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stage, and basic economic growth has been slower than that of the north. The GVN still depends upon US aid to finance about two-thirds of its national budget, including most of the support for the armed forces.

I. MAJOR TRENDS IN SOUTH VIETNAM

A. Political Trends

10. President Diem continues to be the undisputed ruler of South Vietnam; all important and many minor decisions are referred to him. Although he professes to believe in representative government and democracy, Diem is convinced that the Vietnamese are not ready for such a political system and that he must rule with a firm hand, at least so long as national security is threatened. He also believes that the country cannot afford a political opposition which could obstruct or dilute the government's efforts to establish a strong and secure state. Although respected for his courage, dedication, and integrity, Diem has remained a somewhat austere and remote figure to most Vietnamese and has not generated widespread popular enthusiasm.

11. Diem's regime reflects his ideas. A facade of representative government is maintained, but the government is in fact essentially authoritarian. The legislative powers of the National Assembly are strictly circumscribed; the judiciary is undeveloped and subordinate to the executive; and the members of the executive branch are little more than the personal agents of Diem. No organized opposition, loyal or otherwise, is tolerated, and critics of the regime are often repressed. This highly centralized regime has provided resolute and stable direction to national affairs, but it has alienated many of the country's educated elite and has inhibited the growth of governmental and political institutions which could carry on in Diem's absence. The exercise of power and responsibility is limited to Diem and a very small circle mainly composed of his relatives, the most important being his brothers Nhu and Can. Nhu is particularly influential in international affairs and in matters relative to the southern half of the country. Can is more concerned with internal security and the northern half of the country.

12. An increasingly important and effective mechanism employed by the Diem regime to maintain control over the affairs of South Vietnam is the Can Lao, a semicovert political apparatus. Its structure, like that of the Kuomintang or a Communist party, is based on the cell and cadre system. The Can Lao is organized on a regional basis. The southern region is run by Nhu, an articulate, pragmatic activist. It is loosely organized and administered. The northern region is ruled with an iron hand by Can, a withdrawn eccentric feared by most Vietnamese, who seldom ventures from his headquarters in Hue. Although there is considerable rivalry and tension between the two brothers, there is no evidence that either is less than completely loyal to Diem. Diem apparently finds it advantageous to continue the division of authority as a means of controlling the ambitions of Nhu and Can.

13. Can Lao members are active at virtually every level of Vietnamese political life. Membership is becoming increasingly important for professional advancement. One-third of the cabinet members and over one-half of the National Assembly deputies are probably Can Lao men; the actual figure may be higher. The Can Lao controls the regime's mass political party, the National Revolutionary Movement. It apparently has its hand in most important business transactions in South Vietnam and is engaged in dubious business practices. Recently the Can Lao has stepped up its campaign to recruit key officers in the GVN military establishment, probably to establish a control mechanism within the only organization in South Vietnam strong enough to challenge the Diem regime.

14. Although the popular enthusiasm attendant on the achieving of independence and the end of colonial rule has subsided and some disillusion has arisen, particularly among the educated elite, there appears to be little identifiable public unrest. There is some dissatisfaction among military officers largely because of increasing Can Lao meddling in military affairs. The growth of dissatisfaction is inhibited by South Vietnam's continuing high standard of living relative to that of its neigh-

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