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- e. Vietnam maintained its close relationship with the U.S. Progress was made in developing a representative government, while executive leadership remained strong. Effective countermeasures against non-violent Communist subversion remain a priority requirement.
- f. Malaya became an independent member of the British Commonwealth in August, and good will continues to exist toward Great Britain. The new cabinet is conservative and pro-Western, but present indications are that Malaya will not join SEATO. Communist terrorists continue to threaten internal security. The government is opposed to any political fusion with Singapore at this time.
- g. The Singapore government, although beset with internal political difficulties, weakened the Communists by additional arrests of known subversives.

4. Economic. Serious obstacles to regional economic cooperation remain, such as preoccupation with domestic affairs, political antagonisms, and lack of complementary economies. Economic development throughout the area is severely handicapped by lack of trained manpower. The Sino-Soviet Bloc continues a high degree of economic activity in the area, with demonstrated flexibility. (Annex B is a discussion of Bloc-Southeast Asian economic relations.) Southeast Asian nations are comparing U.S. and Sino-Soviet Bloc aid programs as to aid levels, administrative procedures and controls, and speed of performance. Complaints continue regarding U.S. aid program delays. Conflicting claims on U.S. aid and inefficient use of local resources present problems in some countries. The climate for U.S. private investment leaves much to be desired. Planned expenditures for U.S. economic and technical assistance for FY 1958 in millions are: Burma - \$10.0; Thailand - \$35.0; Cambodia - \$35.0; Laos - \$36.6; Vietnam - \$209.4; Malaya - none. These expenditures total \$326 million, compared to estimated expenditures of \$379 million for FY 1957.

5. Military. The U.S. has, or will have, Overseas Internal Security Programs in Cambodia, Laos, Vietnam, and Thailand. U.S. police experts will make a survey in connection with a Burmese request for assistance, and the Burmese have been informed that \$10 million U.S. military assistance will be available. The Vietnamese armed forces improved significantly, and Communist capabilities for resistance in South Vietnam were neutralized. The current situation in Vietnam does not permit any reduction in forces, but the U.S. did not accede to President Diem's request for increased troop strength. The Malayan Government agreed to the continued stationing of British Commonwealth troops in Malaya and to their bearing defense responsibilities for Malaya. Estimated Military Assistance expenditures for FY 1958 (with FY 1957 estimates in parentheses) are, in millions: Thailand - \$20.4 (\$25.3); Cambodia - \$6.2 (\$21.1); Laos - \$5.7 (\$3.8); Vietnam - \$43.5 (\$105.0); total - \$75.8 (\$155.2).

6. Recommendation Regarding Policy Review. After the December elections in Thailand, consideration should be given to the need for a review of the pertinent sections. The section pertaining to Malaya is outdated and should be reviewed.

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