investments in bauxite and tourism.

Depressed social conditions in certain areas can easily be exploited by extremists of the right or left.

Country Background

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Housing conditions in the crowded island of Jamaica are reflected in the slum areas of Kingston. A large number of the island's people live on a bare subsistence level in city slums or country villages, excluded from and unprepared to participate in the island's industrial economy.

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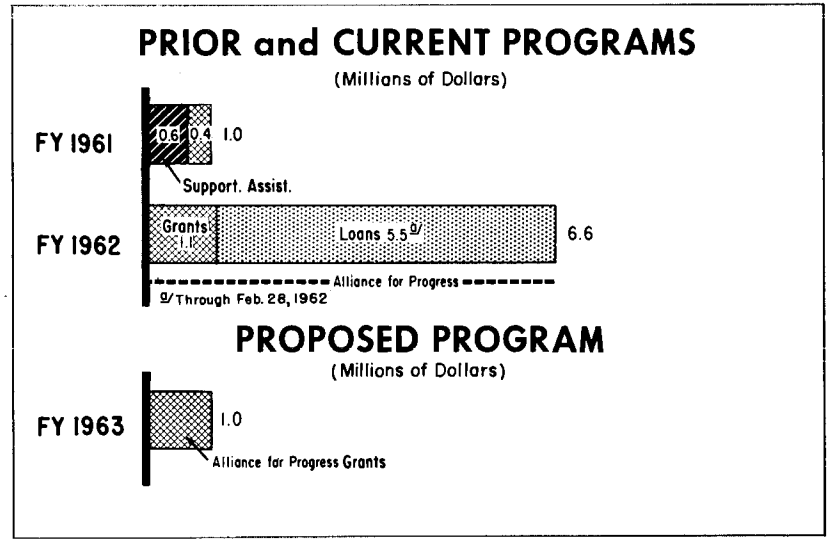

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Tax incentives have been passed, such as the Pioneer Industries Law, Industrial Incentive Law, the Export Industries

[redacted]

Encouragement Law, and the International Business Companies Law. The Government plans periodic review of these and other laws to see if additional legislation is required to increase the rate of capital investment. The Government also has in existence institutions such as the Jamaica Industrial Development Corporation, the Jamaica Manufacturer's Association, and the Jamaican Bank, whose aim directly and indirectly is to foster industrial expansion through credits. The lack of an institution capable of adequately extending to small and medium size enterprise loans ranging from $3,000 to $15,000 seems to be one major deficiency. Anticipated funding for the 10-year plan may fall short of requirements in spite of possible increased contributions by the United Kingdom, Canada and other Free World sources.

The Government is aware of the necessity of self-help not only to secure external assistance but in order to achieve their 10-year plan goals. Income tax rates range from 9% for incomes of $560 to 37% on earnings above $2,800. The tax on corporation profits is 40%. There is an effective Central Planning Unit. The Government is dedicated, with a well-organized civil service. It is moving cautiously toward changes in land distribution because of the limited land available and the inefficiency of the island's many small two-acre farms. On the other hand, it intends to increase effective agricultural credit institutions and extension services. Legislation has been prepared for an All-Island Water Authority and for credit institutions to encourage the building of both rural and urban housing.

U.S. Assistance Strategy

We plan to continue with the Governments of Jamaica, United Kingdom, and Canada in support of the development of Jamaica with loans and grant assistance aimed at alleviating in particular the social problems of housing, inadequate water supply and sub-standard school equipment and facilities. We would further expect the continuation of the several self-help measures which Jamaicans have undertaken already.

Proposed AID Program for FY 1963

(1) Low-Cost Housing -- In meeting the goal of 10,000 housing units a year it is estimated that private initiative will provide over 5,000 units; GOJ funds will provide 3,700 rural units. A proposed loan would provide an additional 1,500 units.

(2) All-Island Water Supply -- This project is the second part of the seven-year program to provide safe and potable water to 80% of the population living in rural communities through the construction and/or renovation and improvement of over 60 water systems serving approximately 200 communities. The project is expected to affect 160,000 people. Consideration will be given to a $3 million loan for this purpose. Local contributions will equal $6.5 million.

(3) Expansion of Education -- A $600,000 Development Grant is planned to help expand three teacher training institutions to accommodate approximately 950 students. In addition small Development Grant programs in health and agriculture will be continued.

Accomplishments and Changes

The proposed program moves from a technical assistance program to a broader effort aimed at supporting the country's top priority social goals. Emphasis is placed on development lending supported by short-term consultants.

Since the inception of the assistance program, participant training has been stressed. Over 150 returned participants have imparted their newly acquired knowledge in varying degrees to the benefit of Jamaica. An outstanding example is the present Parlimentary Secretary to the Ministry of Agriculture and Lands. In 1956, he was a Training and Education Officer who was selected for a six months' study visit to the United States, Canada, and Puerto Rico. After his return he directed his talents and knowledge to the formation of the Agricultural Development Program and was subsequently named to his present position. He has publicly attested to the value of his training in helping him to plan and initiate his program.

Country: JAMAICA

BASIC DATA

	Unit	JAMAICA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	4.4	xxx
Population (1961)	Mil.	1.6	xxx
Annual Growth	%	1.9	2.4
Density per sq.mi.	No.	371	40
AGRICULTURAL LAND			
% of Total Area	%	30	25
Per Capita	Acres	0.5	2.5
POWER PER CAPITA	KWH/Yr	295	80
EDUCATION			
Literacy Rate	%	72	35
Pupils as % of Pop. (Prim. & Sec.)	%	18	9
Pupils per Teacher (Prim. only)	No.	51	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	3,665	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	637	694	710
Per Capita GNP	Dollars	406	430	433
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	109	112	116
Index Per Capita	"	97	97	99
Bananas	1,000 MT	270	270	285
ELECTRIC POWER PRODUCTION	Mill. KWH	421	474	n.a.
COST OF LIVING INDEX (Kingston)	1953=100	112	116	121
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	129	154	170
Bauxite and Alumina	"	57	77	83
Total Imports (c.i.f.)	"	192	217	215
Trade Balance	"	-63	-63	-45
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	47	54	73
Imports from U.S. (f.o.b.)	"	36	48	48
Trade Balance	"	+11	+6	+25
GOLD & FOREIGN EXCHANGE *(end of year)*	"	n.a	n.a.	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending March 31	- Million Dollar Equivalents - 1960	1961	1962 (Bud)
Total Expenditures	104.8	112.3	118.0
(Defense Expenditures)	(0.1)	(0.5)	(n.a.)
(Capital Outlays)	(31.0)	(33.4)	(33.1)
Domestic Revenues	89.0	97.5	103.8
Budget Receipts from Non-U.S. Foreign Aid	3.8	10.2	1.6
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	--
Remaining Deficit (-) or Surplus (+)	-12.0	-4.6	-12.6

* - Converted at £ 0.35714 per U.S. $.

FINANCIAL DATA

Country: JAMAICA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	2.1	1.0	6.6
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	5.5
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	1.5	0.4	1.1
Supporting Asst.(DS/SA prior to 1961)	0.6	0.6	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-.
Title II.....	-	-	-
Title III.....	4.6	0.5	0.1
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
International Finance Corp.....	0.2	0.2	- a/
UN Tech. Assist.-CY ending FY.....	0.6	0.1	0.1
OTHER FREE WORLD ASSISTANCE			
United Kingdom and Canada	NA	NA	NA
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS	-	-	-

a/ July-December 1961

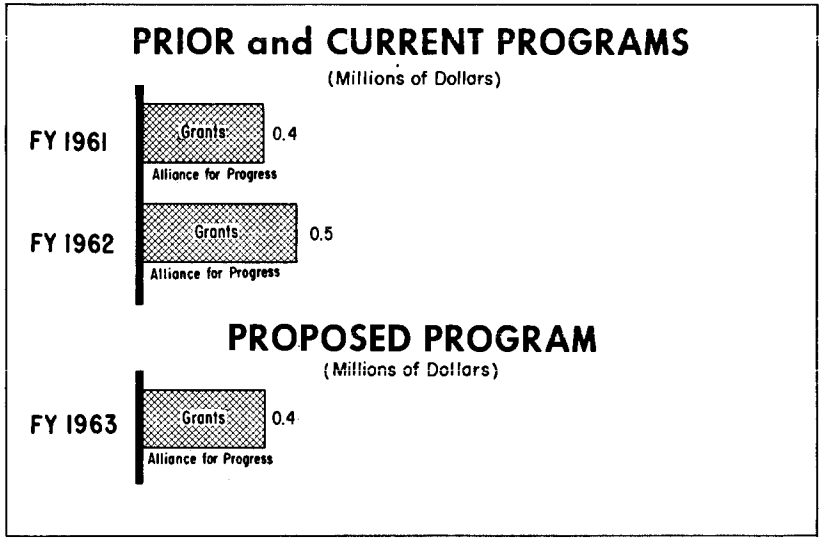
Surinam

Surinam

Surinam, a country of 55,000 square miles, is located or the northeast coast of South America. The country is strongly democratic and pro-Western. It has had internal autonomy since 1954. There is a movement under way to seek local control over foreign affairs and more recently the objective has become commonwealth status. The envisioned political relationship with the Netherlands would be, then, an arrangement comparable to that between a commonwealth country and the United Kingdom.

Nationalism and pressures for greater independence are becoming critical factors in the country. Because of the North Atlantic Treaty Organization (NATO) interests, prejudice to United States-Netherlands relationships must be avoided. Politically, an independent Surinam adjacent to British Guiana, will be a potential ally in international affairs and a deterrent to Communism in the region.

U.S. economic interests derive from the fact that Surinam is one of the world's major sources of bauxite, is a receptive environment for private investment, is the current location of sizable and expanding U.S. private investment, and is a growing market for U.S. exports.



Country Background

The population of Surinam, estimated at 283,000 is concentrated along the coast. Literacy is estimated at 75%. There is a low level of skills and a shortage of trained manpower.

A major private project costing an estimated $100 million is currently being undertaken by the Aluminum Company of America (ALCOA) (U.S.). Several phases of this enormous project have been completed. It will eventually become a large hydroelectric ore-processing complex, requiring roads, power lines, and other services, with a total estimated value of $250 million. The project will provide employment and excess power for industrialization. It will have a major effect on the economy and open up the jungle interiors.

The Gross National Product (GNP) in 1960 prices is estimated at $71 million and until recently has been growing at a rate of about 6%. Per capita GNP in 1960 prices is estimated at $251. Net annual growth of the economy, taking 5% population growth into account, is only 1%. A deficit in the over-all balance of payments is offset by sizable foreign private investment and funds provided by the Netherlands as a contribution for the Ten-Year Plan. Investment and saving are very high. Government revenues are increasing, though not as fast as expenditures, primarily because of investment in the Plan. The government can, however, be expected to maintain stability.

Self-Help and Social Reform

Surinam has no pressing tax or land reform problems. Institutions are stable. The country has recently enacted investment incentive legislation, and is in the process of establishing an Industrial Development Foundation. Contributions to development are sizable. The Government plans to establish the following agencies: National Housing and Water Authorities; an Agricultural Credit Bank and an Agricultural Extension office.

Surinam is operating under a plan for development (1954-1969) which calls for expenditures of $111 million. Surinam provides one-third of the financing from domestic revenues. The remainder, to be provided by the Netherlands, is equally divided between grant and loan funds. Surinam has to date followed this basically well-designed plan. There have been major accomplishments in all fields, especially in transportation and agriculture. A major operation to open up the interior for exploration (Operation Grasshopper) has been under way for some time. The result has

been that several air fields in the vast, remote interior have been constructed and many areas opened up for intensive explorations and future settlement. An aerial mapping and gravimetric survey has just been completed. As a result geologic exploration has been intensified.

U.S. Assistance Strategy

U.S. assistance has the general objectives of maintaining U.S. identification with Surinam's developmental efforts, particularly as nationalism grows stronger; of strengthening our cooperative relationship with the Netherlands by supplementing the Dutch effort to help Surinam develop without usurping the Netherlands' primary role; and of maintaining the use of Zandery Field, an intercontinental communications link, by MATS.

The U.S. intends to support studies of those elements of the Surinam development plan dealing with the local sector. This includes education, health (water), housing and agriculture.

It is anticipated that the Netherlands, the principal source of external financing for the country's developmental effort, will continue in this role. Technical assistance from the United Nations is also expected to continue.

Proposed AID Program for FY 1963

The $400,000 program in FY 1963 will be oriented to studies and assistance to develop projects for external loan financing in the social sector, including studies looking to the establishment of an Agricultural Credit Bank, construction of water systems, construction of classrooms, and a pilot low-cost housing project.

Accomplishments and Changes

Eight technical assistance projects have been phased out or are scheduled for termination in the current fiscal year. The new program will be concentrated in studies and assistance in four sectors: agriculture, public health, housing and education.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1956-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	2.4	0.4	0.5
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	-	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	2.4	0.4	0.5
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	0.5	0.1	0.1
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	- a/
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY	-	-	*
UN Special Fund	0.8	-	-
OTHER FREE WORLD ASSISTANCE			
Netherlands	-	9.5	9.5
SINO-SOVIET BLOC ASSISTANCE	-	-	-
U.S. DOLLAR LOAN REPAYMENTS	-	-	-

a/ July-Dec. 1961.

* Less than $50,000.

[redacted]

Country: SURINAM

BASIC DATA

	Unit	SURINAM	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	55	xxx
Population (1961)	Mil.	0.3	xxx
Annual Growth	%	5.0	2.4
Density per sq.mi.	No.	6	40
AGRICULTURAL LAND			
% of Total Area	%	0.3	25
Per Capita	Acres	0.4	2.5
POWER PER CAPITA	KWH/Yr	294	80
EDUCATION			
Literacy Rate	%	75	35
Pupils as % of Pop. (Prim. & Sec.)	%	23	9
Pupils per Teacher (Prim. only)	No.	43	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	2,040	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	72	73	71
Per Capita GNP	Dollars	278	270	251
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	131	137	105
Index Per Capita	"	102	102	75
Rice, rough	1,000 MT	79	81	60
ELECTRIC POWER PRODUCTION	Mill. KWH	72.4	79.4	n.a.
COST OF LIVING INDEX	1953=100	116	117	119
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	41	43	41
Bauxite	"	32	35	33
Total Imports (c.i.f.)	"	45	54	55
Trade Balance	"	-4	-11	-14
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	28.0	29.7	27.7
Imports from U.S. (f.o.b.)	"	15.0	17.4	16.6
Trade Balance	"	+13.0	+12.3	+11.1
GOLD & FOREIGN EXCHANGE *(end of year)*	"	20.0	18.1	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	- Million Dollar Equivalents - 1959	1960	1961(Bud)
Total Expenditures	37.0	40.0	43.4
(Defense Expenditures)	(-)	(-)	(-)
(Capital Outlays)	(12.5)	(14.3)	(15.2)
Domestic Revenues	26.4	28.8	31.5
Budget Receipts from Non-U.S. Foreign Aid	11.2	12.0	7.9
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	--
Remaining Deficit (-) or Surplus (+)	+0.6	+0.8	-4.0

* - Converted at 1.886 S.Fl. per U.S. $.

Central
American
Integration

Central
American
Integration

CENTRAL AMERICA ECONOMIC INTEGRATION

Guatemala Honduras
El Salvador Nicaragua
Costa Rica

Despite political differences among the five countries in the region, there is a large, growing and vigorous movement throughout the region for rapid economic integration.

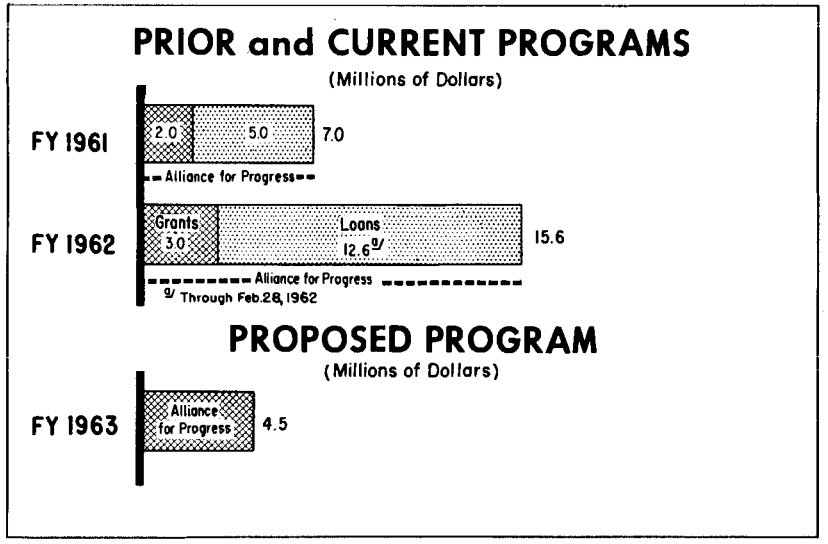
In 1823, two years after achieving independence from Spain, the five countries of Central America joined together in a federated republic. By 1838, this union had failed, and the states seceded and went their separate ways. In the succeeding years, numerous attempts were made to restore the earlier political union, but all were fruitless. In the 1950's these efforts took the form of a movement toward economic integration and were rewarded by far-reaching acceptance, culminating in 1961 in the establishment of a common market among all of the countries except Costa Rica.

The population of the region is 11.3 million and ranges from 3.9 million in Guatemala to 1.2 million in Costa Rica. The range of estimated per capita Gross National Product (GNP) is from $180 per year in El Salvador to $335 in Costa Rica and averages $203 for the region.

The economies of all the countries are primarily agricultural, and their foreign exchange earnings depend in large measure on one or two crops. Thus Guatemala and Costa Rica depend chiefly on coffee and bananas, El Salvador and Nicaragua on coffee and cotton and Honduras on bananas. The prices of such crops on the world market have declined over the past few years.

The bulk of the external trade of all the countries is with the United States and to a lesser degree with western Europe and Japan. In recent years intra-regional trade, mainly foodstuffs and raw materials, has amounted to only about 5% of total external trade.

The General Treaty for Economic Integration was signed in December 1960, by all the countries except Costa Rica. It provides for free movement of goods, capital and people between the member states within five years, and for a common external tariff. Common tariff nomenclature has been agreed upon, as have 98% of the items to be included in the common external tariff. Free trade is already taking place in most commodities between the three countries that have ratified the treaty. The ratification of Honduras is anticipated shortly and Costa Rica is expected to adhere to the treaty after the new administration takes office in May 1962.



In May 1961 the Central American Bank for Economic Integration (CABEI) was established by all of the countries except Costa Rica. Each government contributed $2 million to the capital of the Bank. The United States has supported this Bank with a commitment for $10 million. CABEI will survey and invest in area infrastructure and industries of regional significance. In September 1961, CABEI was given the additional responsibility for operating a Central American Clearing House.

In July 1961 a Secretariat for the Common Market was established for the purpose of developing regional economic policies.

The Higher Council of Central American Universities is currently pushing a program to develop coordinated specialization by the five Central American universities.

In August 1961 the countries of the region committed themselves to coordinating their development plans under the Alliance for Progress.

U.S. Aid Strategy

AID will support programs and projects leading to sound and rapid economic integration in the conviction that it is through such an effort to expand the market area that industrial growth in the countries of the region can best be expedited.

A study is under way designed to identify the existing aid projects which in the future can be most effectively carried out on a regional basis. Additionally, the study will identify potential projects which can best be handled on a regional basis by AID and those that can best be handled through regional institutions.

Planning by the governments will be encouraged on a regional basis. Such projects as textbook supply, census and cadastral surveys will be considered on a regional basis.

AID will effect an appropriate reorganization of its field missions and its Washington staff to reflect the heightened concentration on Central American economic integration and regional planning.

Proposed AID Program for FY 1963

The following programs will be carried out with Central American regional considerations predominant:

Cadastral Surveys. Under the technical administrative guidance of the Inter-American Geodetic Survey (U.S. Corps of Engineers) a regional program designed to obtain a uniform cadastral survey for the Common Market area will be undertaken. A single loan for equipment, surveying, and contracting for aerial photograph will be considered to finance the program in all five countries; AID would reimburse the Corps of Engineers for any additional program costs incurred.

Census. A program designed to obtain a uniform industrial, agricultural, population and manpower census will be undertaken by the U.S. Bureau of Census during FY 1963. Pre-planning on this census will be done in the latter part of FY 1962. With proposed loan assistance in FY 1963 an integral census program and central statistical center would be established.

Industrial Development. In recent years, several of the Central American countries have begun industrial productivity programs which are operated in cooperation with the US AID Missions in those countries. The proposed regional program would consolidate these projects in order to bring about a regional approach to productivity in the Common Market area. Short-term industrial specialists would be provided from the United States for training activities and for the coordination of feasibility studies for the Common Market area.

Regional Sectoral and Physical Planning. A program designed to assist all the Central American countries and the Central American Bank in an intergrated program of infrastructure planning will be begun in FY 1963. Assistance will also be provided for developing the agriculture and health sectors of the Central American economies.

Higher Education. A loan to the Superior Council of Rectors for university buildings construction will be considered. The Superior Council is also expecting to receive a loan from the Ford Foundation for the same purpose. In addition, a grant will be made to assist the universities in Central America, through the Superior Council, in improving the course and curriculum in the Freshman and Sophomore years. A plan for regional integration of higher education in Central America has been drawn up and approved by the five university rectors.

Text Books. A regional program designed to produce text books for the elementary education school system in Central America will be begun in FY 1963. This program is a minor modification of activities already undertaken by the Missions in Nicaragua and Honduras.

Public Administration: A program designed to establish a regional center or school of public administration is proposed. Various small and inadequate centers now exist; therefore the job to be undertaken is primarily one of coordination and improvement. Major emphasis will be on providing training in budget and fiscal management.

Manpower Inventory and Training. A regional program designed to support manpower programs and Bureaus of Labor Statistics will be undertaken in conjunction with the Secretariat for Economic Integration and the Ministries of Labor throughout the area.

Accomplishments

Under the Alliance for Progress AID proposes to broaden and intensify its support of Central American economic integration.

[redacted]

CENTRAL AMERICA ECONOMIC INTEGRATION

In January 1962 AID announced that it was prepared to lend up to $12 million to help certain countries in their efforts to relieve seasonal pressure on coffee markets through more orderly marketing of their coffee. The countries participating in such marketing arrangements were the five Central American countries and Mexico.

In November 1960 U.S. Government agencies extended loan and grant commitments to support the operations of the Central American Bank for Economic Integration (CABEI) amounting to $10 million.

Summary of Program
(In thousands of dollars)

	Fiscal Years					
	1961		1962		1963 (proposed)	
	Loans	Grants	Loans	Grants	Loans	Grants
Central American Regional	-	-	-	-	-	4,500
Central America Bank for Economic Integration	5,000	2,000	-	3,000	-	-
Seasonal Marketing Arrangement	-	-	12,600	-	-	-
Total	5,000	2,000	12,600	3,000	-	4,500

[redacted]

Regional
Programs

Regional
Programs

[redacted]

The Regional Programs are designed to provide services or facilities directed toward region-wide or multi-country problems which can be more rationally and in most instances more economically administered on a regional than on a bi-lateral basis.

These Programs are designed to supplement and complement the individual country programs; therefore, the goals and objectives of the Regional Programs are to support the individual country programs, and to assist them in attaining their goals.

The Regional Programs include both U.S.-operated or sponsored programs and multilateral programs to which the U.S. contributes.

U.S. Assistance Strategy

The primary goal is to assist in the over-all development of the economies of the Latin American Countries. In the long run, however, viable solutions to the problems involved in economic and social progress will have to be developed in large measure by the Latin Americans themselves. Many of these problems are common to more than one country and some can be approached through cooperative action on a regional basis. AID is attempting to asist and encourage the countries in the area to establish regional institutions and to cooperate on an area-wide basis in solving some of the problems which are deterring economic and social development. Through the interchange of ideas and experience, and working together toward a common goal the peoples of Latin America will develop increased understanding and a greater desire to cooperate in programs for their mutual benefit.

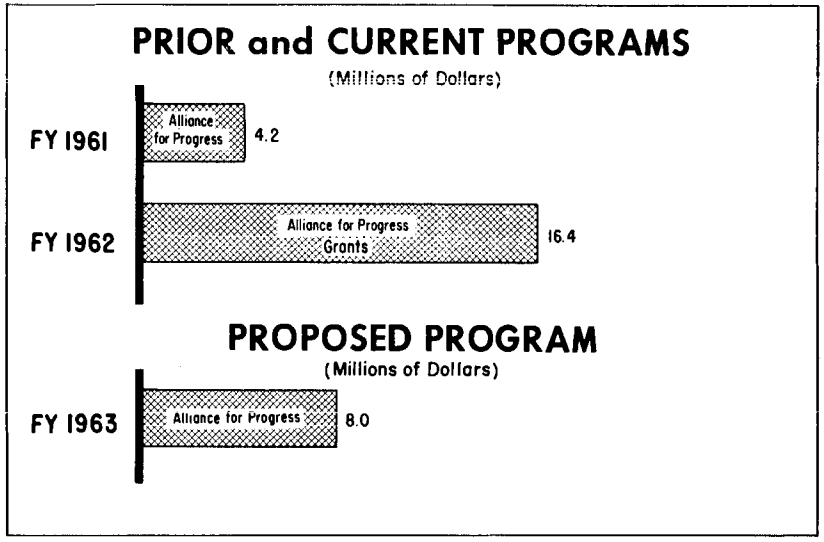
Proposed AID Program for FY 1963

The AID activities funded on a regional basis are designed to provide: training, technical assistance, technical materials, and, in cooperation with the United Nations and the Organization of American States, the development of regional institutions to carry out research and training.

Training. Training is provided on a regional basis through contracts with universities, through the utilization of third country facilities, through regional seminars and workshops and through U.S. or multilateral agency institutions.

AID also contributes to the technical assistance program of the OAS, which is currently operating eight regional training centers in Latin America.

In an effort to bring the European community into the development effort in Latin America, a technical training program is being



developed with the OAS and the Organization for Economic Cooperation and Development (OECD). Under this program participants from Latin America will be trained in Europe.

Technical Assistance. Technical assistance is provided through contributions to the multilateral agencies; and through short-term consultants in specific fields, where the regional nature of the problems dictates the use of area-wide specialists.

Technical Materials. Technical materials are supplied to the U.S. AIDs through a Regional Technical Aids Center (RTAC) in Mexico City.

The scarcity of all types of technical and educational material, especially low-priced professional level scientific and technical books dealing with Free World economics, sociology, and political matters, is especially notable when contrasted with the flood of Marxist propaganda and pseudo-scientific pamphlets which are being made available in Latin America by Communist agencies at a fraction of their actual cost.

The operations of RTAC were expanded during FY 1962 in an effort to make more U.S.-oriented materials available, and a further expansion of the book program is proposed for FY 1963.

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In cooperation with the United States Book Exchange, Inc., materials are being supplied to the more than 400 member libraries in Latin America.

Multilateral Agency Operations. In addition to the $6 million Act of Bogota grant to the OAS to finance the planning of development activities under the Alliance for Progress, the U.S. also made in FY 1962, under "Voluntary Contributions to International Organizations," a $1.5 million contribution to the OAS technical assistance program. The technical assistance funds are made available on a proportional basis (70% U.S. to 30% participating countries). The OAS member countries are planning on increasing their contributions to the United Nations Technical Assistance program and it is proposed that $1.7 million be made available in FY 1963. The OAS programs are undergoing revisions to bring them in line with the priority needs in the region.

Through the cooperative efforts of the World Health Organization (WHO) and the Pan-American Health Organization (PAHO), the U.S. is assisting in their effort to eradicate malaria, and to supply potable water. A contribition of $2 million for malaria and $300,000 for water was made in FY 1962; an equal amount is proposed for FY 1963.

Accomplishments

As stated above, a major purpose of the Regional Programs is to service the programs of the U.S. AID Missions in Latin America; accomplishments are therefore related principally in the individual country programs. However, examples of Regional Program contributions are listed below.

Training. From 45 to 50 teachers are given training annually in the U.S. in the bilingual educational programs at Pennsylvania State University and The Research Foundation of State University of New York, Geneseo, New York.

The Center for Latin American Monetary Studies (CEMLA) conducts an annual 17-week course in banking and fiscal matters in addition to carrying out research programs and conducting seminars on specific problems of current interests. CEMLA has increased its program of cooperative activities with the Organization of American States (OAS), Economic Commission for Latin America (ECLA), the Inter-American Development Bank, and the Central American Bank. The Center is playing a leading role in the credit aspects of the agrarian reform and common market programs in the various Latin American countries. Over 300 participants, including senior staff of the member banks and senior officials of the national development institutes of the various countries, have been trained at the Center since the beginning of AID assistance in 1956. Many of these participants now hold even more responsible positions in their countries, where they influence the economic and financial policies of their respective governments; others are employed by international organizations.

The Inter-American Institute of Agricultural Sciences at Turrialba (Costa Rica) is a cooperative operation of the OAS, the United Nations, and various private foundations. Services have been performed and information provided on coffee and cacao, agricultural extension and home economics, tropical pastures, etc., and training and consultant services are provided. A total of 38 short courses have been offered, 459 students trained, and 180 visits by specialists made to the various countries since the beginning of the contract in 1955. In addition, 35 participants have been trained in the Graduate School, and eight graduate assistants sponsored under the contract. This institution has accelerated and strongly influenced the course of agricultural development in Latin America through training of key country personnel in agricultural research and extension.

Regional Technical Aids Center. Since the beginning of the RTAC program in 1957 over one-half million copies of books in Spanish and other printed materials and over 600 films in Spanish have been provided. The Center has been instrumental in increasing the quantity and quality of technical publications issued by private publishing houses in Latin America and has interested U.S. publishers in bringing out their own commercial Spanish language editions of many books. RTAC acts as a catalyst to bring Mexican and U.S. publishers and the market for U.S. books in Spanish together. The Center does not attempt to duplicate work which the industry will do.

A "Book Fair" planned for FY 1962 should stimulate more interest on the part of U.S. publishers in the Latin American book market, and stimulate more interest on the part of book dealers and the reading public in Latin America in materials from the United States. It is intended through this effort to stimulate sufficient material on the part of the publishers and the marketing outlets in the area, to make it possible to fill the tremendous "Book Gap."

In association with the United States Book Exchange, Inc., AID is supplying materials to more than 400 member libraries in Latin America. The association with these libraries serves as a valuable contact and outlet for an expanded effort on the part of the United States in getting democratically-oriented materials into the area.

Cost by Major Activity
(in thousands of dollars)

	Fiscal Years 1961	1962	1963 (proposed)
Training	529	1,265	1,350
Technical Assistance	231	597	550
Technical Materials	325	605	1,400 a/
Regional Institutions:			
Turrialba	b/	400	400
Other			
OAS-Pan-Am Highway "Darien Gap" Survey	-	2,000	-
OAS-TC Contribution	1,500 c/	1,500 c/	1,700
OAS-PAHO Malaria Eradication	1,500 c/	2,000	2,000
OAS-PAHO Water Supply	125 c/	300	300
OAS-Development Planning	-	6,000	-
OAS-OECD - Training (Europe)	-	1,000	-
Central American Area	-	200	-
Other - Unprogrammed	-	500	-
Total	4,210	16,367	8,000

a/ Increase of $600,000 to RTAC for books, and $300,000 for Communications Media Training Center.

b/ Funded from prior year contract.

c/ Not funded from Latin America Regional Program budgets in FY 1961-1962, included in this table for comparative purposes only.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1954-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	18.4	11.2	19.4
Alliance for Progress:			
Loans (DLF prior to 1962).....	-	5.0	-
I.D.B. Trust Fund Loans.....	-	-	-
Grants (T.C. prior to 1961).....	18.4	6.2	19.4 a/
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES.....	-	-	-
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/ Includes: $1.7 million OAS-TC
$2.3 million Contribution to PAHO
$2.0 million Darien Gap Survey
$6.0 million OAS (Development Planning)

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NEAR EAST &
SOUTH ASIA

EAR EAST &
OUTH ASIA

NEAR EAST and SOUTH ASIA

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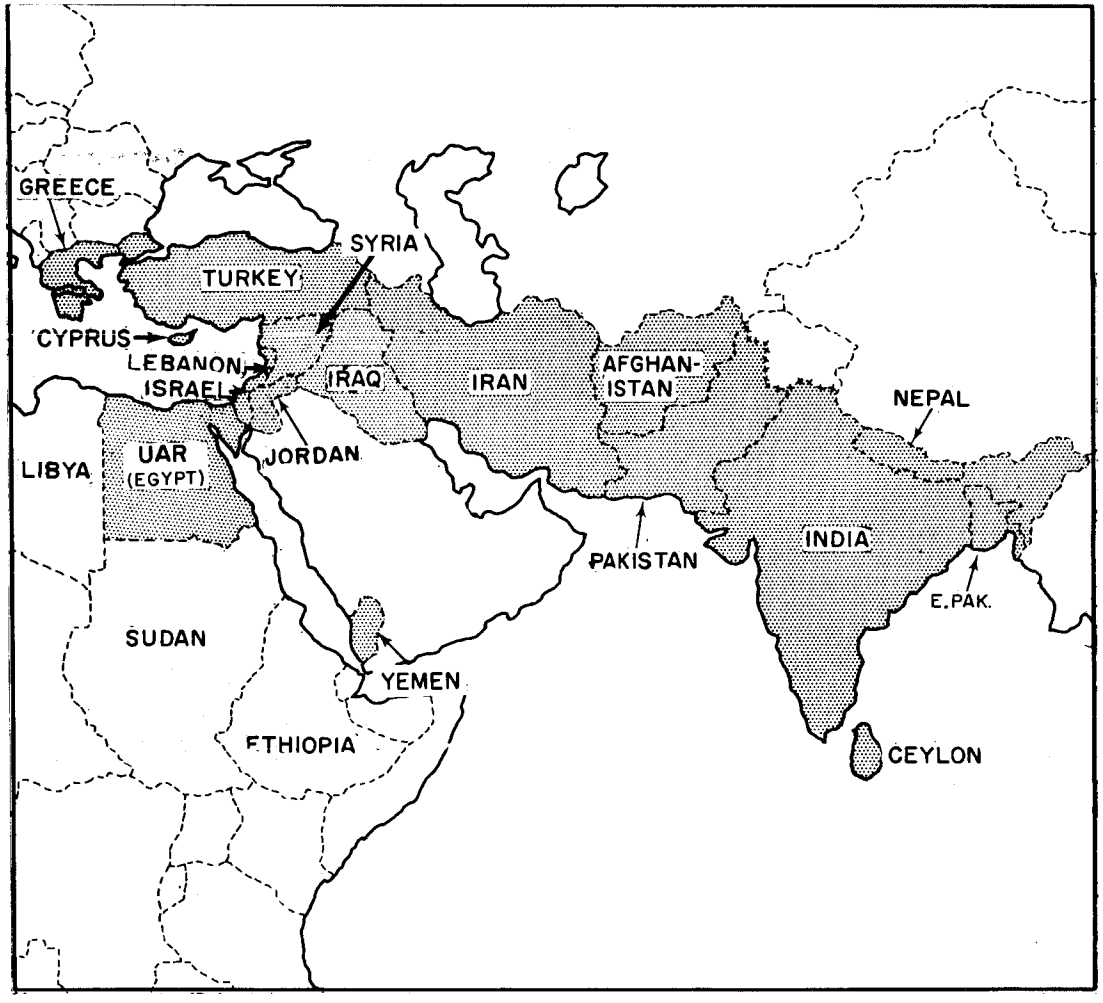

FY 1963 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Development Grants	Supporting Assistance
TOTAL	1,028,150-1,128,150	850,000-950,000	78,050	100,100
Afghanistan	19,000	*	19,000	—
Ceylon	1,300	—	1,300	—
Cyprus	850	*	850	—
Greece	20,000-40,000	20,000-40,000	— —	— —
India	465,000	450,000	15,000	—
Iran	45,400-65,400	40,000-60,000	5,400	—
Iraq	1,100	—	1,100	—
Israel	15,000-20,000	15,000-20,000	—	—
Jordan	42,500	*	6,500	36,000
Lebanon	150	*	150	—
Nepal	4,600	—	4,600	—
Pakistan	235,000	225,000	10,000	—
Syria	1,600	*	1,600	—
Turkey	121,000-141,000	60,000-80,000	6,000	55,000
UAR (Egypt)	2,900	*	2,900	—
Yemen	6,900	—	—	6,900
CENTO	2,550	—	350	2,200
Regional	3,300	—	3,300	—

* Development lending contemplated, project applications will be considered.

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SUMMARY OF PROGRAMS - NEAR EAST AND SOUTH ASIA

By Country and Function

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(In thousands of dollars)

Country	TOTAL			Development Loans			Development Grants			Supporting Assistance		
	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962a/	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963	Actual FY 1961	Estimate FY 1962	Proposed FY 1963
Afghanistan	12,820	16,700	19,000	-	-	b/	9,082	9,200	19,000	3,738	7,500	-
Ceylon	269	1,500	1,300	-1,424	-	-	1,693	1,500	1,300	-	-	-
Cyprus	15	350	850	-	-	b/	15	350	850	-	-	-
Greece	20,500	20,330	20,000-40,000	-	-	20-40,000	500	330	-	20,000	20,000	-
India	201,600	403,300	465,000	180,100	388,100	450,000	21,500	15,200	15,000	-	-	-
Iran	63,288	55,200	45,400-65,400	37,155	6,000	40-60,000	4,333	5,200	5,400	21,800	44,000	-
Iraq	1,087	800	1,100	-	-	-	1,087	800	1,100	-	-	-
Israel	24,500	10,430	15,000-20,000	16,000	10,000	15-20,000	1,000	430	-	7,500	-	-
Jordan	47,580	43,800	42,500	1,000	-	b/	6,580	6,800	6,500	40,000	37,000	36,000
Lebanon	761	500	150	-	-	b/	761	500	150	-	-	-
Nepal	4,755	3,700	4,600	400	-	-	4,355	3,700	4,600	-	-	-
Pakistan	130,317	233,000	235,000	27,244	200,000	225,000	7,519	8,000	10,000	95,554	25,000	-
Syria	-	9,170	1,600	-	-	b/	-	170	1,600	-	9,000	-
Turkey	211,715	73,370	121,000-141,000	117,300	10,000	60-80,000	4,415	5,370	6,000	90,000	58,000	55,000
UAR (Egypt)	2,032	22,030	2,900	-250	20,000	b/	2,282	2,030	2,900	-	-	-
Yemen	3,996	5,000	6,900	-	-	-	-	-	-	3,996	5,000	6,900
CENTO	1,820	1,750	2,550	-	-	-	320	350	350	1,500	1,400	2,200
Regional	3,204	3,600	3,300	-	-	-	3,204	3,600	3,300	-	-	-
Total	730,259	904,530	1,028,150-1,128,150	377,525	634,100	850-950,000	68,646	63,530	78,050	284,088	206,900	100,100

a/ As of February 28, 1962.
b/ Development lending contemplated, project applications will be considered.

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The United States has major lasting interests in the Near East and South Asia. This region, containing the world's largest non-Communist population, is faced with the challenge of achieving economic development within the framework of free political institutions. The area supplies much of the oil essential to the Free World and also contains other important resources. Vital trade routes and lines of communication lie within it. It is the object of major Sino-Soviet bloc efforts to expand into the Mediterranean, South Asia, and Africa.

Throughout this diverse area long-term U.S. objectives can be achieved only if the challenge of the Decade of Development is successfully met. Economic progress will not only reduce the need for short run support programs; it will more surely promote our essential political and military interests in the region.

Both the current year's and the proposed U.S. aid programs reflect an effort to shift direction. A number of Supporting Assistance programs have been eliminated or sharply reduced. Development Lending has been increased in response to greater emphasis upon long-term development. Associated with this emphasis, Agency for International Development has used the authority to make long-term commitments to two major countries in the region.

Economic Assistance to Near East and South Asia Region a/

	FY 1961 (Actual)	FY 1962 (Est.)	FY 1963 (Proposed)
Development Grants (Technical Cooperation)	68.6	63.5	78
Development Loans	377.5	634.1 b/	850-950
Supporting Assistance (Defense Support, Special Assistance)	284.1	206.9	100

a/ In millions of dollars

b/ As of 2/28/62

The Need for Development in NESA

The goal of both the United States and of the peoples of the area is to build strong, stable governments throughout the entire region -- governments capable of preserving their own economic and political independence. Although living standards vary in the area, the majority of people live at the edge of subsistence. In many countries, growing numbers now hold the conviction that better things can and should be theirs. This conviction has been fed by new world-wide contacts, and by the stimulation of national independence. National leaders, therefore, must give economic development the highest priority.

In the face of the Communist drive for world domination, the need to take effective action continues to be urgent. The West must identify itself further with the area's aspirations for progress and assist in their realization. Independent governments -- both those oriented to the West and those that are not -- must offer increasing opportunities for the realization of their people's aspirations. If not, dangerous experiments will find favor.

This is no remote danger. Within democratic India during the Second Five-Year Plan, the economically depressed State of Kerala was governed for a time by a Communist cabinet, and in a subsequent election the Communists were defeated by a narrow margin. There is abundant proof that without real progress, support for radical and tyrannous systems can come swiftly and surely. Such forces are clearly at work in Iran, Ceylon, Iraq, and other countries. While not overtly active in Syria, Turkey, Pakistan, or in some of the more primitive areas of the Near East and South Asia they are known to exist. It is a mistake to underestimate the potential appeal of radical measures in the absence of effective programs for progress.

The Sino-Soviet bloc -- recognizing the great appeal of economic development -- has directed about three-fifths of its economic aid to this part of the world.

Progress in the Decade of Development

Fortunately, all major countries of the Near East and South Asia have, in varying degree, undertaken some of the difficult measures needed to accelerate social and economic change. Some of these countries, such as India and Pakistan, have developed comprehensive programs in connection with these

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efforts and others, such as Turkey and Iran, are on the way to doing so. At the same time, these governments must take appropriate steps to insure that the benefits of progress are distributed equitably. Particular attention must be paid to education, to training of technical and managerial personnel, and to reform and development of economic and social institutions.

The countries of the region do not have the resources to implement an adequate development effort without outside assistance. Per capita output in most of these countries averages below $150 per year - in some cases it falls well below $100. It is particularly difficult to raise sufficient domestic resources for development when the population is growing rapidly, as it is in most of these countries, and when subsistence agriculture is the major source of income. The people are often unwilling to depress their very limited consumption further in order to finance national investment. To compound the difficulty, in many of these countries economic development must compete for limited government revenues with requirements for large military establishments which are being maintained because of area tensions.

Some countries in the region began their drive for progress several years ago, and can now report substantial accomplishments. In the past five years, India and Pakistan have raised the level of tax revenue by 115% and 35% respectively. During this period, Turkey has increased its tax revenue by 131%, Israel by 151%, Greece by 54% and Iran by 187%. In most cases the increases exceed the growth of the economy by a wide margin.

Both India and Pakistan have limited military expenditures in order to free funds for economic development. Between 1956 and 1961, India's military budget fell from 20% of total government outlay to 15%. Development expenditures remained at 44% of the rising total budget. In Pakistan the military budget dropped during the same period, from 38% to 28% of the total, while the budget for economic and social development rose from 37% to 41%.

Pakistan has adopted a number of measures to stimulate private development activity. The Government has liberalized controls on prices and commodities, granted tax concessions to domestic and foreign investors, reduced subsidies and adopted export incentives. Turkey has carried out a drastic program of currency reform and stabilization, laying firm foundations for sound expansion of development activity. In Iran a start has been made toward stabilization and budget reform.

Much remains to be done; still, the actions taken to date are impressive. They give hope for steady progress over a period of years.

Several countries of the region have worked through the medium of comprehensive, long-term plans. Others -- and Israel is an outstanding example -- have achieved great effectiveness through effective budgetary processes, careful planning of individual programs, and a pragmatic economic policy.

Both India and Pakistan are carrying out five-year plans which have been reviewed and generally endorsed by consortia of Free World developed nations, under leadership of the International Bank for Reconstruction and Development. Turkey and Iran are now preparing comprehensive development plans, both of which are to start in the coming year. The two governments have identified important reforms which must be made, and both recognize the need to direct more of their own resources for development.

In FY 1963 most of the assistance in NESA will go to India, Pakistan, Iran and Turkey. We have made commitments to India and Pakistan going beyond one year, and we expect to make similar commitments to other countries. In both India and Pakistan, our ability to do so provides a more rational basis for orderly planning and phasing of their development. It also contributes to our efforts to secure maximum contributions from other developed countries. To date our commitments, and those of other lending countries, have been for two-year periods only. Longer-run assurances did not seem to be required by India or Pakistan for the present. Turkey and Iran are likely to qualify for similar long-term commitments in FY 1963.

Greece and Israel have not adopted detailed long-run plans, but both are making good use of the resources available to them and both are achieving progress. Israel is increasing its output as fast as almost any country in the world, with the help of a large inflow of external capital from public and private sources.

Egypt has an ambitious development plan. Although the plan reflects considerable effort and thought, it is probably larger than can be fully financed or effectively executed. Furthermore, it is based on nationalized enterprise to a greater extent than would appear desirable.

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In other countries of the region, organized economic development efforts are less advanced, but progress is seen in some important areas. Afghanistan is drafting a proposed Second Five-Year Plan. Jordan, too, has drawn up a Five-Year Plan with the help of outside advisers, largely from the United States. The Plan is now in the preliminary stages. Since withdrawing from the United Arab Republic, Syria is taking measures to liberalize its financial and trade policy and plans to restore the private sector to a greater role than was possible in its former association with the UAR.

Political preoccupations continue to limit the serious pursuit of development measures in Lebanon, Ceylon and Iraq. In Cyprus and Nepal, however, increased attention is being given to development needs. In Yemen and Saudi Arabia, the royal families are beginning to show awareness of the need to bring about greater economic improvement for their subjects.

Political and Military Objectives

Although we are increasing our emphasis on long-run economic and social development and hope to reduce short-term military and political support as quickly as circumstances will permit, those countries on the periphery of the Sino-Soviet bloc continue to be exposed to immediate military and political threats. Another consideration is that military forces in some countries in the NESA area form a part of the network of collective security alliances designed to bolster the independence of the region and contribute to the security of the Free World. We must also counter Sino-Soviet bloc efforts to exploit disputes in the region and to gain economic influence over certain countries.

Defense of the Free World

Until now, U.S. grant assistance has been needed in Greece, Turkey, Iran and Pakistan to maintain their military forces at required levels and to assist them to bear this extra burden without jeopardizing economic growth. We are now reviewing our total economic and military assistance programs in these countries in an effort to devise a combination of these forms of assistance which will most effectively help them to meet the problems which they face.

Strengthening of the Greek economy and expansion and improvement of development efforts in Iran and Pakistan have made it possible to achieve a further shift from Supporting Assistance to development aid during FY 1963.

In Turkey, the transition from supporting to development assistance may be completed after FY 1964, if the plan now in preparation proves sound.

It is imperative that these shifts not disturb either our close relations with these countries or their confidence in our support. Changes from grant assistance, in fact, can best be made where sound development programs exist and sufficient development lending is available.

Conflicts between Countries in NESA

Within the region there are a number of disturbing political disputes which cause the diversion of resources and energies needed for development to military uses. Each offers the Sino-Soviet bloc opportunities to realize strategic advantage.

The most pressing conflicts are those between Israel and its Arab neighbors, between India and Pakistan over Kashmir, and Afghanistan's dispute with Pakistan over the status of the Pushtun tribal area.

The Arab-Israel hostility has drained resources of both sides and of the United States and has hampered the region's economic development. The Soviets have seized on the issue, posing as friends of the Arab world.

Hostility between India and Pakistan continues over control of Kashmir. While cooperation in the Ten-Year Indus Basin Project may reduce some of the tensions existing between these two countries, only a mutually acceptable resolution of the Kashmir issue will bring about truly friendly relations.

Continuing Afghan-Pakistan difficulties over border areas deteriorated further last fall, and resulted in a closing of the border. Not only did this cut off Afghanistan's relatively sizable trade with the Free World but it became almost impossible to deliver U.S. aid supplies to Afghanistan. The Soviet position in Afghanistan has been strengthened. Trade with the Soviets is open, while access to the West is at best uncertain, even though the border was temporarily opened to us in February.

With regard to these disputes, we have been continuing to seek solutions mainly through diplomatic channels. We have attempted at every opportunity to persuade Israel and the Arab countries to resolve specific issues and work toward a general improvement in their relationships. We have extended

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good offices to Afghanistan and Pakistan in an effort to work out agreement on a formula for reopening of the border and restoration of normal relations. We have repeatedly and at the highest levels urged the leaders of India and Pakistan to work out a reasonable agreement on the status of Kashmir.

To attempt to use aid leverage from day to day to secure specific political concessions would be ineffective or worse. In important cases, however, where achievement of the objectives of assistance is endangered, we can and do make appropriate representations. We have recently advised both India and Pakistan that our ability to provide large amounts of development assistance to them will be undermined if disputes between them should result in excessive diversion of resources to the build-up of military forces.

The Sino-Soviet Bloc Economic Offensive

Since the Soviet bloc economic aid offensive was launched in 1955, it has been heavily concentrated in the Near East and South Asia. The total committed in this region to date by the bloc is about $2.6 billion, representing about 60% of all Soviet foreign economic aid. This bloc assistance is provided in a manner designed to produce the maximum political effect.

In India, the aid from Russia and the satellites has been considerable. However, it has been used to a large extent to meet important planned needs. It has, therefore, tended to reduce the level of aid which might have been required from the Free World for India. Although Soviet aid has afforded a focus for effective propaganda, it has not been sufficient to create danger of Communist domination.

In Nepal, Ceylon and the UAR, bloc programs have been larger in relation to the size of the economies than in the case of India. In Ceylon and the UAR they have significantly affected foreign trade patterns. In none of these countries has the bloc achieved domination. Our own programs have continued to provide an alternative to exclusive reliance on the bloc.

Finally, in Afghanistan and Yemen, aid from the bloc has been supplied on a massive scale in relation to the economies. As a result, there is a real danger that the bloc may be able to secure domination or control through substantial policy concessions. The availability of U.S. assistance has had the effect of reducing this danger.

Proposed Program for FY 1963

The major countries in the Near East and South Asia have made serious efforts this year toward their own economic development. They were encouraged by President Kennedy's proclamation of the Decade of Development. We propose to join with other developed countries to support effectively those serious economic development programs that are underway or will be launched during 1963. In FY 1962, U.S. Development Lending -- largely in support of such programs -- is expected to be double the figure for 1961 in this region. In FY 1963, approximately $200 million more will be required than in FY 1962. We propose an increase of about $15 million in Development Grants for FY 1963. The need for Supporting Assistance has declined as development programs have expanded and have become more effective. The FY 1963 program for the NESA region proposes that Supporting Assistance be reduced to $100 million, less than half the FY 1962 level.

Loans

Development Loans are rising sharply in FY 1962. They are expected to reach almost $700 million. Requirements in FY 1963 are expected to be at a level of about $850 - 950 million.

Development Lending

($ Millions)

	FY 1961 (Actual)	FY 1962 (As of 2-28-62)	FY 1963 (Proposed)
India	180.1	388.1	450.0
Pakistan	27.2	200.0	225.0
Turkey	117.3	10.0	60-80
Iran	37.2	6.0	40-60
Greece	-	-	20-40
Israel	16.0	10.0	15-20
Other	(0.3)	20.0	40-75
TOTAL	377.5	634.1	850-950

India and Pakistan have received assurances of U.S. assistance at specific levels, subject to contributions by other consortium members and appropriation of funds. The U.S. commitment to India for Development Lending for FY 1963 is $450 million, and for Pakistan it is $225 million.

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Iran and Turkey are both preparing long-term development plans which the United States expects to be able to support; our aid plans for these two countries will be evolved in concert with other developed countries and international financing institutions. In both these countries it is essential that the transition to major development financing be handled smoothly. We believe that the transition can be made successfully in Iran in FY 1963; in Turkey we anticipate terminating Supporting Assistance after FY 1964. It may prove desirable to enter into formal lending commitments for those countries during FY 1963. In any case, it will be essential to be in a position to act on a substantial volume of loans.

We expect to make additional loans to Israel and Greece during FY 1963. Both countries are making good progress in their economic development; both have demonstrated effective use of resources.

Israel has the highest standard of achievement in the area. At present it has adequate foreign exchange reserves but it faces sharp reduction in reparations and restitution payments from Germany. To sustain its high rate of investment, Israel needs a large inflow of capital. Development lending of about $20 million will be part of a total U.S. aid program amounting to perhaps $80 million, which includes Export-Import Bank credits and Food for Peace.

Although we plan to end our Supporting Assistance grants to Greece after FY 1962, it will be important to continue to assist Greek development efforts. The exact amount of U.S. aid will depend partly on the soundness of loan applications and the availability of funds from other sources.

It is less easy to forecast Development Lending in other countries. The UAR now has a major industrial development program, and has recently been pressing for increased U.S. capital financing. Specific projects which meet AID criteria will be considered for financing. Syria is re-evaluating its development problems and proposes to restore the private sector to a leading role. It seems likely that the United States will receive a number of loan requests for Syrian public and private projects which will merit financing.

There are pressing needs for some development headway in Cyprus, and it appears that resources available from Europe and international institutions will not be enough to fund important projects. Consideration will be given, therefore, to sound project proposals.

In Afghanistan and Jordan, a few small loans may help the United States to make important contributions to greater independence.

Loans in the NESA region will be mainly for specific development projects. Program loans -- those which are for the financing of needed non-project imports in development programs -- will be made only where they are the most effective means of supporting sound development. During FY 1963 we expect to provide program loans to India, Pakistan, and Israel.

Development Grants

Development Grant programs totaling $78 million for the NESA region are proposed for FY 1963. This is an increase of $14.5 million over 1962. The main purposes of our Development Grant programs are to assist the host governments in planning development programs, economic policies, and important sector programs; to establish educational institutions adequate to meet the needs for technical and managerial personnel; and to train and advise those responsible for important activities. A well planned and executed Development Grant program is an important precursor of and complement to the Development Loan program in most countries.

The Development Grant programs are being ended in Greece, Israel and Lebanon. These countries have now developed extensive domestic technical skills and can provide for outside technical services in their own budgets if the assistance is needed. Throughout the region it is our goal to eliminate all grant projects that will not make significant contributions to development of the countries involved. All projects are under continuous review to make certain that they meet legislative criteria. Many projects have been terminated and more are being phased out as rapidly as practical.

In six countries of the region increased Development Grants are recommended. In two of these -- Cyprus and Syria -- new programs are being started. These programs total $2.5 million for FY 1963. The $1 million increase in Development Grants proposed for the UAR in 1963 will help to make UAR industrial planning more practical and to strengthen the capacity of the country to resist Soviet pressures. The Development Grant program for FY 1963 for Afghanistan is approximately $19 million -- an increase of about $10 million over the FY 1962 level. Most of this increase occurs because the continuing activities included in Supporting Assistance in FY 1962

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will be shifted to the Development Grant category in FY 1963. An increase in key education programs is also planned. The Afghan program will, of course, have to be re-evaluated if normal transit through Pakistan cannot be resumed. In Pakistan and Turkey, the increases proposed for FY 1963 amount to $2 million and $600,000, respectively. The sums are to intensify planning and performance in key development sectors. Turkey requires help in its industrial planning and in export promotion, while in Pakistan greater assistance in agriculture is especially important.

Supporting Assistance

FY 1962 is expected to be the last year for grants under Supporting Assistance in three countries in the area -- Greece, Pakistan and Iran. In Afghanistan, no Supporting Assistance is proposed for FY 1963, but some projects formerly financed with Supporting Assistance will be completed through Development Grants.

In FY 1963 Supporting Assistance is proposed only for Turkey, Jordan, Yemen and for the Central Treaty Organization (CENTO) Civil Airway Project. Requirements total $100 million, as compared with $207 million in FY 1962 and $285 million in 1961.

In Turkey, Supporting Assistance was cut from $90 million in FY 1961 to $58 million in 1962. The $55 million recommended for FY 1963 is needed to sustain the imports that Turkey must have during this critical year. Without this minimal amount, Turkey would be unable to sustain its economy and its military forces while completing preparation of its five-year plan and arranging the necessary long-term development financing for the plan.

In Jordan, the national budget depends on outside contributions. The proposed reduction in Supporting Assistance over FY 1962 assumes mobilization of more internal resources. Supporting Assistance proposed for Yemen in FY 1963 is the minimum required to proceed effectively with present projects. Supporting Assistance proposed for the CENTO airway project will enable it to continue on schedule.

Aid from Other Developed Free World Countries

Other developed countries of the Free World and international financing institutions have greatly increased their aid in this region. Their initial commitments to India's new Five-Year Plan almost equal their total contributions to India's two earlier plans, and commitments made to date are only for the new Plan's first two years.* A similar pattern is true of pledges to Pakistan, with $445 million pledged for FY's 1962 and 1963. In addition, of course, 10-year commitments have been made to the Indus River Basin Program.

As additional countries evolve sound development programs, larger contributions can be secured from non-U.S. sources. The consortia sponsored by the International Bank for Reconstruction and Development (IBRD) for India and Pakistan have resulted in increased contributions to those two countries. It is anticipated that the IBRD and the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) will coordinate similar help to other countries of the area.

Various countries have offered aid outside consortia which furthers U.S. interests. German assistance to Afghanistan and Syria is particularly helpful. The past year's achievements, then, inspire confidence that the Free World's other developed countries will play increasing roles in Near Eastern and South Asian development.

* Their commitment to earlier plans was $1,322 million; commitment to the first two years of the new plan is $1,241 million.

Afghan-
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Afghan-
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Afghanistan is a land-locked kingdom between two U.S. allies, Iran and Pakistan. It has a 400-mile border with the Soviet Union and traditionally trades in that direction. For over a century, Afghanistan has served as a buffer between Russia to the north and India to the south, and non-alignment remains the policy of the Royal Government to the present day. Although it is unlikely that the Afghans would yield their independence willingly, there is considerable danger that Afghanistan will become overly dependent upon the Soviet bloc, which has supplied $217 million in assistance and credits in the last five years.

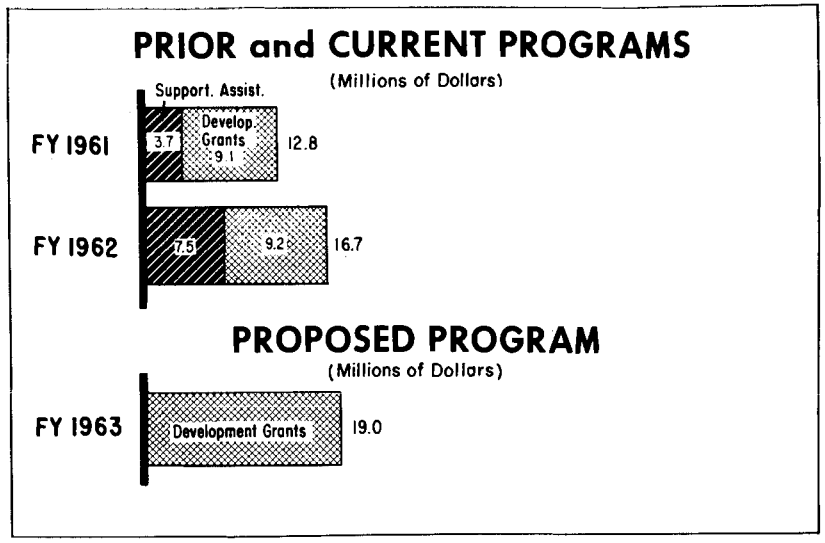
The major U.S. objective in Afghanistan, therefore, is to help Afghanistan maintain her freedom against pressures of Russian domination, and to promote friendly relations with the neighboring states of Iran and Pakistan both of which are pro-Western in orientation.

Country Background

The Afghan economy rests on subsistence agriculture. The country is virtually self-sufficient in foodstuffs. Small owners generally own and work their own land, and there is no pressure for land reform at present. About one-sixth of the 13.5 million inhabitants are nomads, making livestock production an important factor in the economy.

Until quite recently, Afghanistan had almost no basic transportation or communications facilities. Because of the rugged terrain and lack of internal and external trade, highways are very rudimentary, there are no railroads and modern communications facilities are virtually nonexistent. There is some industrial production, but the country still lacks the basic prerequisites of industrial growth. The present leadership is pressing, however, to develop the basic infrastructure which will help them to modernize the country. Severe shortages of skilled manpower and trained workers still inhibit the introduction of change at all levels.

The government plays a dominant role in the economy's development. It has taken the initiative in financing large-scale development projects, from its own and foreign aid funds, since the merchant class has been reluctant to invest capital in long-term development projects, preferring the more familiar areas of commerce and trade. Foreign aid from the USSR and the United States has met virtually all external costs of public development programs.



The first Afghan Five-Year Plan, 1956 to September 1961, was largely a collection of unrelated projects. It involved an estimated expenditure of about $280 million in all currencies. The plan succeeded in creating some of the facilities required for further development -- principally roads, dams, airports, factories, power stations, and schools. Difficulties were experienced, however, both in using and maintaining the new facilities since there are few skilled administrators and trained workers.

For the Second Five-Year Plan of 1962-1966, the Afghanistan Government has undertaken more systematic development planning. Substantial assistance is furnished by foreign experts from the Soviet Union, West Germany, the United States, and the United Nations. While its details have not yet been announced, it is understood that total development outlay is planned to be $875 million. Even though substantially reduced from preliminary planning levels, the question remains whether the government can mobilize its own resources to perform its responsibilities for this development program and not rely predominantly on foreign aid.

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The new Plan will probably call for foreign aid support of about $535 million, including carryover funds of about $120 million from previous USSR and U.S. commitments. Non-U.S. sources of about $290 million can already be identified, mostly from the Soviet Union, but including $50 million promised in 1961 by West Germany. Afghan pressure for a long-term U.S. commitment for the bulk of the remainder is anticipated.

By way of self-help, the Royal Government of Afghanistan (RGA) is attempting to increase its revenues, which at present come primarily from customs receipts. Larger yields from income and property taxes are anticipated. A survey is planned to help develop a more thorough land-tax system. As the RGA relaxes its strict fiscal policy to meet budget requirements for current development, some deficit financing is expected. The RGA must also encourage private savings, establish producers' cooperatives, and upgrade labor skills through intensified technical training. Speeding progress on these fronts is a central objective of the Agency for International Development's efforts in Afghanistan.

As a result of long-standing controversy last fall, Afghanistan and Pakistan broke off diplomatic relations with the resulting closure of the border over which exports and imports, including almost all U.S. aid, passed. Since the road from Iran is only rudimentary, Afghanistan was largely cut off from the West, and its dependence on Russia greatly increased. AID projects languished for want of material until the recent opening of the border for a short period permitted the transit of the large amounts of goods which were piled up in Pakistan. The border problem continues to be a serious obstacle to effective U.S. aid operations in Afghanistan. Even if the border is reopened soon, we may expect increased interest in developing alternative trade routes via Iran and the United States may be called on to consider the feasibility of possible improvements to these routes.

U.S. Assistance Strategy

While assistance strategy is geared to the U.S. objective of offering an alternative to Afghanistan's overreliance upon Soviet bloc aid, the U.S. aid program is now directed primarily toward helping Afghanistan develop its human resources and institutions essential to progressive development and to encourage the RGA to mobilize more fully the country's own financial and other resources for development and to concentrate these efforts as heavily as possible upon these basic areas. By providing relatively large-scale technical assistance in education, government management and economic policy and planning, we help the RGA improve its vital human and institutional resources and, at the same time, make a U.S. impact on these sensitive areas of the economy and society. Completion of several major capital projects which the United States has provided grant aid for in past years (Helmand Valley, Kabul-Kandahar Road, and Air Transport Development) will do much to provide the basic infrastructure needed for future development. Finally, we should be prepared to provide development loans for specific, high priority capital projects which meet AID criteria. The Afghan Government has pressed the United States for a long-range commitment to its Second Five-Year Plan in the magnitude of $125 - $150 million. We believe, however, that U.S. interests will best be served by continuing a selective project-by-project approach.

Collateral actions which the United States can take include continuation of a modest Food for Peace program, a cultural exchange program which supports the efforts of the RGA to improve educational facilities and responsiveness to Afghan initiatives to start a small Peace Corps program in FY 1962 and FY 1963.

While the administrative capacity of the RGA to take effective self-help efforts is still somewhat restricted, we should continue to urge them to introduce domestic policies and programs which will more effectively marshal their own resources. Assistance such as that which we are providing to the Ministry of Planning to improve its planning processes, will improve future self-help capabilities.

Proposed AID Program for FY 1963

The FY 1963 program to Afghanistan contemplates $19 million in Development Grants. Development Loans are presently projected at about $5 million, although this amount may be somewhat higher if good loan applications are forthcoming. We expect to continue the Food for Peace program at a level of about $12 million. A modest Peace Corps effort will be initiated in 1962.

Of the $19 million of Development Grants, $6 million will be used to continue projects, justifiable on developmental criteria, which were previously financed by Supporting Assistance. The balance will be primarily for technical assistance and related activities. The highest priority has been given to improvement of public education and technical training at school and university levels. Other programs will provide technicians to help the Afghans achieve their goal of raising agricultural production by 30%, to further the multipurpose development program in the Upper Helmand River Basin, and maintain road and air transport systems, and assist in increasing coal production. Assistance

will also be provided to help raise the quality of government management, particularly in fiscal policy and procedures.

Only two new development grant activities are contemplated for FY 1962. The first is a cadastral survey to provide the basis for a land-tax system, which can expand Afghanistan's capability for development financing. The second is a survey of grain storage needs. If this survey shows there is great need, we will consider development loan financing for the required construction.

Accomplishments and Changes

Unlike India and Pakistan, in which the British colonial administration developed roads, railroads, and trained administrative and technical personnel in numbers, Afghanistan had almost no physical plant or administrative structure. However, with U.S. assistance much has been accomplished recently to help provide the base that is necessary to further development.

Within the past year an economic planning team has been financed by the U.S. Government. It has begun to advise the RGA Ministry of Planning, and to assess development planning methods. With other foreign experts and RGA officials, the U.S. team has reviewed the proposed Second Five-Year Plan, and the Plan has been revised to a level more in accord with the country's needs and abilities.

A team of U.S. advisors provided by the Public Administration Service of Chicago under an AID-financed contract, is assisting the RGA to improve and strengthen public administration and fiscal management. Recommended budget systems have been adopted. The group has helped the Ministry of Finance prepare basic studies and cost estimates for the government's cadastral survey, which should provide the basis for improving the land and real property tax system, and for collecting taxes on a more uniform basis.

Expansion and improvement of the education system has been one major accomplishment of the AID program. The United States has concentrated on developing both academic and technical training. Some 70 agricultural students have been graduated since Kabul University was established in 1956 with U.S. assistance. The University's Institute of Education, established primarily through Columbia University Teachers College under another U.S.-financed contract, has contributed substantially to educational advances by training educationally backward teachers and by an in-service teacher training program. It has established a department to train Afghans in teaching English, and 30 teachers have been trained in that department up to now. Fifty-seven students were graduated last year from the secondary Vocational Agricultural School in Kabul, and 69 students from the Institute of Technology. Both of these institutions have been assisted by the University of Wyoming.

We have aided the government in paving the 150-mile highway from Kabul to Torkham on the Pakistan border; 87 miles have been completed. This highway is one of the main transportation links between Afghanistan and the Free World. In Kabul and its vicinity, 19 miles of roadway were paved, demonstrating U.S. road-building methods in the capital city. The superior paving of these roads compares with the poorer quality of Russian-assisted road projects.

Another major 1962 achievement was the initiation of a 300-mile highway connecting the capital with Kandahar, the country's second largest city. This road is a major link in the planned highway network of Afghanistan.

In the air transport field Herat airport was completed by U.S. contractors in October 1961. At Kandahar International Airport, the facilities are approximately 80% complete. Plans call for completion of Kandahar and two remaining domestic airports by next July.

Country: [redacted]N

BASIC DATA

	Unit	AFGHANISTAN	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	251	xxx
Population (1961)	Mil.	13.6	xxx
Annual Growth	%	1.0	2.4
Density per sq.mi.	No.	55	40
AGRICULTURAL LAND			
% of Total Area	%	19	25
Per Capita	Acres	2.2	2.5
POWER PER CAPITA	KWH/Yr	3	80
EDUCATION			
Literacy Rate	%	5	35
Pupils as % of Pop. (Prim. & Sec.)	%	1	9
Pupils per Teacher (Prim. only)	No.	n.a.	38
HEALTH			
Life Expectancy	Yrs.	20-30	40
People per Doctor	No.	60,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP (rough estimate)	$ Millions		700	
Per Capita GNP	Dollars		52	
Investment as Percent of GNP	Percent		n.a.	
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	110	117	117
Index Per Capita	"	104	109	108
Wheat	1,000 MT	2,250	2,350	2,350
COAL PRODUCTION	"	41	48	n.a.
COST OF LIVING INDEX	Dec. 1955=100	162	165	165
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	75	n.a.	n.a.
Karakul	"	17		
Total Imports (c.i.f.)	"	65	n.a.	n.a.
Trade Balance	"	+10		
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.)	$ Millions	16.4	19.8	14.0
Imports from U.S. (f.o.b.)	"	6.9	9.2	19.0
Trade Balance	"	+9.5	+10.6	-5.0
GOLD & FOREIGN EXCHANGE (As of March 20)	"	80	78	90

CENTRAL GOVERNMENT FINANCES* FY ending Sept. 20	-Million Dollar Equivalents- 1959	1960[a]
Total Expenditures	67.1	89.7
(Defense Expenditures)	(12.8)	(13.4)
(Capital Outlays)	(28.0)	(45.4)
Domestic Revenues	54.1	53.4
Budget Receipts from Non-U.S. Foreign Aid	17.0	26.1
Budget Receipts from U.S. Aid (Grants & Loans)	--	1.3
Remaining Deficit (-) or Surplus (+)	+4.0	-8.9

* - Converted at 32 Afghanis per U.S. $.
a - AID estimate.

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FINANCIAL DATA

Country: AFGHANISTAN

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Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1950-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL a/	96.7	12.8	16.7
Development Loans	0.7	-	-
Development Grants (T.C. prior to FY 1961)	30.8	9.1	9.2
Supporting Assistance (DS/SA prior to FY 1961)	65.2	3.7	7.5
Other MSP Economic	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses	-	-	-
(Sales Agreements)	-	-	-
Title II	42.8	22.5	11.8
Title III	0.9	0.6	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	39.3	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.1	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid	2.7	1.6	*
M.A.P. - Credit Assistance	-	-	-
Non-M.A.P. Military Assistance	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY	6.9	1.1	0.7
UN Special Fund	1.3	-	-
OTHER FREE WORLD ASSISTANCE			
West Germany	-	-	c/
Yugoslavia	-	-	c/
SINO-SOVIET BLOC ASSISTANCE	217.0	-	b/
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	0.4	0.1	0.4
Export-Import Bank	11.3	2.3	1.5 a/
Other Government Loans	NA	-	-

* Less than $50,000.

a/ Does not include $19 million from AEDF funds.

b/ It is believed that a substantial amount has been offered for the Second Five-Year Plan.

c/ It has been reported that West Germany has agreed to $50 million for the 2nd Five-Year Plan, and Yugoslavia $8 million.

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Ceylon

Ceylon

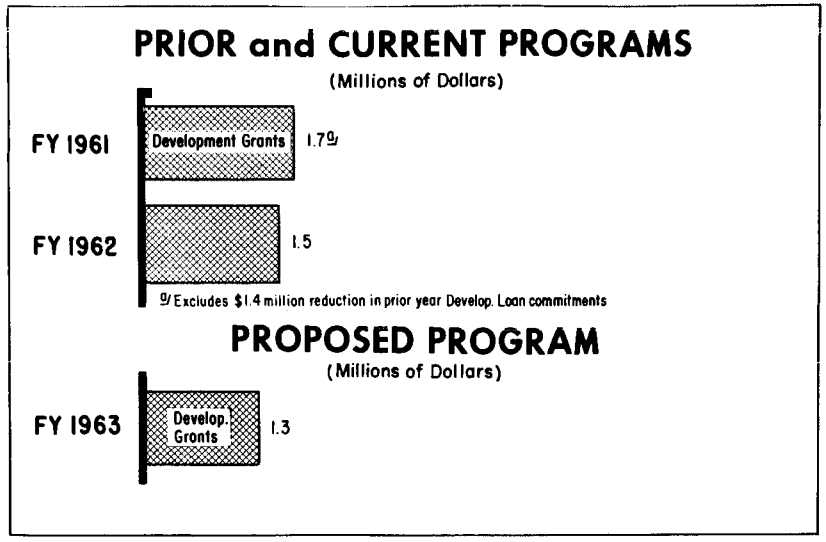
Ceylon, a former British colony which achieved independence in 1948, is a large island off the southeastern tip of India on the commercial sea routes between Europe and the Far East. Our interest in its economic development and political orientation is a consequence of its proximity - both geographically and culturally - to India, its role as an influential member of the Afro-Asian bloc in the U.N. and its strategic location. This interest, furthermore, is heightened by the presence in Ceylon of important joint communications facilities. Naturally, our objective in Ceylon is the emergence of a prosperous society, and a stable, democratic government with strong ties to the West.

As an expression of its oft-proclaimed neutral foreign policy the Ceylonese Government has accepted Soviet bloc aid, in addition to obtaining economic assistance from the West. Moreover, it has entered into trade agreements tying a portion of its foreign commerce to the Communist bloc. On the domestic front, it has tended to expand state control over the economy, and to foment intercommunal strife by failing to recognize adequately the political, economic and cultural interest of its linguistic minority. Nevertheless, it should not be overlooked that Ceylon has preserved the genuine parliamentary democracy established in 1948, which both provides a mechanism for peaceful alterations in national policy and stands as a bond with the West.

Country Background

From a purely soci-economic point of view, Ceylon's developmental potential is high relative to many other under-developed nations. In fact, the country already is considerably ahead of its neighbors in certain crucial respects. Per capita levels of production and consumption are roughly double those in India and Pakistan. Advances in sanitation and medical care have brought the death rate down by one-half since 1945 and life expectancy has been raised to 60 years. But the rate of population increase is consequently very high. Literacy rates are higher than those prevailing anywhere else in Asia, with the exception of Japan, although many qualitative educational deficiencies persist.

Production of tea, rubber, and coconut for export employs about a quarter of the work force and accounts for over one-third of the national product. But agricultural production for domestic consumption is inadequate, and the country imports about half its food requirements. However, only about half the potentially cultivable area is now under cultivation; it could be considerably



enlarged with the assistance of new irrigation facilities. In addition, the productivity of the presently utilized land could be heightened through utilization of more sophisticated agricultural techniques.

The two most pressing economic problems are unemployment and diminishing foreign exchange reserves. Rising output over the past decade has not effected a reduction in the number of unemployed - estimated as high as 10% of the labor force - because of the rapid rate of population growth. The decline in foreign exchange holdings - reserves have fallen more than 55% since 1956 - is traceable in large measure to too extensive dependence on inflationary financing of government expenditures, resulting in a sharp rise in imports. Inflationary budgets - for example, a $96 million deficit in FY 1960 and an estimated $97 million for FY 1961 - are partially traceable to relatively large expenditures on food subsidies and social services.

Given its developed social infrastructure and its opportunity for major and rapid progress in the agricultural sector, these problems are far from insoluable if the government will adopt appropriate policies and can find the trained personnel necessary for

their implementation. In more concrete terms, what is required from the Ceylonese is fiscal responsibility in the form of reduced budgetary deficits or other measures designed to deter excessive imports, the mobilization of all human resources to promote genuine economic growth for the benefit of all segments in the community, and the formulation and disciplined implementation of policies and programs for realistic development.

Some progressive steps have been taken. In 1959 the Ceylonese National Planning Department produced a draft Ten-Year Plan which was intended to provide a frame of reference for development and investment, and for further refinement into projects and activities that would attack the problems of employment and growth. It envisioned a 90% increase in total production, a 35% increase in foreign exchange earnings, a 60% rise in private consumption and an increase of 1.4 million in employment. This was to be achieved by investing $2.8 billion through 1968, three-fifths of which was to be in the public sector. Unfortunately, despite the Prime Minister's nominal sponsorship of the Plan, it has not been translated into concrete programs. In fact, since the Plan's formation, the Ceylonese have manifested very little concern for development planning; the Government's attention has been focused on redistributing existing national income and enlarging the role of the State in the nation's economic life, and its budget has emphasized subsidies and social services at the expense of public sector investment.

The Government's recent interest in developing a three-year plan with selected operating priorities engendered, perhaps, by the deepening financial crisis and the reluctance of the International Bank for Reconstruction and Development (IBRD) to make new loans until more constructive policies are adopted, may auger a change in attitude. But the shorter plan is as yet unformulated.

Therefore, Ceylon remains a country interested in U.S. aid, but unable or unwilling to undertake essential self-help measures. On the other hand, it certainly cannot be regarded as totally deficient in this respect, since it has preserved a democratic government, has sought to allocate more equitably the national income and has developed its human resources by programs in health and education.

U.S. Assistance Strategy

On implementing our over-all objectives, we should encourage the adoption and implementation of policies designed to meet Ceylon's most pressing economic problems. In addition, we should assist in training the Government's future technicians and administrators, not only because their expertise is a condition precedent to successful program planning and implementation, but also because they will necessarily play a major role in determining the Government's future political orientation. Finally, we must dissuade Ceylon from becoming overly dependent on Soviet bloc aid and trade. Aid commitments totalling $58 million have already been made by the bloc; though up to this time Ceylon has left a large amount unutilized, this may be due to organizational failings and inertia rather than policy.

Present Ceylonese policies do not at present provide a favorable ground for achieving significant progress toward the objectives set forth above. Our strategy, therefore, is to continue a minimum program, focused upon those areas which most need improvement, as a base from which a larger program could, if required, be launched in the future. Such a program, however, must await an improved political and administrative climate. And it is possible to anticipate that, when the Ceylonese seriously undertake economic development, a number of Free World countries, in addition to the United States, will be prepared to assist. Likely candidates include the IBRD, the U.K., Canada, West Germany and Japan, all of which have lent funds to Ceylon in the past. The IBRD, however, may be cautious about further lending, until there has been significant change in Ceylonese fiscal policies.

Proposed FY 1963 AID Program

The main tool proposed is a Development Grant program restricted to $1.3 million, $200 thousand less than the comparable figure in FY 1962. These funds will be concentrated in three priority fields. First, in response to a request from the present government, we will assist economic development planning. Although there have been manifest inadequacies in this field, prior Ceylonese Governments were reluctant to utilize U.S. assistance in this sensitive area. The request can be met with a relatively small expenditure of funds. Our second priority is the improvement of technical and managerial skills. Our third priority, agricultural improvement directed to increased production of food and other commodities for domestic consumption.

Whereas we do not contemplate significant development lending, we will consider loan applications that clearly meet the Agency for International Development (AID) criteria, especially if they are related to progress in our three priority fields or give promise of altering the developmental atmosphere.

Country: CEYLON

Food for Peace programs will be continued, so as to help meet Ceylon's food requirements and help the country avoid a consumption and foreign exchange crisis. These programs include a Title III CARE-administered school lunch project which provides supplemental food rations to over 1.5 million school children.

Accomplishments and Change

A. The Malaria Eradication program, begun in FY 1957 in Ceylon, will be terminated in FY 1964. The objective of this activity has been first to control and then to eradicate malaria from the country by (a) spraying and (b) intensifying surveillance for detection and treatment of positive cases of malaria. The success of this activity to date can be judged by the drop in the number of reported cases of malaria, from 6,811 cases in 1957 to 422 cases in 1960.

B. The Highway Development Project, which began in FY 1957 and is being terminated in FY 1963, is designed to give training in all phases of highway construction and maintenance. A 22-mile pilot road between Alutnuwara and Padiyatalawa was used as a means of giving in-service training to over 300 Public Works Department personnel and an equal number of laborers.

FINANCIAL DATA

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Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1955-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	24.1	0.3	1.5
Development Loans.....	6.3	-1.4	-
Development Grants.....	8.8	1.7	1.5
(T.C. prior to FY 1961)			
Supporting Assistance.....	9.0	-	-
(DS/SA prior to FY 1961).			
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	19.2	4.1	3.8
(Sales Agreements).....	(25.0)	(5.1)	(5.0)
Title II.....	9.3	-	-
Title III.....	21.4	5.4	3.9
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	38.9	15.0	a/
UN Tech.Assist.-CY ending in FY.....	5.0	0.6	0.4
UN Special Fund.....	-	-	0.9a/
OTHER FREE WORLD ASSISTANCE			
Canada.....	NA	2.0	1.0a/
Australia.....	NA	0.9	0.5a/
Other.....	NA	5.6	2.5a/
SINO-SOVIET BLOC ASSISTANCE.....	58.0	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/ July-Dec. 1961

[redacted]

Country: CEYLON

BASIC DATA

	Unit	CEYLON	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	25	xxx
Population (1961)	Mil.	10.2	xxx
Annual Growth	%	2.8	2.4
Density per sq.mi.	No.	403	40
AGRICULTURAL LAND			
% of Total Area	%	23	25
Per Capita	Acres	0.4	2.5
POWER PER CAPITA	KWH/Yr	32	80
EDUCATION			
Literacy Rate	%	70	35
Pupils as % of Pop. (Prim. & Sec.)	%	21	9
Pupils per Teacher (Prim. only)	No.	33	38
HEALTH			
Life Expectancy	Yrs.	60	40
People per Doctor	No.	4,700	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	1,270	1,325	1,350
Per Capita GNP	Dollars	132	134	133
Investment as Percent of GNP	Percent	14.1	14.1	14.1
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	113	118	119
Index Per Capita	"	97	99	97
Rice	1,000 MT	773	855	800
ELECTRIC POWER PRODUCTION[a]	Mill. KWH	270	301	330
COST OF LIVING INDEX (Colombo)	1953=100	104	102	103
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	368	385	360
Tea	"	219	230	240
Total Imports (c.i.f.)	"	421	412	360
Trade Balance	"	-53	-27	--
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	35	39	30
Imports from U.S. (f.o.b.)	"	23	14	15
Trade Balance	"	+12	+25	+15
GOLD & FOREIGN EXCHANGE *(end of year)*	"	154	112	113

CENTRAL GOVERNMENT FINANCES* FY ending Sept. 30	-Million Dollar Equivalents- 1960	1961[b]	1962 (Bud)
Total Expenditures	363	391	418
(Defense Expenditures)	(15)	(18)	(16)
(Capital Outlays)	(99)	(105)	(128)
Domestic Revenues	267	294	349
Budget Receipts from Non-U.S. Foreign Aid	4	5	19
Budget Receipts from U.S. Aid (Grants & Loans)	5	2	5
Remaining Deficit (-) or Surplus (+)	-87	-90	-45

*- Converted at 4.762 Rupees per U.S. $.
a - Excludes private power.
b - Revised budget.

Cyprus

Cyprus

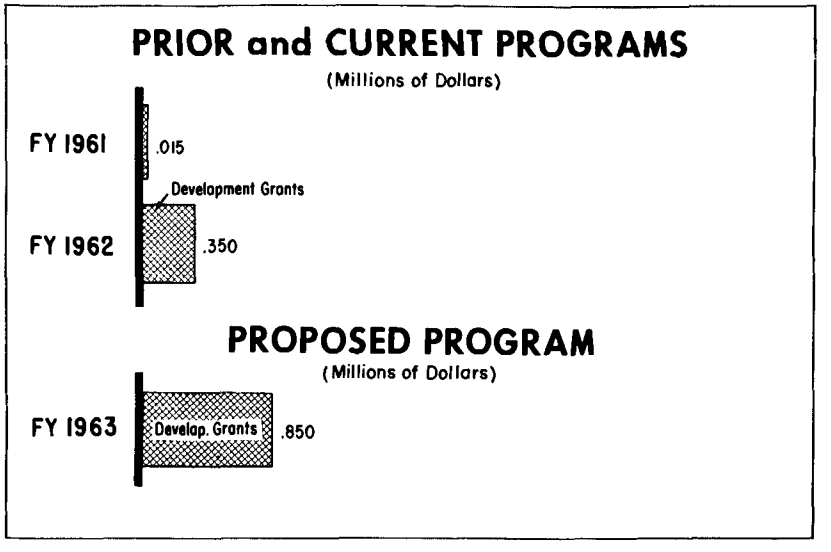
The island republic of Cyprus, independent since August 16, 1960, is located 40 miles south of Turkey. Its population of 569,000 is 80% Greek and 20% Turkish and administrative responsibility follows communal lines. Britain retains base areas on the island and the other guarantor powers, Greece and Turkey, maintain small garrisons. Cyprus is a U.N. member pursuing a non-alignment policy with a pro-Western bias. The principal internal problems arise from tensions between the Greek and Turkish communities, and from the presence of a strong and well-led Communist front party which controls a major part of the labor movement.

The United States maintains strategically important communications facilities in Cyprus; a prime objective of both short and long-term U.S. policy toward the area is to retain these facilities on a satisfactory basis. The security of these facilities and the eastern flank of the North Atlantic Treaty Organization (NATO) depends on a reasonable degree of cooperation between Greek and Turkish communities. Furthermore, physical violence between Greeks and Turks in Cyprus could disrupt Greek-Turkish relations on the mainland and weaken the unity of NATO. A satisfactory rate of economic growth can facilitate solution of these political and economic problems. U.S. aid can help sustain the present friendly Cypriot attitude toward the United States and its facilities. Together with aid from other Western sources, it can strengthen the appeal of economic development as a national Cypriot goal enlisting the best efforts and cooperation of both communities, and erode some of the underlying causes of leftist strength.

Country Background

During 82 years of British rule a relatively modern economic and social infrastructure was built and the Cypriot people were educated. Gross National Product (GNP), physical consumption data, and investment now show Cyprus to be better off than any of its near neighbors except Israel. These levels were facilitated by exports to protected markets in the United Kingdom and sales valued at some $50 million annually to British bases in Cyprus. A recession from 1958 through 1960 largely reflected the civil emergency and drought. GNP dropped 9%, investment decreased 40%, and $26 million of exchange reserves were lost. There has been a mild recovery in 1961.

The long-term development potential of Cyprus is favored by past investments in infrastructure and training, but is restricted in some measure by inadequacy of water supplies. GNP growth of 5% to 6% during the years immediately ahead is believed attainable provided sufficient European and U.S. capital is obtained and



assuming no serious drop in earnings from the British bases and from exports of minerals and fruits and vegetables.

President Makarios recently stated that the over-all development goal for Cyprus in the period 1962-1966 would be an annual increase of 6% in GNP, requiring annual public investments of about $35 million of which half could be financed internally. No details of the estimates are available, but they are about 45% higher than were suggested in a U.N. study prepared in 1961.

U.S. Assistance Strategy

The U.S. interest in Cyprus and particularly in maintaining our communications there requires the provision of economic assistance which will contribute to sound economic development and will strengthen U.S. influence in efforts to reduce intercommunal tensions. How best to achieve these goals is currently under study and a definitive aid strategy has not been decided.

It is clear, however, that our assistance should be concentrated in few sectors of the economy in order to keep our operations as efficient as possible and to avoid preempting investment opportunities which are open to assistance available from other countries, particularly the United Kingdom.

[redacted]

Country: CYPRUS

Proposed AID Program for FY 1963

Current Agency for International Development (AID) operations in Cyprus are designed to gain the first hand knowledge needed to shape a rational course for future development. Two AID economists have been assigned to this new mission on a temporary basis to explore the problems of development planning with the government and to determine what needs to be done to move forward from the 1961 U.N. development study to a more comprehensive governmental plan. The findings of this team may lead to further advisory assistance in economic planning in FY 1963.

A hydrologist is being sent to make a preliminary review of available water-shed data and develop recommendations and initial estimates for needed engineering feasibility studies. The U.N. report and similar studies point to surface water wastage which can be overcome to the great advantage of the island's economy. This problem is of major interest to the Cypriots. Technical advice and loans covering the foreign exchange costs of surface water projects may well prove to be the best sector for U.S. assistance since modest amounts will be required over an extended period of time.

An AID-financed study of a proposed development bank was completed in February and the establishing of the bank is under consideration by the government of Cyprus. If the Government decides to establish the bank, AID will consider financing foreign management and training service during the early stages of the operation. The German Government has offered Cyprus four million marks to cover the bank's foreign exchange needs in the first year.

Other potential AID activities in FY 1963 are at a less advanced stage of program decision and further steps will depend on Cypriot progress in development planning and in part on our own study of the island's development prospects in individual sectors. The findings of our short-term agricultural expert may also lead to consideration of some technical assistance activity in the field of agriculture. Other possibilities for AID participation in the economic development of Cyprus will be considered in the coming months in terms of what is necessary to achieve our goals.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	*	0.35
Development Loans.....	-	-
Development Grants..... (T.C. prior to FY 1961)	*	0.35
Supporting Assistance..... (DS/SA prior to FY 1961).	-	-
Other MSP Economic.....	-	-
FOOD FOR PEACE (P.L. 480)		
Title I, Country Uses.....	-	-
(Sales Agreements).....	-	-
Title II.....	9.5	7.9
Title III.....	-	-
Title IV.....	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-
MILITARY ASSISTANCE (Programs)		
M.A.P. - Grant Aid.....	-	-
M.A.P. - Credit Assistance.....	-	-
Non-M.A.P. Military Assistance.....	-	-
ASSISTANCE FROM INT'L AGENCIES		
IBRD - World Bank b/.....	-	-
UN Tech. Assist.-CY ending in FY....	0.1	0.1
UN Special Fund.....	0.8	a/
OTHER FREE WORLD ASSISTANCE		
United Kingdom c/.....	59.0	57.5
West Germany d/.....	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	1.4a/
U.S. DOLLAR LOAN REPAYMENTS.....	-	-

* Less than $50,000 a/ July - Dec. 1961

b/The IBRD has completed a prelim. survey and expressed willingness to extend develop. loans.

c/Incl. expend. by UK in connection with base constr. and maintenance, and by UK British national employees for commodities and services provided by Cypriots.

d/Has offered 32 million Marks ($8.0 million equiv.) mostly on loan basis. Details being worked out.

[redacted]

[redacted]

Country: CYPRUS

BASIC DATA

	Unit	CYPRUS	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	3.6	xxx
Population (1961)	Thous.	569	xxx
Annual Growth	%	2.0	2.4
Density per sq.mi.	No.	159	40
AGRICULTURAL LAND			
% of Total Area	%	57	25
Per Capita	Acres	2.3	2.5
POWER PER CAPITA	KWH/Yr	382	80
EDUCATION			
Literacy Rate	%	65	35
Pupils as % of Pop. (Prim. & Sec.)	%	19	9
Pupils per Teacher (Prim. only)	No.	40	38
HEALTH			
Life Expectancy	Yrs.	67	40
People per Doctor	No.	1,500	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	238	225	230
Per Capita GNP	Dollars	432	402	404
Investment as Percent of GNP	Percent	16.8	15.6	16.5
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	98	87	90
Index Per Capita	"	90	78	80
Wheat	1,000 MT	62	52	55
MINING PRODUCTION INDEX[a]	1953=100	141	140	142
COST OF LIVING INDEX	1953=100	135	136	136
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	53	54	50
Minerals	"	27	27	n.a.
Total Imports (c.i.f.)	"	115	110	110
Trade Balance	"	-62	-56	-60
Trade with United States[b]				
Exports to U.S. (f.o.b.)	$ Millions	2.8	1.4	n.a.
Imports from U.S. (f.o.b.)	"	5.3	5.4	n.a.
Trade Balance	"	-2.5	-4.0	
GOLD & FOREIGN EXCHANGE *(end of year)*	"	44[c]	44[c]	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*-Million Dollar Equivalents-* 1959	1960	1961(Bud)
Total Expenditures	70.2	48.6	52.0
(Defense Expenditures)	(-)	(-)	(-)
(Capital Outlays)	(7.5)	(8.1)	(12.0)
Domestic Revenues	49.0	50.0	46.0
Budget Receipts from Non-U.S. Foreign Aid	16.3	12.0	11.0
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	2.0
Remaining Deficit (-) or Surplus (+)	-4.9	+13.4	+7.0

* - Converted at $2.80 per £.
a - Based on volume of mineral exports.
b - Based on Cyprus trade data.
c - Commercial bank holdings of sterling and sterling securities.

Greece

Greece

[redacted]

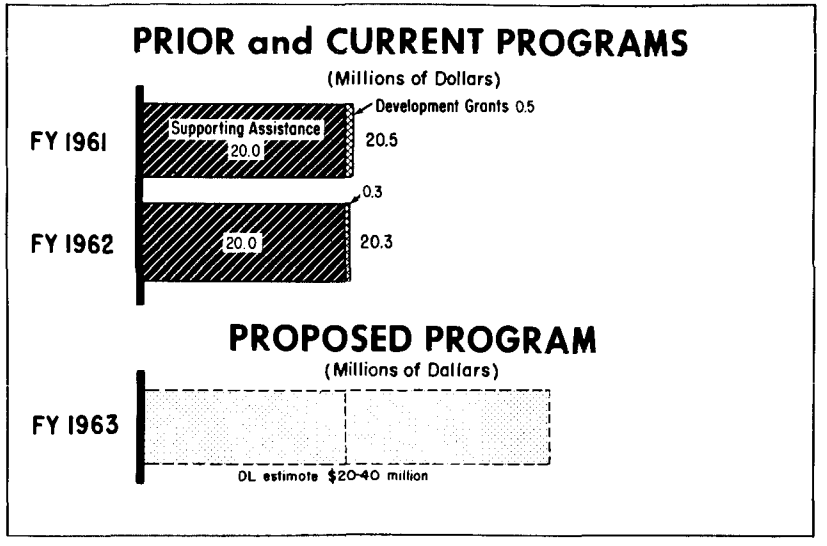
When American aid to Greece was initiated in 1947, that country was faced with a war-shattered economy, a major Communist effort to extend the Iron Curtain to the shores of the Aegean, and a high degree of internal political instability. By late 1949, Communist guerilla forces had been wiped out and this immediate threat to Greek independence removed. By 1953, the task of economic reconstruction had been largely completed and the base for future economic growth established. Since the first election of the Caramanlis Government in 1956, Greece has enjoyed a period of unprecedented political stability. Due in large part to this efficacious political climate, the past several years have brought a rate of economic growth which ranks among the highest in Europe.

Although substantial American aid and, in recent years, Western European assistance have contributed materially to this reconstruction and advance, such dramatic economic progress could not have been achieved without vigorous and courageous Greek efforts. The stabilization program of the early 1950's which brought a serious inflation under control is a significant illustration. In recent years, steps have been taken to mobilize increasing amounts of domestic resources for economic development and to raise foreign exchange earnings substantially. At the same time, Greece has devoted a large amount of its resources to the creation of a modern well-trained military force. With assistance from the United States and other North Atlantic Treaty Organization (NATO) powers, the Greek forces have attained a capability which permits them to make a vital contribution to the defense of Western Europe.

Country Background

Economic development in Greece has been accomplished in the face of serious obstacles. It is a country of limited resources. Although cultivatable land totals only two acres per capita, more than half the population is dependent upon small scale agriculture. Greek industry relies largely upon imported raw materials, machinery, spare parts and fuels. In addition, expansion of the industrial sector is inhibited by the small size of the domestic market. Levels of unemployment remain high, despite the increasing industrialization of recent years. Once during the past seven years inflation threatened, but it is not now a problem. Greece now depends on Soviet bloc markets for almost 25% of its total exports.

Despite these major disadvantages, agricultural production has increased about one-third in the past decade and industrial production by about 70%. Receipts from tourism and shipping have risen by 75% since 1959 and private capital inflows have mounted. The result has been an average annual growth of Gross National



Product (GNP) of 4.5% in the last four years. (Per capita GNP is about $400 annually.) Since December 1958 foreign exchange reserves have increased from $180 million to about $250 million.

The economy of Greece is largely dependent on free enterprise although the Government has taken an increasing role in fostering development and has participated in the establishment of some large scale plants. Planning has been more a means of sketching a direction and goals than a detailed outline of action. If public and private gross investment continues at present levels, the prospects for attainment of sustained average annual growth of 5% appear within reach. To achieve this rate of growth, the Government should draw on available skills to establish an improved planning organization and to prepare projects acceptable to foreign lenders. It should also improve the climate for foreign private investment, attack the long-term institutional problems impeding agricultural growth, develop an effective export promotion program, and undertake further reforms in tax administration needed to mobilize more of Greece's own resources for development.

U.S. Assistance Strategy

The long-term interest of the United States requires continuation Greece's pro-Western foreign policy, maintenance of its defense capabilities at a level which permit it to play its assigned role

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in NATO and sustainment of its current or a somewhat higher rate of growth. If the latter two objectives are achieved, it is unlikely that the Government of Greece will alter its present pro-Western orientation. Furthermore, continued economic progress will undoubtedly reduce the likelihood of internal political change which would be adverse to our interests.

U.S. assistance strategy in pursuit of these objectives has two main elements. The first is to encourage the Greeks to improve their planning so that a more effective allocation of indigenous resources and a more productive relationship with foreign lenders will result. In this connection, we should encourage them to undertake: (a) refinement of long-term development planning, with special emphasis on the formulation of detailed project proposals which can be presented to U.S., European and international public and private lending institutions; (b) improvement of the organization of internal public and private institutions engaged in planning or implementing social and economic development; (c) improvement of the climate for foreign investments by liberalizing procedures and criteria, and (d) reform of tax administration.

We must make it clear to the Government of Greece that, although we will continue to provide cooperation and assistance, it should place increasing reliance upon other Free World countries. Greek association with the Common Market and membership in the Organization for Economic Cooperation and Development (OECD) have already been helpful in this respect and are likely to continue so. The NATO Mission to study Greek economic needs should contribute to a framework for additional Free World assistance to Greece.

The second element of our strategy is to provide on a bilateral basis amounts and types of economic and military assistance which, when combined with available local and other external aid, will maintain defense capabilities and economic growth. On the economic side, we believe that Greece will not require grants of economic and technical assistance after FY 1962. Future financing of programs designed to achieve U.S. objectives in Greece will be confined to development lending, and Food for Peace. Procurement authorizations for the final $20 million grant of Supporting Assistance are being issued in March 1962, and FY 1962 Development Grants will finance the last U.S. technicians and Greek trainees in agricultural marketing, vocational education, air navigation and public safety. The FY 1962 Supporting Assistance level was raised to $20 million from the $10 million planned when the aid program was presented to Congress last year. This increase was required to assist Greek efforts to improve its defense establishment in response to NATO goals and the Berlin buildup.

The judgment that Greece is ready for transition to a U.S. assistance program based entirely on loans has been viewed by the Government of Greece with some alarm. Defense purposes now account for about 25% of total government expenditures. Competition for budget allocations among current civil and development uses and military uses will be intensified as a result of the elimination of Supporting Assistance grants. Stimulated by external loans, expected rates of growth could permit the maintenance of current or slightly increased defense expenditures without diversion of resources required for development purposes. The foreign exchange position is also relatively strong and will be fortified in the current transitional period by disbursement of the final $20 million Supporting Assistance grant in FY 1962.

The Government of Greece has put forward at various times rough approximations of foreign exchange needs during its five year plan period, 1961-64, which range from $475 to $800 million. Neither the plan outlined nor the foreign exchange projections represent a detailed assessment of firm requirements. Under the broad guidance of the outline, the Government of Greece has proceeded with annual development budgets, made up of projects reasonably well designed from a technical point of view. The United States has undertaken to finance some of these projects in past years and will undertake such financing in FY 1963. Our general policy will continue to regard long-term development proposals as eligible for Development Loan financing. Projects which can become rapidly productive may be suitable for Export-Import (Ex-Im) Bank financing. During the present transitional period it is of particular importance that we give effective help to Greece in meeting U.S. requirements for loan applications. When the organization and progress of Greek development activity suggest its suitability, the United States might consider some program lending or sector support not exclusively associated with project commitments.

Proposed AID Program for FY 1963

No Supporting Assistance or Development Grants are proposed for Greece for FY 1963. In line with the principal strategy of assistance, the United States will make available Development Loans to meet the foreign exchange costs of projects. While the volume of such lending cannot now be determined with any precision, there are indications of specific project possibilities to suggest that loans made in FY 1963 could be in the range of $20 to $40 million.

There have been discussions with the Greek Government since 1958 regarding long-term lending for development. Development Loan Fund (DLF) loans totaling $43 million have been extended for the foreign exchange costs of the Ptolomsis Fertilizer and the first stage of the Acheloos hydroelectric and river basin development projects. The Greek Government has also presented a proposal that a second loan be made for the Acheloos project. This proposal fits within the long-term development concept, but the Greek Government is still waiting for completion of studies by its U.S. engineering consultant on the project. It is expected that the engineering study will be completed by June, 1962, so that loan financing can be considered during FY 1963.

The Greek Government has for some time wished to help the Economic Development Financing Organization (EDFO) (orginally capitalized with the counterpart or earlier U.S. aid) and the Agricultural Bank to expand their lending activities. Both these financial institutions have as their primary objective lending on medium and long-term to the private agricultural and industrial sectors. However, both have been restrained from moving into areas of investment or development involving foreign exchange expenditure by the unwillingness of the Central Bank to encourage such lending given other and equally pressing requirements for foreign currencies. Since it is in our interest to help Greece modernize its agricultural and industrial plant and especially to make better use of the resources of the agricultural sector, the United States encouraged the Government to submit loan applications on behalf of EDFO and the Agricultural Bank. Present prospects are for obligation of initial loans to each of these institutions before the end of FY 1962. It is likely that additional loans to the two institutions will be appropriate in FY 1963, if they succeed in expanding their development work in accordance with projections in their current loan proposals.

We assume that the Greek private sector will continue to present loan applications to the Ex-Im Bank appropriate for borrowing from that institution. The National Bank of Greece in Athens, the largest commercial bank in Greece, has requested a foreign exchange loan and the Ex-Im Bank is interested in this application. Other Greek financial institutions may follow and, in any case, some of the largest industrial firms will continue to use the Ex-Im Bank for short-term financing as they have in the past.

Accomplishments

The termination in FY 1962 of grant technical assistance and Supporting Assistance to Greece marks the end of an era which began with the enunciation of the Truman Doctrine 15 years ago. Greece has come a long way indeed since the days when U.S. economic assistance accounted for more than 75% of Greek imports and some 300 U.S. technicians were deeply involved in the most important operations of the Greek Government. Among the accomplishments to which the United States aid program has made decisive contributions are the following:

The Communist military effort to take over was defeated.

A stable democratic political system has been re-established and regional and local administration improved.

Reconstruction of the destruction left by eight years of war was completed.

Basic infrastructure -- electricity, highways, railroads, and water systems -- has progressed far enough that Greece can concentrate on the industrial aspects of the next stage of expansion.

Food production has increased to the point that Greece is self-sufficient except for some feed grains and meat.

Economic and social institutions have been established or improved for agricultural extension, credit, public health, civil aviation, public safety, etc.

Cou[redacted]

BASIC DATA

	Unit	GREECE	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	51	xxx
Population (1961)	Mil.	8.4	xxx
Annual Growth	%	0.9	2.4
Density per sq.mi.	No.	164	40
AGRICULTURAL LAND			
% of Total Area	%	66	25
Per Capita	Acres	2.6	2.5
POWER PER CAPITA	KWH/Yr	264	80
EDUCATION			
Literacy Rate	%	77	35
Pupils as % of Pop. (Prim. & Sec.)	%	15	9
Pupils per Teacher (Prim. only)	No.	45	38
HEALTH			
Life Expectancy	Yrs.	68	40
People per Doctor	No.	844	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	3,061	3,193	3,425
Per Capita GNP	Dollars	371	384	407
Investment[a] as Percent of GNP	Percent	20.2	25.2	23.0
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	130	122	135
Index Per Capita	"	123	114	125
Wheat	1,000 MT	1,769	1,666	1,592
INDUSTRIAL PRODUCTION INDEX	1953=100	156	172	182
COST OF LIVING INDEX	1953=100	134	136	138
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	204	203	220
Tobacco	"	68	73	80
Total Imports (c.i.f.)[b]	"	473	514	590
Trade Balance[c]	"	-269	-311	-370
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	34	33	57
Imports from U.S. (f.o.b.)	"	54	62	79
Trade Balance	"	-20	-29	-22
GOLD & FOREIGN EXCHANGE *(end of year)*	"	219	235	248[E] (Nov)
		-Million Dollar Equivalents -		
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31		1959	1960	1961[P]
Total Expenditures		573	615	698
(Defense Expenditures)		(154)	(162)	(165)
(Capital Outlays)		(104)	(136)	(180)
Domestic Revenues		478	514	587
Budget Receipts from Non-U.S. Foreign Aid		14	11	26
Budget Receipts from U.S. Aid (Grants & Loans)		25	21	25
Remaining Deficit (-) or Surplus (+)		-56	-69	-60

* - Converted at 30 Drachmas per U.S. $. P - Preliminary actuals.
a - Includes investment in ships.
b - Excludes ships transferred to Greek flag. These amounted to $94 million in 1959, and $188 million in 1960.
c - Substantial offsetting surpluses realized on services, especially transportation and insurance and emigrant remittances.

[redacted]

FINANCIAL DATA

Country: GREECE

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	1,020.1	20.5	20.33
Development Loans.....	43.0	-	-
Development Grants..... (T.C. prior to FY 1961)	14.1	0.5	0.33
Supporting Assistance..... (DS/SA prior to FY 1961)	962.6	20.0	20.0
Other MSP Economic.....	0.4	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	60.9	10.1	6.9
(Sales Agreements).....	(86.7)	(15.6)	(10.6)
Title II.....	4.1	4.1	-
Title III.....	99.2	7.6	10.3
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	17.1	2.5	2.1a/
OTHER U.S. ECONOMIC PROGRAMS b/.....	536.7	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	1,074.4	109.4	115.7
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	412.7	-	NA
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY.....	1.8	0.3	0.3
UN Special Fund.....	0.8	0.5	a/
Eur. Econ. Comm. Devel. Fund.....	-	-	125.0c/
OTHER FREE WORLD ASSISTANCE			
West Germany.....	48.0	-	a/
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	-
Export-Import Bank	9.6	0.8	0.5a/
Other Government Loans	NA	4.4	4.2

a/ July-Dec. 1961.
b/ Includes UNRRA, post UNRRA, Greek Turkish Aid, Surplus Property Credits and Other.
c/ Five-Year commitment.

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[redacted]

India

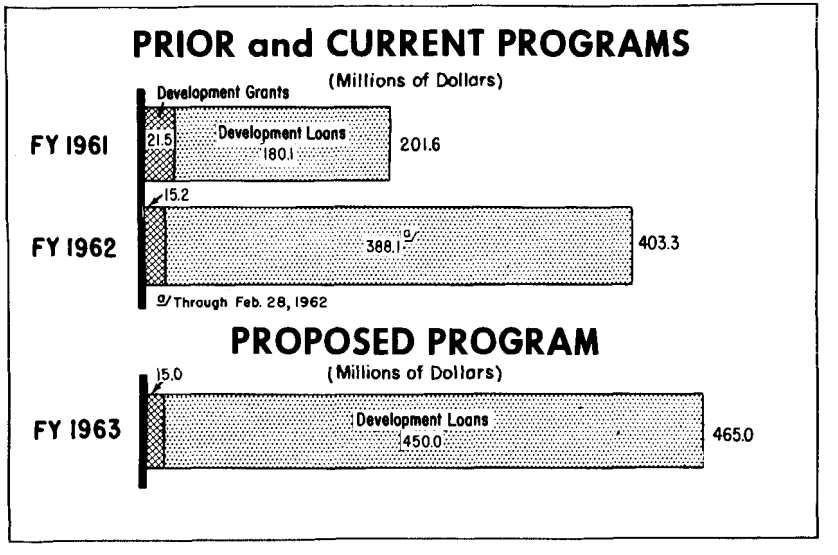
India

India's importance to the United States lies in the size of its population, the extent of its material resources, its strategic location in Asia, and its crucial efforts in social and economic development within a parliamentary system based upon Western democratic concepts. India dominates the area of South Asia in terms of size -- accounting for nearly 75% of the population of South Asia, or 14% of that of the world. It holds the bulk of the area's resources, particularly the iron and coal required for the establishment of heavy industry. Politically, India is the most influential of the neutral, or nonaligned, nations -- both in Asia and in the rest of the world. The United States accepts India's attitude of nonalignment as long as it remains genuinely so.

During the 14 years since its independence, India has been engaged in a massive struggle to create from its divided and polyglot population a unified modern state with a vigorous economy which will afford its 440 million people a better life. This massive struggle for the betterment of one-sixth of the world's population has aroused widespread popular sympathy, encouragement and strong support in the United States. The Indians have elected to conduct this struggle by democratic means. It is, in a sense, an experiment to determine whether a large, newly independent underdeveloped nation can build a modern state without adopting authoritarian methods. If India succeeds, this example will provide inspiration for other emerging nations and peoples elsewhere; if it fails, authoritarian government may provide the alternative pattern. U.S. goals in India are: (1) To assist as we can India's own objectives, which are to achieve an economically viable, politically stable and democratically inclined nation that can maintain its independence against any pressures from within or without; and (2) to develop a sympathetic appreciation of U.S. views and responsibilities, as well as support for U.S. objectives and actions which must be taken to achieve them.

Country Background

During the past decade India has been making progress in developing its material and human resources. During the period of the First and Second Five-Year Plans (1951-1961) national income rose 42% in constant prices. The average annual rate of increase of per capita income was only 1.6% because of a 20% increase in population. India's industrial base has broadened as capacity has been expanded in steel, power, transport, heavy machinery and consumer industries. Despite a major effort to develop the rural areas in which a vast majority of population lives, agricultural



production has lagged behind industrial growth. Social development, particularly education and health, has advanced considerably but facilities are still deficient in relation to need.

The Central Government has a competent top level civil service, but administrative abilities at lower levels vary. The seriousness of the shortage of senior and middle management personnel has now been recognized by the Government. Despite these shortcomings, however, the Government has demonstrated a capacity to manage a complex development program and to make effective use of its own resources as well as those available to it from external sources. The First Plan was financed largely out of domestic resources and accumulated reserves; since then a significant amount of foreign assistance has been provided. Of the $8.4 billion of foreign aid commitments made to India between 1951 and 1961, including the financing of food and fiber imports, more than 60% has come from the United States, about 15% from the Soviet bloc, and the remainder from Free World countries and international agencies.

The Third Five-Year Plan calls for development expenditures of $24.4 billion, of which $15.8 billion will be in the public

sector and $8.6 billion in the private sector. Plan targets include: A 5% per annum rise in national income; self-sufficiency in foodgrains; expansion of heavy industry so that industrialization needs a decade from now can be met largely from Indian resources; increase in employment opportunities, and a reduction in disparities in income and wealth. The product of a sophisticated planning process, the Plan represents a thoughtful Indian approach to the social and economic problems of the country.

The effort required to reach Plan targets will severely tax the country's resources, but appears manageable if foreign exchange availabilities are timely and adequate. Major commitments for order placement and payments are needed during the early years of the Plan. After allowing for a rise in export earnings to almost $8 billion, and debt repayments on earlier loans of approximately $1 billion, $6.7 billion in external assistance will be needed to meet Plan requirements. Although shortfalls in physical performance and serious organization and manpower problems may impede attainment of Plan goals, substantial gains appear within reach.

The Government of India hopes to spread the benefits of development through land and tax reform measures, community development schemes and establishment of cooperatives. Steps have also been taken to accelerate the gains for the broad mass of the people through further expansion of health, education and social welfare programs. The Government's commitment to the development program is reflected in the priority it extends to development in the allocation of resources. Despite the many and severe problems to be faced, the Plan remains the best vehicle for the Indian effort and for U.S. and other support for India.

U.S. Assistance Strategy

The primary political stake which the United States has in the success of India's development efforts has been noted above. In addition, Prime Minister Nehru's role as the most influential leader of the Afro-Asian bloc makes it essential for us that he understand and, to the maximum extent possible, support U.S. positions on major international issues. Although there will be occasional divergencies of viewpoint on specific issues (e.g., the Hungarian uprising of 1956, Goa, Kashmir, etc.), it is both desirable and possible to achieve a relatively high degree of consensus on major issues over the long-run.

Since India's commitment to a massive development effort dominates both its internal and international policies, U.S. assistance strategy is directed toward providing U.S. assistance and marshaling other Free World aid in support of the Third Plan. In May-June 1961 an International Bank for Reconstruction and Development (IBRD) sponsored consortium of Free World countries offered $2,225 million in commitments to meet India's requirements for order placement and payments for the first two years of the Third Plan (1961-1962 and 1962-1963). The United States offered to provide $1,045 million, contingent on commensurate contributions from other Free World countries. IBRD and the Industrial Development Authority (IDA) offered $400 million, and other consortium countries $780 million. Present estimates indicate that another $220 million is needed from other consortium countries to cover 1962-1963 requirements. A meeting to review the status of present commitments and disbursements was held in January 1962 and the consortium members will reconvene in May 1962, at which time the need for further commitments will be discussed. Against its projected two-year commitment, the United States expects to make available, by the end of FY 1962, development loans and Export-Import Bank credit of $545 million for the first year of the Plan.

U.S. assistance takes the form of long-term loans for capital projects and essential commodity imports; grants for technical assistance in a variety of fields including agriculture, industry, education and training health and labor; and sales for local currency of surplus agricultural commodities under the Food for Peace Program. The local currency generated by the latter program is being loaned or granted to the Government of India (GOI) to finance local costs of development projects.

Other U.S.-supported activities also contribute to India's development and to attainment of U.S. goals. Cultural exchange and informational activities and Peace Corps projects are creating a better mutual understanding of our different cultures.

India expects about $900 million of disbursements from assistance pledged and expected from the Soviet bloc, and from commitments received outside the consortium, all of which contribute to meeting the financial requirements of the Third Plan. The Soviet bloc also conducts cultural exchanges and technical assistance programs. Since 1951 the Free World has provided about 85% of India's external financing requirements. While Soviet bloc activities are an important supplement to Free World aid, they do not appear to be extensive enough to endanger India's independence.

[redacted]

India's self-help efforts have been impressive, although continued improvement is possible in a number of instances. Long-term planning is efficient and sophisticated. The administrative mechanism for planning and for implementing development programs is constantly being improved. Domestic savings and investment are increasing and the distribution of the burdens and benefits of development is generally equitable. India also scores relatively high on political stability, including rule and respect for law, and equality of political and economic opportunity.

Among the areas of self-help which require further improvement are the following:

(1) A more realistic and effectively pursued export policy;

(2) Higher rates of increase in private investment, both foreign and domestic;

(3) Development of a sound manpower policy, including educational reforms and organization and management measures;

(4) Improved administration of the revenue system and enlargement of the tax base;

(5) Increased employment opportunities, particularly among the rural population and the educated unemployed; and,

(6) Further progress in land reform.

Proposed AID Program for FY 1963

The funding proposed for FY 1963 is to be used to assist implementation of priority projects within the Third Plan. The contribution made by our programs toward attainment of particular sector goals is on a significant scale of funding in some cases; in others, marginal amounts of aid are needed. Assuming the $2,225 million commitment level set at the May 1961 consortium is reached, the United States would plan to make available $500 million in loans, of which $450 million would be provided from Agency for International Development (AID) Development Lending and $50 million from the Ex-Im Bank. Development Loans will be used to finance priority projects in power, transportation, coal, fertilizer as well as development banks, important private sector projects and nonproject imports for general economic support. Food for Peace commodities are expected to continue on a scale of $350 million under the four-year sales agreement signed in 1960.

The proposed $15.0 million Development Grant Program, which includes $6.3 million for malaria eradication, is for activities designed to increase Indian capacity to train the skilled manpower needed to raise agricultural and industrial production and to improve public health. The Development Grant Program plays an important role in enhancing the effectiveness of capital assistance made available through U.S. Development Loans.

India's plan to raise agricultural output by 30% and annual foodgrain output from 80 million tons to 100 million tons by 1966 is one of the major goals supported by U.S. assistance. This goal involves a large rise in domestic fertilizer production, improved agricultural practices, availability of improved seed, development of small irrigation works and improved credit and marketing facilities. Development Grants will give technical help in introducing improved agricultural practices and upgrading agricultural education. Development Loans are expected to finance fertilizer plants and fertilizer imports. Rupee availabilities from Food-for-Peace sales can help finance development projects including small irrigation works.

Closely related power, transport and manufacturing goals call for a rise in power capacity from 5.7 million to 12.7 million KW by 1966, improvement of road, railroad and port facilities and a major jump in industrial output. Advisory services to meet technical needs and improve productivity will be supported by Development Grants, while loans will continue to be allocated for major plants, supporting facilities, credit institutions, and imports needed to maintain production and investment.

Substantial sums have been allocated to improvement of education and health. Principal emphasis is being placed on educating children below age 12 and on science, vocational, engineering education and teacher training. To accommodate the expected growth in school population a substantial increase in educational plans is envisioned. U.S. assistance in education is focused primarily on engineering and vocational education and on teacher training.

In health, increased emphasis is to be placed on public health preventive services, with a major objective the provision of safe drinking water in villages. The Government of India will devote attention to expanding medical training facilities, eradicating malaria and other diseases and to family planning. U.S. assistance will contribute to support of the malaria eradication program and to assisting improvement of medical and nursing training institutions.

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Accomplishments

U.S. aid programs are conducted within the context of India's development plan which is a phased program directed toward eventual attainment of self-sustaining economic growth. India's strategy of development recognizes the importance of conscious planning as the mechanism for effecting fundamental social and economic changes. To attain plan goals, India has instituted land and tax reforms, promoted the growth of cooperatives and has given priority to development of public services. These and other measures for mobilizing the country's resources are intended to reduce disparities in income and wealth and to promote social justice. India's self-help measures have therefore progressed beyond the basic organizational and institutional changes generally recognized as necessary preconditions to economic development. Current self-help measures are largely refinements and extensions of programs already under way. The major role which the United States can play is to assist in stimulating improvements in existing programs and in bringing about an awareness of the need for new measures. While key self-help actions depend basically upon Indian initiative, the United States can, through technical assistance, do much to induce further Indian self-help activities.

In view of the limitations on U.S. resources and the almost limitless Indian needs, a restructuring of the Development Grant Program was undertaken to concentrate the program around key sections in the development plan. A number of activities were terminated or are to be phased out by the end of FY 1962. Other projects were terminated because U.S. objectives were accomplished. As a result, a substantial reduction in the number of Development Grant projects will have been accomplished by the end of FY 1962. This is expected to result in some reductions in U.S. staff and a shift of personnel to field stations. The focus of the program will be on projects in food production, industrial development and human resource development. More effective concentration of technical and financial resources on fewer activities is expected to result in a greater impact.

The most significant program in stimulating food production is the Intensive Agricultural District Program being conducted in collaboration with the Ford Foundation. Under this program, pilot projects have been set up in seven districts of seven States covering over two million farmers to demonstrate how application of modern agricultural techniques plus fertilizer, improved marketing, credit and storage facilities can raise food production and increase farm income. This massive demonstration program is to continue through the Third Plan. Other significant activities which the United States will support include establishment of seed production farms and a seed certification service which will contribute to increasing crop yields by making available high quality seeds to Indian cultivators; strengthening of agricultural extension activities; and improvement in soil and water management practices.

Our most significant education project is the development of the Indian Institute of Technology at Kanpur into a principal higher technological institute with assistance to be provided by a consortium of nine leading U.S. engineering institutions. This project is actually getting under way this year after more than two years of planning and negotiation. Other significant projects include the establishment of teacher training facilities for the multipurpose secondary schools, the establishment of a crafts instructor training center and improvement of nursing and medical education facilities.

Significant Indian self-help activities have been induced by U.S. technical assistance projects. As a result of the establishment with U.S. assistance of the first land grant agricultural university in Uttar Pradesh State, three other Indian States have taken steps to set up similar institutions. This development could have a profound influence on the future development of agricultural education. The training of 300 Indian engineering instructors in U.S. universities has enabled the Indians to train additional instructors in Indian institutions, thereby strengthening the base of engineering education. The fertilizer demonstration program stimulated recognition of the importance of fertilizer and stimulated demand for it, and the government is now undertaking to construct production facilities. The grain storage project demonstrated the feasibility of certain types of storage facilities and the Indian Government expects to utilize this information in constructing storage facilities. The malaria eradication program has reduced the incidence of malaria by 80% and deaths from two million to 80,000 a year. The success of the program is attested to by the fact that spraying operations are now being drastically curtailed and a surveillance program organized by Indian technicians is supplanting the eradication program. As U.S. assistance is phased out the program will be continued by Indian personnel.

Country: INDIA

BASIC DATA

	Unit	INDIA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	1,270	xxx
Population (1961)[a]	Mil.	440	xxx
Annual Growth	%	2.3	2.4
Density per sq.mi.	No.	347	40
AGRICULTURAL LAND			
% of Total Area	%	52	25
Per Capita	Acres	1.0	2.5
POWER PER CAPITA	KWH/Yr	38	80
EDUCATION			
Literacy Rate	%	24	35
Pupils as % of Pop. (Prim. & Sec.)	%	9	9
Pupils per Teacher (Prim. only)	No.	37	38
HEALTH			
Life Expectancy	Yrs.	42	40
People per Doctor	No.	5,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT* [b]				
Total GNP *(in 1960 Prices)*	$ Billions	32.9	35.3	36.0
Per Capita GNP	Dollars	78	81	81
Investment as Percent of GNP	Percent	15.2	16.4	16.7
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	116	125	123
Index Per Capita	"	104	109	105
Grains	Mill. MT	75.9	80.5	77.0
INDUSTRIAL PRODUCTION INDEX	1953=100	144	161	175
COST OF LIVING INDEX	1953=100	115	117	119
FOREIGN TRADE [b]				
Total Exports (f.o.b.) (Payments Basis)	$ Millions	1,308	1,327	1,395
Tea (Customs Basis)	"	265	252	290
Total Imports[b] (c.i.f.)	"	1,949	2,304	2,295
Trade Balance	"	-641	-977	-900
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	207	228	245
Imports from U.S. (f.o.b.)	"	336	640	490
Trade Balance	"	-129	-412	-245
GOLD & FOREIGN EXCHANGE *(end of year)*	"	853	709	670

CENTRAL GOVERNMENT FINANCES* FY ending Mar. 31	-Million Dollar Equivalents- 1960	1961[c]	1962 (Bud)
Total Expenditures	3,786	4,471	4,766
(Defense Expenditures)	(628)	(683)	(708)
(Capital Outlays)	(1,553)	(1,965)	(2,157)
Domestic Revenues	2,527	2,849	3,104
Budget Receipts from Non-U.S. Foreign Aid	292	327	439
Budget Receipts from U.S. Aid (Grants & Loans)	152	291	390
Remaining Deficit (-) or Surplus (+)	-815	-1,004	-833

* - Converted at 4.762 Rupees per U.S. $.
a - Includes Kashmir - Jammu.
b - FYs beginning April of year shown.
c - Revised budget estimates.

FINANCIAL DATA

Country: INDIA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	1,021.9	201.6	403.3
Development Loans.....	546.4	180.1	388.1
Development Grants..... (T.C. prior to FY 1961)	133.5	21.5	15.2
Supporting Assistance..... (DS/SA prior to FY 1961)	342.0	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	1,467.4	368.8	298.2
(Sales Agreements).....	(1,694.0)	(412.8)	(335.0)
Title II.....	5.2	0.3	2.6
Title III.....	143.7	18.4	30.5
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	246.2	80.7	0.7a/
OTHER U.S. ECONOMIC PROGRAMS.....	230.7	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank	678.3	90.0	125.5a/
Internat'l Finance Corp.	1.6	0.2	-
Internat's Devel. Assoc.	60.0	60.0	28.5a/
UN Tech. Assist.-CY ending in FY	19.4	3.0	2.1
UN Special Fund	13.7	5.2	2.0a/
OTHER FREE WORLD ASSISTANCE b/			
United Kingdom	368.4	182.0	68.0
Canada	180.6	28.0	28.0
Germany	384.5	225.0	139.0
Japan	108.0	50.0	30.0
Italy	100.0	100.0	-
All Other	62.9	62.9	15.0
SINO-SOVIET BLOC ASSISTANCE	945.0	139.0	37.2a/
U.S. DOLLAR LOAN REPAYMENTS			
Export-Import Bank	2.1	1.7	2.5a/
Other Government Loans	154.4	-	-

a/ July-Dec. 1961. b/ Assist. extended prior to FY 1958 not known.

Iran

Iran

[redacted]

Iran shares a 1,200 mile border with the Soviet Union and is the geographic link between its Central Treaty Organization (CENTO) partners, Turkey and Pakistan. Iran's location and open association with the West gives the Free World a considerable stake in the integrity of this country of 21.1 million persons. Its movement into the Soviet orbit would mean not only the loss of Iran's oil reserves but also a split of the CENTO powers and a threat to access to other Middle Eastern petroleum reserves.

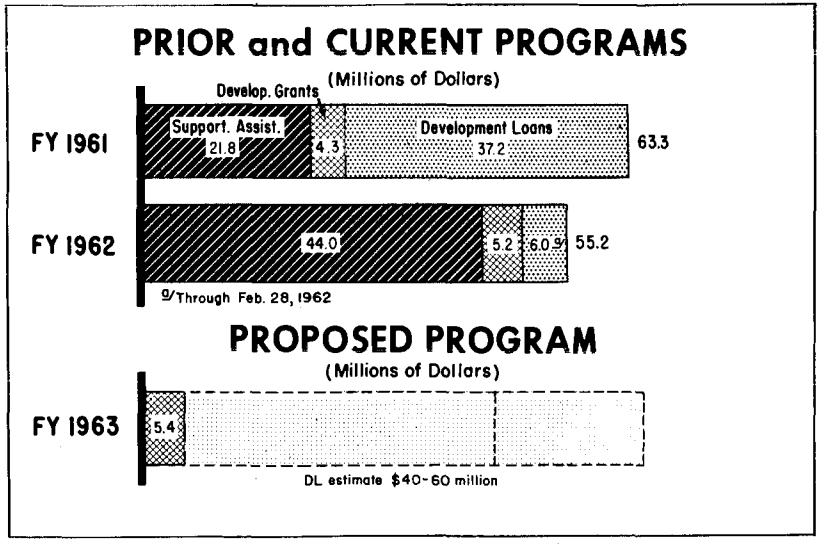
Iran has maintained its independence and open commitment to the West in the face of heavy Soviet radio propaganda, threats, subversive efforts and diplomatic blandishment. The greatest threat to Iran's continued independence, however, stems from its own internal political and economic weaknesses. It is in the U. S. interest to help Iran overcome these shortcomings through economic development and reform.

Country Background

The political unrest which has characterized Iran's recent history has its origin in the social and economic evolution now underway in the country. A growing urban middle class is becoming increasingly effective in challenging the position of the traditional elite. Pressures for modernization of Iran's quasi-feudal social institutions and protests against corruption and inefficiency in government are intense. The illiterate and poor peasantry, which is about 70% of the population, continues to be under the domination of a relatively small group of landlords. They have, as yet, only a limited perception of the possibility of improvement in their status and remain politically apathetic.

The Shah has spoken frequently and publicly in favor of institutional reform and economic progress. For the first time, the Shah in May 1961 entrusted the governmental reins to a reformist Prime Minister, Ali Amini. Amini has been striving to establish a moderate political base and institute long overdue reforms. In the face of growing conflicts between the conservative group intent on preserving their status and prerogatives and the forces demanding change, the Shah has tended to rely increasingly on his security forces to maintain the progress won by the Amini Government.

Iran has been striving to accelerate the pace of modernization through a national economic development plan. The Second Seven-Year Plan is now approaching completion. National output, despite poor recent crops, has increased by roughly 30% in real



terms since the inauguration of this Plan in 1955. This rate of growth, which is high relative to that achieved by other underdeveloped countries, was facilitated by the rapid advance of petroleum sector after production was resumed in 1955. The investment rate achieved - averaging 16-19% of Gross National Product (GNP) per year - was made possible largely by a tripling of oil revenues (1955 - $91 million: 1961 - $294 million) and an inflow of foreign grants and loans in excess of $400 million during the Plan Period. Failure to coordinate adequately Second Plan expenditures with the military build-up, public expenditures outside of the Third Plan, and private investment activities resulted in inflation and a rapid draw down of foreign exchange reserves, which reached crisis proportions in the spring of 1960. The Iranian Government in the fall of 1960 agreed with the International Monetary Fund (IMF) on a stabilization program which restricted credit, budgetary expenditures and non-essential imports.

Prime Minister Amini has sought to adhere to the stabilization program in the face of opposition from the commercial community. Serious budgetary problems, partly inherited from the preceding government and partly aggravated by political concessions including pay increases for teachers, caused the Amini government to seek U. S. assistance shortly after it came into office. To help prevent potentially grave political and economic consequences,

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the United States provided in FY 1962 a $15 million Supporting Assistance grant for general budgetary support, in addition to the $15 million grant already provided to help finance the military budget. The United States also agreed to provide loans of $20 million for work planned or in progress under the Second Seven-Year Plan.

The present government has been engaged in formulating its Third Plan which calls for a total public and private outlay of approximately $5.0 billion over a five and one-half year period. Its broad goals are: 6% annual growth in GNP despite an expected slowing down of the rate of increase in output of the oil industry, creation of new employment opportunities, and a more equitable distribution of income. Although the Plan establishes goals which may be high, it is a promising approach to future development. The Third Plan is calculated to take advantage of the substantial momentum built up by investments made during the Second Plan Period and, in addition, it calls for a more balanced program for the entire economy and closer coordination between development objectives and national fiscal, budgetary, and monetary policies.

Preliminary analysis of the Third Plan indicates that under present projections of development expenditures, there will be a resource gap of about $900 million. The Iranian government is now defining more precisely the Plan's content, costs and foreign exchange requirements and considering what measures it may take to increase Iranian developmental resources. Iran's foreign exchange requirements over the Third Plan Period will be heavy. In addition to imports for development needs and for maintenance of the economy, Iran must service a substantial foreign debt on both public and private account.

The prospects for achievement of the goals of the Third Plan have been improved by the advent to power of Prime Minister Ali Amini. Amini has already demonstrated his intention of initiating the administrative, social and economic reforms which are prerequisite to the success of the Plan. Despite the resistance of the powerful landlord class, he is proceeding vigorously to implement a pilot land reform project which is to serve as a guide for working out a feasible national program. A courageous attack on corruption in government has been launched. It is still uncertain, however, whether Amini can muster sufficient political backing to survive as Prime Minister in the face of strong opposition from both the National Front, the party of Mossadegh's supporters, which seeks to replace him, and the conservative factions which are opposed to his reforms.

U.S. Assistance Strategy

The major objective of the AID program is to assist the Government of Iran to overcome the internal political and economic weaknesses which threaten its stability and independence. In pursuing this objective, the United States must employ an assistance strategy which has several major elements:

(1) Encouragement of the Iranian Government's efforts to utilize its own resources more effectively and, where appropriate, provision of advice and assistance in this respect. We must continue to urge the Government of Iran to institute necessary progressive measures, such as land and tax reform, and improved administrative practices, such as the consolidated budgetary procedure instituted this year.

(2) Shift of U.S. aid from Supporting Assistance grants for the Iranian military budget to loans in support of economic development. The Government of Iran (GOI) has already been informed that FY 1962 is the last year in which budgetary support grants would be made. This decision may create a strain on U.S. relations with the Shah because of its financial implications for the military budget to which the Shah attributes utmost importance and because of his doubt as to whether the elimination of U. S. support to the military budget will be compensated for by a commensurate increase in the level of economic development assistance.

(3) Support of the Iranian Third Plan. The World Bank contemplates convening in June a meeting of possible consortium members to evaluate the Plan and to consider Free World support for it. The United States is now assessing the total foreign assistance needed for the Plan, steps which should be taken toward obtaining the maximum contribution from other members of the consortium, and the magnitude of U. S. assistance which may be required. The possibility of a long-range U. S. commitment is also under consideration.

Proposed AID Program for FY 1963

A Development Grant program totaling $5.2 million and Development Loans within a range of $40-60 million are proposed for the

FY 1963 Agency for International Development (AID) program. Further grants of P.L. 480 commodities are contemplated for continuation of a works program initiated this year under Title II, Section 202 authority. A selective use of the Peace Corps is also envisaged. It is tentatively estimated that up to $10 million of activities under the Third Plan which are suitable for Export-Import Bank (Ex-Im) financing may emerge in FY 1963.

The precise amount of Development Loans required from FY 1963 funds cannot be determined until a thorough analysis of the Third Plan is completed by AID, the Government of Iran indicates what further self-help measures will be taken to marshal a greater portion of its own resources in support of the Plan, and some firmer basis exists for estimating the amount of support Iran can expect from other foreign lenders. Preliminary estimates of the gap between resources required to meet the Third Plan objectives and the domestic resource availabilities indicates that U.S. assistance of $40-60 million will be needed for the early funding requirements of the Plan. Early support of the Third Plan will enable Iran to maintain the momentum of the flow of investment generated by the Second Plan, and will also make it possible for the United States to be associated with key activities in the Third Plan at the beginning of the Plan period so that maximum influence can be exerted over their future direction.

Furthermore, during the course of the meeting of potential lender countries which the International Bank for Reconstruction and Development (IBRD) is considering sponsoring in June 1962, it may prove to be desirable for the U.S. to give an indication of the magnitude of loans with which it proposes to support the Third Plan. Therefore, in addition to the $40-60 million of Development Loans which may be made available to Iran from FY 1963 funds, AID may commit an additional sum - perhaps up to $40-50 million to be funded from FY 1964 or subsequent appropriations for development lending.

The specific FY 1963 program activities in Iran will be directed toward three goals in support of the Third Plan. These goals are:

(1) Assist and encourage the Government to undertake sound and coordinated long-range economic, fiscal and social development planning essential to the effective mobilization and utilization of the country's resources and aid the government to develop institutions, tools, and personnel that will provide effective implementation of the Third Plan as well as effective management of the related general economic and social services.

(2) Aid the Government of Iran to plan and implement its educational and vocational development programs in order to meet the immediate manpower requirements resulting from development activities as well as to anticipate longer range educational needs.

(3) Encourage and support Iranian actions within the framework of the Third Plan to develop agricultural and industrial production facilities, ancillary services and activities which together would afford national economic capacity sufficient to permit approximate realization of Third Plan goals for employment and income growth.

Accomplishments and Changes

AID, in a cooperative effort with such organizations as the IBRD, the International Monetary Fund (IMF) and the United Nations (UN), has played a significant part in inspiring, guiding, and assisting the Iranian development program. AID has used the opportunities presented by Iranian requests for American assistance to urge the GOI to improve its economic and financial management and to help it take steps to modernize its institutional structures.

Iran has made significant recent progress in improvement of its economic planning capacity, as well as the development of mechanisms and institutions for influencing the course of its economy. Evidence of the progress achieved in the last two years includes the establishment of a central bank, the application of credit controls, adoption of import restrictions to conserve foreign exchange, establishment of a Supervisory Committee on Government Borrowing to limit the uncontrolled borrowing of government agencies, issuance for the first time of a consolidated budget call, drafting of a comprehensive Third Economic Development Plan, and establishment of the Industrial and Mining Development Bank of Iran to promote greater investment in private productive enterprises. The Prime Minister has recently announced his determination to establish a central budget bureau and to initiate reforms in the public revenue system; action in both of these areas is an essential to firmer allocation of resources in support of Third Plan goals. He has already initiated a program of reform in the politically treacherous area of land tenure.

Other examples of the kind of success AID has been achieving through its technical assistance activities include:

[redacted]

Country: IRAN

Agricultural Extension Service. The Extension Service is today one of the most popular and powerful forces at work in Iran for the development of a better way of life for the farm families in some 45,000 villages who make up about 80% of the population of the country.

The rapidly growing staff of Iranian extension agents find ready acceptance of the new farming techniques they are teaching. Already, it is estimated that 60% of the farmers of Iran are planting improved seed wheat, the principal crop. Wheat smut has been eradicated. Yields have been raised by use of commercial fertilizers, which have increased from 3,000 to over 50,000 tons in recent years.

Farm Cooperatives. U.S. AID has assisted the Agricultural Bank in the development of agricultural cooperatives as rural units of organization for obtaining credit for purchasing, producing and marketing. Some 850 agricultural cooperatives have been developed.

Development of another type of farm cooperative, local water societies, has been promoted by advisory assistance and guidance through Water Resources Management and Development. Training of technical personnel to facilitate expansion of the water societies and improve their management and operations is an objective of a third project.

Program Office in Ministry of Education.

The Ministry has established a program and planning office staffed by U. S. - trained Iranian specialists to develop recommended improvements in both management and education programming. The first accomplishment of this group has been to bring about a basic reorganization of the vocational education program of the Ministry.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	515.2	63.3	54.2
Development Loans.....	114.8	37.2	6.0
Development Grants..... (T.C. prior to FY 1961)	64.7	4.3	5.2
Supporting Assistance..... (DS/SA prior to FY 1961).	335.6	21.8	44.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	24.4	16.0	6.8
(Sales Agreements).....	(34.3)	(21.9)	(9.0)
Title II.....	15.2	11.8	3.7
Title III.....	6.8	1.6	2.1
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	75.1	22.1	-
OTHER U.S. ECONOMIC PROGRAMS.....	27.3	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	528.1	75.9	49.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD (World Bank)	194.2	-	- a/
International Finance Corp.	0.3	-	-
UN Tech. Assist.-CY ending in FY	10.3	1.2	1.0
UN Special Fund	5.1	3.2	a/
OTHER FREE WORLD ASSISTANCE	90.7 b/	30.0	50.0
SINO-SOVIET BLOC ASSISTANCE	6.0	-	- a/
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	10.3	4.9	5.2
Export-Import Bank	17.3	7.6	4.3 a/
Other Government Loans	NA	-	-

a/ July-December 1961.
b/ Fiscal Years 1950 through 1961.

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[redacted]

Country: IRAN

BASIC DATA

	Unit	IRAN	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	629	xxx
Population (1961)	Mil.	21.1	xxx
Annual Growth	%	2.5	2.4
Density per sq.mi.	No.	34	40
AGRICULTURAL LAND			
% of Total Area	%	16	25
Per Capita	Acres	3.1	2.5
POWER PER CAPITA	KWH/Yr	21	80
EDUCATION			
Literacy Rate	%	10-15	35
Pupils as % of Pop. (Prim. & Sec.)	%	7	9
Pupils per Teacher (Prim. only)	No.	32	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	6,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT* [a]				
Total GNP *(in 1960 Prices)*	$ Millions	4,070	4,190	4,380
Per Capita GNP	Dollars	202	203	207
Investment as Percent of GNP	Percent	19.0	18.4	17.0
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	126	119	125
Index Per Capita	"	110	101	103
Wheat	1,000 MT	3,000	2,600	2,800
PETROLEUM PRODUCTION	Mill. MT	46	52	57
COST OF LIVING INDEX	1953=100	152	164	176
FOREIGN TRADE				
Total Exports (f.o.b.) (Payments Basis) [a]	$ Millions	785	830	880
Cotton	"	24	n.a.	n.a.
Total Imports (c.i.f.) [a]	"	587	600	580
Trade Balance [b]	"	+198	+230	+300
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	51	51	63
Imports from U.S. (f.o.b.)	"	114	117	95
Trade Balance	"	-63	-66	-32
GOLD & FOREIGN EXCHANGE *(end of year)*	"	214	184	208

CENTRAL GOVERNMENT FINANCES* FY ending Mar. 20	*Million Dollar Equivalents* - 1960	1961	1962 (Bud)
Total Expenditures	667	730	820
(Defense Expenditures) [c]	(170)	(174)	(186)
(Capital Outlays)	(239)	(241)	(275)
Domestic Revenues	605	664	707
Budget Receipts from Non-U.S. Foreign Aid	-13	-9	6
Budget Receipts from U.S. Aid (Grants & Loans)	92	42	70
Remaining Deficit (-) or Surplus (+)	+17	-33	-37

* - Converted at 75 Rials per U.S. $.
a - Years beginning March 21 of year shown.
b - Substantial offsetting deficits were incurred by the transfer abroad of oil company earnings.
c - Excludes military construction mostly financed by MAP.

Iraq

Iraq

[redacted]

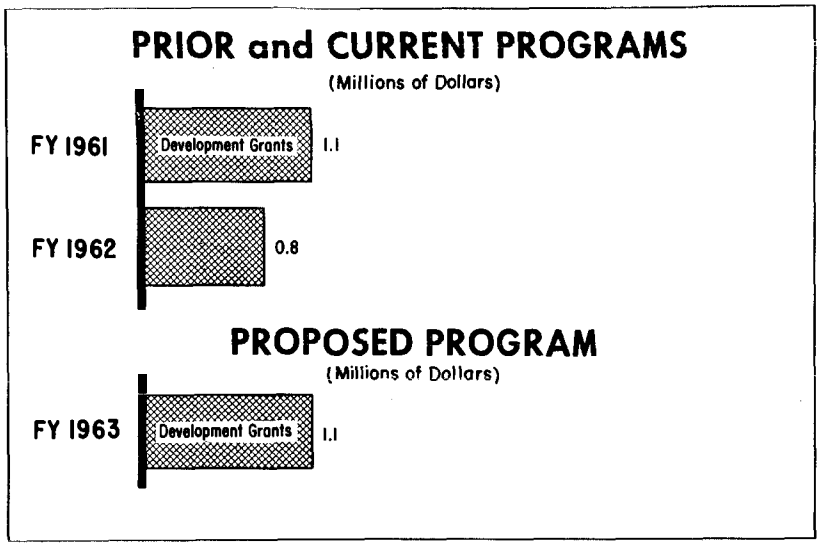
Iraq is basically an agricultural and pastoral country, with a population of about seven million and an area slightly larger than that of California. It shares borders with six countries: Turkey, Syria, Jordan, Saudi Arabia, Kuwait and Iran. This central location, its rich oil reserves, and the most favorable resource balance in the Near East, could enable Iraq to play a major role in the political and economic life of the area.

A Western-oriented regime was overthrown by revolution in July, 1958. Its successor, the Qassim government, dropped the former close ties with the West, and has accepted substantial economic and military assistance from the Soviet bloc. The large number of Communists installed in the government and in Iraqi organizations immediately after the revolution has been greatly reduced within the past year and a half, and Communists no longer hold the most influential positions. Various factors, however, including our close association with the pre-revolutionary regime and with the British, the Government of Iraq's (GOI) dispute with the Iraq Petroleum Company, and our position on Iraq's claim to Kuwait have contributed to continued strain in our relations with the Qassim government. At the same time, lack of noticeable progress toward economic and social goals, and Qassim's erratic policies have led to the present Iraqi disillusionment with the regime. In these circumstances, the United States has pursued a watchful and cautious course.

Country Background

The violent revolution of 1958 served as a dramatic illustration of the dissatisfaction of the people of Iraq and their impatience with anything less than radical social and economic reform. The Qassim government has made its major effort in areas where popular demand is greatest: education, health, and housing. Land reform has been given high priority, but lack of adequate planning has caused agricultural production to suffer and other projects to lag. Large industrial projects are being financed with Soviet and Czech credits. Bloc trade is increasing, though trade ties with the West are still stronger than those with the bloc. A five-year $1.6 billion development plan was recently announced, but competent observers believe it to be unrealistic in terms of the available financial and human resources.

Following the revolution, it was made clear that U.S. technical advisors were not welcome in Iraq, but interest was expressed in continuing the training of Iraqis under the International Cooperation Administration (ICA) participant training program. We have judged it advantageous to maintain this modest program for



training 100 to 125 Iraqi officials and technicians annually in the United States and other Free World countries. Recently the Government of Iraq has shown increased interest in this program, and about 350 applications for training were received last year. In FY 1961, Technical Cooperation funds provided four engineers and four scientists from the University of Texas to the University of Baghdad. The United Nations and other Free World countries are also providing some scholarship and technical assistance.

The political situation in Iraq is highly unstable, and though Qassim's popularity reportedly continues to decline, his staying power has been remarkable. Continued focus of the Iraqi population on external enemies such as the "Imperialists" and on the Kuwait issue have probably served to prolong the present regime. We believe that if the Qassim government were to be overthrown, its successor regime would be non-communist in complexion. Some improvement in relations with the West might result, but we should not expect termination of the bloc credits nor abandonment of Iraq's neutralist foreign policy.

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Country: IRAQ

U. S. Assistance Strategy

In this very unsettled situation, the objective of our efforts in Iraq is to maintain Free World contacts with Iraqi officials, educators and technicians, and to assist in the training of these groups so that the orientation of such potentially influential personnel toward the Soviet bloc will be impeded, and a swing toward the Free World facilitated whenever conditions permit. The participant training program has proved influential with a small number of senior government personnel as well as with educators and technicians, and underlines our desire to assist the country in its efforts to raise the level of its national life. These modest programs maintain valuable contacts and offer encouragement to the many Iraqis who favor a resumption of closer relationships with the West.

Proposed AID Program for FY 1963

The proposed FY 1963 Development Grant program of $1,100,000 finances continuation of the participant training activity at the FY 1961 and 1962 level, and covers the third-year cost of the contract with the University of Texas.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	17.4	1.1	0.8
Development Loans.....	-	-	-
Development Grants..... (T.C. prior to FY 1961)	16.3	1.1	0.8
Supporting Assistance..... (DS/SA prior to FY 1961).	1.1	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	2.3	0.6	0.4
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	0.9	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	46.1	*	*
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	6.3	-	-
UN Tech. Assist.-CY ending in FY	4.6	0.6	0.5a/
UN Special Fund	2.0	1.1	1.7a/
OTHER FREE WORLD ASSISTANCE	-	-	-
SINO - SOVIET BLOC ASSISTANCE.....	216.0	34.0	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

* Less than $50,000.

a/ July-Dec. 1961

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Country: IRAQ

BASIC DATA

	Unit	IRAQ	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	172	xxx
Population (1961)	Mil.	7.3	xxx
Annual Growth	%	2.5	2.4
Density per sq.mi.	No.	43	40
AGRICULTURAL LAND			
% of Total Area	%	14	25
Per Capita	Acres	2.1	2.5
POWER PER CAPITA	KWH/Yr	106	80
EDUCATION			
Literacy Rate	%	20	35
Pupils as % of Pop. (Prim. & Sec.)	%	10	9
Pupils per Teacher (Prim. only)	No.	33	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	5,600	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	1,270	1,380	1,395
Per Capita GNP	Dollars	183	195	192
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	105	109	110
Index Per Capita	"	88	89	87
Barley	1,000 MT	725	803	900
PETROLEUM OUTPUT	Mill. MT	42	47	50
COST OF LIVING INDEX (Baghdad)	1953=100	107	111	112
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	606	654	645
Petroleum	"	565	623	610
Total Imports (c.i.f.)	"	326	391	405
Trade Balance	"	+280	+263	+240
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	35	27	31
Imports from U.S. (f.o.b.)	"	28	37	37
Trade Balance	"	+7	-10	-6
GOLD & FOREIGN EXCHANGE *(end of year)*	"	361	297	293 (Oct)
		-Million Dollar Equivalents -		
CENTRAL GOVERNMENT FINANCES* FY ending				
Total Expenditures				
(Defense Expenditures)				
(Capital Outlays)				
Domestic Revenues		Not Available		
Budget Receipts from Non-U.S. Foreign Aid				
Budget Receipts from U.S. Aid (Grants & Loans)				
Remaining Deficit (-) or Surplus (+)				

* - Converted at $2.80 per Dinar.

Israel

[redacted]

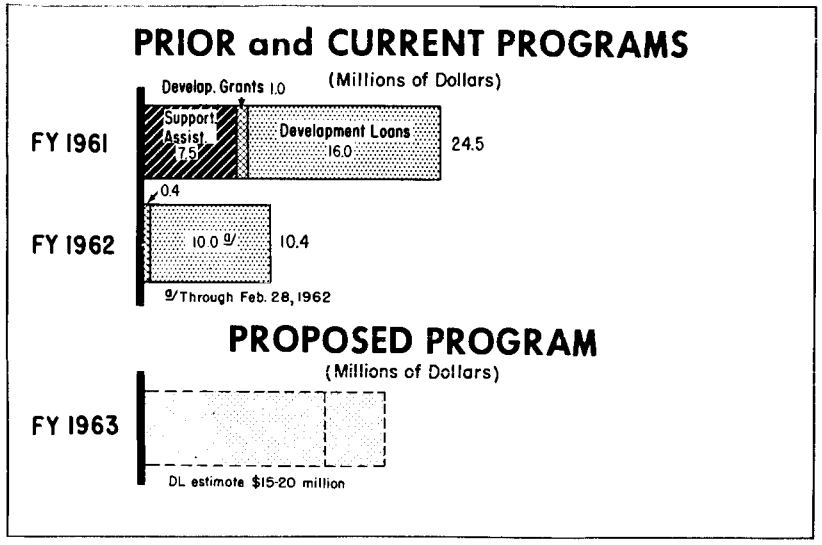
Israel, Western oriented in its international policies and in the structure of its economy, is surrounded by states not reconciled to its presence in the area. This has led Israel to spend a great deal on the maintenance of its military establishment. It has also sought to maintain extremely high rates of growth.

The very rapid development which Israel has experienced during the past decade has been due largely to a high degree of skill among the population and a clear sense of national cohesion and purpose. Israel would not have been able to achieve its present stage of development in the absence of massive external assistance, which recently has averaged annually $300 - $350 million. The prospect, however, is for a decline after 1963 in several of the principal sources of external capital. This fact, when taken in conjunction with continued immigration and pressures for increased consumption, presages an external payments problem which could become serious.

Since a deterioration of Israel's economic or military position would invite a more aggressive posture from her Arab neighbors and possibly lead to major armed conflict, it is in our interest to help prevent such a deterioration. At the same time, we plan to continue to seek acceptable solutions to the variety of issues which exacerbate Arab-Israeli tensions, so that both sides can allocate larger amounts of their scarce resources to urgently needed development requirements rather than military uses, and diminish their need for external assistance.

Country Background

Israel's current rate of economic growth ranks among the highest in the world. The Gross National Product (GNP) which, before the devaluation of February 1962, was $1,200 per capita, continues to increase at an annual rate of about 10%, and total gross investment is about 25% of GNP. Exports have grown over 50% between 1957 and 1960, largely because of growing markets for Israeli citrus fruits and industrial goods. Foreign exchange reserves increased by more than the amount of U.S. aid in both 1960 and 1961 and presently correspond to about eight months of imports. Deficits in total trade, services and in the private capital account have been falling as invisible earnings, tourism and foreign private investment have risen. The Israeli Government expects an average of over $100 million per year of such investment during the next five years as contrasted to $71 million in 1960.



Massive external assistance has contributed significantly to the maintenance of this high rate of growth. This aid has come from West Germany (reparations and restitution payments currently running about $180 million a year), World Jewry (contributions and loans of about $100 million annually), and the U.S. Government (PL 480 surplus food, Special Assistance, Development Loans, and Export-Import (Ex-Im) Bank loans averaged about $60 million a year from 1957 through 1960.) A sharp decline of foreign assistance after FY 1964, however, is in prospect. German reparations will have ceased; restitution payments to individuals are expected to fall from $100 million in 1961 to $30 million; and net income from Israel's bond sales may decline as annual payments of matured bonds rise. Unless a more favorable trade balance can be achieved, a considerable external payments problem may develop.

Israel's phenomenal development in the short period of its existence is due in large part to the measures of self-help undertaken by its government and people in mobilizing and utilizing its resources. Investment has been made on the basis of well conceived plans and projects. The Ministry of Finance has recently established a new office to draw up a five-year development plan covering the transitional period 1962 to 1966.

[redacted]

U. S. Assistance Strategy

In order to prevent a deterioration of Israel's economic position, the United States sould continue to provide development loans for specific projects or development programs which are economically sound and which meet Agency for International Development (AID) criteria. At the same time, the United States should urge Israel to reduce increases in consumption to a minimum. Because of the basic vitality and soundness of her economy, Israel should be encouraged to seek financing for development activities through normal commercial channels and other Free World private and official sources. The United States will lend, as far as possible, from the Ex-Im Bank. AID Development Loans will be reserved for projects which require longer amortization periods or will finance imports of essential commodities which cannot otherwise be financed.

Since Israel's technology has advanced to a point which permits her to export technical assistance, no Development Grant programs are contemplated in FY 1963 or subsequent years. PL 480 surplus agricultural commodities will continue to be provided through Title I sales.

Proposed AID Program for FY 1963

For FY 1963 no grant aid is planned for Israel. Special Assistance was terminated in FY 1961 and the Development Grant program will be ended by the close of FY 1962. Development Loans of approximately $20 million are anticipated, in addition to an estimated $35 million of Ex-Im Bank financing. We expect that a $28 million Title I P.L. 480 program will be needed to cover part of the Israeli food deficit.

Over-all, the anticipated $83 million total U.S. commitments of aid to Israel in FY 1963 will be somewhat below the FY 1962 level and about the same as FY 1961. Together with other resources available, this assistance should permit Israel to continue its economic progress without adverse consequences.

Accomplishments

The most important changes in the form of aid to Israel have already been detailed - the end of the need for any programs of Special Assistance and Development Grants. As a result we will close the AID Mission in Tel Aviv in June 1962.

An example of the effectiveness of past U.S. technical assistance is the Agricultural Research, Extension, and Education project which was started in 1953 and terminates June 30, 1962. This project has made a number of contributions to the advance of Israeli agriculture. As a result of the efforts of a team of educators and technicians from the State University of New York, the National and University Institute of Agriculture was established in 1960, based on our land-grant pattern. To replace ineffective extension efforts, a unified extension service was organized in 1960 by an agreement between the Ministry of Agriculture and the Jewish Agency. The country is now divided into 13 extension districts, and the service is operating in 10 of them. To provide home economists to the new extension districts, a school has been established at which training is provided for 25 extension workers and 15 teachers.

An excellent illustration of the relationship between AID, Ex-Im Bank, the host government, and private enterprise is the story of the proposed petrochemical industry in Israel. As the result of U.S. assistance in helping Israel discover processes looking toward the establishment of such an enterprise, a government pilot plant for petrochemicals was established. U.S. technicians organized the plant activities and trained local personnel in plant operation. Following this demonstration project, private Israeli interests have invested in the formation of a commercial petrochemical concern and have applied to the Ex-Im Bank for help in financing part of the required capital equipment.

An AID-financed electronics survey, scheduled for completion by June 30, 1962, may lead to similar results. It will determine the feasibility of an Israeli electronics industry, both for internal requirements and for export trade. The Israeli Government places a high priority on this endeavor.

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Country: ISRAEL

BASIC DATA

	Unit	ISRAEL	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	8	xxx
Population (1961)	Mil.	2.2	xxx
Annual Growth	%	3.5	2.4
Density per sq.mi.	No.	275	40
AGRICULTURAL LAND			
% of Total Area	%	60	25
Per Capita	Acres	1.4	2.5
POWER PER CAPITA	KWH/Yr	1,096	80
EDUCATION			
Literacy Rate	%	90	35
Pupils as % of Pop. (Prim. & Sec.)	%	21	9
Pupils per Teacher (Prim. only)	No.	23	38
HEALTH			
Life Expectancy	Yrs.	70	40
People per Doctor	No.	400	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	2,266	2,448	2,700
Per Capita GNP	Dollars	1,099	1,158	1,244
Investment as Percent of GNP	Percent	24.1	24.1	25.3
AGRICULTURAL PRODUCTION INDEX[a] - TOTAL	1952-54=100	224	259	269
Index Per Capita	"	185	207	209
Wheat	1,000 MT	74	41	54
INDUSTRIAL PRODUCTION INDEX	1955=100	141	160	180
COST OF LIVING INDEX	1953=100	142	145	154
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	181	220	240
Citrus fruits	"	52	53	50
Total Imports (c.i.f.)	"	429	500	580
Trade Balance	"	-248	-280	-340
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	28	27	25
Imports from U.S. (f.o.b.)	"	117	125	145
Trade Balance	"	-89	-98	-120
GOLD & FOREIGN EXCHANGE *(end of year)*	"	167	272	368

CENTRAL GOVERNMENT FINANCES* FY ending Mar. 31	*- Million Dollar Equivalents -* 1960	1961	1962 (Bud)
Total Expenditures	776	811	999
(Defense Expenditures)	(175)	(192)	(247)
(Capital Outlays)	(271)	(228)	(314)
Domestic Revenues	533	638	756
Budget Receipts from Non-U.S. Foreign Aid[b]	90	90	78
Budget Receipts from U.S. Aid (Grants & Loans)	40	11	33
Remaining Deficit (-) or Surplus (+)	-113	-72	-132

* - Converted at 1.8 Israeli pounds per U.S. $, official rate prior to February 9 devaluation to 3.0 Israeli pounds per $.
a - Crop years beginning October 1 of previous year.
b - Includes German reparations.

FINANCIAL DATA

Country: ISRAEL

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1949-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	374.2	24.5	10.4
Development Loans.....	56.0	16.0	10.0
Development Grants..... (T.C. prior to FY 1961)	11.1	1.0	0.4
Supporting Assistance..... (DS/SA prior to FY 1961)	307.1	7.5	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	166.6	23.4	25.2
(Sales Agreements).....	(193.7)	(25.9)	(28.0)
Title II.....	-	-	--
Title III.....	53.3	1.0	1.6
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	198.1	35.4	3.6a/
OTHER U.S. ECONOMIC PROGRAMS.....	0.1	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	1.0	-	2.0
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	27.5	27.5	25.0a/
Intern'l Devel. Assn.....	-	-	2.0a/
UN Tech. Assist.-CY ending in FY.....	4.0	0.4	0.3
UN Special Fund.....	2.1	1.1	a/
OTHER FREE WORLD ASSISTANCE			
West Germany Reparation Payments.....	820.0	80.0	50.0
West Germany Restitution Payments....	537.0	100.0	80.0
World Jewry.....	NA	100.0	100.0
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	-	-	-
Export-Import Bank	111.7	17.1	10.5a/
Other Government Loans	-	-	-

a/ July-December 1961.

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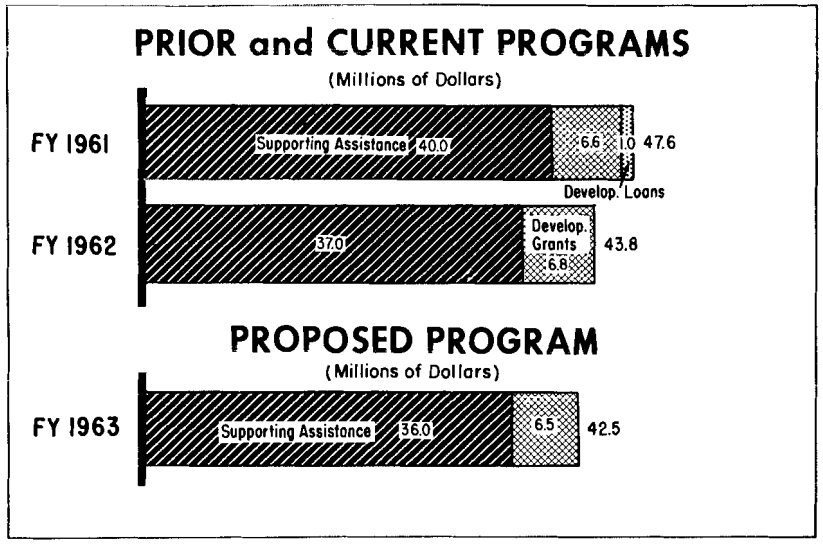
[redacted]

Jordan

[redacted]

In 1950 following the Arab-Israeli War, the Kingdom of Jordan was established by combininb Trans-Jordan and part of the former mandated territory of Palestine. Twelve years later Jordan's actions and policies are still conditioned by the tensions arising from the Arab-Israeli conflict and by intra-Arab conflicts. Continued existence of the present regime in Jordan appears to be essential to the maintenance of the Arab-Israeli peace since any change in the political-military status quo is likely to lead to the reopening of hostilities. The situation is further complicated by the constant threat of an internal struggle between the Palestinians (including half a million refugees from areas now Israel) and the Trans-Jordan tribes. Only King Hussein, backed by the Jordanian Army, has kept this powder keg from blowing up. Because of this key relationship between the independence of Jordan and its Army, the scope and character of U.S. assistance programs are based on estimates for maintaining vital government services, primarily the defense force.

Over the years, the Government of Jordan has not concentrated on economic development, but a cabinet change in January gives promise of a turn in that direction. It is not expected that this change will in any way lessen Jordan's strong Free World orientation.



Country Background

From its inception, Jordan has been dependent on external assistance. There has been a small flow of United Kingdom aid, even since the termination of the Anglo-Jordanian Treaty in 1957; however, the United States is relied upon for heavy budgetary support. Foreign aid has helped to create some momentum of economic growth, including a modest development effort. Basic institutions for education and health have been established; a primary road system is almost complete; and progress has been made in irrigated agriculture. There is little hope, however, that Jordan can soon dispense with substantial budgetary support. It is a predominantly agricultural country with meager natural resources. Despite a prolonged drought, Jordan's national aggregate output has risen over the past few years because production has sharply increased in the sectors affected by the increased imports made possible through foreign aid. The sectors include trade, transportation, construction, mining, manufacturing, and public administration. Jordan's progress is still held back by a rapidly growing population, 30% unemployment and a relatively low manpower productivity. There has been some recent improvement but Jordan's per capita income is still only a fraction of that of Israel.

Export earnings, though rising, represent less than 10% of the costs of imports. About 50% of the national income continues to be spent on imports. Local currency for budget support, issued against foreign exchange grants, soon tends to return to the banks to buy foreign exchange for imports. As a result, foreign exchange deficits come close to matching the budget deficits.

Jordan has recently formulated a Five-Year Plan which envisages expanded production, particularly in agriculture, tourism and mining. To meet the Plan's objective of increased production, decreased unemployment and reduced dependence on foreign aid, an investment of some $350 million is required, one half of which would have to be financed by external assistance additive to that already being provided by the United States and the United Kingdom. The Plan at this stage is neither firm nor complete but it does give an indication of the projects the government believes will contribute most to Jordan's economic growth.

Effective development planning, however, requires that the Government of Jordan (GOJ) take a number of badly needed self-help measures. The tax system needs basic reforms and government administration needs improvement. Creation of a central bank and a reduced foreign exchange cover for local currency would release domestic savings for possible productive investment.

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U.S. Assistance Strategy

Long-range U.S. strategy for the preservation of peace in the Near East includes the continuation of Jordan as an independent political entity. U.S. assistance has helped Jordan not only to survive but to achieve some measure of economic progress. With continued success, we expect the domestic economy to be able to support an increasing share of the government budget and to supply or earn the resources needed for consumption and investment. We hope to shift aid emphasis to development assistance, including development loans, so that the economy will move, however, slowly, toward a greater degree of self-support. To achieve such a shift, we will continue to urge the government to make more determined efforts to utilize its own resources more effectively.

Proposed FY 1963 AID Programs

The two major programs proposed for Jordan for FY 1963 are $36 million in Supporting Assistance and a Development Grant level of $6.5 million. Development Grant activities will be concentrated in the fields of agriculture, education and government management.

Increased production in agriculture is a high priority, particularly the expansion of irrigated acreage to help reduce foodstuff imports. It is, therefore, proposed to complete the East Ghor Irrigation project for 30,000 acres of land, and to expand the activities of the Central Water Authority, established in 1960 to provide engineering services to communities in their development of wells, cisterns, dams and small irrigation.

In addition to the grant aspects of the program, we would examine loan applications for projects of the Government of Jordan's Five-Year Development Plan. Many of the Plan's projects grew out of joint U.S.-Jordan activities. One of Jordan's major foreign exchange earners is tourism. In FY 1960 and FY 1961 advisory assistance was given to assist the Tourism Authority. The Export-Import Bank is presently considering a loan for a first-class hotel. Loan applications may also be made for improved radio communications between Amman, Jerusalem, and Beirut and for power expansion in Amman. These possible projects would serve objectives additive to tourism.

A request for comment on a loan to purchase equipment necessary for increasing potash production has been forwarded both to the International Development Association and the Development Loan Fund (DLF). A substantial increase in phosphate output resulted from a 1960 DLF loan to the Jordan Phosphate Company. These loans are of real significance because Jordan's industrial complex centers around its extractive industry.

We propose continuing to reduce Supporting Assistance for budget support. The rate of reduction will depend on the extent to which the combined development activities in Jordan give rise to foreign exchange earnings or savings, on the size of British contributions to Jordan's budget, and on the Jordanian political situation. The FY 1963 level of $36 million continues the reduction of U.S. budget support begun in 1962 in recognition of Jordan's improved economic situation and its capacity for self-help.

Accomplishments and Changes

Jordan is an independent state today largely because of U.S. support. From U.S. funds, Jordan has been able to provide its people with essential services, including security, so helpful in creating a climate of confidence in which economic production is expanding and problems of human and natural resources development are being faced with an encouraging degree of energy and hope. A major accomplishment has been the creation of institutions to develop Jordan's most precious resource - water. The two key projects in this area are the Central Water Authority and the East Ghor Canal Authority.

Country: JORDAN

BASIC DATA

	Unit	JORDAN	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	37	xxx
Population (1961)	Mil.	1.7	xxx
Annual Growth	%	3.0	2.4
Density per sq.mi.	No.	46	40
AGRICULTURAL LAND			
% of Total Area	%	17	25
Per Capita	Acres	2.4	2.5
POWER PER CAPITA	KWH/Yr	n.a.	80
EDUCATION			
Literacy Rate	%	25-30	35
Pupils as % of Pop. (Prim. & Sec.)	%	17	9
Pupils per Teacher (Prim. only)	No.	34	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	6,800	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	250	260	275
Per Capita GNP	Dollars	153	153	158
Investment as Percent of GNP	Percent	14.0	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	71	50	89
Index Per Capita	"	59	40	70
Wheat	1,000 MT	104	44	140
PHOSPHATE ROCK OUTPUT	"	338	362	400
WHOLESALE PRICE INDEX	1953=100	93	101	95
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	10	11	12
Vegetables and fruits (fresh)	"	4.0	3.9	n.a.
Total Imports (c.i.f.)	"	113	120	120
Trade Balance	"	-103	-109	-108
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Thousands	54	93	64
Imports from U.S. (f.o.b.)[a]	"	15,561	16,980	23,602
Trade Balance	"	-15,507	-16,887	-23,538
GOLD & FOREIGN EXCHANGE *(end of year)*	$ Millions	85	86	97

CENTRAL GOVERNMENT FINANCES* FY ending Mar. 31	Million Dollar Equivalents - 1960	1961	1962 (Bud)
Total Expenditures	86.3	93.0	97.4
(Defense Expenditures)	(47.8)	(48.8)	(48.4)
(Capital Outlays)	(14.0)	(15.8)	(18.6)
Domestic Revenues	35.2	34.9	37.6
Budget Receipts from Non-U.S. Foreign Aid	7.0	7.0	55.0
Budget Receipts from U.S. Aid (Grants & Loans)	46.8	50.6	
Remaining Deficit (-) or Surplus (+)	+2.7	-0.5	-4.8

* - Converted at $2.80 per Dinar.

a - Includes agricultural imports under PL 480 Titles II and III: $9.9 million in 1959, $12.5 million in 1960. In 1961, imports under Title II totaled $8.4 million; the value of Title III imports is not available.

FINANCIAL DATA

Country:

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1952-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	230.9	47.6	43.8
Development Loans.....	3.7	1.0 a/	-
Development Grants.....	26.7	6.6	6.8
(T.C. prior to FY 1961)			
Supporting Assistance.....	200.5	40.0	37.0
(DS/SA prior to FY 1961)			
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	35.5	18.0	0.2
Title III.....	12.3	2.9	2.9
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	1.3	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	20.4	3.5	3.7
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY.....	3.1	0.4	0.3
UN Special Fund.....	0.8	0.8	b/
UNRWA (Palestine Refugees)c/.....	150.0	15.0	15.0
OTHER FREE WORLD ASSISTANCE			
United Kingdom.....	185.0	7.0	8.0
West Germany.....	0.9	0.9	3.8
Kuwait.....	2.8	2.8	-
Saudi Arabia.....	14.0	-	-
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/Approval withdrawn in FY 1962.
b/July-Dec, 1961
c/Estimated portion of UNRWA budget applicable to Jordan.

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Country: LEBANON

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Lebanon has 1.7 million people in an area less than the size of Connecticut. Lebanon has a relatively high standard of living in comparison with other countries in the area, and has the resources to carry out its present investment plans.

Country Background

Almost 50% of the country's population earns its livelihood from agriculture, 15% are engaged in industry, and more than 35% in trade, commerce, and services. Lebanese per capita Gross National Product (GNP) of about $410 is one of the highest of the Arab countries. The Lebanese have a literary rate of about 80%, and a fairly high level of skills in the trade and services sector. GNP is projected to rise by 4% per annum in 1962 and 1963, which is no higher than the average for the past half-decade. Gross investment in the public and private sectors, which has ranged from 15% to 18% of GNP in the past four years, is expected to continue in this range. Imports are expected to continue to rise, but no balance of payments pressure is likely to develop.

With its large foreign exchange reserves, Lebanon is clearly in a position to finance a large part of a comprehensive long-range development plan. The Lebanese Government, however, has as yet shown little indication that it is now prepared to develop such a plan, nor carry out a country-wide development program. Under these circumstances, Lebanon is not now being considered for development lending. We would be prepared, however, to consider assistance in the form of consultants to help formulate development planning.

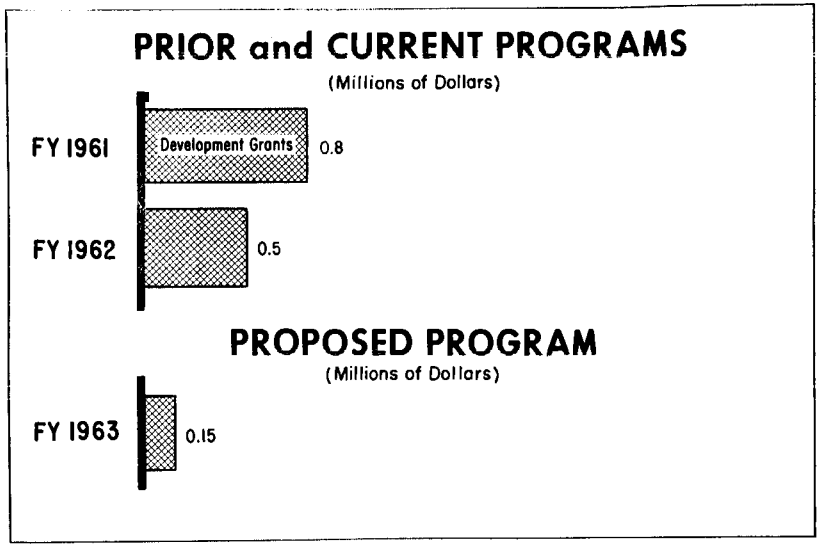
U.S. Assistance Strategy

In the light of Lebanon's relatively advantageous economic position, and in the absence of a development plan requiring external assistance, the U.S. foreign assistance strategy is to terminate the technical assistance program as rapidly as possible. We stand ready to offer limited assistance of an advisory nature, whenever that would appear to offer real advantage to the country, and to offer greater assistance in the form of loans, should a requirement emerge that could not be filled from other sources.

Proposed FY 1963 AID Program

No Supporting Assistance and no Development Loans are proposed for Lebanon in FY 1962.

The Development Grant program in FY 1963 will provide only for the completion of the Aeronautical Facilities project. The other four



presently existing Development Grant projects will be concluded by June 30, 1962. Funds will cover four American technicians who will assemble electronic equipment and train local personnel to operate the Beirut Airport. In addition, three participants are scheduled to receive specialized training in electronics.

Accomplishments and Changes

Lebanon has now been judged as capable of carrying on her own developmental activities without outside assistance, but many of the public works projects which will be undertaken will be based on plans, designs, and demonstration construction works furnished under the U.S. foreign assistance programs. For example, U.S. funds financed a study leading to a ten-year engineering and construction program for a rural power transmission system, and provided the planning, equipment and construction supervision for most of the Akkar Plains phase of the plan. The Akkar Plains project will be completed when the U.S. activities cease on June 30, 1962, and will furnish power to approximately 78,000 people in 165 villages. The Lebanese Government will continue to carry out the other portions of the program which will eventually provide power for 700 villages where none was previously available, and will upgrade power in an additional 700 villages.

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Country: LEBANON [redacted]

BASIC DATA

	Unit	LEBANON	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	4	xxx
Population (1961)	Mil.	1.7	xxx
Annual Growth	%	2.3	2.4
Density per sq.mi.	No.	423	40
AGRICULTURAL LAND			
% of Total Area	%	27	25
Per Capita	Acres	0.4	2.5
POWER PER CAPITA	KWH/Yr	213	80
EDUCATION			
Literacy Rate	%	80	35
Pupils as % of Pop. (Prim. & Sec.)	%	16	9
Pupils per Teacher (Prim. only)	No.	20	38
HEALTH			
Life Expectancy	Yrs.	Above Aver.	40
People per Doctor	No.	1,100	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	631	656	683
Per Capita GNP	Dollars	393	399	407
Investment as Percent of GNP	Percent	15.1	17.4	18.0
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	107	103	110
Index Per Capita	"	93	87	92
Wheat	1,000 MT	25	20	35
BEIRUT PORT ACTIVITY (goods loaded & unloded)	"	1,664	1,720	1,620
COST OF LIVING INDEX	1953=100	118	122	123
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	40	66	n.a.
Fruits	"	11	12	n.a.
Total Imports (c.i.f.)	"	261	332	n.a.
Trade Balance	"	-221	-266	
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	3	3	4
Imports from U.S. (f.o.b.)	"	42	44	45
Trade Balance	"	-39	-41	-41
GOLD & FOREIGN EXCHANGE *(end of year)*	"	125	137	139

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	*Million Dollar Equivalents* 1959	1960	1961[a]
Total Expenditures	83.9	106.1	112.3
(Defense Expenditures)	(16.7)	(22.4)	(24.3)
(Capital Outlays)	(27.0)	(33.2)	(33.3)
Domestic Revenues	89.3	118.6	106.0
Budget Receipts from Non-U.S. Foreign Aid	3.8	3.4	2.9
Budget Receipts from U.S. Aid (Grants & Loans)	0.8	1.1	2.5
Remaining Deficit (-) or Surplus (+)	+10.0	+17.0	-0.9

* - Converted at 3.02 Lebanese pounds per U.S. $.
a - Revised budget estimate.

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FINANCIAL DATA

Country: LEBANON

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	58.3	0.8	0.5
Development Loans.....	5.9	-	-
Development Grants..... (T.C. prior to FY 1961)	17.5	0.8	0.5
Supporting Assistance..... (DS/SA prior to FY 1961)	34.8	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	16.9	2.8	-
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	3.2	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	1.7	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	8.6	0.2	0.1a/
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	27.0	-	-
UN Tech. Assist.-CY ending in FY.....	2.3	0.3	0.2
UN Special Fund	1.3	0.6	0.8a/
OTHER FREE WORLD ASSISTANCE			
France.....	5.0	1.0	0.5a/
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	*	*	0.1
Export -Import Bank	*	*	a/
Other Government Loans	NA	-	-

a/ July-December 1961
* Less than $50,000.

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Nepal

Nepal

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Country: NEPAL

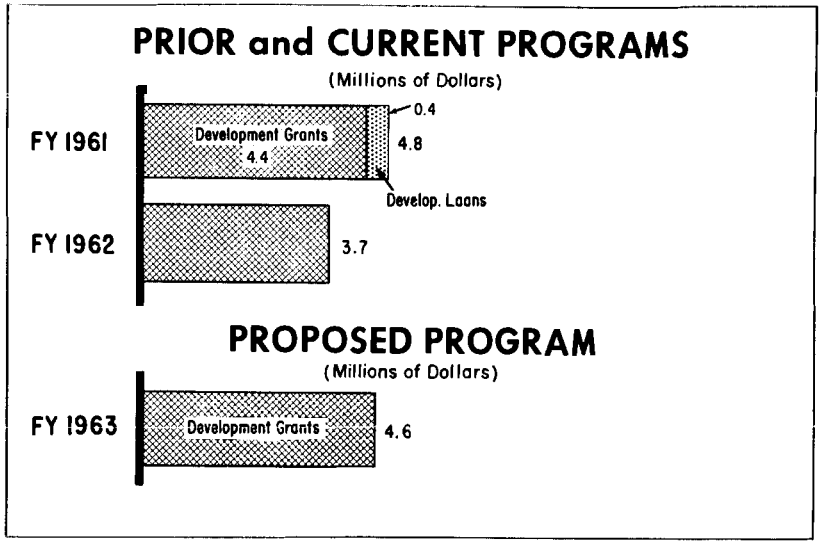
Nepal is a mountain kingdom about the size of Florida with approximately 9.7 million people partially separating India from Communist-controlled Tibet. Nepal's total isolation from the modern world ended only 10 years ago when the Rana family was ousted from power. Nepal's first national election was held in 1959, but the ensuing government was dismissed by the King in December 1960. The present government consists of a Council of Ministers responsible only to the King. As its predecessors have done, the existing government continues to avoid any alliance with East or West, and is continuing to request and obtain aid from both for the financing of most of its development program.

The United States wishes Nepal to remain independent. It is even more important to India that Nepal is not controlled by Communist China. Consequently, both the United States and India are working towards that goal; both are providing financial and technical assistance to Nepal.

Country Background

Nepal has a fundamentally primitive agricultural economy. It is somewhat doubtful if agricultural production is sufficiently increasing to maintain the present near-subsistence level. Difficulties of communication and transportation imposed by the mountainous terrain also severely handicap economic development. The first road for vehicle traffic from India to Kathmandu was opened only five years ago. In some of the remote areas, the first wheel to be seen was on the landing gear of an airplane. The level of literacy is the lowest of Asia; administrative and technical skills are almost completely lacking. The absence of basic vocational skills also contributes to the serious obstacles to the economic development of Nepal. Human resources are very limited and will require considerable assistance to provide any development possibilities.

Nepal's first Development Plan, financed entirely by foreign aid, scarcely changed the economy's structure, despite the fact that government investment doubled between 1957 and 1961. While the economy as a whole has not yet been affected, the large injection of foreign aid certainly quickened economic activity in some areas. A second Five Year Plan, which was being developed by the Koirala Government before its removal, was based on two assumptions: one, that Nepal could obtain and fruitfully use an extraordinarily large amount of foreign aid; and two, that the Government would be able to increase taxes sufficiently to put up $20 million annually for development. This latter assumption was made despite the fact that total government revenues in 1960-1961 amounted to only $12 million, and those were spent entirely for current operations.



In reality, Nepal has not itself financed more than a small portion of its past or current development efforts. It has relied almost entirely on foreign sources for development financing, and it has only carried out projects for which commitments had been made by foreign governments.

The present government has for the time being abandoned the development plan approach. Instead, it is carrying out development on the basis of an annual budget. But it is setting up longer term sector plans which it intends to combine into a Three-Year Development Plan. Basic social services and the development of transportation continue to occupy prominent positions in the development budget. But the present Government plans to spend more money and put more effort on three new areas: the development of revenue producing facilities; the improvement of government management and administration; and the reform of taxation and land tenure. While promised reforms were not put into effect in the past, we have reason to believe that the present Government views such promises more seriously. Both a cadastral survey and a population census are under way as the first steps towards the raising of new taxes and the implementation of land reform.

It is expected that India will make more aid available for Nepal's development projects in future years. Approximately $29.4 million was committed by India from the beginning of its aid program through FY 1961. As the Chinese Communists committed

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themselves on September 5, 1961 to finance a new road construction program linking Tibet and Nepal, development activities financed by the bloc will be higher in FY 1963 than in FY 1960-1962. We expect Free World donors (other than the United States and India) will continue to provide assistance at about the same level of prior years.

U.S. Assistance Strategy

The strategy for achieving our foreign policy aims in Nepal consists of several parts. An essential part of this strategy is to foster and encourage the present government to undertake greater development efforts. The Government of Nepal has tended to limit development to programs which foreign governments have promised to finance. Therefore, we are pressing Nepal to make a more serious effort to increase tax revenues, so that it can make a greater contribution to the financing of development. Our plan to progressively reduce the annual amount of U.S.-owned Indian rupees made available to cover the local currency costs of U.S.-Nepalese development projects is one means of imposing this. These successive reductions will force Nepal to carry these costs in its regular budget. Another method designed to assist the Nepalese Government carry out more development with its own resources is to help it improve the management and administration skills of government employees.

Another part of the U.S. assistance strategy is to help Nepal upgrade its human resources through assistance in general education and vocational training.

A third part of strategy is to help break the transportation bottleneck. A poor transportation system not only isolates Nepal from its free neighbors -- an undesireable situation from the U.S. standpoint -- but also inhibits the internal unity and growth of the country.

A further part of our over-all strategy towards Nepal is to provide assistance in the search for and exploitation of means to earn additional foreign exchange.

Proposed AID Program for FY 1963

The FY 1963 Development Grant program for Nepal will require $4.6 million, plus $7 million of U.S.-owned Indian rupees.

Our Development Grant program concentrates on the same goals as those sought by Nepalese: education and training; qualitative improvements in government-wide administration; continued support to the Regional Transportation Organization which was established in 1958 by the United States, India and Nepal to carry out the building of approximately 300 miles of north-south roads connecting India and Nepal; continued assistance in the creation of a unified roads department, and help to Nepalese technicians in the design and construction of foot bridges, cableways, truss bridges and airfields; continued help to the Industrial Development Corporation, an institution which doubles as a source of loan capital for the private sector and a productivity center; expanded help in forest management and sawmill operations and continued assistance to the long-term malaria eradication program.

Accomplishments and Changes

To achieve the turn-around and redirection required to accomplish the aims described above, the United States Aid Mission to Nepal (US AID) is now in the process of terminating 23 projects, five of which have reached their planned goals. The rest are not of a high enough priority to warrant their continuation.

The present Mission organization under which seven operating divisions carried out project activities has been found to be unsuited to the tasks arising from the redirected program. To concentrate the U.S. assistance effort, US AID is organizing into five major operating groups: Education and Training, Government Management and Institutional Development, Transportation Development and Investment Resources Development, and Malaria Eradication. These groups will consist of those officers working on a common goal. The personnel whose services are no longer required in the redirected program are in the process of being terminated or reassigned within US AID.

Another significant accomplishment is the development of the 125,000 acre Rapti Valley into a more prosperous and habitable area. Five years ago this malarious valley contained only 5,000 people. During this short period, the valley has been opened up for development and settled by over 50,000 additional people. The US AID-Nepal joint effort in the Rapti Valley consisted of a malaria eradication program and demonstration and training programs in agriculture, village development and public health. This multi-pronged attack has made it possible for landless people to homestead and take title to farms in this valley. The Rapti Valley program which has cost the United States approximately two million dollars for equipment and technical services is considered to be a model for similar programs which will be conducted by the Nepalese Government in the near future in other valleys of Nepal.

Country: NEPAL

BASIC DATA

	Unit	NEPAL	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	54	xxx
Population (1961)	Mil.	9.7	xxx
Annual Growth	%	1.9	2.4
Density per sq.mi.	No.	179	40
AGRICULTURAL LAND			
% of Total Area	%	28	25
Per Capita	Acres	1.0	2.5
POWER PER CAPITA	KWH/Yr	n.a.	80
EDUCATION			
Literacy Rate	%	5	35
Pupils as % of Pop. (Prim. & Sec.)	%	1	9
Pupils per Teacher (Prim. only)	No.	26	38
HEALTH			
Life Expectancy	Yrs.	35-40	40
People per Doctor	No.	n.a.	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP (rough estimate)	$ Millions		477	
Per Capita GNP	Dollars		52	
Investment as Percent of GNP	Percent		n.a.	
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100		Not Available	
Index Per Capita	"			
Rice, rough	1,000 MT	1,066	1,360	1,360
COST OF LIVING INDEX (Katmandu)	1954=100	120	125	135
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions		Not Available	
Total Imports (c.i.f.)	"			
Trade Balance	"			
Trade with United States (U.S. Customs Data)				
Exports to U.S. (f.o.b.)	$ Thousands	12	27	45
Imports from U.S. (f.o.b.)	"	208	695	435
Trade Balance	"	-196	-668	-390
GOLD & FOREIGN EXCHANGE (July 15)(Rastra Bank)	$ Millions	15.8	21.3	27.6

CENTRAL GOVERNMENT FINANCES* FY ending July 15	- Million Dollar Equivalents - 1959	1960	1961
Total Expenditures	13.0	21.7	22.5
(Defense Expenditures)	(1.9)	(2.8)	(3.4)
(Capital Outlays)	(4.8)	(10.7	(9.5)
Domestic Revenues	9.6	11.1	12.2
Budget Receipts from Non-U.S. Foreign Aid	2.9	4.9	5.9
Budget Receipts from U.S. Aid (Grants & Loans)	0.4	2.6	5.7
Remaining Deficit (-) or Surplus (+)	-0.1	-3.1	+1.3

* - Converted at 7.6 Nepalese Rupees per U.S. $.

FINANCIAL DATA

Country: NEPAL

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1952-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	23.8	4.8	3.7
Development Loans.....	0.4	0.4	-
Development Grants.....	12.8	4.4	3.7
(T.C. prior to FY 1961)			
Supporting Assistance.....	10.6	-	-
(DS/SA prior to FY 1961)			
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	16.8 a/	-	-
(Sales Agreements).....	-	-	-
Title II.....	3.7	-	-
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY.....	2.1	0.4	0.2
UN Special Fund.....	1.0	1.0	b/
OTHER FREE WORLD ASSISTANCE			
India.....	29.4	3.1	2.5
Others.....	NA	1.1	0.5
SINO-SOVIET BLOC ASSISTANCE.....	41.0	-	13.7c/
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

a/$16.8 million (equivalent) of U.S. owned Indian rupees were made available in FY 1960 for use in FY 1960 through FY 1962.
b/July-Dec. 1961.
c/Of which $9.5 million provided by Communist China.

Pakistan

Pakistan

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Pakistan has a population of 95 million and consists of the two non-contiguous sections of West Pakistan on the Arabian Sea and East Pakistan on the Bay of Bengal. Its present government, headed by President Ayub Khan, came to power in 1958. This government has been a moderate dictatorship. Pakistan is militarily allied with the West and is a member of both Central Treaty Organization (CENTO) and Southeast Asia Treaty Organization (SEATO).

Country Background

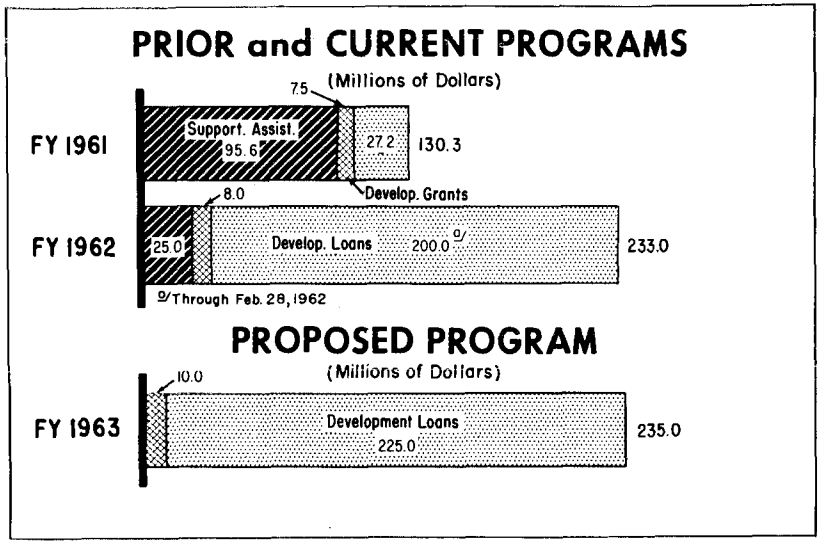
In the years immediately following the attainment of independence in 1947, Pakistan's economic progress was uneven. In 1955, however, it embarked upon its First Five-Year Plan, and since that time a definite program for economic development has been underway. This has proceeded under the direction of the Pakistan Planning Commission, which from the start of its operations has been assisted by an American advisory group financed by the Ford Foundation.

A substantial mobilization of resources was carried out under the First Five-Year Plan. A total of $2.8 billion was expended under it, priority being given to investment in irrigation, power, and industry. Industrial production and infrastructure facilities expanded significantly. Effective measures of reform were also carried out; inflation was brought under control, a foreign exchange crisis was ended, corruption in government was reduced, land reform was extended, and local government procedures were improved. Implementation of the plan was materially accelerated by the Ayub government.

The plan, however, had one notable shortcoming. Insufficient attention was given to agriculture, and as a result production in that very important sector of the country's economy lagged. An effort to remedy this deficiency is now being made under the Second Five-Year Plan, which got under way in 1960. Pursuant to the 1961 recommendations of the Pakistan Agricultural Commission study, major reorganizations of agricultural programs and responsible government agencies are now in progress.

Expenditures under the Second Five-Year Plan are expected to total $4.8 billion with estimated external aid requirements of $2.3 billion for the five year period, in addition to P.L. 480 sales in the amount of $722 million.

Gross National Product (GNP) is expected to increase by 24%, resulting from respective increases of 14% and 50% in agricultural and industrial output. Achievement of this goal will mean an annual increase of nearly 2 1/2% in per capita income. Other goals of the Second Five-Year Plan are completion of one-third of the program to eradicate malaria, an increase to 60% in the proportion of children attending primary schools, and the provision of electric power and safe drinking water to a large number of villages now lacking them.



Effective implementation of the Second Five-Year Plan received a major stimulus from the recent agreement of an international consortium organized by the International Bank for Reconstruction and Development (IBRD) to provide Pakistan with a total of $945 million of assistance for carrying out the second and third years of the plan. The members of this consortium and the amounts pledged are: United States $500 million, IBRD - International Development Association (IDA) $209.4 million, Germany $80 million, United Kingdon (U.K.) $47.6 million, Japan $38 million, and France $25 million. The U. S. contribution of $500 million will be equally divided between fiscal years 1962 and 1963. The 1962 portion consists of $200 million of development loans, $25 million of Supporting Assistance, and $25 million of Export-Import (Ex-Im) Bank loans. The 1963 portion will consist of another $25 million of Ex-Im Bank loans and $225 million of development loans committed pursuant to section 202(b) of the Act for International Development.

[redacted]

Before undertaking to provide this large amount of assistance over an extended period, AID thoroughly reviewed Pakistan's development plans and its need for external assistance. It also sought and obtained assurances from the Pakistan Government that policies necessary to the realization of its plans and the effective utilization of consortium aid would be adopted. The aid will enable Pakistan to finance imports essential to maintaining its development momentum. Representing as it does a commitment over a two-year period, it will also make a significant contribution towards the kind of coordinated planning over a long-term which is essential to sound development.

Another major example of coordinated international assistance to Pakistan is the Indus Basin development project described in detail in Volume I, section on Contributions to International Organizations. Outlays estimated for this project over the course of the Second Five-Year Plan should raise total investment in Pakistan for that period to over $5.5 billion, more than double the amount carried out under the First Plan.

The only Soviet bloc aid accepted to date by Pakistan is a $30 million loan for oil exploration.

To avoid inflation and insure the success of its development efforts, the Ayub Government has undertaken to avoid deficit financing and to impose new taxes calculated to yield about $370 million during the period of the Second Plan. The government is also striving to control expansion of its military budget which now accounts for about 25% of the total budget and 3% of Gross National Product (GNP). This is essential if Pakistan's development is to be carried out as rapidly as now projected, and Pakistan and India have already been warned that it will be difficult for us to continue our aid to them on its present scale if they allow their mutual conflict to result in a dissipation of resources for military purposes.

Unfortunately, success in controlling military expenditures is threatened by the continuation of disturbances in Pakistan's relations with India and Afghanistan. The Indus Basin Project has removed one irritant in relations with India, but the Kashmir question remains unsettled. In the case of Afghanistan, the trouble arises from border and territorial questions involving the allegiance of Pushtu tribes and Afghan "Pushtunistan" ambitions.

U. S. Assistance Strategy

U. S. interests in South Asia and the Middle East require a stable society and progressive economy in Pakistan. In the light of Pakistan's strategic location, large population and close ties with the United States, reasonable success in implementing its long-term development plan is of crucial importance to the Free World.

The United States, within the context of a consortium organized by the IBRD and International Development Association (IDA), has made a commitment to provide Pakistan with loans of up to $475 million, plus $25 million in Supporting Assistance, during the first two years of their Second Plan. We anticipate making another long-term commitment at an appropriate time and within the framework of the consortium for the final three years of the Second Plan.

Pakistan will continue to require grant technical assistance during this period. Our development grant program will be focused upon key sectors of development, such as education, public administration, agriculture and health.

We are providing additional financial assistance to Pakistan under the Indus Waters Agreement between India and Pakistan. This project, under the direction of the IBRD, is fully discussed in the "Contributions to International Organizations" section of the presentation.

Food for Peace will provide additional support for Pakistan's development program. Under a four-year Food for Peace program concluded last year, Pakistan will purchase $622 million in U. S. surplus agricultural commodities, with 70% of the local currency repayments to be loaned or granted to Pakistan for its development programs, and 19% contributed to financing of the Indus Waters development.

In addition to providing substantial U. S. aid, and encouraging other Free World countries to assist in Pakistan development efforts, the United States is urging and assisting the Government of Pakistan to utilize its own resources more effectively. The Development Grant program is a major tool in the help we are giving the Ayub Government to increase its capability for effective self-help measures.

[redacted]

It is our intention, consistent with general policy, to terminate Supporting Assistance to Pakistan after FY 1962 and we have so notified the Government of Pakistan (GOP). This decision was based on the judgment that, except for items of equipment supplied under the Military Assistance Program, U.S. aid to Pakistan can be more effectively utilized if tied specifically to development efforts under the Second Five-Year Plan.

Proposed AID Program for FY 1963

The AID program proposed for FY 1963 in Pakistan consists of $225 million in Development Loans, to be extended pursuant to the consortium agreement mentioned above, and $10 million in development grants. These are considered to be minimum levels consistent with U. S. goals.

Development Loans will be made to finance specific investment projects and commodity import programs essential to the achievement of Pakistan's goals under the Second Five-Year Plan. Development Grants will provide technical assistance in a few areas of special significance. U. S. aid in both categories will be closely coordinated with that extended by other members of the consortium and will be tied to activities that the United States is best equipped to support. Objectives of the Second Five-Year Plan on which both development loan and development grant assistance will be concentrated are listed below in the order of the priority given them under our proposed program:

Government Management. Government organization and administrative policies are being increasingly adapted to the needs of economic development. AID is assisting by providing advisory services, training for the Civil Service at special institutes, and aid in the development of essential statistical services.

Agricultural Production. Pakistan seeks to achieve self-sufficiency in food grains by 1970 and to improve dietary standards. AID programs include technical assistance in production methods and agricultural extension, capital projects to bring more water to the land, and fertilizer imports. The President's Science Advisor is conducting a study on the most feasible methods of coping with excessive salinity and waterlogging of the soil.

Education. The objective is to increase technical education and to increase enrollment in primary and secondary schools to eight million and one million respectively by 1965. AID projects include improved teacher training; skilled labor institutes and universities; and training programs in business administration, agriculture, and engineering.

Transport Capacity. AID has undertaken transportation surveys in both East and West Pakistan and is considering further financing of locomotives and railroad cars.

Power Production and Distribution. A 25% increase in power capacity (to 1.27 million KW) is planned by the end of the Second Five-Year Plan. AID is financing a multi-purpose dam, power stations, distribution lines, and technical assistance in the field of power and electric distribution systems.

Manufacturing Output. A 10% annual increase in manufacturing production is foreseen. AID is financing raw materials, machinery, and equipment. It is also providing technical assistance in design and manufacturing methods.

Communications System. While a basic communication system for West Pakistan exists and is capable of gradual improvement the East Pakistan system is entirely inadequate. AID has been helping to finance surveys and is providing funds for equipment.

Health Services. Pakistan intends to construct 300 additional rural health centers, install additional sanitary wells, and train approximately 1,800 doctors, 1,200 nurses, 850 midwives, and 3,500 other technicians by 1965. AID is providing special training programs for doctors and nurses, helping to establish a network of rural health centers, and financing engineering design work on urban water facilities.

Survey and Development of Mineral Resources. Only a small part of the territory of Pakistan has been explored for mineral resources but several significant finds, particularly of gas, have been made. A search for minerals and solid fuel is now being pushed, and AID is helping the Pakistan Geological Survey to build up its organization and to demonstrate mapping and surveys in promising areas.

Accomplishments and Changes

The consortium agreement of January 1962 is both a notable achievement and change. It has provided Pakistan's Second Five-Year Plan with a solid underpinning of external aid and has also for the first time brought other advanced Free World nations into association on a substantial scale with the Pakistan development effort. The discontinuance of Supporting Assistance to Pakistan is also an important forward step. Projects in the Development Grant Program have been oriented to development following a careful review.

[redacted]

BASIC DATA

	Unit	PAKISTAN	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	365	xxx
Population (1961)	Mil.	94.7	xxx
Annual Growth	%	2.2	2.4
Density per sq.mi.	No.	259	40
AGRICULTURAL LAND			
% of Total Area	%	26	25
Per Capita	Acres	0.6	2.5
POWER PER CAPITA	KWH/Yr	38	80
EDUCATION			
Literacy Rate	%	15	35
Pupils as % of Pop. (Prim. & Sec.)	%	6	9
Pupils per Teacher (Prim. only)	No.	36	38
HEALTH			
Life Expectancy	Yrs.	30	40
People per Doctor	No.	10,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT* [a]				
Total GNP *(in 1960 Prices)*	$ Millions	5,910	6,190	6,420
Per Capita GNP	Dollars	66	68	69
Investment as Percent of GNP	Percent	9.3	10.3	11.9
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	115	117	114
Index Per Capita	"	102	101	97
Jute	1,000 MT	973	802	1,250
INDUSTRIAL PRODUCTION INDEX	1953=100	232	261	270
COST OF LIVING INDEX (Karachi)	1953=100	106	113	115
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	321	393	405
Jute, raw and mfrs.	"	188	221	250
Total Imports (c.i.f.)	"	353	654[b]	635[b]
Trade Balance	"	-32	-261	-230
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	35	36	37
Imports from U.S. (f.o.b.)	"	104	169	182
Trade Balance	"	-69	-133	-145
GOLD & FOREIGN EXCHANGE *(end of year)*	"	310	318	283

CENTRAL GOVERNMENT FINANCES* FY ending June 30	- Million Dollar Equivalents - 1960	1961[c]	1962 (Bud)
Total Expenditures	757	826	892
(Defense Expenditures)	(223)	(232)	(228)
(Capital Outlays)	(313)	(341)	(418)
Domestic Revenues	465	482	543
Budget Receipts from Non-U.S. Foreign Aid	20	25	64
Budget Receipts from U.S. Aid (Grants & Loans)	178	187	243
Remaining Deficit (-) or Surplus (+)	-94	-132	-42

* - Converted at 4.762 Rupees per U.S. $.
a - Fiscal year ending June 30 of year shown.
b - Higher level due primarily to liberalization of import licensing and accelerated development.
c - Revised budget estimate.

[redacted]

FINANCIAL DATA

Country: PAKISTAN

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1951-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	919.3	130.3	233.0
Development Loans.....	231.0	27.2	200.0
Development Grants..... (T.C. prior to FY 1961)	50.6	7.5	8.0
Supporting Assistance..... (DS/SA prior to FY 1961)	637.7	95.6	25.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	367.9	36.1	169.2
(Sales Agreements).....	(429.9)	(45.2)	(180.0)
Title II.....	48.6	-	-
Title III.....	33.4	2.4	3.8
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	13.6	6.4	12.1 a/
OTHER U.S. ECONOMIC PROGRAMS.....	67.9	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	564.5	67.0	54.1
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD (World Bank)	256.3	105.0	- a/
International Finance Corp.	1.4	-	4.0 a/
International Development Assoc. ...	-	-	3.0 a/
UN Tech. Assist. CY ending in FY	10.6	1.3	0.9
UN Special Fund	8.3	2.7	1.6
OTHER FREE WORLD ASSISTANCE			
Canada	123.4	19.9	18.0
France	-	-	10.0
Germany	90.4	37.8	25.0
Japan	48.3	19.9	20.0
United Kingdom	83.2	22.3	19.6
Other	90.1	9.9	NA
SINO-SOVIET BLOC ASSISTANCE	33.0	30.0	- a/
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans	1.7	-	-
Export-Import Bank	2.3	0.7	0.4 a/
Other Government Loans	31.5	-	-

a/ July through December 1961.

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Syria

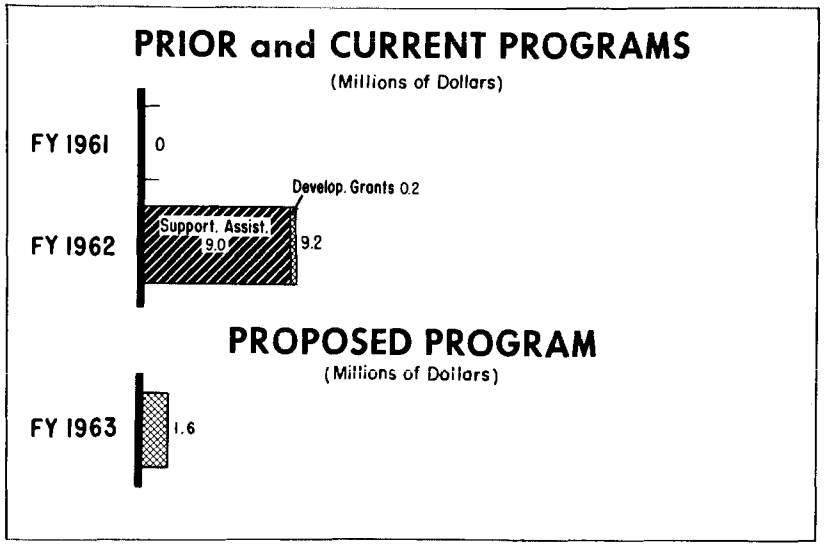
Country: SYRIA

[redacted]

As a result of a military coup late in 1961, Syria broke away from its three-year union with Egypt and reestablished itself as an independent political entity. This coup was motivated by a desire for greater local autonomy and resistance to the socialist economic policies imposed upon Syria by Cairo. The newly elected Syrian government has taken action to rescind many of the nationalization measures imposed during the union and has indicated its intention to permit a wider scope of activity for private enterprise in its over-all economic development effort. At the same time, it is retaining many of the social reform measures instituted under the United Arab Republic (UAR).

From the viewpoint of the United States, perhaps the most significant aspect of the Syrian coup is the emergence of a government which is more friendly toward the West than any which has existed in Syria since 1946. Although still sensitive regarding British and French motives in the Arab world and still obliged to maintain a non-aligned posture, the new Syrian government has requested assistance from the United States, West Germany, Switzerland and Italy and has indicated a desire to disengage itself from primary reliance on the Soviet bloc for assistance.

It is, therefore, in the U.S. interest to preserve and strengthen current political trends in Syria.



Country Background

When the new Syrian Government took power it was immediately confronted with a serious financial crisis. Due to three years of severe drought, agricultural production had declined about one-third and national income had fallen by 14%. The resultant loss of export earnings, combined with increased imports for development and substantial flight of capital to avoid the UAR's nationalization decrees, seriously reduced foreign exchange reserves. With somewhat more favorable agricultural conditions in 1961, the trade account has shown improvement and the economic policies of the new government may encourage at least a limited reinfusion of private capital from holdings abroad. It will be necessary, however, for Syria to obtain substantial external economic assistance during the next few years if the economy is to be revived and an adequate rate of growth achieved.

While the new government has not yet worked out long-range development plans, it has taken measures to restore business confidence through the alleviation of immediate financial problems. It has agreed to a stabilization program designed by the International Monetary Fund (IMF) to eliminate domestic inflationary pressures, which provides for a balanced government budget, both ordinary and development, and for a curb on credit expansion. To support this program, the Syrian Government has sought to put together a stabilization fund by obtaining standby credits of $40 to $50 million from the Free World. The IMF has agreed to drawings of $5-6 million, the German Government is offering a $16 million three-year loan, and private Italian banks are offering a five-year loan of $5 million. The United States will support this effort by providing a $5 million Export-Import Bank loan and a $9 million Supporting Assistance loan.

In addition to this Free World assistance for stabilization, a West German credit of $125 million for the construction of the Euphrates Dam may prove to be still available, although this arrangement was concluded prior to the recent coup. Unused Soviet bloc credits of $113 million are also available to help finance current development work.

U.S. Assistance Strategy

Economic assistance from the United States will be an important factor in maintaining political stability and stimulating economic growth in Syria. Several development loans for important capital projects are now under active consideration and additional loan requests are anticipated. A small Development

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Country: SYRIA

Grant program is being negotiated with the Syrian Government and should get under way in FY 1963. Although we do not anticipate an Agency for International Development (AID) program of large magnitude in Syria, the United States is prepared to react positively to requests for assistance which are sound and which meet development criteria. We intend also to encourage the Syrian Government to utilize its own resources more effectively and to take needed self-help measures, including comprehensive long-range development planning.

Proposed AID Program for FY 1963

The FY 1963 AID program includes Development Grants of $1.6 million and consideration will be given to sound loan proposals.

The implementation of a development program is dependent upon the solution of Syria's immediate financial problems and the preparation of a new development plan. However, we believe that grant assistance will be asked for projects in the development of potable water supplies and in soil classification, both of which were given high priority in the development program prepared when Syria was part of the UAR. It is also expected that Syria will request grant assistance in other phases of development work. The United States is prepared to consider loan applications for development projects which require large foreign exchange components and which meet existing AID criteria. Loan applications have been received for two projects, grain storage facilities and highway construction, which had high priority in the previous development plan.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	Cumulative thru 1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	*	*	9.2
Development Loans.....	*	-	-
Development Grants.....	*	*	0.2
(T.C. prior to FY 1961)			
Supporting Assistance.....	-	-	9.0
(DS/SA prior to FY 1961).			
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	22.1	14.9	7.0
(Sales Agreements).....	(28.2)	(18.6)	(8.8)
Title II.....	22.1	22.1	7.6
Title III.....	1.7	0.2	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	5.0
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	-	-	-
Internat'l Monetary Fund.....	-	-	6.0
UN Tech. Assist.-CY ending in FY....	4.6	0.6	-
UN Special Fund.....	0.5	-	0.7
OTHER FREE WORLD ASSISTANCE			
West Germany.....	-	-	16.0
Italy.....	-	-	5.0
SINO-SOVIET BLOC ASSISTANCE	178.0	3.0	a/
U.S. DOLLAR LOAN REPAYMENTS	-	-	-

* Included in UAR Totals

a/ July - Dec. 1961

[redacted]

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Country: SYRIA

BASIC DATA

	Unit	SYRIA	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	71	xxx
Population (1961)	Mil.	4.7	xxx
Annual Growth	%	3.5	2.4
Density per sq.mi.	No.	66	40
AGRICULTURAL LAND			
% of Total Area	%	57	25
Per Capita	Acres	5.5	2.5
POWER PER CAPITA	KWH/Yr	49	80
EDUCATION			
Literacy Rate	%	30-35	35
Pupils as % of Pop. (Prim. & Sec.)	%	10	9
Pupils per Teacher (Prim. only)	No.	30	38
HEALTH			
Life Expectancy	Yrs.	30-40	40
People per Doctor	No.	4,600	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	706	702	805
Per Capita GNP	Dollars	156	154	171
Investment as Percent of GNP	Percent	n.a.	n.a.	n.a.
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	90	94	109
Index Per Capita	"	72	73	82
Wheat	1,000 MT	400	327	450
CEMENT PRODUCTION	"	448	440	590
COST OF LIVING INDEX (Damascus)	1953=100	106	111	114
FOREIGN TRADE				
Total Exports (f.o.b.)[a]	$ Millions	98	93	98
Cotton	"	47	49	75
Total Imports (c.i.f.)[a]	"	176	214	168
Trade Balance	"	-78	-121	-70
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	10	7	5
Imports from U.S. (f.o.b.)	"	12	38	30
Trade Balance	"	-2	-31	-25
GOLD & FOREIGN EXCHANGE *(end of year)*	"	72	67	43 (Nov)

	Million Dollar Equivalents - 1962 (Budget)
CENTRAL GOVERNMENT FINANCES* FY ending June 30	
Total Expenditures	280
(Defense Expenditures)	(85)
(Capital Outlays)	(125)
Domestic Revenues	187
Budget Receipts from Non-U.S. Foreign Aid	33
Budget Receipts from U.S. Aid (Grants & Loans)	14
Remaining Deficit (-) or Surplus (+)	-46

* - Converted at 3.58 Syrian pounds per U.S. $.
a - Excludes trade with Egypt.

Turkey

Turkey

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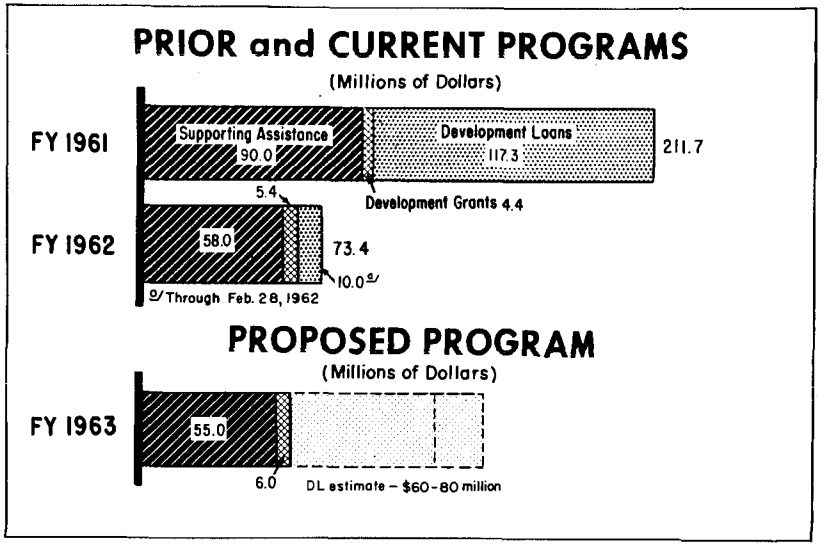
Turkish foreign policy has been and remains strongly pro-Western. Occupying a strategically important position on the borders of Bulgaria and the USSR, Turkey has long been concerned by the external threat aimed directly at it by these two countries. It has sought to protect its security by maintaining a sizable military force and through participation in the North Atlantic Treaty Organization (NATO) and the Central Treaty Organization (CENTO) alliances. It makes a large contribution to NATO manpower and makes vitally important strategic facilities available to the United States and to NATO.

This is a period of trial and ferment in Turkey. At stake is the fate of civilian government, and the shape of Turkey's future political and economic development. The recently formed coalition government led by the 78-year old Prime Minister Inonu faces formidable problems. It must seek to satisfy the Turkish military forces that it is acting decisively in dealing with social and economic reforms. It must try to restore business confidence, which was shaken by the coup of May, 1960, and the political uncertainty which has persisted to the present. And, it must also try to gain the confidence of the followers of the late Prime Minister Menderes who are still hostile to Inonu, his party and the Armed Forces.



A strong and growing economy is essential both to enable Turkey to support its military burdens and to maintain effective popular support for progressive, Western-oriented government. Following in the course charted by the military government, the Inonu Government has accelerated the preparation of a five-year development program, slated to be put formally into effect in March, 1963. If a well conceived plan is adopted and if the Government shows the ability and determination to carry it out effectively we plan to join with others to provide long-term assistance to enable Turkey to execute the plan.

Country Background

Turkey's ambitious but often misguided development efforts brought a relatively high rate of growth in the decade preceding 1957. It was accompanied, however, by severe problems of inflation and balance of payments deficits. The major increase in output took place in agriculture early in the period when a program of expanding the land area in cereals corresponded with favorable weather conditions. One-third of Turkey's 300,000 square mile land area is now cultivated and this is believed to be the limit of arable land. The road and rail network is relatively complete. The growth rate of industry, 50% of which is state-owned, has been slightly better than the average of the economy as a whole. Much of Turkey's industrial capital is inefficiently used and poorly organized. Private industry exists mainly in small scale operations. Although its agricultural prospects are limited, Turkey's industrial and minerals potential is under-exploited, and it has reasonable prospects for economic growth.

Inflation has been checked for the past two years but economic growth too has stopped. The level of Gross National Product (GNP) per capita was $187 in 1961, over 4% less than in 1960.

The new government adheres to the reforms laid down by its predecessor. The provisional government had renewed Turkey's pledge to its creditors under the stabilization agreement of 1958, introduced budgetary reforms which, for the first time, brought the entire budget under review by the Minister of Finance, increased tax rates, promulgated new taxes, and generally tightened tax enforcement. Tax and other measures increased government revenues about 30% in 1961. The provisional government also made an intensive study of the state economic enterprises, and reviewed all government investment projects under way at the time of the coup, stopping those which were judged uneconomic or of low priority.

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The establishment in September 1960 of the State Planning Office improved Turkey's tools for evaluation of its needs and resources. The Office is charged with responsibility for preparing Turkey's first comprehensive long-term plan for economic growth and is scheduled to complete a draft five-year plan in June, 1962.

Firm financial discipline and the careful husbanding of economic resources through the planning mechanism are now integral parts of the Government of Turkey (GOT) policy. The Prime Minister is taking a personal interest in the preparation of the five-year plan. He has emphasized the need for national austerity if the plan is to succeed. He has also sought to impress upon the various economic ministries the need for the thorough preparation of well conceived projects. In brief, Turkish economic policy appears at last to be aiming at many of the same basic objectives as does U.S. aid policy. If Turkey is able to carry out these sound policies there is a good prospect that accelerated development will in fact occur.

U.S. Assistance Strategy

For 1963, pending the preparation, analysis and adoption of the Turkish development plan, U.S. assistance will continue, in concert with Turkey's European allies, to provide the minimum necessary support to the Turkish balance of payments and to provide increased development assistance to priority projects which are basic to the country's further economic growth. Hopefully, the Turkish development plan, currently in preparation, will be sufficiently sound to permit later a full transition to development assistance, including both project loans and more general support, as is currently the case in Pakistan. We would hope to encourage the formation of a group of interested leaders in support of the Turkish program, possibly under the sponsorship of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), an organization which has shown special interest in Turkey as one of its less developed members.

No firm estimates are yet available of the amount of external capital Turkey may need during the five-year plan period. There are indications, however, that import requirements during the first two years may not be a great deal higher than in recent years, since substantial growth in production may be achieved during the early phase of the program through better use of existing capital plant. A substantial increase in external capital will be needed only in the latter phases of the plan implementation.

The United States expects to negotiate a three-year commitment under Title I of P.L. 480 this year to provide about $55 million annually in wheat and edible oil, subject to annual review of requirements. Such a commitment will provide assurance to the Turkish Government that adverse agricultural conditions need not delay implementation of its development program.

Proposed AID Program for FY 1963

For the coming year, supporting assistance of $55 million will be required to finance essential imports to help Turkey maintain an acceptable level of economic activity while meeting its military and external financial commitments. This level, which is substantially lower than the support provided in FY 1961 and prior years, assumes receipt of about $65 million during the year from other Free World sources and an increased volume of development loans. These loans which may amount to as much as $60 million to $80 million, will permit the timely start of projects which will, in any case, be included in a Turkish development program.

The Development Grant program is being redirected to concentrate on Turkey's major development needs and is to be expanded in 1963 to $6 million. Priority is being given to improvement of the quantity and quality of Turkish export production and marketing to minimize the amount of external assistance which will be needed to meet Turkish development goals. Major attention is also being given to assisting the Turkish planning efforts. The Agency for International Development (AID) is providing advisers to the Plan Office of the Turkish Government and to planning units in Ministries of Industry, Agriculture and Transportation to assist them in developing adequate statistics and economic analysis of problems in these areas. In addition, assistance will be provided for surveys of development potential of a number of industries and of locational requirements for new private industries for the Industrial Assistance Commission. Help will also be provided to the efforts of the Ministry of Education to improve the quality of technical and vocational schools and to increase literacy in the country from 30% to 60% by 1975. Assistance will continue for the development of forest and water resources, mining, and public administration, and to remaining priority needs in agriculture.

[redacted]

Accomplishments

With nearly 100,000 illiterate men reaching military service age each year, the Turkish armed forces and their American military advisers sought means of training recruits, who could not read the simplest of instructions for the use of modern complicated military equipment. Work began in 1957 with the cooperation of the Turkish armed forces, the Ministry of Education, and the U.S. Military and Economic Aid Missions. Forty-one literacy training units, each capable of handling 400 recruits, have been constructed at sixteen centers throughout Turkey. Specialists in language training, working with the AID Mission, compiled a list of 700 words which account for about ninety percent of normal daily conversation. Using this word list the Ministry of Education prepared primers with simple stories about farm work, village life and life in the army. Teachers are provided by the armed forces. Illiterate recruits are assigned to the literacy training centers for four months before they begin their military training. Present facilities provide training for approximately 50,000 young men each year.

Production from forest resources has doubled from 1954 to 1960, and tree nurseries have increased their annual production to more than 100 million seedlings. The Turkish Forest Service has an excellent organization of about 1,000 professional foresters, many of whom have been given special foreign training under the aid program. Forests have been depleting rapidly, but in the past several years the Forest Service, with the assistance of U.S. advisers, has adopted measures to bring this under control not only to halt the depletion, but to increase the forest area. The access road network has been increased to a total of 20,000 kilometers, of which 10,000 were built during the last six years with U.S. assistance. Financing is now being worked out to buy heavy equipment and use it to complete a network of thousands of kilometers of access roads. New production units have been built and put into operation at the government operated pulp and paper mill at Izmic. Several plywood factories have gone into production recently, and another is under construction. With the assistance of the U.S. AID Mission, the Forestry Faculty of Istanbul University is expanding its physical plant and teaching facilities. Half of its teaching staff has been trained in the United States.

Today, the Turkish highway system is one that is viewed by the other nations of the Middle East as a model to be imitated as closely as funds and equipment will permit. The integrated road and highway system of Turkey with some few exceptions, has reached into all areas of population. The highway network is indispensable in the economic, political, and educational modernization of Turkey, but its greatest contribution is yet to come. The program was originally conceived in 1947 under a joint MSP-Bureau of Public Roads project, and was fully under way in 1950 with a complement of 44 technicians. It was completed in 1958, having provided 24,800 kilometers of provincial highways of which over 16,000 are all weather. The AID program provided equipment valued at $41 million. An efficient and modern highway department has been developed in Turkey, and practices initiated by U.S. advisers prevail. As a direct result of the roads program the interior of the country has been opened up to commerce. Since 82% of the population lives in small villages the effect of this penetration is indeed great.

[redacted]

Country: TURKEY

BASIC DATA

	Unit	TURKEY	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	300	xxx
Population (1961)	Mil.	28.4	xxx
Annual Growth	%	2.9	2.4
Density per sq.mi.	No.	95	40
AGRICULTURAL LAND			
% of Total Area	%	70	25
Per Capita	Acres	4.7	2.5
POWER PER CAPITA	KWH/Yr	104	80
EDUCATION			
Literacy Rate	%	30	35
Pupils as % of Pop. (Prim. & Sec.)	%	10	9
Pupils per Teacher (Prim. only)	No.	48	38
HEALTH			
Life Expectancy	Yrs.	n.a.	40
People per Doctor	No.	2,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	5,215	5,372	5,300
Per Capita GNP	Dollars	195	195	187
Investment as Percent of GNP	Percent	10.7	11.0	11.8
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	114	122	119
Index Per Capita	"	97	101	95
Wheat	1,000 MT	5,800	7,000	6,000
CEMENT OUTPUT	"	1,728	2,040	2,050
COST OF LIVING INDEX (Istanbul)	1953=100	217	228	236
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions	354	321	347
Tobacco	"	92	56	75
Total Imports (c.i.f.)	"	470	468	509
Trade Balance	"	-116	-147	-162
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	82	60	68
Imports from U.S. (f.o.b.)	"	126	125	136
Trade Balance	"	-44	-65	-68
GOLD & FOREIGN EXCHANGE *(end of year)*	"	265	252	237

CENTRAL GOVERNMENT FINANCES* FY ending Feb. 28	*Million Dollar Equivalents* 1960	1961	1962
Total Expenditures	804	862[a]	1,047[a]
(Defense Expenditures)	(256)	(271)	(302)
(Capital Outlays)	(261)	(265)	(339)
Domestic Revenues	675	696	893[a]
Budget Receipts from Non-U.S. Foreign Aid	-9	-15	-9
Budget Receipts from U.S. Aid (Grants & Loans)	106	85	116
Remaining Deficit (-) or Surplus (+)	-32	-96	-47

* - Converted at 9 Turkish Liras per U.S. $.
a - Budget estimates.

FINANCIAL DATA

Country: TURKEY

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	1134.1	211.7	73.4
Development Loans.....	170.8	117.3	10.0
Development Grants..... (T.C. prior to FY 1961)	33.0	4.4	5.4
Supporting Assistance..... (DS/SA prior to FY 1961)	930.3	90.0	58.0
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	149.4	20.3	87.6
(Sales Agreements).....	(246.9)	(25.4)	(109.5)
Title II.....	12.2	-	-
Title III.....	4.5	1.0	3.2
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	79.1	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	12.2	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	1899.3	180.3	195.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	193.0	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	60.7	-	a/
Intern'tl Monetary Fund.....	41.0	37.5	a/
European Monetary Agreement.....	-	50.0	a/
UN Tech. Assist.-CY ending in FY.....	5.1	0.7	0.7
UN Special Fund.....	2.0	-	0.6a/
OTHER FREE WORLD ASSISTANCE			
West. Germany.....	85.0	50.0	a/
SINO-SOVIET BLOC ASSISTANCE.....	17.0	-	a/
U.S. DOLLAR LOAN REPAYMENTS			
MSP and P.L. 480 Loans.....	6.5	-	-
Export-Import Bank.....	40.5	1.5	0.1a/
Other Government Loans.....	NA	0.8	0.4

a/ July-December 1961.

[redacted]

UAR
(Egypt)

UAR
(Egypt)

FINANCIAL DATA

Country: UAR (Egypt)

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	92.7*	2.0*	22.0
Development Loans.....	23.4*	-0.25	20.0
Development Grants..... (T.C. prior to FY 1961)	10.5*	2.3*	2.0
Supporting Assistance..... (DS/SA prior to FY 1961)	58.8	-	-
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	167.7	63.9	99.0
(Sales Agreements).....	(219.9)	(79.8)	(123.7)
Title II.....	-	-	29.1
Title III.....	83.2	22.6	27.5
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	37.9	18.0	-
OTHER U.S. ECONOMIC PROGRAMS.....	11.1	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
IBRD - World Bank.....	56.5	-	-
Internat'l Finance Corp.....	-	-	-
Internat'l Develop. Assoc.....	-	-	-
Industrial Develop. Bank.....	-	-	-
UN Tech. Assist. -CY ending in FY....	6.5	0.9	-
UN Special Fund.....	6.1	4.4	0.6 a/
OTHER FREE WORLD ASSISTANCE			
West Germany.....	63.1	25.0	a/
Japan.....	10.3	-	a/
Italy.....	43.0	-	a/
Other Countries.....	19.0	20.0 b/	a/
SINO-SOVIET BLOC ASSISTANCE	624.0	34.0	a/
U.S. DOLLAR LOAN REPAYMENTS			
Export-Import Bank	10.2	1.2	1.1 a/
Other Government Loans	NA	-	-

a/ July-Dec. 1961. b/ Largely U.K.
* Includes obligation for Syrian Region.

The Development Grant activities in the agricultural sector are aimed at removing some of the major obstacles to achieving the goals in this sector. There are two projects in the field of water resources for which funding will be required in FY 1963: A continuing technical survey project to determine water availabilities, and a hydraulic research laboratory project which will begin in FY 1962 and continue in FY 1963. The Egyptian-American land reclamation and resettlement project, begun in FY 1953 will continue into FY 1963. Other development grant projects in agriculture are under consideration for inauguration in late FY 1962 or FY 1963. One project in the communications sector was begun in FY 1961 and will continue through FY 1963 to provide a nationwide telegraph, telecommunications, and radio system for the UAR.

Development loans will be concentrated in the agricultural and industrial sectors where capital expenditures involving foreign exchange are required. The level will be dependent on the acceptability of the applications which are received.

The Food for Peace program in the UAR will be heavily concentrated in Title I sales. Title III is expected to continue at about the current $27.5 million level.

Accomplishments

When in 1959 the United States resumed an active development assistance program in the UAR, there was no obligation to revive old activities. The "new" program was given very careful scrutiny and grew slowly. Only modest grant assistance was extended and a proliferation of activities was avoided.

The following are examples of accomplishments resulting from recent programs financed in part by the U.S. assistance program.

The EARIS Project (Egyptian-American Rural Improvement Service) is a joint resettlement and reclamation program which began in 1953. While U.S. participation was discontinued at the time of the Suez crisis, these activities were resumed in 1959. The total project will provide 5-acre lots and complete community facilities for 8,000 families on 39,000 acres of reclaimed land. While the project has been under way for some time, about 80% of the resettlement has taken place in the last two years. To date, 20,000 acres have been reclaimed and 2,500 families have been settled. Aside from improving conditions for Egyptian farmers, it has contributed toward the development of reclamation and resettlement techniques which will be used in other areas when the High Dam is completed.

A highway development and maintenance program, to improve techniques and practice of highway construction, utilization, and maintenance, was revived in FY 1959, after a two year interruption during the Suez crisis, and terminated in FY 1961. A 110-mile modern 4-lane highway, which was planned jointly by American and UAR engineers, built by U.S.-financed American equipment and supported by local currency generated by the U.S. aid program, now links the main port of Alexandria with Cairo. This new highway will play an important part in quickening the pace of UAR development: It crosses the UAR's richest agricultural area and connects major industrial towns in the Delta area. The construction of this highway is also serving to demonstrate modern techniques of highway design and construction.

The United States provided technical and commodity assistance to help the UAR plan and complete its 1960 national population census. Final tabulations are expected to be published before June of this year, instead of three or four years after the census as in the past.

The UAR has been assisted by the United States to build a modern airway system. The AID role included the planning and engineering for installation of ground equipment, 75% of which is now installed, on-the-job training of ground crews, and the training of more than 40 Egyptians in the United States. This project has made it possible for the UAR to cater to the most modern of international aircraft, as well as maintain a domestic system.

The UAR 10-year development plan, which received supplemental funding from local currency generated under Food for Peace, was responsible for a shift in emphasis to industrial growth and contributed to the sizable increase in per capita GNP over recent years. The plan was produced by a sophisticated cadre of UAR planners, but it is over-ambitious and suffers from inadequacies of administrative capacity and technical ability in execution. UAR officials recognize these shortcomings, and have for the first time turned to the United States for advice to improve their capacities and techniques for over-all national economic and industrial planning.

[redacted] ARAB REPUBLIC (EGYPT)

BASIC DATA

	Unit	UNITED ARAB REPUB. (EGYPT)	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	386	xxx
Population (1961)	Mil.	26.7	xxx
Annual Growth	%	2.5	2.4
Density per sq.mi.	No.	69[a]	40
AGRICULTURAL LAND			
% of Total Area	%	3	25
Per Capita	Acres	0.2	2.5
POWER PER CAPITA	KWH/Yr	98	80
EDUCATION			
Literacy Rate	%	25	35
Pupils as % of Pop. (Prim. & Sec.)	%	11	9
Pupils per Teacher (Prim. only)	No.	38	38
HEALTH			
Life Expectancy	Yrs.	40	40
People per Doctor	No.	3,000	7,000

GENERAL ECONOMIC DATA

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP *(in 1960 Prices)*	$ Millions	3,518	3,679	3,510
Per Capita GNP	Dollars	139	141	131
Investment as Percent of GNP	Percent	13.8	16.9	17.5
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	126	134	120
Index Per Capita	"	110	113	99
Wheat	1,000 MT	1,443	1,499	1,436
ELECTRIC POWER PRODUCTION	Mill. KWH	2,135	2,550	n.a.
COST OF LIVING INDEX (Cairo)	1953=100	103	103	103
FOREIGN TRADE				
Total Exports (f.o.b.)[b]	$ Millions	443	550	462
Cotton		316	387	300
Total Imports (c.i.f.)[b]	"	616	646	662
Trade Balance	"	-173	-96	-200
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions	17	32	35
Imports from U.S. (f.o.b.)	"	107	151	161
Trade Balance	"	-90	-119	-126
GOLD & FOREIGN EXCHANGE *(end of year)*	"	462	367	332 (Nov)

CENTRAL GOVERNMENT FINANCES*[c] FY ending June 30	- Million Dollar Equivalents - 1960	1961	1962
Total Expenditures	1,374	1,600	2,089
(Defense Expenditures)	(275)	(296)	(312)
(Capital Outlays)	(282)	(400)	(774)
Domestic Revenues	1,172	1,400	1,719
Budget Receipts from Non-U.S. Foreign Aid	99	125	100
Budget Receipts from U.S. Aid (Grants & Loans)	74	59	72
Remaining Deficit (-) or Surplus (+)	-29	-16	-198

* - Converted at $2.872 per Egyptian pound.
a - 1,800 people per square mile of productive land.
b - Data exclude trade with Syria.
c - Budget estimates adjusted by AID.

The United Arab Republic (UAR) (Egypt), the largest and most powerful of the Arab nations, occupies a key position in the Near East. The revolutionary government of President Nassar has ruled Egypt for the past 10 years and, despite some loss of prestige as a result of the recent Syrian defection from the UAR, continues to enjoy widespread popular support from the Arab masses in the Near East and North Africa.

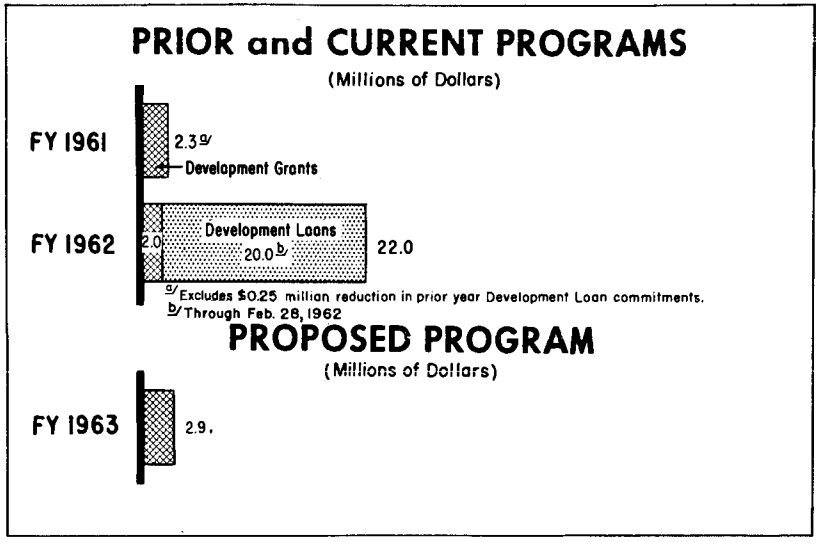
In recent years, Egypt has made notable economic progress despite the pressures on scarce natural resources of a large and rapidly growing population. Since 1957, the Gross National Product (GNP) has grown rapidly, largely due to substantial increases in investment and production in the industrial sector. As a result of the sequestration of foreign holdings at the time of the Suez crises of 1956 and recent nationalization actions, a large part of the Egyptian economy is state-owned or controlled. The major exceptions are the ownership of agricultural land, which is still largely in private hands, and the trade and service sectors.

Although the government's development program is financed mainly from domestic revenues, substantial amounts of external assistance have been received since 1955. The Soviet bloc has promised to provide economic and military assistance of about $1 billion. Total Western economic aid was resumed in 1958 and 1959, and commitments since 1952 now total about $1,000 million, of which about $681 million has been provided by the United States.

Major differences exist between the U.S. and the UAR approach to important foreign policy issues, especially with regard to the Arab-Israeli problem and the political orientation of the Arab and African states. Although the UAR has followed a tough policy toward Communism in Egypt and the Arab world, it has often parelleled the Soviet bloc on such issues as "imperialism." From 1955 through 1959, Egypt was almost entirely dependent upon the Soviet bloc for economic aid and military assistance as well as foreign trade. Since 1959, it has sought and received U.S. and Western assistance to lessen its dependence upon the bloc. This assistance, while it has strengthened the UAR's ability to withstand Soviet pressures, has not yet resulted in the resolution of the major issues which divide us.

Country Background

Despite the growing importance of the industrial sector, agriculture continues to occupy over half the labor force and to contribute a third of GNP. As a result, fluctuations in



agricultural output have a severe effect on the economy. For example, the sharp 1961 decline in rice, cotton and corn production brought down total agricultural output 10%, real GNP 4.5%, and real per capita GNP more than 7%.

The upsurge in the pace of economic development in the past five years resulted in a growth of GNP which exceeded the increase in population. Although there was a decline in 1961, the growth rate is expected to regain momentum over the next four years. This expected expansion reflects the delayed effects of past investments and the government's intent to accelerate investment outlays.

As a result of government efforts to accelerate growth, the ratio of investment to GNP rose from the 14 percent level in 1959 to 17% in 1961. Government expenditures in FY 1960-61 were almost double the FY 1957-58 level and capital outlays rose from 10% to 25% of the total budget. As a result, the overall deficit, which was financed by domestic borrowing and foreign aid rose from $27 million in FY 1958 to about $200 million in FY 1961.

While prices remained relatively stable through this period, gold and foreign exchange reserves fell from $505 million

(December 31, 1958) to $332 million (end November 1961), the equivalent of about 6 months of imports.

The long-term development goals of the UAR are described in the first 5-year phase of its 10-year (mid-1960-mid-1970) development plan, which envisages a doubling of national income by mid-1970. The plan anticipates development expenditures of $4.5 billion in five years, aimed at an 80% increase in industrial output and a 28% increase in agriculture, with industry replacing agriculture as the most important contributor to GNP.

While the plan is well conceived, its targets are somewhat overambitious. The anticipated 5-year investment outlay would involve an average annual rate of over $900 million as compared with an estimated $615 million in 1961. Actual investment over this period is likely to be about $3.2 billion rather than the planned $4.5 billion, and the increase in GNP is likely to be 20% as against the planned goal of 40%.

To finance its development needs, the UAR will continue to rely upon foreign assistance. While domestic resources will continue to meet a major portion of government development financing requirements as in past years, the sharp increase in FY 1961-62 expenditures will require increased dependence on foreign aid. The major non-U.S. source of external assistance to the UAR for capital expenditures has been the Soviet bloc, against whose commitments of $624 million, $136 million had been drawn by June 1961. Further drawings will follow as work progresses on current commitments, particularly the Aswan Dam. A previous loan of $56.5 million from the IBRD for improvement of the Suez Canal is still being used and the UAR will probably seek more help from them by 1965. The United Kingdom and Western Germany are extending industrial and commercial credits, now projected to continue at about $50 million a year. The United Nations has a substantial Technical Assistance Program in the UAR, and Japan is providing modest technical assistance in agriculture.

Judged by the major criteria of self-help, the UAR effort holds promise of substantial advance toward its development goals. In spite of ancient and outmoded social traditions, gross shortages of vocational and administrative skills, antiquated production procedures, and 75% illiteracy, it is still clear that the UAR has grided itself for development and has committed major resources for its achievement.

U.S. Assistance Strategy

It is in our interest to provide the UAR with an alternative to complete dependence upon the bloc and, thereby, create an atmosphere conducive to a growth of mutual understanding and confidence and, hopefully, to more moderate and constructive foreign and domestic policies.

U.S. assistance plays a key role in pursuit of this objective. The large amounts of surplus agricultural commodities which we are supplying under P.L. 480, Title I, help the UAR conserve scarce foreign exchange and prevent consumption levels from falling as population increases. Development loans assist in the implementation of major projects which are essential to economic growth. A small concentrated development grant program provides technical assistance and advice which assists development efforts and may influence policy in important sectors of the economy.

Profiting from earlier experience, the United States has viewed new aid proposals cautiously since the resumption of U.S. assistance in 1959. Food for Peace will continue to be the major element of the program to provide required food imports without a loss of foreign exchange and thereby permit larger local currency expenditures for development purposes. Development grants will continue to be concentrated within areas of development planning, industry, and agriculture, where local technical skills are inadequate. Development Loans will be made available for specific projects in the development plan which require large components of foreign exchange and which meet AID criteria.

Proposed AID Program for FY 1963

A Development Grants program of $2.9 million is proposed for FY 1963 and a Food for Peace sales program of $84 million is contemplated to finance development expenditure.

Three development grant programs in the planning sector are to be initiated shortly and continued in FY 1963: The Agency for International Development will furnish consultative services for UAR projects aimed at (1) establishing an appropriate engineering division in the Five-year Industrial Plan Organization, (2) setting up systems for data collection, planning studies, evaluating the program, and preparing material for computer analysis, and (3) determining the current and future manpower needs of the development plan for the purpose of establishing the means for developing the appropriate skills. An additional project now under consideration involves U.S. advice to the National Institute for Management Development for the establishment of a managerial consultation service for local industry.

Yemen

Yemen

Yemen, located on the Red Sea in the mountainous relatively fertile southwest corner of the Arabian Peninsula, is governed by an absolute monarch, the Imam, who is both spiritual and temporal ruler. Yemen has been almost completely isolated from the rest of the world until recently and there is an undercurrent of unrest among the four million Yemeni concerning the country's backwardness and the Imam's oppressions.

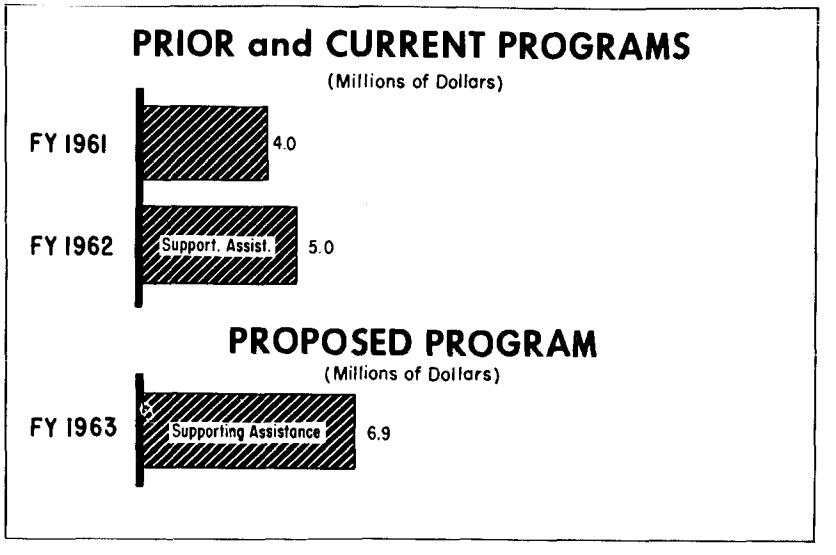
U.S. interest in Yemen centers on the need to prevent Soviet bloc domination of the country through its assistance programs. Such domination would jeopardize Free World use of the Suez Canal - Red Sea artery - and the important British base in Aden.

Country Background

Following the withdrawal of the Turks in 1917, Yemen isolated itself completely from the world beyond the Arabian Peninsula. In recent years, however, increased contact with the outside world has brought about dissatisfaction with internal economic and social conditions among educated Yemeni. The latter number is on the increase, with some six hundred now studying abroad. The Imam is aware of the restiveness concerning Yemen's backwardness but he has neither the ability nor the will to disturb the traditional feudal pattern. His age, poor physical condition and fear that loosened restraints and control would result in loss of power for him, or for his family after his death, have prevented him from undertaking any reforms. He has, however, accepted outside aid to make a show of progress.

Beginning in 1956, the Communist bloc (mainly Russia and China) attempted to exploit the Imam's problems by offering aid. Through FY 1961 bloc assistance totalled about $70 million in grants and loans, some $27 million of which was for military purposes. From a peak of 1,200 in 1960 and 750 in 1961, Soviet bloc personnel in Yemen now approximate 150. However, negotations are under way for new projects which may result in some increase in their number. The strategic location of Yemen, growing internal unrest, and the efforts of the Communist bloc to achieve political influence led to the initiation of the U.S. aid program in 1959. Through 1961, it totaled $7.3 million.

Despite Sino-Soviet and U.S. assistance in construction of port and road facilities, the country still lacks practically all requirements for social and economic development. There is almost no economic infrastructure, governmental organization or effective tax system. The educational system is limited primarily to



Koranic schools which are well below the standard in nearby countries. The population is engaged principally in subsistence agriculture and barter trade, and there is a dearth of personnel in all management and technical fields other than stonemasonry. Self-help efforts are virtually non-existent.

U.S. Assistance Strategy

Our aid program is designed to prevent the Soviet bloc from achieving domination of Yemen and to establish a basis for favorable U.S. association with future leadership groups, who may take over at the death of the present Imam. Because the motives behind our program are primarily strategic, it is financed from Supporting Assistance.

Proposed AID Program for FY 1963

The FY 1963 program proposes the use of $6.9 million of Supporting Assistance funds to continue current projects (including scholarships at American University in Beirut) and possibly further activity in education. In FY 1960 the U.S. undertook

[redacted]

Country: YEMEN

the construction of 260 miles of gravel surfaced road from the Port of Mocha to Sanaa via Taiz, to be completed by the end of 1964. After an Agency for International Development (AID) office was established and studies were made of existing conditions, additional smaller projects in water supply, health and education were undertaken.

Expenditures on projects now underway will reach their peak in FY 1964, when major activity on the road project will come to an end.

Accomplishments and Changes

Considerable progress has been made in the past six months in the road construction project, with a resulting favorable change in the attitude of the Government of Yemen towards the United States. Fewer restrictions are now placed on the movement of American technicians and Yemeni regulations tending to slow down construction have been softened.

The continuing growth of the city of Taiz during the past five years resulted in a critical shortage of water for domestic purposes in 1960, no thought having been given to the construction of essential public utilities. We have financed the construction of a small water reservoir and drilling of four wells, which now produce one thousand gallons of water a minute. This small project has brought praise to the United States and honors to the American sanitary engineer in charge.

FINANCIAL DATA

[redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1959-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	7.3	4.0	5.0
Development Loans.....	-	-	-
Development Grants.....	-	-	-
(T.C. prior to FY 1961)			
Supporting Assistance.....	7.3	4.0	5.0
(DS/SA prior to FY 1961).			
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	9.3	1.7	1.7
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Assist.-CY ending in FY....	0.4	0.1	0.1
OTHER FREE WORLD ASSISTANCE.....	-	-	-
SINO-SOVIET BLOC ASSISTANCE.....	44.0	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-

[redacted]

[redacted]

BASIC DATA

	Unit	YEMEN	AVERAGE (UNDEV. AREAS)
AREA & POPULATION			
Area	1000 sq.mi.	75	xxx
Population (1961)	Mil.	4.0	xxx
Annual Growth	%	n.a.	2.4
Density per sq.mi.	No.	53	40
AGRICULTURAL LAND			
% of Total Area	%	n.a.	25
Per Capita	Acres	n.a.	2.5
POWER PER CAPITA	KWH/Yr	n.a.	80
EDUCATION			
Literacy Rate	%	25	35
Pupils as % of Pop. (Prim. & Sec.)	%	2	9
Pupils per Teacher (Prim. only)	No.	31	38
HEALTH			
Life Expectancy	Yrs.	30-40	40
People per Doctor	No.	125,000	7,000

GENERAL ECONOMIC DATA

[redacted]

	Unit	Calendar Years 1959	1960	1961 Est.
GROSS NATIONAL PRODUCT*				
Total GNP (rough estimate)	$ Millions		360	
Per Capita GNP	Dollars		90	
Investment as Percent of GNP	Percent		n.a.	
AGRICULTURAL PRODUCTION INDEX - TOTAL	1952-54=100	75	97	99
Index Per Capita	"	n.a.	n.a.	n.a.
Millet and Sorghum	1,000 MT	550	700	715
COST OF LIVING INDEX	1953=100		Not Available	
FOREIGN TRADE				
Total Exports (f.o.b.)	$ Millions			
Coffee	"			
Total Imports (c.i.f.)	"		Not Available	
Trade Balance	"			
Trade with United States *(U.S. data)*:				
Exports to U.S. (f.o.b.)	$ Millions			
Imports from U.S. (f.o.b.)	"			
Trade Balance	"		Not Available	
GOLD & FOREIGN EXCHANGE *(end of year)*	"			

CENTRAL GOVERNMENT FINANCES*[a] FY ending Dec. 31	-Million Dollar Equivalents- 1959	1960	1961
Total Expenditures	23	30	29
(Defense Expenditures)	(5)	(5)	(5)
(Capital Outlays)	(8)	(11)	(10)
Domestic Revenues	15	19	20
Budget Receipts from Non-U.S. Foreign Aid	8	11	9
Budget Receipts from U.S. Aid (Grants & Loans)	--	--	--
Remaining Deficit (-) or Surplus (+)	--	--	--

* - Converted at 1.35 Riyals per U.S. $.
a - AID estimates.

[redacted]

Regional
Programs

Regional
Programs

NEAR EAST AND SOUTH ASIA
REGIONAL PROJECTS

The Near East and South Asia Regional Projects Program consists mainly of continuing technical assistance activities that are more effectively carried out on a regional than on a country-by-country basis. Such activities include training participants from countries of this region at an institution of higher learning, conducting seminars and conferences on agricultural, industrial and labor subjects for the benefit of high and middle technicians and civil servants, and financing part of the cost for programs aimed at controlling insect plagues.

Regional Projects Background

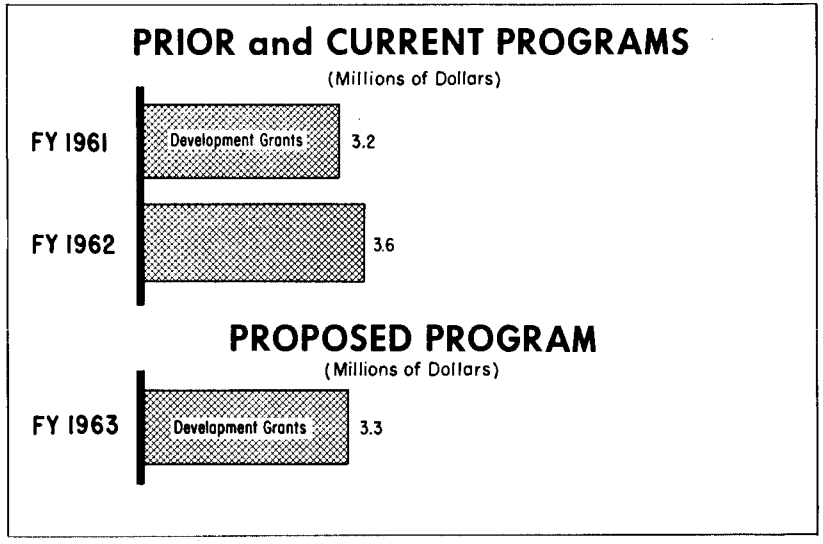
The Agency for International Development's (AID) use of American University of Beirut (AUB) facilities for training of program participants began in 1951. Since that date AUB has provided training in such fields as education, engineering, and public health to approximately 3,500 participants. These students have returned to responsible jobs in government and the private sector.

Seminars and conferences in the fields of agriculture, labor leadership, and public administration have been held since FY 1956. These meetings have provided an invaluable opportunity for government officials from regional countries to exchange views and experiences on common problems and to learn from U.S. specialists about approaches which have been found useful elsewhere.

The United States has sponsored a regional project in insect control since 1952. We have found that the center of infestation, and the major area of plagues has shifted to North Africa as Near East and South Asia countries have become successful in the control of plagues. Consequently, the funding of this project will be undertaken by the African-European Regional Bureau in FY 1963.

Proposed AID Program for FY 1963

The principal regional project to be carried on in FY 1963 will be the training of approximately 665 participants under the



continuing contract with the AUB. We will also continue to finance the services of Regional Technical Advisors in the fields of participant training, civil aviation, and shipping, and cover the costs of a series of conferences, seminars, and training courses for foreign government officials concerned with agriculture and labor.

Aid level will be reduced to $3.3 million as a result of the transfer of insect control from NESA to Africa-Europe.

[redacted]NESA

REGIONAL
PROJECTS

FINANCIAL DATA

Obligations and Commitments (millions of dollars & dollar equiv.)		FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...			
Development Loans.....		-	-
Development Grants..... (T.C. prior to FY 1961)		3.2	3.6
Supporting Assistance..... (DS/SA prior to FY 1961)		-	-
Other MSP Economic.....		-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....		-	-
(Sales Agreements).....		-	-
Title II.....		-	-
Title III.....		-	-
Title IV.....		-	-
EX-IM BANK LONG-TERM LOANS.....		-	-
OTHER U.S. ECONOMIC PROGRAMS.....		-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....		-	-
M.A.P. - Credit Assistance.....		-	-
Non-M.A.P. Military Assistance.....		-	-
ASSISTANCE FROM INT'L AGENCIES.....		-	-
OTHER FREE WORLD ASSISTANCE.....		-	-
SINO-SOVIET BLOC ASSISTANCE.....		-	-
U.S. DOLLAR LOAN REPAYMENTS.....		-	-

The Central Treaty Organization (CENTO) is a direct outgrowth of the Baghdad Pact Organization, which was created in 1959 by Turkey, Iraq, Pakistan, Iran and the United Kingdom for collective regional defense, improved internal security, and joint regional economic development. Following the coup of July 1958, Iraq withdrew from the Organization, and its name was changed. The United States has preferred to have "observer," rather than member, status at the Council level of the Organization. However, the United States has always strongly supported the purposes of the Pact, and has been a full member and active leader in all of the CENTO Committees, i.e., Economic, Military, Counter-Subversion, and Liaison (on regional security).

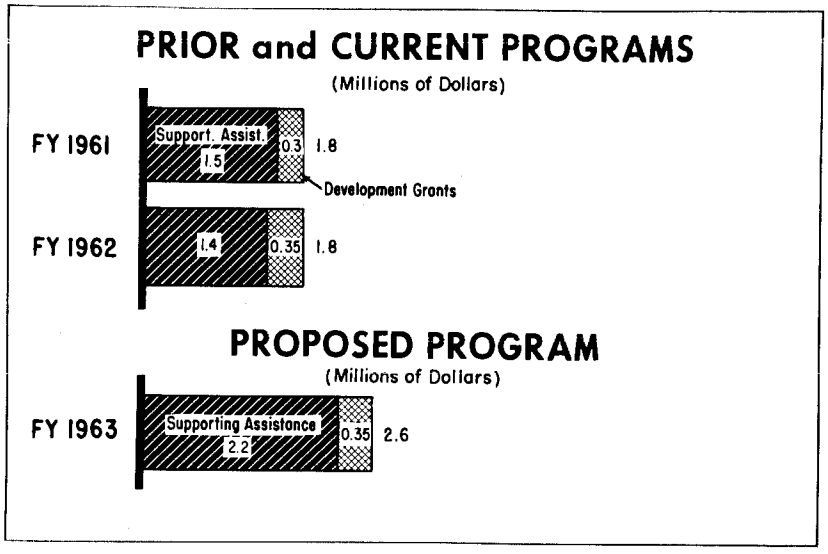
Background and U.S. Assistance Strategy

Turkey, Iran and Pakistan constitute the land mass linking Western Europe with the free nations of South Asia and separating the Soviet Union from access to the Mediterranean and Arabian Seas and the oil of the Middle East.

There are economic objectives in the region which can only be accomplished effectively, and at least cost, through joint efforts. CENTO economic objectives and activities have centered on (a) improvement of physical communications and transportation between the countries through capital projects, such as linking the highway systems of two neighboring countries, and a railroad; and (b) joint technical assistance projects for exchanges of experts and officials, as well as joint conferences on problems of common concern in the region. These technical cooperation activities have encompassed many fields, such as agriculture, public health, control of the transmission of plant and animal diseases from country to country, labor education, and development planning techniques. Through FY 1961 the United States has provided Baghdad Pact/CENTO with about $25,000,000 of external assistance for regional projects, both technical assistance and capital.

All CENTO projects are financed in one of three ways: U.S. financing, United Kingdom financing, or multi-country financed out of contributions or payments by all member countries. To be considered for U.S. financing, proposals must contribute to CENTO and U.S. objectives, and must (a) benefit two or more countries in the region, and (b) accomplish an objective more effectively through joint action of regional countries rather than bilateral U.S. aid activity in each country separately.

Other Assistance Through CENTO. The United Kingdom is continuing a commitment of £800,000 ($2,240,000) annually for CENTO economic development projects. The regional countries contribute one-third



to one-half of the cost of the Multilateral Technical Cooperation Fund (MTCF) program of intraregional exchanges, in addition to their contributions on other projects. Total budgeted contributions to the MTCF are the equivalent of $450,000, including $150,000 from the United States since 1959.

Proposed AID Program for FY 1963

Development Grants. Development Grant funds will continue to be given for CENTO technical assistance programs for the foreseeable future. The small, relatively short-term projects involved, usually costing between $10,000 - $25,000, all stem from political objectives of increased regional cohesion and understanding, as well as economic development. $350,000 for both FY 1962 and FY 1963, distributed through a number of economic fields, represent a modest approach to this politico-economic effort.

Development Loans. A development loan to Turkey was approved in FY 1961 for $6,000,000 for the construction by Turkey of the Mus-Tatvan section of the CENTO Turkey-Iran Railway Link Project. New loan criteria for CENTO projects have been recently developed, with the following principal features: (a) Proposals must be in the development plans of the requesting countries; (b) future funding of new capital projects will be on a bilateral loan basis, instead of Supporting Assistance grants as in the past; (c) in establishing priority and evaluating projects, account will be

taken of regional political, military, and psychological factors, as well as the usual economic and technical criteria for country loans; and (d) loan applications will be considered in the context of the total U.S. aid program for each country concerned.

Supporting Assistance. Aside from projects fully funded from the past, one project is receiving Supporting Assistance at this time, i.e., assistance for the establishment of a Regional Civil Airway linking Ankara-Tehran-Karachi. This activity will also provide a better and safer airway between Europe and Free Asia. $1.4 million has been approved for FY 1962 and $2.2 million is proposed in FY 1963 for this project. A total of $1.15 million will be needed in FY 1964-65. The project will be completed in FY 1965, at which time Supporting Assistance for CENTO would be phased out.

Accomplishments

The ultimate purposes of the Central Treaty Organization are essentially military and political: To achieve a sense of regional identification, and a more effective alliance between the neighboring but disparate countries of Turkey, Iran and Pakistan; and at the same time to maintain and strengthen their orientation towards the West. Each economic project -- whether capital or technical -- has been designed with these political ends also in mind. A heigthened sense of mutual understanding and bond has been achieved through the joint planning and coordinated activity involved in the regional airway, regional telecommunications link, and the road projects now under way.

The technical assistance programs of the United States while small in size and cost, have reached into many areas of common problems, and have emphasized self-diagnosis and self-help through catalytic U.S. advice and action. By the end of FY 1962, about 800 leaders - civil servants, engineers, physicians, teachers, hydrologists, agriculturalists, scientists, bankers, labor unionists, development planners, mine owners and officials, statisticians and law enforcement officers - will have participated in U.S.-sponsored CENTO regional training, exchange and seminar programs. Before these activities began under the CENTO aegis, ignorance of each other's attitudes, problems and efforts was the typical situation; today many representatives of each of the regional countries are familiar with the views and experiences of their opposite numbers in the neighboring countries; information is being exchanged; and the repeated confrontations result in significant contributions to regional thinking and action. Particularly important is the fact that, with respect to any given subject, the skills, knowledge and experience of one regional country frequently tend to be superior to those of the others; technical and other meetings generally result in the laggard countries making strong competitive efforts to catch up with the leader. Generally speaking, this spur to improvement is at least as effective as the contributions of U.S. and other foreign experts who participate in the meetings.

Orientation, especially of leaders and professional classes, toward Western concepts and relationships is greatly spurred by the fact that English is the required language in all CENTO-sponsored meetings and is in fact often a requirement in the exchange of host country technical personnel.

FINANCIAL DATA

CENTO

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1957-1961	FY 1961	FY 1962
AGENCY FOR INT'L DEVELOPMENT - TOTAL...	25.0	1.8	1.7
Development Loans.....	-	-	-
Development Grants..... (T.C. prior to FY 1961)	0.7	0.3	0.3
Supporting Assistance..... (DS/SA prior to FY 1961)	24.4	1.5	1.4
Other MSP Economic.....	-	-	-
FOOD FOR PEACE (P.L. 480)			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	-	-	-
Title IV.....	-	-	-
EX-IM BANK LONG-TERM LOANS.....	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-
MILITARY ASSISTANCE (Programs)			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
ASSISTANCE FROM INT'L AGENCIES	-	-	-
OTHER FREE WORLD ASSISTANCE.....			
United Kingdom.....	8.7	2.2	2.2
SINO-SOVIET BLOC ASSISTANCE.....	-	-	-
U.S. DOLLAR LOAN REPAYMENTS.....	-	-	-