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support are likely to result in proposals for new aid projects. The IBRD team and ICA advisors are assisting the Thai in planning the best utilization of their own resources.

### VIII. VIET-NAM

#### A. SUMMARY EVALUATION

40. In general we are achieving U. S. objectives in Viet-Nam. Relations between Viet-Nam and the Government of the Republic of China are improving since the Chinese community in Viet-Nam has accommodated itself to Vietnamese legislation concerning citizenship and certain key occupations.

#### B. MAJOR OPERATING PROBLEMS FACING THE UNITED STATES

41. Viet-Nam's Continued Dependence on Foreign Aid. In spite of some evidence of greater economic stability, Viet-Nam continues to depend on foreign aid, the largest part of which goes to support the military establishment. U. S. aid still accounts for approximately 85 percent of imports and two-thirds of the budgetary revenues. Some improvement in the investment climate occurred with the exchange of notes between the United States and Viet-Nam effecting an Investment Guaranty Agreement and with acceptance of the U. S. view that that portion of International Development Corporation capital financed by the U. S. would be available to aid private enterprise only. However, economic nationalism and excessive government intervention continue to discourage private foreign and domestic investment. Moreover, it is likely the Government of Viet-Nam will continue to insist that certain larger industrial projects be government-controlled, at least in their early years of operations.

42. Political and Security Problems of the Diem Government President Ngo Dinh Diem's policy of strict control in the political and economic fields has caused a certain amount of internal dissatisfaction. Should the President's exercise of personal authority develop too far there may be danger that the resultant frustration of government officials might weaken the united support for his regime which the situation requires. Likewise, the President's stern police measures and his emphasis on internal security have led to some criticism of the government. This emphasis on internal security stems from the recent emergence of the country, the continuation of communist-inspired violence and subversion, and such incidents as the assassination of local officials in rural areas of southern Viet-Nam.

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