

SECRET

Cheap cotton textiles and small manufactures from Communist China appeared in greater quantities during the past year in many Southeast Asian markets. This sharp competition has mainly affected exports from Japan and India, but also, in some instances, the production of local textile mills.

Status of U. S. Actions: With a view to offsetting the high political impact of communist aid projects, the U. S. continued to publicize the more dramatic accomplishments of U. S. aid programs. In this connection such a program as PL 480 assistance in the form of raw cotton for processing in third countries was one means of curbing further Chinese Communist inroads into the textile market. A supporting factor in offsetting communist aid projects is that remittances from overseas Chinese to relatives on the mainland have decreased markedly since the establishment of people's communes. From August to October, remittances through the Hong Kong branch of the Bank of China reportedly dropped 40 percent to the lowest volume since 1955, and a similar decrease is reported from Singapore. Part of this reduction is attributed by some to the development of communes on the mainland.

7. Economic Aid Program Delays. Despite recent improvements, the impact of aid program delays on U. S. relations in the area and on the ability of the U. S. to meet the economic challenge of the communist bloc requires continued attention and emphasis at high levels within State and ICA on eliminating these difficulties. Specifically, project approval procedures, contracting and procurement still need faster handling. Personnel selection, though greatly improved, requires continuing attention.

Status of U. S. Actions: Substantially faster program approvals have occurred this year under new programming procedures. Progress has also been made in the initiation of corrective measures to reduce delays in implementing economic aid activities. Several of these improvements stem from action by the special committee recently established under the ICA Director.

The problem of delays has been made more acute in the past by premature commitments and assurances of aid. New legislation effective this year prohibits obligation of any economic assistance funds for projects costing over \$100,000 and requiring substantive technical or financial planning until necessary engineering, financial or other plans are completed and a reasonably firm cost estimate made. On the other hand, the new legislation will also tend to increase the amount of time required between formulation and initiation of certain projects.

8. Political Instability. Political instability is a potential problem in all the countries of the area, owing to the relatively narrow base upon

SECRET