

SECRET

themselves have not been sufficient to effect a rate of growth satisfactory to these underdeveloped countries which tend increasingly to compare their national economic progress with that claimed by communist controlled Asian countries. The urgency of the problem is emphasized by the developing communist economic offensive. From the U. S. standpoint, dissatisfaction is particularly important in these countries, which have come to expect that their alignment with the free world will bring them the external assistance needed for more rapid economic development.

Status of U. S. Actions: Considerable progress has been made during this period in defining policies and the broad approaches which the United States will employ in increasing our effectiveness in assisting these countries to achieve a satisfactory rate of development. These policies and approaches were summarized in the President's recent speech to the Colombo Plan Conference in Seattle and are applicable to all underdeveloped areas, including Southeast Asia. The President presented a program addressed to the following major requirements for economic growth:

- a. expanded international trade
- b. technical skills
- c. private investment
- d. normal bankable loans
- e. financing to cover other sound projects which will afford the borrower flexibility regarding terms of repayment.

Action to meet some of the requirements under each of these points is receiving considerable emphasis in present programs. Consideration is being given to increasing the emphasis on other elements not yet adequately developed. The President has created the Draper Committee to consider, among other things, the impact of our military assistance programs on those related portions and objectives of the mutual security effort which are directed primarily at the economic betterment and growth of the free world and to appraise the relative emphasis which should be given to military and economic programs, particularly in the less developed areas. Certain other major problems involved in carrying out current programs are also under study by such groups as the Straus Study Group and the World Economic Practices Committee.

The problem of economic development as it relates to Southeast Asia reflects the need for clarification of U. S. basic policy in order to determine the objectives, conditions, and time period which should govern U. S. economic assistance for this area. The attention of the NSC is invited to this pressing problem in the context of NSC 5810/1.

SECRET