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discipline. Furthermore, French assessment of the nature and magnitude of the communist threat posed against U.S. objectives through the Neo Lao Hak Xat (ex-Pathet Lao) make it questionable whether or not French military advice and training of the Lao National Army will serve our best interests. We are now studying the practicability of a new approach to the French Government to bring French policy in Laos into agreement with our own and British views on the nature of the communist threat and to induce a more cooperative attitude on the part of the French representatives in Vientiane. At the same time a U.S. MAAG cannot be established because of the present desire of the U.S. to respect the Geneva Agreement prohibition against the introduction of foreign military personnel. This means that U.S. financial and material assistance to the Lao Army is not used to maximum advantage for Laos and the U.S. As an interim solution, consideration is being given to furnishing Filipino civilian trainers to the Lao Army with PEO (Civilian MAAG) assistance. Representations to the French concerning their training responsibilities appear to be an urgent necessity.

V. FEDERATION OF MALAYA

A. SUMMARY EVALUATION

28. The government has shown continued determination to fight communist terrorism and subversion, and has succeeded in maintaining a strong, stable administration and a considerable degree of inter-racial harmony. However, recent local election returns indicate some weakening of support for this basically pro-Western government as underlying racial tensions manifest themselves in a drift toward socialist and ultra-nationalist opposition parties. This deterioration of the government's political strength, particularly among Chinese and Indian voters supporting neutralist-oriented parties favoring recognition of Communist China and the Malay Communist Party, could neutralize the progress made in achieving U.S. objectives in Malaya.

B. MAJOR OPERATING PROBLEMS FACING THE UNITED STATES

29. Requests for Economic Assistance. As of April 30 a total of \$19 million in applications had been received by the DLF from the Federation Government. Of the two projects submitted, one is under serious consideration, the deep-water port facilities project for \$10.9 million; the other, a teaching hospital, has been rejected.

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