

PN-ABT-596

Programs of the

I N T E R N A T I O N A L C O O P E R A T I O N A D M I N I S T R A T I O N

Under the

M U T U A L S E C U R I T Y P R O G R A M

<u>Defense Support</u>	(Tab DS)
Authorization	\$675 million
<u>Special Assistance</u>	(Tab SA)
Authorization	\$256 million
<u>Technical Cooperation</u>	(Tab TC)
Authorization	\$172 million

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DEFENSE SUPPORT

Program FY 1959	<u>\$808 million</u>
Program FY 1960	<u>\$766 million</u>
Authorization FY 1961	<u>\$675 million</u>

Countries

1. Korea
2. Vietnam
3. Pakistan
4. China

----- requirements for these 4 vital
countries constitute

75% of the authorization

5. Spain
6. Greece
7. Turkey
8. Iran
9. Cambodia
10. Laos
11. Philippines
12. Thailand

KOREA

Background

The Republic of Korea (ROK) has a population of 23 million in an area of 37,000 square miles, approximately the size of Indiana. The population density of 620 per square mile is among the highest in the world. Despite the scarcity of arable land, 65% of the population is engaged in agriculture.

Significance to U. S. Security

Korea is an outpost of the Free World on the Asian mainland. The U.S. trained and equipped Korean armed forces are a powerful deterrent to a resumption of hostilities by the Communists. The continued existence of Korea as an independent, free nation has an important bearing on U.S. interests in Asia.

Problems

(1) Heavy Military Burden. Approximately 20% of the male population between the ages of 18 and 40 is in the armed forces. Inasmuch as the military budget absorbs about 50% of Korea's domestic revenues, the government is unable concurrently to meet essential civilian requirements and support an adequate economic development program.

(2) Population Growth. The population of South Korea is growing at an estimated rate of 2.2% a year. This increase, in an already overpopulated country, places a heavy burden on the economy in terms of increased requirements for domestic production and imports needed to maintain even the present low standard of living.

Mutual Security Program

U.S. Military Assistance to Korea during the period 1950-59 averaged \$120 million annually, principally military hardware and spare parts.

U.S. Economic Assistance to Korea was resumed in 1952 and, by the end of 1959, about \$1.7 billion in economic aid had been made available. This assistance has enabled Korea to (1) support the necessary military forces, (2) maintain adequate levels of economic activity and essential consumption, and (3) strengthen its basic economic structure, thereby enabling the country to meet a larger share of its requirements from domestic production.

VIETNAM

Background

Situated on the eastern seaboard of the Indochina peninsula, the Republic of Vietnam was created in 1954 by the Geneva Accords which divided the former French protectorate and left the area north of the 17th parallel under communist control. Comprising an area of 66,000 square miles, Vietnam has a population of 13 million.

Significance to U.S. Security

Vietnam is militarily and politically important to the Free World and an element of strength in Southeast Asia. In spite of the armistice agreement, hostilities continue between Vietnamese Government forces and communist elements within the country. Vietnam's strength and steadfastness is a major factor in preserving the independence of other free nations in the area.

Problems

The continuing hostility of Communist North Vietnam and communist subversion are serious problems to the Government and the people of Vietnam. Without U.S. assistance, Vietnam would be unable to maintain the necessary military and internal security forces, to strengthen its basic economic structure, and to provide essential services to its people. The division of the country has left the bulk of the natural resources and industrial capacity under communist control.

Mutual Security Program

U.S. military assistance from 1955 through 1959 totaled approximately \$445 million and has enabled Vietnam to develop well-organized military forces with steadily increasing combat effectiveness.

U.S. economic assistance during the period 1955-59 averaged \$220 million annually.* This aid has enabled Vietnam to preserve its independence, rehabilitate war-damaged facilities, and maintain political and financial stability. The bulk of the assistance has been used for imports of commodities required to meet commercial demand and to offset the inflationary effect of large military expenditures. Assistance also has been provided for transportation and other public works projects important to the mobility of the armed forces and to economic development. In addition, technical assistance has been provided to enable the Government of Vietnam to improve public administration and basic services in health and education, and to stimulate increased agricultural and industrial production.

To date, the DLF has agreed to make a loan of \$19.5 million for improvement of water supplies in Saigon.

* Includes Defense Support and Technical Cooperation.

PAKISTAN

Background

Pakistan came into existence in 1947 after the partition of India and the granting of independence by Great Britain to the peoples of the subcontinent of South Asia. The country is geographically split into two areas--East Pakistan and West Pakistan--with more than 1,000 miles of Indian territory between them. The two parts of the country have a total area of about 365,000 square miles and an estimated population of over 87 million.

Significance to U. S. Security

Pakistan has allied itself with the collective defense efforts of the free world through membership in both the South East Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO). It is in the U. S. interest to ensure Pakistan's independence and strong support as an ally of the United States, and to strengthen U. S. security by enhancing Pakistan's military and economic strength.

Problems

Pakistan lacks the resources necessary to meet the commitments it has undertaken under the above collective security arrangements. The Defense Support program, in combination with PL 480 shipments, is to enable Pakistan to meet these defense commitments and to prevent a deterioration of the critically low standards of living of its increasing population. Foremost among Pakistan's problems is the gap between food production and the needs of a growing population. Since partition, food output has been virtually static, while the population has risen 20 per cent. Even to maintain a subsistence diet, it has been necessary to spend foreign exchange for food imports in addition to large quantities supplied under the PL 480 program. Since the end of the Korean War, the country has faced a continuous foreign exchange problem. In the 30 months preceding the advent of the Government of President Ayub in late 1958, Pakistan's exchange reserves fell 40 per cent. Since then there has been some recovery. However, the balance of payments problem remains unresolved. The rate of economic growth since independence has been only roughly sufficient to match the rate of population growth; however, measures taken since the advent of the Ayub regime hold promise of providing sustained economic improvement. Among these, a Second Five-Year Plan has been designed which has as major objective the achievement of self-sufficiency in foodgrains and an increase in production of large-scale industry by 50 per cent and of small-scale industry by 15 per cent.

Mutual Security Program

Military assistance is given to enable Pakistan to maintain internal security and defensive ability against external aggression. Economic assistance which has averaged about \$80 million from 1957 through 1959 and amounted to \$95 million in 1959, is intended to provide sufficient resources to enable Pakistan to meet its defense commitments; to maintain consumption at a politically tolerable level, and to allow for an investment program capable of providing a productive base for an output sufficient to match population growth. Technical assistance (about \$7 million in FY 1960) contributes to improve the shortage of technically trained personnel and instructions by providing technical training and advisers.

Achievements of Mutual Security Program

Despite political tensions, changes in administration and recurrent economic difficulties, Pakistan has maintained an encouraging degree of national stability and has remained a friend and ally of the United States. Without U. S. assistance the living standards would have deteriorated markedly. Political stability which appears to have increased, and defensive military strength could not have been achieved without U. S. assistance.

TAIWAN

Background

The island of Taiwan is 90 miles off the coast of mainland China. It has been the seat of the central government of the Republic of China since 1949. It has a population of 11 million and an area of 14,000 square miles, slightly larger than Maryland and Delaware combined.

Significance to U.S. Security

The Chinese forces on Taiwan total over half a million men and include several jet airforce squadrons, and a navy capable of patrolling the Taiwan Strait. The existence of these forces is a powerful deterrent to Communist Chinese aggression.

The Government of the Republic of China has been at war with the communists since 1949. Major communist attacks on the off-shore islands in the fall of 1958 were successfully repulsed. The superiority of the free Chinese airforce (with a ratio of combat losses of about 1 to 10) was particularly striking, and was a serious blow to Red China's prestige and a symbol of Free World determination to resist aggression. Since then hostilities in the Taiwan Strait area have continued with varying intensity.

Problems

The need to maintain a strong military establishment imposes a heavy drain on the physical and financial resources of Taiwan. In terms of the island's resources, the military budget is proportionately one of the largest in the Free World, amounting to about 14% of the GNP and over 60% of domestic revenues. Because of this burden, Taiwan would be unable, without continued U.S. assistance, to meet the essential needs of a population increasing by 3.5% each year.

Mutual Security Program

Military assistance during the period 1957-59 averaged about \$120 million annually, and consisted mainly of military hardware.

Economic assistance, including Defense Support and Technical Cooperation, averaged about \$70 million annually during the period 1957-59, and has enabled the Republic of China to maintain an adequate defense posture without political or economic instability. ICA assistance also has made possible railway and other communications improvements, substantial increases in the production of power and of commodities, such as aluminum and fertilizer. An outstandingly successful program of rural improvement has been undertaken by the Joint Commission for Rural Reconstruction (JCRR). Since 1952, the GNP has risen more than 60%, manufacturing output has expanded 125%, and agricultural production has increased by 30%.

A new program to accelerate economic growth, beginning in FY 1961, has been proposed. This program, which will rely primarily on the initiative of the people of Taiwan, capitalizes on the demonstrated potential of the island's economy. Defense Support and DLF assistance are expected to help make the island a show-place of development within the Free World.

SPAIN

Background

Spain officially is a monarchy, although the throne is vacant and by law and practice the Government is under the direction of Chief of State, General Franco. Population - about 30,000,000, Area - 194,000 square miles, somewhat larger than the New England and middle Atlantic states combined. Its overseas territories include Spanish Sahara and Rio de Oro in Africa. Per capita GNP (\$308 million in 1958 prices) is less than one-half the average for other OEEC countries. Spain is a basically agricultural country, although industrialization has been increasing since 1950.

Significance to U. S. Security

Spain provides strategically-located bases under joint U.S.-Spanish operation which serve elements of the U. S. fleets in the Eastern Atlantic and Mediterranean areas. Spanish military units contribute to the defense of the Iberian Peninsula, including the bases. Principal U. S. objectives are: (1) to maintain the complex of air and naval bases set up by the joint agreement of 1953; (2) to assist Spain in the maintenance of economic stability; and (3) to encourage fuller Spanish economic partnership with other free world countries.

Problems

(1) Agriculture - With the driest climate of any European country, only 45% of Spain's farm land is cultivated and about 10% of arable land is irrigated. Agriculture also suffers from lack of machinery, fertilizer, erosion control and land ownership problems. Agricultural exports, which represent 50-60 percent of Spain's export earnings, are subject to erratic fluctuations.

(2) Industry - Spanish industry is not yet competitive in international markets due to obsolete equipment, institutional rigidities, no competitive tradition in business, and little foreign investment capital.

(3) Economic Isolation - Spain was virtually untouched by the industrial revolution. Civil War destruction (1936-1939) and post-World War II isolation by the Allies aggravated Spain's economic problems.

Significant Achievements

Beginning in 1950, Spain emerged from its isolation and stagnation. Despite continuing problems, significant advances were made in Spanish industry, particularly in electric power, minerals and chemical production. More recently, Spain's major achievement has been the success of the economic stabilization program adopted in cooperation with the IMF, OEEC, and the U. S. Government in July 1959.

Summary of U. S. Economic Aid

Total U. S. aid to Spain from FY 1951 to FY 1960, in the form of Defense Support, Technical Cooperation, agricultural surplus sales and grants, Export-Import Bank and DLF loans amounted to more than \$1.2 billion. Of this amount, \$450 million represents Defense Support grants. Military equipment provided under the U. S. military assistance program totals \$395 million.

GREECE

Background

A country of 50,000 square miles about the size of the State of Alabama. Population: 8.6 million.

Significance to U. S. Security

Greece is strategically located with northern borders in common with Albania and Bulgaria. The free world through NATO maintains important base rights and facilities in Greece. Greece provides substantial forces vital to overall defense.

Greece fought valiantly in World War II and then successfully repulsed Communist attempts to take over the country through rebellion beginning in 1947.

Problems

(1) Heavy Military Burden. Greece contributes nearly 5% of Gross National Product to her defense budget. This is more than many NATO allies in spite of the fact that per capita GNP is among the lowest in Europe. Without Defense Support, Greece would be unable to maintain present levels of defense expenditures without sacrificing her program of economic development.

(2) Chronic Economic Problems. Nearly one-fourth of the working force in Greece is considered to be either unemployed or underemployed. Per capita GNP is about \$350 running much lower than this in the very mountainous rural areas. While unprecedented financial stability has been maintained since 1953, industrial expansion is inhibited by the small domestic market, an inadequate capital market and cautious commercial bank loan policies. An excellent growth rate through 1957 was followed by a marked slow down in economic activity over the past two years.

(3) Political. About 25% of the electorate is influenced by Communist front parties who attempt to exploit economic discontent. In addition, Greece is subject to continuing pressure from the Soviet Bloc which utilizes trade enticements in an attempt to weaken the Government's strong anti-Communist position. While the present Government has received remarkable support from the people, continued economic difficulties could cause public dissatisfaction sufficient to bring a realignment of political forces.

Mutual Security Program

Military assistance through FY 1959 totalled \$907,395,000. The U.S. furnishes military hardware and common use items which the Government of Greece would otherwise be unable to afford and which are not producible in Greece.

Economic assistance to Greece since 1947 totalled nearly a billion dollars by the end of FY 1959. Defense Support has run between \$15 and \$25 million in recent years supplemented by Public Law 480 Title I programs when warranted. Aid is utilized to pay for regular imports with the local currency counterpart devoted to the defense budget. A small technical cooperation program is also provided.

TURKEY

Background

The Republic of Turkey was established in 1923 by a social revolution led by Kemal Mustapha Ataturk. It has a population of 26.7 million, with an annual increase estimated at 2.9%. The country (slightly larger than Texas) is bounded by Greece, Bulgaria, the Soviet Republic, Iran, Iraq and Syria.

Significance to U.S. Security

Turkey occupies a strategic position flanking the land route from the Caucasus to the Iranian and Arabian oil fields and the Suez Canal. It controls the only sea route from the Black Sea to the Mediterranean. It makes the greatest contribution in manpower to NATO and to CENTO and continues to supply a brigade for Korea. Despite Communist blandishments and serious economic problems, Turkey has remained staunchly aligned with the Free World.

Problems

Turkey's present economic capacity is not sufficient to carry both the heavy costs of a large defense establishment and forced-pace economic growth. During the past decade, internal economic conditions deteriorated critically as a result of overly ambitious investment activities. However, in the summer of 1958, the Turkish Government adopted a stabilization program to control credit, stabilize the currency, restore trade, and reduce inflationary pressures. Recent indications of political unrest within Turkey have been due to the severe restrictions imposed on the Opposition Party and public communications media.

Mutual Security Program

Military Assistance from 1950 through 1959 totalled \$1,653.8 million; it has provided military items, facilities, and training and advisory facilities.

The Economic Assistance Program under MSP totalled \$842.5 million from 1949 to 1959; it has provided commodity imports to bolster the civilian economy and project assistance in the fields of education, agriculture, forestry and transportation. \$47.5 million was made available under the Development Loan Fund in 1958 and 1959.

Non MSP Economic Assistance totalled \$373.2 million from 1946 to 1959, from FL 480, Export-Import Bank, and other U.S. economic programs.

Accomplishments

Since the inception of U.S. aid in 1947, material progress has been made in Turkey's economic development. Supported by U.S. aid, Turkey has achieved an increase, in real terms, in gross national product of more than 50 per cent. Since 1950, improvement in agricultural techniques and the bringing of additional land under cultivation have almost doubled agricultural production capacity. A national road network has been developed permitting closer commercial integration and affording significant military advantage. New mineral resources have been developed; annual coal production has increased by more than a million tons; electric power generating capacity has almost doubled. Such developments and increased plant facilities are reflected in the rising index of industrial production.

IRAN

BACKGROUND

Iran's population of 20.2 million people inhabit land largely mountainous and desert; only 16% of the total area of Iran is agricultural land. 80% of its people are peasants living in generally depressed conditions. The average per capita income of Iran last year was about \$145 and this includes the wealthy in the cities as well as the poverty stricken peasants in the villages. About 10 to 15% of the population is literate and even now less than 1/5 of all children between 5 and 19 are enrolled in schools. There are almost 8,000 Iranians for every physician as against 800 Americans per physician. 40% of the Government's revenues of \$652 million equivalent in 1959/60 were derived from oil. 30% of the Government's expenditures last year was for military purposes, 35% for development and another 35% for civil expenditures including public health, education, and agricultural extension. The Government's budgetary deficit has been a little over \$100 million equivalent in the past two years and this has been financed by borrowing from abroad as well as utilizing U.S. grant and loan aid.

SIGNIFICANCE TO THE UNITED STATES

Strategically located in Middle East having extensive oil reserves and sharing 1,200 mile border with Soviet Union on the north. Key member of CENTO.

PROBLEMS

Despite large revenues from oil, defense expenditures are a drain on development. Even present level of government expenditure contributes to inflationary pressures, although it is financing development by using its foreign exchange resources and by borrowing abroad from IBRD, DLF, and Europe. Development is also hindered by severe shortages in professional, technical, managerial and skilled occupations.

MUTUAL SECURITY PROGRAM

Military Assistance - provides equipment, facilities, training. From 1950 through 1959, totalled \$433.1 million. Armed forces now larger, able to maintain internal security, and offer more effective resistance against possible aggression.

Defense Support - helps alleviate budgetary pressures arising from defense expenditures and also provides commodities to offset inflationary pressures. Total defense support and earlier development assistance is \$282.5 million through 1959. With this support and with loans and its resources, Iran has increased total output 36% since 1954. Oil output rose from 4 million to 45 million metric tons, imports from \$250 million to \$640 million.

DLF - loans have supplemented domestic and foreign sources of financing for key development projects, primarily various transportation facilities. Total through 1959 is \$77.7 million.

Technical Cooperation - tackles the problem of untrained human resources. Examples for this year are 13 extension agents, 8 sanitary engineers, 10 nursing educators, 22 vocational advisors located in the 10 provinces. Total U.S. obligations through 1959 are \$55.5 million. Iran now has government services for health, education, and agriculture with annual budget of about \$100 million.

CAMBODIA

Background

Located on the Indochina peninsula, Cambodia, formerly under a French protectorate, became independent in 1954. Population: 5 million, including some 400,000 Vietnamese and 300,000 Chinese. Area: 67,000 square miles, or approximately the size of Missouri. Cambodia follows a neutralist foreign policy.

Significance to U. S. Security

Cambodia's significance to the U. S. derives in large measure from its strategic location -- in the shadow of Communist China, and contiguous to Laos, Vietnam and Thailand. Loss of Cambodia to Communist control would threaten the Free World position in the entire area.

Cambodia is a prime target of Communist endeavors. However, the Cambodians are determined to maintain and strengthen their independence. The Cambodian Government supports relatively large military and police forces which are necessary to maintain internal security and, simultaneously, is endeavoring to develop a more productive economy.

Problems

(1) Cambodian national revenues from domestic sources are inadequate to finance the military establishment, maintain basic public services, and support essential development projects.

(2) Like other newly-developing countries, Cambodia lacks the skilled manpower, basic institutions, and other prerequisites for economic growth.

(3) Cambodia has entered into trade and economic aid relationships with the major Communist countries. These associations, especially with the USSR and Communist China, have facilitated the spread of Bloc influence inside Cambodia.

Mutual Security Program

Military Assistance. From its inception in 1955 through FY 1959, U. S. military assistance has totaled \$61.8 million. Currently, the MAP for Cambodia is in amounts sufficient to cover the provision of essential military hardware.

The Economic Assistance Program, averaging \$36 million annually during the period 1956-58, declined to \$22.5 million in FY 1960.* The reduced level resulted, in part, from a phase-out of aid-financed capital construction projects, including successful completion of the 130-mile "Khmer-American Friendship Highway" connecting the capital, Phnom Penh, with the country's new seaport at Sihanoukville. Moreover, slowly rising internal revenues have enabled the Government to assume an increasing share of its own military burden. U. S. aid, although decreasing, is still required for support of the military budget, and for continuation of key activities -- in education, agriculture, and public administration -- which directly benefit the Cambodian people.

* Includes Defense Support and Technical Cooperation.

LAOS

Background

Laos is a landlocked country of approximately 91,000 square miles, extending north-south through the center of the Indochina peninsula. Communist China and North Vietnam border Laos on the north and east while South Vietnam, Cambodia and Thailand lie to the south and west.

Laos is formally neutral but depends on the West, and on the U.S. in particular, for preservation of its independence which was achieved only five years ago.

Problems

(1) Excessive Military Burden. The Lao Government is unable, without external assistance, to maintain a military force of the size necessary to safeguard its independence.

(2) Limited Financial Resources. Lao Government revenues constitute about two-thirds of the amount needed to meet minimum civilian requirements. Foreign exchange earnings are sufficient to pay for only 10% of the nation's essential imports.

(3) Lack of Political Unity. Laos does not yet constitute an integrated national community, and the scattered, often isolated, population is highly susceptible to subversion. Its inexperienced government is faced with the growing need to overcome the backwardness of its ethnically heterogeneous, rural population. Inadequate communications facilities aggravate its problems.

MSP Contribution

Military Assistance, averaging \$12 million annually during the period 1955-59, has been used to equip and train the Lao army. The value of this assistance became apparent in the summer of 1959 when the communist-inspired insurrection challenged the authority of the Lao Government.

Economic Assistance, averaging \$37 million annually* during the period 1955-60, has been used mainly for budgetary support of the Lao army and police and, to a lesser extent, to support the civil budget, to rehabilitate communications, and to extend public services to rural areas. U.S. technical advisors have helped the Lao Government to control inflation, eliminate currency speculation, and improve fiscal administration, thereby helping to bring about financial and monetary stability.

In FY 1961, highway construction will be accelerated and the rural self-help program will be expanded. The U.N. is expected to play an increasingly important role in the future development of Laos.

* Includes Defense Support and Technical Cooperation.

PHILIPPINES

Background

The Philippine Republic, granted independence by the U.S. in 1946, is still closely linked to the U.S. by mutual defense agreements and historical ties. Population: 24 million. Area: 116,000 square miles, about the size of Arizona. Location: A group of 7,000 islands in the South China Sea, about 1,000 miles from the mainland of Southeast Asia, midway between Taiwan and Borneo.

Significance to U. S. Security

U.S. bases in the Philippines are an essential part of the Western Pacific security system and Philippine military forces contribute to the defense of the Pacific area. The Philippines has been closely allied with the U.S., has firmly opposed communism, and has avoided diplomatic and commercial relations with communist countries. It is a member of SEATO and has actively supported the U.S. in the UN. Philippine military units participated in the Korean War, and the Philippine Government has supported the U.S. determination to defend Taiwan and the Pescadores.

Problems

Since the end of World War II, the Philippine economy has experienced remarkable growth but it is still characterized by low production, widespread unemployment and underemployment, recurrent trade deficits, and chronic shortages of foreign exchange. Government revenues are inadequate to support the required military effort, finance economic development, and satisfy the demands of the country's rapidly increasing population for social services.

Mutual Security Program

Military Assistance to the Philippines was initiated in FY 1950. Since then slightly more than \$200 million of commodities, principally military hardware, has been supplied by the U.S.

ICA economic aid to the Philippines has averaged somewhat over \$18 million per year since FY 1957. About 80% has been Defense Support assistance and the balance Technical Cooperation. This assistance has enabled the Philippine Government to construct certain military facilities for the joint use of U.S. and Philippine forces, has helped to maintain political stability through support of basic education and community development projects, and has helped the Philippines to achieve a rising standard of living through improvement of managerial and technical skills. The assistance provided by ICA has contributed to notable increases in agricultural and industrial production and to substantial improvement of the transportation system.

The DLF has approved \$50 million in loans to the Philippines and has concluded agreements totaling \$38 million.

THAILAND

Background

Located on the Indochina peninsula, Thailand has a population of 22 million and an area of 198,000 square miles, about three-fourths the size of Texas. It is an important exporter of rice, tin and rubber. The only member of SEATO on the Asian mainland, Thailand has consistently supported U.S. foreign policy.

Significance to U. S. Security

Thailand's firm alignment with the Free World is evidenced by its leading role in SEATO, its support of the U.S. in international councils, the country's cooperation in promoting regional economic and technical development in South-east Asia. Thailand devotes a considerable portion of domestic revenues to the support of its substantial armed forces. The heightened communist threat in Laos, and the generally aggressive policy of Communist China throughout the area, underscore the need for continued U.S. economic aid which enables Thailand to maintain its contribution to the Free World defense effort.

Problems

(1) Large, recurrent budgetary deficits which reflect the strain on Thai resources resulting from heavy defense expenditures -- about 25% of the total budget -- and increased outlays for public services and the development of basic economic facilities.

(2) Thailand's increasing dependence on imports of manufactured goods and on a few products for its export earnings. With rice, rubber, and tin accounting for more than 70% of export income, the Thai economy is highly vulnerable to changes in demand and world prices for these commodities.

Mutual Security Program

U.S. Military Assistance, principally hardware, has averaged about \$28 million annually during the period 1950-60.

U.S. Economic Assistance averaged approximately \$24 million annually during the period 1957-59.* Emphasis has been placed on rehabilitation and improvement of Thailand's highway and communications systems; expansion of electric power facilities; diversification of agriculture; basic health, education and public administration improvements, and the development of ground water resources.

Regional Economic Assistance has been provided for special activities. About \$17 million has been made available for improvement of telecommunications, largely from the Asian Economic Development Fund (AEDF). In addition, AEDF funds have been provided for the following activities: \$1 million for the establishment of a SEATO Graduate School of Engineering, \$1.5 million for the development of regional English language training facilities; and \$1 million to expand the supply of skilled labor.

* Includes Defense Support and Technical Cooperation.

SPECIAL ASSISTANCE

Program FY 1959	<u>\$282 million</u>
Program FY 1960	<u>\$260 million</u>
Authorization FY 1961	<u>\$256 million</u>

Selected Country examples attached:

1. Morocco
2. Jordan
3. Tunisia
4. Bolivia
5. Afghanistan

- - - - - requirements for these 5 critical
countries constitute
over half the authorization

6. West Berlin
7. Haiti
8. Burma

Special Program for Tropical Africa

Malaria Eradication Program

Private Enterprise Program

MOROCCO

Background

A French Protectorate for 44 years, Morocco became politically independent in 1956. Population - 10 million, predominately Arab and Berber Muslims. Area - 183,000 sq. miles, about the size of California with similar variations in climate and topography. Location - northwest tip of Africa at the entrance to the Mediterranean.

Significance to U. S. Security

The U. S. maintains and operates in Morocco three major air bases, a large naval air and communications complex, and an important Voice of America relay station. Morocco is an important and influential Arab state basically friendly to the U. S. and the West, although it follows a policy of "non-alignment". It occupies a strategic position on the southern flank of NATO.

Problems

(1) Political Instability. Increasing political and social tensions are accompanying Morocco's efforts to become a modern nation-state, the strong nationalistic spirit which united the country in its struggle for freedom has been used by dissident elements to criticize the Government's failure to fully achieve the expected fruits of freedom; the evacuation of all foreign forces, economic improvements and the 'Moroccanization' of the civil service by the replacement of French technicians and administrators. The Government is extremely sensitive to criticism and has been unable to concentrate on the development of effective public services and a self-sustaining economy.

(2) Economic Recession. Despite a promising economic potential, Morocco has not yet recovered from the economic decline caused by the withdrawal of French investment capital, budgetary support, and technicians. Concern over future political developments and uncertainty regarding French-Moroccan trade and financial relations have combined to create an unfavorable investment climate. Lacking sufficient revenue to mount a public investment program adequate to arrest the economic decline, the stability of the GOM is threatened by rising unemployment and resulting political unrest.

(3) Shortage of skilled manpower. Virtually all public services and industrial enterprises in Morocco have been operated by Frenchmen. Training programs have not been sufficient to provide qualified Moroccan replacements. The consequent shortage of capable technicians and administrators is a major barrier to economic development and political stability.

Mutual Security Program - Economic Assistance

From the beginning of the program in 1957, \$145 million has been provided to Morocco; all except \$15 million in loans. These dollars have financed the import of essential commodities, principally sugar, whose local currency proceeds have supported the Government's economic development program. This program has included extensive activities in reforestation and soil conservation, locust control, irrigation development, agricultural education, road building, and low-cost housing.

JORDAN

Background

Under the leadership of King Hussein, Jordan is firmly committed to the Free World and has close relationships with the United States. It borders Saudi Arabia, Iraq, Israel and the Syrian Region of the United Arab Republic.

Significance to U. S. Security

Jordan occupies a key position in the Near East. It is important to the United States that Jordan remain politically and economically stable. Any rapid or violent change in the political structure or orientation could have serious repercussions throughout the area.

Problems

Jordan has very limited resources. It is not a viable economy. It has severe, periodic droughts. Unemployment is serious. Governmental functions are dependent upon external assistance as is the level of private economic activity.

(1) Budget Support. Both economic and political stability are dependent upon budget support from external sources. Funds are provided to permit an adequate level of defense and normal civil functions by the Jordan government.

(2) Agriculture. Funds are provided to increase agricultural output by means of improved methods and techniques resulting from agricultural research. Assistance to agricultural extension and education institutions is provided in order to disseminate this information widely. Assistance is provided in constructing irrigation facilities and in the establishment of a central water authority.

(3) Transportation. Funds are provided to improve highway and rail facilities. Assistance is provided in establishment of planning, construction and operational organizations.

Mutual Security Program

Military assistance through FY 1959 totaled \$12.1 million. The United States is providing certain military requirements following the investigations of a survey mission which initiated its work in October 1958.

Economic assistance has totaled \$131.8 million through FY 1959 and has increased from \$4.7 million in FY 1952 to \$45.1 million in FY 1959. Special Assistance funds have been used to provide essential budget support and carry out economic programs agreed between the two countries.

Non-Mutual Security Program

PL 480 programs increased from \$400 thousand in FY 1952 to \$17.5 million in FY 1959.

TUNISIA

Background: Achieved independence from France in 1956. Population 3.9 million. Area - 48,000 square miles. Location - on the south coast of the Mediterranean, between Libya and Algeria.

Significance: Tunisia is unique in the Arab world and an example to the emerging African states as a nation which has counted heavily on cooperation with the West to achieve its economic and political goals. The U.S. interest is to demonstrate in Tunisia that cooperation with the West is a valuable policy. Tunisia's role in international forums is particularly helpful in maintaining lines of political communication and compromise. The Bourguiba Government continues to follow a policy of friendliness toward the West despite increased domestic pressures to expand relations with the Soviet bloc.

Problems:

1. Unemployment and shortage of skilled personnel. Tunisia's 400,000 unemployed present a serious economic and social problem. Under PL 480, Title II, the U.S. has contributed 90,000 MT of wheat for a work relief program, administered by the Tunisian Government, which pays salaries of more than 100,000 relief workers. At the same time, shortage of qualified Tunisians to fill the technical and supervisory jobs formerly held by the French, has contributed to economic stagnation. The 180,000 French nationals in Tunisia in 1955 had been reduced to 60,000 by the end of 1959. ICA's technical assistance program trains Tunisians to meet the needs of business and government.

2. Lack of natural resources and investment capital. Tunisia's poverty in natural resources, combined with shortage of skilled personnel, do not make Tunisia very attractive to either domestic or foreign investors. The French Government, which had been extending \$35 - \$50 million annually to Tunisia for economic development, suspended this aid in 1957, while private French investors repatriated over \$100 million in capital in 1957 and 1958. However, France continues to take Tunisian exports at much above world market prices. The U.S. has assisted in the establishment of industrial and agricultural revolving loan funds.

3. Long-term relations with France. While Tunisia signed a financial and commercial agreement with France in September 1959, which preserves Tunisia's favorable position in the French market for a year, long-term relations are in doubt. Since about two-thirds of Tunisia's external trade is with the Franc Zone, and most of Tunisia's foreign exchange transactions are made through the Bank of France, any sudden disruption of present relations would present a serious problem.

Mutual Security Program: Since 1957 the U.S. and U.K. have sold modest quantities of arms and vehicles to Tunisia. To date, \$50 million of economic aid have been used to stimulate Tunisia's economy and assist her to make more effective use of her natural and human resources. The major aid projects have included the establishment of credit facilities to meet the needs of industrial entrepreneurs and farmers; reforestation, drainage, and flood control works. A program of accelerated economic growth is proposed for next year, with the expectation that the Tunisian Government will make greater use than heretofore of its own resources, and a major effort to attract domestic and foreign, particularly private, capital.

BOLIVIA

Bolivia is a landlocked republic of 424,000 square miles straddling the Andes in the heart of South America. The population roughly totals 3.4 million, of which about 31% are literate. In 1959, per capita income was approximately \$60 and there was about 1.6 acres of agricultural land per person.

Bolivia is an underdeveloped country experiencing the most profound social revolution in South America. Its economy is precariously dependent upon production and export of minerals, preponderantly tin. It is in our interests to prevent in Bolivia economic chaos and political anarchy. We have backed the legitimate aspirations of the Bolivian Government, but there is danger that Communists and other anti-American elements may be able to exploit the country's severe economic distress and its political instability so as to achieve increasing influence over the people and the Government.

The Bolivian Government's capacity to maintain law and order and promote internal stability in the face of challenges by extremist leaders has been impaired by the weakness of the uniformed forces. At the request of the Bolivian Government the U.S. is carrying out modest training programs to assist in remedying this weakness.

The U. S. aid program is designed to help the Government forestall economic chaos and resolve its major economic problems. It has contributed significant balance of payments and budgetary support coupled with Development Loan Fund loans, while a technical aid program is assisting the Government to make better use of its resources. The monetary stabilization program we have been supporting is now in its third year. While there has been some success in maintaining price stability, this program has not been able fully to contain inflationary forces in the face of heavy decline in Bolivia's earnings from tin exports, capital flight and continuing strikes and other social pressures. Nor has it yet been able to provide a basis for economic development. Both for these failures and for the austerity it requires, the stabilization program has become unpopular politically. The Government, however, recognizes that the program is essential and continues to support it.

Politically, the Government party continues to predominate but after seven years in power it is splitting sharply between extreme leftist and moderate elements. This split will be dramatized, and possibly resolved, in the presidential elections due in 1960. Our programs are a major factor in helping non-Communist leaders to face the country's economic problems and to demonstrate to them and to the people the constructive value of American friendship.

AFGHANISTAN

Background:

Afghanistan is landlocked, with its long Russian border on the north and Iran and Pakistan to the west and south. The population is estimated at between 10 and 13 million. Its 251,000 square miles are roughly the size of Texas. It is governed by constitutional monarchy, with political power concentrated in an oligarchy headed by Prime Minister Daud, his brother the Foreign Minister, Prince Naim, and their cousin, King Zahir. The economy is mainly agricultural and pastoral.

U.S. Objectives:

It is an important U.S. objective to maintain Afghan independence and foster Afghan neutrality. It should be noted that this same objective has been the heart of Afghan policy for more than a century. The United States, following this policy, has not sought to develop military ties with Afghanistan.

Problems:

(1) Heavy foreign loan burden: Afghan loans received from foreign sources now amount to about \$220 million. According to recent studies payments on these loans will amount to about one-third of Afghanistan's foreign exchange earnings by 1962-63 when the heaviest payments become due.

(2) The U.S.S.R. has launched a major economic drive in Afghanistan. In addition to loans of \$161 million the U.S.S.R. has granted Afghanistan favorable rates on transport of goods to European markets; made substantial grants in major development projects, and is making every effort to increase Afghanistan's economic dependence on the Soviet Union. The ruling group in Afghanistan is aware of the danger in this situation but the RGA may be tempted to make ill-considered decisions leading to further involvement with the U.S.S.R.

Mutual Security Program:

Since 1952 the total U.S. contribution to the program in Afghanistan has been \$145 million, which includes \$19 million of Asian Economic Development Funds for the Regional Transit project.

The ICA program in Afghanistan has grown rapidly since 1955, principally in response to the heavy economic drive in this country. The chief components of the current program are technical assistance in the fields of education, agriculture and public administration and in four major development projects (1) Helmand Valley, an extensive irrigation and land reclamation project (2) Air Transport Development, under which the U.S. has agreed to construct a modern international airport at Kandahar and three small airports at Kunduz, Jalalabad and Herat (3) Regional Transit Project, designed to improve the road network between Afghanistan and Pakistan, and (4) the Kabul University project, for which the U.S. provided the engineering designs and imported commodities necessary to construct five buildings for the University.

BERLIN

West Berlin contains over half the land area and two-thirds of the population of the former capital of Germany, now nearly 100 miles behind the Iron Curtain. There have been repeated Soviet threats to its existence, beginning with the blockade of 1949, renewed in the 1958 ultimatum and continuing now. West Berlin remains steadfast in its Western orientation and confidence in the continuing support of Western Germany and the Western allies in maintaining the city's special status.

In spite of its difficulties, West Berlin has made a surprisingly good economic recovery in the postwar period and its economic situation continues to improve. Per capita industrial production has increased by about 70% in the past five years, exceeding substantially the 35% increase in per capita production in Western Germany in the same period. One of West Berlin's chronic problems, unemployment, is easing.

This remarkable achievement could not have been reached and cannot be maintained without substantial external assistance. The Federal Republic of Germany granted over \$364 million equivalent in support of its \$800 million budget for the fiscal year ending March 31, 1960. An additional approximately \$80 million was borrowed from West German sources. The Federal Republic also subsidizes West Berlin industries at about \$150 million annually. Thus, West Berlin now receives sufficient economic assistance from the Federal Republic.

In the period FY 1954 - FY 1959 ICA allocated \$107.4 million for assistance to Berlin. An additional \$6.75 million will be granted this year. Total aid to Berlin, including transfers of German-owned local currency arising from earlier U.S. aid to the Federal Republic, was nearly \$600 million. The small current program is aimed at preserving the morale of the people of West Berlin by providing tangible demonstrations of continuing U.S. interest. Individual projects have included the Berlin Conference Hall, Refugee Housing, American House, and activities connected with the Berlin Free and Technical Universities. The Conference Hall has proven its worth as a monument to the U.S. present in Berlin, since its opening on October 1, 1957. The Free University, to which the latest U.S. contribution has been the construction of a medical school, research center and hospital complex, continues to enhance West Berlin's prestige, to train and to influence an international student body of 11,000. Only 50% of the Free University's students come from West Berlin itself, while 28% come from East Berlin and the Soviet Zone of Germany. The Berlin Technical University for which plans are under way for U.S.-financed student housing, attracts 20% of its 8,000 students from East Berlin and the Soviet Zone.

HAITI

Background

Haiti is a small mountainous country occupying the western third of the Caribbean island of Hispaniola. Its neighbor, Dominican Republic, occupies the eastern two thirds. The eastern tip of Cuba lies 80 miles to the west. Haiti's population is 3.5 million with an annual growth rate of about 1.5%. The land area is 10,700 square miles with a population density of 320 per square mile.

Significance to U.S. Security

Haiti, the second country in the Western Hemisphere to achieve independence, has special significance to U.S. security because of its strategic location in reference to the Panama Canal, other Caribbean nations, and the rest of Latin America. There is a long tradition of friendship and mutual support between Haiti and the U.S.

Problems

Haiti is confronted with all of the serious problems that exist in developing countries: political instability, low GNP, trade imbalances, illiteracy, poverty, mono-culture in agriculture, minimum industrial activity, low productivity, and overpopulation.

Mutual Security Program

The Technical Cooperation Program in Haiti amounted to \$1.6 million in FY 1959 and has totaled \$8.8 million since 1951. The program is directed towards the critical problems of the Haitian economy in the fields of education, agriculture, health and sanitation, and public administration.

Among the successes experienced in Haiti have been the area development projects which utilize all of these technical fields in a coordinated effort to bring about an integrated progress, both economic and social, in a defined area.

Special Assistance from 1954 through 1959 had amounted to \$14.6 million, with \$5.5 million being expended in 1959. The program attempts to offset the lack of Haitian financial capability in order to create suitable conditions for economic and social improvement.

Assistance from this source has been used for economic stabilization in connection with balance of payments and fiscal problems, as well as for direct development activities such as watershed protection, flood control, irrigation and drainage, access roads, and area development.

Loans of varying magnitude have been made through the DLF for an irrigation project, sugar mill construction and road surveys. Other loans are being considered.

BURMA

Background

Burma is one of the newly independent countries that emerged after World War II. It is located in Southeast Asia and shares a 1000-mile border with Communist China. About 40% of its 20 million population consists of ethnological minorities. The Burmese Government now adheres to a neutralist foreign policy.

Significance to U. S. Security

In addition to being a major food-producing center and the world's largest exporter of rice, Burma has other natural resources such as minerals and timber, which are of potential importance to the Free World. It is in the U.S. interest that Burma remain politically and economically independent of the Communist Bloc.

Problems

Burma's principal problems are: (1) insurgent activity which hampers effective government administration of the country and retards economic development, and (2) inability to mobilize and effectively utilize available resources.

Mutual Security Program

Economic Assistance to Burma is intended to demonstrate U.S. interest in the welfare of the Burmese people. In response to the Government's request, a line of credit totaling \$25 million was established in FY 1957 to finance economic development projects. A second \$10 million line of credit was extended in FY 1958 to enable Burma to strengthen and modernize its police forces. As of March 31, 1960, \$22.7 million of the economic development loan and \$8.8 million of the police loan had been obligated.

In June 1959, the U.S. made available \$1 million to finance feasibility studies for (a) a highway between Rangoon and Mandalay, and (b) dormitory and classroom facilities at Rangoon University. The U.S. also agreed to contribute, over a four-year period, up to \$30 million toward the foreign exchange costs of these two projects, subject to agreement on mutually acceptable arrangements for the financing and execution of the projects.

The assistance proposed by ICA for FY 1961 is to be used to finance imports of commodities and services for the highway and university projects and to provide for the necessary supervisory personnel.

SPECIAL PROGRAM FOR TROPICAL AFRICA

Background

There are now seven sovereign nations in Tropical Africa. By the close of 1960 there will be at least five more and over 100 million Africans will be members of self-governing nations. Many more areas will demand and achieve independence in 1961, or shortly thereafter.

Significance to U.S.

The swift change from colonial status to national sovereignty is projecting the African continent into a new and more powerful relationship with other parts of the world. The balance of voting power in international organizations is shifting. Communism is attempting to make inroads in key areas. Identification of the United States with African aspirations for political and social development is essential.

Problem

Africa's needs for assistance of all kinds are enormous. The European powers in the past have made large-scale contributions for major economic development and infrastructure projects. For example, in 1959, their assistance totalled more than \$500 million. They are being urged to continue their contributions. The U.S. will supplement such assistance, where possible, by loans from the DLF, Ex-Im Bank, and aid to the international lending agencies. The proposed new U.S. Special Program for Tropical Africa will concentrate on certain complementary priority needs. The most pressing of these is the critical shortage of African administrators and technicians essential for the leadership of the new countries. The low level of skilled manpower is also a critical area impeding the advancement of agriculture and industry.

Special Program

The National Academy of Sciences in its Report on Science and Technology in Africa South of the Sahara stated that the future of development of Tropical Africa depends, in the first instance, upon the rate at which progress can be made in strengthening education at all levels. In addition to the formal educational structure, a wide variety of training programs and on-the-job educational activities are needed.

Another aspect of the African situation that warrants priority is the need for closer cooperation between African countries and the economic efficiency of bringing together their available resources and talents. A number of problems facing these countries are essentially the same. Cooperation among countries on these problems should be encouraged.

The U.S. is proposing a \$20,000,000 program in FY 1961 to promote education and training and to encourage regional cooperation for the development of Tropical Africa's resources through multi-country consultation, planning, research and reconnaissance surveys. The Special Program will concentrate upon education and training, including both formal education in academic, technical and professional fields and the upgrading of skills and competence through other forms of training as, for example, agricultural extension training, public health education training programs, and training of teachers. This will involve financing of physical facilities and/or educational institutions, equipment, supplies and initial operating costs, participant training, and technical services.

5/17/60

MALARIA ERADICATION PROGRAM

Background

The World Health Assembly in 1955 issued a call for a global malaria eradication campaign. In 1956 the International Development Advisory Board appointed by the President, made a study regarding the matter of possible participation of the U.S. Government in such an undertaking. The IDAB, having determined that the eradication of malaria is technically feasible in most parts of the world, recommended to the Director of the International Cooperation Administration that the United States give substantial financial backing to spark the campaign for eradication of the world's most dreaded disease.

Initial Action

Accordingly, in 1957 the International Cooperation Administration presented to the Congress a proposal for U.S. participation in the malaria eradication program, with a request for an appropriation of \$23.3 million for Fiscal Year 1958. After extensive Hearings by Congressional Committees, the Appropriation was approved, and the United States was launched on a program of assistance in the campaign to eradicate malaria from much of the world.

Progress

The overall results of the world-wide malaria eradication campaign to date are encouraging. The number of persons under protection from malaria numbers over 500 million. Citizens of the United States may take pride in having sparked this campaign, which is already helping people equal in number to about three times the population of the United States, and which is the greatest cooperative health project ever attempted in the history of mankind.

MSP

In Fiscal Years 1958, 1959 and 1960, the United States has allocated over \$85 million for the program. Of this amount, \$18 million was contributed to the World Health Organization and the Pan American Health Organization. The balance has been utilized in bilateral country programs -- countries with which the U.S. makes direct agreements for carrying out malaria eradication programs.

Expert Panel on Malaria

In January 1960, ICA convened an Expert Panel on Malaria, consisting of internationally known experts in the field of malariology, economics and administration to make recommendations regarding future participation of the U.S. in the world-wide malaria eradication program. The Preliminary Report of the Panel, issued in March 1960, has confirmed that malaria eradication is technically feasible and has recommended that the United States continue participation in the program as may be required for successful completion of the malaria eradication campaign. At the same time, it was recommended that all possible steps be taken to obtain greater participation in the program by developed countries which do not suffer from malaria.

Significance

The malaria eradication program by its very nature is carried on by direct contacts with millions of people, mostly in rural areas. It has been universally accepted because of its obvious benefits. It has opened new lands for settlement; it has lifted burdens of illness and incapacity, and has been applauded as one of President Eisenhower's "Works of Peace".

THE PRIVATE ENTERPRISE PROGRAM
OF THE INTERNATIONAL COOPERATION ADMINISTRATION

Background A major motivating force behind U. S. foreign economic policy is the conviction that government measures, essential as they are, cannot substitute for the vitality and initiative of private investment, which provides along with capital the technical and managerial skills so essential to economic growth. Our goal is to create situations in which private enterprise can take root and flourish in the less developed areas of the free world. Although progress has been made during recent years by the less developed areas, the rate of progress generally has been less than that of the industrialized countries while the rate of population increase has been higher. This has led to a widening of the gap between standards of living. This situation is a serious one and calls for urgent attention. Additional impetus for the economic development process is needed. Governmental resources and capabilities are of necessity limited, so new actions to stimulate the flow of private capital, both internal and foreign, with its accompanying skills and techniques, have become an urgent necessity.

In March 1959 ICA established the Office of the Deputy Director for Private Enterprise to encourage the expansion of local and foreign private investment in the less developed countries. This action was designed to give to the problems of utilizing private resources, skills and initiative in the economic growth process the same kind of organized and concentrated attention that had heretofore been given to agriculture, health, education, and public works. The Office for Private Enterprise carries forward with new emphasis the many private enterprise programs begun in previous years, and has added several new dimensions to this effort.

The Private Enterprise Program The objective is to enable the U.S. to respond more effectively when countries demonstrate a real interest in realizing the full potential of private investment for economic growth. Our response must assist them both in promoting private investment at home and in attracting private investment from abroad. This program is concentrated in three basic areas:

1. improvement in a country's general climate for investment - in its laws, regulations, tax policies, investment incentives, and in its treatment of investors.
2. assistance to help a country organize and build up the institutional machinery for investment promotion, investment attraction, and investment financing.
3. technical work in identifying and proving up specific investment opportunities to the point where they are ready for financing and equity capital participation.

New investment development and promotion organizations are being started in India, Thailand, and Free China. Private enterprise encouragement efforts are being made or planned in at least 20 new countries, in addition to those such as Turkey, the Philippines, and Iran, where such programs have been under way for some years.

Method of Financing - The Investment Incentive Fund It has been a basic policy of ICA to employ U.S. aid in such a way as will encourage the development of the private sector. Therefore, private enterprise activities form an integral part of country aid programs. But because of the urgency of intensifying this effort, ICA last year decided to set aside \$2.5 million of Special Assistance funds outside of the regular program to enable immediate response to opportunities for private enterprise assistance in selected countries. This special "Investment Incentive Fund" has been used to put these special programs into operation in much less than the normal programming time period. This year, ICA is requesting an additional \$2 million of Special Assistance funds to be used in the same manner.

TECHNICAL COOPERATION

Program FY 1959	<u>\$145 million</u>
Program FY 1960	<u>\$160 million</u>
Authorization FY 1961	<u>\$172 million</u>
plus	
UN Technical Assistance	\$33 million
Organization of American States	\$1.5 million

Selected examples attached

TC in Tropical Africa
TC in Latin America
Special paper on India

TC REQUIREMENTS IN TROPICAL AFRICA

Tropical Africa, embracing all of this vast, emergent continent south of the Sahara, is in the midst of one of the most rapid political transformations in history. Nationalism continues to grow in intensity, propelling former colonies into the world arena as independent nations deeply committed to economic and social advancement. During this calendar year at least seven new independent nations will have been born: Cameroun, Togo, the Congo, Somalia, Nigeria, Madagascar, and Mali (Soudan and Senegal). Of considerable importance to U.S. political, economic and strategic interests, this area is also the least developed economic region of its size in the world. The economic problems Tropical Africa faces are staggering by any measurement. It also brings to independence at best meager experience in self-rule and a vast dearth of trained, productive manpower. The TC programs are an essential element of America's response to these problems. They are also a demonstration of the U.S. interest in assisting Tropical Africa to keep pace economically with its rapid rate of political change. If Africa's political transition is to be orderly and resultant independence sustained, this area's lagging rate of economic growth and improvement in living standards will have to be accelerated substantially.

The greatest single impediments to economic progress in Tropical Africa are the lack of skills and minimal productivity of human resources. U.S. technical assistance is an effort to help African countries to remove this obstacle through education and training, technical advisory services, and demonstration projects in fields varying from crop expansion and improvement to health clinics.

At present the U.S. provides technical assistance to six countries and territories in Tropical Africa: Liberia, Ghana, Nigeria, Kenya, Uganda, the Federation of Rhodesia and Nyasaland, and Tanganyika. During FY 1959, \$4.6 million were made available for Technical Cooperation. The estimate for FY 1960 is \$ 6 million and the request to Congress for FY 1961 includes a request for \$9 million. The upward trend of U.S. technical assistance is necessary if the U.S. objective for a free, stable, prospering Tropical Africa are to be met. It reflects the U.S. response to the emergence of new nations and the intensification of existing TC programs in other Tropical African countries.

A few of the many important accomplishments of TC programs include aid in establishing agricultural extension programs in Liberia and Ghana; assistance to rural self-help school projects and a forestry school and forestry development program in Liberia, and technical help in teacher training in Nigeria.

THE U.S. TECHNICAL COOPERATION PROGRAM IN LATIN AMERICA

The U.S. Technical Cooperation (TC) program is the principal instrumentality of the U.S. Government for the international exchange of technical knowledge and skills, through training and demonstration, in economically underdeveloped countries. The International Cooperation Administration (ICA) is conducting programs in 26 countries and territories in Latin America. Specific programs and projects are a joint undertaking resulting from close and continuing cooperation between the ICA Missions and the host governments. Programs are funded on the basis of Mutual Security appropriations voted by the U.S. Congress. In FY 1959, \$34.3 million was obligated for bilateral TC programs in Latin America; in addition, \$1.2 million was obligated for the regional Technical Assistance program of the Organization of American States (OAS).

The TC Program in Latin America is a cooperative program in the full sense of the word. In recent years the contributions of the cooperating countries have constantly increased and now far exceed the contribution of the United States.

The majority of projects in Latin America are administered through a cooperative device, known as a "Servicio". A Servicio is an agency of the cooperating government, established to carry out, jointly with ICA, projects in a particular field or fields of activity appropriate to TC programs. At the present time, there are 53 Servicios in operation in 17 Latin American countries and in two dependent territories of the Western Hemisphere. During FY 1959, there were some 19,400 local employees of Servicios under the technical guidance of about 600 U.S. technicians assigned to Servicio operations.

TC programs other than through Servicios include direct advisory services to the host countries by U.S. Government technicians, training in the host countries by personnel from U.S. universities or other organizations under contract with ICA, and training of host country personnel in the U.S. or other countries. To illustrate, over 200 U.S. direct-hire technicians were engaged in non-Servicio activities in Latin America as of June 30, 1959. In addition, there were 120 employees under contract as of the same date, most of whom were from the 18 American universities carrying out 21 ICA-financed contracts in 10 Latin American countries. Over 2,250 participants from Latin America were sent for training to the United States or other countries during U.S. fiscal year 1959.

The TC program in Latin America concentrates in three major fields - agriculture, education and public health. Increasing emphasis is being placed on programs in industry and mining, transportation and communications, public administration, housing, and community development. All these activities are designed to train local technicians to apply practical solutions to basic problems impeding economic development.

INDIA

Problems and Accomplishments

Despite abundant resources, India suffers from low productivity in agriculture and industry, chronic food deficits, excessive dependence on a few key exports, low health standards and a large mass of unemployed and underemployed. Its rapidly growing population of 410 million lives in an area of 1.3 million square miles. Its \$70 per capita GNP in 1958 is among the lowest in the world.

To promote rapid economic development the government instituted in April 1951 the first of a series of five year plans. India is now in the process of formulating its Third Plan which will begin in April 1961. During the First Plan total investment outlays were \$6.5 billion; they are expected to reach \$15.0 billion by the end of the Second Plan in March 1961. Although the greater part of these plans was financed from domestic resources, roughly one-fifth of India's capital requirements including food came from abroad. Although substantial achievements were realized in most sectors, increases in food production and employment have not kept pace with the 2 percent per annum growth in population.

U.S. Economic Assistance Programs

Within the framework of India's development plans, U.S. assistance programs are making important contributions toward developing Indian skills, increasing industrial and agricultural production, providing essential capital equipment, and expanding basic services as power, transportation, education and health. Between fiscal year 1951 and May 1, 1960 U.S. assistance totalled \$2.1 billion. This included \$715 million under MSP, including \$244 million from DLF; \$151 million from Export-Import Bank; a wheat loan of \$190 million; and \$1.0 billion in surplus agricultural commodities under PL 480. Since FY 1957 U.S. aid including PL 480 averaged close to \$400 million a year.

In agriculture major assistance is being extended to upgrade 40 agricultural colleges and establish a new university modelled on the U.S. land-grant college. Surplus agricultural commodities provided under PL 480 serve to cover India's food requirements and stabilize prices, with rupee proceeds loaned or granted to India to cover local costs of development projects in power development, banking, education and health. In an important contribution to India's Third Plan goal of attaining self-sufficiency in food by 1966, a 4-year agreement under PL 480 Title I was concluded in May 1960 under which the U.S. will provide India \$1.3 billion in wheat and rice for current consumption and to establish a 5 million ton food reserve. The local currencies are to be used for economic development projects with emphasis on agriculture.

To promote more rapid industrialization funds have been provided to establish a National Productivity Center and an all-India Investment Center. PL 480 rupees were used to establish three banking institutions to make loans to the private sector. Assistance is being extended to upgrade Indian engineering institutions, establish a new institute of technology, provide graduate training for Indian engineers and develop the iron ore, transport and port facilities in the Orissa area. DLF and Export-Import Bank provided major assistance for power projects, railroad equipment, road transport, a development bank, and for capital assistance to private sector industries.