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The Asian members continued to seek an expansion in economic activities under SEATO, and the U. S. accordingly committed \$2.3 million for skilled labor training and \$425,000 to assist Thailand in establishing a SEATO Graduate School of Engineering. A most successful Council meeting was held in Manila in March which authorized the Secretary General to enter into limited contact with other regional defense organizations and agreed to a proposal that contact with non-member states be continued and expanded.

Some progress was made in developing regional projects. Agreements were signed in June with Thailand, Viet-Nam and Laos to provide \$27 million of U. S. funds toward the cost of a regional telecommunications system. Funds were also tentatively earmarked for the possible inclusion of Cambodia. A mild expression of interest by Burma for participation in the project has been explored, and Burmese participation seems unlikely in the near future. ICA has appointed the prime engineering contractor for the project. A second regional project relating to English language teaching has fallen behind schedule because of problems in obtaining the participating countries' understanding of the project and in drawing up the necessary documentation.

There have been two main themes in Southeast Asian attitudes toward the Taiwan Strait crisis. The initial note of fear that the whole area might be involved in war was replaced, to a large extent, by satisfaction that the U. S. did not back down on this issue.

c. Progress in preventing Southeast Asian countries from becoming economically dependent upon the communist bloc varies from country to country. Seemingly generous trade and aid offers from communist bloc countries have proved tempting to some Southeast Asian nations. Burma and Cambodia have been most vulnerable. In Singapore and the Federation of Malaya the Chinese Communists, for instance, operate through banking and trading interests. The Federation is taking steps to reduce the influence of the Communist Bank of China. In Thailand, the volume of imports from Communist China, which is small but increasing, has important propaganda value to the communists. Laos has so far resisted Chinese Communist trade and aid offers. Even assuming favorable political developments, many uncertainties exist for the economic development of Southeast Asia. Some obvious weaknesses include limited understanding by government and other leaders of the elements essential to economic development and mobilization of capital, both domestic and foreign, lack of managerial and technical experience, lack of diversity in export commodities and vulnerability to price fluctuations for these commodities. Some apprehension exists regarding the possibility of obtaining reasonable prices for the favorable rice crops now expected in the area, particularly Burma.

2. No review of policy is recommended.

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