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Their concentration of activities in rural areas where communications and terrain make it difficult for the government to cope with them recalls the tactics used against the French during the Indochina War. Assassinations, particularly of officials in rural areas, continue at an alarming rate of about fifteen to thirty-five a month. Attacks on rubber plantations and reported communist plans to break up the land development, land reform and agricultural credit programs indicate deliberate efforts to interfere with Viet-Nam's economic programs.

Status of U. S. Actions: After a long period of negotiation, President Ngo Dinh Diem has now agreed to place the Civil Guard under the Minister of Interior. The Embassy and the Government of Viet-Nam have reached an understanding on a program to be presented to Washington for training and equipping the Civil Guard to enable it to cope with the situation described above. The program, if approved, would be for the training and equipping of only about 32,000 of the Civil Guard and not the total current force of 48,000. A major question is whether this situation requires an improvement in the Civil Guard, or whether other existing Vietnamese security forces, including the Army, can adequately deal with the situation. This question is being discussed by the agencies concerned but agreement has not yet been reached.

35. Economic Development. Economic development, though progressing, is still at a rate below that which is politically necessary to enable Free Viet-Nam to compete successfully with the communist regime in North Viet-Nam. The rate of development is also below what is politically desirable in order to enable Viet-Nam ultimately to reduce its heavy dependence upon external assistance. This problem is further exacerbated at the present time because demands on available resources to meet the communist military and subversive threat are rising. It appears doubtful, therefore, whether our political objectives can be achieved to the degree desired.

Status of U. S. Actions: Means of mobilizing additional Vietnamese resources for development are under study by the Vietnamese Government. Defense support aid available for economic development was reduced by \$40 million in FY 1958 and further reduced by \$15-20 million in FY 1959. Vietnamese access to the Development Loan Fund (which is expected as soon as project engineering studies are complete) may offset the FY 1959 reduction but will probably not bring total aid available for development back to the FY 1957 level.

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