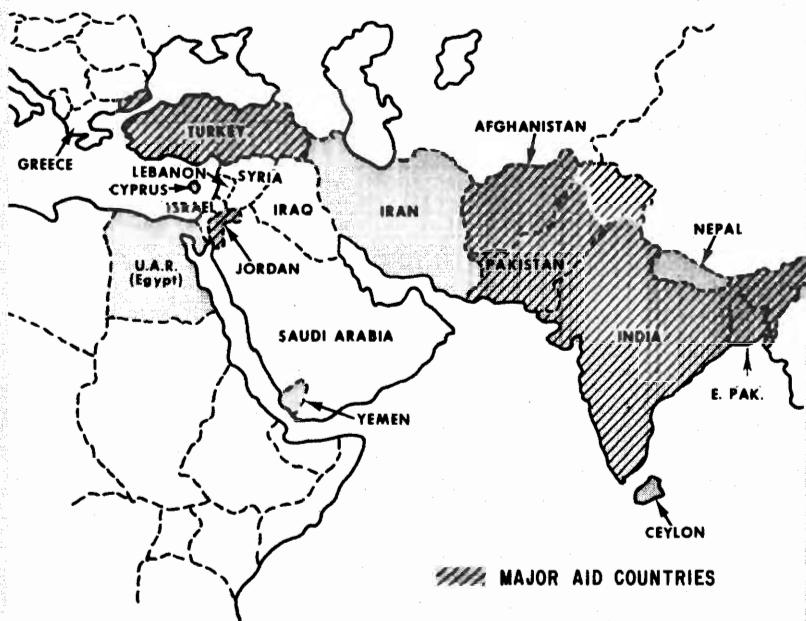


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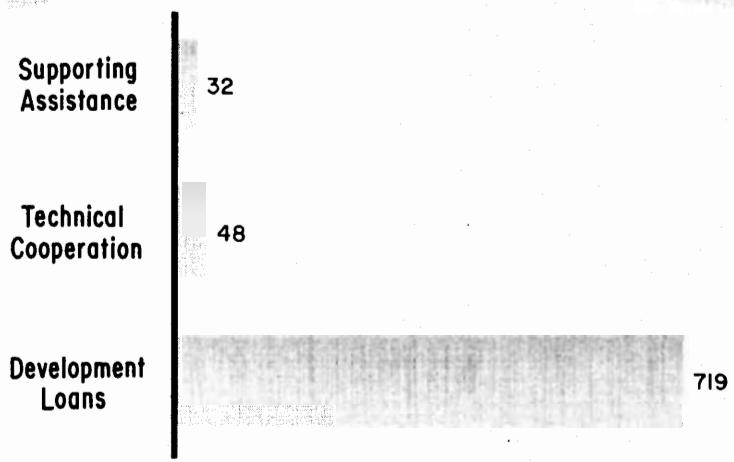
AID Programs
in the
Near East
and
South Asia

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C.

BEST AVAILABLE



**NEAR EAST & SOUTH ASIA
FY 1967 PROGRAM --- \$799 million**



THE NEAR EAST AND SOUTH ASIA

In the great arc of land known as the Near East and South Asia region, stretching from the Mediterranean Sea to the Indian Ocean, the United States is helping nations to face the enormous challenge of our time—the effort to meet the economic and social needs of their people.

This complex and disparate area, containing 18 countries with a total population of some 775 million, receives almost half the total economic aid programed by AID in support of U.S. objectives.

These objectives, which stem from basic U.S. security interests, are the maintenance of the independence of the nations of the region and the development of economically and socially progressive societies which will preserve their internal and external security.

The “Northern Tier” countries of the region—including Greece, Turkey, Iran, Afghanistan, Pakistan, India and Nepal—border on the Communist countries of Eastern Europe, Soviet Russia, and China.

The region’s problems are commensurate with its 4.4 million-square-mile area, and as varied as the range of its countries’ political systems from the world’s largest parliamentary democracy to the smallest kingdom.

While some of the countries in the region—Greece, Israel and Lebanon are examples—have made the difficult transition to self-supporting economic growth with help from the United States and other free world sources, many will continue to need our help for some time to come.

Population is growing at an average rate of 2½ percent a year, diluting the slow growth of per capita income, which for most people is barely \$100 annually. Skills and literacy in most of the area remain inadequate for dynamic economic and social growth. With some three quarters of the population dependent on the soil, agricultural productivity generally fails to keep pace with human and industrial requirements.

In addition to the traditional economic and social problems in portions of the Near East and South Asia are ancient feuds and political rivalries which militate no less against progress. In the great Asian subcontinent of India and Pakistan—the principal focus of U.S. assistance in the region—economic development was slowed during 1965 as the two nations renewed hostilities over Kashmir, wasting limited resources. New development loans and grants were suspended as the United States made clear to both countries its concern for the reestablishment of peace as an essential and basic condition for economic development.

The proposed fiscal year 1967 programs are predicated on peaceful relations on the subcontinent and assurance that economic help will not result in an arms race. The Tashkent agreement and subsequent moves to solidify and extend the armistice indicated progress toward peaceful settlement, and the United States has made limited new loan commitments to both India and Pakistan for fiscal year 1966.

Aid Is Highly Concentrated

Nearly 90 percent of U.S. aid in the Near East and South Asia region is programmed for India, Pakistan, and Turkey, all of which have development plans accepted by the major free world donors as a basis for external aid. The remainder is largely concentrated in two countries—Jordan and Afghanistan—with smaller programs planned for Nepal, Yemen, the United Arab Republic, Iran, Cyprus, and Ceylon.

The effectiveness of U.S. assistance in a developing country depends in large part on the determination of its people to help themselves.

The development of Greece and Israel—where no further economic development aid is planned—demonstrates that a combination of constructive internal economic and social policies and well-planned external aid can lift the economies of developing nations into a rapid rhythm of growth. In Greece, the rate of growth now exceeds eight percent a year; in Israel, 10 percent—one of the highest in the world. Lebanon also is forging ahead on its own, and Iran has gained economic strength to the point where no further development loans are expected, although technical aid for educational and agricultural programs will continue for a limited period.

The bulk of U.S. assistance in the Middle East goes to the development program in Turkey, which is aiming for self sufficiency by 1973.

Both Turkey and India are now financing more than three-quarters of their development programs from their own resources. Pakistan has succeeded in increasing its share to 60 percent.

All have undertaken reforms and policy changes in support of their development plans:

- Turkey, tax reforms which are increasing sources of revenues and public savings;
- Pakistan, the removal of restrictions on imports to broaden the participation of private industry which unfortunately were suspended because of the economic difficulty resulting from hostilities;
- India, incentive prices for producers of foodgrains and measures to encourage private enterprise, particularly foreign capital for production of such needed goods as fertilizers.

Both the economies and societies of these countries are undergoing profound changes. All of them now produce many industrial products formerly imported—an important step on the road to self-reliance. Con-

struction, power, mining, and transport all show gains. So do exports. Agriculture has also been making some gains in recent years, particularly in Pakistan. In India, primary school enrollments (now exceeding 60 million pupils) have doubled since 1951. The number of technicians and skilled workers, though far from sufficient, is also increasing. Although the rapid growth of population continues to dilute the effect of gains in production, all are managing to provide their people with a small improvement in consumption while devoting more resources to investments for future growth.

Consortia

The United States is not alone in its effort to provide assistance to countries of the Near East and South Asia. Many other free world countries and the principal international institutions have joined in consortia to finance development needs in India, Pakistan, and Turkey and now provide about 55 percent of the funds pledged to these countries. The U.S. share is provided mainly through loans to finance the imports from the United States of equipment, raw materials, spare parts, and other components that go into national development, particularly in the private sector.

For 1965, India, Pakistan, and Turkey received pledges of \$1,810 million through the consortia, including debt deferment for Turkey. The United States' share was about \$793 million in AID and Export-Import Bank loans.

The United States has been successful in easing the terms of loan assistance for every country drawing support from the international consortia.

Food Problems

Rapidly growing populations and increased incomes swell the demand for greater food production. The response of the agricultural sector to this challenge has been inadequate in many countries, but Pakistan's experience since 1962 gives promise for other developing countries despite a drought which has reduced production in the current crop year. There, as a result of U.S.-assisted programs to improve the use of water, fertilizer, and other factors, agricultural output has increased 12 percent between 1962 and 1965.

With its food crisis, India is attacking agricultural problems on a broad front, allocating foreign exchange for the import of fertilizer and encouraging its private production. Farm production should also benefit from other planned capital investment and from reorganized agricultural administration.

Under its aid program, the United States is intensifying its technical and capital assistance to agriculture and AID plans to continue to support

the development of effective agricultural education institutions. Five U.S. universities are working with seven Indian agricultural universities, and similar arrangements are financed by AID in Pakistan and Turkey.

The Fiscal Year 1967 Program

The fiscal year 1967 economic aid request of \$799.4 million for the Near East and South Asia includes funds for 11 countries as compared with 15 countries in fiscal year 1964. Development loans account for 90 percent of the economic aid requests for fiscal year 1967.

Program Summary
[millions of dollars]

	Fiscal year 1965 actual	Fiscal year 1966 estimated	Fiscal year 1967 proposed
Development loans	\$605.5	\$430.0	\$719.0
Technical assistance	49.9	46.0	48.0
Supporting assistance	38.5	34.9	32.4
Total	\$693.9	\$510.9	\$799.4

The substantial increase over fiscal year 1966 estimated obligations is accounted for by the fact that lending to India and Pakistan was suspended during part of fiscal year 1966.

Development Loans

About 80 percent of AID's total development loan funds are concentrated in the Near East and South Asia countries. India, Pakistan, and Turkey will receive most of the loan assistance. All have given evidence, through self-help measures, of a willingness to move steadily along the road to development.

Program loans will finance increased imports of fertilizer, pesticides, and other components needed to raise agricultural productivity. These loans have proved to be one of the most effective ways of stimulating private industrial growth. Growing experience in their administration, carefully compiled lists of allowable items, the close cooperation of host country governments, the inducement to liberalize imports, and regular end-use audits enhance the effectiveness of the program loan technique. The loans help to finance capital goods for various industries and concerns of all sizes, supporting investment in a wide range of the private sector.

Project loans will be available in fiscal year 1967 to build power plants, irrigation systems, transportation networks, and other facilities essential to development. Loans will also be available for fertilizer plants, as will

specific risk and extended risk investment guaranties for U.S. private investments in fertilizer and other production.

Technical Cooperation

The planned expansion of technical cooperation in fiscal year 1967 reflects increased emphasis on agricultural, educational and health projects. The needs of developing countries for technical advice and training continue to be as urgent as their need for capital. This type of assistance is planned for nine countries, under regional programs, and through the Central Treaty Organization (CENTO). Almost 70 percent is concentrated in five nations: Afghanistan, India, Jordan, Pakistan, and Turkey.

The technical cooperation program draws on the experience and competence of both private and public U.S. institutions, including many universities and colleges.

In agriculture, U.S. assistance will support the campaigns of India and Pakistan to produce enough food for growing populations. Programs to increase wheat production in Afghanistan will be intensified. Jordan will continue to receive assistance in developing cooperatives, extension services, credit and marketing, and rural development in general.

In education, India's Summer Institute program for teaching science and mathematics will be expanded. Vocational-engineering efforts, teacher training, and agricultural and educational program improvements will continue in Afghanistan. The program in Pakistan emphasizes vocational training.

Assistance has been requested for population control programs in Turkey, Pakistan, the United Arab Republic, and India. Experimental programs in improving nutrition will be started in Turkey and India.

More than 2,000 present and potential leaders from the Near East and South Asia countries are being trained in the United States and third countries. These professionals, administrators, and technicians will be returning to positions in their governments or private enterprises in which they can contribute effectively to national development.

Supporting Assistance

The request for Supporting Assistance for the region continues the downward trend of previous years. It now comprises only four percent of the total regional request and will be for only two countries: Jordan and Yemen.

The continued independence of these countries is vital to U.S. interests in the volatile area of the Middle East and in the oil-rich Arabian Peninsula. Though on a diminishing scale, U.S. assistance will be needed for some time to come to help Jordan meet its national budget requirements. In Yemen, the program is now oriented toward urban and rural self-help and training programs.

AFGHANISTAN

The basic objective of the United States in Afghanistan is to strengthen the independence of this non-aligned nation which is well disposed toward the broad aims of the free world.

Toward this end, the United States supports Afghanistan's development efforts and its political and social progress through an economic assistance program of development loans and grants.

The program is concentrated in high priority areas, with primary emphasis on increasing agricultural production, developing industry, and training manpower.

During the past year, Afghanistan has made progress in strengthening its political institutions and has taken steps to bolster its economic situation.

Self-Help Progress

The latest major accomplishment in a series of political reforms was achieved last September when the country's first national elections were held under an electoral law that went into effect in May 1965. The elections, which resulted in a reasonably representative parliament, followed promulgation of a new liberal constitution that laid the foundation for a more democratic government, an independent judiciary, the right to a free press, and basic civil liberties.

With U.S. encouragement, the Government signed an International Monetary Fund (IMF) standby agreement in June 1965 which limited deficit financing and called for partial devaluation of the currency. These were the latest of a number of economic reforms instituted during the past few years to moderate inflationary pressures and an outflow of foreign exchange.

U.S. Assistance

To promote agricultural development, AID will continue to provide assistance for the development of the Helmand Valley, a formerly arid area in the southwest part of Afghanistan where irrigation is turning 300,000 acres into fertile cropland. The program there is focused on increasing yields of basic food crops through cultural improvements as well as on opening new lands to irrigation. U.S. technicians from the Bureau of Reclamation are classifying up to 20,000 acres of land a year for cultivation, and advisors are preparing an over-all plan for future development.

In the industrial area, the AID program is centered on development of food processing plants and the treatment of hides and skins, products which can make substantial contributions to Afghanistan's foreign exchange earnings.

U.S. assistance to Afghan education emphasizes the need for trained manpower and skills in the country's growing economy, with a technical assistance program that helps to develop agriculturalists, engineers, foremen

and teachers for the primary and secondary school system. U.S. advisors include teams from the University of Southern Illinois, University of Wyoming, and Educational Services Incorporated.

Fiscal Year 1967 Program

The fiscal year 1967 AID program will emphasize loans over grants. Prospective loans will include financing for construction of a hydro-electric power plant at the Kajakai Dam in the Helmand Valley, and a loan for farm machinery.

Afghanistan's development program depends on capital and technical assistance from other sources as well. Among Western nations, the Federal Republic of Germany is assisting in education and has also committed \$50 million to finance capital projects. Others aiding Afghanistan include Japan, the United Kingdom, France, Yugoslavia, the United Nations, and the two Communist blocs.

Soviet bloc aid has averaged some \$50 million annually for such projects as highways, a large irrigation system, and a number of dams, industrial and power plants. Communist China, another neighbor, recently agreed to finance \$28 million in technical and capital assistance projects for agriculture and industry.

INDIA

India, second largest nation in Asia with 490 million people, can be the key to long-run stability and economic progress in South Asia. Since 1951, India's Five-Year Plans have sought with considerable success to raise the standard of living of its people and accelerate its agricultural and industrial production to achieve self-sustaining growth.

Progress toward this goal was interrupted by the 1962 Communist attack on India, which forced increases in defense expenditures from 2½ percent of gross national product to an estimated four percent. The Indo-Pakistan conflict in 1965 again increased the drain on India's limited resources and reduced those available for economic development.

New U.S. assistance to India was withheld pending the authorization of aid funds for fiscal year 1966. As a result of the Indo-Pakistan hostilities, the United States suspended new development assistance until stability in the subcontinent could be reasonably assured.

In the fall of 1965 it was evident that India faced the greatest drought in decades with a drop of 12 million tons from last year's foodgrains harvest. The United States authorized a \$50 million fertilizer loan in December 1965 to help India with food production in 1966-67.

A loan of \$100 million was authorized in early 1966 for the purchase of raw materials and spare parts essential to economic development. Future loans will be contingent on continuation of efforts to improve stability

and peaceful relations in the subcontinent and on improved policies designed to accelerate economic and social growth.

U.S. assistance is provided in the framework of the India Consortium of ten nations, the World Bank, and the International Development Association, and helps supply the critical margin of resources needed by India in her progress toward self-support. India's location, economic potential, size, accomplishments in self-help, and importance to the free world have combined to make India the largest recipient of U.S. economic assistance.

Self-Help and U.S. Assistance

Since 1951, when the First Five-Year Plan began, India has been determined to generate lasting economic and social growth within a democratic framework. Progress achieved has been substantial, although not meeting planned targets. The overall growth rate for the 15 years averaged about four percent a year. Industry rose an average of seven percent annually and agricultural production, even though subject to highly variable monsoon rains, rose about three percent annually. Food production grew only slightly faster than population, which increased at the rate of 2.4 percent.

India's determination is reflected in its efforts to mobilize its scarce resources. The country now finances about 80 percent of the cost of development activities from its domestic resources. During the past 15 years savings rose from five percent to 12 percent and investment from an estimated five percent to 16 percent.

Food and Rural Development

Food production has fallen short of meeting consumer demand which is rising due to increased incomes. Since 1960 food import requirements have grown. The 1965-66 deficiency in monsoon rainfall greatly increased the gap between domestic food requirements and supplies of foodgrains available. The United States, in helping India to meet the severe shortage in basic foods, is using Food for Peace commodities to accelerate the comprehensive agricultural program initiated by the Indian Government.

This program includes concentration of Indian resources in the form of fertilizer, seeds, insecticides, irrigation water, farm credit, and technical assistance on 32 million acres of India's best land, with the objective of increasing production of foodgrains by 30 percent by 1971.

The Food Corporation has been organized to be responsible for the management of government stocks of foodgrains and to support incentive prices established for farmers through open market operations in grains.

Urged by the United States, India increased import allocations for fertilizer in 1965 by more than 100,000 tons of nitrogen or 50 percent above the previous year's procurement. Further increases are planned in 1966-67.

It is possible that under this broad program, foodgrain production in 1966-67 could be increased by from three to ten million tons, assuming monsoon rains are normal.

Technical assistance from AID has assisted the Food Corporation, has helped with the review of the Indian Government's price policies, is increasing the supply of agricultural teachers and leaders, and is encouraging increased farm credit and improved crop marketing and distribution.

Education

Results of India's self-help efforts in education have been striking. In 15 years school enrollment at all levels has grown from 25 million to more than 60 million students. Senior high school enrollment has quadrupled, university registration tripled, and attendance in engineering and technical schools has grown sevenfold.

The quality of education is rising. U.S. assistance has helped to maintain and improve both the facilities and techniques for training teachers, particularly at senior levels and in specialized universities and technical institutes. An AID-financed consortium of nine universities is helping create a modern Institute of Technology at Kanpur with facilities for 2,000 students. This institute and agricultural universities and engineering colleges assisted by AID will serve as models for other institutions.

Health

U.S. assistance has played a major role in the successful program which has drastically reduced the incidence of malaria, which formerly affected one-third of the population. The numbers of nurses and hospital facilities have nearly doubled in the past 10 years, but they are still far from meeting national needs. In the same period the number of physicians has increased by over 50 percent.

Indians recognize that a substantial reduction in the birth rate will lead to more rapid increases in per capita GNP. The United States is ready to help India with technical assistance in achieving this goal. It is recognized that a massive organizational effort of the Indian Government will be required to carry out this program.

Infrastructure

India's installed power capacity now totals more than 10,000 megawatts, of which over 20 percent has been built with U.S. assistance. Twenty-two development loans totaling \$433 million have been made for power facilities.

During the Third Five-Year period the Indians have constructed 1,300 miles of new railroad facilities, reorganized and reequipped railroad shops, constructed locomotives and freight cars, and modernized railroad operations. Operating speeds and the average tonnage of trains have increased significantly. Shipments of coal, iron ore, cement, foodgrains, minerals,

and other basic products have risen 14 to 40 percent over the levels prevailing five years ago. U.S. loans of \$285 million have been made toward this transformation of transport facilities.

Industrial Development

U.S. assistance to Indian industry has been offered through technical advisory services, loans to industrial development banks and individual firms, and commodity loans providing dollar credits for purchase in the United States of raw materials, spare parts, and balancing equipment. In fiscal year 1965 the major part of \$190 million in commodity loans was utilized by India's private sector.

Since 1958 AID has made available specific risk guaranties to stimulate American private investment in India. Since 1962 the rupee equivalent of \$100 million in "Cooley" loans has provided funds for ventures in the manufacture of paper, aluminum, heavy construction and engineering equipment, and machinery production.

New Problems

A critical phase in India's development effort had been reached before the hostilities with Pakistan and prior to the deterioration in the country's food situation. The Indians themselves were not satisfied with their rates of agricultural and industrial progress and recognized certain weaknesses in planning and implementation of economic development.

- A disproportionate amount of emphasis had been placed on investment in new plants rather than fuller utilization of existing capacity.
- High priority had been given industry while agriculture had received insufficient inputs of capital and equipment.
- Excessive emphasis has been placed on import substitution to save foreign exchange rather than upon production for export to increase foreign exchange earnings.
- Individual initiative had been too tightly restricted by regulatory measures.

The Indian Government has now moved toward greater liberalization in its economic policies to permit increased freedom of market forces in determining the allocation of resources. These changes and the reduction in administrative controls over individual enterprise should gradually lead to more effective use of national resources and more rapid rates of growth.

Aid From Others

U.S. loan assistance to India is provided through the India Consortium sponsored by the World Bank which coordinates economic aid from free

world sources. During the Third Plan, Consortium pledges averaged more than \$1 billion a year with the United States providing about 40 percent of the total (not including Food for Peace assistance). Most assistance by Consortium members is provided on a loan basis at concessional terms with long repayment periods.

Service charges on India's external debt are expected to total more than \$2 billion for the five-year period ending 1970-71. Recognition of this repayment problem has caused the United States to continue to urge Consortium members to provide the most reasonable terms possible.

Foreign private investments can make available a major proportion of the capital and technical assistance required to construct fertilizer capacity in India. Greater receptivity to such private capital by the Indian Government can materially accelerate the rate of development in this important field and action has been taken to attract foreign investors.

Fiscal Year 1967 Program

Development loans from the United States will be required to continue the improvement of transportation facilities and to increase the supply of electric power.

Technical assistance programs will place increased emphasis on aiding India's efforts in agriculture, population planning, and education. In agriculture there will be continued strengthening of research and experimentation work of seven Indian agricultural universities already established with AID support. The departments of agriculture in the individual states assisted by AID will play a key role in directing the research and experimentation work of the universities toward solving the current problems and needs of Indian farmers.

In the field of population planning, India has already established portions of a network of rural health services essential to successful programs. As malaria eradication programs are completed, the members of these malaria teams are being absorbed into the staffs of rural health units. AID is prepared to respond to the Indian Government's request for assistance in organizing training programs, providing technical experts, and assisting in research related to population planning.

In the field of education, technical assistance will be given to selected Indian institutions engaged in training skilled and professional manpower. The pioneer Summer Institutes program to improve the teaching of science and mathematics in Indian colleges and secondary schools will continue. In the summer of 1966, 4,500 Indian teachers will be trained in a series of six-week institutes staffed by American educators traveling to India during summer vacations.

U.S. food shipments to India under the Food for Peace program are expected to continue in 1967 in support of vigorous Indian self-help efforts in agriculture.

JORDAN

The continued independence and stability of Jordan is important to the stability of the entire Near East. Jordan has always been heavily dependent on external assistance, formerly provided by budget subsidies from the United Kingdom. But in 1957 Jordan ended the Anglo-Jordanian Treaty of Alliance. In view of the rapidly deteriorating situation and the danger that Jordan's dismemberment might produce violence throughout the area, the United States assumed the burden.

Progress and Self-Help

Jordan's gross national product is now increasing at the rate of 10 percent a year. Exports are estimated nearly to have tripled since 1959, and income from tourism in the first half of 1965 was up 13 percent over 1964.

The Jordanian Government has been taking important steps to reduce dependence on grant budget support by increasing tax collections while promoting economy in administration. As a percentage of total expenditures, domestic revenue increased from 36 percent in 1959 to 48 percent in the fiscal period ending in 1965. Budget outlays for many development projects formerly financed by the United States under the technical cooperation program are now being assumed by the Government of Jordan.

U.S. assistance provided all of the imported materials and many of the engineering services for a reclamation program which is distributing water from the Yarmouk River in East Ghor to 30,000 acres of former desert land farmed by 3,400 families. The East Ghor irrigation system is substantially increasing the local production of vegetables, citrus fruits, and bananas while raising living standards throughout the area. The system's construction projects, including 115 miles of farm-to-market roads, are to be completed early in 1967.

AID technicians continue to work closely with extension services, cooperatives, credit institutions, and marketing and community development programs.

AID has also helped to develop ground-water resources, working through the Central Water Authority established in 1961. The authority has tapped supplies of ground water for 11 major cities, drilled 201 wells, and constructed five dams. Eight irrigation projects serving 69 villages have been designed and constructed. The Water Authority has played an important role in expanding tourism by locating and tapping new supplies of water for hotels, rest houses, and archeological sites.

The tourist industry is also benefiting from AID-supported training programs in the Tourism Authority and Department of Antiquities. Foreign exchange earnings from tourism increased from \$8 million in 1959 to an estimated \$28 million in 1965.

Jordan is drawing on U.S. technical knowhow in other fields as well. Educational institutions have been opened to train teachers and technicians, and private industrial investments have been increased by the Industrial Development Bank established in 1965.

In spite of periodic changes in government, Jordan has achieved major improvements in management, budgeting, and tax administration with the help of U.S. advisors. AID technicians have introduced modern budgeting and accounting procedures throughout the government and helped establish an independent budget office. Tax collections are up substantially (by more than 16 percent in the first half of fiscal year 1965) following implementation of the 1964 income tax reforms.

Aid From Others

The United Kingdom shares with the United States the cost of budget support to Jordan, providing some \$4 million a year for that purpose in addition to technical assistance and interest-free development loans approximating \$2 million annually. A limited amount of technical assistance and loans for industrial transport and port facilities comes from West Germany. The Government of Kuwait loaned \$14 million for the development budget in 1964, and various United Nations agencies also provide technical assistance.

Fiscal Year 1967 Program

The beginnings of development progress in Jordan have made it possible for the United States to reduce the size of supporting assistance grants to that country from \$40 million in fiscal year 1961 to \$32 million for fiscal year 1966. A further reduction to \$30 million is proposed for fiscal year 1967.

In 1967, we will continue to shift from budget support to development loans for high priority projects which will increase domestic revenues and foreign exchange earnings. Projects under consideration include a potash plant, telecommunications expansion, a thermal power plant, airport improvements, and highway construction.

The technical cooperation program for 1967 will cost \$3.6 million and will include projects for continuing assistance to the development of irrigation projects and new sources of water; supporting services in general agricultural development; the expansion of the tourist industry; and assistance to government ministries carrying out reforms in administration and tax collection.

PAKISTAN

Pakistan, the third most populous country in Asia, shares the South Asian subcontinent with India. Future hopes for the stability of the region as a whole depend heavily on the ability of the two great neighbors to live and to develop at peace with one another.

As in the case of India, the United States provides substantial help for Pakistan's development effort through an aid consortium of free world nations sponsored by the World Bank.

Strains began to develop in U.S.-Pakistan relations after 1959-60, stemming essentially from our different approaches to India and Communist China. These strains became severe after our decision in 1962 to provide military aid to India to enable that country to meet Chinese Communist aggression. To counter what it believed was an increased threat to its own security, Pakistan moved to expand relations with Communist China.

As in the case of India, U.S. economic and military assistance to Pakistan was suspended when hostilities broke out between the two countries in September 1965. Pakistan viewed this as working more of a hardship on it than on India, and relations were strained further. Similarly, a slow-down in U.S. economic assistance to Pakistan since the September hostilities has been disappointing to the Pakistani Government.

While substantial policy differences persist between the United States and Pakistan, the visit of President Ayub to the United States in December went far to improve the climate of understanding between the two countries. The recent visit of Vice President Humphrey to Karachi has further strengthened this trend.

The AID program proposed for fiscal year 1967 assumes a continuing improvement in U.S.-Pakistan relations and is contingent on peace in the subcontinent and the assurance that economic aid will not support an arms race between India and Pakistan. The Tashkent agreement holds promise that the two countries are resolved to settle their political differences peacefully.

Progress and Self-Help

Pakistan provides one of the best examples among developing nations of the successful execution of a major development program. Within the five years of Pakistan's Second Plan (1959-1964), the economy moved from a period of prolonged stagnation into a period of steady agricultural and industrial growth and rising per capita income.

Since 1960, the net average annual increase in per capita income exceeded 2.5 percent despite a 2.6 percent yearly rate of population increase during the same period. The gross national product rose at a compound rate of 5.4 percent with the major contributions coming from private sector manufacturing, construction and mining, and public utilities.

Private industrial growth exceeded Second Plan targets largely because enlightened government policies encouraged new investment through tax holidays, relaxation of price and distribution controls, expansion of industrial credit facilities, and stimulation of savings in industrial investment institutions. An AID-encouraged liberalization of import controls increased the availability of industrial raw materials, equipment, and spare parts for private industries throughout Pakistan, increasing the utilization of plant

capacity in the Karachi area alone from 52 percent to 83 percent in the six months since the policy change was instituted.

Agricultural production has grown 3.5 percent a year during the past five years. This recent agricultural performance in Pakistan holds promise that even the poorest country can succeed in rapidly raising its food output. The higher yields of the last five years reflect important institutional and policy changes as well as increased availability of water and fertilizer.

Agriculture will continue to receive priority investment under the Third Five-Year Plan which began in July 1965.

Agriculture

Waterlogging, salinity, insufficient water for irrigation, and inefficient cultivation and management have made the Indus Plain area of West Pakistan one of the least productive agricultural areas of the world. Through an AID-assisted, integrated program of reclamation, desalinization, and the introduction of improved farming methods, Pakistan hopes to increase production greatly in a pilot area by 1975. The Indus Basin Development Program will help to provide water for these activities.

The groundwork for the West Pakistan farm program was laid in an AID project to help the government train personnel to survey soil and groundwater resources. As a result of these surveys, farmers are now installing tubewells at the rate of 6,000 a year to flush out excess water and salts. The desalinization program has opened the way for the introduction of fertilizer, improved seeds, and modern farming methods on a broadening scale throughout the wheat and cotton growing areas of the country's west wing.

Paired with the reclamation program in West Pakistan is a drive to double the rice production in East Pakistan by 1975 through improved irrigation procedures, extension services, and large scale rural works supported by local currency generated by Food for Peace sales.

In East Pakistan, AID farm experts have played a central role in the training and development of the 6,000-man East Pakistan extension service, and the integration of extension work with farmer organizations at the grassroots Union Council level (the basic unit of local government in Pakistan).

Extension agents work directly with local farmers' subcommittees to survey local problems in fertilizer use, plant culture, irrigation and credit, and carry out all demonstrations of new production methods and tools on the fragmented plots of the local farms.

The technique, called "program building," has caused the adoption of improved farm methods by making the farmers themselves an effective spur to the improved performance of government extension services. Modern sowing methods, expanded use of fertilizer, irrigation, pesticides, and better seeds have already raised rice production in East Pakistan from 7.4 million tons in 1955 to 11.5 million tons in 1965.

At the same time, a public works program operated by the Union Councils, has contributed directly to farm growth by building or repairing 25,000 miles of dirt farm-to-market roads, 5,000 bridges and culverts, 800 miles of flood embankments, and 6,000 drainage canals. Rural unemployed were used for the labor, paid with Food for Peace-generated rupees turned over to the Union Councils. The wage payments, in turn, made thousands of East Pakistan's poorest peasants an immediate cash market for any surplus rice its farmers could produce by investing in modern tools and techniques.

Agricultural universities in both regions of Pakistan are receiving U.S. help in improving curricula and teaching methods and expanding teaching facilities. Under AID contract, a team from Texas A & M is working to develop East Pakistan University at Mymensingh into a major research and training center for agricultural development. World Bank loans are financing construction of 35 new buildings at the University, which will provide the full range of agricultural training courses and conduct research in agronomy, animal husbandry, poultry raising, and dairy farming.

In West Pakistan, teachers and administrators from Washington State University are engaged in a similar program to improve the training and research facilities of the Agriculture University at Lyallpur. Under programs developed by the advisory team, the University is sending an increasing number of graduates into agricultural field service and land reclamation projects in the Indus Basin.

Industry

AID loans have helped open the way for new and expanding industries in both wings of Pakistan through the expansion of power facilities and basic communications. The United States is helping to finance the reconstruction and modernization of the western highway system which will connect the southern port of Karachi with the northern Khyber Pass over a 1,200-mile route through the Indus River Basin. AID is providing capital assistance for the 200-mile section connecting Multan with the industrial city of Lahore. Industrial power supplies in Karachi, the country's major industrial city, were doubled by the AID-assisted Korangi power station which went into operation in 1965.

Administration and Private Enterprise

To encourage private enterprise, the United States has continued to support the Investment Advisory Center, established with AID assistance to identify and develop new investment opportunities. Since January 1962, AID has authorized some \$17.7 million in Cooley Loans to stimulate domestic and American private investment in Pakistan. These loans were used to build manufacturing facilities for tires, pharmaceuticals, and sewing machines, as well as hotels and jute mills.

Fiscal Year 1967 Program

U.S. assistance to Pakistan is provided within the framework of the 10-member aid Consortium sponsored by the World Bank. In June 1965, the Consortium met to review Pakistan's proposed Third Five-Year Plan and approved it as an effective framework for continued development and continued assistance by Consortium members. But in view of the worsening relations between India and Pakistan the formal pledging session of the Consortium scheduled for July was postponed. The AID program proposed for fiscal year 1967 in Pakistan is contingent on improvement in Indian-Pakistani relations, the full resumption by Pakistan of its development efforts, and expanded Pakistan self-help performance.

AID development lending will emphasize program loans to support Pakistan's continued import liberalization program and finance American raw materials, equipment, spare parts, fertilizer, insecticides, and other resources urgently needed to maintain the growth of agriculture and industry.

Project lending will be considered for the expansion of railways, highways, power installations, and water resources, and for the manufacture of fertilizer in East Pakistan.

The technical cooperation program will continue to emphasize agricultural improvement. In West Pakistan, advisory services are to be expanded in areas of the Indus Basin, including study of the desalinization program. AID technical teams will concentrate on improving the agricultural extension technique of "Program Building" in East Pakistan. The agricultural universities of both provinces will continue to receive help in improving courses and teaching methods.

The Government of Pakistan has requested U.S. technical assistance in training medical and other personnel for the new family planning program. This program is to include training in the United States. Assistance will also continue in the campaign to eradicate malaria.

Development of the private industrial sector will be promoted through continued technical support of investment advisory centers, small industry lending agencies, and skilled-labor-training institutions. There are also plans to continue advisory services on budget and fiscal administration to public agencies. A public safety project will provide advisory and commodity components for improving police control of civil disturbances.

The provision of surplus American food supplies for Pakistan during fiscal year 1967 will be negotiated in the light of Pakistan's need and continued performance in emphasizing the development of its own agricultural sector.

Indus Basin Development

Through its participation in the scheme for development of the water resources of the Indus Basin, the United States is helping to provide arable land for more than 50 million people in Pakistan and India, and at the same

time to remove one of the principal sources of friction between the two countries.

The Indus Basin Development Fund, administered by the International Bank for Reconstruction and Development, is financing a 10-year program to construct works in Pakistan to replace waters allocated to India under the Indus Waters Treaty. The project, the largest earth-moving task ever undertaken, involves the construction of a dam, seven river-diversion barrages, and 430 miles of canals. When completed, probably in 1970, it will release irrigation waters to 23 million acres of land in the Indus Plain which produce 75 percent of West Pakistan's food and fiber.

The dam is being built by an American firm under a \$354 million contract; the diversion tunnels have been completed and actual construction of the dam is underway. One of the four canals went into operation in 1965. Another canal system is under construction, and contracts for two more have been awarded.

Total commitments for the Indus Basin projects in Pakistan are estimated at \$1,037 million, including \$774 million in foreign exchange and \$263 million in local currency. The United States has pledged about 54 percent of the foreign exchange, the World Bank about 18 percent, the United Kingdom about 13 percent, and smaller amounts are coming from the Federal Republic of Germany, Canada, Australia, and New Zealand, as well as Pakistan, which pledged the equivalent of \$28 million in rupees.

TURKEY

Turkey has been a staunch ally of the United States since World War II, and is a valued member of both the NATO and CENTO alliances. It was one of the first countries to volunteer troops during the Korean War and today provides important strategic facilities to NATO and the United States.

U.S. assistance began as a contribution to Turkey's defensive strength in 1947, when the Turks faced the threat of direct aggression from the Soviet Union with ill-equipped armies and an overstrained economy. In the late 1950's, the emphasis in U.S. assistance to Turkey shifted from security to help for the long-range development of Turkey's resources.

Since 1962, the United States and 13 other free world countries have aided Turkey through an OECD-sponsored consortium. Consortium assistance has helped Turkey finance its first five-year development plan aimed at increasing its gross national product by seven percent a year. Turkey's Second Five-Year Plan, now in preparation, will have as one of its targets an end to the need for concessional assistance by 1973.

Progress and Self-Help With U.S. Assistance

The Turkish economy has been expanding steadily under the First Five-Year Development Plan. The gross national product has increased an average of 5.7 percent a year—about 3.2 percent in per capita terms—as the

result of a major industrial expansion boosting industrial output by 10 percent annually. New industries have been started and important expansion has occurred in the production of steel, petroleum, and chemicals.

Private sector participation is expected to increase substantially in the industrial field with encouragement from the new government elected last November which hopes to rely to a greater extent than its predecessors on private initiative and private capital.

AID has helped stimulate private sector growth by helping to establish sources of capital for private investment, lending local currency for U.S. private investment in Turkey, and providing technical assistance to increase the management skills in Turkey's private enterprise.

AID has helped open new sources of capital for private ventures with dollar and local currency loans to the country's Industrial Development Bank, the Industrial Investment Credit Bank, the Tourism Bank, the Small Industries Loan Fund, and the Mining Assistance Loan Fund.

Turkey's first integrated steel complex, the AID-financed Eregli Mill, began rolling flat steel products in 1965 with plans to step up production to 350,000 tons a year when the operation reaches full capacity. The manufacture of cold-rolled sheets and tinplate will eventually save the country \$30 million a year in foreign exchange expenditures.

More than \$40 million in Cooley Loans (Turkish lira paid the United States for surplus American farm products) have been made for joint ventures in the manufacture of such projects as tires and pharmaceuticals. Investment guaranty protection has helped to generate investments by 20 American firms in fields such as banking, pharmaceuticals, electrical products, tire manufacturing, and steel fabrication.

To raise the management skills of Turkish businessmen, Turkish business and industrial leaders have been brought to the United States for specialized training in management.

American specialists have also gone to Turkey to organize management seminars and training programs and help the Turks establish schools of business administration. More than 300 Turkish businessmen were enrolled in a new Turkish Management Association, while the Turkish Union of Chambers of Commerce received technical assistance in expanding services to include an investors' guide, preinvestment surveys, and technical and management services for new private ventures.

The United States is playing a key role as well in the development of basic communications, transport, electrification, and irrigation facilities. To increase the availability of power, AID provided \$51.7 million in loans to finance American equipment for two major plants which will boost the nation's generating capacity by 45 percent. In addition, the U.S. pledged \$40 million in March 1965 for the Keban Dam, a major hydroelectric project in eastern Turkey, as part of a syndicate of aid donors who contributed another \$95 million. Another \$20.3 million loan is financing American imports to construct transmission lines. The Turkish highway

system and railway network have been expanded and improved with imports of U.S. equipment ranging from road-building machinery to diesel engines and electronic controls.

All of these AID-induced activities will help provide a sounder basis for Turkey's eventual independence of U.S. assistance.

Agriculture

Although total agricultural output kept well ahead of demand and population growth in Turkey in the 1950's, since 1960 farm production has grown by less than 10 percent. A vast expansion in the acreage under cultivation accounted for most of the postwar increase. Now that even marginal land has been brought into production, future increases will depend on Turkey's success in improving per-acre yields.

Demonstrations in Turkey have established that fertilizer will produce increased yields worth more than twice the cost of the fertilizer. Fertilizer use has increased more than 20 percent a year for the past five years, but Turkish farmers still use less per acre than is used even in India today.

Although 12.5 million acres of land in Turkey could economically be irrigated, only about one-fourth of this acreage is actually under irrigation. With AID assistance, Turkey has just begun to build a supervised farm credit system with which farmers can purchase fertilizer and utilize existing irrigation capacity. Farm-related services for extension, research, irrigation and soil conservation are understaffed and uncoordinated at the farmer's level.

Good weather has minimized Turkey's food problems in recent years. But food will loom as a critical problem in the near future unless Turkey acts rapidly to increase the use of fertilizer and irrigation.

Population

Turkey has recognized the need for population control and a national law has been enacted establishing a family planning program for the country. Instruction will be provided through the established public health system, which is also being expanded and improved.

Turkey is receiving specialized family planning assistance from a private source, the Population Council of America. The government has requested an AID loan to finance American vehicles needed in its expanded public health programs.

Other Problems

Turkey's drive toward self-sustaining economic growth continues to suffer from a serious imbalance in international payments in spite of recent progress in rescheduling the country's foreign debt commitments.

Progress has been made in raising export earnings, but the import controls imposed to ration scarce foreign exchange keep export-earning

capacity from reaching its full potential. A recent rise in wholesale prices could also affect Turkey's ability to compete in world markets.

Between 1960 and 1964, Turkish exports were increased by 28 percent and preliminary figures show a further improvement of 11 percent in 1965.

This progress reflects major policy changes undertaken by the Turks. Tax incentives have been granted, including a rebate of domestic taxes on exported goods. Since 1964, exporters have been able to import freely the raw material components for their export products. Export licenses have been eliminated for all but a few agricultural commodities.

Reform of the Turkish system for allocating foreign exchange and licensing imports is needed to enable Turkish production to grow in a manner competitive with other world output. Reform of the import regimen will also enable private enterprise in Turkey to make a fuller contribution to Turkish development.

Price stability has long been a condition of U.S. assistance in Turkey and the country has managed to keep prices relatively stable since 1961. The average annual rate of increase in the wholesale price index between 1961 and 1964 was three percent (compared with a 10 percent average rise for earlier years). Prices during 1965, however, have increased more rapidly than the three percent average of the preceding years. Increases that make Turkish exports relatively more expensive in world markets will seriously hinder the country's drive to earn more foreign exchange, and achieve self-support by 1973.

Aid From Others

Working through the OECD-sponsored aid Consortium for Turkey, the United States has continued to press for more assistance on better terms from other free world sources.

U.S. assistance to Turkey now comprises less than 50 percent of the total financial resources coming into the national development program from the OECD Consortium, and the U.S. share of assistance is expected to decline as the country increases its capacity to borrow from other nations. In 1965, the OECD was able to extend the average repayment terms on Turkey's external debt to 34 years at 2.1 percent interest with 8.5 years of grace. The OECD pledge in 1965 provided an estimated foreign exchange debt relief of \$97 million, of which the U.S. share is \$5.6 million.

Fiscal Year 1967 Program

U.S. program loans as well as project loan assistance to Turkey during fiscal year 1967 will be provided through the OECD consortium. AID program loans will be used to finance imports of raw materials, semi-manufactured goods and spare parts essential to the growth of Turkey's private sector.

AID program loan assistance will be related to continued self-help performance, with particular attention to Turkey's efforts to maintain price stability, increase export earnings, and improve its system for allocating foreign exchange.

Capital project assistance will be available for minerals, timber manufacture, and other industries which will help increase exports. Capital assistance will also be considered for the manufacture of industrial chemicals, paper, fertilizers, and other products presently imported. In addition, further assistance will be considered for basic infrastructure projects including highways, electrification, and irrigation.

In spite of U.S. and Turkish efforts to increase agricultural production, Turkey's food deficit is expected to continue in fiscal year 1967. Negotiations are under way for an \$18 million Food for Peace Program, including vegetable oils and corn, in 1966. In fiscal year 1967 the program is expected to continue.

To help Turkey make faster progress in raising its own food output, AID is supporting a survey of fertilizer requirements and concentrating its agricultural assistance in an intensive pilot program now under way in the Denizli province in southwestern Turkey.

An AID-financed team of experts from the Tennessee Valley Authority is now making a nation-wide study of Turkey's requirements for fertilizer. The TVA study will cover the volume of fertilizer required, the best kind to use in varying conditions, and the best ways to supply the added nutrient needed. It will be followed by feasibility studies of potential Turkish fertilizer plants. The TVA study will help the Turks with their own agricultural planning and guide AID in any future financing of fertilizer imports and the expansion of production facilities within Turkey itself.

A significant part of AID technical assistance in agriculture will be concentrated in Denizli Province just inland from the Aegean coastal region. Denizli is typical of Turkey's agricultural challenge: landholdings are small and fragmented, pastures are overgrazed, little use is made of irrigation, modern tools or methods, and the credit to finance any of these improvements is difficult for farmers to obtain.

AID technicians will help existing Turkish farm services work more closely together. At present, one central government agency plans and constructs major irrigation projects, while another has responsibility for distribution at the local farm level and for development of local water resources. The AID-financed experts will also work to improve farm credit, extension services, and the conduct of fertilizer demonstrations at the province level. From experience in Denizli, AID expects to help the Turks develop practical farm service programs and patterns of inter-agency cooperation that can be adopted to spark rural progress elsewhere in Turkey.

Technical assistance will also go to educational programs to increase the number of professional and technical leaders. Under an AID contract, the University of Nebraska will continue to help develop Ataturk University

along the lines of an American land grant university, as a center of agricultural training and research in eastern Turkey.

An AID-financed team from the American Vocational Association will study ways to improve technical and vocational training in vocational schools throughout Turkey. Assistance will also be given to the Ministry of Education in developing a system for compiling statistical data on educational training needs.

OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

CEYLON

Ceylon's new government is engaged in an economic stabilization program, drawing short-term emergency support from a seven-nation consultative group sponsored by the International Bank for Reconstruction and Development.

The country became eligible for resumption of U.S. economic assistance after reaching compensation agreements with American oil companies for properties nationalized by the previous administration. The new government has initiated fiscal reforms designed to halt inflationary financing of budget deficits and a development program is in preparation by the Ministry for Planning and Economic Affairs.

Approximately \$45 million is being made available in fiscal year 1966 by seven foreign countries for Ceylon's stabilization program. Of this amount, \$11.7 million is to come from the United States, consisting of sales of food and a commodity loan; \$10 million in the form of a commodity loan from the United Kingdom; an \$8 million loan from West Germany; and \$11 million in loans and grants from Japan, Australia, India, and Canada.

The United States has no plans for emergency assistance beyond fiscal year 1966. It is projecting Food for Peace sales of \$10 million for 1967 within the existing multilateral framework.

CYPRUS

The widespread fighting which erupted between the Greek and Turkish Cypriot communities in December 1963 has been halted by the presence of the United Nations Peacekeeping Force. However, no progress has been made toward a permanent solution of the Cyprus problem, and sporadic incidents throughout the island continue to threaten relations between Greece and Turkey, key members of the North Atlantic Treaty Organization alliance.

The United States is continuing to press for a Cyprus settlement which would preserve Greek and Turkish membership in NATO.

Cyprus turned to the Soviet bloc for support of the Greek-Cypriot position following the outbreak of hostilities in 1963, signing agreements for the delivery of Soviet equipment to the Greek-Cypriot security forces.

The United States terminated or suspended most AID projects in Cyprus early in 1964, but has continued technical cooperation for the development of Cyprus's water resources.

Two water engineers have continued to work with the Cyprus Water Development Department in its effort to carry out a long-term water resources development program, and will continue to do so in fiscal year 1967. In addition, three short-term contract technicians may be provided in fiscal year 1967 to carry out classroom instruction and on-the-job training in such areas as water distribution design, hydrology, and hydrography. It is also planned to continue the training of a small number of Cypriots in water development, economic planning, labor education, and cooperatives management.

IRAN

Iran's improved economic position has permitted a substantial reduction in U.S. assistance over the course of the past five years.

With AID help, the government has established an agricultural extension service in addition to rural and urban health services. Schools of medicine, nursing, veterinary medicine, industrial and agricultural vocational training, and teacher training have been developed. In the case of teachers alone, graduates of AID-assisted schools now account for 44 percent of the national total.

Iran has undertaken a land redistribution program which is breaking down the old feudal structure. It is using army conscripts to teach villagers to read and write and to improve their standards of hygiene.

Rising oil revenues, exceeding \$500 million this year (compared with \$350 million four years ago), are now financing the development program. Government expenditures for development average \$250 million annually.

Economic improvements will permit AID to terminate concessional lending to Iran after fiscal year 1966, but the technical cooperation program will continue through fiscal year 1968 to complete existing programs and finance analyses of specific development sectors preparatory to the formulation of the Fourth Plan. The \$1.4 million program proposed for fiscal year 1967 includes assistance to a vocational training school, training of extension workers, and support of the government's drive to increase yields of citrus fruits, sugar beets, oil seeds, and forage crops. The University of Pennsylvania will continue to assist the medical school of Pahlavi University under an AID-financed contract.

NEPAL

United States aid is helping Nepal to maintain national independence by contributing to orderly economic change.

Because the Nepalese economy is primarily agricultural, the emphasis of the U.S. aid program is now rural development and increased agricultural production. AID is also lending support to local government development programs. These local government bodies are drawing on U.S. technical and financial aid for small scale development projects including village roads, wells, and sanitation systems. At the same time, AID technicians are broadening agricultural extension services throughout the country to increase the productivity of the land. Their aim is to raise productivity 15 percent by 1970.

AID is also encouraging private sector development through the Nepal Industrial Development Corporation, which provides loans to small industries.

The development program is also benefiting from the cumulative effects of the public education program launched in the primary phase of the U.S. aid program. More than 230,000 children are now enrolled in primary schools as compared with 26,000 in 1955, and AID-assisted educational institutions have provided half of the country's new teachers.

As Nepal's economy has grown, the Nepalese Government has been able to increase its share of the costs of development activities from 12 percent in 1961 to 31 percent in 1965. Today Nepal finances about half the costs of U.S.-aided projects. Other free world donors include the United Nations, the United Kingdom, West Germany, and India. India has provided more financial aid to Nepal than the Soviet Union and Communist China combined. From 1952 through 1965, Indian aid totaled \$55.6 million. India has promised \$13 million annually during the 1966-1970 Five Year Plan.

The largest share of U.S. assistance to Nepal continues to be in the form of U.S.-owned Indian rupees generated under Food for Peace sales to India. These are used to finance local costs of Nepal development projects and the purchase of goods and services needed from India. Some \$8 million in Food for Peace sales is planned for fiscal year 1967. AID will also provide \$3.4 million in Technical Cooperation grants to finance the services of American technicians, purchase of American goods needed for technical assistance projects, and the specialized training of Nepalese abroad.

UNITED ARAB REPUBLIC

The United Arab Republic is the most influential of the Arab countries, with the largest national population, the highest percentage of educated citizens, and the broadest capabilities for industrial development. In addition, it commands a strategic position in the Near East and North Africa,

and in relation to Middle Eastern oil supplies. The objective of the limited U.S. aid program is to encourage the UAR to focus attention on internal economic development. There are recent indications that the emphasis of UAR policy is shifting away from foreign involvements.

United States relations with the UAR have improved as a result of recent efforts by the government to achieve a peaceful solution of the conflict in Yemen, to settle private U.S. claims, and to moderate the hostility of the anti-Western press.

While major economic policy issues remain to be resolved, the country has been making steady progress against inflation under a stabilization agreement signed in 1964 with the International Monetary Fund (IMF). In line with IMF recommendations, the government has increased taxes, reduced subsidies, cut back on uneconomic investments, and restricted bank credit.

Sales of agricultural commodities under the Food for Peace Program continue to comprise the bulk of U.S. assistance to the UAR. The United States has made it clear that future levels of assistance depend on the maintenance of acceptable relations between the two countries as well as improved economic performance and self-help.

Under a new agreement with the UAR, reached in fiscal year 1966, \$55 million in sales of Food for Peace have been authorized over a six-month period. In fiscal year 1967, AID will continue a technical cooperation program of \$2.2 million which is assisting in resource management, agricultural and industrial productivity, and engineering education. In response to a UAR request, AID is studying the feasibility of assistance in the field of population control.

YEMEN

The principal U.S. objective in Yemen is to deny its use as a base for forces hostile to Western interests in the oil-rich Arabian Peninsula. Yemen has limited natural resources and, as yet, no effective central government. The people are organized into tribes, and very few are skilled. An effective settlement of the three-year civil war has not yet been reached.

AID's program is designed to help Yemeni leaders—particularly at the local level—follow a moderate, constructive political course regardless of the outcome of current peace efforts.

U.S. assistance began in the fiscal year 1959 with an agreement to construct a highway from the southern port of Mocha to Taiz and thence to the capital at Sana'a. The 226-mile road is now in operation, and a 34-mile extension from Taiz to the Aden border is scheduled for completion in fiscal year 1966.

Also going into operation in Taiz is a metered potable water system constructed by the United States and staffed by Yemeni technicians trained on the job. The project includes laboratories and work shops operating

under a new Department of Public Water Supply and Sanitation. It was dedicated in September 1965 as the Kennedy Memorial Water Works.

AID is also providing engineering advice and some commodities to smaller communities engaged in similar projects. In two years it has helped 65 communities initiate systems of water supply and feeder roads. The local contribution ranges from 30 percent to 60 percent of the total project costs.

Since 1957 the Soviet Union and Communist China have provided about \$140 million in economic assistance to finance the construction of the port of Hodeida, the Hodeida-Sana'a road, an airport at Sana'a, and military projects.

The reduction of U.S. supporting assistance from \$4.5 million in 1965 to a projected program of \$2.4 million for fiscal year 1967 reflects a shift from capital development projects to urban and rural self-help, development, and training activities. AID-financed secondary level training of Yemenis at Choueifat National College in Lebanon will be continued. As in the past, training will concentrate on developing vocational and administrative skills, but some Yemenis will be trained as primary school teachers.

In fiscal year 1967 the program will include a survey to determine the possibilities of converting road construction and training facilities at Taiz into housing for a technical institute for vocational training at the secondary school level.

REGIONAL PROJECTS

The major regional project finances advanced and specialized training for potential leaders from Near East and South Asian countries at the American University of Beirut.

Since 1951, some 3,000 AID-financed participants have received training in agriculture, business and public administration, engineering, primary and secondary education, nursing, pharmacy, and public health. About 500 AID-sponsored students from the region are to be enrolled in fiscal years 1966-67. Another 100 participants are to receive training in teaching methods and English improvement during the summer of 1966. Students come from nine countries throughout the region.

Another regional project finances seminars for selected high-level personnel in irrigation practices, improved utilization of newly irrigated land, range management to increase meat and dairy production, the operation of development banks, and trade union organization and education.

CENTRAL TREATY ORGANIZATION

The United States supports the economic programs of the Central Treaty Organization (CENTO) in order to build a community of interest among the CENTO countries, encourage cooperation in economic development, and maintain regional orientation toward the West.

Assistance to CENTO capital projects has been concentrated on multi-country communications including roads throughout the area, a railroad linking Iran and Turkey, and a system of telecommunications and civil airway navigation connecting Ankara, Tehran, and Karachi. Loan proposals for any future regional capital projects will be considered only within individual country loan programs.

U.S. efforts to increase regional cooperation in economic development have been pursued primarily through a small technical cooperation program which brings specialists from the three countries together for training programs and seminars. These regional projects act as catalysts for action on national problems. As an outgrowth of two conferences on narcotics control, for example, Turkey and Iran have established more than 100 guard stations along their common border.

In fiscal year 1967, AID-supported conferences will be held on population problems, nutrition, fertilizer economics and application problems, engineering education, industrial management techniques and concepts, export promotion, and control of communicable diseases. The United States will continue to support the Multilateral Technical Cooperation Fund which finances and manages the intraregional training activities of CENTO.

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