

SECRET

3. Economic: The Sino-Soviet Bloc continues a high degree of economic activity in the area, with demonstrated flexibility, and Southeast Asian nations are comparing U. S. and Sino-Soviet Bloc aid programs. Complaints continue regarding U. S. aid program delays. Planned expenditures for U. S. economic and technical assistance for FY 1958 (with FY 1957 estimates in parenthesis) are, in millions: Burma - \$10.0 (\$0.0); Thailand - \$35.0 (\$39.8); Cambodia - \$35.0 (\$41.0); Laos - \$36.6 (\$47.9); Vietnam - \$209.4 (\$249.8); total - \$326.0 (\$378.5).

4. Military: In Vietnam, the armed forces improved significantly, but the current situation does not permit any force reduction. Burma has been informed that \$10 million in U. S. military assistance will be available. Estimated Military Assistance expenditures for the area 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).

5. 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 The section pertaining to Malaya is outdated and should be reviewed.

COMMENTS

6. Vietnam: The sharp drop in estimated MAP expenditures for Vietnam for FY 1958, as compared with FY 1957, reflects a drop in the program and a levelling off of the pipeline. Laos: Since approval of the report, a coalition cabinet including two Pathet Lao representatives has been formed.

7. The report is considered to be generally acceptable.

RECOMMENDATION

8. It is recommended that you note the report without exception.

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