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REPORT PREPARED BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA for the INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS and the FOURTH ANNUAL MEETINGS OF THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL

Washington, D. C. February 1966

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INTRODUCTION

In accordance with Resolution D of the Charter of Punta del Este and Resolution 1-M/63 of the Inter-American Economic and Social Council which assigned to the Inter-American Committee on the Alliance for Progress (CIAP) responsibility for coordinating and promoting implementation of the Alliance for Progress, the Government of the United States of America hereby submits a report covering its participation in the Alliance for Progress for consideration by CIAP and the Fourth Annual Meetings of the Inter-American Economic and Social Council.

The report describes the principal activities of the United States in support of the development efforts of Latin America under the Alliance for Progress. Particular stress is laid on events of the past year.

These activities are by no means limited to financial assistance --loans and grants-- extended, in large part, on flexible terms of repayment. U. S. support of the Alliance for Progress is seen in a variety of other ways. These include such activities as the Peace Corps, technical assistance, special arrangements for assistance to the private sector, contributions to international agencies, U. S. private investments in the region, the flow of imports and exports and numerous measures taken to increase trade between the United States and Latin America.

In calendar year 1965 U. S. economic assistance to Latin America, as measured by commitments, again totalled more than $1.0 billion. Actually, since the beginning of the Alliance for Progress the United States has made annual commitments of U. S. direct public economic assistance to Latin America exceeding, on the average, one billion dollars. While disbursements have not yet reached this level they did increase in 1965, and they should shortly surpass the commitment rate.

Data on disbursements of U. S. economic assistance to Latin America use a narrow definition of this assistance, referring only to long-term loans and grants. Other items, such as debt rescheduling and compensatory Treasury financing are not included. And yet debt rescheduling has become a significant factor in U. S. operations under the Alliance. A total of $69.7 million of debt payments due U. S. Government agencies in 1965 were rescheduled. Some payments on debts owed private U. S. lenders were also rescheduled.

In order to facilitate the flow of funds already committed, the United States, and especially the Agency for International Development, has adopted a number of improvements in loan and grant procedures. These are described in the report.

Chapter I describes major developments in the United States' economy in the last few years. Conditions of the U. S. economy are intimately related to the opportunities for healthy commercial and financial relations between Latin America and the United States. Preliminary estimates show that gross national product rose by 5.4 percent in 1965 as compared to 5.0 percent in 1964. The U. S. economy has entered 1966 with a record of nearly 5 years of sustained expansion.

Chapter II of the report is devoted to the trade between the United States and Latin America in 1965, including an account of actions recently taken by the U. S. Government affecting certain major commodities, and U. S. private investment flows. U. S. imports from Latin America in 1965 continued to increase, while U. S. exports to the region fell slightly.

Chapter III describes the various aspects of U. S. participation in the Alliance for Progress, covering not only loan and grant assistance, but also the "Partners of the Alliance" program, the ever expanding involvement of U. S. universities in the Alliance and the Peace Corps.

In March 1961 President Kennedy called for "a vast cooperative effort, unparalleled in magnitude and nobility of purpose to satisfy the basic needs of the American people..." This major event in the history of the relations between the United States and the Latin American Republics was followed five months later by the establishment of the Alliance for Progress with the signing of the Charter of Punta del Este by all twenty American Republics. Since that time the United States has remained steadily committed to the success of the Alliance for Progress.

In the fall of 1963 the Inter-American Committee on the Alliance for Progress (CIAP) came into operation. The determination that the United States would support CIAP was stated by President Kennedy in his last foreign policy address in Miami in mid-November 1963. President Johnson has also made clear his support of CIAP. The United States' commitment to the Alliance for Progress and the peoples of Latin America was further reaffirmed when President Johnson instructed Secretary of State Rusk to announce, at the Meeting of Foreign Ministers in Rio de Janeiro last fall, that the United States intended to support this great hemispheric effort beyond 1971.

In his February 1, 1966 foreign aid message to the Congress, President Johnson proposed that the United States' foreign assistance program emphasize the development of certain sectors. He stressed the need for more rapid agricultural and social development --particularly in the fields of education, health and population. The President also announced his intention of sending a special message to Congress which would recommend new legislation to redirect and strengthen the United States' food aid program (PL 480). Two of the goals of the new legislation would be to induce greater agricultural self-help abroad and to make food aid a more integrated element of the general program of economic cooperation.

The President proposed that the United States continue and enlarge its support of the institutions and organizations which have been established to promote development through regional cooperation. He stated that the United States would support the proposal of the Inter-American Committee on the Alliance for Progress and the Inter-American Development Bank to establish a new fund for feasibility studies of multi-national projects.

In his message the President again and again stressed the need for self-help. He began his message by saying that he recommended "a Foreign Aid program to help those nations who are determined to help themselves." Later he pointed out that "the United States can never do more than supplement the efforts of the developing countries themselves. They must supply most of the capital, the know-how --and the will to progress." "To signify the depth of the United States' commitment to help those who help themselves," he requested a five year authorization for United States' military and economic aid programs.

CHAPTER I

THE UNITED STATES ECONOMY AT THE START OF 1966

The United States' economy took a giant step in 1965 toward the achievement of the Employment Act's goals of "maximum employment, production, and purchasing power." It was the fifth year of uninterrupted economic expansion, and the second year of declining unemployment as output moved closer to the economy's growing productive potential.

Since the Revenue Act of 1964 became effective the economy has shown new vigor. Living standards have risen at an unprecedented rate, and businessmen have found new and stronger incentives to expand and modernize their productive facilities. Employment has forged ahead dramatically, enlarging job opportunities, particularly for the young and the less advantaged groups in the labor force. As the year closed, the unemployment rate was 4.1 percent, within inches of the 4 percent interim goal set by the Kennedy administration in the 1962 Economic Report, and below any rate achieved since the mid-1950's. Meanwhile, despite some pressures on prices for particular commodities, the over-all price record remained far better than in that earlier period. In addition, last year witnessed significant progress toward equilibrium in the balance of payments.

Today, the United States' economy is in a strong position to carry the new burdens imposed by national defense requirements. With another large advance in total production expected, defense needs will be met while consumer living standards again improve strongly and the capital stock is further enlarged. Indeed the increase in output available for civilian uses this year should be one of the largest in the United States' history.

Clearly the stimulative policies of recent years have achieved their mission. Consumer spending and investment demand have both been invigorated. The same logic that called for fiscal stimuli when demand was weak now argues for a degree of restraint to assure that the pace of the economy remains within safe speed limits. Measures to moderate the growth of private purchasing power are needed to offset, in part, the expansionary influence of rising defense outlays if intensified price and wage pressures are to be avoided. A combination of such measures --affecting excise tax rates and the timing of individual and corporate tax payments-- is thus a key proposal of the President's fiscal program for the year.

At the same time, the Administration looks toward further declines in unemployment during the year ahead --indeed, to the lowest level since 1953. Nonetheless, this is a year of many uncertainties: the advance into the new territory of still lower unemployment must be made with care; meanwhile, defense requirements could shift suddenly in either direction in the months ahead. Fiscal policy must be ready to meet any changing needs and unanticipated developments.

PROGRESS TOWARD FULL EMPLOYMENT

Nearly 5 years of expansion have yielded a gain of $190 billion in gross national product (GNP). Revised historical estimates of our national product through 1964 were published last August by the Department of Commerce, and updated provisional estimates for 1965 were released at the start of this year; these new estimates provide a more accurate picture of the growth of GNP and the relationship of its components. They show that total GNP advanced at a 7.0 percent annual rate in the last 4 3/4 years. After adjustment for the modest upward drift in prices, the average annual rate of growth of real output over this period was 5.5 percent. When measured from the peak year of 1960 to 1965, real growth averaged 4.5 percent, in sharp contrast to the 2.4 percent annual rise from 1953 to 1960.

Sustained and balanced progress is the hallmark of the current expansion. But the pace of the advance has been varied over time. In the initial recovery period from the 1960-61 recession, output rebounded sharply; the unemployment rate, which had been 7 percent early in 1961, fell rapidly late in the year, reaching 5 1/2 percent by mid-1962. The upswing was spurred by the characteristic shift from liquidation to accumulation of inventories, and by higher Federal Government spending, partly associated with the 1961 Berlin crisis. However, the expansion then faltered when fixed investment outlays failed to take over as the main expansionary force in the economy. As the growth of total output slowed, unemployment threatened to be stuck on a 5 1/2 percent plateau. The Kennedy Administration was convinced that adequate total demand could reduce unemployment at least to 4 percent without inflation. To accomplish this objective, it developed a comprehensive program of tax measures, including lower personal and corporate tax rates, depreciation reform, and an investment tax credit. The personal tax cuts raised after-tax earnings and spurred more spending by consumers. The corporate measures added further to private investment incentives and to the volume of investible funds.

The economy responded well to these measures, and especially to the major tax cut of February 1964. GNP rose by nearly $40 billion in 1964, compared with the gain of almost $30 billion in 1963, and the unemployment rate fell to 5.0 percent by the end of the year.

Statistical analysis of the impact of the tax reduction suggests that it was responsible for nearly the entire $10 billion step-up in the annual increase of GNP. The reduction in tax liabilities in 1964 boosted the after-tax incomes of households and businesses. Spending by these sectors, particularly consumer outlays, rose in response to these larger after-tax incomes. This higher spending increased sales, employment and earnings. Larger earnings, in turn, provided the basis for still more consumption spending. Investment was also stimulated by gains in business sales and higher capacity utilization. By early 1965, the contribution of the tax cut in lifting consumption and investment spending was more than $20 billion (annual rate). Since the effects of the tax cut cumulate through time, its contribution has grown further, reaching $30 billion by the end of 1965.

As 1965 opened, the remaining lift from the Revenue Act of 1964 was not in itself sufficient to assure a sustained reduction in unemployment. Consequently, a good opportunity was presented for a long-awaited reduction in excise taxes and a liberalization of Social Security benefits, both of which were desirable on equity grounds. These actions were proposed in the fiscal 1966 budget, presented in January 1965. In combination with expected modest increases in other expenditures, they more than offset the normal growth of Federal revenues and thus provided a net fiscal stimulus for calendar 1965. The stimulus was planned for the second half of the year since heavy stocking of steel inventories in anticipation of a strike was expected to stimulate demand early in the year and subsequently to be reversed.

The fiscal actions in 1965 were a success. The economy did move further toward full employment, even more rapidly than anticipated; yet demand did not outstrip capacity to produce.

SOURCES OF STRENGTH

Personal consumption and business fixed investment, the two types of spending expected to be most responsive to the major 1964 tax reduction, surged ahead in 1964 and 1965. Buoyancy in these sectors outweighed sluggishness in residential construction outlays and moderation in inventory investment.

Consumption

The consumer was a bulwark in the strong general economic gains of 1964 and 1965. Except for the fourth quarter of 1964, when strikes curtailed automobile sales, consumption grew by $7 billion or more in every quarter of this period. Only twice before, once at the start of the Korean war and again at the beginning of 1959, had quarterly increases of this size occurred.

A notable feature of the recent sharp advance in consumption expenditures is its pervasiveness. The sharpest relative increases occurred in purchases of durables, which are generally most sensitive to fluctuations in the growth of income. From the end of 1963 to the end of 1965, real expenditures on automobiles topped all previous records, rising on average by 11 percent a year. Yet this strong rise was closely paralleled by outlays for other durables. And real outlays on both non-durables and services rose at an unusually strong 5 1/2 percent annual rate.

Consumers were able to take these forward strides because of rapid gains in their purchasing power. Real disposable income grew at an average annual rate of 6.3 percent in the 2 years after the 1964 tax cut, in contrast to the growth rate of 3.9 percent in the preceding 2 years. The consumer continued to be a dependable performer in the economy. During the past 2 years, the rise of almost $61 billion in consumption amounted to 91 percent of the $66 billion increase in disposable income. Spending on consumer goods and servies has typically absorbed approximately this proportion of increases in disposable income, when allowance is made for some lag in adjustment to unusually large income gains.

The largest beneficiaries of the rapid rise in income were workers rescued from unemployment. Other consumers also benefitted, although less dramatically, through lower taxes, higher wages, and fuller work schedules. Thus, expansionary fiscal policies were translated for most Americans into rising standards of living. Real consumption per capita (1958 prices) grew over the 2 year interval by $190 --as much as in the preceding 8 years.

Investment

A buoyant economy with rising sales and operating rates, surging profits and the incentives of tax reduction gave new stimulus to business to expand and modernize capacity. The result was an 11 1/2 percent jump in outlays for business fixed investment in 1964 and a 15 1/2 percent spurt in 1965. These gains compare with an average annual rate of increase of 7 1/2 percent in the preceding 2 years.

Investment plans were repeatedly revised upward in 1964 and 1965 as business confidence grew. The second time that businessmen reported spending plans for a given quarter --in the Department of Commerce Securities and Exchange Commission survey-- their plans exceeded their first anticipations. Their actual outlays invariably topped their second anticipations --a clear indication of the general availability of capital goods. In sharp contrast, during 1956 and early 1957, businessmen were not able to invest as much as they had planned because of bottlenecks in construction and delivery of equipment.

The stepped-up pace of final sales in 1964 and 1965 also required additional inventories. Nevertheless, the $5.4 billion accumulation of nonfarm stocks in 1964 was unusually small in relation to the advance in final sales as inventory-sales ratios declined during most of the year. During 1965, quarterly rates of inventory investment reflected temporary influences; the post-strike rebuilding of automobile inventories, the buildup of steel stocks, and the backlog of exports associated with the dock strike, early in the year; and, on the other hand, liquidation of steel stocks in the closing months. For 1965 as a whole, however, nonfarm inventory investment of $7.1 billion was in line with the growth of final sales. Inventory-sales ratios remained remarkably stable throughout the past 4 years, in marked contrast to the cyclical ups and downs in the late 1950's. In recent years, businessmen's sales expectations were validated or surpassed by performance; moreover, prudent management helped to keep stocks closely geared to sales.

Residential construction was the only major component of private spending which remained weak in 1964 and 1965. In the 1961-63 period, the average annual addition of 1.46 million units to the private housing stock exceeded by an unusually large margin the average annual rate of new family formation (870,000). Excess supply developed in particular housing markets, especially in the West and in high priced apartments in scattered other locations. Thus, the upswing in residential construction activity ended early in 1964. The number of private housing starts fell from an annual rate of 1.7 million units in the first quarter of 1964 to a low of 1.4 million units in the third quarter of 1965. The real value of home construction held up somewhat better --because of a shift toward bigger and better quality homes. Nevertheless, residential construction added practically nothing to the growth of GNP --even in current prices-- in 1964, and was again a conspicuously lagging sector in 1965.

FISCAL PLANS FOR 1966-67

The objective of promoting balance between over-all demand and productive capacity pointed to tax cuts in recent years when demand was inadequate. That same criterion now calls for tax action to moderate the growth of private spending. In line with these principles, the President has asked the Congress to enact promptly four measures affecting tax payments.

The first of these would reform the withholding system for individual income taxes and place the income tax more firmly on a "pay-as-you-go" basis. The present system, with a single 14 percent rate, overwithholds from some low-income individuals and underwithholds from many other taxpayers, requiring large final settlements the following year. The proposed graduated rate schedule and other modifications will reduce both underwithholding and overwithholding. Once in effect, the new system will siphon off $1.2 billion (annual rate) from disposable income for the rest of 1966.

The second proposal would place corporate tax payments also on a more nearly current basis. Under present law, corporations with tax liabilities exceeding $100,000 are scheduled to pay only 68 percent of the estimated tax due on 1966 incomes by the end of the calendar year, with the remaining 32 percent not paid until the first half of 1967. There is already a formula under existing law that would move corporations to a current basis by 1970. It is now proposed to accelerate this step-up to achieve current payment status within 1967. This action would increase cash payments to the Treasury by an estimated $1 billion this spring and $3.2 billion in the spring of 1967, reducing the carry-over of unpaid liabilities into 1967 and 1968 by comparable amounts.

The rescheduling of corporate tax payments will not add to final tax liabilities nor will it alter after-tax profits in either business or national income accounting. It will, nonetheless, reduce the availability of internal funds for investment and should thus have a moderating influence on investment demands, particularly in the light of firmer credit conditions.

A third proposal to put tax payments on a more current basis affects the social security taxes of the self-employed. It calls for quarterly declarations, paralleling those of the individual income tax, instead of a single large payment at year end. It also more nearly parallels the treatment of wage earners, whose social security taxes are collected on a current basis through withholding. The proposal would increase revenues by $100 million in each of the fiscal years 1966 and 1967. It will reduce disposable income by $400 million (annual rate) in the second half of this calendar year.

The fourth proposal affects excise taxes. In view of the large revenue involved in the excise taxes on automobiles and telephone service, they were scheduled to be cut gradually in the Excise Tax Reduction Act of 1965. The Congress is now being asked to reschedule this reduction to meet current economic needs. Each step in the present timetable, commencing with the January 1, 1966 installment, would be shifted forward 2 years. The reinstatement will restore $0.9 billion of revenues, and the postponement of the scheduled January 1967 cuts will avoid a further revenue drop of $0.6 billion next year.

With these measures, both the actual and high-employment budgets on the national accounts basis are expected to be approximately in balance in fiscal 1967. Over the full budget planning period to the first half of 1967, Federal expenditures are estimated to rise about $17 1/2 billion from their level in the second half of 1965. The increase includes $6 billion in defense purchases, $6 1/2 billion in transfers, and $3 billion in grants to States and localities. Normal revenue growth at high employment will total about $11 1/2 billion over this period.

Meanwhile, tax measures that have already been enacted and those now proposed will result in a net addition of $7 billion to Federal revenues.

The aim of fiscal policies in the next 18 months is to preserve the sound expansion enjoyed in 1965 --to maintain a strong and healthy prosperity; to promote a cautious movement toward lower unemployment without moving so far or so fast that bottlenecks and inflationary pressures arise.

THE OUTLOOK FOR ECONOMIC ACTIVITY

In the light of the fiscal program outlined above, GNP for 1966 is expected to be within a $10 billion range centered on $722 billion, given the $675.6 billion level now estimated for 1965. At the midpoint of this range the advance would be $46 1/2 billion, virtually identical with the gain scored in 1965. No major departure is expected from the 1.8 percent increase of over-all prices in 1965. Thus total real output should advance by nearly 5 percent in 1966.

Civilian employment, which rose by 1.8 million persons in 1965, should register a similar large increase this year. In addition, the armed services will expand by 300,000. On the other hand, the total labor force will rise strongly. The unemployment rate, which averaged 4.6 percent in 1965, should decline this year to about 3 3/4 percent, the lowest since 1953.

Gains by Sector

While strong demands will be characteristic of most sectors of the economy, defense spending and business fixed investment will provide the major thrust to over-all demand. In brief, the increase in Federal purchases made necessary by the Vietnam situation will deliver a major stimulus to the economy, accounting for most of the prospective $7 billion rise in total Federal purchases. Business expenditures for fixed investment will rise strongly again in 1966, although the advance is not expected to match the 15 1/2 percent increase of last year. According to present indications, capital outlays are likely to exceed the 1965 total by about $7 billion.

State and Local Government

State and local government purchases, a particularly reliable component of GNP, are expected to rise by about $5 billion, continuing their recent trend. They will receive continuing support from growing Federal grants that meet pressing needs for public services.

Inventories

Last year's inventory investment of $7 billion (1958 prices) was in line with the real growth of $29 billion in final sales. Still, irregular and special factors in the automobile and steel industries added a little, on balance to inventory investment last year. In the absence of such special influences, a fractional decline from last year's rate is probable in 1966.

Homebuilding

The fundamental demographic factors influencing residential construction will not change significantly in 1966: the increase in the number of households is expected to be about the same as the 1960-65 average. Financing conditions may be less favorable, since conventional mortgage rates began to rise last September for the first time in 5 years and some further increases appear possible. On the other hand, the excess supplies of new housing in selected areas seem to be dwindling. On balance, the value of residential construction is likely to change little in 1966.

Consumption

Consumer outlays depend primarily on the growth of disposable income. Unlike 1964 and 1965, tax reductions and increases in transfer payments will provide no net stimulus to consumer incomes this year. Between 1963 and 1965, cuts in personal income taxes added about $10 billion directly to consumer take-home pay, and government transfer payments increased by nearly $4 billion. This year, transfer payments are expected to rise strongly, paced by the launching of the hospital insurance program. However, social insurance taxes are higher, the new withholding system will moderate the growth of after-tax income, and the second stage of excise reductions will be adding very little to household purchasing power once the President's proposals are enacted. Nevertheless, rapid gains can be expected in disposable income this year owing to strong increases in wages and salaries, interest, dividends, and self-employed incomes.

Little change in the personal saving rate is anticipated for 1966. The saving rate of 5.4 percent in 1965 was close to the average in recent years. Consumer confidence and spending intentions remain high. Allocation of income among various types of consumer goods may shift moderately. The fraction of disposable income spent on automobiles and parts may decline somewhat from the exceptionally high 6.4 percent in 1965 (which included purchases deferred by the late-1964 strike). Prospects seem particularly bright, however, for durable goods other than cars; color television sets are a notable example. Sales of nondurable goods other than food should also rise strongly and continue to reflect upgrading of quality.

In sum, consumer expenditures are expected to account for about 60 percent of the rise in GNP this year, compared with their 63 percent share in the 1965 advance.

Selected Measures of Economic Activity and Developments
(Percentage change at annual rate, except as noted)

	1961 I to 1965 IV a/	1963 IV to 1965 IV a/
Gross National Product	7.0	7.3
Personal consumption expenditures	6.4	7.7
Private business fixed investment	10.3	13.8
Civilian Labor Force		
Employment	2.0	2.6
Unemployment	-8.4	-12.1
Personal Income		
Total (before taxes)	6.4	7.1
Wage and salary disbursements	6.7	7.5
Disposable (after taxes)	6.6	7.7
Corporate Profits		
Before taxes	11.9 b/	12.4 b/
After taxes	14.3 b/	17.0 b/
Change in Wholesale Prices (all commodities)	2.2	2.0

	1964	1965 a/
Commercial Bank Loans (excluding interbank) and Investments	8.4	10.0
Investments		
U. S. Government securities	-1.1	-6.2
Other securities	10.6	15.2
Loans (excluding interbank)	11.8	14.8
Money Supply and Time Deposits c/	7.9	9.8
Total Manufacturing Output as Percent of Capacity -as of December 31	88.0	89.0

a/ Fourth quarter 1965 preliminary estimates
b/ Profits data relate to 1965 III
c/ Changes based on averages of daily figures for last month in period

Sources: Department of Commerce, Department of Labor, Board of Governors of the Federal Reserve System, and Council of Economic Advisors

BALANCE OF PAYMENTS

The U. S. balance of payments moved significantly closer to equilibrium in 1965. In considerable part, this reflected the effects of the President's program announced in February last year. The improvement was primarily manifested in a substantially reduced outflow of private capital, which more than offset a drop in the trade surplus.

MEASURES OF DEFICIT OR SURPLUS

In 1965, after a careful review of its present and foreseeable situation, the U. S. Government decided to place primary stress on two measures of its general balance of payments performance --the "liquidity balance" and the "balance on official reserve transactions" ("official settlements").

The liquidity balance spotlights the liquid claims of foreigners, both private and official, against the United States. The potential exposure of the United States is measured by the volume of such liquid claims, and any increase in them (not offset by a growth of reserve assets) is recorded as a U. S. deficit. Thus, the line is drawn between liquid and nonliquid foreign dollar holdings.

The official settlements balance, however, draws the line between the dollar holdings of foreign monetary authorities (whether liquid or nonliquid) and those of private foreign holders. If privately held foreign liquid claims on the United States increase (and there are no other off-setting transactions), this is treated as an inflow of private capital, rather than as an addition to the deficit, which it is under the liquidity definition. The official settlements concept, in other words, concentrates on the dollar claims that foreign monetary authorities have acquired (or relinquished) --usually in the process of maintaining the parity of their currencies.

After years of sizable deficits on liquidity balance, averaging $3 billion between 1958 and 1964, the U. S. deficit appears to have been reduced to about $1 1/4 billion in 1965. The deficit as measured by official settlements moved from an average of about $2 billion in the early 1960's to $1.2 billion in 1964 and remained at approximately that level in 1965.

Gold purchases from the United States in 1965 bore little direct relationship to the U. S. deficit in that year. Net sales of U. S. gold jumped from $0.1 billion in 1964 to nearly $1.7 billion in 1965.

About $260 million represented a transfer to the IMF in connection with the enlargement of the United States' quota. Primarily, however, these sales resulted from decisions on the part of a few countries to convert dollars accumulated in earlier years, and a concentration of payments surpluses in countries that do not wish to increase their dollar holdings. More than half of the total could be attributed to the purchases for one country --France-- although Spain and Austria also completed sizable purchase programs.

During 1958-64, the official settlements deficit was, on the average, nearly $1 billion lower than the liquidity measure, reflecting the growth in private foreign liquid claims on the United States. The two measures were very close in 1965 when private dollar holdings did not advance as rapidly. The behavior of private demands for dollars in the years ahead will provide additional evidence as to the relative significance that should be attached to the liquidity and official settlements measures in guiding the United States to a sustained external payments equilibrium.

DEVELOPMENTS AND POLICIES IN THE 1960's

When the Kennedy Administration took office in 1961, the United States had just recorded the largest payments deficit of any year in the postwar period. The country was losing gold rapidly and incurring a large buildup of liquid claims abroad that threatened further losses. Action was imperative. The result has been a series of measures of increasing severity and scope, to meet a problem that proved more intractable than was believed earlier.

As a result of these measures, and other developments, the U. S. payments position strengthened. The basic trading position and earnings on investments particularly improved. Over this period, the surplus on non-military goods and services increased from $6.8 billion in 1960 to $9.1 billion in 1965. Despite rising prices and wages abroad, drastic economies were achieved in military expenditures abroad. Also, off-setting sales of military equipment increased sharply. These improvements were sufficient to offset the net increase in Government grants and capital outflows.

GROWTH OF PRIVATE CAPITAL OUTFLOWS

The outflow of U. S. private capital rose from $3.9 billion in 1960 to $6.5 billion in 1964. Through this outflow, the United States was acquiring a large volume of foreign assets and adding rapidly to its net international ownership position as well as to its future receipts of interest, dividends, and remitted profits. But the assets acquired through this investment were largely illiquid, and were obtained by parting with liquid assets that added to both private and official claims against us. The U. S. reserve position declined continually.

The growth of the private capital outflow is not difficult to explain. As market integration has progressed and as individuals and businesses have become increasingly familiar with international financial operations, there has been a natural tendency for capital to become more mobile, and more responsive to market forces.

U. S. corporations have shown an increasing interest in business operations overseas and have been sending a rising flow of funds abroad to build and equip new plants and distribution facilities. The extremely rapid growth of incomes, particularly in Europe, Canada, and Japan, has greatly expanded consumer demand, especially for manufactured goods. Direct investment abroad is also made for the purpose of developing or expanding sources of raw materials, often for use in the firm's operations in the United States or elsewhere.

Generally speaking, U. S. money and capital markets are better developed and freer from restrictions than those abroad, and this attracts foreign borrowers. In part because of this better organization, interest rates and flotation costs are considerably lower in the United States. Consequently there is a tendency for foreigners seeking capital to look to U. S. markets, and for interest-sensitive funds to move abroad in search of higher returns.

Long-standing interest rate differentials, and the growing mobility of capital, were important factors in the spurt of long-term portfolio lending that occurred in 1962 and 1963. New foreign security issues in the U. S. market doubled from 1961 to 1962, and the acceleration continued in early 1963. This growth was arrested by the introduction in mid-1963 of the Interest Equalization Tax (IET), which raised the effective interest rate for most foreign borrowing here. However, other capital flows began to accelerate, offsetting much or all of the gains from IET. Bank loans rose sharply, from $1.5 billion in 1963 to $2.5 billion in 1964. Direct U. S. investment abroad also accelerated in 1963 and 1964.

THE FEBRUARY 1965 PROGRAM

At the beginning of 1965, it was evident that the rapid rise in capital outflows was creating growing problems for the U. S. balance of payments. Accordingly, the program announced by the President on February 10 applied the IET to most bank loans with a duration of a year or more to borrowers in developed countries, asked for a 2-year extension of the IET, and attempted in other ways to stem the outflow of private capital through the voluntary cooperation of American business.

U. S. banks and other financial institutions were asked to observe appropriate "guidelines" with respect to their foreign operations in 1965. Banks were asked by the Federal Reserve System to limit the increase in their claims on foreigners in 1965 to 5 percent of the value of their oustanding foreign credits as of December 31, 1964. Top priority was to be assigned to bona fide export credits, and second priority to credits to less developed countries. A related program was applied to credits and investments abroad by nonbank financial institutions.

Under the part of the program administered by the Department of Commerce about 500 large nonfinancial corporations were asked to make a maximum effort to expand the net balance of (a) their exports of goods and services plus (b) their repatriation of earnings from the developed countries less (c) their capital outflows to such countries. They were also asked to bring liquid funds back to the United States.

Although considerable skepticism was initially expressed --particularly abroad-- regarding the effectiveness of a voluntary program, it is now clear that the response was excellent. The net outflow of U. S. private capital declined from $6.5 billion in 1964 (and an annual rate of $8.9 billion in the fourth quarter) to an annual rate of $3.6 billion in the first three quarters of 1965. Short-term capital --both bank and nonbank-- accounted for a great part of this dramatic shift: the movement of such funds changed from a net outflow of $2.1 billion in 1964 to a net inflow at an annual rate of $1.0 billion in the first three quarters of 1965. The success of the voluntary program in shifting the movement of short-term funds was reinforced by the intensified demand for funds in the domestic market, as a result both of sharply rising activity and some tightening of monetary policy.

The U. S. payments deficit in 1965 was adversely affected by certain unusual transactions of the United Kingdom. As a part of the U.K. program to protect the pound, the British authorities converted certain holdings of U. S. securities. Together with the deferment of payments on intergovernmental debts, these transactions reduced U. S. net receipts by well over $0.5 billion, on both the official settlements and the liquidity basis.

Despite good over-all results of the payments program, the volume of U. S. direct investment outflows were at a record high in 1965. In the first three quarters they reached an annual rate of $3.4 billion, compared with a 1964 total of $2.4 billion. However, they declined substantially during the course of 1965. Since such outflows are usually planned long in advance, and businesses were not asked to interrupt projects already underway, a lag in the response to the February program was expected. Nevertheless, there was disquieting evidence that plans for direct investment in 1966 remained at a high level. With the sharp reversal in the trend of bank lending abroad, direct investment became the primary area of concern.

PROGRAM FOR 1966

By the autumn of 1965, it was clear that the February program had been successful and that a substantial improvement in the balance of payments had been achieved. However, even further improvement was necessary if payments equilibrium was to be attained. Consequently, decisions were announced in December to reinforce and renew the existing programs for 1966. Further attention was placed on encouraging U. S. exports, on promoting foreign tourism and foreign investment in the United States, and on minimizing the effect on the balance of payments of Government transactions. But the principal focus of the supplementary steps had to be on the further containment of direct investment outflows.

Consequently, new guidelines for direct investment were developed for nonfinancial corporations. Each of about 900 individual corporations was asked to hold their combined 1965 and 1966 direct investment outflows (plus retained earnings abroad) to specified advanced countries and mineral exporting nations to no more than 90 percent of the total of these items in the years 1962-64. This will permit an increase of about 35 percent in the average annual outflow of direct investments in 1965-66 over the average annual rate in the 1962-64 base period. A joint target was set for the years 1965 and 1966 in order not to penalize firms which had cut back in 1965, and in order to seek greater restraint by those which had invested more heavily last year. Direct investment in 1966 under the program would be lower than in 1965, though it would remain high relative to outflows of earlier years.

Financial institutions were given guidelines for 1966 that permitted about the same outflow as had been suggested for 1965. The guidelines provided for nonbank institutions were somewhat more detailed than those for 1965. New arrangements with the Canadian authorities were announced on the understanding that continued exemption from the IET would not threaten the goals of the U. S. program.

Efforts to reduce even further the impact of Government activities on the balance of payments will continue in 1966. Net overseas defense expenditures have been quite successfully reduced since 1960. Unfortunately, expanding defense needs will prevent further reductions in 1966. The bulk of Government aid will continue to be given "in kind," with no dollar flows, or tied to procurement in the United States.

U. S. TRADE POSITION

The outstanding performance of U. S. trade in the 1960's has been strongly supported by an excellent price record, as well as by the rapid expansion of output and incomes abroad. However, the slowdown of economic expansion in Europe and Japan contributed to a reduced trade surplus in 1965. The January-March dock strike not only redistributed the time pattern of sales (somewhat inflating the 1964 level), but also caused a sizable loss of export sales.

Imports showed an unusually large gain in 1965; both manufacturing goods and raw materials rose substantially. Only agricultural imports declined, primarily because of lower prices for such commodities as coffee, sugar and cocoa. Many U. S. firms, fearing a possible steel strike, turned in part to foreign suppliers in 1965, raising steel imports to about $1.2 billion --an all-time high. In addition, the rapid expansion of the U. S. economy in 1965 brought a larger rise in imports than in previous years. The boom in the home market may also in some cases have reduced the interest of American producers in finding or serving markets overseas, particularly where their production made full use of existing capacity or labor.

The 1965 decline in the trade surplus was not the result of any basic deterioration in the competitive position of the United States. United States' price performance in 1965 continued to match that of its major trading partners, so that the relative advantage achieved in earlier years was retained.

CONCLUSION

Over the longer run, the policies required to assure equilibrium in the U. S. balance of payments will be influenced by many factors, including --among others-- the growth rates of major trading partners throughout the world, the extent to which European nations learn to rely on fiscal as well as monetary policy as a menas of adjusting over-all demand, the development of capital markets in Europe, changes in the indispensable foreign exchange costs of national security, the rate of technological innovation in the United States, its record of productivity growth and price stability, and the progress of improvements in international financial machinery.

If the current account surplus continues to expand, a renewed growth of capital outflows could be compatible with over-all payments equilibrium. For the present, however, the volume of capital outflows likely to occur in the absence of any measures to moderate then would clearly be inconsistent with equilibrium in external payments. Given that private capital outflows must be contained, the selective measures currently in use seem, for the present an essential component of United States policy. Compared with reliance solely on restrictive general monetary measures that might conceivably hold down capital flows to the same extent, the selective credit techniques have the obvious advantage of allowing monetary policy to respond to the needs for domestic credit, as well as to affect the 5-10 percent of total credit that flows abroad.

The selective approach is consistent with an appropriate composition of the private capital outflow. The exemptions in the IET and the priorities established in the voluntary programs protect the access of the less developed countries to U. S. capital. The Federal Reserve program, moreover, gives priority to export financing, which could be squeezed under a highly restrictive monetary policy. By increasing the cost of borrowing in the United States, the IET contains its own escape valve: countries in urgent need of new U. S. capital issues are still free to enter the United States' markets; the less urgent needs are screened out. The guideline approach of the voluntary programs tends to permit the business firms and banks themselves to select the most attractive investment opportunities; the investments foregone would yield a smaller return than the average for all new U. S. foreign investments.

The voluntary program continues to permit growth in both the ownership of U. S. productive facilities abroad and of the U. S. loans outstanding abroad. But it keeps that growth within the bounds permitted by the U. S. current surplus and the cost of essential defense and aid. The voluntary program remains the foundation of improvement in the U. S. balance of payments this year.

United States efforts to achieve full equilibrium in 1966 should also benefit from the improved situation for sterling; in 1965, special transactions by the United Kingdom accounted for roughly half of the United States' deficit. Prospects are also strengthened by recent understandings established with Canada on the handling of its capital needs from the United States. Strong domestic expansion will continue to increase imports this year, and defense expenditures will have to rise in 1966. Nevertheless, the United States has the determination and the means to continue the sharp improvement effected last year in bringing its balance of payments into equilibrium.

United States Balance of Payments, 1961-65
(billions of dollars)

	1961	1962	1963	1964	1965 I - III a/
Balance on Goods and Services	5.6	5.1	5.9	8.6	7.1
Balance on trade	5.4	4.4	5.1	6.7	4.6
Balance on services	2.8	3.1	3.1	4.0	4.5
Net travel	-1.2	-1.5	-1.7	-1.6	-1.8 b/
Income on direct investments	2.8	3.1	3.1	3.7	4.3
Military Expenditures, net	-2.6	-2.4	-2.3	-2.1	-2.0
Remittances and Pensions	-0.7	-0.7	-0.8	-0.8	-1.0
Net Government Grants and Capital	-2.8	-3.0	-3.6	-3.6	-3.3
Government grants and capital	-4.1	-4.3	-4.6	-4.3	-4.4
Other Capital, net	-3.5	-2.4	-3.8	-5.8	-3.6
U. S. private capital, net	-4.2	-3.4	-4.5	-6.5	-3.6
Long-term, net	-2.6	-2.9	-3.7	-4.4	-4.7
Short-term, net	-1.6	-0.5	-0.8	-2.1	1.0
Foreign nonliquid capital, net	0.7	1.0	0.7	0.7	c/
Errors and Omissions	-1.0	-1.2	-0.4	-1.2	-0.5
LIQUIDITY BALANCE	-2.4	-2.2	-2.7	-2.8	-1.3
Plus: Increase of liquid dollar claims of non-official foreigners	1.1	0.2	0.6	1.6	1.0
Less: Increase in nonliquid liabilities to foreign official monetary institutions d/	---	0.3	-0.1	c/	---
OFFICIAL SETTLEMENTS BALANCE	-1.3	-2.2	-2.0	-1.2	-0.2

Note: Detail may not add to totals because of rounding.

a/ Seasonally adjusted annual rates. Official settlements deficit for 1965 is estimated to be approximately the same as for 1964.
b/ Estimate
c/ Less than $50 million
d/ Provisional

Source: Department of Commerce

CHAPTER II

UNITED STATES-LATIN AMERICAN TRADE AND INVESTMENT

UNITED STATES POLICY AND THE KENNEDY ROUND

The Kennedy Round continues to be our major instrument for bringing about an expansion of world trade.

The recent crisis in the European Economic Community temporarily interrupted progress under the Kennedy Round and in fact for some time activity stagnated. The crisis now seems to be overcome and trade negotiations should be rapidly resumed. Consequently, the United States hopes that within a reasonably short time the Kennedy Round will move into its intensive final stage.

The Trade Expansion Act, which was passed in 1962 and which provides the authority for the United States to undertake trade negotiations under the Kennedy Round, expires on June 30, 1967. Time has become short. However, if negotiations are fully engaged at an early date it will be possible to conclude successfully the Kennedy Round. This can be done if all concerned push for expeditious and meaningful actions. For its part the United States fully intends to press vigorously for such actions.

The Ministers of the Contracting Parties of GATT have established the broad outlines of principles to cover the Kennedy Round negotiations. They have also agreed that every effort should be made to reduce barriers to the exports of the developing countries and that developed countries cannot expect to receive reciprocity from the developing countries in the negotiations. In other words, no developing country is expected to make concessions which would be detrimental to its trade and developing needs.

Our goals remain a 50 percent across-the-board cut in tariffs of industrial products with a bare minimum of exceptions; significant opportunities for export expansion of agricultural products; reduction and elimination of many non-tariff barriers; and progress towards meeting the aspirations of the developing countries to achieve a larger role in world trade.

In his recent economic report to the Congress, President Johnson said: "We shall continue our efforts to improve the trade prospects of the developing countries by helping to stabilize commodity trade, by supporting regional integration among them where practicable; by providing access to markets, and by giving positive assistance to export promotion."

The United States sees in the negotiations under the Kennedy Round the best practicable prospects for developing countries to gain greater access to world markets at an early date. The United States therefore hopes that Latin American countries will participate fully in these negotiations.

TRADE BETWEEN LATIN AMERICA AND THE UNITED STATES

The First Half of the Alliance Decade

The United States is both the largest single external customer for Latin America and the largest source of supply, accounting for almost 40% of Latin American export trade and more than 40% of imports.

As compared with 1960, the last year preceeding the Alliance, imports by the United States directly from the 19 republics of Latin America grew steadily from $3.17 billion in 1960 to $3.60 billion in 1965, an increase of approximately 14%. At the same time exports from the United States to Latin America grew from $3.25 billion to $3.68 billion. Growth of United States exports to the region thus proceeded at virtually the same average rate as United States imports although from year to year marked fluctuations occurred in the flow of United States exports.

During the first five years of the Alliance, merchandise trade --both exports and imports-- between the United States and Latin American countries increased appreciably, percentagewise, in Mexico, Perú, the Central American Region, Ecuador, Bolivia, the Dominican Republic and Panamá. Trade, both exports and imports, suffered a declining trend in Colombia and Brazil and it increased in only limited amounts in Venezuela and Chile. Only in two countries did changes in exports and in imports move in opposite directions, in Argentina and in Uruguay exports to the United States increased and imports from the United States decreased. A group of countries including the Central American Republics, Panamá, Ecuador, Bolivia, Uruguay, Perú and Mexico have substantially increased their sales in U. S. markets during the 5 years of the Alliance. Their sales in U. S. markets in 1965 (as compared with 1960) had increased at an average annual rate of almost 10%.

In terms of dollar amounts both exports and imports were greater by about $425 million in 1965 than in 1960. United States import increases were concentrated in Mexico and the Central American Region and to a lesser degree in Perú. Mexico accounted for almost half of the net increase and the Central American countries for about one-quarter. Substantial declines, however, were shown by Colombia and Brazil.

In dollar amounts increases in imports from the United States were mainly realized in Mexico and Perú. Mexico accounted for almost two-thirds and Perú almost one-third of net increases. Colombia, Brazil and Argentina all imported substantially less from the United States.

Despite the fact that merchandise trade was approximately in balance for the 19 republics, trade with the United States of only two countries, Perú and Chile, balanced during this period. Those countries for which exports to the United States substantially exceeded imports from the United States were Venezuela, Colombia, Brazil, Ecuador and the Dominican Republic. Those for which imports from the United States substantially exceeded exports to the United States included Mexico, the Central American Region, Argentina, Uruguay, Bolivia and Panamá. For Mexico and Panamá invisible earnings were sufficient largely to offset their deficits on merchandise account; in Venezuela the United States trade deficit was offset largely by United States invisible earnings there.

Peak United States exports to the region were reached in 1964 but record United States imports from Latin America occurred in 1965. During the period of the Alliance, United States imports from the region have grown steadily, if at a modest rate, and each year has shown a new high. However, United States exports to the region, as noted earlier, have shown both advances and declines from one year to the next.

Developments in 1965

In 1965 merchandise trade between United States and Latin America did not change sharply from levels reached in 1964. United States imports from the region increased by 2% but exports declined by 1%. United States exports and United States imports in 1965 were in approximate balance.

By countries, imports by the United States from Latin America in 1965 declined in Mexico, the Dominican Republic, Colombia and Brazil. Such imports increased from the Central American Region, Panamá, Venezuela, Ecuador, Perú, Uruguay and Argentina, and they were unchanged in Bolivia and Chile.

United States exports to Latin America in 1965 exceeded 1964 figures in Mexico, Central America, Panamá, Venezuela, Perú and Chile. However, in 1965 United States exports declined in the cases of the Dominican Republic, Colombia, Ecuador, Bolivia, Uruguay and Brazil. Only in Argentina were United States exports approximately the same in 1965 as in 1964.

Commodities in the Trade

Latin American countries rely heavily upon the sale of raw materials and foodstuffs in their external trade. In the United States, however, as in the world at large, the demand for finished manufactures is growing at a much faster rate than demand for raw materials. From 1960-1964 the quantum of imports of finished manufactures by the United States from all sources increased by about 40% in contrast to an increase of only 15% in imports of raw materials. These trends in relative demand will continue to influence the opportunities to expand the trade and indicate the importance of efforts to promote Latin American exports of processed goods.

U. S. Imports from Latin America, 1960-1965
(millions of U. S. dollars)

	1960	1961	1962	1963	1964	1965*
19 Latin American Republics	3171	3178	3380	3451	3524	3600
Central America	180	198	207	219	235	280
Panamá	24	23	23	32	40	57
Argentina	99	102	106	165	111	121
Brazil	570	562	541	562	535	490
Chile	193	184	191	189	218	218
Colombia	299	276	275	249	280	268
Ecuador	65	54	72	76	87	108
Mexico	443	538	578	594	643	628
Perú	183	194	191	215	213	235
Uruguay	21	23	24	24	13	37
Dominican Republic	111	90	153	140	128	107
Bolivia	9	10	12	15	28	29
Venezuela	948	898	976	936	956	988

Import values f.o.b.
* -Estimated

Source: U.S. Department of Commerce

U. S. Exports to Latin America, 1960-1965
(millions of U. S. dollars)

	1960	1961	1962	1963	1964	1965*
19 Latin American Republics	3254	3401	3231	3158	3714	3678
Central America	213	207	240	265	316	340
Panamá	89	107	105	109	110	120
Argentina	350	424	380	190	262	265
Brazil	430	494	425	382	387	300
Chile	195	229	171	162	180	229
Colombia	246	245	227	241	246	187
Ecuador	55	50	45	57	83	76
Mexico	820	813	805	858	1076	1097
Perú	143	173	184	194	221	277
Uruguay	62	48	44	30	36	20
Dominican Republic	41	29	71	91	114	74
Bolivia	25	27	32	37	45	40
Venezuela	551	516	471	509	600	618

Export values f.a.s., port of export
* -Estimated

Source: U.S. Department of Commerce

SELECTED COMMODITIES: RECENT U. S. LEGISLATION

Sugar

The Congress, on October 22, 1965 revised the Sugar Act and extended it for six years, until December 31, 1971. Since Cuba became an unreliable source of supply the Sugar Act has been revised at one or two year intervals. Now for the first time since 1960 both foreign and domestic suppliers can plan their production in the light of a relatively stable market for a long period of years. The new Act provides the longest term extension in the history of U. S. sugar legislation.

The principal features of the new legislation are:

1. An immediate increase in domestic quotas of 580,000 tons.

2. Assignment of all market growth to the quotas of foreign countries until the balance between domestic and foreign quotas is virtually re-established at the ratio provided in earlier legislation. This will occur when the national consumption level reaches 10.4 million tons. (Final consumption estimate for 1965 was 9.9 million tons.)

3. Provision for future return to Cuba of 50 per cent of that part of the market not assigned to domestic areas, the Philippines, Ireland and the Bahama Islands.

4. Allocation of the remaining 50 per cent to 29 countries; and proration to those countries, in accordance with their basic quotas, of the Cuban share until such time as that country's quota is restored, following its return to the free world; except that the portion of the Cuban share arising from consumption requirements in excess of 10 million tons would be prorated only to countries which are members of the Organization of American States. (This may occur in 1967.)

5. Elimination of the progressive import fees imposed by the Sugar Act of 1962.

6. Authorization to the President to withhold and later to restore the quota of any country, and also to change the basis of reallocation of deficits to countries other than the Philippines when he finds such action to be in the national interest.

7. Assignment to the Philippines of 47.22 per cent of any deficits, except that a deficit of a country which is a member of the Central American Common Market would first be allocated to other member countries. Assignment of remaining Western Hemisphere deficits to Western Hemisphere countries on a pro rata basis. Asignment to non-Western Hemisphere countries of any deficits occurring in non-Western Hemisphere countries.

8. Provision for withholding or reducing quotas in future years of countries which fail, unjustifiably, to fill their quotas.

OAS countries other than Cuba received basic import quotas totalling 1,662,777 tons in 1965. In addition they were assigned 239,071 tons in distribution of deficits, bringing the total marketed in the United States to 1,901,848 tons. This compares with the total quotas of 270,074 tons in 1959, the last year preceding redistribution of the Cuban share. The average premium in the New York market over prices in the world market during 1965 amounted to 3.6 cents per pound, or $72 per short ton. The net benefit to Latin American suppliers from sales in the U. S. market therefore amounted to about $135 million.

Quotas for 1966 were initially established on a consumption estimate of 9.8 million tons. Quotas assigned to members of the OAS total 1,720,808 tons. Assuming the usual increase in the estimate of consumption during the year and deficits of the magnitude of recent years, final entitlements for 1966 may be expected to exceed 1965 quotas. The premium realized on sales in the U. S. market is currently about $67 per ton.

Coffee

The International Coffee Agreement was negotiated at the United Nations during July, August and September 1962 and signed by the United States on September 28, 1962. The Senate gave its advice and consent to the ratification of the Agreement on May 21, 1963 and on December 27, 1963 the United States deposited its instrument of ratification. The Agreement entered into force provisionally in the summer of 1963 and definitively in December 1963. The implementing legislation --the International Coffee Agreement Act of 1965-- to enable the United States to meet all its obligations under the Agreement, came into effect on May 22, 1965.

The U. S. played an important part in bringing African producing countries and European consuming countries to the negotiating conference in 1962, and has strongly supported the Agreement from the outset. Prior to passage of implementing legislation it complied with its obligations under the Agreement on an informal basis within the limits of existing authority.

With passage of the Coffee Agreement Act in May it became possible for the United States to comply fully with its obligations, and since the beginning of the new coffee year certificates of origin, which are essential to monitoring the quota system, have been required on all incoming shipments from member producing countries. The United States is cooperating fully with the Coffee Council in its efforts to plug existing loopholes and make the quota provisions of the Agreement more effective.

Lead and Zinc

On October 22, 1965 the President issued a proclamation terminating import quotas immediately on ores and concentrates, and effective thirty days later with respect to lead and zinc metals.

Import quotas were imposed on these two metals in 1958, at a time when the domestic industry was experiencing serious financial difficulties as the result of the decline in world prices following the Korean war. Quotas were imposed in preference to an increase in tariff rates because, it was believed, they would afford adequate relief during the period of emergency and could be terminated promptly when conditions returned to normal. In fact, the date of termination preceded by two years the date when they would have expired automatically.

Meat

No quotas have been imposed under the provisions of the meat legislation enacted by the United States Congress in August 1964 which provided for placing import restrictions on fresh, chilled and frozen beef, veal and mutton under specified conditions; none are likely to be imposed under conditions now prevailing in the United States market.

Quotas may be imposed at the beginning of any quarter if it is estimated that total imports will exceed by 10 per cent the average imports of these meats during the period 1959-1963, adjusted by a growth factor. The specified level of imports for 1966 is slightly over 890 million pounds, and the "trigger" point for a possible imposition of quotas is 10 per cent more, i.e., about 979 million pounds. However, actual imports during 1966 are estimated at 700 million pounds. Therefore no quotas would be required. If and when imposed, quotas will be assigned supplying countries on the basis of their respective shares during a previous representative period.

UNITED STATES PRIVATE INVESTMENT IN LATIN AMERICA

The total value of United States direct private investments in Latin America has been growing steadily and at the end of 1964 was estimated to be $8,932 million. This represented a net increase of $1,525 million since 1960, the last year preceding the Alliance for Progress. Since 1960, total United States private investments have increased at an average annual rate of almost 5%.

The sectors in which United States private funds are invested included (as of 1964) mining - 12%, petroleum -35%, manufacturing - 26%, public utilities - 6%, trade - 11%, and all others - 10%. The relative growth of investment in each sector, however, is undergoing rapid change. Since 1960 there have been absolute declines in the total value of United States private investments in public utilities and in mining. In public utilities such values declined by 30% and in mining by 5%. Petroleum investments increased moderately (15%) during this period, trading enterprises advanced by 40% and investments in manufacturing and "other" industries jumped forward 56%. These figures indicate that the most dynamic prospects in the region for foreign investment today lie in the manufacturing, trading and "other" fields.

Approximately 30% of all United States private direct investment is in Venezuela so that, if Venezuela is excluded, total investments in the region are valued at $6.1 billion. The extremely large investments and movement of funds in the petroleum industry in Venezuela tend to obscure foreign investment trends in other countries. United States private investments are more or less evenly spread among Argentina, Brazil, Mexico and Chile and substantial United States private funds are also invested in Colombia, Panamá and Perú.

Increases in such investments since 1960 were heaviest in Argentina and Panamá and were substantial in Mexico and Colombia. In the smaller countries of the region increases were also pronounced in contrast with the previously existing situation when smaller countries received a relatively limited share of United States private investments.

Changes in the value of foreign private investment result principally from the net changes (1) in new capital flows from abroad and (2) in retained and re-invested earnings. For the region (excluding Venezuela) during the first four years of the Alliance, net new investment averaged almost $350 million per year, about $200 million from retained earnings and about $150 million from net new capital flow from the United States.

In the last few years net new private capital flow from the United States was directed largely to manufacturing industries. The bulk of new funds for manufacturing industries was invested in Argentina and Mexico. In 1964, however, investments in Argentina declined sharply, but in Mexico they reached record levels.

United States private investments in the extractive industries are concentrated in four countries --Venezuela, Chile, Mexico and Perú. Investments in manufacturing industries are concentrated in the larger countries.

Value: U. S. Direct Private Investments in Latin America (19 republics) by Industrial Sector

(Millions of U. S. dollars)

	1960	1964
Total	7409	8932
Mining	1155	1098
Petroleum	2732	3142
Manufacturing	1500	2340
Public Utilities	818	568
Trade	674	951
Other	530	832

Value: U. S. Direct Private Investments in Latin America (19 republics) by Countries

(Millions of U. S. dollars)

	1960	1964
Total	7409	8932
Mexico	795	1035
Panamá	405	663
Argentina	472	883
Brazil	953	994
Chile	738	788
Colombia	424	520
Perú	446	460
Venezuela	2569	2908
Others	607	781

CHAPTER III

UNITED STATES PARTICIPATION IN THE ALLIANCE FOR PROGRESS

UNITED STATES PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

In addition to its direct participation in the Alliance for Progress, the United States Government provides considerable resources to various inter-American and international agencies and institutions which contribute to the economic and social development of Latin America. These include the Inter-American Development Bank; the Organization of American States; the International Bank for Reconstruction and Development and its affiliates; the International Development Association and the International Finance Corporation; the International Monetary Fund; and various agencies of the United Nations, such as the U.N. Special Fund and the Expanded Program of Technical Assistance, the U.N. Children's Fund, and the Food and Agriculture Organization.

During the past year additional resources were made available to the Inter-American Development Bank and to the International Development Association.

The U.S. has authorized callable capital subscriptions to the Inter-American Development Bank of $611,760,000. The U.S. has pledged a capital contribution for 1965-66-67 to the Bank's Fund for Special Operations of $750,000,000, thereby raising its total contribution to the FSO to $900,000,000. U.S. total contribution to the Bank (not including Social Progress Trust Fund) was $1,662 million.

In 1964 the U.S. agreed to contribute $312,000,000 as the U.S. share of the $750,000,000 replenishment of resources authorized by the International Development Association Board of Governors in September 1963. (The original U.S. contribution to the IDA was $320,290,000.) Payment of the new funds to the IDA is to be made in three equal annual installments. The first U.S. installment, due in November 1965, has been paid in.

In the fiscal year 1965 the United States contributed, on an assessed basis, $57.7 million to the United Nations and Specialized Agencies. Contributions under this category supported such agencies as the Food and Agriculture Organization ($4.1 million), UNESCO ($5.8 million), the World Health Organization ($10.9 million) and the International Labor Organization ($4.1 million). (An estimated 28% of these funds were used for Latin American activities.)

A number of Inter-American organizations received assessed contributions from the United States amounting to about $16 million in fiscal year 1965. These included the Organization of American States ($9.9 million), the Pan American Health Organization ($4.3 million), and the Inter-American Institute of Agricultural Sciences ($1.3 million).

In addition to its assessed payments, the United States made significant contributions to various Special Voluntary Programs which are of benefit to the Latin American countries. Among these were the Pan American Health Organization's Programs of Community Water Supply and of Malaria Eradication (amounting to a total of about $2.1 million), the UN-FAO World Food Program ($1.4 million), the United Nations Children's Fund ($12 million, excluding donations of surplus commodities under Public Law 480), and the United Nations Expanded Program of Technical Assistance and Special Fund ($60 million).

IA-ECOSOC established a Special Development Assistance Fund as of January 1, 1965. U.S. payments to the Fund for calendar year 1965 will have amounted to $4,066,000, based on a 66:34 ratio of U.S. to Latin American pledges. U.S. contributions to the Fund replace the contribution which the U.S. formerly made to the Technical Cooperation Program of the Pan American Union, and supplants certain funds provided unilaterally by the United States.

PEACE CORPS

The Peace Corps, established in 1961, provides qualified volunteers in response to requests from developing countries for middle-level manpower. The Peace Corps has participated in the Alliance for Progress program since 1961 when 151 volunteers were assigned to three Latin American countries. As of December 31, 1965, over 4,000 Peace Corps Volunteers were assigned to 13 Alliance countries in the following fields: 436 in agricultural extension; 2,119 in rural and urban community action; 839 in education; 534 in health; and 45 in public works.

The stimulation of self-help, the primary objective of Peace Corps activities, is one of the principal goals of the Alliance. The Peace Corps volunteer, whether he is working in an urban slum health center or helping to organize a rural agricultural cooperative, is attempting to assist the community involved to organize its own resources, both human and material, to meet its own needs.

This approach to development assists the local people to establish the institutions which will enable them to continue their self-help efforts long after Peace Corps volunteers have left the community. The institutions for development which the Peace Corps has helped to establish in Latin America range from mother and child care centers to credit unions and rural schools. Many of these institution-building projects have been carried out in cooperation with the Agency for International Development. For example, in Central America, Ecuador, Peru, Bolivia, Colombia and Brazil over 100 volunteers are working with national credit union organizations receiving technical assistance from the AID contractor, Credit Union National Association (CUNA). When necessary the Peace Corps contracts technical management, such as Heifer Project, for special volunteer programs in the development of poultry and livestock.

In Peru, Bolivia, Ecuador and Colombia, 65 volunteers are working with village cooperatives to help standardize quality and assist in marketing artisan products. The work of these volunteers is essential to the success of an AID project, being carried out through a contract with the Cooperative League of the U.S.A. (CLUSA), to develop the production and sale of artisan handicrafts in the Andean countries. As a result of Peace Corps and AID efforts, native products from these four countries were sold in the U.S. for $1,500,000 in 1965.

FOOD FOR PEACE

The Agricultural Trade Development and Assistance Act of 1954, otherwise known as Public Law 480, was passed by the Congress of the U.S. in 1954. It provides for expansion of trade "among the U.S. and free nations" ...and the "use of foreign currencies which accrue to the U.S." ...from such sales to encourage economic development. In the fiscal year 1965, estimated value of obligations was $132.6 million.

This program, known as Food for Peace, is administered externally by the AID. AID supervises the distribution of foodstuffs in cooperation with voluntary relief organizations and agencies of the host countries and other U.S. agencies both public and private. Care is taken to avoid interference with local market operations so as not to unduly influence normal production or pricing.

Since the inception of the Food for Peace program in 1954, the types of food and other agricultural commodities made available through the program include: wheat and flour, feed grains, rice, cotton, tobacco, dairy products, fats and oils, poultry, beans and peas, fruits and vegetables.

Different Titles Under Public Law 480

Title I. Sales for foreign currencies. By far, the largest program under the PL 480 is Title I.

Title I sales agreements include terms of payments for the receipt of agricultural commodities in the local currencies of the recipient countries. These currencies remain within the purchasing country and by agreement with the U.S. are used for loans or grants for economic development.

Up to 25 per cent of funds generated by Title I sales may be used for loans to private enterprise. These are known as "Cooley loans", after Representative Harold D. Cooley who introduced the legislation to Congress in 1957.

Some of the proceeds from the sales of foodstuffs under Title I are reserved for U.S. Government use by U.S. Embassies in meeting the local currency costs of book translation and informational programs, exhibits, libraries, information centers, marketing research, and military family housing.

Title II of Public Law 480 authorizes the use of U.S. agricultural commodities for child feeding and self-help economic development projects as well as emergency situations. These programs may be undertaken through voluntary agencies or intergovernmental organizations. Precautions are taken to avoid interference with local market activities.

Under this Title, as well, "food for work" programs have been emphasized. Wages for work performed by needy people on public projects are paid for from proceeds obtained through the sale of these commodities or with the food itself as partial payment. In the Dominican Republic, a one year pilot, self-help, community action program employing 5,000 rural workers, will facilitate the installation of water supply systems and sanitation facilities; the construction of roads, schools and housing improvements. In El Salvador, this program will be used to aid 1,270 workers and their families settle on new farm lands.

Title III authorizes the distribution of foodstuffs through accredited non-profit voluntary relief agencies and intergovernmental organizations, and provides for the barter of these commodities for strategic and other material goods and equipment.

Some of these accredited organizations are CARE, Red Cross, Church World Service, Catholic Relief Services, Lutheran World Relief, and United Nations agencies such as UNICEFF and UNRWA which carry out the function of food distribution, setting up operations in strategic localities for that purpose.

Supplementary feeding programs using foodstuffs obtained through Title II and Title III are undertaken through the close cooperation and coordination of host country governments, local welfare organizations, the non-profit voluntary relief organizations, and the U.S. Government. This program is called "Operation Niños." Food commodities are shipped to these agencies in Latin America for use in the feeding of school-age boys and girls. The program has expanded rapidly since it started in 1962, and is now reaching 13 million children.

Title IV. Credit Sales for Dollars. This Title provides for credit sales for dollars and was added to the PL 480 program in 1959. Under these arrangements the U.S. finances the sale and export for ultimate dollar repayments of agricultural commodities. The interest rate on these transactions is limited to 3/4 of 1 per cent and repayments are to be made over the course of 20 years for commodities to be consumed within the purchasing country. In general, the local currencies generated by the sale of these commodities are to be used for economic and social development projects mutually agreeable to the U.S. and host country governments. Projects include: housing, schools, rural development, marketing cooperatives, community projects, small and medium sized industrial developments.

PARTICIPATION OF PRIVATE ORGANIZATIONS

In a very real sense, many of AID's efforts indirectly assist local private enterprise by creating an economic framework within which private investment can flourish. Stabilization programs, tax reforms, improved social conditions, and the provision of needed infrastructure contribute to the creation of a climate which will attract both foreign and domestic private resources. AID program loans, in support of balance of payments and general development efforts, directly benefit the private sector by providing scarce foreign exchange for essential imports. AID's program for industrial, housing, and agricultural relending through indigenous credit institutions provides direct financial assistance to entrepreneurs, homeowners, and farmers.

AID Assistance to Intermediate Credit Institutions

The development and expansion of intermediate credit institutions in Latin America has been given special attention by AID during the past year. Financing provided for these organizations under the Alliance for Progress increases the availability of medium and long-term credit at moderate rates of interest for the great catalog of productive enterprises which are vital to the economic and social development of the hemisphere. The vigorous growth expands income and employment, both industrial and agricultural, and provides housing for low and middle income wage earners. Emphasis was placed on the mobilization of domestic savings and other local financial resources for internal investment through these institutions. Growing opportunities for fruitful investment in productive activities also resulted from the increasing availability of electric power, the development of road networks and the expansion of other economic infrastructure.

In the housing field, the lack of long term mortgage credit prevents many low and middle income families from obtaining decent housing. The growing population pressures in urban areas plague most

Latin American cities with problems of congestion and low standard housing. AID therefore emphasized the establishment and support of central housing institutions and loan associations which would mobilize local savings for investment in long term mortgages.

As of December 31, 1965, AID and predecessor agencies had authorized loans of roughly 366 million dollars to 55 intermediate credit institutions (I.C.I.'s) and cooperatives in 18 Latin American countries. In addition to these dollar loans, the Agency has contributed well over 200 million dollars (equivalent value) of local currencies to intermediate credit institutions in 8 Latin American countries.

In many instances (e.g. Bolivia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Panama) the AID loans were instrumental in establishing the first such intermediate credit institution; in all cases these loans have provided an important source of scarce funds for private sub-borrowers.

Practically all of these AID loans have been accompanied by additional private and public investments in the credit institutions and in this respect, the impact of the AID loans in terms of new funds available to local borrowers exceeds the roughly $566 million (equivalent value) that AID has committed to date. Furthermore, each sub-loan from a development bank or Savings and Loan Association is matched with a contribution to the project by the local investors or homeowners.

AID has made loans to both public and private intermediate credit institutions. These funds are then relent to private firms and individuals. The ultimate beneficiary of the loan may be a local industrial firm (development bank loan), farmer (agricultural bank loan), or homeowner (housing loan) depending on the purpose of the I.C.I. The terms of AID's loan to the I.C.I. are usually established to allow the institution to relend at an interest rate that is "reasonable" compared to the extremely high rates of interest usually charged in these developing countries. The rates of interest for the subloans to the local borrowers vary from roughly six to twelve per cent and the terms of the subloans usually run from three to ten or fifteen years, depending on the purpose of the loan.

AID's experience in Brazil and Colombia represents a somewhat different and promising pattern for development banking. In Colombia local currency contributions by the Colombian Government (from the proceeds of an AID program loan) have been supplemented by a $10 million AID loan to the Private Investment Fund (P.I.F.). The Colombian Bank of the Republic, which administers the Fund, is making this money available to support industrial loans of the existing commercial banks and private investment houses. As of December 31, 1965, the PIF had approved over 100 loans by local banks totalling over $45 million (equivalent).

In Brazil, AID and the Brazilian Government have cooperated to make over $100 million (equivalent) of local currency available through similar private investment funds, in support of industrial and agricultural credit. These funds originated as counterpart proceeds of AID program loan or as local currency proceeds of Title I sales of U.S. agricultural surplus crops. The funds are available to borrowers through the existing banking network.

Housing Guaranty Program

The program for extending guarantees for private U.S. investment in pilot, demonstration housing projects in Latin America is showing remarkable growth. In 1962, the first year of the program, only one guaranty was issued for $1.25 million. In 1963, four guarantees totalling $29 million were issued. The program has greatly accelerated during the current year. As of December 31, 1965, 27 guarantees totalling $140 million were issued.

The Foreign Assistance Act of 1965 increased the ceiling on Latin American housing guarantees from $250 million to $400 million. Applications substantially in excess of the new ceilings are already on hand.

Under this program up to 100% of the investment is guaranteed at a maximum fee of 2%. Repayments run over a period of 15-20 years.

The price range of the housing units constructed under the housing guaranty program is somewhat higher than that of units constructed through direct AID financing. This results in part from the fact that the investments are made by private sources and must be repaid in full without subsidy. The beneficiaries are largely middle income families.

In Peru, Colombia, Mexico, El Salvador, Argentina, Venezuela, Guatemala, the first homes have been delivered to home-owners. There are now under construction projects involving more than 15,500 units. Other projects are expected to get underway quite soon.

The American Institute for Free Labor Development is an especially important participant in this program. The AIFLD is developing projects in at least 12 countries involving about $70 million from AFL-CIO trust funds. All these projects will provide better housing for members of democratic labor unions of Latin America.

Technical Assistance to Local Private Sector

AID technical assistance to the private sector in Latin America varies from the part-time advisor to a particular local institution to more extensive, AID-sponsored assistance from U.S. consulting firms, universities, cooperatives and private institutions. AID is currently undertaking, or planning to undertake in FY-1966, technical assistance projects for:

- . . . The development of business education curricula or business training course in 15 Latin American countries.
- . . . The development of local cooperative marketing and credit institutions and rural electric cooperatives in 16 Latin American countries.
- . . . The development and strengthening of national cooperative financing systems to support existing cooperative organizations (AID's Inter-American Cooperative Bank Development Program is presently operating in five Latin American countries).
- . . . Training in development financing and banking through specific technical assistance projects or by making a portion of funds lent to credit institutions available for consulting services.
- . . . The establishment of local export promotion organizations in 8 Latin American countries.
- . . . Training and the development of local marketing skills in 9 countries. "Operation Market" an AID-sponsored project in Central America is entering the second year of an effort to modernize distribution facilities.
- . . . The establishment of "industrial development" and investment promotion centers in fourteen Latin American countries.
- . . . Training Latin Americans, under the AID participant training program, in a variety of special skills relating to industry, agriculture and housing. (In FY 1964, for example, 615 Latin Americans trained in the United States and 43 others participated in third-country training programs.)

AID continues to explore other means to assist local private enterprise. In response, to the recently published report of the Advisory Committee on Private Enterprise in Foreign AID, the Agency is conducting studies of the investment climate in Brazil and Chile. A survey of the Brazilian stock market has recently been completed with the assistance of the Securities and Exchange Commission. The International Executive Service Corps, a private organization supported in part by AID funds, is now operating in 17 countries including a number of Latin American countries and is a growing source of technical and managerial assistance for private Latin American firms.

Mobilizing U.S. Private Resources

While many AID programs are directed towards developing the local private sector, other AID programs encourage the flow of US private investment to Latin America. These programs include:

. . . A comprehensive information and bibliography system providing information on private investment opportunities in the less developed countries. Roughly 30,000 copies of the Index to this Catalog of Investment Opportunities have been distributed to firms and individuals.

. . . An "Investment Survey Program" under which AID participates in 50 per cent of the cost of pre-investment studies undertaken by private U.S. firms. As of December 31, 1965, AID had sponsored 75 such private surveys in Latin America for a total AID commitment of $937,000.

. . . A "specific risk" investment guarantee program under which AID guarantees U.S. investors against the risks of war, expropriation, or the inconvertibility of currency. During calendar year 1965, AID issued 333 specific risk guarantees to U.S. investors in Latin America for a combined value of $541 million.

. . . An extended guarantee program under which AID can guarantee up to 75 per cent of all risks associated with loans from U.S. sources to private projects. As of December 31, 1965 AID had authorized extended risk guarantees for two projects in Latin America with total guaranteed investment of roughly $17,500,000.

. . . A local currency ("Cooley") lending program under which AID relends to U.S. firms or affiliates the proceeds of PL 480, Title I sales of U.S. surplus agricultural commodities. From the inception of the program through December 31, 1965, AID has extended 75 Cooley loans amounting to roughly $25 million (equivalent).

Direct Loans to Private Projects in Latin America

As of December 31, 1965, AID had made development loans totalling $63,310,000 directly to 13 high priority private projects in Latin America (excluding loans to private intermediate credit institutions). The projects receiving dollar development loans include electric power distribution, rubber, carbon black, and paper facilities in Brazil and a kenaf fibre plant in Guatemala.

PARTNERS OF THE ALLIANCE

The spirit of the Alliance for Progress is fully reflected in the Partners of the Alliance program, which unites the non-official efforts of citizens in North and South America. In 29 states, citizens committees composed of representatives from civic clubs, labor unions, business and professional groups, schools, and even private individuals have been organized. "Partnerships" have been made with local committees of similar composition in 15 Latin American countries. These partnerships normally sponsor five types of activities:

1. Assist local groups with community self help projects
2. Technical assistance
3. Educational scholarships and professor exchanges
4. Cultural exchange
5. Investment and commercial relationships

Some specific examples of partnership activities are the following:

In the tiny village of Navan in Southern Peru, local citizens provided a plan and the labor to build a small road from their isolated village. The Texas AFL-CIO (labor union) provided the picks, wheelbarrows and shovels. When the road was finished, the village council passed the tools to a neighboring town which is now working on a connecting road to Navan. The Texas partners also helped a small Andean town with 1,200 feet of steel cable for the construction of a suspension bridge, which linked the villagers' homes with their small plots of land.

At the end of FY 1965 more than 160 college scholarships were available through the Florida/Colombia, Pennsylvania/Brazil, Indiana/Brazil, Texas/Peru programs.

The State of Parana (Brazil) provided a professor of Portuguese to Miami University at Oxford, Ohio. He held a seminar during the summer for high school teachers and when the regular sessions of the University started in the fall, he taught Portuguese to 90 students.

The Colombia/California program sponsored an exchange between Oakland College and the Universidad del Valle (Cali). The city of Oakland, also sent municipal administrators to Cali to advise on municipal problems.

Ten Costa Rican school teachers were invited to live with U.S. families in 10 different Oregon school districts during their summer vacation. While the teachers received in-service training in teaching techniques, they taught Spanish and social studies. This pilot program is now being adopted by the Ministry of Education of Costa Rica in coordination with the State of Oregon.

The Utah committee provided the services of a highly specialized technician to work on a tin mining problem in Bolivia. Also, from this partnership 10 Bolivian 4-H leaders stayed with 4-H Club members' families in Utah. They arranged to sell Bolivian handicrafts in the U.S., and the proceeds from these sales are to be used for 4-H projects in Bolivia.

TECHNICAL COOPERATION

Technical assistance has been and continues to be directed toward the creation of new institutions and the strengthening of existing ones, in agriculture, industry, housing, water resources, education, public administration and health. Those institutions which are essential to economic and social development programs of a given country are the primary recipients of the major portion of technical assistance.

U.S. universities, government agencies and private non-profit organizations have played an increasing role in U.S. technical assistance programs. They work integrally with direct hire AID technicians who have specialized training in the various fields.

U.S. universities are giving services primarily in the fields of education, agriculture, business and public administration, and population studies. U.S. universities were in every Latin American member country of the Alliance for Progress as of December 1965. In addition, the following universities presently have contracts with the AID which are regional in scope (i.e., of interest to two or more Latin American countries).

- Cornell University
- John Hopkins
- Loyola University
- MIT
- Northeastern University
- University of Pittsburgh
- Pennsylvania State University
- State University of New York
- Syracuse University
- University of Wisconsin
- University of Notre Dame
- Ohio State

Many U. S. agencies also participate in the assistance program. The agencies participating include the Departments of Agriculture, Army, Navy, Commerce, Interior, Labor, Health, Education and Welfare, the Internal Revenue Service of the Treasury Department, the National Science Foundation, the Housing and Home Finance Agencies and the Federal Home Loan Bank Board. They are providing assistance in such fields as agricultural production and diversification, agricultural reform and colonization, topographic mapping and cartography, flood relief and control, highway development and construction, statistical systems and census taking, mineral resource, marine and river basin surveys, tax administration and collection, savings and loan systems development and many others.

LONG-TERM CAPITAL ASSISTANCE

In FY-1965 loans totalling more than $440 million were authorized for the 19 Latin American Republics by the Agency for International Development. Host country contributions to these **projects** are estimated at $250 million.

Economic sectors receiving the largest share of total authorizations were:

Power and Communications	$101.9 million
Transportation	87.1
Food and Agriculture	81.5
Industry and Mining	74.7
Education	48.6
Health and Sanitation	16.1

There were marked increases over the previous year in the amounts of assistance devoted to food and agriculture, power and communications, education, and health and sanitation.

Included in the total amount authorized is a $35 million loan for the Central American Economic Integration Fund which will be administered by the Central American Bank for Economic Integration (CABEI). The purpose of the loan is to finance regional infrastructure projects. The Fund will determine the priorities of regional projects on the basis of the benefits they offer to the regional community, and without consideration of the level of financing being received by any one country benefiting from the project, or the level of the contributions from the various countries to the Fund.

In FY 1965 five countries received loans to carry out feasibility studies. The governments use these loans to make pre-feasibility and feasibility studies of development projects. The increase in the amount of money authorized for these loans reflects the growing importance which the international lending agencies as well as the borrowing governments attach to project evaluation.

Three Cadastral Survey Loans to Central American countries were also authorized in the same fiscal year. These loans provide financing for aerial photomapping surveys which are used for locating and determining property boundaries, for programs to establish equitable property values and modern assessment systems. In addition the surveys are used to identify and study natural resources and project preparation.

On both a calendar year and fiscal year basis, 1965 AID commitments and authorizations were lower than 1964 fiscal and calendar year commitments. This does not reflect a decrease in lending and grant activity however, but simply an unexpected time lag in the signing of several large loan agreements. As far as calendar year figures are concerned, the lag, although very short did succeed in pushing authorizations into the next calendar year. Disbursements, on both a calendar year and fiscal year basis, were higher in 1965 than in 1964. Disbursements have increased every year since the start of the Alliance. They are expected to continue increasing.

Although the Agency for International Development's disbursements have increased continually, the pipeline of undisbursed commitments is still somewhat large. The reasons for this pipeline include:

1) Disbursements are made only as physical work is accomplished. The construction of the project--a bridge or road perhaps--may take 2, 3 or more years to complete;

2) funding may have been provided for more than one year, e.g., for an intermediate credit institution;

3) borrowers may be slow in signing new loans and in meeting conditions precedent to the disbursement of funds. (This is particularly true were conditions involved the establishment of new authorities or agencies to maintain the projects after completion);

4) failure on the part of individual countries to carry out as rapidly as anticipated certain self-help measures agreed upon at Punta del Este and included in specific loan agreements.

For several years now the AID has been making a conscious effort to take whatever steps it can to speed up the rate of disbursements. Most recently the Latin American Bureau of the Agency has:

1) revised its bonding policy making it possible for local contractors to bid for AID-financed jobs;

2) decentralized much of the decision making process, with regard to loans, to Missions located in the borrowing countries;

3) improved overseas staffing and reporting; most overseas missions are now staffed with engineers and loan officers whose specific responsibility is project development and implementation. Improvements in reporting have increased the speed with which Washington can make those decisions which cannot be delegated to the field.

U.S. capital assistance to Latin America has been extended not only by the Agency for International Development, but also by the Export-Import Bank and the Social Progress Trust Fund. The Export-Import Bank is the oldest of the United States governmental institutions concerned with assistance to Latin America. Formed in 1934 and reconstituted in 1943, the Export-Import Bank's principal function is to promote sales of U.S. industrial and farm equipment through loans.

In both calendar and fiscal 1965 Export-Import Bank disbursements were greater than in calendar and fiscal 1964. Disbursements in CY 1965 totalled $133.2 million, a substantial increase over CY 1964 disbursements of $78.7 million. Commitments for the same time period were $245 million, up from $219 million.

A major element in the participation of the U.S. in the Alliance has been the Social Progress Trust Fund. In May of 1961, the U. S. Congress voted $394 million to establish this fund, which has been administered by the Inter-American Development Bank.

The purpose of the Fund was to make loans (at a low rate of interest) for projects or programs designed to achieve social and institutional improvements in the fields of: land settlement and improved land use; housing; water supply and sanitation; higher education and advanced training. Provision was made for repayment to be made in the local currency of the borrower and the relending of repaid funds.

On February 17, 1964 the United States made available an additional $131 million for the Social Progress Trust Fund, thus bringing the total to $525 million since the Fund was established. In the future the U.S. contribution for these purposes will be in the form of a contribution to the Fund for Special Operations. The U.S. has pledged $750 million to this Fund, and in 1965, actually contributed $500 million. The remaining $250 million is expected to be appropriated during 1966. This contribution will bring the total U.S. contribution to the SPTF-FSO to $1,275 million over the past 5 years.

The Statistical Annex which follows, and the preceding discussion define U.S. assistance in somewhat narrow terms. They refer only to grants and long-term loans for economic development. Among the items not included are:

1) U.S. Treasury compensatory financing;

2) Short-term (i.e. less than 5 years) credits of the Export-Import Bank. Such credits are excluded from figures on loan commitments but because of accounting difficulties, disbursements of Export-Import Bank short-term credits (which seldom exceed 10% of Export-Import lending in any period) are included with other disbursement figures;

3) Reschedulings of loan repayments due US public and private lenders;

4) Local currencies generated by sales of agricultural commodities, and reserved by agreement for various U.S. government uses;

5) All Military Assistance, although, under Civic Action programs, the U.S. makes funds available to Latin American military forces for economic development projects.

ANNEX

TOTAL U.S. ASSISTANCE TO LATIN AMERICA - COMMITMENTS & OBLIGATIONS
CALENDAR YEARS 1961, 1962, 1963, 1964 AND 1965
-BY AGENCY- a/
($ Millions)

Country & Year	AID	Export-Import Bank (Long Term)	Food for Peace f/ (Less U.S. Uses Title I)	Social Progress g/ Trust Fund	Peace h/ Corps	Total
ARGENTINA						
1961	2.2	-	-	-	-	2.2
1962	29.3	56.1	-	35.0	-	120.4
1963	79.9	20.0 b/	-	-	-	99.9
1964	2.3	1.4	-	3.5	-	7.2
1965	1.4	56.3	-	5.0	-	62.7
BOLIVIA						
1961	29.6	-	.6	-	-	30.2
1962	32.9	-	19.3	6.5	1.4	60.1
1963	41.4	-	9.2	4.4	1.1	56.1
1964	48.0	-	15.5	.3	2.2	66.0
1965	10.2	-	4.3	.7	1.3	16.5
BRAZIL						
1961	71.8	179.0 c/	64.3	4.1	-	319.2
1962	29.1	-	117.5	46.8	.9	194.3
1963	85.3	- d/	111.1	4.5	1.5	202.4
1964	322.9	- e/	116.4	6.7	4.2	450.2
1965	105.2	23.0	55.3	-	2.6	186.1
CHILE						
1961	111.9	12.0	8.6	13.7	-	146.2
1962	42.4	46.4	24.3	9.3	1.1	123.5
1963	50.9	17.0	8.1	2.6	.7	79.3
1964	152.5	19.7	30.6	9.8	2.3	214.9
1965	16.4	3.6	29.5	3.5	1.3	54.3

Country & Year	AID	Export-Import Bank (Long Term)	Food for Peace f/ (Less U.S. Uses Title I)	Social Progress g/ Trust Fund	Peace h/ Corps	Total
COLOMBIA						
1961	6.5	53.1	6.7	22.8	-	89.1
1962	94.6	3.4	10.9	8.5	2.6	120.0
1963	32.6	2.5	20.3	-	3.4	58.8
1964	69.7	23.3	18.5	17.8	4.5	133.8
1965	68.6	4.2	17.2	.5	2.1	92.6
COSTA RICA						
1961	9.8	4.5	-	3.5	-	17.8
1962	2.0	-	-	-	.3	2.3
1963	19.6	- i/	2.4	.1	.3	22.4
1964	4.8	-	.9	9.0	.6	15.3
1965	7.6	7.0	2.0	-	.4	17.0
DOM. REP.						
1961	*	-	.1	-	-	.1
1962	30.3	9.6	7.6	6.5	1.0	55.0
1963	25.8	-	13.9	-	.9	40.6
1964	6.5	7.4	8.4	2.0	1.0	25.3
1965	89.9	5.3	22.9	1.8	.6	120.5
ECUADOR						
1961	13.2	.4	2.6	-	-	16.2
1962	25.9	.5	2.0	13.6	1.3	43.3
1963	8.2	.8	5.6	10.9	1.6	27.1
1964	21.2	8.0	5.8	.3	2.9	38.2
1965	12.4	6.3	8.7	3.0	1.1	31.5
EL SALVADOR						
1961	3.0	9.6	.1	5.5	-	18.2
1962	3.8	-	3.5	6.1	.2	13.6
1963	19.2	-	2.3	-	.4	21.9
1964	11.0	-	3.7	4.4	.4	19.5
1965	5.5	2.5	3.6	6.0	.3	17.9

*Less than $50,000.

Country & Year	AID	Export-Import Bank (Long Term)	Food for Peace f/ (Less U.S. Uses Title I)	Social Progress g/ Trust Fund	Peace h/ Corps	Total
GUATEMALA						
1961	3.1	-	.6	-	-	3.7
1962	4.2	-	1.0	8.8	.4	14.4
1963	3.6	-	2.1	2.5	1.0	9.2
1964	5.6	4.6	3.0	3.0	.5	16.7
1965	3.8	-	3.6	-	.4	7.8
HAITI						
1961	3.3	-	.9	-	-	4.2
1962	9.7	-	.8	-	-	10.5
1963	1.6	-	1.1	-	-	2.7
1964	1.5	-	2.2	-	-	3.7
1965	1.4	-	1.2	-	-	2.6
HONDURAS						
1961	4.2	-	.3	-	-	4.5
1962	4.0	-	.2	3.5	.2	7.9
1963	6.0	-	.5	3.7	.2	10.4
1964	9.6	-	.7	.4	.9	11.6
1965	8.4	.4	.5	-	.5	9.8
MEXICO						
1961	1.2	109.6	3.5	-	-	114.3
1962	20.6	13.4	9.0	13.6	-	56.6
1963	20.2	32.6	14.5	17.1	-	84.4
1964	2.4	101.0	20.3	-	-	123.7
1965	24.9	107.6	1.6	4.8	-	138.9
NICARAGUA						
1961	8.5	2.0	.3	-	-	10.8
1962	3.8	-	1.1	7.7	-	12.6
1963	3.2	1.2	1.9	.2	-	6.5
1964	8.0	-	1.9	5.2	-	15.1
1965	14.2	2.8	-	-	-	17.0

Country & Year	AID	Export-Import Bank (Long Term)	Food for Peace f/ (Less U.S. Uses Title I)	Social Progress g/ Trust Fund	Peace h/ Corps	Total
PANAMA						
1961	5.0	-	.4	7.6	-	13.0
1962	18.0	2.0	.5	2.8	*	23.3
1963	8.1	7.4	.8	-	.5	16.8
1964	10.6	3.5	.8	-	7.8	22.7
1965	5.4	-	.6	2.5	.8	9.3
PARAGUAY						
1961	9.1	-	7.1	-	-	16.2
1962	2.1	-	2.9	2.9	-	7.9
1963	2.8	-	3.0	-	-	5.8
1964	5.7	-	3.9	3.4	-	13.0
1965	2.2	-	.8	1.5	-	4.5
PERU						
1961	3.8	8.5	3.2	23.8	-	39.3
1962	21.2	15.1	6.3	2.5	1.3	46.4
1963	7.4	14.2	8.3	-	2.7	32.6
1964	33.7	37.7	13.3	9.6	3.2	97.5
1965	5.3	2.2	8.4	9.3	1.6	26.8
URUGUAY						
1961	.1	1.9	.2	2.5	-	4.7
1962	1.3	5.2	1.9	8.0	**	16.4
1963	7.1	-	.8	-	.6	8.5
1964	4.0	-	1.0	-	.2	5.2
1965	1.0	-	.9	-	.2	2.1
VENEZUELA						
1961	10.2	27.9	-	32.0	-	70.1
1962	42.8	-	12.5	20.0	1.0	76.3
1963	2.0	19.1	6.6	1.0	.7	29.4
1964	1.7	12.9	10.3	10.0	2.2	37.1
1965	1.9	24.7	6.0	10.0	1.4	44.0

* Less than $50,000.

Country & Year	AID	Export-Import Bank (Long Term)	Food for Peace f/ (Less U.S. Uses Title I)	Social Progress g/ Trust Fund	Peace h/ Corps	Total
REGIONAL & UNDISTRIBUTED						
1961	1.0	-	-	1.1	1.6	3.7
1962	17.3	-	-	1.0	1.7	20.0
1963	13.7	-	.3	1.6 l/	-	15.6
1964	21.4	-	.4	5.0	-	26.8
1965	16.6	-	.6	250.0 m/	1.7	268.9
ROCAP k/						
1961	7.0 j/	-	-	-	-	7.0
1962	1.0	-	-	2.9	-	3.9
1963	18.2	-	-	-	-	18.2
1964	19.1	-	-	-	-	19.1
1965	38.7	-	-	-	-	38.7
TOTAL BY CY						
1961	304.5	408.5 c/	99.5	116.6	1.6	930.7
1962	436.3	151.7	221.3	206.0	13.4	1028.7
1963	456.8	114.8 b/ d/ i/	212.8	48.6	15.6	848.6
1964	762.2	219.5	257.6	90.4	32.9	1362.6
1965	441.0	245.9	167.7	297.9	16.3	1168.8
TOTAL BY FY						
1961	248.1	510.2	157.3	-	1.9	917.5
1962	472.3	99.6	151.2	226.0	7.0	956.1
1963	534.2	63.0	172.2	127.4	16.1	912.9
1964	604.9	165.9	334.9	42.3	25.4	1173.4
1965	512.4	258.2	103.9	101.1	25.2	1000.8

FOOTNOTES:

a/ Excludes:
(1) Military assistance.
(2) U. S. Treasury compensatory financing.
(3) Export-Import Bank debt rescheduling or consolidation credits and deferrals of transfer.
(4) Title I PL-480 sales agreements for agricultural products intended for generation of local currency for U.S. uses.
(5) IDB capital subscription.

FOOTNOTES (Continued):

b/ Excluded Ex-Im refunding of maturities of $72 million, Credit #E-3.

c/ CY 61 commitments do not include Ex-Im credit $1571 totaling $92.1 million, which defers the transfer of repayments to Ex-Im (received instead by the Banco do Brasil), and do not include $212.6 million outstanding of $454.2 million in credits (4 credits consolidated) repayments of which were postponed and rescheduled, Credit $1572.

d/ Excludes Ex-Im deferral of transfer of $19.4 million, Credit #E-6.

e/ Excludes Ex-Im deferral of transfer of $66.5 million, Credit #E-7.

f/ The USG considers as economic assistance only that portion of goods committed which will result in generation of local currency for Country Uses. As indicated, that portion of Title I which will result in generation of local currency for U. S. Uses is excluded.
Ocean freight is included for all Titles except Title III.

g/ Social Progress Trust Fund country technical assistance activities are totaled under "Regional."

h/ CY 61 Peace Corps and CY 61-64 Inter-American Highway commitments are totaled under Peace Corps in "Regional." Not included is $2.1 million for Rama Road during CY 63. CY 62-64 Peace Corps commitments are broken out by country.

i/ Excludes Ex-Im deferral of transfer of $2.6 million, Credit #E-4.

j/ $5.0 million loan and $2.0 million grant to Central American Bank for Economic Integration.

k/ Regional Office for Central America and Panama, established in July, 1962.

l/ Includes $640,000 for FLASCO and the Getulio Vargas Foundation to be spread over the next five years.

m/ Amount appropriated by U. S. Congress for the Fund for Special Operations.

TOTAL U.S. ASSISTANCE TO LATIN AMERICA - DISBURSEMENTS
CALENDAR YEARS 1961, 1962, 1963, 1964 AND 1965
-BY AGENCY- a/
($ Millions)

Country & Year	AID	Export-Import Bank	Food for Peace	Social Progress Trust Fund b/	Peace Corps & Inter-Amer. Highway c/	Total
ARGENTINA						
1961	8.3	47.7	-	-	-	56.0
1962	21.4	62.8	-	-	-	84.2
1963	2.3	55.7	-	3.1	-	61.1
1964	16.8	15.0	-	.5	-	32.3
1965	18.3	2.7	-	3.5	-	24.5
BOLIVIA						
1961	18.5	-	3.5	-	-	22.0
1962	26.6	-	7.2	-	.2	34.0
1963	29.3	-	15.2	.1	.6	45.2
1964	21.8	.1	7.9	2.3	.9	33.0
1965	22.5	-	3.5	2.0	2.4	30.4
BRAZIL						
1961	56.5	161.4	94.3	-	-	312.2
1962	35.1	100.8	64.9	2.4	.2	203.4
1963	39.6	81.7	72.5	7.2	1.2	202.2
1964	66.8	1.0	127.9	15.9	1.1	212.7
1965	88.1	-	18.8	13.6	5.1	125.6
CHILE						
1961	49.3	59.7	27.2	-	-	136.2
1962	67.2	21.4	12.3	1.9	.1	102.9
1963	75.4	34.6	19.2	3.9	.4	133.5
1964	76.9	15.9	21.2	6.6	.7	121.3
1965	55.3	26.6	15.0	9.5	2.9	109.3

DISBURSEMENTS

Country & Year	AID	Export-Import Bank	Food for Peace	Social Progress Trust Fund b/	Peace Corps & Inter-Amer. Highway c/	Total
COLOMBIA						
1961	4.5	55.1	15.4	-	-	75.0
1962	41.9	3.2	14.3	3.8	.7	63.9
1963	65.2	5.1	18.9	9.5	1.9	100.6
1964	44.0	.6	9.1	6.8	2.1	62.6
1965	42.9	10.6	10.8	5.1	3.5	72.9
COSTA RICA						
1961	2.0	2.0	-	.4	-	4.4
1962	6.2	1.9	-	1.6	-	9.7
1963	2.9	1.2	1.1	1.6	.2	7.0
1964	5.8	.8	1.9	-	.3	8.8
1965	10.2	.1	1.5	.6	.7	13.1
DOM. REP.						
1961	-	-	.1	-	-	.1
1962	17.2	*	3.5	.5	.1	21.3
1963	29.6	2.6	12.6	1.7	1.1	47.6
1964	12.2	.5	13.8	.9	.9	28.3
1965	~~145.3~~ 96.0	6.0	9.7	.2	1.0	162.2
ECUADOR						
1961	9.6	.5	3.9	-	-	14.0
1962	12.0	.4	2.4	-	.1	14.9
1963	10.7	.3	4.1	1.2	.9	17.2
1964	7.9	-	7.2	2.8	1.2	19.1
1965	9.3	.3	1.9	6.6	2.2	20.3
EL SALVADOR						
1961	1.1	6.9	.1	-	-	8.1
1962	1.8	.5	2.0	1.7	-	6.0
1963	3.5	.8	2.3	5.0	.2	11.8
1964	6.5	1.1	3.7	2.5	.3	14.1
1965	8.3	.3	2.0	1.5	1.4	13.5

*Less than $50,000.

DISBURSEMENTS

Country & Year	AID	Export-Import Bank	Food for Peace	Social Progress Trust Fund b/	Peace Corps & Inter-Amer. Highway c/	Total
GUATEMALA						
1961	10.8	.6	.6	-	-	12.0
1962	5.5	1.0	1.0	-	-	7.5
1963	5.1	3.1	2.1	.1	.3	10.7
1964	5.1	1.5	1.8	1.5	.5	10.4
1965	4.7	2.4	1.0	2.8	.6	11.5
HAITI						
1961	15.1	-	.9	-	-	16.0
1962	4.1	-	.8	-	-	4.9
1963	2.3	-	1.1	-	-	3.4
1964	1.7	-	2.1	-	-	3.8
1965	1.0	3.0 d/	.9	-	-	4.9
HONDURAS						
1961	5.5	.3	.3	-	-	6.1
1962	5.2	.1	.2	-	-	5.5
1963	4.0	-	.5	.7	.2	5.4
1964	2.8	-	.9	1.0	.4	5.1
1965	6.1	-	.2	2.9	.8	10.0
MEXICO						
1961	.6	109.1	3.5	-	-	113.2
1962	.8	44.6	9.0	-	-	54.4
1963	2.6	16.9	13.8	.7	-	34.0
1964	8.2	27.9	20.6	3.1	-	59.8
1965	13.6	44.3	1.6	5.6	-	65.1
NICARAGUA						
1961	1.8	4.6	.3	-	-	6.7
1962	3.3	2.7	1.1	.3	-	7.4
1963	3.5	.1	1.9	3.0	-	8.5
1964	4.7	*	1.2	2.6	-	8.5
1965	4.7	-	.5	1.9	-	7.1

* Less than $50,000.

DISBURSEMENTS

Country & Year	AID	Export-Import Bank	Food for Peace	Social Progress Trust Fund b/	Peace Corps & Inter-Amer. Highway c/	Total
PANAMA						
1961	3.2	2.1	.4	.5	-	6.2
1962	6.3	1.5	.5	2.1	-	10.4
1963	7.1	5.4	.8	4.3	.3	17.9
1964	6.1	.8	1.0	2.3	.4	10.6
1965	14.9	6.0	.3	1.0	1.0	23.2
PARAGUAY						
1961	2.8	.1	6.0	-	-	8.9
1962	4.3	-	.4	-	-	4.7
1963	4.2	.2	4.3	.1	-	8.8
1964	5.4	*	2.8	.5	-	8.7
1965	2.8	-	1.7	2.1	-	6.6
PERU						
1961	2.2	7.9	5.6	-	-	15.7
1962	4.4	12.9	6.4	4.6	.7	29.0
1963	6.6	9.3	5.9	5.7	1.8	29.3
1964	8.7	8.6	10.8	6.7	1.7	36.5
1965	22.1	15.6	4.8	7.2	3.4	53.1
URUGUAY						
1961	3.3	.7	.3	-	-	4.3
1962	2.5	1.3	1.3	-	-	5.1
1963	7.1	1.5	.9	-	*	9.5
1964	1.1	.3	.9	-	.1	2.4
1965	1.7	.1	.5	1.0	.3	3.6
VENEZUELA						
1961	.3	28.6	-	-	-	28.9
1962	3.2	54.6	1.1	3.0	.2	62.1
1963	10.7	7.1	6.6	17.9	.5	42.8
1964	12.4	4.6	6.7	10.8	.8	35.3
1965	12.4	15.2	4.4	3.0	2.4	37.4

* Less than $50,000.

DISBURSEMENTS

Country & Year	AID	Export-Import Bank	Food for Peace	Social Progress Trust Fund b/	Peace Corps & Inter-Amer. Highway c/	Total
REGIONAL						
1961	3.2	-	-	.1	10.5	13.8
1962	7.6	-	-	.6	5.5	13.7
1963	11.2	-	-	.8	2.1	14.1
1964	10.1	-	-	-	.8	10.9
1965	12.8	-	.2	-	-	13.0
ROCAP**						
1961	2.0	-	-	-	-	2.0
1962	.8	-	-	-	-	.8
1963	1.3	-	-	-	-	1.3
1964	5.9	-	-	.1	-	6.0
1965	8.8	-	-	.2	-	9.0
TOTAL BY CY						
1961	200.6	487.3	162.4	1.0	10.5	861.8
1962	277.4	309.7	128.4	22.5	7.8	745.8
1963	324.2	225.6	183.8	66.6	11.7	811.9
1964	330.9	78.7	241.5	66.9	12.2	730.2
1965	~~505.8~~ 456.5	133.2	78.8	70.3	27.7	~~815.8~~ 766.5
TOTAL BY FY						
1961	114.0	208.2	98.6	-	2.7	423.5
1962	281.6	593.4	148.7	6.4	1.0	1031.0
1963	322.6	157.1	179.1	48.8	74.7	772.4
1964	287.1	77.4	194.9	63.2	10.6	621.6
1965	427.1	102.0	161.0	65.4	25.3	767.9

** Regional Office of Central America and Panama, established July 1962. Data for 1961 is for Central American Bank for Economic Integration only.

DISBURSEMENTS

FOOTNOTES:

a/ Excludes: (1) Military assistance.
(2) Export-Import Bank debt re-scheduling and consolidation credits.
(3) U.S. Treasury compensatory financing.
(4) Value of goods delivered under Title I, PL 480 estimated to result in generation of local currency for U.S. uses.
(5) U.S. subscription to IDB.

Includes: Export-Import Bank short-term credits (short-term transactions seldom exceed 10% of Ex-Im lending in any period).

b/ SPTF technical assistance has not been computed by country but is included as a total under "Regional."

c/ Inter-American Highway is included as a total under "Regional." (Not included is Rama Road CY 61 -- 1/2 64, $4.0 million.) The Peace Corps is shown by country.

d/ Includes capitalized interest, i.e. interest collected.