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successfully introduced without adverse psychological reaction in the recent "Phiblink" exercise, and a number of military exercises have been scheduled and approved for the coming year. Standardization of equipment is being accomplished between military forces of member nations which will lead to a reduction of the technical obstacles to fuller cooperation in mutual defense. There were significant administrative improvements; political consultation in meetings of the Council Representatives improved in quality and content; and a successful counter-subversion seminar was held in Baguio; and a cultural round table, attended by some non-member governments, was held in Bangkok. In addition, the United States has committed \$2 million for skilled labor training and agreed in principle to assist Thailand in the SEATO context to develop university engineering facilities.

What is generally considered to have been the most successful Council meeting to date was held in Manila in March. Among other things, the Council at that time authorized the Secretary General to enter into limited contact with other regional defense organizations and agreed to a proposal that contact with non-member states be continued and expanded in the coming year.

3. Mekong River Development The four-power Coordinating Committee established by Thailand, Laos, Cambodia and Viet-Nam to plan the development of the Mekong River basin agreed to set up a system for the cooperative collection of basic data on the river basin. In line with our regional objectives the U. S. offered at the time of the recent ECAFE meeting at Kuala Lumpur to contribute a total of \$2 million to establishment of this system. The offer, which was accepted by the four riparian countries, produced a favorable impact in the ECAFE area. The U. S. contribution, together with funds offered by the UN and other friendly governments, is sufficient to finance the costs for approximately the first year of the development plan--\$2.5 million--recommended by the Wheeler survey mission.

4. No review of policy is recommended.

B. MAJOR OPERATING PROBLEMS FACING THE UNITED STATES

5. Obstacles to Regional Cooperation. At present more factors obstruct the development of regional cooperation in Asia than facilitate it. The most important ones are nationalistic preoccupation with domestic

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