

MUTUAL SECURITY FY 1956

BUDGET BUREAU PRESENTATION

FAR EAST

BEST AVAILABLE

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BY Cowell SER/MO/CKM
AUTHORITY: EO 12958 & para 925, Uniform Security
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FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

BURMA
CHINA (Formosa)
INDONESIA
JAPAN
KOREA
PHILIPPINES
THAILAND
INDOCHINA
(Cambodia, Laos, VietNam)

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Regulations

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954.

FAR EAST AND PACIFIC

All Programs, Including Military Assistance to Korea
and Excluding Military Assistance Elsewhere

Summary of Obligations by Country
(In thousands of dollars)

	Obligations		
	Actual FY 1954 ^{a/}	Estimated FY 1955 ^{a/}	Estimated FY 1956 ^{a/}
Asian Economic Organization	-	-	b/
Burma	- 9,634 c/	-	-
China (Formosa)	111,630	89,700	101,735
Indochina (Cambodia, Laos, and Vietnam)	769,768 d/	100,000 d/	140,000 d/
Indonesia	3,869 e/	3,700 e/	68,000 e/
Japan	-	500	f/
Korea (including U.S. Contribution to UNKRA)	632,500 g/	658,700 g/	700,000 g/
Philippines	14,794	19,700	40,400
Thailand	8,926	8,200	24,700
Undistributed by Country	200	536,598 h/	200
Allowance for Contingencies	-	-	600,000 i/
Total Programs	1,532,053 a/	1,417,098 a/	1,675,035 a/

All figures () in millions of dollars in following footnotes.

a/ Excludes interregional costs (including domestic program expenses).

b/ Included in Allowance for Contingencies (207.0) and in NEA and FE country programs (193.0), total (400.0).

c/ Deobligations of prior years' funds.

d/ Direct Forces Support (FEC and ASF) in FY 1954 (745.0), but none as yet specifically determined for FY 1955 or FY 1956.

e/ Development Assistance in FY 1954 and FY 1955, none, but in FY 1956 (60.0) including loans (43.0).

f/ Included in Allowance for Contingencies.

g/ Includes Department of Defense estimates for Military Assistance and Direct Forces Support.

h/ Includes Section 121 funds (700.0) less Pakistan (55.6), China (10.0), Indochina (100.0), Thailand (3.5), Japan (0.5); balance (530.4) plus balance Section 123 (b) (3) for China (6.098) and regional project costs (0.1), total (536.598).

i/ Presented in separate paper.

November 9, 1954

FAR EAST AND THE PACIFICRegional Narrative StatementSituation in the Area

At the present juncture, with the exception of Indochina where the future remains uncertain, the forces of external aggression and internal subversion by military means have been checked in the Far East and Pacific area. In Indochina, too, military operations have ceased, though the prestige of the West throughout the whole area was damaged by the loss of North Vietnam. On the economic side, however, the rate of growth is too slow to convince the people of the area that the new nationalist governments are capable of fulfilling the economic expectations of their followers, or to generate the degree of internal savings and investment required to maintain such growth without continuing external aid. Deterioration in terms of trade and levels of external income following the cessation of hostilities in Korea have accentuated the problem of securing sufficient resources to carry out development programs.

A characteristic common to the countries of the area, with limited exceptions, is their recent acquisition of sovereignty with resulting political insecurity and the experimental nature of their national institutions. Greatly aggravating the political weakness resulting from this situation is the heavy and growing pressure of population on resources, and the fact that they have made only the most limited progress in improving their material well-being over prewar levels. In some cases living standards may have declined.

By contrast, Communist China and the USSR present to these people at least the outward appearance of substantial stability and economic progress, and Western nations,

particularly the United States (per capita consumption up 50 percent above prewar) and Western Europe, have achieved marked economic advancement. It is not surprising, therefore, that in general peoples of the area have grown to regard themselves as a "have-not" group. This, combined with a distrust of the West stemming from colonial experiences, fear of involvement in war and the appeal of theoretical Marxism to many young intellectuals has, with the notable exception of dominant groups in the Philippines and Thailand, produced at best a neutralist attitude toward the Free World-Communist struggle, and at worst a fertile field for internal subversion and external aggression.

While a strong belief exists in the possibilities of economic progress through united national and international programs, this is accompanied by a feeling of deep frustration at their internal economic weaknesses and what is generally regarded, even in the Philippines, as an excessive dependence on a few export crops or raw materials sold in fluctuating world markets to produce foreign exchange for imports, some of which could be produced internally given a modest degree of industrialization. There exists a real fear that income from these sources will not be adequate, nor sufficiently stable, to permit the accomplishment of what all people of the area feel to be essential; namely, an orderly and reasonably rapid rate of economic development. However, with the exceptions noted above, countries of Southeast Asia are not willing to include in the price of substantial external assistance political and defense undertakings which they feel would intensify rather than relax tensions in the area.

FAR EAST AND THE PACIFIC

Regional Narrative Statement (continued)

A group of possible U.S. objectives which are also espoused by Asians and which would, therefore, have a wide popular appeal are:

- (1) Support efforts to ensure survival of non-communist governments in Asia, even if those governments avoid political and defense commitments for collective security in the face of communist strategy emphasizing internal subversion.
- (2) Strengthen the Asian desire for continuing association with the West in general, and the U.S. in particular, as promising economic progress which the communists contend can only be achieved by their methods.
- (3) Encourage greater regional cohesion and cooperation on mutual economic problems and thus increase the effectiveness of our aid and the resources of Asian countries available for economic development and to increase and make more effective economic assistance provided by other non-Asian countries.
- (4) Assist in placing Japan on a sounder economic basis by improving its trading opportunities with non-communist countries in the Far East and Asia generally.

Means of Attaining U.S. Goals

External aid programs in the Far East and South Asia area, which now provide an aggregate of assistance (including release of sterling balances) for economic development of \$350-\$400 per annum (over half of which is supplied by the United States), are conducted essentially on a bilateral basis. Neither the U.S. programs, nor aid furnished within the framework of the Colombo Plan, have engendered the type of international collaboration among the Free Asian countries, which has been developed in Europe through the OEEC-EPU mechanisms.

Since the basic focal point of regional interest in Asia is economic development, rather than shorter run expansion of intra-regional trade, the main emphasis of a regional economic effort in Asia would be on the former. However, the two problems are very closely related since balance of payments problems frequently grow out of ill-advised efforts to over-accelerate development beyond the capacity of internal and external resources, with consequent internal inflation. The stability of export receipts from primary product exports is a third great economic concern to most Asian countries. It is, therefore, around the three problems of economic development, trade and payments, and stabilization of export income that a regional program might be built and to the improvement of which its efforts would be directed.

None of the present vehicles for international collaboration in the area entirely meet the requirements for a practical working mechanism through which group discussions of policy can be conducted, and decisions having real area significance can be made and implemented. The United Nations organizations in the area, such as the Economic Commission for Asia and the Far East, are doing useful work at the technical level, but the participation of the USSR and their somewhat academic approach, make them inappropriate as vehicles for the achievement of major U.S. objectives.

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Regional Narrative Statement (continued)

The Consultative Committee of the Colombo Plan, which now includes all free countries in South Asia and the Far East - with the exception of Nationalist China and South Korea - as well as Australia, New Zealand, Canada, the United Kingdom and the United States, is ideal from the standpoint of country grouping. Its extremely informal arrangements, since it is basically an annual assembly of country representatives superimposed on a group of bilateral aid programs, do not make for an effective operating mechanism. Its multilateral operating functions are confined to the technical cooperation field. However, the lack of any written constitution for the Plan would make it possible to build any desired organizational structure on the present base.

Possible Structure of a Regional Organization

The Executive Branch has not yet arrived at basic decisions in respect to the desirability of a more formal economic grouping of free Asian countries than now exists under the Colombo Plan framework, nor on the degree of supervision, if any, that such an organization might exercise in respect to U.S. aid funds. These problems are now under consideration in the National Security Council. Nor have Asian countries been consulted as to what initiative might come from them respecting such an organization. Therefore, other agencies have not been requested to concur in this section of the presentation. However, a working group of State Department and FOA technicians have considered two alternative approaches. These are:

- (1) To provide substantial support to a multilateral financial institution, essentially an investment bank with complementary technical assistance functions, or
- (2) To undertake a bilateral loan program, a variant of which would be to have the initial U.S. loans repaid to a multilateral institution.

If the first alternative were followed, a Council of Ministers, following in general the OEEC pattern (except that its committee and sub-committee structure would conform to the problems of the area) might be set up with overall responsibilities for the operation of the program and related matters. The Council would consider such matters of mutual interest as the interrelationship between their economic development plans, regional trade problems, and the exchange of technical aid and information. The Council would not undertake **detailed review** of annual bilateral aid programs (U.S. or Colombo Plan), but would review longer range economic development programs, the progress being made in these programs, and the general fiscal and economic situation of the member countries which would, of course, have a vital bearing on the activities of the financial institution.

The latter would be essentially an investing and lending institution, although it would be prepared to finance on a grant basis the demonstration and testing activities, and the engineering and other analytical studies incident to the development and presentation of projects for financing by the institution or other sources. In practice the institution, unlike IBRD or the EXIM BANK, would be prepared to finance on a flexible basis either the foreign exchange or both the foreign exchange and local currency costs of private and governmental projects. Its loan resources would be obtained by the sale of its debentures or preferred shares to the governments of the U.S. and, we would hope, the UK, Australia, Canada, Japan, and the "recipient" countries. Widest possible distribution of the debt obligations of the institution would eventually be sought.

The financial institution would act under the very general direction of the Council. Its own internal organization would not be unlike that of the IBRD. The right of the management to be largely autonomous in its operations would have to be agreed to in advance by the participating countries. Only a strong,

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Regional Narrative Statement (continued)

effective management operating in accordance with sound economic and political policies could ensure the institution's success. The example of the IERD suggests that it should not be impossible to secure such management.

Considerable flexibility would be desirable in respect to the terms of contributions received and financial advances made by the financial institution. The general principle might be that the United States would not expect to be repaid the principal amount of its contribution at any fixed time, unless the financial situation of the institution was such as to enable it to dispense with a part of the U.S. contribution, but that the terms of its advances should be such as to secure the maximum prospect of maintaining the integrity of its resources consistent with the attainment of its objective - to finance all sound and needed development projects in the area for which other types of financing cannot be secured.

The Charter should be sufficiently flexible to permit investments in public or private equities and other securities as well as loans to governments or private borrowers. The necessary "softness" should, whenever possible, be injected into loan agreements by the length of time allowed for repayment and liberal moratoria before foreign exchange payments are due, rather than by providing that complete repayment may be made in the currency of the borrower (except, of course, when the entire loan was made in such a currency). The latter would tend to convert the loan to a grant, for practical purposes, and might not be acceptable to the more responsible member countries. However, emphasis should be on "useable" (for re-lending), rather than fully "convertible", currencies in specifying repayment requirements, and the extent to which such repayment is required in specified currencies would, in any case, depend on the servicing capacity of the borrower.

The Charter should make explicit the institution's role as distinct from that of the IMF, the IBRD, or other loan agencies. It should not, for example, finance projects which are sufficiently bankable to assure repayment in convertible currencies within 15 to 20 years. However, it should not be debarred from making loans in support of other types of projects - in countries which are "fully loaned up" from the standpoint of other lending institutions or are not sufficiently viable to permit the entry of such institutions.

The multilateral approach in alternative (1) appears to offer several advantages as a method of implementing a new program to realize U.S. objectives in the area. It would provide a means for obtaining contributions of external resources by other nations. Among countries of the region it would foster a greater cohesion and a better sense of responsibility by virtue of their participation in discussions respecting the use of external assistance. It might gain a more enthusiastic reception and, by providing for Japanese participation, foster an improvement in Japan's relations with other Asian countries. Because it would be in sharp contrast with the present method of administering U.S. assistance, it is hoped that it would produce a dramatic impact on the minds of Asians. This political aspect of the multilateral approach is one of its greatest attributes. Assistance provided through this mechanism would supplement technical cooperation and military assistance (including in part defense support) programs which would continue, as needed, on a bilateral basis.

The advantages which might be claimed for alternative (2) are that it would be preferred by Congress (since it would not involve any degree of multilateral control of U.S. funds), and that it would fit the pattern of bilateral aid being furnished under the Colombo Plan. Also, different types of U.S. assistance (economic development, technical cooperation, military assistance

Regional Narrative Statement (continued)

and defense support) might be more readily integrated if all given on a bilateral basis. The Consultative Committee of the Colombo Plan might be adequate to provide a forum for discussion of any regional questions arising with such a program, making the establishment of a new Council unnecessary.

The consultations held with Congress during the last session on the establishment of an Asian economic grouping on a broad basis elicited a positive response and evidenced a receptive attitude toward consideration of further plans to that end.

U.S. Contribution in FY 1956

The amount as well as the form of the U.S. contribution to Asian economic development in FY 1956 will depend on the choice between the alternatives referred to in the preceding section, and possibly other proposals. If the bilateral approach (alternative (2)) were to be selected,

no problem of initial capitalization of a lending institution would arise. There are included in the country submissions for South Asia and Far Eastern countries a substantial number of projects suitable for financing on a loan basis, assuming liberal terms of repayment for such loans similar to those contained in the Mutual Security Act of 1954. The aggregate requirements for such projects are \$193 million.^{1/}

If a regional lending institution were established, these projects could be financed through such an institution. This sum, however, would not be adequate to capitalize a new regional financial organization or to elicit the desired financial support from other countries outside the area or achieve U.S. political objectives in the "recipient" countries. Therefore, an additional amount for this purpose has been included in the proposed contingencies fund which a current appraisal of the situation in the region indicates will be required for non-military assistance in FY 1956. This amount, added to contributions of other countries under the Colombo Plan, would mean about a 50 percent increase in external aid for development purposes for the area. Such a level of aid, if combined with greatly increased efforts by these countries, might produce a rate of increase of their national incomes of about 1 percent per year.

^{1/} This sum is broken down as follows in millions of dollars:
India - 85; Pakistan - 40; Philippines - 25; Indonesia - 43.

FAR EAST AND PACIFIC REGION

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PROPOSED FY 1956 PROGRAMS

BURMA

OFFICE OF FAR EASTERN OPERATIONS

FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND THE PACIFIC

General Narrative Statement

No assistance is presently proposed for Burma in FY 1956. The Governments of the United States and Burma had entered into a technical cooperation agreement in 1951 and had started a group of projects of considerable importance to Burma's economic growth. Internal political developments led the Burmese Government to ask for the termination of the projects, effective June 30, 1953. The Burmese asked, however, that deliveries be completed under outstanding obligations.

The United States agreed to the termination request but withdrew approximately \$12 million of the total of \$31 million previously allocated. The "close-out" agreement negotiated with the Burmese Government provided for the cancellation of projects that were in initial stages of implementation and for the phase-out of the remainder in such a manner as to avoid waste and facilitate the transfer to Burma of full responsibility for support of the activities involved. It was agreed that U.S. technicians in Burma should complete their assignments.

Burma has continued to finance with its own funds some of the projects undertaken during the period of U.S. assistance and is providing funds for the extension of several contracts for U.S. technical and engineering services initially financed by FOA.

Two Burmese purchasing missions have recently visited the U.S. to buy equipment for their economic development program which was formulated with the help and advice of FOA. The program close-out has been conducted in a friendly atmosphere and is virtually complete.

A balance of about \$1 million of the program remains to be delivered, mostly in the form of terminal payments on several large technical service contracts. Of the 114 personnel in Burma on March 17, 1953, when the termination request was received, six will remain on December 31, 1954, and only one after March 1955 (as a result of a long-term contract committed at the time of the close-out request).

There is no indication at present that Burma will request a renewal of the bilateral agreement. However, there appears to be a possibility that a loan program for economic development might be requested. It is believed that Burma would be interested in participating in any new regional economic organization which does not commit the country militarily.

FAR EAST AND PACIFIC REGION

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PROPOSED FY 1956 PROGRAMS

CHINA (FORMOSA)

OFFICE OF FAR EASTERN OPERATIONS

FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND PACIFIC

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PROPOSED FY 1956 BUDGET

Country China (Formosa)
Date November 1, 1954

SUMMARY OF OBLIGATIONS BY FUNCTION

(In thousands of dollars)

	<u>FY 1954</u> <u>Actual</u>	<u>FY 1955</u> <u>Estimated</u>	<u>FY 1956</u> <u>Estimated</u>
Direct Forces Support	29,077	25,000 a/	37,000
Defense Support	82,553 b/ c/	61,600 d/	61,885
Technical Cooperation	-	3,100 c/	2,850 c/
Total Obligations	<u>111,630 c/</u>	<u>89,700 c/</u>	<u>101,735 c/</u>

Direct Forces to be financed by:

(a) Grants 29,077 25,000 37,000

Defense Support to be financed by:

(a) Loans - 20,000 -
(b) Grants 82,553 41,600 61,885

Technical Cooperation financed by:

(a) Grants - 3,100 2,850

Total 111,630 89,700 101,735

- a/ Includes \$10 million of Section 121 funds and \$5.9 million for Section 402 agricultural commodities.
b/ Authorized and conducted in FY 1954 as an integrated program including features of Technical Cooperation and Defense Support.
Includes \$5 million Section 550 commodities the local proceeds of which are programmed for Direct Forces and Defense Support.
Excludes \$5 million Section 550 commodities the local proceeds of which are programmed for OSP.
c/ Excludes regional and interregional costs (including domestic program expenses) of \$0.191 million in FY 1954, \$0.3 million in FY 1955 and \$0.265 million in FY 1956.
d/ Includes \$34.5 million for Section 402 agricultural commodities.

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FAR EAST AND THE PACIFIC

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Country: CHINA (FORMOSA)

General Narrative Statement

U. S. Objectives and FCA Courses of Action

U. S. objectives being sought in Formosa are to deny the island to the Chinese Communists; to maintain the Government of the Republic of China as stable, responsible and friendly to the U.S.; to increase the effectiveness of Free China's armed forces and to use its political and military potential in the best interests of the Chinese people, the United States and the Free World.

Courses of action in the economic program under the FCA, furthering the above objectives, are as follows: Supporting the Chinese military effort through dollar imports and counterpart financing of defense projects under MAAG supervision; maintaining price stability and hence assuring orderly internal marketing and distribution; enhancing Free China's prestige through improved public administration, economic planning, education and living standards; and increasing Formosa's capacity for self-support through capital goods imports and the investment of counterpart for economic development.

Major Changes in Formosa Situation since January 1, 1954

Major recent developments have been both favorable and unfavorable from the standpoint of the economy of Formosa. Among the favorable developments is the upward trend in Government revenues, 36 percent more in FY 1954 than in FY 1953, and 17 percent above FY 1954 in FY 1955. Liberalized treatment of foreign capital has now been assured by new legislation (in July 1954) and tax incentives to spur industrial production are expected soon to be adopted.

Improved economic planning has furnished useful guides for future development in agriculture and industry. The Central and Provincial budgets have been consolidated and heretofore hidden subsidies to the military have been identified through improved fiscal procedures. On the other hand, foreign exchange earnings have declined, due chiefly to international quota limitations on sugar exports and reduced rice exports resulting from declining world prices, increasing local consumption, and Chinese Government reluctance to export rice. Recent increases in agricultural and industrial production have not kept pace with population growth. Because the rehabilitation of idle capacity has been largely completed, industrial investment has gone increasingly into new plants since the beginning of FY 1954, with consequently smaller production increases per dollar invested.

Unfavorable developments from the economic standpoint have stemmed partly from the greater accent on defense in recent months. From June 1950 till the late summer of 1954, fears of an invasion of Formosa were negligible, owing to the Presidential order to the 7th Fleet to defend the island and to Communist pre-occupation in Korea and Indochina. While the threat of an actual Communist invasion of Formosa remains remote, despite a massive Peiping campaign promising "liberation", the security of a number of Nationalist-held islands just off the mainland coast became a sensitive issue with the Communist shelling of the Quemoy on September 2 of this year. The flare-up around the Quemoy, and more recently (November 1) a heated exchange in the Tachens, involving the first Communist use of planes in bombing and strafing any of the offshore islands, indicated to the Chinese on both sides that "limited" war is still being actively waged. After the Quemoy attack in September, a sudden upward fluctuation in the black market price of U.S. dollars and a brief spurt in

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FAR EAST AND THE PACIFICCountry: CHINA (FORMOSA)General Narrative Statement (continued)

commodity hoarding indicated that the relative economic stability enjoyed since 1952 still was vulnerable to psychological disturbances.

During the spring and summer of 1954 it became increasingly apparent that further steps were required to improve the combat effectiveness of military personnel, particularly in the ground forces. Intensified nutrition studies and training activities under MAAG supervision in 1954 revealed that many troops (some estimates ranging over 100,000 men) should be classed as combat ineffectives. The Chinese in recognition of this problem had already initiated a reserve training program with U.S. encouragement, whereby approximately 60,000 fresh troops were to be readied for action each year. However, the problem of weeding out the ineffectives and substituting fresh reserves remains to be solved. Implicit in the solution of this problem is the cost of assimilating the ineffectives into the economy and the further costs of equipping and training new recruits at an accelerated rate.

On balance, developments thus far during 1954 have exerted an adverse effect on Formosa's economy. The outlook for the near future is, therefore, that Formosa's reliance on U.S. assistance will increase.

Need for Supplemental FY 1955 Funds

In view of the need for accelerating military preparedness in Formosa, the Senate Appropriations Committee on August 6, 1954 suggested to FOA that additional aid of \$100 million be "definitely committed" during the current fiscal year. In keeping with this expression of intent, funds for

this purpose were earmarked by agreement on October 11 between FOA, State and Defense. The suggestion of the Senate Committee was that \$52 of the \$100 million be furnished in the form of added military assistance ("hardware"), the balance of \$48 million to be used for direct forces support (\$18 million) and defense support (\$30 million).

Although final decision has not yet been made, it is expected that the supplemental program will be directed toward objectives such as the following: (a) to retire combat ineffectives from the Chinese armed forces and employ them in road and airfield construction, harbor improvement and other defense projects; (b) to furnish equipment (exclusive of "hardware") and necessary additional training facilities for recruits in order to bring existing units up to approved strength within the authorized force goals; (c) to moderately accelerate current FOA efforts to increase Formosa's capacity for self-support in fields related to defense production, and (d) to complete facilities needed to cope with the influx of overseas Chinese students.

The FY 1955 supplemental funds are not a substitute for funds presently being requested for FY 1956. The extraordinary expense - not faced in prior years - of retiring ineffectives and training recruits (still within established force goals) may well require more than the total FY 1955 supplement.

Progress in Program Implementation

Satisfactory progress is being made in implementing past and current programs. With FY 1951-53 obligations largely liquidated, three-fourths of the pipeline on June 30, 1954 consisted of FY 1954 items.

FAR EAST AND THE PACIFIC

~~CONFIDENTIAL~~
Country: CHINA (FORMOSA)

General Narrative Statement (continued)

The June 30, 1954 pipeline is normal for the Formosa program because: (1) Beginning with the FY 1954 program, about one-third of the pipeline has been composed of long-lead capital goods. (2) The FOA program is predominantly a supply program designed to meet the island's consumption needs. In order to assure the timely arrival of FOA supplies, obligations must be scheduled in the latter half of the fiscal year in order to avoid shutdowns of important consumer goods industries during the first half of the following fiscal year.

As of June 30, 1954 total cumulative obligations for supplies and equipment were \$390.0 million, against which imports valued at \$273.1 million had actually arrived in Formosa since January 1, 1951. The difference between obligations and arrivals, \$116.9 million, was accounted for primarily by FY 1954 obligations plus previous years' obligations for long-lead capital goods.

As of October 31, allotments against the \$90.0 million program in FY 1955 totaled \$30.7 million, of which \$16.6 million was obligated and most of the balance was in process of obligation by either the Mission or FOA/W.

Magnitude of the Proposed FY 1956 Program

The program in FY 1956 is similar in emphasis and purposes to the programs of prior fiscal years. The total aid figure for FY 1956 is \$102.0 million, as compared with \$90.0 million in FY 1955 (exclusive of supplemental funds) and \$111.8 million in FY 1954 (see Summary Table).

The increase in FY 1956 over the previous year is accounted for by anticipated greater expenditures for military purposes, within currently authorized force levels. It is expected that up to one-third of this increase, estimated at the equivalent of \$16.0 to \$20.0 million, can be met from increased Chinese Government revenues. The balance will be met primarily by increasing Direct Forces Support funds by \$12.0 million and in part by diverting an additional portion of counterpart funds to military uses.

Some change in procedure is planned for this part of the program, namely, a shift from local procurement to the direct import of items needed by the military. To meet the total increased military demands by primary reliance on local procurement as heretofore would mean a delay in the implementation of military projects and might also mean the importation of saleables at a higher level than the economy can readily absorb (unless criteria of essentiality are relaxed to include semi-luxuries).

The increase of \$12.0 million in dollar funds for Direct Forces Support will bring the FY 1956 funding for this program component to a total figure of \$37.0 million as compared with \$25.0 million in FY 1955. The funds will be used to meet additional military needs for imports such as aviation gasoline, lubricating oils, motor vehicles, raw cotton, and construction materials.

In planning the FY 1956 aid program for Formosa, the major portion of all resources has necessarily been devoted to military support and to saleable commodities. A smaller portion has been devoted to the investment component of the program, but the dollar magnitude is about the same as in the program presently

General Narrative Statement (continued)

FAR EAST AND THE PACIFIC

Country: CHINA (FORMOSA)

approved for FY 1955. The breakdown between these two components is as follows:

A. <u>Military Support and Saleable Commodities</u>	(Saleable Commodities for Counterpart Generation plus "Common-use" Items.)	\$78.7 million
B. <u>Investment</u>	(Capital Equipment and Technical Assistance)	<u>\$23.3 million</u>
	TOTAL	\$102.0 million

Of the amount under "A" in the above table, approximately \$24.0 million is for saleable commodities expected to generate counterpart during FY 1956. This amount, together with an estimated \$54.5 million of counterpart collections during FY 1956 against prior fiscal years' aid, and about \$9.5 million of repayments of counterpart loans made in prior years, will be required to provide the \$88.0 million of counterpart funds needed in FY 1956 for all purposes, principally for military support and some for investment.

Loan Possibilities in FY 1956

All assistance in FY 1956 is being proposed on a grant basis, notwithstanding the FOA decision in FY 1955 to extend loans to Formosa to the extent of \$20.0 million. The \$20.0 million loan assistance program in FY 1955 was found necessary in order to help meet the mandatory legislative total for the year and at the same time avoid the undesirable political consequences of making up this amount in loans to certain other countries.

Loans to Formosa are hard to justify on a strictly economic basis. In view of the Chinese Government's international indebtedness of \$800.0 million equivalent, Formosa's capacity to service loans in dollars is negligible. Loan servicing capacity in local currency is limited as long as the current military burden exists. This is evident in the fact that direct counterpart support of the budget consumed the equivalent of \$13.2 million in FY 1954 with a similar amount expected in FY 1955. In FY 1956 budget support equal to \$28.9 million is anticipated.

Agricultural Commodities in Program

A total of \$40.4 million of Section 402 commodities is included in the FY 1955 program, and \$41.6 million of similar items is contemplated for FY 1956. In addition, Formosa is expected to absorb about \$5.3 million of P.L. 480 commodities in FY 1955, as compared with a figure of \$20.0 million originally requested by the FOA Mission. The difference between the Mission's request and the currently approved level of P.L. 480 assistance is attributable in part to the sudden arrival in the summer of 1954 of wheat and barley under last year's "Section 550" program and the slowness thus far demonstrated in shifting from a predominantly rice diet to a modified diet containing a higher proportion of U.S. agricultural surpluses. By FY 1956, however, it is estimated that Formosa may be able to absorb \$15.0 million of U.S. surplus commodities due to the steadily increasing utilization of wheat and barley.

Forecast of Trend of Aid Levels

Any forecast of the trend of aid levels over the next few years must be based primarily upon the U.S. Government's evaluation of the importance of Formosa's military potential to the Free World. As long as armed forces of approximately present magnitudes

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FAR EAST AND THE PACIFIC

Country: CHINA (FORMOSA)

General Narrative Statement (continued)

are maintained, there appears to be little likelihood of an appreciable reduction in aid over the next several years. This forecast assumes that, as in past years, the Chinese Government will make its maximum possible contribution, which will continue to rise although at a slower rate in FYs 1956 and 1957.

The above conclusion seems to be warranted by the trend indicated in the following table showing the percentage of total aid resources being used by the military:

	<u>Fiscal Years</u>				
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Percentage of Direct Forces Support to total aid	16.3	28.5	25.9	27.8	36.3
Percentage of military support counterpart to total counterpart	45.7	44.9	47.6	46.6	49.7

Despite the predominant emphasis given to military needs in the FOA program since 1951, as of June 30, 1954 non-military capital investment comprised almost 20 percent of the total FOA program. This capital investment through U.S. aid, plus private foreign investment, offers promise of reducing aid levels in FY 1958 below the levels of FY 1956, assuming no major intensification of hostilities.

An example of the benefits in terms of foreign exchange savings, expected by 1958, is seen in the fertilizer industry which by then will be more nearly capable of meeting Formosa's total fertilizer needs, with a consequent reduction of about \$20.0 million in import requirements during 1958 as compared with 1954. As of June 30, 1954, the value of FOA-supplied capital goods, other than MCS, which had actually arrived in Formosa was \$23.5 million. As against this figure, \$39.1 million has been obligated but had not yet arrived and a further \$18.4 million is currently being obligated in FY 1955. Thus the principal impact of the investment program is still to be felt.

CO

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~
 Country China (Formosa)
 Table 1 Page 1
 Date November 1, 1954

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
1.	<u>Agriculture and Natural Resources</u>						
	1954	1,677	-	890	195	232	360
	1955	1,147	-	654	153	228	112
	1956	1,598	-	1,193	165	240	-
2.	<u>Industry and Mining</u>						
	1954	26,569	-	26,194	196	57	122
	1955	17,952	-	17,189	152	87	524
	1956	18,885	-	18,564	185	91	45
3.	<u>Transportation</u>						
	1954	1,838	-	1,780	36	22	-
	1955	1,318	-	1,260	50	8	-
	1956	375	-	250	52	15	58
4.	<u>Labor</u>						
	1954	19	-	-	5	14	-
	1955	18	-	-	10	8	-
	1956	15	-	-	-	15	-
5.	<u>Health and Sanitation</u>						
	1954	615	-	417	118	80	-
	1955	607	-	500	-	107	-
	1956	165	-	17	65	83	-
6.	<u>Education</u>						
	1954	720	-	309	65	39	307
	1955	742	-	576	110	56	-
	1956	705	-	540	105	60	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country China (Formosa)
Table 1 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>7. Public Administration</u>							
	1954	423	-	-	117	190	116
	1955	323	-	-	87	236	-
	1956	390	-	-	127	255	8
<u>8. Community Development, Social Welfare & Housing</u>							
	1954	-	-	-	-	-	-
	1955	40	-	-	10	30	-
	1956	10	-	-	10	-	-
<u>9. General and Miscellaneous</u>							
	1954	870	-	25	15	50	780
	1955	677	-	20	36	71	550
	1956	895	-	232	23	90	550
	<u>Total - 9 Activities</u>						
	1954	32,731	-	29,615	747	684	1,685
	1955	22,824	-	20,199	608	831	1,186
	1956	23,038	-	20,796	732	849	661
<u>Direct Forces Support (Common Use)</u>							
	1954	29,077	23,199	5,796	-	9	73
	1955	25,000a/	18,498	6,197	132	8	165
	1956	37,000	29,900	6,819	105	-	176

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country China (Formosa)
Table 1 Page 3
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>Maintenance of Civilian Supply</u> (Non-project Counterpart Generating Program)							
	1954	49,822 ^{b/}	49,822	-	-	-	-
	1955	41,876	41,876	-	-	-	-
	1956	41,697	41,697	-	-	-	-
<u>Total Country Program</u>							
	1954	111,630 ^{c/}	73,021	35,411	747	693	1,758
	1955	89,700 ^{c/}	60,374	26,396	740	839	1,351
	1956	101,735 ^{c/}	71,597	27,615	837	849	837

a/ Includes \$5.9 million Section 402 MS Act of 1954 Agricultural Commodities.

b/ Includes \$5 million Section 550 Commodities the local proceeds of which are to be used for Direct Forces and Defense Support. Excludes \$5 million Section 550 Commodities the local proceeds of which are to be used for OSP.

c/ Excludes regional and interregional costs (including domestic program expenses) of \$0.191 million in FY 1954, \$0.3 million in FY 1955 and \$0.265 million in FY 1956.

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DIRECT FORCES SUPPORT

Country China (Formosa)
Table 2
Date November 1, 1954

(In thousands of dollars)

<u>Fiscal Year</u>	<u>Total</u>	<u>Non-Project Assistance Commodities</u>	<u>Project Assistance</u>			<u>Contract Service Technicians</u>
			<u>Commodities</u>	<u>Participants</u>	<u>U. S. Employed Technicians</u>	
<u>Direct Forces Support</u>						
1954	29,077	23,199	5,796	-	9	73
1955	25,000	18,498	6,197	132	8	165
1956	37,000	29,900	6,819	105	-	176

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT a/

Country China (Formosa)
Table 3 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
1.	<u>Agriculture and Natural Resources</u>						
	1954	1,677	-	890	195	232	360
	1955	325	-	325	-	-	-
	1956	888	-	888	-	-	-
2.	<u>Industry and Mining</u>						
	1954	26,569	-	26,194	196	57	122
	1955	17,874	-	17,189	74	87	524
	1956	18,810	-	18,564	110	91	45
3.	<u>Transportation</u>						
	1954	1,838	-	1,780	36	22	-
	1955	1,280	-	1,260	12	8	-
	1956	345	-	250	22	15	58
4.	<u>Labor</u>						
	1954	19	-	-	5	14	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
5.	<u>Health and Sanitation</u>						
	1954	615	-	417	118	80	-
	1955	100	-	100	-	-	-
	1956	-	-	-	-	-	-
6.	<u>Education</u>						
	1954	720	-	309	65	39	307
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT

Country China (Formosa)
 Table 3 Page 2
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
7.	<u>Public Administration</u>						
	1954	423	-	-	117	190	116
	1955	120	-	-	-	120	-
	1956	135	-	-	-	135	-
8.	<u>Community Development, Social Welfare & Housing</u>						
	1954	-	-	-	-	-	-
	1955	25	-	-	10	15	-
	1956	10	-	-	10	-	-
9.	<u>General and Miscellaneous</u>						
	1954	870	-	25	15	50	780
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
	<u>Total - 9 Activities</u>						
	1954 <u>a/</u>	32,731	-	29,615	747	684	1,685
	1955	19,724	-	18,874	96	230	524
	1956	20,188	-	19,702	142	241	103
	<u>Maintenance of Civilian Supply</u> (Non-project Counterpart-Generating Program)						
	1954 <u>b/</u>	49,822	49,822	-	-	-	-
	1955 <u>c/</u>	41,876	41,876	-	-	-	-
	1956 <u>d/</u>	41,697	41,697	-	-	-	-
	<u>Total Country Program</u>						
	1954	82,553	49,822	29,615	747	684	1,685
	1955	61,600	41,876	18,874	96	230	524
	1956	61,885	41,697	19,702	142	241	103

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT

~~CONFIDENTIAL~~

Country China (Formosa)
Table 3 Page 3
Date November 1, 1954

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- a/ Authorized and conducted in FY 1954 as an integrated program including features of technical cooperation and defense support.
- b/ Includes \$5 million Section 550 commodities local proceeds of which are for direct forces and defense support purposes.
Excludes \$5 million Section 550 commodities, proceeds of which are for OSP.
- c/ Includes \$34.5 million Section 402 commodities.
- d/ Includes \$31.110 million agricultural commodities.

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country China (Formosa)
 Table 5 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance		
			Commodities	Participants	U. S. Employed Technicians
1.	<u>Agriculture and Natural Resources</u>				
	1954	-	-	-	-
	1955	822	329	153	228
	1956	710	305	165	240
2.	<u>Industry and Mining</u>				
	1954	-	-	-	-
	1955	78	-	78	-
	1956	75	-	75	-
3.	<u>Transportation</u>				
	1954	-	-	-	-
	1955	38	-	38	-
	1956	30	-	30	-
4.	<u>Labor</u>				
	1954	-	-	-	-
	1955	18	-	10	8
	1956	15	-	-	15
5.	<u>Health and Sanitation</u>				
	1954	-	-	-	-
	1955	507	400	-	107
	1956	165	17	65	83

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country China (Formosa)
Table 5 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance			
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
6.	<u>Education</u>					
	1954	-	-	-	-	-
	1955	742	576	110	56	-
	1956	705	540	105	60	-
7.	<u>Public Administration</u>					
	1954	-	-	-	-	-
	1955	203	-	87	116	-
	1956	255	-	127	120	8
8.	<u>Community Development, Social Welfare & Housing</u>					
	1954	-	-	-	-	-
	1955	15	-	-	15	-
	1956	-	-	-	-	-
9.	<u>General and Miscellaneous</u>					
	1954	-	-	-	-	-
	1955	677	20	36	71	550
	1956	895	232	23	90	550
	<u>Total - 9 Activities</u>					
	1954 <u>a/ b/</u>	-	-	-	-	-
	1955 <u>b/</u>	3,100	1,325	512	601	662
	1956 <u>b/</u>	2,850	1,094	590	608	558

a/ Technical cooperation in FY 1954 authorized and conducted as part of an integrated program with defense support.

b/ Excludes regional and interregional costs (including domestic program expenses) of \$0.191 million in FY 1954, \$0.3 million in FY 1955 and \$0.265 million in FY 1956.

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FAR EAST AND PACIFIC

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NON-PROJECT ASSISTANCE: COMMODITY BREAKDOWN OF OBLIGATIONS - ALL FUNCTIONS

Country China (Formosa)
Table 6 Page 1
Date November 1, 1954

(In thousands of dollars)

Commodity Detail	FY 1955 Estimated					FY 1956 Estimated			
	FY 1954 Actual	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total
<u>Agricultural Commodities</u>	<u>49,237</u>	<u>5,900</u>	<u>34,500</u>	<u>-</u>	<u>40,400</u>	<u>9,670</u>	<u>31,907</u>	<u>-</u>	<u>41,577</u>
Sec. 550 a/	5,000	-	-	-	-	-	-	-	-
Wheat	5,000	-	-	-	-	-	-	-	-
Sec. 402	-	5,900	34,500	-	40,400	-	-	-	-
Raw Cotton	-	1,600	13,500	-	15,100	-	-	-	-
Dairy Products (Milk)	-	-	2,000	-	2,000	-	-	-	-
Soy Beans	-	1,800	10,000	-	11,800	-	-	-	-
Beef Tallow	-	-	2,000	-	2,000	-	-	-	-
Wheat	-	2,500	7,000	-	9,500	-	-	-	-
Other than Sec. 402 and 550	<u>44,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,670</u>	<u>31,907</u>	<u>-</u>	<u>41,577</u>
Raw Cotton	22,039	-	-	-	-	2,640	12,212	-	14,852
Dairy Products (Milk)	1,215	-	-	-	-	-	1,000	-	1,000
Soy Beans	12,764	-	-	-	-	1,870	11,700	-	13,570
Beef Tallow	1,015	-	-	-	-	-	1,815	-	1,815
Wheat	7,204	-	-	-	-	5,160	5,180	-	10,340
<u>Petroleum Products</u>	<u>4,772</u>	<u>5,077</u>	<u>800</u>	<u>-</u>	<u>5,877</u>	<u>6,745</u>	<u>800</u>	<u>-</u>	<u>7,545</u>
Avigas	2,400	3,907	-	-	3,907	4,745	-	-	4,745
Lubricants	2,372	1,148	800	-	1,948	2,000	800	-	2,800
Asphalt	-	22	-	-	22	-	-	-	-
<u>Raw Materials & Semi-Finished Products</u>	<u>13,158</u>	<u>4,087</u>	<u>4,106</u>	<u>-</u>	<u>8,193</u>	<u>5,180</u>	<u>4,790</u>	<u>-</u>	<u>9,970</u>
Chemicals & Chem. Preparations	2,550	450	1,450	-	1,900	970	1,340	-	2,310
Medicinal & Phar. Preparations	1,539	2,480	250	-	2,730	2,000	-	-	2,000
Pesticides	-	-	286	-	286	30	100	-	130
Leather	400	-	-	-	-	-	450	-	450

FAR EAST AND PACIFIC

NON-PROJECT ASSISTANCE: COMMODITY BREAKDOWN OF OBLIGATIONS - ALL FUNCTIONS

~~CONFIDENTIAL~~
Country China (Formosa)
Table 6 Page 2
Date November 1, 1954

(In thousands of dollars)

Commodity Detail	FY 1954 Actual	FY 1955 Estimated				FY 1956 Estimated			
		Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total
Lumber & Sawmill Products	2,212	-	600	-	600	50	650	-	700
Pulp, Paper & Products	1,742	85	-	-	85	310	450	-	760
Non-Metallic Minerals	411	34	-	-	34	320	-	-	320
Iron & Steel Mill Materials	1,417	325	1,120	-	1,445	890	1,400	-	2,290
Nonferrous Metals & Products	2,697	713	-	-	713	610	-	-	610
Tin Plate	190	-	400	-	400	-	400	-	400
Machinery & Vehicles	3,920	1,638	1,979	-	3,617	3,960	3,450	-	7,410
Electrical Apparatus, Generators & Motors	803	137	395	-	532	550	400	-	950
Construction, Mining & Conveying Equip.	35	59	275	-	334	300	150	-	450
Machine Tools & Metal Working Machinery	604	310	240	-	550	800	400	-	1,200
Agricultural Equipment and Tractors	-	-	14	-	14	-	-	-	-
Motor Vehicles, Engines & Parts	1,430	950	750	-	1,700	1,600	1,600	-	3,200
Industrial Machinery N.E.C.	1,048	120	305	-	425	625	800	-	1,425
Other	-	62	-	-	62	85	100	-	185
Miscellaneous	1,934	1,796	491	-	2,287	4,345	750	-	5,095
Scientific & Professional Instruments	351	208	-	-	208	930	100	-	1,030
Misc. Commodities for Ed. & Science Use	182	79	80	-	159	400	50	-	450
Rubber Products	1,155	429	350	-	779	640	400	-	1,040
Misc. Iron & Steel Manufactures	111	143	5	-	148	350	200	-	550
Textile Products	135	743	56	-	799	1,620	-	-	1,620
Other	-	194	-	-	194	405	-	-	405
TOTAL	73,021	18,498	41,876	-	60,374	29,900	41,697	-	71,597

a/ Includes \$5 million wheat, local proceeds from which are for Direct Forces & Defense Support purposes. Does not include \$5 million (\$2 million barley, \$0.1 tobacco, \$2.9 wheat) local proceeds from which are for OSP.

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PIPELINE ANALYSIS BY COST FACTORS - ALL FUNCTIONS

Country China (Formosa)
Table 7
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total <u>a/</u>	Non-Project Assistance Commodities		Project Assistance			
		Capital Goods	Soft Goods	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>1954</u>							
Unliquidated obligations	79.4	2.0	48.1	27.6	0.7	0.2	0.8
New obligations <u>b/</u>	111.6	3.2	69.8	35.4	0.8	0.7	1.7
Total available	191.0	5.2	117.9	63.0	1.5	0.9	2.5
Expenditures	78.4	2.0	57.3	16.8	0.8	0.7	0.8
Unliquidated obligations	112.6	3.2	60.6	46.2	0.7	0.2	1.7
<u>1955</u>							
Unliquidated obligations	112.6	3.2	60.6	46.2	0.7	0.2	1.7
New obligations	89.7	3.1	57.3	26.4	0.7	0.8	1.4
Total available	202.3	6.3	117.9	72.6	1.4	1.0	3.1
Expenditures	96.3	3.2	62.0	26.5	1.0	0.9	2.7
Unliquidated obligations	106.0	3.1	55.9	46.1	0.4	0.1	0.4
<u>1956</u>							
Unliquidated obligations	106.0	3.1	55.9	46.1	0.4	0.1	0.4
New obligations	101.7	7.0	63.9	28.4	0.8	0.8	0.8
Total available	207.7	10.1	119.8	74.5	1.2	0.9	1.2
Expenditures	107.8	4.9	69.0	31.3	0.9	0.7	1.0
Unliquidated obligations	99.9	5.2	50.8	43.2	0.3	0.2	0.2

a/ New obligation amounts exclude regional and interregional costs FY 1954: \$0.191 million; FY 1955: \$0.300 million; FY 1956: \$0.265 million.

b/ Excludes \$5.0 million Section 550 for OSP.

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DIRECT FORCES SUPPORT

~~CONFIDENTIAL~~
 Country China (Formosa)
 Table 8
 Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance			
		Commodities	Commodities	Participants	U. S. Employed Technicians	Contract Service Technicians	
		Capital Goods	Soft Goods				
<u>1954</u>							
Unliquidated obligations	22.5	0.6	13.3	8.6	-	-	-
New obligations	29.1	0.9	22.3	5.8	-	-	0.1
Total available	51.6	1.5	35.6	14.4	-	-	0.1
Expenditures	20.1	0.7	12.1	7.3	-	-	-
Unliquidated obligations	31.5	0.8	23.5	7.1	-	-	0.1
<u>1955</u>							
Unliquidated obligations	31.5	0.8	23.5	7.1	-	-	0.1
New obligations	25.0	1.1	17.4	6.2	0.1	-	0.2
Total available	56.5	1.9	40.9	13.3	0.1	-	0.3
Expenditures	24.9	0.7	18.0	6.0	-	-	0.2
Unliquidated obligations	31.6	1.2	22.9	7.3	0.1	-	0.1
<u>1956</u>							
Unliquidated obligations	31.6	1.2	22.9	7.3	0.1	-	0.1
New obligations	37.0	3.2	26.7	6.8	0.1	-	0.2
Total available	68.6	4.4	49.6	14.1	0.2	-	0.3
Expenditures	31.1	1.6	24.0	5.0	0.2	-	0.3
Unliquidated obligations	37.5	2.8	25.6	9.1	-	-	-

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT

~~CONFIDENTIAL~~

Country China (Formosa)
Table 9
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance			
		Commodities	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
		Capital Goods	Soft Goods				
<u>1954</u>							
Unliquidated obligations	56.9	1.4	34.8	19.0	0.7	0.2	0.8
New obligations	82.5 ^{a/}	2.3	47.5	29.6	0.8	0.7	1.6
Total available	139.4	3.7	82.3	48.6	1.5	0.9	2.4
Expenditures	58.3	1.3	45.2	9.5	0.8	0.7	0.8
Unliquidated obligations	81.1	2.4	37.1	39.1	0.7	0.2	1.6
<u>1955</u>							
Unliquidated obligations	81.1	2.4	37.1	39.1	0.7	0.2	1.6
New obligations	61.6	2.0	39.9	18.9	0.1	0.2	0.5
Total available	142.7	4.4	77.0	58.0	0.8	0.4	2.1
Expenditures	69.6	2.5	44.0	20.0	0.8	0.3	2.0
Unliquidated obligations	73.1	1.9	33.0	38.0	-	0.1	0.1
<u>1956</u>							
Unliquidated obligations	73.1	1.9	33.0	38.0	-	0.1	0.1
New obligations	61.9	3.8	37.2	20.5	0.1	0.2	0.1
Total available	135.0	5.7	70.2	58.5	0.1	0.3	0.2
Expenditures	73.7	3.3	45.0	25.0	0.1	0.1	0.2
Unliquidated obligations	61.3	2.4	25.2	33.5	-	0.2	-

^{a/} Excludes \$0.191 million regional and interregional costs.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - TECHNICAL COOPERATION

Country China (Formosa)

Table 11

Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance Commodities		Project Assistance			
		Capital Goods	Soft Goods	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>1954 a/</u>							
Unliquidated obligations	-	-	-	-	-	-	-
New obligations	-	-	-	-	-	-	-
Total available	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-
Unliquidated obligations	-	-	-	-	-	-	-
<u>1955</u>							
Unliquidated obligations	-	-	-	-	-	-	-
New obligations	3.1	-	-	1.3	0.5	0.6	0.7
Total available	3.1 b/	-	-	1.3	0.5	0.6	0.7
Expenditures	1.8	-	-	0.5	0.2	0.6	0.5
Unliquidated obligations	1.3	-	-	0.8	0.3	-	0.2
<u>1956</u>							
Unliquidated obligations	1.3	-	-	0.8	0.3	-	0.2
New obligations	2.8 c/	-	-	1.1	0.6	0.6	0.5
Total available	4.1	-	-	1.9	0.9	0.6	0.7
Expenditures	3.0	-	-	1.3	0.6	0.6	0.5
Unliquidated obligations	1.1	-	-	0.6	0.3	-	0.2

a/ Authorized and conducted in FY 1954 in China as an integrated program including features of Technical Cooperation and Defense Support.

b/ Excludes regional and interregional costs of \$0.300 million.

c/ Excludes regional and interregional costs of \$0.265.

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION)
AND ALL ACTIVITIES

~~CONFIDENTIAL~~

Country China (Formosa)
Table 12 Page 1
Date November 1, 1954

TA TYPE "A"

Activity	FY 1954				FY 1955				FY 1956			
	Total	Direct Forces Support	Defense Support	Technical Coopera- tion <u>a/</u>	Total	Direct Forces Support	Defense Support	Technical Coopera- tion	Total	Direct Forces Support	Defense Support	Technical Coopera- tion
1. Agriculture and Natural Resources	46	-	46	-	41	-	-	41	33	-	-	33
2. Industry and Mining	40	-	40	-	50	-	34	16	39	-	24	15
3. Transportation	8	-	8	-	12	-	4	8	12	-	6	6
4. Labor	1	-	1	-	2	-	-	2	-	-	-	-
5. Health and Sanitation	24	-	24	-	13	-	-	13	13	-	-	13
6. Education	18	-	18	-	22	-	-	22	21	-	-	21
7. Public Administration	33	-	33	-	25	-	-	25	38	-	-	38
8. Community Development, Social Welfare and Housing	-	-	-	-	2	-	2	-	2	-	2	-
9. General and Miscellaneous	4	-	4	-	8	-	-	8	5	-	-	5
Military Support	-	-	-	-	40	40	-	-	21	21	-	-
Total	174	-	174	-	215	40	40	135	184	21	32	131

a/ Technical Cooperation in China in FY 1954 authorized and conducted as part of an integrated program with Defense Support.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION)
AND ALL ACTIVITIES

Country China (Formosa)
Table 12 Page 2
Date November 1, 1954

TA TYPE "AX" a/

Activity	FY 1954				FY 1955				FY 1956			
	Total	Direct Forces Support	Defense Support	Technical Cooperation ^{b/}	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
1. Agriculture and Natural Resources	22	-	22	-	18	-	-	18	20	-	2	18
2. Industry and Mining	13	-	13	-	20	-	11	9	8	-	3	5
3. Transportation	2	-	2	-	6	-	-	6	6	-	1	5
4. Labor	-	-	-	-	2	-	-	2	-	-	-	-
5. Health and Sanitation	7	-	7	-	4	-	-	4	6	-	-	6
6. Education	6	-	6	-	26	-	-	26	12	-	-	12
7. Public Administration	16	-	16	-	-	-	-	-	-	-	-	-
8. Community Development, Social Welfare and Housing	-	-	-	-	-	-	-	-	-	-	-	-
9. General and Miscellaneous	-	-	-	-	3	-	-	3	1	-	-	1
Military Support	-	-	-	-	-	-	-	-	-	-	-	-
Total	66	-	66	-	79	-	11	68	53	-	6	47

a/ China Program Type "AX" projects are financed with counterpart funds only; no appropriated US\$ funds involved.

b/ Technical Cooperation in China in FY 1954 authorized and conducted as part of an integrated program with Defense Support.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)
AND ALL ACTIVITIES

Country China (Formosa)
Table 13 Page 1
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding (In thousands of dollars)</u>				
Program	801	747	740	837
Obligations	801	747	740	837
Expenditures	346	490	90	-
Unliquidated obligations end of FY	455	257	650	837
<u>B. Numbers</u>				
<u>1951 and 1952 Programs</u>				
In training or in process	63 <u>a/</u>			
<u>1953 Program</u>				
Target	167	xxx	xxx	xxx
Obligated	167	xxx	xxx	xxx
Arrivals	6	150	11	-
Departures	-	75	92	-
In training	6	81	-	-
<u>1954 Program</u>				
Target	xxx	174	xxx	xxx
Obligated	xxx	174	xxx	xxx
Arrivals	xxx	20	134	20
Departures	xxx	-	67	107
In training	xxx	20	87	-

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)
AND ALL ACTIVITIES

Country China (Formosa)
Table 13 Page 2
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>1955 Program</u>				
Target	xxx	xxx	215	xxx
Obligated	xxx	xxx	215	xxx
Arrivals	xxx	xxx	20	150
Departures	xxx	xxx	-	75
In training	xxx	xxx	20	95
<u>1956 Program</u>				
Target	xxx	xxx	xxx	184
Obligated	xxx	xxx	xxx	184
Arrivals	xxx	xxx	xxx	20
Departures	xxx	xxx	xxx	-
In training	xxx	xxx	xxx	20
<u>Total (1953 - 1956 Programs)</u>				
Arrivals	6	170	165	190
Departures	-	75	159	182
In training	6	101	107	115

a/ Program completed.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS (AX) FOR ALL FUNCTIONS (APPROPRIATIONS)
AND ALL ACTIVITIES

Country China (Formosa)
Table 13 Page 3
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding (In thousands of dollars) a/</u>				
<u>B. Numbers</u>				
<u>1954 Program (Actual)</u>				
Target	xxx	66	xxx	xxx
Obligated	xxx	66	xxx	xxx
Arrivals	xxx	48	xxx	xxx
Departures	xxx	31	xxx	xxx
In training	xxx	17	xxx	xxx
<u>1955 Program (Estimates)</u>				
Target	xxx	xxx	79	xxx
Obligated	xxx	xxx	70	xxx
Arrivals	xxx	xxx	xxx	xxx
Departures	xxx	xxx	xxx	xxx
In training	xxx	xxx	xxx	xxx
<u>1956 Program (Estimates)</u>				
Target	xxx	xxx	xxx	53
Obligated	xxx	xxx	xxx	51
Arrivals	xxx	xxx	xxx	xxx
Departures	xxx	xxx	xxx	xxx
In training	xxx	xxx	xxx	xxx
<u>Total</u>				
Arrivals	xxx	48	xxx	xxx
Departures	xxx	31	xxx	xxx
In training	xxx	17	xxx	xxx

a/ TA Type "AX" Projects are financed entirely with counterpart funds.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTION (APPROPRIATION) AND ACTIVITY

Country China (Formosa)
Table 14 Page 1
Date November 1, 1954

Activity and Personnel Category	FY 1954				FY 1955				FY 1956			
	Total	Direct	Technical	Coopera- tion	Total	Direct	Technical	Coopera- tion	Total	Direct	Technical	Coopera- tion
		Forces	Defense			Forces	Defense			Forces	Defense	
1. <u>Agriculture and Natural Resources</u>												
U.S. Employees - U.S. Nationals:	16	-	16	-	18	-	-	18	16	-	-	16
Positions filled end of FY	13	-	13	-	16	-	-	16	16	-	-	16
Man Years obligated during FY	13 1/3	-	13 1/3	-	15 1/12	-	-	15 1/12	16	-	-	16
Contract Technicians:	3	-	3	-	10	-	-	10	8	-	-	8
Positions filled end of FY	3	-	3	-	5	-	-	5	8	-	-	8
Man Years obligated during FY	24 7/12	-	24 7/12	-	6 11/12	-	-	6 11/12	6 1/2	-	-	6 1/2
2. <u>Industry and Mining</u>												
U.S. Employees - U.S. Nationals:	6	-	6	-	7	-	7	-	7	-	7	-
Positions filled end of FY	5	-	5	-	5	-	5	-	7	-	7	-
Man Years obligated during FY	4	-	4	-	5 3/4	-	5 3/4	-	6	-	6	-
Contract Technicians:	5	-	5	-	17	-	17	-	13	-	13	-
Positions filled end of FY	4	-	4	-	16	-	16	-	13	-	13	-
Man Years obligated during FY	2	-	2	-	12 1/12	-	12 1/12	-	11	-	11	-
3. <u>Transportation</u>												
U.S. Employees - U.S. Nationals:	1	-	1	-	1	-	1	-	1	-	1	-
Positions filled end of FY	-	-	-	-	1	-	1	-	1	-	1	-
Man Years obligated during FY	11/12	-	11/12	-	1 1/2	-	1 1/2	-	1	-	1	-
Contract Technicians:	-	-	-	-	5	-	5	-	6	-	6	-
Positions filled end of FY	-	-	-	-	5	-	5	-	6	-	6	-
Man Years obligated during FY	-	-	-	-	4 1/2	-	4 1/2	-	3	-	3	-

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTION (APPROPRIATION) AND ACTIVITY

Country China (Formosa)
Table 14 Page 2
Date November 1, 1954

Activity and Personnel Category	FY 1954				FY 1955				FY 1956			
	Total	Direct Forces Support	Defense Support	Technical Coopera- tion	Total	Direct Forces Support	Defense Support	Technical Coopera- tion	Total	Direct Forces Support	Defense Support	Technical Coopera- tion
<u>4. Labor</u>												
U.S. Employees - U.S. Nationals:	1	-	1	-	1	-	-	1	1	-	-	1
Positions filled end of FY	1	-	1	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	1	-	1	-	$\frac{1}{2}$	-	-	$\frac{1}{2}$	-	-	-	-
Contract Technicians:	-	-	-	-	-	-	-	-	-	-	-	-
Positions filled end of FY	-	-	-	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-	-	-	-
<u>5. Health and Sanitation</u>												
U.S. Employees - U.S. Nationals:	9	-	9	-	13	-	-	13	7	-	-	7
Positions filled end of FY	6	-	6	-	7	-	-	7	7	-	-	7
Man Years obligated during FY	4 $\frac{1}{3}$	-	4 $\frac{1}{3}$	-	7 $\frac{1}{6}$	-	-	7 $\frac{1}{6}$	5 $\frac{1}{2}$	-	-	5 $\frac{1}{2}$
Contract Technicians:	-	-	-	-	-	-	-	-	-	-	-	-
Positions filled end of FY	-	-	-	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-	-	-	-
<u>6. Education</u>												
U.S. Employees - U.S. Nationals:	3	-	3	-	5	-	-	5	4	-	-	4
Positions filled end of FY	2	-	2	-	5	-	-	5	4	-	-	4
Man Years obligated during FY	1 $\frac{3}{4}$	-	1 $\frac{3}{4}$	-	3 $\frac{5}{6}$	-	-	3 $\frac{5}{6}$	4	-	-	4
Contract Technicians:	10	-	10	-	11	-	-	11	11	-	-	11
Positions filled end of FY	6	-	6	-	9	-	-	9	11	-	-	11
Man Years obligated during FY	5 $\frac{3}{4}$	-	5 $\frac{3}{4}$	-	8 $\frac{7}{12}$	-	-	8 $\frac{7}{12}$	9	-	-	9

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTION (APPROPRIATION) AND ACTIVITY

Country China (Formosa)
Table 14 Page 3
Date November 1, 1954

Activity and Personnel Category	FY 1954				FY 1955				FY 1956			
	Total	Direct	Defense Support	Technical	Total	Direct	Defense Support	Technical	Total	Direct	Defense Support	Technical
		Forces Support		Coopera- tion		Forces Support		Coopera- tion		Forces Support		Coopera- tion
7. <u>Public Administration</u>												
U.S. Employees - U.S. Nationals:	16	-	16	-	25	-	8	17	17	-	9	8
Positions filled end of FY	15	-	15	-	16	-	8	8	17	-	9	8
Man Years obligated during FY	14 7/12	-	14 7/12	-	19	-	8	11	17	-	9	8
Contract Technicians:	11	-	11	-	7	-	7	-	2	-	-	2
Positions filled end of FY	7	-	7	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	3 2/3	-	3 2/3	-	3 1/4	-	-	3 1/4	1/4	-	-	1/4
8. <u>Community Development, Social Welfare and Housing</u>												
U.S. Employees - U.S. Nationals:	1	-	1	-	3	-	2	1	-	-	-	-
Positions filled end of FY	1	-	1	-	2	-	1	1	-	-	-	-
Man Years obligated during FY	1	-	1	-	2	-	1	1	-	-	-	-
Contract Technicians:	-	-	-	-	-	-	-	-	-	-	-	-
Positions filled end of FY	-	-	-	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-	-	-	-
9. <u>General and Miscellaneous</u>												
U.S. Employees - U.S. Nationals:	5	-	5	-	6	-	-	6	6	-	-	6
Positions filled end of FY	5	-	5	-	5	-	-	5	6	-	-	6
Man Years obligated during FY	3 1/4	-	3 1/4	-	4 3/4	-	-	4 3/4	6	-	-	6
Contract Technicians:	22	-	22	-	23	-	-	23	19	-	-	19
Positions filled end of FY	22	-	22	-	22	-	-	22	19	-	-	19
Man Years obligated during FY	18 1/3	-	18 1/3	-	20 1/12	-	-	20 1/12	19	-	-	19

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTION (APPROPRIATION) AND ACTIVITY

Country China (Formosa)
Table 14 Page 4
Date November 1, 1954

Activity and Personnel Category	FY 1954				FY 1955				FY 1956			
	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
<u>Military Support</u>												
U.S. Employees - U.S. Nationals:												
Positions filled end of FY	1	1	-	-	3	3	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	1	1	-	-	-	-	-	-
	1/12	1/12	-	-	1 $\frac{1}{4}$	1 $\frac{1}{4}$	-	-	-	-	-	-
Contract Technicians:												
Positions filled end of FY	3	3	-	-	8	8	-	-	8	8	-	-
Man Years obligated during FY	3	3	-	-	8	8	-	-	8	8	-	-
	2/3	2/3	-	-	7 $\frac{3}{4}$	7 $\frac{3}{4}$	-	-	8	8	-	-
<u>Total</u>												
Positions filled end of FY	93	-	23	-	123	9	36	78	123	8	36	79
Man Years obligated during FY	99 $\frac{1}{4}$	3/4	28 $\frac{1}{2}$	-	133	9	14	110	112 $\frac{1}{4}$	8	24	80 $\frac{1}{4}$

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF FIELD PROGRAM PERSONNEL
FOR ALL FUNCTIONS (APPROPRIATIONS) AND ACTIVITIES

Country China (Formosa)
Table 15
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding (Obligations)</u> (In thousands of dollars)				
U.S. Employees:				
Programs	1,520	2,451	2,190	1,686
U.S. Technicians:				
Full time	562	693	839	849
Temporary and Parttime	527	630	739	815
	35	63	100	34
Contract technicians (Incl. incidental costs)	958	1,758	1,351	837
Total obligations	1,520	2,451	2,190	1,686
<u>B. Numbers</u>				
U.S. Employees:				
Total Target	102	113	163	126
U.S. Technicians:				
Full time	56	50	56	56
Positions filled end of FY	46	45	56	56
Man Years (obligations)	41	41	49 1/6	56
Temporary and parttime:	12	9	26	5
Positions filled end of FY	3	3	-	5
Man Years (obligations)	4	8 1/4	6 2/3	2
Contract technicians:				
Positions contracted for during FY (disregarding length of stay)	34	54	81	65
Positions filled end of FY	25	45	60	45
Man Years (obligations)	53	74 1/3	70 1/12	31
Totals:				
Positions filled end of FY	74	93	116	106
Man Years (obligations)	98	123 7/12	125 11/12	89

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FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Country China (Formosa)
Table 16 Page 1
Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
10	<u>Agriculture and Natural Resources</u>								
19	All Other (JCRR)	University of California	10/30/54 (Approx)	-	-	-	315	112	-

The contract for affiliation between the National Taiwan University College of Agriculture and the University of California reached the firm planning stage in November 1953. At that time the Dean of the University of California Department of Agriculture conferred in Taiwan with officials of NTU, JCRR, and the Mission. Negotiations have been under way in Washington with the University of California, and the contract is to be signed in the immediate future. The purpose of the contract is to strengthen and to improve the College of Agriculture of NTU in curriculum planning, buildings, laboratories, equipment, and instruction methods. Five permanent and one temporary field personnel are expected to arrive in Taiwan during FY 1955, and five permanent and three temporary field personnel are planned for FY 1956. The contract, when signed, is to be in effect for a period of three years, i.e., until about November 1957. Overhead expenses will be included in the contract, and are estimated to be about 10% of salaries of technicians, i.e., \$24,750.

20	<u>Industry and Mining</u>								
21	Mining and Minerals	U.S. Geological Survey	Jan 1954	-	-	-	30	-	-

The services provided under this agreement are aimed at increasing mining activity of solid fuels and minerals in Taiwan. Due to the absence of reliable useful geological data and unusually difficult field conditions, the skilled personal guidance of U.S. geologists for field parties is required to resolve complicated geological mapping problems. The agreement between FOA and the U.S. Geological Survey was developed in Washington. Originally three field technicians were planned to work in the fields of (1) petroleum, (2) solid fuels, and (3) metals. The USGS did not agree to furnish the petroleum geologist and subsequently the latter two positions were filled. The agreement is due to expire in about March 1956. However, the Chinese Government is expected to request an extension to the agreement beyond that date. Two field technicians are currently in Taiwan in the two fields described above, and a third technician is scheduled to arrive during FY 1956 to work in the field of non-metallic minerals.

FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country China (Formosa)
Table 16 Page 2
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956

20	<u>Industry and Mining (continued)</u>									
22	Power and Communications	U.S. Bureau of Reclamation	Feb 3, 1953	-	-	31	111	424	-	-

Technical services provided under this project consist of three phases in the planning and construction of a Taiwan Power Company dam at Wu Sheh, Taiwan: (1) Examination and evaluation; (2) design review and preparation of plan, specifications, equipment and construction recommendations, and cost estimates; and (3) construction advice. Numbers of personnel are planned as follows: Six during FY 1953; three during FY 1954; five during FY 1955; and five during FY 1956. The contract was developed in Washington. Current expiration date of the contract is mid-1957, depending on progress of the work. Phase (1), above, has been completed. Phase (2) is well under way, and funds have been included in the FY 1955 program for beginning Phase (3). Administrative and technical overhead costs for Phase (1) were slightly more than 20% of the total costs. Overhead costs for Phases (2) and (3) will depend on numbers of field technicians and progress of the work.

22	Power and Communications	Gibbs & Hill, Inc.	Dec 11, 1952	-	-	750	-	-	-	-
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Services provided under this contract are for installation of a thermal power generating station (Han-pu) on Taiwan, and include engineering, procurement, supervisory construction, and any other similar services incidental to satisfactory completion of the work. The contract was developed in Washington in consultation with Taiwan Power Company. No numbers of field personnel were specified in the contract. In FY 1954, three personnel performed services in Taiwan. It is estimated that six field personnel will work in Taiwan in FY 1955, and seven in FY 1956. Services under this contract are expected to be completed in mid-1957. Overhead expenses are 65% of costs of time of engineers, draftsmen, inspectors, etc., performing engineering and procurement functions, and 50% of cost of time of a superintendent, assistant superintendent, mechanical and electrical superintendents, etc., who perform construction services.

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FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYs 1955/1956

~~CONFIDENTIAL~~

Country China (Formosa)
 Table 16 Page 3
 Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
30	<u>Transportation</u>								
37	<u>Air Transport</u>	U.S. Civil Aeronautics Admin.	Jan 20, 1954	-	-	-	83	-	58

Services provided under this contract are connected with installation and instruction in operation and maintenance of VOR-DNE equipment in Taiwan, and instruction and advice on all matters pertaining to civil aviation. Since the equipment (above) was procured as a military project, technical services were also charged to the military program in FY 1954. Though the field personnel still provide some advice to the military (assistance in improvement of Taipei International Airport which is partially for military use), the major portion of their work is now on the civilian side, and funds for an extension to the contract in FY 1956, which has been requested by the Chinese Government, are charged to this code. Originally, 5 field technicians were planned but it is likely that a sixth will be requested during FY 1955 and will remain during part of FY 1956. The contract was developed in Washington. Current termination of the contract is January 20, 1955. An extension has been requested until January 20, 1956. Field technicians have been, or are planned as follows: FY 1954, 3; FY 1955, 5; FY 1956, 6.

60	<u>Education</u>								
61	<u>Technical Education</u>	Pennsylvania State College	June 1, 1953	-	-	91	100	-	-

The purpose of this contract is to provide technical advice and assistance in establishing a (vocational) industrial education department within the Taiwan Teachers College, the only teachers college in Taiwan. Services in Taiwan are provided by American technicians employed by Penn State, and in the U.S. by training arranged by Penn State for teachers and officials of Taiwan Teachers College. (Costs for Type A participants are outside the contract.) Three field personnel worked in Taiwan during FY 1954 and three field personnel are planned during FY 1955, and three during FY 1956. The present contract will expire on July 1, 1956. Overhead expenses are stipulated in the contract as 13.9% of base salaries of field technicians.

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country China (Formosa)

Table 16 Page 4

Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
60	<u>Education (continued)</u>								
66	Professional and Higher Education	Purdue University	June 1, 1953	-	-	108	207	-	-
	<p>Services provided under this contract are for providing professional and educational assistance for strengthening the program and course of instruction of the Taiwan College of Engineering in Tainan, Taiwan. These services are rendered by field personnel from Purdue University coming to Taiwan, and arrangements for training of Chinese participants in the U.S. arranged by Purdue University. (Costs of participants are outside the contract.) The contract was developed in Washington after a representative from Purdue had surveyed the work to be done in Taiwan. The contract specifies that the contractor will maintain in Taiwan a Chief Advisor and from three to five other staff members (4 to 6 man years). The current contract will expire at the end of FY 1956. Field technicians have been or are planned as follows: FY 1954, 7; FY 1955, 8; FY 1956, 8. Overhead allowances are fixed in the contract at 25% of salaries of field personnel.</p>								
70	<u>Public Administration</u>								
74	Budget Administration	Peat, Marwick, Mitchell & Co.	June 24, 1953	-	-	100	37	-	8
	<p>Services provided under this contract are for conducting an accounting survey and establishing a program directed toward the adoption of sound and effective accounting procedures and records in various corporations operated by or on behalf of the Government of the Republic of China. It was planned that PMM would furnish not less than five nor more than seven accountants of senior grade who would be qualified to advise in the fields of public utilities; sugar, mining and chemicals. It was originally contemplated that all work under this contract would be completed not later than October 1953, but due to negotiations, processing of personnel, and other delays, the validity of the contract was extended to September 30, 1954. Eight field personnel arrived in Taiwan during fiscal year 1954; one returned to the U.S., and 7 remained in Taiwan until the end of September 1954. It is now planned that two short-term consultants will be recruited during FY 1956 for a duration of three months each, as an extension of this contract, for the purpose of conducting a follow-up survey and assistance project. No overhead costs are specified in the contract.</p>								

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Country China (Formosa)
 Table 16 Page 5
 Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
90	<u>General and Miscellaneous</u>								
99	<u>All Other</u>	J. G. White Company	October 14, 1948	884	-	300	780	550	550

The first 2-year contract between CUSA and the J. G. White Engineering Corp. became effective on October 14, 1948, was continued for two years by a new contract dated January 21, 1951, and continued again for 2 years under the present contract dated February 1, 1953. The present contract expires on February 1, 1955, and discussions will be held for continuing it for an additional period beyond that date. The purpose of the contract is to supply general engineering and consulting engineering services in China, such services being essential to the completion of the industrial reconstruction, replacement, and development program approved, or to be approved, by FOA. Discussions with J. G. White regarding the contract and/or its extensions have been held in Washington with FOA (MSA), and the Chinese Technical Mission acting for CUSA. The present contract provides for not less than 10, and not more than 30 field personnel. Numbers of personnel in the field in past years have been as follows: FY 1951, 7; FY 1952, 14; FY 1953, 23; FY 1954, 22. Twenty-six field personnel are contemplated during both FYS 1955 and 1956. Overhead allowances are defined in the present contract as follows:

- "1. 71.5% of the U.S. dollar total salary costs of American personnel in WHITE'S field organization (exclusive of 3 below)" excluding (1) salary costs of personnel other than operations personnel, and (2) any excess over \$54.17 of salary costs applicable to any particular employee;
- "2. 69.5% of the U.S. dollar total salary costs of the operational personnel in WHITE's New York Office organization" excluding any excess over \$56. of salary costs per work day applicable to any employee;
- "3. 20% of the U.S. total bare salary costs of members of American personnel in WHITE's field organization employed in minor projects . . ." excluding any excess over \$50 of salary costs per work day applicable to any particular employee. WHITE will also be reimbursed "for overhead in lieu of reimbursement for those US dollar costs . . . which are normally charged by WHITE to overhead in accordance with its usual accounting practice."

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country China (Formosa)
Table 17 Page 1
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
A. <u>Deposit Accruals:</u>			
<u>Commensurate basis a/</u>			
Balance of accruals carried forward	US\$33,413	US\$48,420	US\$71,000
U.S. aid furnished (Shipments paid for period April 1953 to March 1954, per Report 13)	87,711	80,000	65,000 b/
Loan Repayment	10,875	11,800	12,000
Interest	1,205	1,200	1,300
Total	133,204	141,420	149,300
Less: Deposit waived	1,267	2,830	3,100
Deposit deferred (Represents shipment paid on common-use items, period 4/53-3/54)	(30,016) a/	-	-
<u>Total Deposit Accruals</u>	131,937	138,590	146,200
B. <u>Deposit Account Transactions:</u>			
Balance carried forward	9,016	18,346	932
Actual deposits against above requirements: @15.65 to 1 on			
<u>Commensurate basis a/</u>	93,517	57,584	32,168
Total	102,533	75,930	33,100
Less transfers for U.S. use	670	575	575
<u>Balance available for withdrawals</u>	101,863	75,355	32,525

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country China (Formosa)
Table 17 Page 2
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
C. <u>Expenditures (actual withdrawals):</u>			
By 9 activities: <u>c/</u>			
1. Agriculture and Natural Resources	US\$ 9,557	US\$12,844	US\$10,747
2. Industry and Mining	10,421	13,099	700
3. Transportation	9,002	2,556	600
4. Labor	55	32	-
5. Health and Sanitation	2,147	1,751	1,200
6. Education	482	1,022	2,400
7. Public Administration	1,450	639	1,200
8. Community Development, Social Welfare and Housing	18	1,022	600
9. General and Miscellaneous	315	383	1,000
Other: Direct Military Support	40,070	33,035	13,180
<u>Total Expenditures</u>	<u>73,517</u>	<u>66,383</u>	<u>31,627</u>
D. <u>Disbursements by Cooperating Government</u>			
By 9 activities:			
1. Agriculture and Natural Resources	9,086	14,057	10,500
2. Industry and Mining	7,344	16,294	3,500
3. Transportation	7,830	3,834	1,600
4. Labor	35	58	-
5. Health and Sanitation	1,719	1,661	2,000
6. Education	285	831	2,600
7. Public Administration	1,185	895	1,200
8. Community Development, Social Welfare and Housing	17	1,150	600
9. General and Miscellaneous	291	383	1,000
Other: Direct Military Support	44,162	34,505	14,000
<u>Total Disbursements</u>	<u>71,954</u>	<u>73,668</u>	<u>37,000</u>

FAR EAST AND PACIFIC

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

~~CONFIDENTIAL~~
Country China (Formosa)
Table 17 Page 3
Date November 1, 1954

-
- a/ Although Chinese Government is required by bilateral to deposit CP on a commensurate basis for all aid furnished (except certain TC projects) FOA demands for deposit are based on sales proceeds actually realized. Since DFS aid commodities have not been sold, this item has been in effect deferred in the amount of US\$48,994,000 for the period 1 July 1951 to June 30, 1954.
- b/ Includes agricultural commodities which in FY 1955 program were separately reported as Section 402 commodities.
- c/ These figures exclude US\$4 million of 402 type proceeds, in category 10, US\$14.8 million of PL 480 proceeds and US\$5.2 million of 402 type proceeds in category 20, US\$2 million of 402 type in category 30, and US\$29.820 of PL 480 proceeds in Direct Military Support.

FAR EAST AND PACIFIC

STATUS OF SECTIONS 550 AND 402 FUNDS

CONFIDENTIAL

Country China (Formosa)
Table 18 Page 1
Date November 1, 1954

(In thousands of dollars and dollar equivalents) a/

	FY 1954	FY 1955	FY 1956
A. <u>Dollar Program</u>			
Total Surplus Agricultural Commodities			
Furnished under Sections 550 and 402	4,590 b/	27,710 c/	41,020 e/
Less: Sales Proceeds to be Programmed for OSP	4,590 d/	410	-
Balance available for non-military program f/	-	27,300	41,020
B. <u>Deposits of Local Currency</u>			
Balance carried forward	-	-	5,380
Actual deposits during year	-	32,300	41,020
Total available for expenditures	-	32,300	46,400
Total available for obligation	-	32,300	41,020
C. <u>Obligations in Local Currency</u>			
Direct Forces Support (MAAG Approved Military Projects)	-	13,300	29,820
Defense Support (Industrial, Agricultural, Housing, Fisheries			
Projects on Loan Basis)	-	14,000	11,200
Technical Cooperation	-	-	-
OSP (FY 1954 Ammunition Production Contracts on which			
production to be completed in FY 1955	-	5,000	-
Total	-	32,300	41,020
D. <u>Expenditures in Local Currency</u>			
Direct Forces Support	-	10,800	25,000
Defense Support	-	11,120	9,000
Technical Cooperation	-	-	-
OSP	-	5,000	-
Total	-	26,920	34,000

FAR EAST AND PACIFIC

STATUS OF SECTIONS 550 AND 402 FUNDS

~~CONFIDENTIAL~~
Country China (Formosa)
Table 18 Page 2
Date November 1, 1954

-
- a/ Conversion rate 15.65 NT\$ - 1 US\$, except to arrive at total amount of NT\$ estimated for actual deposit in FY 1956 add NT\$42.881 million after converting deposit amount indicated by NT\$15.65 to US\$1. This additional amount represents Defense Tax collected on a portion of items.
- b/ Shipments paid for period April-June, 1954.
- c/ Indicates that portion of Section 402 commodities of the FY 1955 program amount expected to arrive and be sold for local currency during the fiscal year, plus residual Sec. 550 from the FY 1954 program arriving and to be sold. Remainder of FY 1955 Section 402 commodities programmed amount carried over to FY 1956 is \$18.1 million, which amount represents normal carryover calculated on basis normal consumption.
- d/ Shown in FY 1954 although sales proceeds are deposited in FY 1955.
- e/ Indicates that portion of FY 1956 Defense Support, Section 402 type commodities expected to arrive and be sold for local currency during the fiscal year (\$16.920 million), plus Direct Forces Support Section 402 type commodities to arrive during the fiscal year with payment to be made from Chinese Government budget funds (\$6.0 million), plus FY 1955 program Section 402 commodities carryover (\$18.1 million).
- f/ Actual obligation and expenditures of local currency will be for military program (Direct Forces Support) and Defense Support.

FAR EAST AND PACIFIC

GENERAL CENTRAL GOVERNMENT FINANCE a/

~~CONFIDENTIAL~~

Country China (Formosa)
Table 19
Date November 1, 1954

Exchange Rate Used: NT\$ 15.65 = US\$ 1.00

(Millions of dollar equivalents)

	Calendar Year 1953	Fiscal Year Ending June 30, 1955 b/	Fiscal Year Ending June 30, 1956 b/ c/
<u>Revenue</u> d/			
Income taxes	17.2	17.7	15.0
Other taxes	104.6	171.5	186.0
Profits on government enterprises	13.7	12.6	14.0
Special account (FOA counterpart)	50.9	86.4	88.0
Other foreign grants	-	-	-
Other revenues	23.2	12.8	13.0
TOTAL REVENUE	209.6	301.0	316.0
<u>Expenditures</u>			
National defense e/	122.1	189.7	200.0
Other	88.7	120.1	126.0
TOTAL EXPENDITURES	210.8	309.8	326.0
<u>Deficit before Counterpart</u>	52.1	95.2	98.0
<u>Deficit after Counterpart</u>	1.2	8.8	10.0

a/ Central and Provincial Government finances are herein reported on a combined basis.

b/ Beginning July 1, 1954, the Chinese Government changed its fiscal year from a calendar year to a July-June basis. For the six months January-June 1954, revenue totaled \$144.2 million, and expenditures \$151.8 million, leaving a deficit of \$7.6 million (\$55.0 million before counterpart). For the 12-month period, July 1, 1953 to June 30, 1954, revenue totaled \$270.5 million and expenditures \$275.6 million, leaving a deficit of \$5.1 million (\$90.4 million before counterpart).

c/ FOA Mission estimate.

d/ Excludes receipts from bank borrowings and payment for debt redemption.

e/ Includes expenditures for the National military establishment as well as the Provincial Peace Preservation Corps.

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

BALANCE OF PAYMENTS

Country China (Formosa)
 Table 20 Page 1
 Date November 1, 1954

(In millions of U.S. dollars)

	CY 1953	CY 1954 ^{a/}	CY 1955 ^{a/}	CY 1956 ^{a/}
A. Goods and Services				
Exports	125.6	101.1	108.7	112.5
Imports	199.1	209.0	206.3	244.1
Trade Balance	-73.5	-107.9	-97.6	-131.6
Non-monetary gold movement (net)	2.0	1.0	1.0	1.0
Foreign travel	-1.6	-.6	-1.6	-1.6
Transportation and insurance	-3.0	-3.0	-3.0	-3.0
Investment income	-4.1	-4.0	-4.0	-4.0
Government n.i.e.	-1.5	-1.3	-1.3	-1.3
Others	7.2	12.9	5.0	4.0
Sub-Total, Current Account	-74.5	-102.9	-101.5	-136.5
B. Private Financing				
Direct Investment	4.2	4.0	4.0	4.0
Total Private Financing	4.2	4.0	4.0	4.0
C. Net Errors and Omissions				
	5.9	-	-	-
D. Surplus (✓) or Deficit (-) A through C				
	-64.4	-98.9	-97.5	-132.5

^{a/} Estimated.

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

BALANCE OF PAYMENTS

Country China (Formosa)
Table 20 Page 2
Date November 1, 1954

(In millions of U.S. dollars)

	CY 1953	CY 1954 ^{a/}	CY 1955 ^{a/}	CY 1956 ^{a/}
E. Official Financing				
1. Donations				
Grants from U.S.	83.0	87.2	100.0	135.0
2. Long-Term Capital				
Loan repayments	-2.0	-1.5	-1.5	-1.5
3. Short-Term Capital				
Change in reserves (increase -)	-15.6	14.2	-	-
Monetary gold (increase -)	-1.0	-1.0	-1.0	-1.0
Total Official Financing (1/2/3)	64.4	98.9	97.5	132.5
Memorandum on Reserves				
Status, end of period:				
Dollars (including other currencies)	30.3	16.1	16.1	16.1
Gold	41.6	42.6	43.6	44.6
Other				

^{a/} Estimated.

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country China (Formosa)
Table 22 Page 1
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956				
		Total	Direct Forces Support	Defense Support ^{a/}	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
10	<u>Agriculture and Natural Resources</u>	<u>1,677</u>	-	<u>1,677</u>	<u>1,147</u>	-	<u>325</u>	<u>822</u>	<u>1,598</u>	-	<u>888</u>	<u>710</u>
11	Research, Agricultural Education and Extension	350	-	350	-	-	-	-	-	-	-	-
12	Land and Water Resources	-	-	-	-	-	-	-	-	-	-	-
13	Crop and Livestock Development	758	-	758	3	-	-	3	345	-	345	-
14	Agricultural Economics, Farm Organization and Agricultural Credit	-	-	-	-	-	-	-	-	-	-	-
15	Agricultural Marketing and Processing	-	-	-	-	-	-	-	-	-	-	-
16	Home Economics and Rural Youth	-	-	-	-	-	-	-	-	-	-	-
17	Forestry	58	-	58	-	-	-	-	-	-	-	-
18	Fisheries	18	-	18	325	-	325	-	543	-	543	-
19	All Other	493	-	493	819	-	-	819	710	-	-	710
20	<u>Industry and Mining</u>	<u>26,569</u>	-	<u>26,569</u>	<u>17,952</u>	-	<u>17,874</u>	<u>78</u>	<u>18,885</u>	-	<u>18,810</u>	<u>75</u>
21	Mining and Minerals	648	-	648	743	-	738	5	820	-	820	-
22	Power and Communications	6,377	-	6,377	5,993	-	5,976	17	8,254	-	8,244	10
23	Manufacturing and Processing	17,946	-	17,946	9,197	-	9,141	56	8,040	-	7,975	65
24	Service Industries	1,500	-	1,500	1,500	-	1,500	-	1,500	-	1,500	-
25	Engineering and Construction	-	-	-	-	-	-	-	-	-	-	-
26	Marketing and Distribution	-	-	-	-	-	-	-	-	-	-	-
27	Industrial Management	-	-	-	116	-	116	-	210	-	210	-
28	Industrial Training	-	-	-	-	-	-	-	-	-	-	-
29	All Other	98	-	98	403	-	403	-	61	-	61	-
30	<u>Transportation</u>	<u>1,838</u>	-	<u>1,838</u>	<u>1,318</u>	-	<u>1,280</u>	<u>38</u>	<u>375</u>	-	<u>345</u>	<u>30</u>
31	Highways	10	-	10	5	-	-	5	10	-	-	10
32	Urban Transit and Traffic Engineering	-	-	-	-	-	-	-	-	-	-	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country China (Formosa)
Table 22 Page 2
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956				
		Total	Direct Forces Support	Defense Support ^{a/}	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
33	Railways	1,651	-	1,651	485	-	470	15	110	-	100	10
34	Port Facilities and Harbor Improvement	148	-	148	199	-	194	5	10	-	10	-
35	Inland Waterways	-	-	-	-	-	-	-	-	-	-	-
36	Ship Operations	14	-	14	18	-	8	10	25	-	15	10
37	Air Transport	-	-	-	135	-	135	-	220	-	220	-
39	All Other	15	-	15	476	-	473	3	-	-	-	-
40	<u>Labor</u>	<u>19</u>	-	<u>19</u>	<u>18</u>	-	-	<u>18</u>	<u>15</u>	-	-	<u>15</u>
41	Labor and Trade Union Leadership	-	-	-	-	-	-	-	-	-	-	-
42	Apprenticeship and In-Service Training for Workers	-	-	-	-	-	-	-	-	-	-	-
43	Labor Productivity	-	-	-	-	-	-	-	-	-	-	-
44	Labor Management Relations	-	-	-	-	-	-	-	-	-	-	-
45	Labor and Social Legislation and Enforcement	5	-	5	-	-	-	-	-	-	-	-
46	Manpower Utilization and Service	-	-	-	-	-	-	-	-	-	-	-
47	Industrial Safety-Hygiene	-	-	-	10	-	-	10	-	-	-	-
48	Workers' Housing	-	-	-	-	-	-	-	-	-	-	-
49	All Other	14	-	14	8	-	-	8	15	-	-	15
50	<u>Health and Sanitation</u>	<u>615</u>	-	<u>615</u>	<u>607</u>	-	<u>100</u>	<u>507</u>	<u>165</u>	-	-	<u>165</u>
51	Control of Specific Diseases	277	-	277	41	-	-	41	-	-	-	-
52	Environmental Sanitation	22	-	22	355	-	-	355	55	-	-	55
53	Health Facilities - Operation of and Advisory Services to	92	-	92	8	-	-	8	10	-	-	10
54	Health Training and Education	124	-	124	188	-	100	88	75	-	-	75
55	Health Facilities Construction, Remodeling, Equipment	-	-	-	-	-	-	-	10	-	-	10
59	All Other	100	-	100	15	-	-	15	15	-	-	15

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country China (Formosa)
Table 22 Page 3
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956				
		Total	Direct Forces Support	Defense Support ^a	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
60	<u>Education</u>	<u>720</u>	-	<u>720</u>	<u>742</u>	-	-	<u>742</u>	<u>705</u>	-	-	<u>705</u>
61	Technical Education	464	-	464	416	-	-	416	385	-	-	385
62	Vocational Agriculture Education	8	-	8	55	-	-	55	75	-	-	75
63	Home Economics Education	-	-	-	-	-	-	-	-	-	-	-
64	Elementary Education	-	-	-	-	-	-	-	-	-	-	-
65	Secondary Education	-	-	-	-	-	-	-	-	-	-	-
66	Professional and Higher Education	172	-	172	210	-	-	210	170	-	-	170
67	Fundamental Adult and Community Education	26	-	26	41	-	-	41	60	-	-	60
68	Educational Administration	-	-	-	-	-	-	-	-	-	-	-
69	All Other	50	-	50	20	-	-	20	15	-	-	15
70	<u>Public Administration</u>	<u>423</u>	-	<u>423</u>	<u>323</u>	-	<u>120</u>	<u>203</u>	<u>390</u>	-	<u>135</u>	<u>255</u>
71	Organization and Management of Particular Ministries or Programs	21	-	21	93	-	60	33	169	-	135	34
72	Government-Wide Organization and Management	240	-	240	60	-	60	-	10	-	-	10
73	Public Personnel Administration	10	-	10	11	-	-	11	-	-	-	-
74	Budget Administration	98	-	98	-	-	-	-	78	-	-	78
75	Public Finance	27	-	27	90	-	-	90	75	-	-	75
76	General Services	-	-	-	-	-	-	-	-	-	-	-
77	Organization and Administration of Institutes or Bureaus of Public Administration	-	-	-	-	-	-	-	-	-	-	-
78	Statistics - General and Census	14	-	14	15	-	-	15	10	-	-	10
79	All Other	13	-	13	54	-	-	54	48	-	-	48

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country China (Formosa)
Table 22 Page 4
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956				
		Total	Direct Forces Support	Defense Support ^{a/}	Total	Direct Forces Support	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
80	<u>Community Development, Social Welfare and Housing</u>	-	-	-	40	-	25	15	10	-	10	-
81	Community Development	-	-	-	15	-	-	15	-	-	-	-
82	Social Welfare	-	-	-	-	-	-	-	-	-	-	-
83	Housing	-	-	-	25	-	25	-	10	-	10	-
84	Aided Self-Help Housing	-	-	-	-	-	-	-	-	-	-	-
85	Supporting Projects, Housing	-	-	-	-	-	-	-	-	-	-	-
86	Emergency Housing	-	-	-	-	-	-	-	-	-	-	-
89	All Other	-	-	-	-	-	-	-	-	-	-	-
90	<u>General and Miscellaneous</u>	870	-	870	677	-	677	895	-	-	895	-
91	Trade and Investment	12	-	12	25	-	25	18	-	-	18	-
92	Information (Mass Communications, etc.)	78	-	78	102	-	102	327	-	-	327	-
99	All Other	780	-	780	550	-	550	550	-	-	550	-
	<u>Military Support</u>	5,878	5,878	-	6,502	6,502	-	7,100	7,100	-	-	-
	Airfields	532	532	-	1,234	1,234	-	2,180	2,180	-	-	-
	Naval Bases	194	194	-	500	500	-	500	500	-	-	-
	Army Bases	1,455	1,455	-	1,388	1,388	-	2,285	2,285	-	-	-
	Communications Facilities	73	73	-	808	808	-	375	375	-	-	-
	Other Construction	14	14	-	48	48	-	-	-	-	-	-
	Material Procurement & Production	3,380	3,380	-	1,295	1,295	-	1,344	1,344	-	-	-
	Ships and Harbor Craft	-	-	-	-	-	-	-	-	-	-	-
	Supplies and Equipment	-	-	-	-	-	-	5	5	-	-	-
	Operations & Maintenance Materials	230	230	-	1,229	1,229	-	411	411	-	-	-
	Total	38,609	5,878	32,731	29,326	6,502	19,724	3,100 ^{b/}	30,138	7,100	20,188	2,850 ^{b/}

^{a/} Authorized and conducted in FY 1954 as an integrated program including features of Technical Cooperation and Defense Support.

^{b/} Excludes regional and interregional costs (including domestic program expenses) of \$0.3 million in FY 1955 and \$0.265 million in FY 1956.

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FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

INDONESIA

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND PACIFIC

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PROPOSED FY 1956 BUDGET

Country Indonesia

Date November 1, 1954

SUMMARY OF OBLIGATIONS BY FUNCTION

(In thousands of dollars)

	FY 1954 Actual	FY 1955 Estimated	FY 1956 Estimated
Development Assistance	-	- a/	60,000 b/
Technical Cooperation	3,869 c/	3,700 c/ d/	8,000
Total Obligations	3,869 c/	3,700 a/ c/ d/	68,000
Development Assistance to be financed by:			
(a) Loans	-	-	43,000
(b) Grants	-	- a/	17,000
Technical Cooperation to be financed by:			
(a) Grants	3,869 c/	3,700 c/ d/	8,000
Total	3,869 c/	3,700 a/ c/ d/	68,000

a/ Excludes pending supplemental request for malaria control program amounting to \$1.4 million. Other development assistance deferred until FY 1956.

b/ Includes \$14.0 million for Section 402 agricultural commodities and \$14.0 million for related processing and transportation costs.

c/ Excludes regional and interregional costs (including domestic program expenses) of \$0.131 million in FY 1954, and \$0.3 million in FY 1955.

d/ Excludes pending supplemental request amounting to \$1.9 million.

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FAR EAST AND THE PACIFIC

Country: INDONESIA

General Narrative Statement

Major Changes Affecting Indonesia Since January 1, 1954

Communist success in Indochina, culminating in the Geneva Settlement, was the major political development affecting Indonesia during the year. This event had two adverse effects from the viewpoint of U.S. interests: (1) It enhanced the prestige of Communist China in Indonesia; (2) increased the urge on the part of many Indonesians to normalize political and economic ties with the Communist orbit. On the other hand, it also made Indonesia somewhat more wary about the Communist threat in Southeast Asia.

Economically, the continued deterioration of Indonesia's financial position was of major importance. By the middle of 1954, the country was faced with depleted gold and foreign exchange reserves with which to meet domestic budget requirements. The effect of the approaching balance of payments crisis is two-fold: (1) the curtailment of imports affects a wide range of mass consumers, due to the dependence of Indonesia on imported textiles, and it limits the raw materials supplies of Indonesian industries, thus increasing unemployment; (2) the limited foreign exchange resources available to finance the importation of capital goods frustrates the Indonesian national aspiration of "economic development".

The Communists have been quick to take advantage of the general dissatisfaction with present economic conditions in Indonesia through propaganda, trade negotiations, and infiltration of local labor and farm organizations.

U. S. Objectives

The United States objectives are to maintain and expand political, economic and cultural intercourse between Indonesia and the free world and to maintain and strengthen Indonesian independence in order to prevent Indonesia's take-over by Communism.

Obstacles to Progress Toward U.S. Objectives

Among the serious impediments to the achievement of United States objectives are the following:

- 1 - Failure of many Indonesian leaders to see the dangers of Communism.
- 2 - Extreme nationalism of many groups in Indonesia, which leads to favoritism for inexperienced Indonesia business at the expense of efficiency and foreign exchange.
- 3 - Heritages of colonialism, especially the memories of centuries of domination by another race and the scarcity of trained administrators, professional personnel, skilled labor, and managerial and entrepreneurial talent.
- 4 - A stagnating economy which keeps one of the world's potentially richest countries actually one of the poorest.

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General Narrative Statement (continued)

Country: INDONESIA

- 5 - Indonesia's immediate balance of payments and budgetary difficulties.
- 6 - The intensified activities of the Communists.

Courses of action

The changes which have occurred during the past year, including the Communist success in Indochina, imperil the attainment of U.S. objectives in Indonesia. The continuation and expansion of the present Technical Cooperation program, valuable as it has been in its transfer of technical knowledge and in the friendship for the United States created among leadership elements of Indonesian society, will not alone serve to reverse the general political and economic deterioration which has taken place. To counter the growth of Communist infiltration and thus carry out U.S. objectives, it is necessary to deal with the economic problems which have weakened the country and added to its political instability. Progress toward solving the major economic problem of the accumulation and mobilization of capital resources must be correlated with the development of technical and managerial know-how.

The courses of action implicit in such a program are:

- 1 - To assist in developing institutions to train increased numbers of personnel in all technical and managerial fields, in order to improve government services and productive efficiency.
- 2 - To mitigate the internal inflationary pressures and the strains on Indonesia's balance of payments and to reverse the trend toward economic regression and stagnation.

Despite the country's "independent" foreign policy there are strongly anti-communist elements in Indonesia whose political and economic interests coincide with U.S. objectives. It is in the interest of the United States to take effective action to strengthen the Indonesian economy before it deteriorates to a point where general unrest gives irresponsible and anti-Western elements an opportunity to seize control. It appears unlikely that the present unstable coalition government would have the strength or the will to undertake major economic and fiscal reforms. By FY 1956, however, free elections should produce a more stable government capable of inaugurating measures to ameliorate Indonesia's economic situation. The United States must be prepared to give substantial and immediate assistance to such a government if found at that time to be in the U.S. interest to do so. The development assistance program for FY 1956 assumes that this condition will have been met. Such support to a government oriented against Communism would be of great importance in influencing the long-run direction of Indonesia in world affairs.

Implementation of Present Program

The pipeline at the end of FY 1954 was abnormally large because of a change of Government in Indonesia, and other administrative difficulties delayed agreement on the program until the last quarter. Implementation of the Technical Cooperation program in FY 1955 is more advanced than in FY 1954, and expenditures in FY 1955 will reduce significantly the existing Technical Cooperation pipeline, as the Indonesian Government presents claims for long-delayed reimbursements.

General Narrative Statement (continued)

Country: INDONESIA

Determination of Aid Level for FY 1956

To move the Indonesian economy off dead center, and to alter the basic economic pattern, would require external resources estimated at between \$150 million and \$300 million per annum for a minimum period of five years. While some credits are being offered by France, Western Germany and The Netherlands and while a portion of the needed financing may possibly be available from the IBRD, a substantial share of such external assistance would have to come from the United States in the form of loans and grants.

Private capital is unlikely to contribute substantially to the needed structural reorientation of the economy until government-sponsored foreign investments have prepared the ground by creating a condition more conducive to economic and political stability. It has been assumed that the Eximbank would expand its credits and that the International Bank would be willing to extend new loans to Indonesia. The Indonesian Government has under consideration projects which would appear particularly suitable for additional loans from these institutions and such projects have been excluded from consideration in formulating the FOA program.

The projects tentatively selected for FOA assistance are relatively few in number and concentrate on major bottlenecks to economic expansion. It is believed that they can be carried out within the managerial competence of available Indonesian personnel, supported by additional technical assistance as an integral part of the project, or provided under the Technical Cooperation program.

In total, the program consists of the following:

- 1 - A development assistance program of \$60 million, comprising direct dollar aid to specific projects in fields of agriculture, mining and industry, transportation, and health and sanitation, totaling \$32 million; and surplus agricultural commodities of the Section 402 type in the amount of \$14 million, plus an additional amount of \$14 million for processing and transportation.
- 2 - A technical cooperation program of \$8 million.

In addition, the use of Public Law 480 agricultural surplus commodities is contemplated to the extent of \$10 million.

Capacity of Indonesia to Finance Own Costs of Development

It is estimated that, if the entire program were to be implemented as planned (with the proposed importation of consumer goods to provide an additional non-inflationary source of local currency financing), Indonesia could meet, out of its budget, all local costs not met by counterpart, totaling approximately \$94 million. With the exception of the Eximbank and the International Bank, and the possibility of some European credits, as discussed above, the receipt of assistance from other sources would in all probability be limited to technical assistance from the United Nations, the Ford Foundation, and the Colombo Plan countries. Any capital assistance that might be received through the Colombo Plan would be small initially. A substantial increase in private investment is not contemplated until later years.

General Narrative Statement (continued)

Country: INDONESIA

Proposed Use of Agricultural Commodities

The basic objectives of the proposal to utilize \$28 million for Section 402 type surplus agricultural products (\$14 million for the products themselves and \$14 million for processing and transportation) are two-fold: (1) To increase the standard of living by offering on the local markets a greater choice of foodstuffs than is now available under current stringent foreign exchange controls; and (2) to generate local currency to cover local costs of dollar-aided projects. The planned additional use of P. L. 480 surplus agricultural commodities is aimed at increasing consumption of textiles and would involve arranging for the processing of surplus cotton in a third country. A portion of the local currency proceeds from the latter program would be used to acquire strategic commodities and a portion would be used for economic development loans or grants.

Loan Programs

New loan programs considered possible of handling by the Eximbank and the International Bank and under consideration by the Indonesian Government currently total over \$100 million. In the absence of discussions with the Indonesian Government, it is impossible to determine appropriate terms for the loans projected in the FOA program, which amount to \$43 million. FOA assistance to all development projects with the exception of malaria control, aerial mapping, and the processing and shipping of the surplus agricultural products would be on a loan basis. It is apparent that such FOA loans must be long-term and repayable in local currency in view of Indonesia's current outstanding loans, the projected Exim and International Bank loans, Indonesia's normal "invisible" payments of \$100 million annually, and the current foreign exchange shortages.

FOA:O/FE

November 9, 1954

Forecast of Trend of Program Level

The total new external investment needs of Indonesia have been estimated at from \$150-300 million annually for a minimum period of five years. It is assumed that loans will be made available by the Eximbank and the IBRD to the extent that repayment in dollars is possible. One aim of the FOA program is to assist in inducing the Indonesian Government to establish a favorable investment climate which would lead foreign investors to take advantage of the many opportunities which would exist if reasonable treatment was assured. Capital inflow from such sources is estimated to begin by FY 1957.

This will still leave a need for FOA grants and loans repayable in local currency, estimated at an average of \$30 million per year through 1960, with \$50 million for 1957 but declining to \$10 million by 1960. The division between loans and grants would be dependent on circumstances at the time and the type of assistance necessary within the context of the forthcoming Indonesian five-year plan.

With reference to technical cooperation, it is apparent that this program should be long-term in nature, and greater needs will continue to manifest themselves as economic activity expands. With limited resources available to the Indonesian Government until the investment program is translated into an increase in gross national product, it is estimated that the U.S. should increase this type of aid for almost four years before it will become possible to phase out some of the older projects and turn them completely over to the Indonesian Government. The amount required is estimated to average at \$10 million a year.

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country Indonesia
 Table 1 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance				
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
<u>1. Agriculture and Natural Resources</u>								
	1954	97	-	(195)	267	(29)	54	-
	1955	1,245	-	401	277	456	-	111
	1956	3,000	-	1,867	228	630	180	95
<u>2. Industry and Mining</u>								
	1954	1,337	-	436	86	(85)	900	-
	1955	815	-	347	174	146	80	68
	1956	19,200	-	17,716	226	60	1,113	85
<u>3. Transportation</u>								
	1954	78	-	18	-	-	60	-
	1955	210	-	18	145	-	-	47
	1956	11,000	-	10,694	88	30	143	45
<u>4. Labor</u>								
	1954	(69)	-	75	26	(170)	-	-
	1955	500	-	60	200	132	-	108
	1956	700	-	104	210	271	-	115
<u>5. Health and Sanitation</u>								
	1954	366	-	(33)	119	-	280	-
	1955	105	-	15	20	63	-	7
	1956	2,900	-	2,620	65	191	-	24
<u>6. Education</u>								
	1954	476	-	84	(23)	(35)	450	-
	1955	430	-	193	84	101	-	52
	1956	1,200	-	150	-	75	975	-

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

~~CONFIDENTIAL~~
Country Indonesia
Table 1 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance				Other Local Costs
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
<u>7. Public Administration</u>								
	1954	1,172	-	1,020	152	-	-	-
	1955	195	-	48	83	23	-	41
	1956	800	-	315	-	135	350	-
<u>8. Community Development, Social Welfare and Housing</u>								
	1954	-	-	-	-	-	-	-
	1955	60	-	19	25	7	-	9
	1956	400	-	245	50	83	-	22
<u>9. General and Miscellaneous</u>								
	1954	412	-	-	-	412	-	-
	1955	140	-	5	-	40	95	-
	1956	800	-	-	29	60	700	11
	<u>Total - 9 activities</u>							
	1954	3,869	-	1,405	627	93	1,744	-
	1955	3,700	-	1,106	1,008	968	175	443
	1956	40,000	-	33,711	896	1,535	3,461	397
<u>Maintenance of Civilian Supply</u> (Non-project counterpart generating program)								
	1954	-	-	-	-	-	-	-
	1955	-	-	-	-	-	-	-
	1956	28,000	28,000	-	-	-	-	-
<u>Total Country Program</u>								
	1954	3,869	-	1,405	627	93	1,744	-
	1955	3,700 ^{a/}	-	1,106	1,008	968	175	443
	1956	68,000	28,000	33,711	896	1,535	3,461	397

^{a/} Excludes pending supplemental request of \$1.4 million for Development Assistance and \$1.9 million for Technical Cooperation

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEVELOPMENT ASSISTANCE

Country Indonesia
Table 4 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance				
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
1.	<u>Agriculture and Natural Resources</u>							
	1955	-	-	-	-	-	-	-
	1956	1,500	-	1,320	-	-	180	-
2.	<u>Industry and Mining</u>							
	1955	-	-	-	-	-	-	-
	1956	17,400	-	17,400	-	-	-	-
3.	<u>Transportation</u>							
	1955	-	-	-	-	-	-	-
	1956	10,100	-	10,100	-	-	-	-
5.	<u>Health and Sanitation</u>							
	1955	-	-	-	-	-	-	-
	1956	2,600	-	2,596	-	-	-	4
9.	<u>General and Miscellaneous</u>							
	1955	-	-	-	-	-	-	-
	1956	400	-	-	-	-	400	-
	<u>Total - 9 Activities</u>							
	1955	- ^{a/}	-	-	-	-	-	-
	1956	32,000	-	31,416	-	-	580	4

FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEVELOPMENT ASSISTANCE

Country Indonesia
 Table 4 Page 2
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance				
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
	<u>Maintenance of Civilian Supply</u> ^{b/}							
	1955	-	-	-	-	-	-	-
	1956	28,000	28,000	-	-	-	-	-
	<u>Total Program</u>							
	1955	-	-	-	-	-	-	-
	1956	60,000	28,000	31,416	-	-	580	4

a/ Excludes pending supplemental request for \$1,400,000.

b/ Non-project counterpart-generating program.

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country Indonesia
 Table 5 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance				
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs ^{a/}
1.	<u>Agriculture and Natural Resources</u>						
	1954	97	(195)	267	(29)	54	-
	1955	1,245	401	277	456	-	111
	1956	1,500	547	228	630	-	95
2.	<u>Industry and Mining</u>						
	1954	1,337	436	86	(85)	900	-
	1955	815	347	174	146	80	68
	1956	1,800	316	226	60	1,113	85
3.	<u>Transportation</u>						
	1954	78	18	-	-	60	-
	1955	210	18	145	-	-	47
	1956	900	594	88	30	143	45
4.	<u>Labor</u>						
	1954	(69)	75	26	(170)	-	-
	1955	500	60	200	132	-	108
	1956	700	104	210	271	-	115
5.	<u>Health and Sanitation</u>						
	1954	366	(33)	119	-	280	-
	1955	105	15	20	63	-	7
	1956	300	24	65	191	-	20

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country Indonesia
Table 5 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance				Other Local Costs ^{a/}
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
6.	<u>Education</u>						
	1954	476	84	(23)	(35)	450	-
	1955	430	193	84	101	-	52
	1956	1,200	150	-	75	975	-
7.	<u>Public Administration</u>						
	1954	1,172	1,020	152	-	-	-
	1955	195	48	83	23	-	41
	1956	800	315	-	135	350	-
8.	<u>Community Development, Social Welfare and Housing</u>						
	1954	-	-	-	-	-	-
	1955	60	19	25	7	-	9
	1956	400	245	50	83	-	22
9.	<u>General and Miscellaneous</u>						
	1954	412	-	-	412	-	-
	1955	140	5	-	40	95	-
	1956	400	-	29	60	300	11
	<u>Total - TC Program</u>						
	1954	3,869	1,405	627	93	1,744	-
	1955	3,700 ^{b/}	1,106	1,008	968	175	443
	1956	8,000	2,295	896	1,535	2,881	393

^{a/} International travel costs of participants computed at \$1,800 per participant except where otherwise indicated.

^{b/} Excludes pending supplemental request for \$1,900,000.

FAR EAST AND PACIFIC

NON-PROJECT ASSISTANCE: COMMODITY BREAKDOWN OF OBLIGATIONS - ALL FUNCTIONS

(In thousands of dollars)

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Country Indonesia
Table 6
Date November 1, 1954

<u>Commodity Detail</u>	<u>1956 Estimated</u>	
	<u>Development Assistance</u>	<u>Total</u>
<u>Agricultural Commodities</u>	<u>14,000</u>	<u>14,000</u>
Food (Section 402: wheat for flour, milk products, canned meats, etc.)	14,000	14,000
<u>Petroleum Products</u>	-	-
<u>Raw Materials and Semi-Finished Products</u>	-	-
<u>Machinery and Vehicles</u>	-	-
<u>Miscellaneous and Unclassified</u>	<u>14,000</u>	<u>14,000</u>
Other - Food processing and ocean freight related to above	14,000	14,000
<u>TOTAL</u>	<u>28,000</u>	<u>28,000</u>

FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - ALL FUNCTIONS

Country Indonesia
Table 7
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance				Other Local Costs
		Commodities	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians		
<u>1954</u>		Capital Goods	Soft Goods					
Unliquidated obligations	9.8	-	-	6.8	1.4	0.7	0.9	-
New Obligations	3.9	-	-	1.4	0.6	0.1	1.8	-
Total Available	13.7	-	-	8.2	2.0	0.8	2.7	-
Expenditures	4.2	-	-	2.0	0.7	0.7	0.8	-
Unliquidated Obligations	9.5	-	-	6.2	1.3	0.1	1.9	-
<u>1955</u>								
Unliquidated Obligations	9.5	-	-	6.2	1.3	0.1	1.9	-
New Obligations	3.7	-	-	1.1	1.0	1.0	0.2	0.4
Total Available	13.2	-	-	7.3	2.3	1.1	2.1	0.4
Expenditures	8.8	-	-	4.8	1.4	1.0	1.5	0.1
Unliquidated Obligations	4.4	-	-	2.5	0.9	0.1	0.6	0.3
<u>1956</u>								
Unliquidated Obligations	4.4	-	-	2.5	0.9	0.1	0.6	0.3
New Obligations	68.0	-	28.0	33.7	0.9	1.5	3.5	0.4
Total Available	72.4	-	28.0	36.2	1.8	1.6	4.1	0.7
Expenditures	25.5	-	12.0	8.0	1.0	1.5	2.6	0.4
Unliquidated Obligations	46.9	-	16.0	28.2	0.8	0.1	1.5	0.3

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DEVELOPMENT ASSISTANCE

Country Indonesia
Table 10
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance				
		Commodities	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs	
		Capital Goods	Soft Goods					
<u>1954</u>								
Unliquidated Obligations	-	-	-	-	-	-	-	-
New Obligations	-	-	-	-	-	-	-	-
Total Available	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Unliquidated Obligations	-	-	-	-	-	-	-	-
<u>1955</u>								
Unliquidated Obligations	-	-	-	-	-	-	-	-
New Obligations	-	-	-	-	-	-	-	-
Total Available	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Unliquidated Obligations	-	-	-	-	-	-	-	-
<u>1956</u>								
Unliquidated Obligations	-	-	-	-	-	-	-	-
New Obligations	60.0	-	28.0	31.4	-	-	0.6	-
Total Available	60.0	-	28.0	31.4	-	-	0.6	-
Expenditures	17.7	-	12.0	5.1	-	-	0.6	-
Unliquidated Obligations	42.3	-	16.0	26.3	-	-	-	-

FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - TECHNICAL COOPERATION

~~CONFIDENTIAL~~
 Country Indonesia
 Table 11
 Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance					
		Commodities	Capital Goods	Soft Goods	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
<u>1954</u>									
Unliquidated Obligations	9.8	-	-	6.8	1.4	0.7	0.9	-	
New Obligations	3.9	-	-	1.4	0.6	0.1	1.8	-	
Total Available	13.7	-	-	8.2	2.0	0.8	2.7	-	
Expenditures	4.2	-	-	2.0	0.7	0.7	0.8	-	
Unliquidated Obligations	9.5	-	-	6.2	1.3	0.1	1.9	-	
<u>1955</u>									
Unliquidated Obligations	9.5	-	-	6.2	1.3	0.1	1.9	-	
New Obligations	3.7	-	-	1.1	1.0	1.0	0.2	0.4	
Total Available	13.2	-	-	7.3	2.3	1.1	2.1	0.4	
Expenditures	8.8	-	-	4.8	1.4	1.0	1.5	0.1	
Unliquidated Obligations	4.4	-	-	2.5	0.9	0.1	0.6	0.3	
<u>1956</u>									
Unliquidated Obligations	4.4	-	-	2.5	0.9	0.1	0.6	0.3	
New Obligations	8.0	-	-	2.3	0.9	1.5	2.9	0.4	
Total Available	12.4	-	-	4.8	1.8	1.6	3.5	0.7	
Expenditures	7.8	-	-	2.9	1.0	1.5	2.0	0.4	
Unliquidated Obligations	4.6	-	-	1.9	0.8	0.1	1.5	0.3	

FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION)
AND 9 ACTIVITIES

Country Indonesia
Table 12
Date November 1, 1954

Activity	Technical Cooperation ^{a/}		
	FY 1954	FY 1955	FY 1956
1. Agriculture and Natural Resources	57	63	52
2. Industry and Mining	24	38	47
3. Transportation	-	26	25
4. Labor	45	60	64
5. Health and Sanitation	18	4	13
6. Education	24	29	23
7. Public Administration	48	23	38
8. Community Development, Social Welfare and Housing	-	-	12
9. General and Miscellaneous	-	-	7
Total	216	243	281

^{a/} All participants are included in Technical Cooperation.

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)

AND ALL ACTIVITIES

CONFIDENTIAL

Country Indonesia
Table 13 Page 1
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
A. Funding (In thousands of dollars)				
Programs	1,174	627	1,451	1,293
Obligations	1,174	627	1,451	1,293
Expenditures ^{a/}	198	700	1,500	1,400
Unliquidated obligations end of FY	1,414	1,341	1,291	1,184
B. Numbers				
<u>1951 and 1952 Programs</u>				
In Training or in process	66	133	39	0
<u>1953 Program</u>				
Target	179	xxx	xxx	xxx
Obligated	179	xxx	xxx	xxx
Arrivals in U.S.	2	123	35	xxx
Departures from U.S.	-	56	60	-
In Training in U.S.	2	109	96	43
<u>1954 Program</u>				
Target	xxx	216	xxx	xxx
Obligated	xxx	216	xxx	xxx
Arrivals	xxx	-	216	-
Departures	xxx	-	106	110
In training	xxx	-	216	110

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)

AND ALL ACTIVITIES

~~CONFIDENTIAL~~
Country Indonesia
Table 13 Page 2
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>1955 Program</u>				
Target	xxx	xxx	243	xxx
Obligated	xxx	xxx	243	xxx
Arrivals	xxx	xxx	183	60
Departures	xxx	xxx	10	107
In training	xxx	xxx	183	106
<u>1956 Program</u>				
Target	xxx	xxx	xxx	281
Obligated	xxx	xxx	xxx	281
Arrivals	xxx	xxx	xxx	200
Departures	xxx	xxx	xxx	10
In training	xxx	xxx	xxx	190
<u>Total (1953-1956 Programs)</u>				
Arrivals	2	123	434	260
Departures	-	56	176	227
In training	2	109	495	449

a/ Including international travel, shown in other tables in "Local Cost" column.

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTION (APPROPRIATION) AND ACTIVITY

~~CONFIDENTIAL~~

Country Indonesia
Table 14 page 1
Date November 1, 1954

Activity and Personnel Category	FY 1954		FY 1955		Total	FY 1956	
	Total	Technical Cooperation	Total	Technical Cooperation		Development Assistance	Technical Cooperation
<u>1. Agriculture and Natural Resources</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	21	21	35	35	37	-	37
Man Years obligated during FY	18	18	30-1/4	30-1/4	32	-	32
Contract Technicians:							
Positions filled end of FY	-	-	1	1	13	12	1
Man Years obligated during FY	-	-	-	-	12	12	-
<u>2. Industry and Mining</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	2	2	19	19	4	-	4
Man Years obligated during FY	1	1	9-3/4	9-3/4	4	-	4
Contract Technicians:							
Positions filled end of FY	20	20	30	30	58	-	58
Man Years obligated during FY	20	20	5	5	54-1/2	-	54-1/2
<u>3. Transportation</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	-	-	-	-	2	-	2
Man Years obligated during FY	-	-	-	-	2	-	2
Contract Technicians:							
Positions filled end of FY	-	-	4	4	15	-	15
Man Years obligated during FY	4	4	-	-	9-1/2	-	9-1/2

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Indonesia
Table 14 Page 2
Date November 1, 1954

Activity and Personnel Category	FY 1954		FY 1955		FY 1956		
	Total	Technical Cooperation	Total	Technical Cooperation	Total	Development Assistance	Technical Cooperation
<u>4. Labor</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	1	1	17	17	19	-	19
Man Years obligated during FY	1	1	8-3/4	8-3/4	16	-	16
Contract Technicians:							
Positions filled end of FY	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-
<u>5. Health and Sanitation</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	10	10	4	4	16	-	16
Man Years obligated during FY	8-1/4	8-1/4	4	4	8	-	8
Contract Technicians:							
Positions filled end of FY	-	-	10	10	13	-	13
Man Years obligated during FY	20	20	-	-	-	-	-
<u>6. Education</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	2	2	13	13	6	-	6
Man Years obligated during FY	2-1/4	2-1/4	6-3/4	6-3/4	5	-	5
Contract Technicians:							
Positions filled end of FY	-	-	12	12	27	-	27
Man Years obligated during FY	16	16	-	-	65	-	65

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FAR EAST AND PACIFIC

CONFIDENTIAL

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Indonesia
Table 14 Page 3
Date November 1, 1954

Activity and Personnel Category	FY 1954		FY 1955		FY 1956		
	Total	Technical Cooperation	Total	Technical Cooperation	Total	Development Assistance	Technical Cooperation
<u>7. Public Administration</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	1	1	3	3	9	-	9
Man Years obligated during FY	1/4	1/4	1-1/2	1-1/2	9	-	9
Contract Technicians							
Positions filled end of FY	-	-	-	-	10	-	10
Man Years obligated during FY	-	-	-	-	14	-	14
<u>8. Community Development, Social Welfare and Housing</u>							
U.S. employees - U.S. Nationals:							
Positions filled end of FY	3	3	1	1	6	-	6
Man Years obligated during FY	1-1/2	1-1/2	1/2	1/2	5-1/2	-	5-1/2
Contract Technicians:							
Positions filled end of FY	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-
<u>9. General and Miscellaneous</u>							
U.S. Employees - U.S. Nationals:							
Positions filled end of FY	4	4	2	2	4	-	4
Man Years obligated during FY	3-1/4	3-1/4	1	1	4	-	4
Contract Technicians:							
Positions filled end of FY	3	3	5	5	23	15	8
Man Years obligated during FY	3	3	4	4	23	15	8

FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Indonesia
Table 14 Page 4
Date November 1, 1954

<u>Activity and Personnel Category</u>	<u>FY 1954</u>		<u>FY 1955</u>		<u>FY 1956</u>		
	<u>Total</u>	<u>Technical Cooperation</u>	<u>Total</u>	<u>Technical Cooperation</u>	<u>Total</u>	<u>Development Assistance</u>	<u>Technical Cooperation</u>
<u>Total</u>							
Positions filled end of FY	67	67	156	156	262	27	235
Man Years obligated during FY	98-1/2	98-1/2	71-1/2	71-1/2	263-1/2	27	236-1/2

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - SUMMARY OF FIELD PROGRAM PERSONNEL
FOR ALL FUNCTIONS (APPROPRIATIONS) AND ACTIVITIES ^{a/}

~~CONFIDENTIAL~~
Country Indonesia
Table 15
Date November 1, 1954

	Actual		Estimate	
	FY 1953	FY 1954	FY 1955 ^{a/}	FY 1956
<u>A. Funding (Obligations)</u> (In thousands of dollars)				
U.S. Employees:				
Programs	1,524	1,837	1,143	4,996
U.S. Technicians:				
Full time	520	93	968	1,535
Temporary and Part time	-	-	-	-
Contract technicians (Incl. incidental costs)	1,004	1,744	175	3,461
Total obligations	1,524	1,837	1,143	4,996
<u>B. Numbers</u>				
U.S. Employees:				
Total Target	n.a.	67	156	262
U.S. Technicians:				
Full time				
Positions filled end of FY	-	44	94	103
Man Years (obligations)	-	35 1/2	62 1/2	85 1/2
Temporary and Part time:				
Positions filled end of FY	-	-	-	-
Man Years (obligations)	-	-	-	-
Contract technicians:				
Positions contracted for during FY (disregarding length of stay)	-	-	87	100
Positions filled, end of FY	-	23	62	159
Man Years (obligations)	-	63	9	178
Totals:				
Positions filled end of FY	-	67	156	262
Man Years (obligations)	-	98 1/2	71 1/2	263 1/2

a/ Excludes pending supplemental requests totalling \$3.3 million.

FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYs 1955/1956

~~CONFIDENTIAL~~

Country Indonesia
 Table 16 Page 1
 Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
10	<u>Agriculture and Natural Resources</u>								
13	<u>Crop and Livestock Development</u>	Undetermined	FY 1956						180
	This contract will provide technical assistance in extension phases of the growing, processing and marketing of smallholders' rubber.								
20	<u>Industry and Mining</u>								
23	<u>Manufacturing and Processing</u>	Platt Bros., England	Feb 1955					65	
	This contract, under consideration, will provide the Republic of Indonesia with technical assistance in developing a training program for skilled operators for spinning mills. At this time all spin cotton has to be imported. A new spinning mill is being constructed, to be ready about January 1, 1955, for which there will be few operators. With the purchase of the equipment one factory technician would be needed for installation and training of personnel of Textile Institute so that the training of operators can be started. This contract was originally planned in Indonesia. Current status: The contract would be entered into as soon as the authority was issued and remain in force for eighteen months unless terminated or extended. Expenditures for the contract are estimated to total \$65,000 during the term of the contract, \$50,000 for equipment and \$15,000 for salary.								
25	<u>Engineering and Construction</u>	J. G. White Company	Jan 13, 1951	700	250	930	900	-	700
	This contract was established to assist the Republic of Indonesia to have a sound and balanced national economy and to expand the productive output, reconstruction, expansion and improvement of existing facilities, of promoting technical and commercial and managerial skills of the people. The contractor's staff will consist of a Project Manager and assistant, thirty-five technical assistants and office staff and others that may be requested during the life of the contract. This contract was originally developed in Washington. Current status: The contract was originally entered into January 13, 1951, and remained in force for a period of two years with extensions which will carry the contract into FY 1956. Contractor's staff are here; however, there will be recruitment for specialists in certain fields.								

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

NARRATIVE REPORT ON CONTRACTS

Country Indonesia
Table 16 Page 2
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYs 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
20	<u>Industry and Mining (continued)</u>								
28	<u>Industrial Training</u>	<u>Undetermined</u>	<u>FY 1956</u>						<u>100</u>
	<p>The contract under consideration will provide the Republic of Indonesia with technical assistance in the development of Engineering and Management in Indonesia. The project is to organize with the help of U.S. technicians such an institution which will serve government, private enterprise and banking institutions. The contractor's staff will consist of three technicians for two man years who will be experienced in specified fields. Current status: The contract will be entered into during FY 1956 for a period of two years and will remain in force unless terminated at an earlier date. None of the staff are presently in Indonesia. Expenditures are estimated to total \$150,000 and will include funds for 4 participants.</p>								
28	<u>Industrial Training</u>	<u>Undetermined</u>	<u>FY 1956</u>						<u>225</u>
	<p>This contract will provide technical training and managerial development programs for the Department of Industry's research and industrial extension programs.</p>								
30	<u>Transportation</u>								
37	<u>Air Transport</u>	<u>Undetermined</u>	<u>Dec 1954</u>				<u>60</u>		<u>60</u>
	<p>The contract under consideration will be established to provide the Republic of Indonesia with technical assistance in developing aircraft and engine mechanics which are almost non-existent. The contract will provide for a company to furnish technicians in four fields to cover aircraft, engines, ground and maintenance of the Government-owned airline. The contractor's staff will consist of one senior technical instructor who will also act as Chief Advisor and three technicians with training in different fields. The contract was originally developed in Washington. Current status: The contract will be entered into by January 1, 1955, for an estimated period of three years. None of the contractor's staff members are currently in Indonesia; all would be expected to arrive by April 1955. \$60,000 for four technicians was obligated in FY 1954; \$18,000 for training equipment was obligated in FY 1954 in support of the contract. A further \$18,000 for equipment is programmed in the FY 1955 program in support of the contract and \$60,000 is included under the FY 1956 program for an extension of the contract.</p>								

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

NARRATIVE REPORT ON CONTRACTS

Country Indonesia
Table 16 Page 3
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956

50 Health and Sanitation

54	<u>Health Training and Education</u>	<u>University of California</u>	<u>July 1, 1954</u>		<u>123</u>		<u>330</u>		
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The contract was established to provide the Republic of Indonesia with technical advice and assistance which will provide skilled personnel for teaching and training in the Medical Department at the University. This contract provides for the University of California to give technical advice and assistance in improving and accelerating the teaching program including direction of research, clinical and other related activities. The contractor's staff will consist of a Chairman and four specialists but not to exceed ten technicians and three office staff. The contract was originally developed in Washington. Current status: The contract was entered into July 1, 1954, and will remain in force for a period of three years until June 30, 1957, unless terminated or extended. Two members of the staff are currently in Indonesia.

60 Education

61	<u>Technical Education</u>	<u>Tuskegee Institute</u>	<u>July 22, 1954</u>				<u>450</u>		<u>450</u>
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The contract was established to provide the Republic of Indonesia with technical assistance in the development of a system of practical, technical and vocational education which will provide skilled and supervisory personnel for the industrial development of Indonesia. The contract provides for Tuskegee Institute to make available advice, consultation, supervision and procurement services. The contractor's staff will consist of a Chief Advisor and 11 technical specialists and teacher trainers with experience in specified fields. The contract was originally developed in Washington. Current status: The contract was entered into July 22, 1954, and will remain in force for a period of three years, until July 21, 1957, unless terminated at an earlier date. None of the contractor's staff members are currently in Indonesia; all are scheduled to arrive before December 31, 1954. Expenditures under the contract are estimated to total \$265,224 during its first year of operation; \$177,969 during the second year; and \$349,398 during the third year. In addition to salaries and expenses of the contractor's staff, the contract permits the expenditure of up to \$50,000 for training aids and payments of \$45,225 for contractor's overhead (15% of base salaries). The contract will be expanded in FY 1956 to cover the cost of 15 participants estimated at a total of \$100,000.

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

NARRATIVE REPORT ON CONTRACTS

Country Indonesia
Table 16 Page 4
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual				Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
60	<u>Education (continued)</u>								
61	<u>Technical Education</u>	University of California	January 1955						250
	<p>The contract under consideration is for the development of a Technical Faculty at Gadjah Mada University at Djogjakarta. UCLA would furnish the technical staff for the development of the program. The contract was originally developed in Indonesia. Current status: At the present time it is contemplated that a technician from UCLA would spend a year at Gadjah Mada to teach and make a survey and determine the details of the final contract. The final contemplated contract would be for a period of three years with possible extensions or modifications. There are no members of the contemplated staff presently in Indonesia. It is expected that the contract will provide for a possible technical staff of ten for six man years and allow for five participants.</p>								
61	<u>Technical Education</u>	Undetermined	FY 1956						75
	<p>This contract will provide for a school-to-school relationship to increase the effectiveness of the Djogjakarta Technical School.</p>								
66	<u>Professional and Higher Education</u>	Undetermined	FY 1956						200
	<p>The contract under consideration will provide the University of Indonesia with technical assistance in the development of an Economic Faculty. The contract will provide for an American University, possibly the University of Minnesota, to make available advice, consultation, supervision with technical assistance in the field of Economics. The contract will originally be developed in Indonesia. Current status: The contract will be entered into in FY 1956 and will remain in force for a period of two years unless terminated at an earlier date. The technical staff would consist of five technicians for four man years and allow for three participants. The estimated expenditures are a total of \$200,000. There are now 200 students enrolled in the Economic Faculty of the University of Indonesia, but the faculty is understaffed, and with few exceptions, not of the highest quality. Indonesian authorities also expressed the desire to shift to the Anglo-Saxon type education in this field from the presently dominating Continental European type.</p>								

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country Indonesia
 Table 16 Page 5
 Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)				
				Actual			Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955

70 Public Administration

76 General Services Undetermined FY 1956 150

The contract under consideration will provide technical assistance in developing a school of intermediate-level Office Management and Commercial studies at intermediate school level. The contract would provide for some reputed American Business School to furnish technicians in specified fields. The staff would consist of three technicians for two man years. Current status: The contract will be entered into in FY 1956 and will remain in force for two years unless terminated at an earlier date. The estimated expenditures under the contract are for a total of \$150,000, which will cover three technicians and eight participants.

77 Organization and Administration of Institutes or Bureaus of Public Administration Cornell University FY 1956 200

This proposed contract would provide for the implementation of that portion of the plan relating to the setting up of a Public Administration School where U.S. Government assistance would be appropriate. Other contributors in this multi-laterally sponsored project are the Ford Foundation, Colombo Plan Organization, United Nations, and Government of Indonesia. The FOA-financed portion would include: Establishment of a Library, on-the-job training of four librarians, salary and expenses of two professors of the foreign faculty, salary and expenses of three technicians for in-service training of present administrators, two technicians for Personnel Survey, and 30 participants. Current status: This contract will be entered into in FY 1956 for a period of three years unless terminated at an earlier date. The total cost of the contract is estimated to amount to \$500,000, of which \$200,000 to cover seven technicians, thirty participants, and \$20,000 for technical equipment is requested for FY 1956.

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country Indonesia
Table 16 Page 6
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual				Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
90	<u>General and Miscellaneous</u>								
92	Information (Mass Communications, etc.)	L. deRochemont Corp.	May 1, 1953		240			95	150
<p>This contract was established to provide the Republic of Indonesia with technical assistance in the development of Educational and Documentary films. The contract provides for Louis deRochemont Corporation to advise on directing and producing such films. The staff consisted of a Project Manager and 4 technical specialists. The contract was originally developed in Washington. Current status: The contract was entered into May 1, 1953, and will remain in force for a period of 17 months with extensions agreed upon. Three of the staff are now in Indonesia, two having completed their work and returned to the States. Expenditures for salaries and supplemental equipment, extension under negotiation, will be \$178,000, requiring about \$95,000 new funds in FY 1955, and \$150,000 for FY 1956.</p>									
92	Information (Mass Communications, etc.)	Undetermined	FY 1956						150
<p>The proposed contract would provide the Radio Republik Indonesia with technical assistance in the installation and operation of radio equipment furnished the Indonesian Government during the last two years. The contract would provide for an American firm to advise, consult and supervise the radio installation now being constructed. The staff would consist of two radio engineers in FY 1955 and four technicians in specified fields in FY 1956. Current status: This contract would be entered into in FY 1955 for a period of two years unless terminated at an earlier date. The estimated expenditures for this project are \$15,000 in FY 1955 earmarked by FOA/W from deobligations of previous years, and \$150,000 in FY 1956.</p>									
99	All Other	Undetermined	FY 1956						400
<p>This contract would furnish the Republic of Indonesia with the technical assistance to get a complete aerial map of the country. The map is a very necessary adjunct to the future industrial planning of the Government. The contractor's staff would consist of a Chief Advisor and fourteen technicians for a period of one year. This is a new contract originally developed in Indonesia. Current status: The contract would be entered into for a period of one year with the contractor furnishing the necessary equipment and personnel to take the necessary photographs and other data. The estimated cost of the contract is \$400,000.</p>									

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country Indonesia
Table 17 Page 1
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
A. <u>Deposit Accruals:</u>			
<u>Commensurate basis</u>	-	-	-
Balance of accruals carried forward	51,618 <u>b/</u>	53,350	55,440
U. S. aid furnished	1,775	2,395	-
Total	53,393	55,745	55,440
Less: Deposit waived	43	305	-
<u>Total Deposit Accruals</u>	<u>53,350</u>	<u>55,440</u>	<u>55,440</u>
B. <u>Deposit Account Transactions:</u>			
Balance carried forward	51,618 <u>b/</u>	52,266	53,166
Actual deposits against above requirements: <u>a/</u> Commensurate basis	648 <u>c/</u>	900	-
Total	52,266	53,166	53,166
Less transfers for U. S. use	-	-	-
<u>Balance available for withdrawals</u>	<u>52,266</u>	<u>53,166</u>	<u>53,166</u>

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country Indonesia
Table 17 Page 2
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
C. <u>Expenditures (actual withdrawals):</u>			
By 9 activities:			
1. Agriculture and Natural Resources	-	-	-
2. Industry and Mining	-	-	-
3. Transportation	-	-	-
4. Labor	-	-	-
5. Health and Sanitation	-	-	-
6. Education	-	-	-
7. Public Administration	-	-	-
8. Community Development, Social Welfare and Housing	-	-	-
9. General and Miscellaneous	-	33 f/	-
Other: Direct	-	2,012 e/	1,750 g/
<u>Total Expenditures</u>	- d/	2,045	1,750
D. <u>Disbursements by Cooperating Government</u>			
By 9 activities:			
1. Agriculture and Natural Resources	-	-	-
2. Industry and Mining	-	-	-
3. Transportation	-	-	-
4. Labor	-	-	-
5. Health and Sanitation	-	-	-
6. Education	-	-	-
7. Public Administration	-	-	-
8. Community Development, Social Welfare and Housing	-	-	-
9. General and Miscellaneous	-	-	-
Other	- d/	1,575	1,750
<u>Total Expenditures</u>	-	1,575	1,750

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country Indonesia
Table 17 Page 3
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
a/ Exchange rate used was Rupiah 11.4 to the dollar.			
b/ Figure arrived at by taking June 30, 1954, balance as shown on status of counterpart cash statement submitted by U.S. Disbursing Officer and adding and subtracting known transactions during FY 1954. Of this total \$43,295,000 was accumulated under the Tri-lateral (U.S.-Dutch-Indonesian) Agreement.			
c/ All deposits for counterpart during FY 1954 were deposited in the bi-lateral account #2 which is handled by the U. S. Disbursing Officer.			
d/ There were no withdrawals from the counterpart funds during FY 1954, therefore no disbursement by the Cooperating Government.			
e/ By the terms of an agreement with the Indonesian Government, USOM will be supported during FY 1955 in an amount of Rp. 23 million, 10 million for Administrative support and 13 million for Housing. From counterpart account number 1 (Rp. 496,307,204) USOM had agreed to earmark Rp. 72.8 million as of January 1, 1954, and only Rp. 1,439 thousand has been withdrawn. Negotiations will be undertaken to clarify the status of this account as well as to determine the ultimate use of counterpart account number 2.			
f/ The sum of Rp. 385,000 has been set up in August, 1954, in a Special Account to cover the cost of travel for TA's within the confines of the Republic of Indonesia.			
g/ The sum of Rp. 20 million is estimated as the amount to be budgeted for Administration and Housing during FY 1956.			

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FAR EAST AND PACIFIC

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STATUS OF SECTIONS 550 AND 402 FUNDS

Country Indonesia
Table 18
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
A. <u>Dollar Program a/</u>			
Total Surplus Agricultural Commodities Furnished under Sections 550 and 402	-	-	28,000 a/ b/
Less: Sales Proceeds to be Programmed for OSP	-	-	-
Balance available for non-military program	-	-	28,000
B. <u>Deposits of Local Currency b/</u>			
Balance carried forward	-	-	-
Actual deposits during year	-	-	19,000
Total available for expenditures	-	-	7,000
Total available for obligation	-	-	12,000
C. <u>Obligations in Local Currency</u>			
Development Assistance	-	-	12,000 c/
Technical Cooperation	-	-	-
Total	-	-	12,000
D. <u>Expenditures in Local Currency</u>			
Development Assistance	-	-	7,000 c/
Total	-	-	7,000

a/ \$1.00 = Rp. 11.40

b/ \$14,000,000 Agricultural Surpluses plus \$14,000,000 processing and transportation charges.

c/ Smallholder rubber, land development and irrigation, forestry, shipbuilding, highway construction, civil aviation.

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FAR EAST AND PACIFIC

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GENERAL CENTRAL GOVERNMENT FINANCE

Country Indonesia
Table 19 Page 1
Date November 1, 1954

Exchange Rate Used: Rupiahs 11.4 = US \$1.00

(Millions of dollar equivalents)

	FY 1953 ^{a/}	FY 1954 ^{a/}	FY 1955 ^{a/}	FY 1956 ^{a/}
<u>Revenue:</u> ^{b/}	^{c/}	^{d/}	^{e/}	^{e/}
Income taxes	171.2	126.3	130.0	135.0
Other taxes	398.0	369.8	370.0	375.0
Profits on Government enterprises	42.5	43.0	44.0	45.0
Special account (FOA counterpart)	-	^{f/}	10.0	18.0
Other foreign grants	13.2	30.7	-	-
Other revenues	576.8	430.2	465.0	465.0
TOTAL REVENUE	1202.6	1000.0	1019.0	1038.0
<u>Expenditures:</u>				
National defense	339.9	300.0	307.0	307.0
Other	1127 ^{c/}	963.2	970.0	970.0
TOTAL EXPENDITURES	1469.9^{c/}	1263.2	1277.0	1277.0
<u>Deficit</u>	264.3	263.2	258.0	239.0

^{a/} Indonesian budget year ending in the calendar year indicated.

^{b/} Excludes receipts from borrowings and payment for debt redemption.

^{c/} Adjusted from preliminary reports of actual 1953 operations.

^{d/} From budget estimates, with some allowance for underestimate of revenue and expenditures.

^{e/} Wholly inadequate data are available for arriving at estimates for 1955 and 1956 and, as a matter of fact, the financial notes of the Finance Ministry to Parliament purportedly clarifying the 1954 budget will not be officially available until released by the Parliament.

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FAR EAST AND PACIFIC

GENERAL CENTRAL GOVERNMENT FINANCE

CONFIDENTIAL

Country Indonesia
Table 19 Page 2
Date November 1, 1954

Exchange Rate Used: Rupiahs 11.4 = US \$1.00

(Millions of dollar equivalents)

Footnotes

f/ An item of Rp. 500,000,000 was included in the Indonesian supplemental budget estimates for 1954 under the designation "counterpart". There are two counterpart accounts in Indonesia. Counterpart No.1 amounts to approximately Rp. 494,868,240. This account arose under the Trilateral Agreement between the U.S., Netherlands and Indonesia. The background of this account may be summarized as follows:

The Indonesian Government presented a "suggested" program to USOM in August, 1951; the proposals were reviewed by the NAC and an "illustrative" program was approved on April 7, 1952. Procedural arrangements providing for USOM-Indonesian earmarking and release of funds, for reporting, project checking, etc. were agreed upon. An agreement also was made providing for eligibility for reimbursement of project expenditures made by the Indonesian Government subject to USOM concurrence and also subject to the procedural arrangements. As of January 1, 1954, about Rp. 73 million were approved for earmarking, Rp. 42 million for release, and Rp. 1,439,000 had been released. The accounts of the Bank Indonesia continued to carry the remainder of the account in the amount of Rp. 494,868,240.80. In its analysis of the Indonesian Budget for 1954, USOM has not included this amount as a revenue, believing this to be a subject for USOM-Indonesian discussions, but it should be noted that the Indonesian budget does include this item as a revenue. Account No. 2, in the amount of about Rp. 128 million arose under the Bilateral Agreement and is available for administrative and TA support in accordance with the terms of the Bilateral Agreement. Actually supporting funds have, in the past, come directly from the Indonesian budget although agreement has been reached to use counterpart funds in the future. For the purpose of this table, it has been assumed that as a part of a general agreement on counterpart between USOM and the Government of Indonesia, counterpart fund deposits will be required only on "saleables".

CONFIDENTIAL

FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

~~CONFIDENTIAL~~

Country Indonesia
 Table 20 Page 1
 Date November 1, 1954

Exchange Rate Used: Rupiahs 11.4 = US \$1.00

(Millions of dollars equivalent)

	CY 1953	CY 1954	CY 1955	CY 1956
A. Goods and Services	a/	-	b/	b/
Exports	856.6	789.4 ^{b/}	807.0 ^{b/}	829.6 ^{b/}
Imports	770.0	692.9 ^{b/}	710.5 ^{b/}	749.3 ^{b/}
Trade Balance	86.6	96.5	96.5	80.3
Non-monetary gold movement (net)	1.7	1.7	1.7	1.7
Foreign travel	-10.4			
Transportation and insurance	-26.1			
Investment income	-54.5			
Government n.i.e.	-33.9			
Miscellaneous	-44.5			
Oil Companies	-55.1			
Total Services	-222.8	-207.8 ^{c/}	-207.8	-207.8
Total Goods and Services	-136.2	-109.6 ^{d/}	-109.6	-125.8
B. Private Financing				
Remittances	-.1	-.4		
Direct Investment	1.6			
Other		3.0 ^{e/}		
Total Private Financing	1.5	2.6	3.5	6.0
C. Net Errors and Omissions	16.9	7.6	-	-
D. Surplus (✓) or Deficit (-) A through C	-117.8	-99.4	-106.1	-119.8

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

BALANCE OF PAYMENTS

Country Indonesia
 Table 20 Page 2
 Date November 1, 1954

Exchange Rate Used: Rupiahs 11.4 = US \$1.00

(Millions of dollars equivalent)

	CY 1953	CY 1954	CY 1955	CY 1956
E. Official Financing				
1. Donations				
Grants from U.S.	3.0	3.1	9.1 ^{f/}	25.1 ^{f/}
Other	.2	.3	.4	1.0
Total Donations	3.2	3.4	9.5	26.1
2. Long-Term Capital				
Loan repayments	-20.3	-19.9 ^{g/}	-20.2 ^{h/}	-20.2 ^{h/}
Loans from U.S.	13.2 ^{i/}	30.7 ^{i/}	38.5 ^{j/}	74.4
Loans from IBRD - IMF	-	15.0 ^{k/}	-	17.0
Other	-	17.6 ^{l/}	26.3 ^{m/}	31.3 ^{m/}
Total Long-Term Capital	-7.1	43.4	44.6	102.5
3. Short-Term Capital				
Change in reserves (increase -)	26.2	-5.9	52.0	-8.8
Monetary gold (increase -)	95.5	58.5	-	-
Other	-	-	-	-
Total Short-Term Capital	121.7	52.6 ^{n/}	52.0	-8.8
Total Official Financing (1/2/3)	117.8	99.4	106.1	119.8
Memorandum on Reserves				
Status, end of period:				
Gold	195.3	142.7	90.7	99.5
Net foreign exchange	148.1	89.6		
	47.2	53.1		

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FAR EAST AND PACIFIC

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BALANCE OF PAYMENTS

Country Indonesia
Table 20 Page 3
Date November 1, 1954

Exchange Rate Used: Rupiahs 11.4 = US \$1.00

Footnotes

- a/ Source: For 1953, Bank Indonesia Report 1953-1954, Page 80.
- b/ Estimated from meager available data. The Finance Ministry Financial notes to the Parliament on the supplemental 1954 budget will not be available until released by the Parliament. Projections for 1955 and 1956 assume moderate increases in exports, somewhat greater increases of importation of capital goods.
- c/ Decreases in invisible account in an amount of Rp 190 million should occur primarily from decreases in interest payments, insurance and foreign travel. A transfer tax of 66 2/3% on investment income will probably encourage reinvestment in Indonesia rather than transfers out of the country.
- d/ A trade balance somewhat more favorable in 1954 than in 1953 is expected, despite an unfavorable start, due primarily to import restrictions resulting from shortage of foreign exchange.
- e/ Source: Ministry of Finance, based on 7 months of 1954. Estimates for 1954, 1955 and 1956 may be conservative but seem warranted by the Bank Indonesia report for 1952 and 1953.
- f/ Calculated on the basis of program submission.
- g/ Rp 341 million was due in 1954 but, of this amount, Rp 114 million is due Japan, and it is unlikely this portion will be paid in 1954. Indonesia evidently feels that this should be a claim against reparations.
- h/ Estimate based on past years.
- i/ Exim Bank loans under \$100,000,000 loan-credit agreement.
- j/ Of the \$38.5 million estimated for 1955, \$25.5 million is Exim Bank Loans, and \$13 million is contingent on approval of this program and assumes a further Exim Bank loan of \$25.5 million.
- k/ The item of \$15 million represents a credit extended for the purchase of US \$15 million after payment for membership in the IBRD and IMF. No advances are estimated for 1955, until after a Mission study of Indonesia. An assumption is made of a \$17 million loan in 1956.
- l/ Represents a rough estimate deferred transactions payments to Holland and Japan in an indeterminable amount. Source: National Planning Bureau.
- m/ This assumes that there will be an inflow of capital goods from France, West Germany, and Holland, as a result of credits extended by manufacturers and exporters of capital goods with government guarantees. Negotiations at some stage for such credits from France in an amount of Rp 400,000,000; W. Germany, Rp 100,000,000 or more and Holland Rp 75,000,000 or more, and there are recent indications that some kind of agreement might be negotiated with Italy.
- n/ The Indonesian target maximum deficit is Rp 600,000,000 for 1954, or \$52.6 million. In view of large deficit at beginning of year, severe restrictions on imports have been put into effect.

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FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

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Country Indonesia
Table 20 Page 4
Date November 1, 1954

Basic Assumptions for Forecasting Budget and Balance of Payments

1. A continuation in office through the first part of 1955 of the present Cabinet, election uncertainties, and a 3 to 6 months "hiatus" period for a succeeding Cabinet.
2. An increase in capital in-flow including U.S. aid beginning about mid-year 1955.
3. No change in the official exchange rate - Rupiahs 11.4 = US \$1.00.
4. No major tax reform.
5. No major evolution in budget controls, but some improvement in 1955, primarily allowing capital expenditures to occupy a larger proportion of the budget without an overall increase.
6. No run-away price inflation in Indonesia; a fairly stable price level.
7. A Gross National Product for 1955 approximately equivalent to that for 1952, resulting in a slight decrease in per capita income.
8. More effective import restrictions, but sporadically applied, stemming from non-availability of foreign exchange, in the latter months of 1954, and continuing into 1955.
9. No major change in private foreign investment climate until after elections.
10. No major change in the world political and economic conditions.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Indonesia
Table 22 Page 1
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954	FY 1955		FY 1956		
		Total ^{a/}	Total	Technical Cooperation	Total	Development Assistance ^{b/}	Technical Cooperation
10	<u>Agriculture and Natural Resources</u>	<u>97</u>	<u>1,245</u>	<u>1,245</u>	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>
11	Research, Agricultural Education and Extension	(20)	195	195	213	-	213
12	Land and Water Resources	230	562	562	1,029	500	529
13	Crop and Livestock Development	(120)	189	189	1,110	800	310
14	Agricultural Economics, Farm Organization and Agricultural Credit	6	19	19	46	-	46
15	Agricultural Marketing and Processing	-	-	-	-	-	-
16	Home Economics and Rural Youth	-	-	-	-	-	-
17	Forestry	(2)	-	-	200	200	-
18	Fisheries	3	242	242	357	-	357
19	All Other	-	38	38	45	-	45
20	<u>Industry and Mining</u>	<u>1,337</u>	<u>815</u>	<u>815</u>	<u>19,200</u>	<u>17,400</u>	<u>1,800</u>
21	Mining and Minerals	-	15	15	1,643	1,500	143
22	Power and Communications	69	14	14	29	-	29
23	Manufacturing and Processing	24	65	65	12,900	12,900	-
24	Service Industries	-	24	24	-	-	-
25	Engineering and Construction	900	-	-	700	-	700
26	Marketing and Distribution	-	-	-	-	-	-
27	Industrial Management	-	54	54	82	-	82
28	Industrial Training	344	587	587	786	-	786
29	All Other	-	56	56	3,060	3,000	60
30	<u>Transportation</u>	<u>78</u>	<u>210</u>	<u>210</u>	<u>11,000</u>	<u>10,100</u>	<u>900</u>
31	Highways	-	14	14	416	250	166
32	Urban Transit and Traffic Engineering	-	-	-	-	-	-
33	Railways	-	24	24	2,500	2,500	-
34	Port Facilities and Harbor Improvement	-	10	10	28	-	28
35	Inland Waterways	-	-	-	2,900	2,900	-
36	Ship Operations	-	41	41	188	-	188

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Indonesia
 Table 22 Page 2
 Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954	FY 1955		FY 1956		
		Total ^{a/}	Total	Technical Cooperation	Total	Development Assistance ^{b/}	Technical Cooperation
30	Transportation (Cont'd)						
37	Air Transport	78	121	121	4,968	4,450	518
39	All Other	-	-	-	-	-	-
40	Labor	(69)	500	500	700	-	700
41	Labor and Trade Union Leadership	-	-	-	-	-	-
42	Apprenticeship and In-Service Training for Workers	20	312	312	336	-	336
43	Labor Productivity	(70)	142	142	152	-	152
44	Labor Management Relations	-	-	-	-	-	-
45	Labor and Social Legislation and Enforcement	-	-	-	-	-	-
46	Manpower Utilization and Service	4	24	24	24	-	24
47	Industrial Safety-Hygiene	-	-	-	158	-	158
48	Workers' Housing	(23)	-	-	-	-	-
49	All Other	-	22	22	30	-	30
50	Health and Sanitation	366	105	105	2,900	2,600 ^{c/}	300
51	Control of Specific Diseases	377	-	-	2,700	2,600 ^{c/}	100
52	Environmental Sanitation	(553)	-	-	-	-	-
53	Health Facilities - Operation of an Advisory Services to	-	-	-	-	-	-
54	Health Training and Education	542	60	60	155	-	155
55	Health Facilities Construction, Remodeling, Equipment	-	-	-	-	-	-
59	All Other	-	45	45	45	-	45

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Indonesia
Table 22 Page 3
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954	FY 1955		FY 1956		
		Total ^{a/}	Total	Technical Cooperation	Total	Development Assistance ^{b/}	Technical Cooperation
60	<u>Education</u>	<u>476</u>	<u>430</u>	<u>430</u>	<u>1,200</u>	-	<u>1,200</u>
61	Technical Education	513	363	363	925	-	925
62	Vocational Agriculture Education	-	-	-	-	-	-
63	Home Economics Education	-	-	-	-	-	-
64	Elementary Education	-	-	-	-	-	-
65	Secondary Education	-	-	-	-	-	-
66	Professional and Higher Education	-	-	-	200	-	200
67	Fundamental Adult and Community Education	-	-	-	-	-	-
68	Educational Administration	-	15	15	-	-	-
69	All Other	(37)	52	52	75	-	75
70	<u>Public Administration</u>	<u>1,172</u>	<u>195</u>	<u>195</u>	<u>800</u>	-	<u>800</u>
71	Organization and Management of Particular Ministries or Programs	1,152	29	29	405	-	405
72	Government-Wide Organization and Management	10	67	67	-	-	-
73	Public Personnel Administration	-	-	-	-	-	-
74	Budget Administration	-	-	-	-	-	-
75	Public Finance	-	16	16	-	-	-
76	General Services	-	-	-	150	-	150
77	Organization and Administration of Institutes or Bureaus of Public Administration	10	60	60	200	-	200
78	Statistics - General and Census	-	-	-	-	-	-
79	All Other	-	23	23	45	-	45

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Indonesia
Table 22 Page 4
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954	FY 1955		FY 1956		
		Total ^{a/}	Total	Technical Cooperation	Total	Development Assistance ^{b/}	Technical Cooperation
80	<u>Community Development, Social Welfare and Housing</u>	-	60	60	400	-	400
81	Community Development	-	-	-	-	-	-
82	Social Welfare	-	-	-	-	-	-
83	Housing	-	60	60	400	-	400
84	Aided Self-Help Housing	-	-	-	-	-	-
85	Supporting Projects, Housing	-	-	-	-	-	-
86	Emergency Housing	-	-	-	-	-	-
89	All Other	-	-	-	-	-	-
90	<u>General and Miscellaneous</u>	412	140	140	800	400 ^{c/}	400
91	Trade and Investment	-	-	-	-	-	-
92	Information (Mass Communications, etc.)	-	120	120	370	-	370
99	All Other	412	20	20	430	400 ^{c/}	30
	Total	3,869 ^{d/}	3,700 ^{d/e/}	3,700 ^{d/e/}	40,000	32,000 ^{f/}	8,000

() Not deobligations during FY 1954 applicable to prior fiscal years' obligations.

^{a/} Technical Cooperation only.

^{b/} On loan basis, except as footnoted.

^{c/} On grant basis.

^{d/} Excludes regional and interregional costs (including domestic program expenses) of \$0.131 million in FY 1954 and \$0.3 million in FY 1955.

^{e/} Excludes pending supplemental requests as follows:
 Development Assistance \$1.4 million
 Technical Cooperation 1.9 "
 Total \$3.3 million

^{f/} \$29.0 million on loan basis and \$3.0 on grant basis.

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FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

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JAPAN

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND THE PACIFICCountry: JAPANGeneral Narrative StatementCurrent Aid Requirements

Assistance to Japan under the Mutual Security Program to date has been confined to MDA and Section 550 commodities. In current discussions (November 1954), the Japanese Government has requested defense-support-type and technical (productivity) assistance. The United States Government has advised the Japanese that it is prepared to finance the dollar costs of technical assistance for the operation of a productivity center, but does not consider that the Japanese financial position justifies further dollar grants at this time. It is presently contemplated that in FY 1955 an amount not exceeding \$500,000 from Section 121 funds will be made available for the productivity project and that foreseeable requirements of Japan for economic programs can most appropriately be met under a P.L. 480 program of about \$100 million. Agreements on both the productivity and P.L. 480 programs are in the process of being negotiated.

Japan's precarious international payments position is the most immediate problem facing that country. Extraordinary earnings of dollars arising from the presence of large numbers of troops in Japan and from special U.S. procurement have bolstered Japan's external financial position since the Korean War, and have tended to postpone Japanese action to correct what is probably a fundamental payments disequilibrium. In 1953, Japan received some \$300 million in receipts from these sources, compared with an estimated \$600 million in 1954. The likelihood is that such special earnings will decline further as troop withdrawals continue and as receipts from MDAP/OSP diminish. Unless Japan soon finds ways to increase substantially its export earnings, it will face the choice of exhausting its remaining exchange reserves or severely restricting imports and other payments, with attendant political disturbance.

The program now being considered under P.L. 480 is designed to help attack the problem of expanding Japan's trade while the country is still enjoying fairly large receipts from special sources. Part of the yen currency accruing to the U.S. Government from the sale of grains, cotton, and certain other surplus products would be loaned to help finance programs to raise the competitive capabilities of Japanese industry and to expand Japan's trade, particularly with the countries of Free Asia.

Prospects for FY 1956

There is a definite possibility that the Japanese financial position will require serious U.S. Government consideration of substantial dollar assistance under the Mutual Security Program in FY 1956. Special earnings are expected to decline by roughly \$100 million in Calendar 1955 (to a level of between \$450-\$500 million), and little change is expected in the level of Japanese imports at a value of slightly more than \$2 billion annually. With gold, dollar, and sterling reserves at less than \$850 million as of the end of August 1954, Japanese ability to increase exports beyond the present level of \$1.4 billion annually becomes of crucial importance to the protection of these reserves. In view of the uncertainty that Japan will be able to increase export earnings sufficiently in 1956 to offset the expected further decline in U.S. special expenditures, adequate flexibility should be preserved in the FY 1956 Mutual Security Program so that assistance can be provided as required.

To the extent that developments indicate a requirement for extraordinary economic assistance, it is intended to provide for this contingency under a reserve fund to be requested for the FY 1956 Mutual Security Program. This amount would supplement P.L. 480 programs in FY 1956, which will be considerably smaller than

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FAR EAST AND THE PACIFIC

Country: JAPAN

General Narrative Statement (continued)

the FY 1955 programs unless the legislative limitation of \$700 million over three years for all countries is expanded. Consideration would be given to extending part or all of any

dollar assistance on a loan basis repayable on terms similar to those now authorized under P.L. 665, Section 505. Assistance for the Japanese productivity program would continue in FY 1956.

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FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

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KOREA

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND PACIFIC

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SUMMARY OF OBLIGATIONS BY FUNCTION (APPROPRIATION)

Country Korea

Date November 1, 1954

(In thousands of dollars)

	FY 1954 Actual	FY 1955 Estimated	FY 1956 Estimated
<u>Military Assistance</u> ^{a/} <u>b/</u>	245,000 <u>c/</u>	240,000* <u>c/</u>	220,000 <u>c/</u>
<u>Direct Forces Support</u> <u>b/</u>	90,000 <u>c/</u>	180,000 <u>c/</u>	180,000 <u>c/</u>
<u>Defense Support</u>			
Bilateral Program - FOA and CRIK Components	265,300	219,700	300,000
U.S. Contributions to United Nations Korean Reconstruction Agency <u>d/</u>	23,200	19,000	-
Korea Emergency Food Relief <u>e/</u>	9,000	-	-
Total Obligations (All Grant Aid)	<u>632,500 <u>c/</u></u>	<u>658,700 <u>c/</u></u>	<u>700,000</u>

* Excludes War Reserves and initial issue of equipment.

a/ Military Assistance is presented by FOA for Korea only.

b/ Details of Military Assistance and Direct Forces Support are being presented and justified by the Department of Defense.

c/ Subject to modification by Department of Defense.

d/ Data for UNKRA component in the following tables relate to combined U.S. and other contributions.

e/ Excluded from the following tables.

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FAR EAST AND THE PACIFIC

Country: KOREA

General Narrative Statement

U. S. Objectives

The overall objectives of the U.S. in Korea are to bring about the unification of the country by peaceful means, and under a democratic government; to help develop a self-supporting economy capable of sustaining simultaneously a standard of living approximating the 1949/50 level and a military force adequate for internal security and for defense against all but major aggression; and to assist in the organizing, training and equipping of such a military force. Proposals for the FY 1956 military and economic assistance programs for Korea assume that these programs will be completely within the Mutual Security Program and will consist of the three components of (a) military assistance, (b) direct forces support and (c) defense support, including technical cooperation. Together, they represent an integrated and coordinated effort to accomplish U.S. objectives by:

(1) Providing sufficient economic, financial and other assistance to enable the ROK to equip and maintain a military force of the competence described above.

(2) Stabilizing the economy by encouraging the restriction of ROK military expenditures to the minimum consistent with agreed force levels, by providing essential consumer goods and raw materials, and by assisting the ROK to increase tax revenues and control credit.

(3) Providing capital equipment and raw materials which will enable the ROK to increase production and produce commodities now being imported, thereby increasing Korea's capacity for self-support.

(4) Developing Korean technical and administrative skills necessary for economic growth.

Major Changes in Situation Since January 1, 1954

Political - The most significant development related to the Mutual Security Program contemplated for FY 1956 is the current impasse between the U.S. and the ROK regarding certain fundamental issues. In developing the FY 1955 economic and military aid program during the July 1954 visit with President Rhee, the U.S. attempted to reach agreement on the several outstanding issues by incorporating them in a draft Minute which outlined a series of U.S. and ROK understandings. Agreement has not been reached on the Minute and this dispute has delayed implementation of large portions of the FY 1955 aid program for more than three months. For purposes of the FY 1956 presentation, it is assumed that the Minute will be signed before January 1, 1955, and that the FY 1955 program will be implemented to the extent indicated in the attached tables in the last half of the fiscal year.

Military - Decisions as to levels of the ROK armed forces in FY 1955 and FY 1956 necessarily determine final requirements and levels of aid for the various components of the program. As of this date the ROK Government has not agreed to U.S. proposals with respect to FY 1955 force levels; and there has been no decision regarding the U.S. position on FY 1956 levels. The U.S. proposal for FY 1955, which was incorporated in the draft Minute which is now awaiting ROK action, provides for a force ceiling of 720,000 men, including cadres of ten reserve divisions scheduled for formation by the end of calendar year 1955.

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FAR EAST AND THE PACIFIC

Country: KOREA

General Narrative Statement (continued)

For the purpose of this presentation it is assumed that forces ceilings in FY 1956 will continue at 720,000 men. To the extent that it is possible to reduce force levels without sacrificing U.S. military objectives, progress toward attainment of the self-support objective can be hastened by increasing the investment component of the Defense Support program.

Economic - Inflationary pressures have mounted steadily over the last six months. The Pusan wholesale price index rose from 102 to 120 between May and August 1954. Another indication of the deterioration in value of the currency is reflected in increases in black market rates for dollars as follows:

	<u>March 4, 1954</u>	<u>October 26, 1954</u>
Greenbacks	HW 415	HW 630
MPCs	HW 295	HW 520

The stalemate over the Minute negotiations, by delaying implementation of the FY 1955 Defense Support program, will almost certainly aggravate inflationary tendencies over coming months. Although the flow of materials from the FY 1954 program has been large, a break in the pipeline of several basic commodities, e.g. cotton and fertilizer, is almost certain to occur.

A further complicating factor in the Korean economic situation is the serious deterioration of the ROK foreign exchange position. Since July 1954 the ROK has been deprived of its main source of dollar earnings - sale of Hwan to the U. S. Army - because of a disagreement on the military conversion rate. Completion of the tungsten contract with the U.S. in

April 1954 eliminated an important source of dollar earnings from exports.

Progress in Implementation of the Defense Support Program

Pursuant to the negotiations with the ROK last summer, there was agreement within the Executive Branch that the inflationary situation in Korea required the provision of additional budgetary support in FY 1955 for the ROK Army. Accordingly, it was tentatively agreed to increase the Defense Support program to \$280 million, about \$45 million more than had been appropriated for FY 1955. Because of delay in implementing the program, it is now assumed that only about \$239 million (\$220 million FOA and \$19 million U.S. contribution to UNKRA) will be obligated in FY 1955.

As of November 1954, obligations against FY 1955 defense support funds totaled only \$45 million - all for imports of consumer "saleable" commodities and relief supplies. It is now proposed to move ahead, beginning around December 1, with procurement of limited amounts of additional commodities such as fertilizer, cotton, coal and POL.

A full-scale resumption of the FY 1955 program, however, will await agreement on the Minute. In contrast to the retarded rate at which the FOA program has been implemented, UNKRA has been obligating funds up to the limit of fund availabilities.

Analysis of the Pipeline

Out of the total of \$379.6 million available for defense support purposes in FY 1954, \$147.4 million was expended. The major portion of these expenditures was for FOA-financed soft goods and CRIK relief goods. Thus the incoming FOA FY 1955 pipeline

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FAR EAST AND THE PACIFIC

Country: KOREA

General Narrative Statement (continued)

includes for the most part saleable capital goods and project assistance commodities. The UNKRA pipeline into FY 1955 consists almost entirely of capital goods.

A somewhat similar composition of the pipeline is indicated for FY 1956. For all funding sources combined, the incoming pipeline for FY 1956 is currently estimated at \$234.5 million. This includes \$27.2 million for UNKRA which will consist almost entirely of hard goods. The incoming FQA FY 1956 pipeline of \$207.3 million will consist of approximately \$124 million of hard goods and \$68 million of soft goods. To redress this continuing imbalance and alleviate inflationary pressures, it is proposed that out of the \$300 million requested for FY 1956 about \$167 million be obligated for soft goods and approximately \$136 million be earmarked for imports of hard goods.

FY 1956 Illustrative Program

Assumptions Concerning Organization

The FY 1956 program has been prepared on the assumptions that: (a) CINCUNC responsibility for aid administration in Korea will cease during FY 1956, (b) an FQA Mission will be established, (c) an orthodox Military Assistance Advisory Group will be established, (d) UNKRA will be phased out beginning July 1, 1955 or sooner (negotiations regarding UNKRA contributions are now in progress and should a FY 1956 UNKRA program become possible the FQA program will be adjusted accordingly), (e) KCAC staff, to the extent operationally necessary, will be available for at least the first half of FY 1956. (Assumptions concerning Korea's status as a theater of operations, a KCAC phase-out and the character of the MAAG, are subject to

revision, based on decisions which may be reached at a later date by the appropriate Washington agencies.)

How Aid Levels for FY 1956 Were Determined

The Military Assistance figure was derived from an examination of present and projected force levels. The amount proposed for MDAP allows for additional supplies and equipment needed to organize, equip and maintain the force levels proposed for FY 1956.

The level of assistance proposed for Direct Forces Support takes into account present stocks and the pipeline of common-use items as well as projected requirements for such items in FY 1956.

The Defense Support component reflects an attempt to strike a rational balance between investment and counter-inflationary requirements. The magnitude of the counter-inflationary segment, almost two-thirds of the \$300 million total, was based on estimates of imports needed to counteract the inflationary effects of the anticipated deficit in the ROK budget (assuming a 720,000-man force level), and on estimated local currency expenditures for the projected investment program.

To permit the flexibility of action which the tenuous ROK fiscal situation requires, the FY 1956 program includes a \$25 million reserve which will be used, as needed, to stabilize the prices of key commodities in short supply. Even with the special reserve fund, this component of the program (consumer saleables) represents the minimum believed necessary to forestall serious inflation, and assumes a marked improvement in cooperation by the ROK in such fiscal matters as reduction of budgetary expenditures and improved credit control. The "saleable" program has been

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FAR EAST AND THE PACIFIC

Country: KOREA

General Narrative Statement (continued)

further checked against the estimated capacity of the economy to absorb additional imports, taking into account existing inadequacies of the Korean commercial credit institutions and in distribution channels within the country.

The FY 1956 investment program of \$94.2 million compares with \$72.7 million now planned for FY 1955. Amounts programmed in FY 1956 for power, communications, and mining are about double the anticipated FY 1955 level. Although still very small in relation to the development needed to make significant progress toward self-support, it represents the maximum which it is believed the economy can sustain without generating undue inflationary pressures.

Use of Agricultural Commodities in the Program

It is proposed to use \$43 million worth of agricultural surpluses in the FY 1955 program. Of this total, \$31 million would be financed under Sec. 402 of the Mutual Security Act of 1954, and \$12 million under Title I of Public Law 480. In FY 1956 it is planned to use \$40 million of surpluses under the Mutual Security Act. The amount to be used under P.L. 480 in FY 1956 has not yet been determined.

Forecast of Trend of Defense Support Aid Levels
(FY 1956-1960)

It is anticipated that the U.S. Government will endeavor to obtain ROK Government agreement to reduce its force levels to not more than 350,000 men - this target to be achieved sometime in FY 1957. If such a course of action is approved by the National Security Council and can be made effective, it is anticipated that total requirements for the various types of assistance now being extended to Korea - military, direct forces support, and defense support - could be reduced accordingly.

The joint Dulles-Rhee statement of August 8, 1953, when the Mutual Defense Treaty was signed, envisaged a program of \$1 billion. Whether this amount will be sufficient to achieve U.S. objectives will depend in large measure upon the ROK force levels which the U.S. eventually agrees to help maintain. Although estimates of prospective aid levels are particularly hazardous at this time, it is probable that defense support assistance will diminish substantially after FY 1956.

FOA:O/FE
November 9, 1954

FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT -
ALL FUNDING SOURCES

Country Korea
Table 1 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	UNKRA		Project Assistance								
			FY 1953 Carryover	Non-Project Assistance	US & UN Employed Technicians	Contract Service Technicians	Other Local Costs	U.S.	UNKRA	U.S.Natls.	U.N.		
1.	<u>Agriculture & Natural Resources</u>												
	1954	4,204	914	-	3,245	-	-	22	23	-	1,000	3,204	
	1955	8,787	-	-	8,748	39	-	-	-	-	8,204	583	
	1956	9,050	-	-	9,050	-	-	-	-	-	9,050	-	
2.	<u>Industry and Mining</u>												
	1954	76,260	3,070	-	53,188	19	-	290	19,693	-	60,682	15,578	
	1955	22,306	-	-	21,476	10	-	-	820	-	16,130	6,176	
	1956	41,900	-	-	41,900	-	-	-	-	-	41,900	-	
3.	<u>Transportation</u>												
	1954	26,405	619	-	25,581	-	-	-	205	-	25,786	619	
	1955	34,445	-	-	34,125	-	-	-	320	-	34,445	-	
	1956	21,700	-	-	21,700	-	-	-	-	-	21,700	-	
4.	<u>Labor</u>												
	1954												
	1955												
	1956												
5.	<u>Health and Sanitation</u>												
	1954	6,145	358	-	5,694	-	-	93	-	-	3,104	3,041	
	1955	5,785	-	-	2,569	-	-	31	3,185	-	2,430	3,355	
	1956	3,500	-	-	3,500	-	-	-	-	-	3,500	-	

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT -
ALL FUNDING SOURCES

~~CONFIDENTIAL~~

Country Korea
Table 1 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	UNKRA		Project Assistance						Funding Source	
			FY 1953 Carryover Undistrib.	Non-Project Assistance Commodities	US & UN Commodities	UN Employed Participants	Technicians U.S.Natls.	Technicians U.N.	Contract Service Technicians	Other Local Costs		
6.	<u>Education</u>											
	1954	3,005	1,213	-	367	48	-	155	1,222	-	752	2,253
	1955	4,070	-	-	3,460	-	-	90	520	-	1,500	2,570
	1956	5,750	-	-	5,000	-	-	-	750	-	5,750	-
7.	<u>Public Administration</u>											
	1954	1,735	-	-	1,640	70	-	-	25	-	1,735	-
	1955	5,825	-	-	3,950	675	-	-	1,200	-	5,825	-
	1956	6,500	-	-	3,500	1,000	-	-	2,000	-	6,500	-
8.	<u>Community Development, Social Welfare and Housing</u>											
	1954	36,516	3,208	-	33,036	-	-	22	250	-	31,903	4,613
	1955	36,016	-	-	36,016	-	-	-	-	-	34,066	1,950
	1956	8,600	-	-	8,600	-	-	-	-	-	8,600	-
9.	<u>Technical Support</u>											
	1954	-	-	-	-	-	-	-	-	-	-	-
	1955	3,753	-	-	-	-	3,753	-	-	-	3,753	-
	1956	3,500	-	-	-	-	3,500	-	-	-	3,500	-
	<u>Total - 9 Activities</u>											
	1954	154,270	9,382	-	122,751	137	-	582	21,418	-	124,962	29,308
	1955	120,987	-	-	110,344	724	3,753	121	6,045	-	106,353	14,634
	1956	100,500	-	-	93,250	1,000	3,500	-	2,750	-	100,500	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT -
ALL FUNDING SOURCES

Country Korea
Table 1 Page 3
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	UNKRA		Project Assistance					Funding Source			
			FY 1953 Carryover Undistrib.	Non-Project Commodities	Commodities	Participants	US & UN Employed Technicians U.S.Natls.	U.N.	Contract Service Technicians	Other Local Costs	U.S.	UNKRA	
<u>Maintenance of Civilian Supply</u>													
	1954	142,933	154	142,779	-	-	-	-	-	-	-	140,277	2,656
	1955	118,677	-	118,677	-	-	-	-	-	-	-	113,347	5,330
	1956	174,500	-	174,500	-	-	-	-	-	-	-	174,500	-
<u>Inflation Reserves</u>													
	1954	-	-	-	-	-	-	-	-	-	-	-	-
	1955	-	-	-	-	-	-	-	-	-	-	-	-
	1956	25,000	-	25,000	-	-	-	-	-	-	-	25,000	-
<u>Special Projects</u>													
	1954	1,896	117	19	-	-	-	1,315	110	335	-	-	1,896
	1955	1,850	-	-	-	-	-	1,300	300	250	-	-	1,850
	1956	-	-	-	-	-	-	-	-	-	-	-	-
<u>Operations - UNKRA</u>													
	1954	2,929	-	-	-	-	-	2,929	-	-	-	-	2,929
	1955	3,000	-	-	-	-	-	3,000	-	-	-	-	3,000
	1956	-	-	-	-	-	-	-	-	-	-	-	-
<u>Administration - UNKRA</u>													
	1954	1,558	-	-	-	-	-	1,558	-	-	-	-	1,558
	1955	1,600	-	-	-	-	-	1,600	-	-	-	-	1,600
	1956	-	-	-	-	-	-	-	-	-	-	-	-
<u>Total - All Funding Sources</u>													
	1954	303,586	9,653	142,798	122,751	137	-	6,384	21,528	335	-	265,239	38,347
	1955	246,114	-	118,677	110,344	724	3,753	6,021	6,345	250	-	219,700	26,414
	1956	300,000	-	199,500	73,250	1,000	3,500	-	2,750	-	-	300,000	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT
(FOA-CRIK COMPONENT)

Country Korea
Table 3 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Total	Non-Project Assistance			Project Assistance:		Contract Service Technicians	Other Local Costs
		Commodities	Commodities	Participants	U.S. Employed Technicians			
<u>1. Agriculture and Natural Resources</u>								
1954	1,000	-	1,000	-	-	-	-	-
1955	8,204	-	8,200	4	-	-	-	-
1956	9,050	-	9,050	-	-	-	-	-
<u>2. Industry and Mining</u>								
1954	60,682	-	41,989	-	-	18,693	-	-
1955	16,130	-	16,130	-	-	-	-	-
1956	41,900	-	41,900	-	-	-	-	-
<u>3. Transportation</u>								
1954	25,786	-	25,581	-	-	205	-	-
1955	34,445	-	34,125	-	-	320	-	-
1956	21,700	-	21,700	-	-	-	-	-
<u>4. Labor</u>								
1954	-	-	-	-	-	-	-	-
1955	-	-	-	-	-	-	-	-
1956	-	-	-	-	-	-	-	-
<u>5. Health and Sanitation</u>								
1954	3,104	-	3,104	-	-	-	-	-
1955	2,430	-	2,430	-	-	-	-	-
1956	3,500	-	3,500	-	-	-	-	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

CONFIDENTIAL

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT
(FOA-CRIK COMPONENT)

Country Korea
Table 3 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Total	Non-Project Assistance Commodities	Commodities	Participants	Project Assistance: U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
<u>6. Education</u>							
1954	752	-	-	-	-	752	-
1955	1,500	-	1,500	-	-	-	-
1956	5,750	-	5,000	-	-	750	-
<u>7. Public Administration</u>							
1954	1,735	-	1,640	70	-	25	-
1955	5,825	-	3,950	675	-	1,200	-
1956	6,500	-	3,500	1,000	-	2,000	-
<u>8. Community Development, Social Welfare and Housing</u>							
1954	31,903	-	31,653	-	-	250	-
1955	34,066	-	34,066	-	-	-	-
1956	8,600	-	8,600	-	-	-	-
<u>9. Technical Support</u>							
1954	-	-	-	-	-	-	-
1955	3,753	-	-	-	3,753	-	-
1956	3,500	-	-	-	3,500	-	-
<u>Total - 9 Activities</u>							
1954	124,962	-	104,967	70	-	19,925	-
1955	106,353	-	100,401	679	3,753	1,520	-
1956	100,500	-	93,250	1,000	3,500	2,750	-

CONFIDENTIAL

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT
(FOA-CRIK COMPONENT)

Country Korea
Table 3 page 3
Date November 1, 1954

(In thousands of dollars)

Act. No.	Total	Non-Project Assistance Commodities	Commodities	Participants	Project Assistance: U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
<u>Maintenance of Civilian Supply</u>							
1954	140,277	140,277					
1955	113,347	113,347	-	-	-	-	-
1956	174,500	174,500	-	-	-	-	-
<u>Inflation Reserve</u>							
1954	-	-	-	-	-	-	-
1955	-	-	-	-	-	-	-
1956	25,000	25,000	-	-	-	-	-
<u>Total</u>							
1954	265,239	140,277	104,967	70	-	19,925	-
1955	219,700	113,347	100,401	679	3,753	1,520	-
1956	300,000	199,500	93,250	1,000	3,500	2,750	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT
(UNKRA Component, 1954 and 1955 only)

~~CONFIDENTIAL~~

Country Korea
Table 4 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Total	UNKRA		Project Assistance					UNKRA Operations & Administration
		FY 1953 Carryover Undistrib.	Non-Project Commodities	Commodities	Participants	UN Employed Technicians UN Nationals	Contract Service Technicians	Other Local Costs	
1. <u>Agriculture & Natural Resources</u>									
1954	3,204	914	-	2,245	-	22	23	-	-
1955	583	-	-	548	35	-	-	-	-
2. <u>Industry and Mining</u>									
1954	15,578	3,070	-	11,199	19	290	1,000	-	-
1955	6,176	-	-	5,346	10	-	820	-	-
3. <u>Transportation</u>									
1954	619	619	-	-	-	-	-	-	-
1955	-	-	-	-	-	-	-	-	-
4. <u>Labor</u>									
1954	-	-	-	-	-	-	-	-	-
1955	-	-	-	-	-	-	-	-	-
5. <u>Health and Sanitation</u>									
1954	3,041	358	-	2,590	-	93	-	-	-
1955	3,355	-	-	139	-	31	3,185	-	-
6. <u>Education</u>									
1954	2,253	1,213	-	367	48	155	470	-	-
1955	2,570	-	-	1,960	-	90	520	-	-
7. <u>Public Administration</u>									
1954	-	-	-	-	-	-	-	-	-
1955	-	-	-	-	-	-	-	-	-

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT
(UNKRA Component, 1954 and 1955 only)

~~CONFIDENTIAL~~
Country Korea
Table 4 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	UNKRA		Project Assistance					UNKRA Operations & Administration	
			FY 1953 Carryover Undistrib.	Non-Project Commodities	Commodities	Participants	UN Employed Technicians UN Nationals	Contract Service Technicians	Other Local Costs		
8.	<u>Community Development, Social Welfare and Housing</u>										
	1954	4,613	3,208	-	1,383	-	22	-	-	-	
	1955	1,950	-	-	1,950	-	-	-	-	-	
9.	<u>General and Miscellaneous</u>										
	1954	-									
	1955	-									
	<u>Total - 9 Activities</u>										
	1954	29,308	9,382	-	17,784	67	582	1,493	-	-	
	1955	14,634	-	-	9,943	45	121	4,525	-	-	
	<u>Maintenance of Civilian Supply</u>										
	1954	2,656	154	2,502	-	-	-	-	-	-	
	1955	5,330	-	-	5,330	-	-	-	-	-	
	<u>Special Projects</u>										
	1954	1,896	117	19	-	-	1,315	110	335	-	
	1955	1,850	-	-	-	-	1,300	300	250	-	
	<u>UNKRA Operations</u>										
	1954	2,929	-	-	-	-	-	-	-	2,929	
	1955	3,000	-	-	-	-	-	-	-	3,000	
	<u>UNKRA Administration</u>										
	1954	1,558	-	-	-	-	-	-	-	1,558	
	1955	1,600	-	-	-	-	-	-	-	1,600	
	<u>Total</u>										
	1954	38,347	9,653	2,521	17,784	67	1,897	1,603	335	4,487	
	1955	26,414	-	-	15,273	45	1,421	4,825	250	4,600	

FAR EAST AND PACIFIC

NON-PROJECT ASSISTANCE - COMMODITY BREAKDOWN OF OBLIGATIONS - DEFENSE SUPPORT - FOA/W

~~CONFIDENTIAL~~

Country Korea
Table 6
Date November 1, 1954

(In thousands of dollars)

Commodity Detail	FY 1954 Actual ^{a/}	FY 1955 Estimated	FY 1956 Estimated
<u>Agricultural Commodities</u>	52,764	45,450	49,300
Food	12,020	11,450	11,300
Fertilizer	40,744	34,000	38,000
<u>Fuel</u>	21,050	33,000	36,000
Coal	-	17,000	18,000
Petroleum, Oil and Lubricants	-	16,000	18,000
<u>Raw Materials & Semi-Finished Products</u>	41,959	17,373	41,400
Iron and Steel	2,088	2,641	4,000
Medicinal and Pharmaceutical	1,429	3,146	3,000
Pesticides	828	329	800
Other	37,614	11,257	33,600
<u>Machinery and Vehicles</u>	23,254	11,551	36,600
Construction, Mining and Conveying Equipment	7,726	2,496	13,200
Electrical Apparatus	3,577	2,810	7,800
Industrial Machinery	5,000	2,315	6,000
Tractors (Non-Agricultural)	-	-	-
Motor Vehicles and Parts	3,751	500	3,000
Agriculture Machinery	-	300	1,100
Other	3,200	3,130	5,500
<u>Miscellaneous</u>	1,250	5,973	36,200
Scientific and Professional Instruments	300	-	500
Miscellaneous Iron and Steel	-	-	1,000
Miscellaneous Commodities Educational	-	150	3,700
Other (Incl. Ocean Freight)	950	5,823	6,000
Inflation Reserve	-	-	25,000
Total	140,277	113,347	199,500

^{a/} Excludes CRIK.

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

PIPELINE ANALYSIS BY FUNDING SOURCE

Country Korea
Table 7
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Totals	FOA	Totals CRIK	UNKRA
<u>1954</u>				
Unliquidated Obligations	76.7	-	48.4	28.3
New Obligations	302.9	199.3	66.0	37.6
Total Available	379.6	199.3	114.4	65.9
Expenditures	147.4	24.3	98.3	24.8
Unliquidated Obligations	232.2	175.0	16.1	41.1
<u>1955</u>				
Unliquidated Obligations	232.2	175.0	16.1	41.1
New Obligations	246.1	219.7	-	26.4
Total Available	478.3	394.7	16.1	67.5
Expenditures	243.8	187.4	16.1	40.3
Unliquidated Obligations	234.5	207.3	-	27.2
<u>1956</u>				
Unliquidated Obligations	234.5	207.3	-	27.2
New Obligations	300.0	300.0	-	-
Total Available	534.5	507.3	-	27.2
Expenditures	303.4	276.2	-	27.2
Unliquidated Obligations	231.1	231.1	-	-

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT - FOA

Country: Korea
Table: 9
Date: November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance			Contract Service Technicians	Other Local Costs
		Commodities	Commodities	Participants	U.S. Employed Technicians	U.S. Nationals		
		Capital Goods	Soft Goods					
<u>1954</u>								
Unliquidated Obligations	0	-	-					
New Obligations	199.3	84.9	58.1	36.3	-	-	20.0	
Total available	199.3	84.9	58.1	36.3	-	-	20.0	
Expenditures	24.3	0.5	23.8	0	-	-	-	
Unliquidated Obligations	175.0	84.4	34.3	36.3	-	-	20.0	
<u>1955</u>								
Unliquidated Obligations	175.0	94.4	24.3	36.3	0	0	20.0	
New Obligations	219.7	81.3	115.0	17.4	0.7	3.8	1.5	
Total available	394.7	175.7	139.3	53.7	0.7	3.8	21.5	
Expenditures	187.4	72.8	71.3	32.5	0.4	3.4	7.0	
Unliquidated Obligations	207.3	102.9	68.0	21.2	0.3	0.4	14.5	
<u>1956</u>								
Unliquidated Obligations	207.3	102.9	68.0	21.2	0.3	0.4	14.5	
New Obligations	300.0	91.3	166.9	34.5	1.0	3.5	2.8	
Total available	507.3	194.2	234.9	55.7	1.3	3.9	17.3	
Expenditures	276.2	100.6	137.3	25.9	0.8	3.6	8.0	
Unliquidated Obligations	231.1	93.6	97.6	29.8	0.5	0.3	9.3	

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT - CIVILIAN RELIEF IN KOREA - CRIK

Country Korea
Table 10
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance				
		Commodities	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs	
<u>1954</u>		Capital Goods	Soft Goods					
Unliquidated Obligations	48.4		48.4	-	-	-	-	
New Obligations	66.0		66.0	-	-	-	-	
Total available	114.4		114.4	-	-	-	-	
Expenditures	98.3		98.3	-	-	-	-	
Unliquidated Obligations	16.1		16.1	-	-	-	-	
<u>1955</u>								
Unliquidated Obligations	16.1		16.1	-	-	-	-	
New Obligations	-		-	-	-	-	-	
Total available	16.1		16.1	-	-	-	-	
Expenditures	16.1		16.1	-	-	-	-	
Unliquidated Obligations	-		-	-	-	-	-	
<u>1956</u>								
Unliquidated Obligations	-		-	-	-	-	-	
New Obligations	-		-	-	-	-	-	
Total available	-		-	-	-	-	-	
Expenditures	-		-	-	-	-	-	
Unliquidated Obligations	-		-	-	-	-	-	

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT - UNKRA

Country: Korea
Table: 11
Date: November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance					
		Commodities	Commodities	Participants	U.N. Employed Technicians	Contract Service Technicians	Other Local Costs	Operations & Administration	
<u>1954</u>		Capital Goods	Soft Goods						
Unliquidated Obligations	28.3	8.3	5.0	13.0	-	1.0	-	-	1.0
New Obligations	37.6	11.8	4.5	13.3	-	1.9	1.6	-	4.5
Total Available	65.9	20.1	9.5	26.3	-	2.9	1.6	-	5.5
Expenditures	24.8	5.8	5.5	6.4	-	2.0	1.6	-	3.5
Unliquidated Obligations	41.1	14.3	4.0	19.9	-	0.9	-	-	2.0
<u>1955</u>									
Unliquidated Obligations	41.1	14.3	4.0	19.9	-	0.9	-	-	2.0
New Obligations	26.4	1.3	4.0	10.0	-	1.4	4.8	0.3	4.6
Total Available	67.5	15.6	8.0	29.9	-	2.3	4.8	0.3	6.6
Expenditures	40.3	10.0	7.0	12.1	-	1.5	4.8	0.3	4.6
Unliquidated Obligations	27.2	5.6	1.0	17.8	-	0.8	-	-	2.0
<u>1956</u>									
Unliquidated Obligations	27.2	5.6	1.0	17.8	-	0.8	-	-	2.0
New Obligations	-	-	-	-	-	-	-	-	-
Total Available	27.2	5.6	1.0	17.8	-	0.8	-	-	2.0
Expenditures	27.2	5.6	1.0	17.8	-	0.8	-	-	2.0
Unliquidated Obligations	-	-	-	-	-	-	-	-	-

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PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION) AND 9 ACTIVITIES

Country Korea
Table 12
Date November 1, 1954

Activity	FY 1954				FY 1955				FY 1956			
	Total	FOA/DS	FOA/TC ^{e/}	UNKRA/TC	Total	FOA/DS	FOA/TC ^{e/}	UNKRA/TC	Total	FOA/DS	FOA/TC ^{e/}	UNKRA/TC
1. Agriculture and Natural Resources	5	-	-	5	17	-	10 <u>b/</u>	7	-	-	-	-
2. Industry and Mining	4	-	-	4	2	-	-	2	-	-	-	-
3. Transportation	-	-	-	-	-	-	-	-	-	-	-	-
4. Labor	-	-	-	-	-	-	-	-	-	-	-	-
5. Health and Sanitation	-	-	-	-	-	-	-	-	-	-	-	-
6. Education	10	-	-	10	-	-	-	-	-	-	-	-
7. Public Administration	50	-	50 <u>a/</u>	-	135	-	135	-	-	-	-	-
8. Community Development, Social Welfare and Housing	-	-	-	-	-	-	-	-	-	-	-	-
9. General and Miscellaneous	-	-	-	-	-	-	-	-	200 <u>d/</u>	-	200 <u>d/</u>	-
Total	69	-	50	19	154	-	145	9	200 <u>d/</u>	-	200 <u>d/</u>	- <u>c/</u>

- a/ Third country trainee logistic expense only.
- b/ Special subsidized Farm Bureau Trainees.
- c/ Assumed phase-out UNKRA in FY 1956.
- d/ Undistributed: Detail not presently available.
- e/ Technical Cooperation activities included in Defense Support.

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PROJECT ASSISTANCE - NUMBERS OF TECHNICIANS OBLIGATED BY FUNCTION (APPROPRIATION) AND 9 ACTIVITIES

Country Korea
Table 14
Date November 1, 1954

Activity	FY 1954				FY 1955				FY 1956			
	Total	FOA/DS	FOA/TC ^{e/}	UNKRA/TC ^{c/}	Total	FOA/DS	FOA/TC ^{e/}	UNKRA/TC ^{c/}	Total	FOA/DS	FOA/TC ^{c/} _{e/}	UNKRA/TC
1. Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-
2. Industry and Mining	60	-	-	60	48	-	-	48	-	-	-	-
3. Transportation	-	-	-	-	22	-	22	-	-	-	-	-
4. Labor	-	-	-	-	-	-	-	-	-	-	-	-
5. Health and Sanitation	5	-	-	5	165	-	-	165	-	-	-	-
6. Education	21	-	-	21	84	-	20 <u>a/</u>	64	38	-	38	-
7. Public Administration	-	-	-	-	60	-	60	-	300	-	300	-
8. Community Development, Social Welfare and Housing	1	-	-	1	-	-	-	-	-	-	-	-
9. General and Miscellaneous	71	-	-	71	65	-	-	65	-	-	-	-
Operations and Administration - UNKRA	224	-	-	224	230	-	-	230	-	-	-	-
Totals	382	-	-	382	674	-	102	572	338	-	338	- <u>b/</u>

a/ Estimated by Mission.

b/ Assumed phase-out UNKRA FY 1956.

c/ Includes contract Service Technician.

d/ Does not include Contractors Technical Specialists or KCAC personnel.

e/ Technical Cooperation activities included in Defense Support.

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS - FOA

Country Korea
Table 16 Page 1
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FY 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual				Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
20	<u>Industry and Mining</u>								
		International Engineering Corp.	Feb.26,1954	-	-	-	325	-	-
22	Power and Communications	Engineering Corp.	Oct.1954(Amend.)	-	-	-	-	100	-
<p>The contract calls for a detailed study of exact requirements for the repair and rehabilitation of two units at the Hwachon Plant, repairs to a transmission circuit between the Hwachon Plant and the Chung Pyung Plant, replacement of cables and repairs to the dam and pen-stacks. It also provides for assistance to the project engineer in rehabilitation and installation work in the field and final detailed specifications for procurement. By June 1954 the field surveys for the power plant and dam had been completed, and specifications for materials had been written. Contract negotiated in Washington, D. C.</p>									
22	Power and Communications	Not selected	-	-	-	-	450(est.)	-	-
<p>It is expected that the proposed contract will provide the ROK with the exploration, drillings, and hydrological studies needed to develop factual findings related to the possible construction of new hydro-electric generating plants. Such plants, if constructed, would represent the final phase of the currently conceived power program. It is currently planned that the scope of the contract will include supervising assistance and consultation services as required, including responsibility for preparation, planning, field work, progress reports, estimates of operation costs, preparation of specifications for plant equipment and recommendations for development of additional hydro-electric plants as requested by ROK.</p>									
22	Power and Communications	Pacific Bechtel Corp.	May 1954	-	-	-	10,000	-	-
<p>This contract covers engineering services in connection with the construction of two steam plants in Korea, including but not limited to engineering, procurement, recruitment of personnel, accounting, project planning and scheduling and management and coordination services. It is a cost plus fuel fee contract under which the Bechtel Corporation receives a fixed fee of \$350,000, which constitutes the entire remuneration for profit and any costs not reimbursable under this contract, including services of officers not regularly assigned to projects. The reimbursable costs include personnel compensation, overhead, recruitment, payroll taxes and insurance, travel expenses, etc. Contract detail negotiated in Washington, D. C. and contract signed by Republic of Korea.</p>									

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS - FOA

*Country Korea
Table 16 Page 2
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FY 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
20	<u>Industry and Mining (continued)</u>								
22	Power and Communications	Not selected	-	-	-	-	600(est.)	-	-
	The proposed contract relates to engineering services for the rehabilitation phase of the power program. It is expected that it will include preparation of plans, specifications, tests of materials, and supervision of installation of necessary equipment for thermal and diesel electric power generation, transmission and distribution systems, three substations, and for three heavy maintenance shops for the South Korea Electric Company, Seoul Electric Company, and the Korea Electric Power Company. The steam and electric generating equipment is to be completely rehabilitated at the Yongwol and Tangin-ri steam plants located at Yongwol and Seoul, respectively. The maintenance shops to be rehabilitated are at Taejon, Seoul and Inchon.								
23	<u>Manufacturing and Processing</u>	Not selected	-	-	-	-	7,000	-	-
	It is proposed that the initial contract provide the Government of the Republic of Korea with complete engineering and construction services including procurement of materials and equipment, for a used fertilizer plant. The project must be completed in three years with a limited force remaining an additional twelve months for training purposes. It is also anticipated that additional contracts will provide for (1) the design and establishment of a distribution and marketing system for the urea to be produced in the plant and (2) the operation and management of the plant, including the training of a Korean staff eventually to take over complete control and operation. Contract to be awarded based upon findings of National Research Council, details negotiated in Washington, D. C., but signatory parties to continue will be Contractor and Republic of Korea.								
30	<u>Transportation</u>								
33	Railways	Utah Construction Company	-	-	-	-	159	-	-
	This contract relates to the construction of extensions of the Korea National Railway between Naesong-Chalam and Songluk-Yongwol. It calls for advising services to the ROK Ministry of Transportation on engineering problems and matters of coordination arising from the entire project, the training of Korean engineers and crews in modern methods of tunnel construction and liaison between the ROK Ministry of Transportation Supply Department and responsible agencies of the U.S. Government. Contract negotiated in Washington, D. C. between Utah Construction Company and FOA.								

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FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS - FOA

Country Korea
Table 16 Page 3
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FY 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual				Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
30	<u>Transportation</u> (continued)								
33	<u>Railways</u>	Not selected	-	-	-	-	-	120	-
	It is anticipated that a contract will provide technical advice to the Korean National Railways in revamping the existing outmoded rate structure. The details of this contract will be determined in Washington, D. C. but the signatory parties to the contract will be the Contractor and the R.O.K. Ministry of Transportation.								
36	<u>Ship Operations</u>	Not selected	-	-	-	-	-	200	-
	A contract is contemplated under which a shipping company will undertake to train Koreans in handling both the deck and engineering departments of these ships. (It is expected that this contract will be similar to that negotiated with the Pacific Far East lines in 1950 under which the company started such a project in Korea.) The details of this contract will be determined in Washington, D. C. but the signatory parties to the contract will be the contractor and the ROK Ministry of Transportation.								
60	<u>Education</u>								
66	<u>Professional and Higher Education</u>	University of Minnesota	-	-	-	-	750	-	750
	This contract finances the furnishing of technical assistance by the University of Minnesota to Seoul National University. The FY 1954 segment covers the fields of industry, public health, agriculture. Additional fields may be added in FY 1955 and FY 1956. The University of Minnesota will advise on curricula and teaching methods, designate specific equipment and commodities required for courses, and furnish teaching and consultation services to Korean educators during the major portion of this contract period. The contract was negotiated in Washington, D. C. The signatory parties to the contract are FOA and the University of Minnesota with the concurrence of the Republic of Korea.								

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NARRATIVE REPORT ON CONTRACTS - FOA

Country Korea
Table 16 Page 4
Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FY 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
70	<u>Public Administration</u>								
72	<u>Government-Wide Organization & Management</u>	Not selected	-	-	-	-	-	500	-
	It is anticipated that a contract will be entered into with a construction company for supervision of the construction of the Government office buildings in Seoul and/or U.S. use. It is anticipated the details of this contract will be determined in Washington and the contract ultimately made between ROK and contractor.								
72	<u>Government-Wide Organization & Management</u>	Not selected	-	-	-	-	-	700	2,000
	For FY 1955 three contracts for technical assistance to operating branches of the ROK Government are contemplated. The exact scope and magnitudes have not yet been determined but it is anticipated that they will relate to the following fields of public activities: Civil Aviation: Three Civil Aviation Administration members will advise ROK Government on civil aviation operational matters. Industrial Development: It is expected that approximately 10 technicians and engineers will constitute a central advisory group for the ROK Government on industrial development matters. It is contemplated that this group would be available to OEC for screening small industrial projects. Miscellaneous Services: A contract for technical services to the ROK Government in a variety of fields is proposed. It is expected that approximately 15 technicians will advise the Government in such fields as management, budget and supply, accounting, specification writing, procurement, contract development, public health administration, bio-statisticians, environmental sanitation and communicable diseases. For FY 1956 it is proposed that technical assistance contracts be financed for various types of government activities. The fields have not yet been determined. The details of these respective contracts will be determined in Washington, D. C. but the signatory parties to the various contracts will be the individual contractors and the respective ROK ministries concerned.								
76	<u>General Services</u>	King Associates, Inc.	June 25, 1954	-	-	-	250	-	-
	This contract requires contractor to design and furnish all necessary architectural and engineering services and prepare specification for an office building and dependent housing units to be used by OEC or FOA personnel. The title to the building will rest with the Republic of Korea and the buildings and property should revert to them upon completion of occupancy by OEC/FOA. The contract further requires the contractor to supervise and act as FOA's representative when and if construction occurs. This contract was negotiated after competitive bidding in Korea between the Contractor and the OEC, the latter having power to contract by special utilization of authority for FOA/W contract officer.								

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY, SUB-ACTIVITY, AND FUNDING SOURCE
FY 1954 through FY 1956

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Country Korea
Table 22 Page 1
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956
		Total	FOA/CRIK	UNKRA	Total	FOA/CRIK	UNKRA	FOA
10	<u>Agriculture and Natural Resources</u>	<u>4,204</u>	<u>1,000</u>	<u>3,204</u>	<u>8,787</u>	<u>8,204</u>	<u>583</u>	<u>9,050</u>
11	Research, Agricultural Education and Extension	-	-	-	1,104	1,104	-	1,000
12	Land and Water Resources	1,507	-	1,507	4,000	4,000	-	5,500
13	Crop and Livestock Development	1,001	1,000	1	927	900	27	1,450
14	Agricultural Economics, Farm Organization and Agricultural Credit	50	-	50	-	-	-	-
15	Agricultural Marketing and Processing	-	-	-	2,000	2,000	-	-
16	Home Economics and Rural Youth	14	-	14	-	-	-	-
17	Forestry	62	-	62	261	200	61	100
18	Fisheries	1,598	-	1,598	495	-	495	1,000
19	All Other	(28)	-	(28)	-	-	-	-
20	<u>Industry and Mining</u>	<u>76,260</u>	<u>60,682</u>	<u>15,578</u>	<u>22,306</u>	<u>16,130</u>	<u>6,176</u>	<u>41,900</u>
21	Mining and Minerals	2,627	-	2,627	2,436	-	2,436	4,500
22	Power and Communications	36,968	36,792	176	9,130	9,130	-	17,400
23	Manufacturing and Processing	36,665	23,890	12,775	10,740	7,000	3,740	5,000
29	All Other	-	-	-	-	-	-	15,000
30	<u>Transportation</u>	<u>26,405</u>	<u>25,786</u>	<u>619</u>	<u>34,445</u>	<u>34,445</u>	-	<u>21,700</u>
31	Highways	2,447	2,447	-	4,000	4,000	-	5,000
32	Urban Transit and Traffic Engineering	-	-	-	1,100	1,100	-	1,100
33	Railways	19,991	19,657	334	8,710	8,710	-	7,100
34	Port Facilities and Harbor Improvement	3,982	3,682	300	2,500	2,500	-	4,000
35	Inland Waterways	(5)	-	(5)	-	-	-	-
36	Ship Operations	-	-	-	2,725	2,725	-	4,000
37	Air Transport	(10)	-	(10)	310	310	-	-
39	All Other	-	-	-	15,100	15,100	-	500

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY, SUB-ACTIVITY, AND FUNDING SOURCE
 FY 1954 through FY 1956

Country Korea
 Table 22 Page 2
 Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956
		Total	FOA/CRIK	UNKRA	Total	FOA/CRIK	UNKRA	FOA
50	<u>Health and Sanitation</u>	<u>6,145</u>	<u>3,104</u>	<u>3,041</u>	<u>5,785</u>	<u>2,430</u>	<u>3,355</u>	<u>3,500</u>
52	Environmental Sanitation	3,104	3,104	-	2,430	2,430	-	2,500
53	Health Facilities - Operation of an Advisory Services to	639	-	639	405	-	405	1,000
54	Health Training and Education	2,402	-	2,402	2,950	-	2,950	-
60	<u>Education</u>	<u>3,005</u>	<u>752</u>	<u>2,253</u>	<u>4,070</u>	<u>1,500</u>	<u>2,570</u>	<u>5,750</u>
61	Technical Education	809	-	809	-	-	-	1,500
62	Vocational Agriculture Education	60	-	60	-	-	-	-
64	Elementary Education	-	-	-	-	-	-	2,000
66	Professional and Higher Education	845	750	95	1,500	1,500	-	2,250
69	All Other	1,291	2	1,289	2,570	-	2,570	-
70	<u>Public Administration</u>	<u>1,735</u>	<u>1,735</u>	-	<u>5,825</u>	<u>5,825</u>	-	<u>6,500</u>
71	Organization and Management of Particular Ministeries or Programs	1,735	1,735	-	950	950	-	1,500
79	All Other	-	-	-	4,875	4,875	-	5,000

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY, SUB-ACTIVITY, AND FUNDING SOURCE
FY 1954 through FY 1956

Country Korea
Table 22 Page 3
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954			FY 1955			FY 1956
		Total	FOA/CRIK	UNKRA	Total	FOA/CRIK	UNKRA	FOA
80	<u>Community Development, Social Welfare and Housing</u>	<u>36,516</u>	<u>31,903</u>	<u>4,613</u>	<u>36,016</u>	<u>34,066</u>	<u>1,950</u>	<u>8,600</u>
81	Community Development	802	-	802	365	365	-	1,300
82	Social Welfare	-	-	-	-	-	-	6,300
83	Housing	3,811	-	3,811	1,950	-	1,950	1,000
89	All Other	31,903	31,903	-	33,701	33,701	-	-
	Technical Support	-	-	-	3,753	3,753	-	3,500
	Total - Activity	<u>154,270</u>	<u>124,962</u>	<u>29,308</u>	<u>120,987</u>	<u>106,353</u>	<u>14,634</u>	<u>100,500</u>
	Maintenance of Civilian Supply	144,829	140,277	4,552	120,527	113,347	7,180	174,500
	Inflation Reserve for Salable Commodities	-	-	-	-	-	-	25,000
	<u>Special Projects</u>							
	Operations	2,929	-	2,929	3,000	-	3,000	-
	Administration	1,558	-	1,558	1,600	-	1,600	-
	Total	<u>303,586</u>	<u>265,239</u>	<u>38,347</u>	<u>246,114</u>	<u>219,700</u>	<u>26,414</u>	<u>300,000</u>

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FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

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PHILIPPINES

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND PACIFIC

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PROPOSED FY 1956 BUDGET

Country Philippines

Date November 1, 1954

SUMMARY OF OBLIGATIONS BY FUNCTION

(In thousands of dollars)

	FY 1954 Actual	FY 1955 Estimated	FY 1956 Estimated
Defense Support	14,794 a/ b/	12,400	34,025
Technical Cooperation	-	7,300 b/	6,375 b/
Total Obligations	<u>14,794 b/</u>	<u>19,700 b/</u>	<u>40,400 b/</u>
Defense Support to be financed by:			
(a) Loans	-	-	25,000
(b) Grants	14,794	12,400	9,025
Technical Cooperation to be financed by:			
(a) Grants	-	7,300	6,375
Total	<u>14,794</u>	<u>19,700</u>	<u>40,400</u>

a/ Authorized and conducted in FY 1954 as an integrated program including features of Technical Cooperation and Defense Support.

b/ Excludes regional and interregional costs (including domestic program expenses) of \$0.206 million in FY 1954, \$0.3 million in FY 1955 and \$0.3 million in FY 1956.

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FAR EAST AND THE PACIFIC

Country: PHILIPPINES

General Narrative Statement

It is in the interest of the United States to encourage a stable, democratic government in the Philippines with greater capacity to contribute to the mutual defense effort, to increase the economic opportunities for its people, and to become a major force in the creation of a cooperative community of non-communist Asian nations. The basic U.S. objectives bearing on the FOA program are to assist the Philippines to:

- (1) Increase the nation's economic capabilities to participate effectively in the mutual defense effort and, at the same time, achieve a more adequate rate of productive investment without impairing consumption levels.
- (2) Achieve political and social stability, with a concomitant improvement in the general understanding and exercise of the principles of democratic government.

The attainment of these objectives is being retarded by an inadequate rate of domestic capital formation, long-run adverse balance of payments prospects, and a low level of economic activity, which results in unemployment and a lack of economic opportunity for the people.

The FOA program is designed specifically to assist the Philippine Government in removing these obstacles to the attainment of the objectives, and is directed at assisting the Philippine Government to:

- (1) Formulate and execute a coordinated economic development program.

- (2) Encourage private investment in productive enterprise, particularly in extractive and manufacturing industries, and foster diversification and expansion of agricultural production.

- (3) Improve the effectiveness of government operations.

General Situation and Effect on FY 1956 Program

Perhaps the most significant feature in the past year in the Philippines, as compared to other Far Eastern countries, has been the relative stability in the country's political and military situation, as well as the absence of significant change in the economic field. The stability in the military and political fields represents a substantial gain. During this period the Huk threat has been reduced largely to a nuisance problem and the favorable political position of President Magsaysay, despite continuing opposition to his program by elements in the Philippine Congress, is encouraging indication of the likelihood of a continuation of a vigorous domestic program which basically coincides with the objectives of the United States in the Philippines.

On the other hand, there has been an absence of significant economic changes. This is indicated in a leveling off in economic activity at an undesirably low point, accompanied by extensive unemployment and underemployment. This period of economic behavior under "normal" conditions has permitted the basic weakness of the Philippine economy to come into sharper focus than ever before. If it is to avoid economic stagnation, with its dangerous political consequences, the country must broaden the base of its exports, diversify its

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General Narrative Statement (continued)

agriculture, and expand its extractive and manufacturing industries. This requires an acceleration of investment which it cannot accomplish without external assistance.

The outlook for the Philippines international payments position is not encouraging. The volume of Philippine exports of its principal products is expected to remain fairly stable, but the long-term price trends for these products are not favorable. The consequences may be a continuation of existing trade and exchange restrictions and a general inhibiting influence on economic development.

The frustration of the desire for significant progress in economic development (shared by all of the underdeveloped countries in Free Asia) contains the seed of a possibly serious political problem, particularly in view of the possibility of a revival of the Huk threat and in light of what Filipinos consider to be U.S. commitments to the Philippines for the development of their economy. In this connection, much of the Philippine argument for revision of the Bell Trade Act is based on the need to permit and encourage development of industry in the country.

The program for FY 1956 is essentially designed to meet this need, and U.S. support is proposed at this time because the existence of political stability, together with a slightly deflationary economic condition, provides perhaps the best opportunity for the Philippines to undertake a substantial investment program with a minimum of political or financial disturbances. In this connection, it may be noted that in the past year the Philippine Government for the first time has seriously plunged into the preparation

of a comprehensive five-year economic development program, which provides added assurance of successful utilization of increased U. S. assistance in the investment field.

Determination of FY 1956 Aid Level

The principal element in the program for FY 1956, as well as the principal point of departure from previous programs, is the loan component of \$25 million for industrial projects. The grant portion requested (\$6.7 million for technical cooperation and \$9.0 million for defense support) continues support for long-term projects started in earlier years at about the same levels as in FY 1954 and FY 1955. These two segments of the program were determined on the basis of the experience gained in earlier years, both as to the requirements and proven capacity of the Philippines to utilize effectively these kinds and magnitudes of assistance.

The loan component of the program provides assistance in attacking the problem of accelerating the rate of economic development. The level of this component and the nature of the projects are based on plans and priorities prepared by the Philippine National Economic Council and are part of the integrated development program covering a five-year period now being developed by that organization. The Philippine Government has requested this amount on the basis of a total program calling for expanded investment requiring about \$60 million in dollar costs during FY 1956. On the basis of the balance of payments outlook for that year, it is not expected that the Philippine Government could finance more than \$35 million of this fund without reducing the amount of Philippine dollar reserves to a precarious level. Through exchange controls

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FAR EAST AND THE PACIFIC

Country: PHILIPPINES

General Narrative Statement (continued)

the Philippines have maintained their reserves at about \$300 million, an amount regarded by the Philippine Government as a minimum reserve.

The determination to extend this development assistance on a loan rather than on a grant basis rests on the assumption that loans repayable in local currency will be authorized along the same lines as in P.L. 665. The balance of payments outlook justifies Philippine reluctance to incur large dollar obligations in the immediate future. Deeply engrained Philippine convictions on protecting exchange reserves at present levels are still strong enough to make it inadvisable for the U.S. Government at this time to insist that the Philippines take part of the loan proposed for FY 1956 on a dollar repayment basis. Insistence on dollar repayment would entail not only a risk of dissipating the political benefits to the U.S. underlying the offer of loan assistance - benefits for outweighing any financial gains that might accrue to the U.S. - but could result in a slow-down of the development effort which is fundamental to building economic strength.

Implementation of Present Program

The present FOA program is being implemented at a rate and in a fashion representing a marked improvement over earlier programs. The operating relations between USOM and the Philippine Government have evolved into a clear and effective pattern, and the Philippine Government has taken over and is continuing many of the programs previously initiated by FOA. As indicated in the program tables, present projects are largely a continuation and consolidation

of programs started in earlier years, and a high degree of administrative competence and financial responsibility on the part of Philippine officials resulting from this experience has facilitated implementation. The pipeline into 1956, expected to be in the same order of magnitude as in the previous year, is essential to the acceleration of the Philippine development effort and does not constitute any serious implementation problem.

Local Currency Burden

The Philippine record in financing projects under the FOA program is outstanding in terms of its budgetary contributions. The Philippine Government recognizes in FY 1956 and FY 1957 that it will be subject to severe budgetary strain as a result of the effectuation of an economic development program concomitant with the reorganization and expansion of its defense forces. Nevertheless, it considers that the slack in the economy will permit increases in the money supply without damaging inflationary effects.

The proposed FY 1956 program makes no provision for local currency support of increased Philippine defense activities because of the uncertain state of planning of force goals, both as to size and timing. However, the prospective deficit in the central government budget indicates that unless economic development expenditures are to be curtailed at the same time, an agreed expansion of the Armed Forces of the Philippines would seriously raise the question whether U.S. budgetary support would not be required, in the form of imports of saleable commodities.

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General Narrative Statement (continued)

In this connection, although the uses of the local currency proceeds have not yet been determined, a preliminary P.L. 480 program is presently under review, contemplating sales totaling \$8 million (\$5 million for rice, \$2 million for dried milk, and \$1 million for cotton). On its own initiative the Philippine Government has informed the United States of its desire to purchase 185,000 tons of rice under P.L. 480, with the proposal that 90 percent of the pesos accruing to the United States be granted to the Philippines to be used for military construction projects. It is extremely uncertain, however, whether the U.S. will include rice in P.L. 480 programs for Southeast Asian countries.

Program Trend and U.S. Commitment

Through FY 1955 the U.S. Government will have made available to the Philippines about \$100 million in grant assistance and \$25 million in Eximbank loans, or one-half of the \$250 million total of loans and grants over a five-year period recommended by the Bell Mission and subscribed to by the U.S. Government in the Foster-Quirino Agreement of November 1950. The fact that only half of the assistance envisaged will have been extended in a five-year period arises in large measure from the relatively slow initial rate at which the Philippines have been able to utilize

foreign aid effectively, and from the strong disinclination of the Philippine Government to increase its external dollar indebtedness.

On the basis of present evidence it is estimated that the remaining \$125 million can be effectively programmed at an accelerated rate over a period of three or four years, beginning in FY 1956. It is anticipated that after FY 1956, there could be a substantial shift toward a reduction in defense support grants and an increase in loans. In the event, however, that increased military costs or other extraordinary financial developments threaten drastically to curtail economic development, it may be necessary to continue substantial grant assistance in order to protect progress in the economic development field.

Technical cooperation could be reduced after FY 1956 to a level of about \$5 million annually, and loans could be increased to an average of about \$35 million per year. On the basis of experience with the loan component in FY 1956 and in light of balance of payments developments, efforts will be made beginning in FY 1957, to negotiate with the Philippine Government a shift in the loan component from local currency to dollar repayments, with the target of eliminating local currency repayment loans by the end of FY 1959.

FOA:O/FE
November 9, 1954

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country Philippines
 Table 1 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
1. <u>Agriculture and Natural Resources</u>							
	1954	3,931	(10)	2,749	382	364	446
	1955	4,295	-	3,496	228	421	150
	1956	3,885	-	3,150	203	532	-
2. <u>Industry and Mining</u>							
	1954	46	(161)	73	51	236	(153)
	1955	7,945	5,000	2,506	72	97	270
	1956	28,890	25,000	2,550	235	330	775
3. <u>Transportation</u>							
	1954	4,966	(2)	4,563	62	243	100
	1955	2,245	-	2,135	57	53	-
	1956	2,815	-	2,500	75	240	-
4. <u>Labor</u>							
	1954	346	-	-	98	73	175
	1955	160	-	-	94	66	-
	1956	245	-	-	154	91	-
5. <u>Health and Sanitation</u>							
	1954	1,479	-	1,113	147	219	-
	1955	1,805	-	1,237	395	173	-
	1956	2,215	-	1,815	205	195	-
6. <u>Education</u>							
	1954	2,488	-	1,252	574	152	510
	1955	1,560	-	502	432	176	450
	1956	1,090	-	265	225	180	420

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FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country Philippines
Table 1 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
7.	<u>Public Administration</u>						
	1954	1,682	-	291	222	269	900
	1955	1,615	-	348	186	292	789
	1956	1,170	-	102	163	330	575
8.	<u>Community Development, Social Welfare and Housing</u>						
	1954	(9)	-	(9)	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
9.	<u>General and Miscellaneous</u>						
	1954	(135)	(146)	11	-	-	-
	1955	75	-	-	-	75	-
	1956	90	-	-	-	90	-
	<u>Total Country Program</u>						
	1954	14,794	(319)	10,043	1,536	1,556	1,978
	1955	19,700	5,000	10,224	1,464	1,353	1,659
	1956	40,400	25,000 ^{a/}	10,382	1,260	1,988	1,770

() Net deobligations during FY 1954 applicable to prior fiscal years' obligations.

a/ To be provided on a loan basis.

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT ^{a/}

Country Philippines
 Table 3 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
1.	<u>Agriculture and Natural Resources</u>						
	1954	3,931	(10)	2,749	382	364	446
	1955	2,840	-	2,840	-	-	-
	1956	2,900	-	2,900	-	-	-
2.	<u>Industry and Mining</u>						
	1954	46	(161)	73	51	236	(153)
	1955	7,425	5,000	2,425	-	-	-
	1956	27,000	25,000 ^{b/}	2,000	-	-	-
3.	<u>Transportation</u>						
	1954	4,966	(2)	4,563	62	243	100
	1955	2,135	-	2,135	-	-	-
	1956	2,500	-	2,500	-	-	-
4.	<u>Labor</u>						
	1954	346	-	-	98	73	175
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
5.	<u>Health and Sanitation</u>						
	1954	1,479	-	1,113	147	219	-
	1955	-	-	-	-	-	-
	1956	1,625	-	1,625	-	-	-
6.	<u>Education</u>						
	1954	2,488	-	1,252	574	152	510
		-	-	-	-	-	-
		-	-	-	-	-	-

~~CONFIDENTIAL~~

FAR EAST AND PACIFIC

~~CONFIDENTIAL~~

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT ^{a/}

Country Philippines
 Table 3 Page 2
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Non-Project Assistance Commodities	Project Assistance			
				Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
7.	<u>Public Administration</u>						
	1954	1,632	-	291	222	269	900
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
8.	<u>Community Development, Social Welfare and Housing</u>						
	1954	(9)	-	(9)	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
9.	<u>General and Miscellaneous</u>						
	1954	(135)	(146)	11	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
	<u>Total Country Program</u>						
	1954	14,794	(319)	10,043	1,536	1,556	1,978
	1955	12,400	5,000	7,400	-	-	-
	1956	34,025	25,000 ^{b/}	9,025	-	-	-

() Net deobligations during FY 1954 applicable to prior fiscal years' obligations.

^{a/} Authorized and conducted in FY 1954 as an integrated program including features of Technical Cooperation and Defense Support.

^{b/} To be provided on a loan basis.

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country Philippines
Table 5 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance			
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
1.	<u>Agriculture and Natural Resources</u>					
	1954	-	-	-	-	-
	1955	1,455	656	228	421	150
	1956	985	250	203	532	-
2.	<u>Industry and Mining</u>					
	1954	-	-	-	-	-
	1955	520	81	72	97	270
	1956	1,890	550	235	330	775
3.	<u>Transportation</u>					
	1954	-	-	-	-	-
	1955	110	-	57	53	-
	1956	315	-	75	240	-
4.	<u>Labor</u>					
	1954	-	-	-	-	-
	1955	160	-	94	66	-
	1956	245	-	154	91	-
5.	<u>Health and Sanitation</u>					
	1954	-	-	-	-	-
	1955	1,805	1,237	395	173	-
	1956	590	190	205	195	-

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FAR EAST AND PACIFIC

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OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country Philippines
 Table 5 Page 2
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance			
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
6.	<u>Education</u>					
	1954	-	-	-	-	-
	1955	1,560	502	432	176	450
	1956	1,090	265	225	180	420
7.	<u>Public Administration</u>					
	1954	-	-	-	-	-
	1955	1,615	348	186	292	789
	1956	1,170	102	163	330	575
8.	<u>Community Development, Social Welfare and Housing</u>					
	1954	-	-	-	-	-
	1955	-	-	-	-	-
	1956	-	-	-	-	-
9.	<u>General and Miscellaneous</u>					
	1954	-	-	-	-	-
	1955	75	-	-	75	-
	1956	90	-	-	90	-
	<u>Total TC Program</u>					
	1954	-	-	-	-	-
	1955	7,300	2,824	1,464	1,353	1,659
	1956	6,375	1,357	1,260	1,988	1,770

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FAR EAST AND PACIFIC

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NON-PROJECT ASSISTANCE: COMMODITY BREAKDOWN OF OBLIGATIONS - ALL FUNCTIONS - FY 1956

Country Philippines
Table 6
Date November 1, 1954

(In thousands of dollars)

Commodity Detail	FY 1954 Actual	FY 1955 Estimated			FY-1956 Estimated			
		Total	Defense Support	Technical Cooperation	Total	Direct Forces Support	Defense Support	Technical Cooperation
<u>Agricultural Commodities</u>	-	-	-	-	-	-	-	-
Fertilizer	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	-	-	-
<u>Petroleum Products</u>	-	-	-	-	-	-	-	-
<u>Raw Materials and Semi-Finished Products</u>	(21)	-	-	-	1,500	-	1,500	-
Iron & Steel Mill Materials & Products	-	-	-	-	1,000	-	1,000	-
Medicinal & Pharmaceutical Preparations	(21)	-	-	-	-	-	-	-
Pesticides	-	-	-	-	-	-	-	-
Other	-	-	-	-	500	-	500	-
<u>Machinery and Vehicles</u>	(152)	5,000	5,000	-	20,500	-	20,500	-
Construction, Mining & Conveying Equipment	(92)	400	400	-	8,000	-	8,000	-
Electrical Apparatus, Generators & Motors	(6)	1,000	1,000	-	6,000	-	6,000	-
Industrial Machinery	(42)	3,000	3,000	-	5,500	-	5,500	-
Tractors (non-agricultural)	-	-	-	-	-	-	-	-
Motor Vehicles, Engines & Parts	(2)	400	400	-	500	-	500	-
Agricultural Machinery	(10)	-	-	-	-	-	-	-
Other -- including technical services	-	200	200	-	500	-	500	-
<u>Miscellaneous</u>	(146)	-	-	-	3,000	-	3,000	-
Scientific and Professional Instruments	-	-	-	-	-	-	-	-
Misc. Iron & Steel Manufactures	-	-	-	-	2,500	-	2,500	-
Misc. Commodities for Ed. & Scientific Use	-	-	-	-	-	-	-	-
Other (incl. ocean freight, n.e.c.)	(146)	-	-	-	500	-	500	-
Total	(319)	5,000	5,000	-	25,000	-	25,000	-

() Indicates net deobligations during FY 1954 applicable to prior fiscal years' obligations.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - ALL FUNCTIONS

Country Philippines
Table 7
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total <u>a/</u>	Non-Project Assistance Commodities		Project Assistance			
		Capital Goods	Soft Goods	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>1954</u>							
Unliquidated obligations	28.8	1.4	-	25.1	0.6	0.4	1.3
New obligations	14.8	(0.3)	-	10.0	1.6	1.5	2.0
Total available	43.6	1.1	-	35.1	2.2	1.9	3.3
Expenditures	20.1	0.8	-	17.5	0.2	1.2	0.4
Unliquidated obligations	23.5	0.3	-	17.6	2.0	0.7	2.9
<u>1955</u>							
Unliquidated obligations	23.5	0.3	-	17.6	2.0	0.7	2.9
New obligations	19.7	4.8	-	10.9	1.2	1.1	1.7
Total available	43.2	5.1	-	28.5	3.2	1.8	4.6
Expenditures	21.3	0.7	-	15.9	1.7	1.5	1.5
Unliquidated obligations	21.9	4.4	-	12.6	1.5	0.3	3.1
<u>1956</u>							
Unliquidated obligations	21.9	4.4	-	12.6	1.5	0.3	3.1
New obligations	40.4	25.0 <u>a/</u>	-	10.4	1.3	1.9	1.8
Total available	62.3	29.4	-	23.0	2.8	2.2	4.9
Expenditures	26.2	9.4	-	10.7	1.2	2.1	2.8
Unliquidated obligations	36.1	20.0	-	12.3	1.6	0.1	2.1

a/ Represents the \$25 million Defense Support Loan component of the FY 1956 Program.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT

Country Philippines
Table 9
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance			
		Commodities	Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
<u>1954 a/</u>		Capital Goods	Soft Goods				
Unliquidated obligations	28.8	1.4	-	25.1	0.6	0.4	1.3
New obligations	14.8	(0.3)	-	10.0	1.6	1.5	2.0
Total available	43.6	1.1	-	35.1	2.2	1.9	3.3
Expenditures	20.1	0.8	-	17.5	0.2	1.2	0.4
Unliquidated obligations	23.5	0.3	-	17.6	2.0	0.7	2.9
<u>1955</u>							
Unliquidated obligations	23.5	0.3	-	17.6	2.0	0.7	2.9
New obligations	12.4	4.8	-	8.1	(0.2)	(0.3)	-
Total available	35.9	5.1	-	25.7	1.8	0.4	2.9
Expenditures	19.6	0.7	-	15.6	1.5	0.3	1.5
Unliquidated obligations	16.3	4.4	-	10.1	0.3	0.1	1.4
<u>1956</u>							
Unliquidated obligations	16.3	4.4	-	10.1	0.3	0.1	1.4
New obligations	34.0	25.0 b/	-	9.0	-	-	-
Total available	50.3	29.4	-	19.1	0.3	0.1	1.4
Expenditures	19.0	9.4	-	8.2	0.2	0.1	1.1
Unliquidated obligations	31.3	20.0	-	10.9	0.1	-	0.3

a/ The FY 1954 program was authorized and conducted as an integrated program, including features of Technical Cooperation and Defense Support.

b/ Represents the \$25 million Defense Support Loan component of the FY 1956 program.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - TECHNICAL COOPERATION

Country Philippines
Table 11
Date November 1, 1954

(In hundreds of thousands of dollars)

Fiscal Year	Total	Non-Project Assistance		Project Assistance			Contract Service Technicians
		Commodities	Soft Goods	Commodities	Participants	U.S. Employed Technicians	
<u>1954</u>							
Unliquidated obligations	-	-	-	-	-	-	-
New obligations ^{a/}	-	-	-	-	-	-	-
Total available	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-
Unliquidated obligations	-	-	-	-	-	-	-
<u>1955</u>							
Unliquidated obligations	-	-	-	-	-	-	-
New obligations	7.3	-	-	2.8	1.4	1.4	1.7
Total available	7.3	-	-	2.8	1.4	1.4	1.7
Expenditures	1.7	-	-	0.3	0.2	1.2	-
Unliquidated obligations	5.6	-	-	2.5	1.2	0.2	1.7
<u>1956</u>							
Unliquidated obligations	5.6	-	-	2.5	1.2	0.2	1.7
New obligations	6.4	-	-	1.4	1.3	1.9	1.8
Total available	12.0	-	-	3.9	2.5	2.1	3.5
Expenditures	7.2	-	-	2.5	1.0	2.0	1.7
Unliquidated obligations	4.8	-	-	1.4	1.5	0.1	1.8

^{a/} The FY 1954 program was authorized and conducted as an integrated program, including features of Technical Cooperation and Defense Support.

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION)
AND 9 ACTIVITIES

Country Philippines
Table 12
Date November 1, 1954

Activity	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
1. Agriculture and Natural Resources	98	-	98	73	-	73	62	-	62
2. Industry and Mining	13	-	13	30	-	30	76	-	76
3. Transportation	19	-	19	17	-	17	19	-	19
4. Labor	24	-	24	30	-	30	42	-	42
5. Health and Sanitation	34	-	34	79	-	79	37	-	37
6. Education	116	-	116	88	-	88	45	-	45
7. Public Administration	62	-	62	50	-	50	47	-	47
8. Community Development, Social Welfare and Housing	-	-	-	-	-	-	-	-	-
9. General and Miscellaneous	-	-	-	-	-	-	-	-	-
Total	366	-	366	367	-	367	328	-	328

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - STATISTICS ON PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS) AND
ALL ACTIVITIES

Country Philippines
Table 13 Page 1
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding</u> (In thousands of dollars)				
Programs	500	1,536	1,464	1,260
New obligations	500	1,536	1,464	1,260
Expenditures	-	200	1,700	1,300
Unliquidated obligations end of FY	600	1,936	1,700	1,660
<u>B. Numbers</u>				
<u>1951 and 1952 Programs</u>				
In training or in process	Arrivals	75	1	-
	Departures	48	35	-
	In Training	35	1	-
<u>1953 Program</u>				
Target		121	xxx	xxx
Obligated		121	xxx	xxx
Arrivals		17	3	xxx
Departures		4	71	1
In training		13	1	-
<u>1954 Program</u>				
Target		xxx	366	xxx
Obligated		xxx	366	xxx
Arrivals		xxx	39	28
Departures		xxx	12	118
In training		xxx	27	28

CONFIDENTIAL

FAR EAST AND PACIFIC

PROJECT ASSISTANCE - STATISTICS ON PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS) AND ALL ACTIVITIES

Country Philippines
Table 13 Page 2
Date November 1, 1954

	<u>Actual</u>		<u>Estimated</u>	
	<u>FY 1953</u>	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
<u>1955 Program</u>				
Target	xxx	xxx	367	xxx
Obligated	xxx	xxx	367	xxx
Arrivals	xxx	xxx	110	257
Departures	xxx	xxx	20	210
In training	xxx	xxx	90	137
<u>1956 Program</u>				
Target	xxx	xxx	xxx	328
Obligated	xxx	xxx	xxx	328
Arrivals	xxx	xxx	xxx	170
Departures	xxx	xxx	xxx	50
In training	xxx	xxx	xxx	120
<u>Total (1953 - 1956 Programs)</u>				
Arrivals	17	140	384	455
Departures	4	58	271	378
In training	13	95	209	285

FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Philippines
Table 14 Page 1
Date November 1, 1954

Activity and Personnel Category	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
1. <u>Agriculture and Natural Resources</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	22	22	-	38	-	38	35	-	35
Man Years obligated during FY	23-1/2	23-1/2	-	28	-	28	35-1/2	-	35-1/2
Contract Technicians:									
Positions filled end of FY	9	9	-	16	-	16	16	-	16
Man Years obligated during FY	42	42	-	4	-	4	-	-	-
2. <u>Industry and Mining</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	9	9	-	20	-	20	16	-	16
Man Years obligated during FY	11-3/4	11-3/4	-	5	-	5	22	-	22
Contract Technicians:									
Positions filled end of FY	-	-	-	6	-	6	21	-	21
Man Years obligated during FY	1	1	-	4-1/2	-	4-1/2	19-1/2	-	19-1/2
3. <u>Transportation</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	14	14	-	18	-	18	16	-	16
Man Years obligated during FY	17	17	-	3-1/2	-	3-1/2	16	-	16
Contract Technicians:									
Positions filled end of FY	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	3-1/2	3-1/2	-	-	-	-	-	-	-

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Philippines
Table 14 Page 2
Date November 1, 1954

Activity and Personnel Category	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
4. Labor									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	3	3	-	6	-	6	6	-	6
Man Years obligated during FY	6	6	-	4-1/2	-	4-1/2	6	-	6
Contract Technicians:									
Positions filled end of FY	-	-	-	4	-	4	4	-	4
Man Years obligated during FY	8	8	-	-	-	-	-	-	-
5. Health and Sanitation									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	9	9	-	15	-	15	12	-	12
Man Years obligated during FY	11-3/4	11-3/4	-	11-1/2	-	11-1/2	13	-	13
Contract Technicians:									
Positions filled end of FY	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-
6. Education									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	11	11	-	16	-	16	15	-	15
Man Years obligated during FY	11	11	-	11-3/4	-	11-3/4	17	-	17
Contract Technicians:									
Positions filled end of FY	8	-	8	30	-	30	28	-	28
Man Years obligated during FY	25	-	25	25-3/4	-	25-3/4	25	-	25

FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Philippines
Table 14 Page 3
Date November 1, 1954

<u>Activity and Personnel Category</u>	<u>FY 1954</u>			<u>FY 1955</u>			<u>FY 1956</u>		
	<u>Total</u>	<u>Defense Support</u>	<u>Technical Cooperation</u>	<u>Total</u>	<u>Defense Support</u>	<u>Technical Cooperation</u>	<u>Total</u>	<u>Defense Support</u>	<u>Technical Cooperation</u>
<u>7. Public Administration</u>									
<u>U.S. Employees - U.S. Nationals:</u>									
Positions filled end of FY	21	21	-	22	-	22	20	-	20
Man Years obligated during FY	25-1/2	25-1/2	-	19-1/2	-	19-1/2	22	-	22
<u>Contract Technicians:</u>									
Positions filled end of FY	31	31	-	40	-	40	8	-	8
Man Years obligated during FY	44-1/2	44-1/2	-	31	-	31	13	-	13
<u>Total</u>									
Positions filled end of FY	137	129	8	231	-	231	198	-	198
Man Years obligated	230-1/2	205-1/2	25	149	-	149	190	-	190

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - SUMMARY OF FIELD PROGRAM PERSONNEL
FOR ALL FUNCTIONS (APPROPRIATIONS) AND ACTIVITIES

Country Philippines
Table 15
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding (Obligations)</u> (In thousands of dollars)				
U.S. Employees:				
Programs	2,212	3,533	3,012	3,768
U.S. Technicians:	1,267	1,555	1,353	1,998
Full time	1,267	1,555	1,353	1,998
Temporary and Parttime	-	-	-	-
Contract technicians (Incl. incidental costs)	945	1,978	1,659	1,770
Total obligations	2,212	3,533	3,012	3,768
<u>B. Numbers</u>				
U.S. Employees:				
Total Target	121	137	231	198
U.S. Technicians:				
Full time				
Positions filled end of FY	107	89	135	121
Man Years (obligations)	96	106 1/2	85 1/4	132 1/4
Temporary and parttime				
Positions filled end of FY	-	-	-	-
Man Years (obligations)	-	-	-	-
Contract technicians:				
Positions contracted for during FY (disregarding length of stay)	20	74	68 3/4	52
Positions filled end of FY	14	48	96	77
Man Years (obligations)	36	124	64 1/4	57 3/4
Totals:				
Positions filled end of FY	121	137	231	198
Man Years (obligations)	132	230 1/2	149 1/2	190

FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955, OR CONTEMPLATED IN FYS 1955/1956 ^{a/}

Country Philippines
Table 16 Page 1
Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)						
				Actual				Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956	
10	<u>Agriculture and Natural Resources</u>									
11	<u>College of Agriculture</u>	Cornell University	July 1, 1952	-	225	-	526	-	-	

This contract provides technical assistance to the U.P. College of Agriculture and Central Experiment Station located at Los Banos on the island of Luzon. Under the original contract, Cornell University was to provide 10 technicians for a period of 30 months to assist the College in the rehabilitation and expansion of its teaching and research facilities. This contract was replaced by a new contract on July 1, 1954, to provide for 14 staff-advisers and the contract period was extended to June 30, 1957. The project has been very successful in improving the quality of instruction at the College, aiding in developing the necessary physical plant and in the installation and use of equipment provided under the FOA program. A thorough summary of accomplishments under this contract is included in the quarterly Narrative Report for the period April 1, 1954, to June 30, 1954, forwarded to FOA/W on August 31, 1954, as TOUSFO A-205. At the present, there are 10 staff members in the Philippines, three more are scheduled to arrive in November 1954, and an additional one before the end of 1954. Cornell University is permitted a 27% overhead allowance under the terms of the contract.

40	<u>Labor</u>									
41	<u>Labor Education Center</u>	University of Connecticut	June 22, 1954	-	-	-	175	88	-	

This contract between the University of the Philippines and Connecticut University provides for technical services, including minimum library facilities for the Labor Education Center at the University of the Philippines. The contract was established to assist in the development of a permanent service by the University of the Philippines to labor, management, and other adult groups interested in trade union methodology and important labor relations problems in order to increase mutual understanding of labor problems in general and to improve the skill of union leaders in particular in the elements of responsible collective bargaining and sound labor relations. The contract provides for four technical advisers to be assigned to the Center for two years each, and for five consultants for short term. Four staff members are currently in the field. The contract is financed through June 30, 1956, with provision for extension of one year beyond that date. The contract permits an overhead allowance of 15% of the base salaries of the personnel assigned under the contract.

FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country Philippines
Table 16 Page 2
Date November 1, 1954

OUTSTANDING JULY 1, 1955, OR CONTEMPLATED IN FYS 1955/1956 a/

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)				
				Actual				Estimated
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955

60	<u>Education</u>								
61	Vocational Industrial Training	U. S. Teaching Institution	Proposed	-	-	-	-	255	120

The purpose of this proposed contract is to improve the quality of teacher education for both vocational trade school teachers and industrial arts teachers. The plan, to be developed in the field, will call for a team of 8 men the first year, 9 the second year, and 4 the third year. The three-year contract (from May 1, 1955, to April 30, 1958) would be between some outstanding U. S. college and the Bureau of Public Schools, with the work being concentrated at the Philippine School of Arts and Trades the first two years, and in the Bureau of Public Schools and Iloilo or Cebu the third year.

62	Vocational Agricultural Training	U.S. Teaching Inst.	Proposed	-	-	-	-	150	300
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This proposed contract between a qualified Agricultural College in the United States and the Philippine Bureau of Public Schools would provide a team of three men for three years for each of three agriculture teacher training institutions in the Philippines. The schools will probably be Central Luzon Agricultural College, Mindanao Agricultural College, and Baybay Agricultural School. The purpose would be to improve the quality of teacher education for the staffs (present and future) of 37 schools of vocational agriculture and for agriculture departments in 300 high schools. The duration of the contract would be five years if assistance to one school begins each year.

66	U.P. Colleges (Engineering, Education, Business Administration)	Stanford University	June 1, 1953	-	-	300	700	-	-
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This contract between the University of the Philippines and Stanford University provides for a staff of 9 full-time advisers plus a maximum of 3 consultants to assist the University of the Philippines. Five advisers are currently working with the College of Engineering, 2 with the College of Education, and 2 with the College of Business Administration. The contract is intended to provide these three colleges with professional advice and assistance in the development of teaching methods and programs, assistance in selection of books, equipment and supplies, in order to improve teaching facilities, and limited participation in actual instruction. In addition, the contract provides that not more than 20 U. P. faculty members per year may be brought to the U. S. for specific specialist training under the orientation and guidance of Stanford University. The contract, as amended, will be effective for a period of four years, terminating on or about April 30, 1957, and provides for an overhead allowance of 27.7% of base salaries.

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FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955, OR CONTEMPLATED IN FYS 1955/1956 a/

~~CONFIDENTIAL~~

Country Philippines
Table 16 Page 3
Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)						
				Actual				Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956	
70	<u>Public Administration</u>									
71	Bureau of Lands Modernization	Booz, Allen, & Hamilton	July 17, 1954	-	-	420	-	-	-	-
	<p>This contract between the Bureau of Lands of the Philippine Department of Agriculture and the U. S. management consultant firm of Booz, Allen and Hamilton provides for assistance to the Bureau of Lands by (a) identifying the basic problems relating to records management, land patent issuances, verification of surveys, equipment needs, office procedures and (b) preparing a report summarizing these recommendations to improve the operation of this Bureau. Additionally, the contractor will take primary responsibility in assisting the Bureau in installing recommended equipment procedures, rendering professional counsel for Bureau management, assisting in setting up training programs, and assisting in the development of policies for the operation of the Bureau of Lands. This contract, which commenced on July 17, 1953, is scheduled to terminate on December 31, 1955. The contract provided for three people to initially survey the problem. Subsequently, 3 additional people were added to the field staff and there are currently 5 people operating in the field. The contract does not specify the overhead allowance provided the contractor but merely makes reference to the contractor's normal billing rate as including the necessary overhead allowance.</p>									
73	Wage and Position Classification	Kroeger and Associates	June 4, 1953	-	-	310	-	125	75	
	<p>This contract between the Philippine Budget Commission and Louis J. Kroeger & Associates, initiated on June 4, 1953, is intended to provide assistance to the Philippine Budget Commission in the training of Philippine staff personnel in position classification and wage survey techniques, direct an appraisal of the position classification and wage practices of the Philippine Government (covering an estimated 200,000 Civil Service positions), direct an analysis of the duties performed in each position, prepare a recommended pay structure, and prepare proposals, including necessary drafts for legislation, for the effective administration of the classification and pay plan. This contract, entered into on June 4, 1953, and scheduled to terminate on December 31, 1954, originally provided for six personnel. Subsequently, this was amended when the full complexity of the undertaking was disclosed to provide that the contractor furnish 12 personnel. There are now 12 staff members in the Philippines. The contract provides that the contractor shall receive an overhead allowance of 20% of the basic salaries of the personnel assigned under the contract. It is now proposed that the contract be extended 12 months to provide for the installation of new procedures.</p>									

FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country Philippines
Table 16 Page 4
Date November 1, 1954

OUTSTANDING JULY 1, 1955, OR CONTEMPLATED IN FYS 1955/1956 a/

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
74	Modernization of Budgeting and Accounting	Booz, Allen, & Hamilton	July 1, 1954	-	-	-	245	350	500

This contract between the Philippine Budget Commission and the U. S. consulting firm of Booz, Allen and Hamilton, is intended to assist the Philippine Government in modernizing the budgetary, accounting, and auditing practices of the Philippine Government, its departments and agencies, by (a) assisting in the implementation of the recently enacted "Performance Budget Bill," (b) counselling in the development and installing of procedures designed to coordinate the allotting, accounting, and disbursing of funds in conformance with new budgeting procedures, (c) assisting in the improvement of existing interagency accounting practices, and (d) consulting with the general auditing office in the preparation of material basic to proposed legislation revising current accounting statutes. The contract provides that 5 technicians be assigned in the field. Five technicians are presently in the Philippines. The contract provides that the contractor shall be reimbursed on the basis of his normal per diem billing rate, which includes salary, overhead, and fee. The contract is scheduled to terminate on June 30, 1955, with provision for extension of 24 months until June 30, 1957, at the request of the Commission and with approval of FOA/Washington.

77	Institute of Public Administration	University of Michigan	June 15, 1952	-	170	-	270	-	-
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This is a contract between the University of the Philippines and the University of Michigan wherein the latter is assisting the University of the Philippines establish an Institute of Public Administration by (a) providing direction and assistance in research on problems of public administration, and in the preparation and issuance of publications for general distribution, (b) conducting seminars and in-service training courses for government management personnel, (c) providing guidance in the development of the Institute as a Regional Center for training in public administration, (d) assisting in the development of training projects, and (e) assisting in the establishment and maintenance of a public administration library. The contract originally provided for 6 full-time technicians and an average of 1 1/2 man years of consultant services. This contract has been amended and now provides for a maximum of 12 persons, including consultants. Seven full-time staff members are presently in the field. This contract, which is scheduled to terminate on or about June 30, 1956, provides for an overhead allowance of 40% of all reimbursement made to the contractor in payment of technicians' salaries.

a/ Excludes contracts for which less than \$250,000 will be obligated.

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FAR EAST AND PACIFIC

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STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country Philippines
Table 17 Page 1
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
A. Deposit Accruals:			
I. Commensurate basis			
Balance of accruals carried forward	2,231	746	1,000
U.S. aid furnished	18,983	21,300	17,600
Loan repayments	-	-	-
Interest	-	-	-
Total	21,214	22,046	18,600
Less: Deposit waived	1,748	3,646	3,500
Deposit deferred	-	-	-
Total	1,748	3,646 a/	3,500
Total requirements for deposit:	19,466	18,400	15,100
II. Sales proceeds:			
U.S. aid furnished	(784)*	(700)*	(4,400)*
Estimated sales proceeds, incl. carryover	784	700	4,400 b/
III. Other (specify)			
Total Deposit Accruals	20,250	19,100	19,500
B. Deposit Account Transactions:			
Balance carried forward	13,328	10,787	527
Actual deposits against above requirements: c/			
I. Commensurate basis	18,465	17,500	14,300
II. Sales proceeds	1,039	700	4,400
III. Other (specify)	None	None	None
Total	32,832	28,987	19,227
Less transfers for U.S. use	847	900	927
<u>Balance available for withdrawals</u>	31,985	28,087	18,300

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FAR EAST AND PACIFIC

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

~~CONFIDENTIAL~~
Country Philippines
* Table 17 Page 2
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
C. Expenditures (actual withdrawals):			
By 9 activities:			
1. Agriculture and Natural Resources	8,634	9,859	3,300
2. Industry and Mining	1,802	2,082 d/	4,640 d/
3. Transportation	3,485	8,170	6,250
4. Labor	37	63	130
5. Health and Sanitation	1,929	399	-
6. Education	2,175	2,321	300
7. Public Administration	1,537	1,934	630
8. Community Development, Social Welfare and Housing	662	288	-
9. General and Miscellaneous	937	2,444	2,500
Other	-	-	-
<u>Total Expenditures</u>	<u>21,198</u>	<u>27,560</u>	<u>17,750</u>
D. Disbursements by Cooperating Government			
By 9 activities:			
1. Agriculture and Natural Resources	9,413	9,900	7,650
2. Industry and Mining	1,785	3,000	1,500
3. Transportation	2,948	4,000	4,000
4. Labor	1	35	50
5. Health and Sanitation	1,498	500	350
6. Education	1,833	2,000	1,000
7. Public Administration	1,674	1,500	500
8. Community Development, Social Welfare and Housing	1,161	500	100
9. General and Miscellaneous	937	1,500	500
Other	-	-	-
<u>Total Disbursements</u>	<u>21,250 e/</u>	<u>22,935 e/</u>	<u>15,650 e/</u>

FAR EAST AND PACIFIC

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT
(Excludes Sections 550 or 402 Sales Proceeds)

Country Philippines
Table 17 Page 3
Date November 1, 1954

-
- a/ This increase in estimated payments waiving counterpart deposit in FY 1955 is the result of an anticipated increase in expenditures for unliquidated and new obligations in FY 1955 for participants and U.S. technicians, since these obligations will now be accrued and disbursed on a monthly basis.
- b/ Excludes non-project Defense Support assistance provided in FY 1956 on a loan basis.
- c/ Two Philippine Pesos equal one U.S. Dollar.
- d/ \$0.7 million is included in FY 1955 and \$4.4 million in FY 1956 to be derived from sales proceeds of equipment and machinery imports to be used for essential industrial development projects. The use of this counterpart in FY 1955 (\$0.6 million) has not been included as a part of the FY 1955 counterpart program.
- e/ Includes \$3.6 million transferred to trust funds and sub-accounts in FY 1954, \$2.9 million in FY 1955, and \$650,000 in FY 1956.
- * Information, not added in.

FAR EAST AND PACIFIC

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GENERAL CENTRAL GOVERNMENT FINANCE

Country Philippines

Table 19

Date November 1, 1954

Exchange Rate Used: \$1 = 2 pesos

(Millions of dollar equivalents)

	FY 1953	FY 1954	FY 1955	FY 1956 a/
<u>Revenue b/</u>				
Income taxes	58.8	54.1	59.6	62.5
Other taxes	251.1	267.8	274.5	282.5
Profits on Government enterprises	-	-	-	-
Special account (FOA counterpart)	13.7	23.0	26.9	23.0
Other foreign grants	-	-	-	-
Other revenues	36.4	29.7	29.0	30.4
TOTAL REVENUE	360.0	374.6	390.0	398.4
<u>Expenditures</u>				
National defense	91.8	88.1	85.6	90.0
Other	258.0	302.7	435.4	387.1
Adjustment (FY 1955) c/	-	-	(88.0)	-
TOTAL EXPENDITURES	349.8	390.8	433.0	477.1
Deficit or Surplus	10.2	16.2	43.0	78.7

a/ This estimate was prepared subsequent to receipt of the Philippine Government's loan request and takes into account the effects of a proposed FY 1956 loan program. For FY 1956 it was assumed that prices would remain unchanged from calendar year 1954, that economic activity would increase moderately from FY 1955, and that tax administration would become increasingly effective.

b/ Excludes receipts from borrowings and payment for debt redemption.

c/ Represents USOM estimate of difference between appropriations and amounts expected to be authorized for expenditure by the budgeting authorities.

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FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

Country Philippines
Table 20 Page 1
Date November 1, 1954

Exchange Rate Used: \$1.00 = 2 Pesos

(Millions of dollar equivalents)

	CY 1953	CY 1954	CY 1955	FY 1956
A. Goods and Services				
Exports	385.9	378.1	361.4	361.4
Imports	-499.8	-508.4	-476.1	-487.5
Trade Balance	-113.9	-130.3	-114.7	-126.1
Non-Monetary gold movement (net)	16.8	14.0	14.0	14.0
Foreign travel	-10.2	-10.2	-10.2	-10.2
Transportation and insurance	-47.7	-49.3	-45.2	-44.8
Investment income	-34.6	-34.6	-34.6	-34.6
Government n.i.e.	134.2	139.7	131.7	131.7
Sub-Total, Current Account	-55.4	-70.7	-59.0	-70.0
B. Private Financing				
Remittances	3.0	3.0	3.0	3.0
Direct Investment	9.8	29.6	29.6	29.6
Other	16.0	16.0	16.0	16.0
Total Private Financing	28.8	48.6	48.6	48.6
C. Net Errors and Omissions				
	-3.3	-	-	-
D. Surplus (✓) or Deficit (-) A through C				
	-29.9	-22.1	-10.4	-21.4

FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

~~CONFIDENTIAL~~

Country Philippines
 Table 20 Page 2
 Date November 1, 1954

Exchange Rate Used: \$1.00 = 2 Pesos

(Millions of dollar equivalents)

	CY 1953	CY 1954	CY 1955	FY 1956
E. Official Financing				
1. Donations				
Grants from U.S.	21.9	19.4	20.0	26.0
Other	-	-	-	-
Total Donations	21.9	19.4	20.0	26.0
2. Long-Term Capital				
Loan repayments	-9.6	-9.6	-9.6	-9.6
Loans from U.S.	7.7	12.3	-	5.0
Loans from IBRD	-	-	-	-
Other	-	-	-	-
Total Long-Term Capital	-1.9	2.7	-9.6	-4.6
3. Short-Term Capital				
Change in reserves (increase -)	10.1	-	-	-
Monetary gold (increase -)	-0.2	-	-	-
Other	-	-	-	-
Total Short-Term Financing	9.9	-	-	-
Total Official Financing (1 + 2 + 3)	29.9	22.1	10.4	21.4
Memorandum on Reserves				
Status, end of period:				
Gold and dollars	296.0	296.0	296.0	296.0
Sterling	-	-	-	-
Other	-	-	-	-

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FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

~~CONFIDENTIAL~~

Country Philippines
Table 20 Page 3
Date November 1, 1954

Forecasting Assumptions

The general assumptions on which the estimates were based are:

- (1) The October 1954 export price levels for most major Philippine exports will prevail through FY 1956.
- (2) The government will manage its import policy with a view to maintenance of the present level of foreign exchange reserves, even though this policy would lead to some decline in the total value of imports which would prevent the accomplishment of many high priority investment projects.
- (3) The estimated calendar year 1954 level of private foreign investment (a level substantially higher than in previous years) is assumed to continue through FY 1956.
- (4) It is assumed that there will be no inflow of public capital apart from FOA assistance.

In addition, no allowance in the balance of payments forecast has been made for the possible effects of current negotiations with the United States on the Bell Trade Agreement revisions and with Japan on reparations payments.

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

(In thousands of dollars)

Country Philippines
Table 22 Page 1
Date November 1, 1954

Code No.	Activity and Sub-activity	FY 1954 a/	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
10	<u>Agriculture and Natural Resources</u>	<u>3,941</u>	<u>4,295</u>	<u>2,840</u>	<u>1,455</u>	<u>3,885</u>	<u>2,900</u>	<u>985</u>
11	Research, Agricultural Education and Extension	818	247	-	247	316	-	316
12	Land and Water Resources	1,243	2,937	2,540	397	2,698	2,400	298
13	Crop and Livestock Development	1,397	249	-	249	99	-	99
14	Agricultural Economics, Farm Organization and Agricultural Credit	92	75	-	75	141	-	141
15	Agricultural Marketing and Processing	398	463	300	163	527	500	27
16	Home Economics and Rural Youth	b/	b/	-	-	b/	-	-
17	Forestry	(51)	188	-	188	36	-	36
18	Fisheries	-	91	-	91	13	-	13
19	All Other	44	45	-	45	55	-	55
20	<u>Industry and Mining</u>	<u>207</u>	<u>2,945</u>	<u>2,425</u>	<u>520</u>	<u>3,890</u>	<u>2,000</u>	<u>1,890</u>
21	Mining and Minerals	104	327	200	127	504	-	504
22	Power and Communications	12	2,400	2,225	175	2,346	2,000	346
23	Manufacturing and Processing	3	-	-	-	-	-	-
24	Service Industries	-	-	-	-	-	-	-
25	Engineering and Construction	-	-	-	-	-	-	-
26	Marketing and Distribution	-	-	-	-	-	-	-
27	Industrial Management	38	218	-	218	565	-	565
28	Industrial Training	-	-	-	-	-	-	-
29	All Other	50	-	-	-	475	-	475
30	<u>Transportation</u>	<u>4,968</u>	<u>2,245</u>	<u>2,135</u>	<u>110</u>	<u>2,815</u>	<u>2,500</u>	<u>315</u>
31	Highways	4,642	908	870	38	1,203	1,000	203
32	Urban Transit and Traffic Engineering	-	-	-	-	-	-	-
33	Railways	-	-	-	-	6	-	6
34	Port Facilities and Harbor Improvement	193	1,299	1,265	34	1,551	1,500	51

FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

(In thousands of dollars)

Country Philippines
Table 22 Page 2
Date November 1, 1954

Code No.	Activity Sub-activity	FY 1954 a/	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
30	<u>Transportation</u> (Cont'd)							
35	Inland Waterways	-	-	-	-	-	-	-
36	Ship Operations	-	-	-	-	-	-	-
37	Air Transport	-	-	-	-	-	-	-
39	All Other	133	38	-	38	55	-	55
40	<u>Labor</u>	<u>346</u>	<u>160</u>	-	<u>160</u>	<u>245</u>	-	<u>245</u>
41	Labor and Trade Union Leadership	270	42	-	42	75	-	75
42	Apprenticeship and In-Service Training for Workers	-	-	-	-	-	-	-
43	Labor Productivity	-	7	-	7	25	-	25
44	Labor Management Relations	-	22	-	22	31	-	31
45	Labor and Social Legislation and Enforcement	15	27	-	27	30	-	30
46	Manpower Utilization and Service	31	16	-	16	29	-	29
47	Industrial Safety-Hygiene	-	-	-	-	3	-	3
48	Workers' Housing	4	3	-	3	-	-	-
49	All Other	26	43	-	43	52	-	52
50	<u>Health and Sanitation</u>	<u>1,479</u>	<u>1,805</u>	-	<u>1,805</u>	<u>2,215</u>	<u>1,625</u>	<u>590</u>
51	Control of Specific Diseases	(205)	447	-	447	446	425	21
52	Environmental Sanitation	670	847	-	847	1,264	1,200	64
53	Health Facilities - Operation of and Advisory Services to	742	38	-	38	190	-	190
54	Health Training and Education	279	447	-	447	285	-	285
55	Health Facilities Construction, Remodeling, Equipment	(64)	-	-	-	-	-	-
59	All Other	57	26	-	26	30	-	30

FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

(In thousands of dollars)

Country Philippines
Table 22 Page 3
Date November 1, 1954

Code No.	Activity and Sub-activity	FY 1954 a/	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
60	<u>Education</u>	<u>2,488</u>	<u>1,560</u>	-	<u>1,560</u>	<u>1,090</u>	-	<u>1,090</u>
61	Technical Education	633	542	-	542	315	-	315
62	Vocational Agriculture Education	566	502	-	502	530	-	530
63	Home Economics Education	204	77	-	77	-	-	-
64	Elementary Education	90	169	-	169	75	-	75
65	Secondary Education	-	-	-	-	100	-	100
66	Professional and Higher Education	946	240	-	240	30	-	30
67	Fundamental Adult and Community Education	-	-	-	-	-	-	-
68	Educational Administration	-	-	-	-	-	-	-
69	All Other	49	30	-	30	40	-	40
70	<u>Public Administration</u>	<u>1,682</u>	<u>1,615</u>	-	<u>1,615</u>	<u>1,170</u>	-	<u>1,170</u>
71	Organization and Management of Particular Ministries or Programs	509	261	-	261	12	-	12
72	Government-Wide Organization and Management	14	246	-	246	81	-	81
73	Public Personnel Administration	171	133	-	133	100	-	100
74	Budget Administration	276	503	-	503	642	-	642
75	Public Finance	63	217	-	217	222	-	222
76	General Services	94	145	-	145	72	-	72
77	Organization and Administration of Institutes or Bureaus of Public Administration	300	20	-	20	10	-	10
78	Statistics - General and Census	12	75	-	75	6	-	6
79	All Other	243	15	-	15	25	-	25

FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Philippines
 Table 22 Page 4
 Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954 ^{a/}	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
80	<u>Community Development, Social Welfare and Housing</u>	(9)	-	-	-	-	-	-
81	Community Development	-	-	-	-	-	-	-
82	Social Welfare	-	-	-	-	-	-	-
83	Housing	(9)	-	-	-	-	-	-
84	Aided Self-Help Housing	-	-	-	-	-	-	-
85	Supporting Projects, Housing	-	-	-	-	-	-	-
86	Emergency Housing	-	-	-	-	-	-	-
89	All Other	-	-	-	-	-	-	-
90	<u>General and Miscellaneous</u>	11	-	-	-	-	-	-
91	Trade and Investment	-	-	-	-	-	-	-
92	Information (Mass Communications, etc.)	11	-	-	-	-	-	90
99	All Other	-	75	-	75	90	-	-
	Total	<u>15,113^{c/}</u>	<u>14,700</u>	<u>7,400</u>	<u>7,300^{d/}</u>	<u>15,400</u>	<u>9,025</u>	<u>6,375^{d/}</u>

- () Not deobligations during FY 1954 applicable to prior fiscal years' obligations.
- a/ Authorized and conducted in FY 1954 as an integrated program including features of Technical Cooperation and Defense Support.
- b/ Included in Agricultural Extension because all such activities are integrated and are the responsibility of the Philippine Bureau of Agricultural Extension.
- c/ This total does not reflect a deobligation of \$319.0 thousand in non-project assistance.
- d/ Excludes regional and interregional costs (including domestic program expenses).

FAR EAST AND PACIFIC REGION
PROPOSED FY 1956 PROGRAMS

CONFIDENTIAL

THAILAND

OFFICE OF FAR EASTERN OPERATIONS
FOREIGN OPERATIONS ADMINISTRATION

November 9, 1954

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FAR EAST AND PACIFIC

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PROPOSED FY 1956 BUDGET

Country Thailand
Date November 1, 1954

SUMMARY OF OBLIGATIONS BY FUNCTION

(In thousands of dollars)

	<u>FY 1954</u> <u>Actual</u>	<u>FY 1955</u> <u>Estimated</u>	<u>FY 1956</u> <u>Estimated</u>
Defense Support	3,580	3,500 ^{a/}	19,000 ^{a/}
Technical Cooperation	5,346 ^{b/}	4,700 ^{b/}	5,700 ^{b/}
Total Obligations	<u>8,926^{b/}</u>	<u>8,200^{b/}</u>	<u>24,700^{a/ b/}</u>
Defense Support to be financed by:			
(a) Grants	3,580	3,500	19,000
Technical Cooperation to be financed by:			
(a) Grants	5,346	4,700	5,700
Total	<u>8,926</u>	<u>8,200</u>	<u>24,700</u>

^{a/} Excluding possible local currency programs which may be funded through PL 480 operations.

^{b/} Excludes regional and interregional costs (including domestic program expenses) of \$0.194 million in FY 1954, \$0.300 million in FY 1955 and \$0.300 million in FY 1956.

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Country: THAILAND

FAR EAST AND THE PACIFIC

General Narrative Statement

Objectives

The overall U.S. objective in Thailand is to strengthen the country's position as a center of non-communist influence in Southeast Asia, and as a bulwark against further communist expansion in that area. The FOA aid program is designed to implement, by economic measures, this U.S. objective. The U.S. aim of strengthening non-communist nations and assisting in collective action to halt the spread of communism through aggression and subversion coincides with Thailand's own political and economic interests.

The goal of the program is to help Thailand achieve a rate of economic growth adequate to (a) support military and police forces competent to maintain internal security and to cope with border incursions; (b) to permit an improvement in living standards and to mitigate conditions of economic hardship which might provoke political unrest; (c) expand economic capabilities to support the needed economic development and the required military forces.

To these ends the FOA program is designed to help the Thai to (a) increase the scope and effectiveness of essential government services; (b) develop the economically backward Northeastern provinces which are particularly exposed to communist penetration; (c) improve the budgetary and fiscal activities of the government and its planning and management of development projects; (d) expand and diversify production and improve credit, marketing and distribution facilities.

In the light of increasing communist pressure in the area and of Thailand's inability to finance an accelerated development program while bearing the burden of rising military expenditures, FOA has broadened the means used to achieve these objectives. In addition to the Technical Cooperation Program to help Thailand make better use of its own resources, assistance for financing projects of major importance to economic progress and defense support was furnished in FYs 1954 and 1955 and is proposed on a more substantial scale for FY 1956.

Recent Developments

The Indochina truce has had a profound effect on the thinking of the Thai, creating in their view increased uncertainty as to the political future of Laos and Cambodia with which Thailand shares more than 1,000 miles of common border. Because of their interpretations as to recent trends of U.S. policy in the Far East, as a result of developments in Korea and Indochina, the Thai are apprehensive as to whether the U.S. would stand with them in the event of open aggression. This apprehension was not entirely allayed by the Manila Pact. There are recent indications that the communist campaign to subvert the peoples of Northeast Thailand is being substantially accelerated, especially since the Indochina truce.

The Central Government is strongly anti-communist and, in cooperation with USIS, is conducting a large-scale indoctrination program among national and provincial officials on the methods and

Country: THAILAND

General Narrative Statement (continued)

evils of international communism. However, this indoctrination does not as yet reach the general population which remains vulnerable to communist propaganda.

The Thai Government continues its build-up of military forces in response to the worsened condition in Southeast Asia. Their defense expenditures in 1954 were about five times those of 1950. During the year the functions of the Joint U.S. Military Advisory Group in Thailand were broadened to include organizational and training recommendations to the Thai forces. The military assistance program also was expanded to increase the number of Thai forces receiving U.S. supplies and equipment.

The entire Thai economy is overshadowed and depressed by the existence of large rice surpluses and the decreased world market price for rice. Whereas Thailand had a favorable balance of payments only three years ago, and foreign exchange holdings amounted to about \$300 million at the end of 1953, it has been losing foreign exchange at the rate of \$50 to \$60 million annually during the past two years. As government finances depend to a large degree on profits from rice export sales, revenues are down and substantial budget deficits have been incurred.

The Thai Government has moved to alleviate some of these economic ills by such measures as an import licensing system, limiting the use of preferential rates of exchange, and reducing rice export prices. Much larger budget deficits have been avoided by drastically curtailing developmental and defense expenditures. These budgetary limitations impede the government's ability to train and equip Thailand's defense forces and also carry on the basic economic development which maintenance of political stability and independence requires.

In summary it can be said that the economic situation in Thailand is progressively deteriorating at a time when more economic resources than ever before are required to support a military build-up, and to fight a cold war with accelerated economic development and psychological offensives.

Implementation of Present Program

After a period of rather slow progress in FY 1954, program implementation is now proceeding at an accelerated rate with the arrival, near the end of FY 1954, of large numbers of participants, an upsurge in the rate of technician recruitment and the placing of several large commodity orders. The major part of the FY 1955 Technical Cooperation Program consists of continuing projects on which implementation is proceeding with little or no interruption. The large Northeast Highway defense support project is rapidly getting under way and the construction phase is expected to commence about January 1, 1955.

The pipeline at the end of FY 1954 was abnormally large due to a combination of the following circumstances:

- (1) Developments in Southeast Asia led to the need for new defense support projects late in the fiscal year for which additional funds amounting to \$3,580,000 were allocated and obligated in June 1954;
- (2) Delayed availability of funds at the beginning of the fiscal year; and
- (3) Thai budgetary difficulties which made it prudent to delay the implementation of certain projects until local currency financing could be assured.

General Narrative Statement (continued)

In FYs 1955 and 1956 the expenditure rates will be considerably accelerated due to:

- (1) The immediate procurement of a large amount of equipment and supplies for the Northeast Highway.
- (2) A large increase within the Technical Cooperation program of the technical services component (on which expenditures are almost immediate).

FY 1956 Program

(1) Framework

The FY 1956 program is geared to the worsening economic situation in Thailand and to the changed political situation in Southeast Asia, described above. At this juncture, FOA feels that waging a successful cold war for the loyalty of the Thai people to their non-communist government is as important as building up local military strength. If the cold war is lost and Thailand succumbs to internal subversion, the military forces which are being developed may never be brought into play. It is felt that economic strength, a favorable psychological atmosphere among the peoples, and political stability are all-important in combatting subversion.

(2) Aid Level

In view of the vital stake of the United States and the Free World in Thailand's continued resistance to communist pressures, it is important to (a) accelerate the rate of development of facilities that will contribute to an improvement in standards of living, especially in the Northeast; (b) enhance the mobility of Thailand's military forces; (c) increase

the capacity of the country to support its military forces and finance further economic growth, and (d) expand commercial and cultural exchange between Thailand and friendly neighboring States in order to encourage closer political ties. Under present financial conditions Thailand cannot finance an expanded investment program with its own resources.

By the end of calendar year 1954 Thailand will have used all but approximately \$2.5 million of the credits, totaling about \$25 million, extended in recent years by the IBRD. The Thai Government and the IBRD are presently negotiating a further railway loan and it is believed that the Thai Government will approach the Bank for a large loan for hydroelectric power development as soon as the report of the U.S. Bureau of Reclamation survey team, now in preparation, is completed. It is believed that the long-run outlook for the Thai economy is sufficiently sound that these and other projects may be found acceptable for loan financing by established banking institutions.

"Bankable" projects, however, will not prove adequate to meet the need for immediate improvement in Thailand's economic situation. In view of Thailand's close cooperation with the United States, the country looks to the U.S. to help it out of its present plight. From the point of view of the political effect in Thailand and in neighboring countries, the United States cannot afford at this juncture to let Thailand down. To meet this need, a \$19 million defense support program is proposed for FY 1956. This level of aid should permit implementation of Thai development programs, assuming that anticipated loans from banking institutions also materialize.

In addition, the Thai Government has requested budgetary support for its military build-up, for which no definitive provision has been made in the FY 1956 country program because of the absence of a detailed analysis of current expenditures for military

General Narrative Statement (continued)

and internal security forces. If there is agreement that Thai military or police forces should be increased above present force goals, or if cost estimates for present forces are substantially increased, additional U.S. assistance may be required to help cover the local currency costs involved. Provision is made for this potential additional requirement in the proposed regional reserve.

The proposed \$6 million Technical Cooperation Program consists primarily of successful continuing projects, with the addition of a \$1 million community development project specifically aimed at combatting subversion in the Northeast.

(3) Nature of Program

In response to the situation described under "Framework" and "Aid Level" above, the FY 1956 FOA program is concentrated in the Northeast and East of Thailand due to the susceptibility of these areas to communist subversion and to the importance of developing regional ties with the contiguous countries of Laos and Cambodia. The essential elements of this program are:

(a) improving communications by developing highways and telecommunications, and

(b) actions pointed toward achieving favorable impact on the population in these areas with projects of community development, aid to small industries, improvement of health conditions, and agricultural extension and irrigation.

Improved communications are all-important in developing these relatively isolated areas and linking them to Bangkok, the focal point of commerce and government, as well as to Laos and Cambodia. Such a program will provide some immediate economic benefits in the form of local employment. Continued improvement should result as better communications lead to new economic development and increased trade. Not to be overlooked is the important political effect on the isolated peoples, of tangible evidence of the interest of their own Government, and of the U.S., in their welfare.

A top priority objective at all times is to improve Thai public administration whenever an opportunity presents itself in this sensitive field. The FY 1955 Indiana University public administration contract will continue in FY 1956 and the new Engineering Advisory Services contract proposed in FY 1956 should figure largely in improving national planning and administration in the industrial and public works sectors.

8 In the Technical Cooperation program there has been a substantial shift in the ratio of commodities to technical services between FY 1953, when 73 percent of the program was spent for commodities, and FYs 1955 and 1956 when only 29 percent is projected for this purpose in each year.

Loan Programs

All FOA aid is proposed to be on a grant basis. In considering the overall needs of Thailand, FOA believes that most of the large amounts needed for developmental activity in such fields as hydro power, irrigation and railway development, to the extent that they are bankable, will come from established loan institutions such as the IBRD. An FOA

FAR EAST AND THE PACIFIC

~~CONFIDENTIAL~~
Country: THAILAND

General Narrative Statement (Continued)

loan program now might adversely affect the prospects for IBRD loans already under consideration. It is planned to confine the FCA grant aid activities to non-bankable projects that are needed for defense support or cold war purposes.

Agricultural Commodities

A P.L. 480 program of \$4 million is projected for FY 1955 and of \$6 million for FY 1956. Planning has not progressed far enough to permit a thorough analysis. However, if Thailand will accept agricultural surpluses in these amounts, a portion of the proceeds will be used to meet local currency needs of defense support and cold war activities.

Aid Forecast

It is assumed that existing conditions will prevail in Southeast Asia for two to three years and will then gradually improve, both politically and economically. On this basis, it is anticipated that the requirements for Defense Support and

Technical Cooperation programs will average about \$20 million annually during fiscal year 1957 through 1960. The Defense Support Program is expected to continue through FY 1958 at about the level proposed for FY 1956 and then decline. The developmental portions of the Defense Support Program should be converted to loan financing as soon as the Thai financial situation permits. With the improvement of training facilities and government services in Thailand, the small Technical Cooperation program may gradually decline, but some technical assistance will be required beyond FY 1960.

If it should be found that Thailand requires budgetary support for the maintenance of its military forces, such aid would be additional to the above estimates.

FOA:O/FE
November 9, 1954

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

(In thousands of dollars)

~~CONFIDENTIAL~~

Country Thailand
Table 1 Page 1
Date November 1, 1954

Act. No.	Activity	Total ^{a/}	Project Assistance				Other Local Costs
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
<u>1. Agriculture and Natural Resources</u>							
	1954	1,673	804	240	339	290	-
	1955	903	261	205	423	14	-
	1956	1,651	716	320	615	-	-
<u>2. Industry and Mining</u>							
	1954	147	15	87	45	-	-
	1955	338	115	105	68	50	-
	1956	6,415	5,020	155	75	1,165	-
<u>3. Transportation</u>							
	1954	3,893	3,725	100	68	-	-
	1955	3,918	1,270	126	122	1,400	1,000
	1956	10,490	8,055	180	255	2,000	-
<u>4. Labor</u>							
	1954	15	-	-	15	-	-
	1955	30	-	15	15	-	-
	1956	80	-	50	30	-	-
<u>5. Health and Sanitation</u>							
	1954	2,105	1,480	400	225	-	-
	1955	1,045	428	320	297	-	-
	1956	1,822	1,062	335	425	-	-

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FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - ALL FUNCTIONS

Country Thailand
Table 1 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total ^{a/}	Project Assistance				Other Local Costs
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
6.	<u>Education</u>						
	1954	963	164	349	220	230	-
	1955	1,296	251	277	343	425	-
	1956	952	237	310	405	-	-
7.	<u>Public Administration</u>						
	1954	85	-	85	-	-	-
	1955	415	-	75	-	340	-
	1956	165	15	150	-	-	-
8.	<u>Community Development, Social Welfare and Housing</u>						
	1954	-	-	-	-	-	-
	1955	230	230	-	-	-	-
	1956	1,095	645	165	285	-	-
9.	<u>General and Miscellaneous</u>						
	1954	45	-	-	45	-	-
	1955	25	-	-	25	-	-
	1956	2,030	-	-	30	2,000	-
	<u>Total Country Programs</u>						
	1954	8,926	6,188	1,261	957	520	-
	1955	8,200	2,555	1,123	1,293	2,229	1,000
	1956	24,700	15,750	1,665	2,120	5,165	-

a/ Excludes regional and interregional costs (including domestic program expenses) of \$0.194 million in FY 1954, \$0.300 million in FY 1955, and \$0.300 million in FY 1956.

FAR EAST AND PACIFIC

CONFIDENTIAL

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT

Country Thailand
Table 3 Page 1
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance				Other Local Costs
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	
1.	<u>Agriculture and Natural Resources</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	500	500	-	-	-	-
2.	<u>Industry and Mining</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	6,000	5,000	-	-	1,000	-
3.	<u>Transportation</u>						
	1954	3,580	3,580	-	-	-	-
	1955	3,500	1,100	-	-	1,400	1,000
	1956	10,000	8,000	-	-	2,000	-
4.	<u>Labor</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
5.	<u>Health and Sanitation</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	500	500	-	-	-	-
6.	<u>Education</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-

CONFIDENTIAL

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - DEFENSE SUPPORT

[REDACTED]

Country Thailand
Table 3 Page 2
Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance				
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians	Other Local Costs
7.	<u>Public Administration</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
8.	<u>Community Development, Social Welfare and Housing</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	-	-	-	-	-	-
9.	<u>General and Miscellaneous</u>						
	1954	-	-	-	-	-	-
	1955	-	-	-	-	-	-
	1956	2,000	-	-	-	2,000	-
	<u>Total - Defense Support</u>						
	1954	3,580	3,580	-	-	-	-
	1955	3,500	1,100	-	-	1,400	1,000
	1956	19,000	14,000	-	-	5,000	-

[REDACTED]

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

Country Thailand
 Table 5 Page 1
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Commodities	Participants	Project Assistance	
					U.S. Employed Technicians	Contract Service Technicians
1.	<u>Agriculture and Natural Resources</u>					
	1954	1,673	804	240	339	290
	1955	903	261	205	423	14
	1956	1,151	216	320	615	-
2.	<u>Industry and Mining</u>					
	1954	147	15	87	45	-
	1955	338	115	105	68	50
	1956	415	20	155	75	165
3.	<u>Transportation</u>					
	1954	313	145	100	68	-
	1955	418	170	126	122	-
	1956	490	55	180	255	-
4.	<u>Labor</u>					
	1954	15	-	-	15	-
	1955	30	-	15	15	-
	1956	80	-	50	30	-
5.	<u>Health and Sanitation</u>					
	1954	2,105	1,480	400	225	-
	1955	1,045	428	320	297	-
	1956	1,322	562	335	425	-

FAR EAST AND PACIFIC

OBLIGATIONS BY ACTIVITY AND COST FACTORS - TECHNICAL COOPERATION

~~CONFIDENTIAL~~

Country Thailand
 Table 5 Page 2
 Date November 1, 1954

(In thousands of dollars)

Act. No.	Activity	Total	Project Assistance			
			Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
6.	<u>Education</u>					
	1954	963	164	349	220	230
	1955	1,296	251	277	343	425
	1956	952	237	310	405	-
7.	<u>Public Administration</u>					
	1954	85	-	85	-	-
	1955	415	-	75	-	340
	1956	165	15	150	-	-
8.	<u>Community Development, Social Welfare and Housing</u>					
	1954	-	-	-	-	-
	1955	230	230	-	-	-
	1956	1,095	645	165	285	-
9.	<u>General and Miscellaneous</u>					
	1954	45	-	-	45	-
	1955	25	-	-	25	-
	1956	30	-	-	30	-
	<u>Total - Technical Cooperation</u>					
	1954 <u>a/</u>	5,346	2,608	1,261	957	520
	1955 <u>a/</u>	4,700	1,455	1,123	1,293	829
	1956 <u>a/</u>	5,700	1,750	1,665	2,120	165

a/ Excludes regional and interregional costs, (including domestic program expenses) of \$0.194 million in FY 1954, \$0.300 million in FY 1955, and \$0.300 million in FY 1956.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - ALL FUNCTIONS

Country Thailand
Table 7
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Project Assistance					Other Local Costs
		Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians		
<u>1954^{a/}</u>							
Unliquidated Obligations	9.2	8.0	0.7	0.5	-	-	
New Obligations	8.9	6.1	1.3	1.0	0.5	-	
Total Available	18.1	14.1	2.0	1.5	0.5	-	
Expenditures	4.7	3.2	0.5	1.0	-	-	
Unliquidated Obligations	13.4	10.9	1.5	0.5	0.5	-	
<u>1955^{a/}</u>							
Unliquidated Obligations	13.4	10.9	1.5	0.5	0.5	-	
New Obligations	8.2	2.6	1.1	1.3	2.2	1.0	
Total Available	21.6	13.5	2.6	1.8	2.7	1.0	
Expenditures	12.3	7.6	1.8	1.7	0.8	0.4	
Unliquidated Obligations	9.3	5.9	0.8	0.1	1.9	0.6	
<u>1956^{a/}</u>							
Unliquidated Obligations	9.3	5.9	0.8	0.1	1.9	0.6	
New Obligations	24.7	15.8	1.6	2.1	5.2	-	
Total Available	34.0	21.7	2.4	2.2	7.1	0.6	
Expenditures	16.0	9.7	1.3	2.0	2.6	0.4	
Unliquidated Obligations	18.0	12.0	1.1	0.2	4.5	0.2	

a/ Excludes regional and interregional costs (including domestic program expenses) of \$0.194 million in FY 1954, \$0.300 million in FY 1955 and \$0.300 million in FY 1956.

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FAR EAST AND PACIFIC

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PIPELINE ANALYSIS BY COST FACTORS - DEFENSE SUPPORT

Country Thailand
Table 9
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Project Assistance		
		Commodities	Contract Service Technicians	Other Local Costs
<u>1954</u>				
Unliquidated obligations	-	-	-	-
New obligations	3.6	3.6	-	-
Total available	3.6	3.6	-	-
Expenditures	-	-	-	-
Unliquidated obligations	3.6	3.6	-	-
<u>1955</u>				
Unliquidated obligations	3.6	3.6	-	--
New obligations	3.5	1.1	1.4	1.0
Total available	7.1	4.7	1.4	1.0
Expenditures	4.6	3.8	0.4	0.4
Unliquidated obligations	2.5	0.9	1.0	0.6
<u>1956</u>				
Unliquidated obligations	2.5	0.9	1.0	0.6
New obligations	19.0	14.0	5.0	-
Total available	21.5	14.9	6.0	0.6
Expenditures	9.6	7.0	2.2	0.4
Unliquidated obligations	11.9	7.9	3.6	0.2

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FAR EAST AND PACIFIC

PIPELINE ANALYSIS BY COST FACTORS - TECHNICAL COOPERATION

Country Thailand
Table 11
Date November 1, 1954

(In millions of dollars)

Fiscal Year	Total	Project Assistance			
		Commodities	Participants	U.S. Employed Technicians	Contract Service Technicians
<u>1954 a/</u>					
Unliquidated obligations	9.2	8.0	0.7	0.5	-
New obligations	5.3	2.5	1.3	1.0	0.5
Total available	14.5	10.5	2.0	1.5	0.5
Expenditures	4.7	3.2	0.5	1.0	-
Unliquidated obligations	9.8	7.3	1.5	0.5	0.5
<u>1955 a/</u>					
Unliquidated obligations	9.8	7.3	1.5	0.5	0.5
New obligations	4.7	1.5	1.1	1.3	0.8
Total available	14.5	8.8	2.6	1.8	1.3
Expenditures	7.7	3.8	1.8	1.7	0.4
Unliquidated obligations	6.8	5.0	0.8	0.1	0.9
<u>1956 a/</u>					
Unliquidated obligations	6.8	5.0	0.8	0.1	0.9
New obligations	5.7	1.7	1.7	2.1	0.2
Total available	12.5	6.7	2.5	2.2	1.1
Expenditures	6.4	2.7	1.3	2.0	0.4
Unliquidated obligations	6.1	4.0	1.2	.2	.7

a/ Excludes regional and interregional costs (including domestic program expenses) of \$0.194 million in FY 1954, \$0.300 million in FY 1955 and \$0.300 million in FY 1956.

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBERS OF PARTICIPANTS OBLIGATED BY FUNCTION (APPROPRIATION)
AND 9 ACTIVITIES

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Country Thailand
Table 12
Date November 1, 1954

Activity	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
1. Agriculture and Natural Resources	55	-	55	41	-	41	64	-	64
2. Industry and Mining	17	-	17	21	-	21	31	-	31
3. Transportation	20	-	20	29	-	29	36	-	36
4. Labor	-	-	-	3	-	3	10	-	10
5. Health and Sanitation	82	-	82	65	-	65	67	-	67
6. Education	71	-	71	57	-	57	62	-	62
7. Public Administration	22	-	22	15	-	15	30	-	30
8. Community Development, Social Welfare and Housing	-	-	-	-	-	-	33	-	33
9. General and Miscellaneous	-	-	-	-	-	-	-	-	-
Total	267	-	267	231	-	231	333	-	333

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)
AND ALL ACTIVITIES

Country Thailand
Table 13 Page 1
Date November 1, 1954

	Actual		Estimate	
	FY 1953	FY 1954	FY 1955	FY 1956
A. Funding (In thousands of dollars)				
Program	756	1,261	1,123	1,665
Obligations	756	1,261	1,123	1,665
Expenditures	425	450	1,841	1,303
Unliquidated obligations end of FY	690	1,501	783	1,145
B. Numbers				
<u>1951 and 1952 Programs</u>				
In training or in process	149	22	-	-
<u>1953 Program</u>				
Target	147	xxx	xxx	xxx
Obligated	147	xxx	xxx	xxx
Arrivals	112	35	-	-
Departures	22	96	29	-
In training	90	29	-	-
<u>1954 Program</u>				
Target	xxx	267	xxx	xxx
Obligated	xxx	267	xxx	xxx
Arrivals	xxx	98	168	1
Departures	xxx	7	97	162
In training	xxx	91	162	1

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE - SUMMARY OF PARTICIPANTS FOR ALL FUNCTIONS (APPROPRIATIONS)
AND ALL ACTIVITIES

Country Thailand
Table 13 Page 2
Date November 1, 1954

	<u>Actual</u>		<u>Estimate</u>	
	<u>FY 1953</u>	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
<u>1955 Program</u>				
Target	xxx	xxx	231	xxx
Obligated	xxx	xxx	231	xxx
Arrivals	xxx	xxx	126	105
Departures	xxx	xxx	70	85
In training	xxx	xxx	56	76
<u>1956 Program</u>				
Target	xxx	xxx	xxx	333
Obligated	xxx	xxx	xxx	333
Arrivals	xxx	xxx	xxx	180
Departures	xxx	xxx	xxx	40
In training	xxx	xxx	xxx	140
<u>Total (1953 - 1956 Programs)</u>				
Arrivals	112	133	294	286
Departures	22	103	196	287
In training	90	120	218	217

FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBER OF FIELD TECHNICIANS

BY FUNCTION (APPROPRIATION) AND ACTIVITY

Country Thailand
Table 14 Page 1
Date November 1, 1954

Activity and Personnel Category	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
<u>1. Agriculture & Natural Resources</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	19	-	19	32	-	32	44	-	44
Man Years obligated during FY	22 1/3	-	22 1/3	28	-	28	41	-	41
Contract Technicians:									
Positions filled end of FY	-	-	-	7	-	7	6	-	6
Man Years obligated during FY	12	-	12	1	-	1	-	-	-
<u>2. Industry and Mining</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	3	-	3	4	-	4	5	-	5
Man Years obligated during FY	3	-	3	4	-	4	5	-	5
Contract Technicians:									
Positions filled end of FY	-	-	-	3	-	3	25	25	-
Man Years obligated during FY	-	-	-	3	-	3	35	35	-
<u>3. Transportation</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	4	-	4	9	-	9	17	-	17
Man Years obligated during FY	4 1/2	-	4 1/2	8	-	8	17	-	17
Contract Technicians:									
Positions filled end of FY	-	-	-	85	85	-	90	90	-
Man Years obligated during FY	-	-	-	90	90	-	60	60	-

FAR EAST AND PACIFIC

PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Thailand
Table 14 Page 2
Date November 1, 1954

Activity and Personnel Category	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
4. Labor									
U.S. Employees - U. S. Nationals:									
Positions filled end of FY	1	-	1	1	-	1	2	-	2
Man Years obligated during FY	1	-	1	1	-	1	2	-	2
Contract Technicians:									
Positions filled end of FY	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-
5. Health and Sanitation									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	11	-	11	22	-	22	30	-	30
Man Years obligated during FY	15	-	15	20	-	20	28	-	28
Contract Technicians:									
Positions filled end of FY	2	-	2	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-
6. Education									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	17	-	17	27	-	27	29	-	29
Man Years obligated during FY	17 1/3	-	17 1/3	23	-	23	27	-	27
Contract Technicians:									
Positions filled end of FY	-	-	-	7	-	7	10	-	10
Man Years obligated during FY	9	-	9	10	-	10	-	-	-

FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - NUMBERS OF FIELD TECHNICIANS
BY FUNCTIONS (APPROPRIATION) AND ACTIVITY

Country Thailand
Table 14 Page 3
Date November 1, 1954

Activity and Personnel Category	FY 1954			FY 1955			FY 1956		
	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
7. <u>Public Administration</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-
Contract Technicians:									
Positions filled end of FY	1	-	1	5	-	5	8	-	-
Man Years obligated during FY	-	-	-	14	-	14	-	-	8
8. <u>Community Development, Social Welfare and Housing</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	-	-	-	-	-	-	20	-	20
Man Years obligated during FY	-	-	-	-	-	-	19	-	19
Contract Technicians:									
Positions filled end of FY	-	-	-	-	-	-	-	-	-
Man Years obligated during FY	-	-	-	-	-	-	-	-	-
9. <u>General and Miscellaneous</u>									
U.S. Employees - U.S. Nationals:									
Positions filled end of FY	3	-	3	2	-	2	2	-	2
Man Years obligated during FY	3	-	3	2	-	2	2	-	2
Contract Technicians:									
Positions filled end of FY	-	-	-	-	-	-	25	25	-
Man Years obligated during FY	-	-	-	-	-	-	60	60	-
<u>Total</u>									
Positions filled end of FY	61	-	61	204	85	119	313	140	173
Man Years obligated during FY	87 1/6	-	87 1/6	204	90	114	296	155	141

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE - SUMMARY OF FIELD PROGRAM PERSONNEL
FOR ALL FUNCTIONS (APPROPRIATIONS) AND ACTIVITIES

Country Thailand
Table 15
Date November 1, 1954

	Actual		Estimated	
	FY 1953	FY 1954	FY 1955	FY 1956
<u>A. Funding (Obligations)</u> (In thousands of dollars)				
U.S. Employees:				
Programs	1,392	1,477	3,522	7,285
U.S. Technicians:				
Full time	1,267	957	1,293	2,120
Temporary and part time	-	-	-	-
Contract technicians (Incl. incidental costs)	125	520	2,229	5,165
Total obligations	1,392	1,477	3,522	7,285
<u>B. Numbers</u>				
U.S. Employees:				
Total target (man-years)	75	87	204	296
U.S. Technicians:				
Full time				
Positions filled end of FY	61	58	97	157
Man Years (obligations)	73	66	86	141
Temporary and part time	-	-	-	-
Positions filled end of FY	-	-	-	-
Man Years (obligations)	-	-	-	-
Contract technicians:				
Positions contracted for during FY (disregarding length of stay)	-	8	124	170
Positions filled end of FY	3	3	107	156
Man Years (obligations)	2	21	118	155
Totals:				
Positions filled end of FY	64	61	204	313
Man years (obligations)	75	87	204	296

FAR EAST AND PACIFIC

NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956



Country Thailand
 Table 16 Page 1
 Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual				Estimated	
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
10	<u>Agriculture and Natural Resources</u>								
11	Agricultural Education	Oregon State College	9/14/54				290		
	This contract for the upgrading of the curriculum and of teaching and administrative techniques of Kasetsart University was developed by USOM and provides for 6 technicians. Its expiration date is about April 15, 1957, after having run a 30-month term from the issuance of the letter of commitment. The overhead rate is 11%. At the present time the first technicians are just commencing their work.								
20	<u>Industry and Mining</u>								
22	Telecommunications	Undetermined	Contemplated FY 56						500
	This contract is contemplated in FY 1956 for the purpose of planning, supervising, installation, and training in the use of an extensive telecommunications system to be developed in Thailand as a defense support project, which has been developed by USOM. It is estimated that approximately 15 technicians may be employed on approximately a one-year contract.								
27	Industrial Management	Undetermined	Contemplated FY 56						665
	It is likely that this FY 1956 activity will involve a series of small contracts in the general field of improving techniques and productivity of existing small industries in Thailand, and in stimulating the development of new ones. This project is being developed by FOA/W and USOM jointly and may involve as many as 20 technicians on contracts of varying durations.								

FAR EAST AND PACIFIC

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NARRATIVE REPORT ON CONTRACTS

Country Thailand
 Table 16 Page 2
 Date November 1, 1954

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual		Estimated			
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
30	<u>Transportation</u>								
31	Highways	Sverdrup and Parcel and Raymond Concrete Pile	Under Negotiation					1,400	2,000
	<p>The two basic contracts in FY 1955 are for the engineering and construction of a 200-mile defense highway in Northeast Thailand. The project was developed by USOM. The number of technicians to be employed are estimated to be approximately 90. Each contract will probably have a term of about 18 months, beginning about December 1954. A small initial reconnaissance contract has already been negotiated with Sverdrup and Parcel. The remaining contract with Sverdrup and Parcel, and the new one with Raymond Concrete Pile, are under active negotiations at the present time. Either an extension of these two contracts, or possible new ones with other firms, are contemplated for FY 1956 for a more extensive program for highway improvement in Northeastern and Eastern Thailand, involving new road construction, road improvement and road maintenance.</p>								
60	<u>Education</u>								
66	Teacher Training	Indiana University	Under Negotiation					425	
	<p>This contract with the Thai College of Education is for the improvement of the curriculum and of teaching and administrative techniques in teacher training. It was developed by USOM and is estimated to require 10 technicians. It is expected that it will be signed before the close of Calendar Year 1954 for a term of 3 years. The overhead allowance is as yet undetermined.</p>								
66	Engineering Education	University of Texas	8/13/54				230		
	<p>This contract with Chulalongkorn University is for the improvement of the curriculum and of teaching and administrative techniques in the College of Engineering. It was developed by USOM and employs 3 technicians. Its expiration date is June 24, 1957. The overhead allowance is 9%. The first two technicians under this contract are just commencing their work at the present time.</p>								

FAR EAST AND PACIFIC

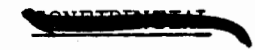
NARRATIVE REPORT ON CONTRACTS

OUTSTANDING JULY 1, 1955 OR CONTEMPLATED IN FYS 1955/1956



Country Thailand
 Table 16 Page 3
 Date November 1, 1954

Code No.	Activity and Sub-activity	Contractor	Initial Date of Contract	Obligations (In thousands of dollars)					
				Actual			Estimated		
				FY 1951	FY 1952	FY 1953	FY 1954	FY 1955	FY 1956
70	<u>Public Administration</u>								
71	Improvement of Revenue Administration	Howell & Company	9/28/54				45		45
	This contract with the Government of Thailand is for the purpose of improving the administration of revenue collection and is to employ two technicians. It was developed by USOM. It was originally a one-year contract but is in the process of being extended for another year. The overhead allowance is not specifically segregated in the funding structure of this contract.								
77	Institute of Public Administration	Indiana University	Under Negotiation						295
	This contract with Thommasat University is for the three-way purpose of (a) establishing academic training in public administration; (b) providing graduate study for government officials; (c) advising governmental agencies in public administration improvements. It was developed by USOM and is estimated to employ 12 technicians. It will probably be signed within the next 3-6 months for a term of 3 years. The overhead allowance is as yet undetermined.								
90	<u>General and Miscellaneous</u>								
	Engineering Advisory Services	Undetermined	Contemplated FY 56						2,000
	This contract contemplated for FY 1956 is for the purpose of providing high-level advisory services in national planning and administration in such fields as hydroelectric power, irrigation, railways, highways, telecommunications and general industrial development. In addition, it will provide the services for development of specific projects in these fields. It is being developed jointly by FOA/W and USOM and may employ about 30 technicians on a 2-year term.								



FAR EAST AND PACIFIC

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT - TECHNICAL COOPERATION
(Excludes Sections 550 or 402 Sales Proceeds)

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Country Thailand
Table 17 Page 1
Date November 1, 1954

(In thousands of dollars and dollar equivalents)a/

	<u>FY 1954</u>	<u>FY 1955</u>	<u>FY 1956</u>
A. <u>Deposit Accruals:</u>			
<u>Commensurate basis</u>			
Balance of accruals carried forward	2,300	1,655	455
U.S. aid furnished	4,700	7,700	6,400
Total	7,000	9,355	6,855
Less: Deposit waived	1,500	3,900	3,400
<u>Total Deposit Accruals</u>	<u>5,500</u>	<u>5,455</u>	<u>3,455</u>
B. <u>Deposit Account Transactions:</u>			
Balance carried forward	3,405	2,280b/	1,630
Actual deposits against above requirements: a/ Commensurate basis	3,845(a)	5,000	2,425
Total	7,250	7,280	4,055
Less transfers for U.S. use	215	295	290
<u>Balance available for withdrawals</u>	<u>7,035 b/</u>	<u>6,985</u>	<u>3,765</u>

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FAR EAST AND PACIFIC

STATUS OF SPECIAL LOCAL CURRENCY ACCOUNT - TECHNICAL COOPERATION
(Excludes Sections 550 or 402 Sales Proceeds)

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Country Thailand
Table 17 Page 2
Date November 1, 1954

(In thousands of dollars and dollar equivalents)

	FY 1954	FY 1955	FY 1956
C. <u>Expenditures (actual withdrawals):</u>			
By 9 activities:			
1. Agriculture and Natural Resources	1,570	1,530	915
2. Industry and Mining	15	315	50
3. Transportation	350	550	95
4. Labor	-	-	-
5. Health and Sanitation	900	985	820
6. Education	675	885	870
7. Public Administration	-	195	195
8. Community Development, Social Welfare and Housing	-	10	-
9. General and Miscellaneous	1,015	885	675
Other	-	-	-
<u>Total Expenditures</u>	4,525	5,355	3,620
D. <u>Disbursements by Cooperating Government</u>			
By 9 activities:			
1. Agriculture and Natural Resources	940	1,725	1,210
2. Industry and Mining	90	345	95
3. Transportation	480	395	195
4. Labor	-	-	-
5. Health and Sanitation	890	935	870
6. Education	235	1,430	820
7. Public Administration	-	175	240
8. Community Development, Social Welfare and Housing	10	-	-
9. General and Miscellaneous	910	935	580
Other	-	-	-
<u>Total Disbursements</u>	3,555	5,940	4,010

a/ Exchange rates used in conversions are either "actual" (a); or averaged or estimated as required.

b/ Balance available for withdrawals less counterpart withdrawals (under "C" below) does not equal FY 1955 balance carried forward, because certain counterpart withdrawals fall outside program activities.

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FAR EAST AND PACIFIC

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GENERAL CENTRAL GOVERNMENT FINANCE

Country Thailand
Table 19 - Page 1
Date November 1, 1954

Exchange Rate Used : 20 Baht to \$1.00

(Millions of dollar equivalents)

	Calendar Year 1953	Calendar Year 1954 Est.	Calendar Year 1955 Est.	Calendar Year 1956 Est.
<u>Revenue</u>				
Income taxes	12.0	12.0	15.0	15.0
Other taxes	99.9	103.1	111.9	120.0
Profits on Government enterprises	32.4	34.7	39.1	40.0
Special account (FOA counterpart)				
Other foreign grants				
Other revenues	79.4	84.9	78.0	85.0
TOTAL REVENUE	223.7 ^{a/}	234.7 ^{e/}	244.0 ^{a/}	260.0 ^{a/}
<u>Expenditures</u>				
National defense	70.9 ^{b/}	81.6 ^{b/}	71.8	90.0
Other	196.3	173.2	199.2	200.0
TOTAL EXPENDITURES	267.2	254.8	271.0	290.0
<u>Deficit</u>	43.5	20.1	27.0	30.0

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FAR EAST AND PACIFIC

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GENERAL CENTRAL GOVERNMENT FINANCE

Country Thailand
Table 19 - Page 2 (Notes)
Date November 1, 1954

FOOTNOTES

a/ Includes profits accruing to the Stabilization Fund, estimated as follows:

1953	\$26.6 million
1954	30.0 "
1955	35.0 "
1956	35.0 "

b/ Includes police expenditures.

FORECASTING ASSUMPTIONS

1. Continued world rice surplus with Thai able to sell 1 to 1.1 million tons at prices averaging the same as in 1954.
2. No outbreak of war which would either depress or encourage rice exports.
3. Continued present price levels.
4. Less Government deficit for 1955 than planned in 1954 (but probably not incurred).
5. Maintenance of approximate present levels of foreign exchange and gold reserves in 1955.

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FAR EAST AND PACIFIC

BALANCE OF PAYMENTS

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Country Thailand
Table 20 Page 1
Date November 1, 1954

Exchange Rate Used: See Note a/

(Millions of dollars equivalent)

	CY 1953	CY 1954	CY 1955	CY 1956
A. Goods and Services				
Exports	339.9	276.0	290.0	290.0
Imports	-353.8	-290.0	-280.0	-285.0
Trade Balance	-13.9	-14.0	10.0	5.0
Non-monetary gold movement (net)	-25.7	-25.0	-20.0	-20.0
Foreign travel	-5.6	-5.0		
Transportation and insurance	-2.7	-2.5		
Investment income	0.3	-		
Government n.i.e.	-2.3	-2.0		
Total Services	-10.3	-9.5	-10.0	-10.0
Subtotal, Current Acct.	-49.9	-48.5	-20.0	-25.0
B. Private Financing				
Remittances	4.4	-5.0		
Direct Investment	4.3	-4.0		
Other	4.6	-3.0		
Total private financing	-13.3	-12.0	-10.0	-10.0
C. Net Errors and Omissions				
	3.1	-	-	-
D. Surplus (/) or Deficit (-) A through C				
	-60.1	-60.5	-30.0	-35.0

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BALANCE OF PAYMENTS

Country Thailand
 Table 20 Page 2
 Date November 1, 1954

Exchange Rate Used: See Note a/

(Millions of dollars equivalent)

	CY 1953	CY 1954	CY 1955	CY 1956
E. Official Financing				
1. Donations				
Grants from U.S.	5.0	5.0	10.0	14.0
Other	-0.5	-0.5	-	-
Total Donations	4.5	4.5	10.0	14.0
2. Long-Term Capital				
Loan repayments	-1.5	-1.5	-1.5	-1.5
Loans from U.S.	-	-	-	-
Loans from IBRD - IMF	8.2	5.0	1.5	1.0
Other	1.0	-	-	-
Total Long-Term Capital	7.7	3.5	-	-0.5
3. Short-Term Capital				
Change in reserves (increase -)	47.9	52.5	20.0	21.5
Monetary gold (increase -)	-	-	-	-
Other	-	-	-	-
Total Short-Term Capital	47.9	52.5	20.0	21.5
Total Official Financing (1/2/3)	60.1	60.5	30.0	35.0
Memorandum on Reserves				
Status, end of period:				
Gold and dollars	302.5	250.0	230.0	208.5
Sterling	265.0	215.0		
Other	20.0	25.0		
	17.5	10.0		

a/ Rice exports were converted at 12.50, while remaining exports were converted at the open market rates (e.g. 21.16 in 1953 and 21.50 in 1954). With the exception of milk and medicines which are imported at a preferential rate, imports were converted at the open market rates.

FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

~~CONFIDENTIAL~~
Country Thailand
Table 22 Page 1
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954 a/	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
10	<u>Agriculture and Natural Resources</u>	<u>1,673</u>	<u>903</u>	-	<u>903</u>	<u>1,651</u>	<u>500</u>	<u>1,151</u>
11	Research, Agricultural Education and Extension	265	125	-	125	398	200	198
12	Land and Water Resources, Land Reform	678	106	-	106	120	-	120
13	Crop and Livestock Development	240	350	-	350	487	-	487
14	Agricultural Economics, Farm Organization and Agricultural Credit, Land Tenure	230	153	-	153	435	300	135
15	Agricultural Marketing and Processing	-	-	-	-	-	-	-
16	Home Economics and Rural Youth	-	15	-	15	57	-	57
17	Forestry	-	-	-	-	-	-	-
18	Fisheries	170	72	-	72	64	-	64
19	All Other	90	82	-	82	90	-	90
20	<u>Industry and Mining</u>	<u>147</u>	<u>338</u>	-	<u>338</u>	<u>6,415</u>	<u>6,000</u>	<u>415</u>
21	Mining and Minerals	50	158	-	158	55	-	55
22	Power and Communications	30	130	-	130	5,090	5,000	90
23	Manufacturing and Processing	-	20	-	20	40	-	40
24	Service Industries	-	-	-	-	-	-	-
25	Engineering and Construction	-	-	-	-	-	-	-
26	Marketing and Distribution	-	-	-	-	-	-	-
27	Industrial Management	-	-	-	-	700	500	200
28	Industrial Training	-	-	-	-	-	-	-
29	All Other	67	30	-	30	530	500	30
30	<u>Transportation</u>	<u>3,893</u>	<u>3,918</u>	<u>3,500</u>	<u>418</u>	<u>10,490</u>	<u>10,000</u>	<u>490</u>
31	Highways	3,213	3,622	3,500	122	10,160	10,000	160
32	Urban Transit and Traffic Engineering	-	-	-	-	-	-	-
33	Railways	65	101	-	101	85	-	85

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FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

~~CONFIDENTIAL~~
Country Thailand
Table 22 Page 2
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954 a/		FY 1955		FY 1956		
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
30	<u>Transportation (Cont'd)</u>							
34	Port Facilities and Harbor Improvement	35	92	-	92	45	-	45
35	Inland Waterways	-	-	-	-	-	-	-
36	Ship Operations	-	-	-	-	-	-	-
37	Air Transport	580	103	-	103	200	-	200
39	All Other	-	-	-	-	-	-	-
40	<u>Labor</u>	<u>15</u>	<u>30</u>	-	<u>30</u>	<u>80</u>	-	<u>80</u>
41	Labor and Trade Union Leadership	15	30	-	30	80	-	80
42	Apprenticeship and In-Service Training for Workers	-	-	-	-	-	-	-
43	Labor Productivity	-	-	-	-	-	-	-
44	Labor-Management Relations	-	-	-	-	-	-	-
45	Labor and Social Legislation and Enforcement	-	-	-	-	-	-	-
46	Manpower Utilization and Trade Union Welfare Services	-	-	-	-	-	-	-
47	Industrial Safety and Hygiene	-	-	-	-	-	-	-
48	Housing (Workers)	-	-	-	-	-	-	-
49	Labor Statistics	-	-	-	-	-	-	-
50	<u>Health & Sanitation</u>	<u>2,105</u>	<u>1,045</u>	-	<u>1,045</u>	<u>1,822</u>	<u>500</u>	<u>1,322</u>
51	Control of Specific Diseases	276	143	-	143	125	-	125
52	Environmental Sanitation	622	184	-	184	567	300	267
53	Health Facilities - Operation of an Advisory Services to	380	183	-	183	220	-	220
54	Health Training and Education	405	412	-	412	555	-	555
55	Health Facilities Construction, Remodeling, Equipment	347	55	-	55	280	200	80
59	All Other	75	68	-	68	75	-	75

FAR EAST AND PACIFIC

PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

~~CONFIDENTIAL~~
Country Thailand
Table 22 Page 3
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	FY 1954 a/	FY 1955		FY 1956			
		Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
60	<u>Education</u>	<u>963</u>	<u>1,296</u>	-	<u>1,296</u>	<u>952</u>	-	<u>952</u>
61	Technical Education	305	270	-	270	312	-	312
62	Vocational Agriculture Education	98	42	-	42	75	-	75
63	Home Economics Education	-	-	-	-	-	-	-
64	Elementary Education	-	-	-	-	-	-	-
65	Secondary Education	-	-	-	-	-	-	-
66	Professional and Higher Education	190	724	-	724	360	-	360
67	Fundamental Adult and Community Education	145	149	-	149	130	-	130
68	Educational Administration	-	-	-	-	-	-	-
69	All Other	225	111	-	111	75	-	75
70	<u>Public Administration</u>	<u>85</u>	<u>415</u>	-	<u>415</u>	<u>165</u>	-	<u>165</u>
71	Organization and Management of Particular Ministries or Programs	-	-	-	-	-	-	-
72	Government-Wide Organization and Management	-	-	-	-	-	-	-
73	Public Personnel Administration	-	-	-	-	-	-	-
74	Budget Administration	85	370	-	370	-	-	-
75	Public Finance	-	45	-	45	-	-	-
76	General Services	-	-	-	-	-	-	-
77	Organization and Administration of Institutes or Bureaus of Public Administration	-	-	-	-	-	-	-
78	Statistics - General and Census	-	-	-	-	-	-	-
79	All Other	-	-	-	-	165	-	165

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FAR EAST AND PACIFIC

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PROJECT ASSISTANCE OBLIGATIONS BY ACTIVITY AND SUB-ACTIVITY

Country Thailand
Table 22 Page 4
Date November 1, 1954

(In thousands of dollars)

Code No.	Activity and Sub-activity	(In thousands of dollars)		FY 1955		FY 1956		
		FY 1954 a/ Total	Total	Defense Support	Technical Cooperation	Total	Defense Support	Technical Cooperation
80	<u>Community Development, Social Welfare and Housing</u>	-	230	-	230	1,095	-	1,095
81	Community Development	-	230	-	230	1,000	-	1,000
82	Social Welfare	-	-	-	-	95	-	95
83	Housing	-	-	-	-	-	-	-
84	Aided Self-Help Housing	-	-	-	-	-	-	-
85	Supporting Projects, Housing	-	-	-	-	-	-	-
86	Emergency Housing	-	-	-	-	-	-	-
87	Land Reform	-	-	-	-	-	-	-
89	All Other	-	-	-	-	-	-	-
90	<u>General and Miscellaneous</u>	45	25	-	25	2,030	2,000	30
91	Trade and Investment	-	-	-	-	-	-	-
92	Information (Mass Communications, etc.)	45	25	-	25	30	-	30
99	All Other	-	-	-	-	2,000	2,000	-
	Total	8,926	8,200	3,500	4,700	24,700	19,000	5,700

a/ Technical Cooperation only.

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