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forces. It will probably remain unwilling to devote a significantly greater share of resources and attention to longer range economic development. Assuming continued US aid at about present levels, modest improvement in South Vietnam's economic position is likely. However, development will lag behind that in the North, and the GVN will continue to rely heavily upon US support to close the gap between its own resources and its requirements. (Paras. 19-22, 32)

5. There is little prospect of a significant improvement in relations between South Vietnam and Cambodia so long as the present leaders of the two countries remain in power. Relations with Laos will probably remain generally friendly. Continued suspicion that the French are intriguing in the area to recapture a position of major influence will probably pre-

vent an improvement of Franco-GVN relations. (Paras. 25-27, 35)

6. Despite widespread popular discontent, the Government of the DRV is in full control of the country and no significant internal threat to the regime is likely. With large-scale Bloc aid, considerable progress has been made in rehabilitating and developing the economy with major emphasis on agriculture, raw materials and light industry. The regime will probably soon have laid the foundations for considerable economic expansion. (Paras. 37-38, 42, 44)

7. The DRV has no diplomatic relations with any country outside the Bloc and its foreign policy is subservient to the Bloc. We believe that it will continue its harassment of the GVN and of Laos, though a military invasion of either is unlikely. (Paras. 46, 48-49)

INTRODUCTION

8. The 1954 "provisional military demarcation line" dividing Vietnam at the 17th parallel has become a fixed boundary separating two entrenched and hostile governments, the Government of Vietnam (GVN) in the south and the Communist Democratic Republic of Vietnam (DRV) in the north. The all-Vietnam elections called for under the Geneva Agreements of 1954 have not been held, and the divergent conditions demanded by both governments preclude the holding of such elections. To date the GVN has been preoccupied with the threat to internal security posed by DRV subversion and guerrilla warfare and with the threat that the Communists' numerically superior armed forces will one day invade the south. However, there are no indications that the DRV is willing to assume the risks of US intervention and attempt to conquer South Vietnam by military invasion. Such a

decision would probably be made by Peiping and Moscow rather than by Hanoi.

9. Meanwhile life on the two sides of the boundary is marked by an increasing disparity. The north is organized along strict Communist lines. The standard of living is low; life is grim and regimented; and the national effort is concentrated on building for the future. The DRV claims it has reduced its reliance on Bloc aid to about one-third of its national budget. Its large army is almost entirely financed domestically, except for arms delivered by the Bloc. Both its foreign aid and its Spartanly acquired domestic capital are devoted to restoring and increasing productive capacity in agriculture and industry. In the south the standard of living is much higher and there is far more freedom and gaiety. However, South Vietnam's economic development is still at an early and uncertain

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