

SECRET

refusing any formal relations with the bloc until the ten year Communist rebellion in Malaya is ended.

45. Burma has the broadest bloc representation, having relations with the USSR, Communist China, Poland, Czechoslovakia, Rumania, and Mongolia. In Thailand only the USSR maintains a mission which, with some 50 officials, is considerably overstaffed in terms of the work at hand. Except for some 25 Polish officials on the International Control Commission, there are no bloc officials in South Viet-Nam.

46. Economic Activity: Malaya, with its large Chinese population, has been a focal point of Communist China's commercial drive in Southeast Asia. Peiping is competing with Japan and Hong Kong and has intensified its trade promotion activities in Singapore since April. A wide variety of new Chinese commodities are appearing at prices slashed 10-20 percent below those of normal suppliers. The effectiveness of this campaign is reflected in a 40 percent rise in the value of Chinese Communist goods imported during the first seven months of 1958 over the comparable period in 1957. Malaya's total exports to the bloc from December 1957 through May 1958 were about \$43 million. Compared with the first half of 1957, exports to the bloc as a whole increased during the December-May period by 42 percent and imports declined 5 percent. Communist China was once again the principal bloc purchaser. The marked increase in exports was caused by a doubling of rubber exports to 75,800 long tons--15 percent of Malaya's total rubber exports in the first half of 1958.

47. China's drive for economic influence in Malaya may, however, be jeopardized by recent Peiping threats of trade sanctions against Malaya and Singapore in retaliation for anti-Peiping moves by the Federation government. Even if trade is only temporarily affected, Peiping's actions have caused sharply critical comment in the Federation and have bolstered the alliance government's determination to curtail Chinese Communist economic activities.

48. Cambodia made its first import allocations in April under trade agreements with the USSR, Czechoslovakia and Communist China. The value of export licenses issued was much lower than the level set for imports. However, the allocations totaled about \$2,600,000 and, if actually used, would raise imports from the bloc in 1958 to at least 10 percent of Cambodia's planned imports, exclusive of those under aid programs.

49. The level of bloc trade with Thailand continues to be less than one percent of total trade because of the relatively satisfactory economic conditions in Thailand, its pro-west alignment, and extensive American aid. Thailand refused Soviet formal trade overtures in March, but did lift its

SECRET