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**THAILAND, LAOS, CAMBODIA, AND VIETNAM:
APRIL 1973**

A STAFF REPORT

PREPARED FOR THE USE OF THE
SUBCOMMITTEE ON U.S. SECURITY
AGREEMENTS AND COMMITMENTS ABROAD
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE



JUNE 11, 1973

NOTE.—Sections of this committee print have been deleted at the request of the Department of State, Department of Defense, Agency for International Development, and Central Intelligence Agency. Deleted material is indicated by the notation “[Deleted].”

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PREFACE

This report is the latest in a series of efforts by the Subcommittee on U.S. Security Agreements and Commitments Abroad to bring before the American people authoritative information regarding United States activities in various areas of the world. It would appear, on the basis of this report, that these efforts to protect the people's right to be informed about the activities of their government are beginning to bear fruit; compared to previous reports and hearings, a relatively small number of deletions are made in this report on grounds of national security.

The section of this report which describes United States activities in Laos is a case in point. This is the third field report by the present staff of the subcommittee on the subject of Laos. As a result of these continuing inquiries we now feel reasonably confident that for the first time the American public has a comprehensive picture of the vast and intricate array of United States military and paramilitary activities in Laos. The few deletions in the Laos section of this report involve only some relatively insignificant numbers and the precise name of one Royal Thai Army headquarters.

Thus, the people's right to know how their tax dollars are being spent—at least in the case of Laos—is being served. As other sections of the report indicate, however, there are still areas of great sensitivity to the executive branch about which the subcommittee has not been able to inform the public as fully as it believes desirable. These include the details of the military assistance program in Cambodia and certain questions regarding interpretations and understandings of the Vietnam cease-fire agreement.

The overall substantive message of this report seems to be that we are still deeply involved in Southeast Asia. The facts regarding the nature of this involvement and its continuing cost speak for themselves, and the reader is thus free to draw his or her own conclusions. That indeed is the purpose of the subcommittee's continuing effort to document the details of the United States Government's involvements abroad. Unless the Congress and the people have all the relevant facts, they cannot be expected to form sound judgments on important issues which involve their dollars, their lives, and the direction of their Nation's policies abroad.

STUART SYMINGTON,
*Chairman, Subcommittee on
U.S. Security Agreements and Commitments Abroad.*

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LETTER OF TRANSMITTAL

JUNE 6, 1973.

HON. STUART SYMLINGTON,
Chairman, Subcommittee on U.S. Security Agreements and Commitments Abroad, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: At the request of the Subcommittee, we spent the period March 28 to April 19 in Thailand, Laos, Cambodia and Vietnam, arriving in Asia after the sixty-day period following the signature of the Paris Agreement during which time all American prisoners were returned and all American forces were withdrawn. In accordance with our instructions, we examined the U.S. presence in all four countries, military and economic assistance programs and the political and economic factors bearing on these programs.

In the course of our trip, we met with the American Ambassadors in Bangkok, Vientiane, Phnom Penh and Saigon and members of their staffs; General John A. Vogt, Commander, USSAG/Seventh Air Force, at the Royal Thai Air Base at Nakhon Phanom, and members of his staff; Brigadier General Richard G. Trefry, Deputy Chief, JUSMAG-Thailand, at the Royal Thai Air Base at Udorn, and members of his staff; members of the staff of the CIA unit in Udorn; the Consuls General in Bien Hoa and Can Tho in South Vietnam and members of their staffs; foreign government officials—both civilian and military; and other knowledgeable observers both American and foreign. In addition, en route back to Washington we met at the headquarters of U.S. Forces in the Pacific with Admiral Noel Gayler and members of his staff concerning U.S. military activities and military assistance programs in the countries visited.

During the period of our trip, U.S. air operations in Cambodia were intensified and you asked us, immediately upon our return, to prepare a separate report on that subject. That report, classified "Secret," was completed on April 24 and released on April 27 after a security review by Executive Branch agencies.

We subsequently began work on a report covering the other subjects we had been asked to examine. That report, classified "Secret," was completed on May 18. In accordance with your request to the Secretary of State, representatives of the Department of State, Department of Defense, Agency for International Development and Central Intelligence Agency began to review the report on May 20 to determine what deletions they wished to request for security reasons. Their review was completed on June 6.

Sincerely yours,

JAMES G. LOWENSTEIN.
RICHARD M. MOOSE.

THAILAND, LAOS, CAMBODIA AND VIETNAM: APRIL 1973

I. INTRODUCTION

We arrived in Southeast Asia sixty days after the Paris Agreement had been signed. American forces were out of Vietnam and American prisoners were home. U.S. aircraft were no longer bombing in South or North Vietnam or, with minor exceptions, in Laos. Fighting was only sporadic in Laos and had declined in Vietnam to about the level before the April 1972 offensive. ICCS teams were deployed, though with little effect, in South Vietnam. And there were various negotiations in progress: economic aid negotiations between the United States and North Vietnam in Paris, political talks between the South Vietnamese and the Provisional Revolutionary Government (PRG) in Paris, military talks between the South Vietnamese and the PRG in Saigon, and negotiations on the establishment of a Provisional Government of National Union between the Royal Lao Government and the Pathet Lao in Vientiane.

But peace had not come to Indochina. All four negotiations were deadlocked. Laos was divided between government and Pathet Lao controlled areas along lines which generally followed those that had obtained at the time of the 1962 Accords, except that the third of the country remaining under government control was now cut in two by an enemy force which had reached the Mekong just north of a point opposite Nakhon Phanom in northeast Thailand where the principal U.S. headquarters for military operations in Indochina is now located. The situation in Vietnam was summed up by one experienced American official as a "violent stalemate." Fighting raged in Cambodia where government forces seemed unable to arrest a rapidly deteriorating military situation, and expectations of a Cambodian cease-fire, to which Dr. Kissinger had alluded with "some confidence" on January 24, had all but vanished. And throughout Indochina the United States remained involved through large economic and military assistance programs, programs that literally sustained all three Indochina countries; through the presence of 44,000 military personnel in Thailand and 17,000 others on ships in adjacent waters; and through a large air force based in Thailand.

* * *

Sixty days after the Paris Agreement, Cambodia had become the central theater of the continuing Indochina war. Although the United States was not involved with ground troops, the involvement in other ways was direct and intimate. The roles of the United States in air operations and in Cambodian political affairs have been described in a separate report. The two are intimately related because, by the time we arrived in Cambodia, the principal purpose of U.S. air operations had become to enable the Lon Nol government to survive in the face of a military offensive by an enemy force almost exclusively Khmer

and not North Vietnamese. The military pressure on the government had revealed the true weakness and ineptitude of the Lon Nol regime, flaws that had become increasingly apparent over the last year as the Army had become progressively more demoralized and the political situation had continued to deteriorate.

The political and military situations had, of course, each affected the other. In Presidential elections in June, 1972, Lon Nol had been credited with 55% of the vote. But most observers with whom we talked agreed that the election had been characterized by large-scale fraud, and that Lon Nol probably had not obtained a majority of the votes.

During the past year, Lon Nol had attempted at various times to form some sort of government of national union, but these attempts had seemed half-hearted and had been consistently undermined by his brother, Lon Non. Since Lon Nol had not faced up to the need to share political power with other popular or more capable figures, during our visit it was evident that the United States Government had come to the point of insisting that he do so and that he also send Lon Non abroad if he wished to continue to receive American military and economic assistance.

The increased involvement of the United States in Cambodian military and political affairs seemed to us to be the result of such factors as: frustration that attempts to obtain a cease-fire had failed, a failure which U.S. officials attributed to North Vietnam's refusal to live up to what they believed was an understanding reached in Paris; recognition of the fact that only in Cambodia could the United States bring direct military pressure to bear on the North Vietnamese without immediately endangering the cease-fires in Laos and Vietnam; concern that a communist takeover in Cambodia at this point in time would undermine the entire fabric of the hoped-for overall Indochina settlement; fear that the fall of Cambodia would be a severe psychological shock to South Vietnam and would also present the South Vietnamese with a serious military problem, especially if the port of Sihanoukville, now called Kampong Som, were to be reopened; and hope that if the military and political situations could somehow be stabilized it might be possible to negotiate a cease-fire, North Vietnamese withdrawal and a political agreement providing for a neutralized Cambodia which would not upset the cease-fires in Vietnam and Laos and would not be interpreted as a failure of U.S. policy in Cambodia. By the time we left Cambodia, however, there was no prospect that stability could be achieved and no indication of interest on the part of the Khmer insurgents in negotiations with the Lon Nol government.

* * *

In Vietnam, we found considerable concern regarding the situation in Cambodia, concern that as the result either of military developments, or of a political solution negotiated by a government in severe military straits, Cambodia would become a permanent Communist sanctuary and supply base immune from American bombing. For the South Vietnamese remain apprehensive about their own military situation, convinced that the North Vietnamese have not abandoned their objectives in the South but will return in force within a matter of months, and for this reason, among others, the Thieu government seemed no more inclined than before to permit the PRG to participate in any meaningful way in the political process. On the contrary, Presi-

dent Thieu was moving rapidly to consolidate his political power, against his putative political opponents as well as the Viet Cong through the vehicle of his Democracy Party which many susceptible to government pressure, including some military officers in a secret branch of the party, were being forced to join. At the same time, through Decree Law 60, he had made certain that no other political parties could be organized that could effectively challenge his own.

It was not only the military situation that was causing South Vietnam officials apprehension. They were at least as concerned about critical economic problems. Indeed, with the need to keep military manpower levels up and thus defense expenditures high, with a drop in foreign exchange earnings because of the American withdrawal and with military uncertainties still a barrier to the kind of massive foreign investment that might fill the gap, South Vietnam was more than ever dependent on American financing of its huge budgetary and trade deficits.

* * *

The situation in Laos differed from that in either Cambodia or Vietnam. The cease-fire there was being generally observed. But the withdrawal of foreign forces—the North Vietnamese, the American financed Thai irregulars, U.S. Forward Air Control pilots and the Chinese—and the related matter of dismantling the U.S. para-military apparatus were awaiting the formation of a Provisional Government of National Union, for the cease-fire agreement provides that the 60-day period for the withdrawal of foreign troops does not begin to run until the formation of that government.

The cease-fire agreement also states that the Provisional Government is to be formed within 30 days after the cease-fire. At the time of our visit, which began shortly after the thirty days had elapsed, negotiations on the formation of that government were stalled (and were still stalled at the time this report was written). There was no evidence that the North Vietnamese were inclined to reduce their political and military involvement. As a result, plans which the U.S. Mission had made to reduce its involvement had suddenly been shelved. In the Lao capital, the agreement was under severe criticism by Souvanna Phouma's political opponents, whom the United States continued to restrain, and Souvanna himself, motivated by a desire to unify the country and save it from further war, was shifting to a more neutralist position.

* * *

In Thailand, too, there was uneasiness not only because of the disturbing signs of continuing North Vietnamese intransigence, the precarious military position of the Lao Government and the critical situation in Cambodia, but also because of some concern that the United States was on the verge of withdrawing completely leaving its former allies to fend for themselves. Uncertain about the Chinese as well as the North Vietnamese, the Thai were continuing to seek firmer indications of continued American support, using the base rights they had granted the United States, which should be the best assurance of all, as a bargaining lever for additional economic and military assistance. And domestically, there were no indications that the military leadership would relax its firm hold on the political process. The country remained under martial law, political parties were still proscribed

and the legislative function was being performed by an assembly whose members were appointed by the government.

In the months before our arrival, there had been a marked increase in critical comment from Thai students and intellectuals. The principal issues on which they had spoken out, such as Japanese investment and the need for an independent judiciary, were not subjects which the government considered required a drastic crack down. The students and intellectuals had, however, also been critical of the U.S. use of Thai bases and of the Thai involvement in the Indochina war. While the government had seemed to be willing to use this criticism to a certain extent to bring pressure on the United States to obtain a greater return for the use of its bases, it had at the same time taken care to insure that the criticism would not get out of hand. One American official said to us: "It would be an error to exaggerate the importance of the student and intellectual groups but it would be a mistake to ignore their activity." In sum, though, the U.S. military presence in Thailand is regarded by Thai leaders as a source of security at a time of considerable apprehension over the future of Southeast Asia as well as a hostage to the U.S. commitment to defend Thailand.

II. THAILAND

A. THE U.S. MILITARY PRESENCE

At the end of March, when we arrived at Bangkok, there were 44,406 U.S. military personnel in Thailand. At the time of our last visit in January, 1972, there had been 31,685. Most of the increase was due to the deployment to Thailand of Marine Corps air units and additional Air Force units to counter the North Vietnamese offensive in South Vietnam in April 1972. At that time, the Thai agreed to our request to open an air base at Nam Phong and to reopen that at Takli, both technically Royal Thai Air Bases, to accommodate the buildup. The additional planes and men added at that time have remained, and today their presence is justified in terms of enforcing the Vietnam and Lao cease-fire agreements and providing air support for Cambodian Government forces.

As of April 1, there were 419 U.S. strike aircraft, 56 B-52's and 43 non-combat support aircraft operating from Thai bases (not including some planes at Udorn which come under the supervision of the military headquarters concerned with U.S. military assistance to Laos). While U.S. Air Force elements located at seven bases in Thailand account for the major portion of the U.S. presence—there are 37,499 Air Force personnel out of the total of 44,406—Thailand is still the site of major U.S. logistics support activities for the military and para-military effort in Laos, and it is, to an increasingly critical extent, also the site of various activities relating to Cambodia. And since the final withdrawal of U.S. ground forces from Vietnam and the termination of MACV headquarters in Saigon, a major new U.S. command, the United States Support Activities Group, has been created and located, together with the Seventh Air Force Command, at Nakon Phanom.

In addition to these non-Thai related activities there is also the U.S. Military Assistance Command Thailand, a U.S. Army Special Forces battalion, and various other units involved in a variety of activities including the intelligence area. In all, the collective U.S. presence in Thailand represents the second largest group of U.S. military personnel in any one country outside the United States.

Although there are over 44,000 military personnel in Thailand, the ceiling agreed upon in FY 1971 between the Thai and U.S. Governments remains at 32,200. The "excess" is considered temporary, and no new ceiling has been negotiated. It was agreed at the time of the buildup last spring that the United States could bring in additional personnel up to the number at which the U.S. presence had peaked in 1968-1969, a level of about 48,000.

The 44,406 U.S. military personnel in Thailand on March 30 included: 545 with the U.S. Military Assistance Command Thailand, and the Military Advisory Group; 76 attached to "DepChief, JUSMAG," the organization in Udorn that runs the military assistance program in Laos; 60 attached to SEATO; 36,690 with 7/13th Air Force; 2,249 with the U.S. Army Support Command, Thailand; and 642 with the United States Support Activities Group Headquarters.

The U.S. Army Special Forces battalion has 302 personnel divided among six detachments located at nine locations within Thailand. Company "A" trains Thai and Lao irregulars at training sites located at Nam Phong, Phitsanuloke and Ban Nong Saeng. The training is conducted jointly with Thai instructors. Company "B" trains Thai in counterinsurgency operations at sites located at Nong Takoo, Nam Pung Dam and Lampang. Again, training is conducted jointly with the Royal Thai Army. Company "C" advises and assists the Royal Thai Army Special Warfare Center at Lophuri. Their specific missions include the training of Cambodian Special Forces and Cambodian infantry units. A Headquarters Detachment and a Support Detachment are also located at Lopburi, and a Liaison Detachment is located in Bangkok.

Incidentally, to insure protection for U.S. bases, a total of 2,321 U.S. military personnel are employed in internal security functions. There are also 4,941 Thai security guards paid by the U.S. Government, organized in military formations, and encadred by regular Thai armed forces personnel. We were told that, as a practical matter, they are under the operational control of individual U.S. base commanders. In addition, there are 8,324 Royal Thai Government personnel also engaged, not all full time, in security duties. Thus, a total of 15,586 Thai and Americans are involved in providing base security for 44,406 American military personnel.

COMUSMACTHAI (Commander, U.S. Military Assistance Command Thailand) has responsibilities for U.S. military activities in Thailand. While he does not have operational control of U.S. Air Force units in Thailand (and thus is not directly involved in the conduct of the air war), he does provide administrative support to these forces. According to a paper we were given describing the Command's mission, a significant portion of the Command's responsibilities "concern the advisory role to the Supreme Command on counterinsurgency

matters and participating and coordinating with the Embassy in developing U.S. Mission positions on this subject." In recent years, according to the same paper, "the missions (of the Command) have increased as the U.S. has become more concerned about the insurgency in Thailand, as the RTARF (Royal Thai Armed Forces) have increased their CI (counterinsurgency) efforts, as the RTARF has become more directly and indirectly involved in the war in Laos and Cambodia, and as U.S. units have shifted to Thailand."

The Military Advisory Group consists of three service advisory groups: an Army Advisory Group of 124, an Air Force Advisory Group of 104, and a Navy Advisory Group of 29. The Army Advisory Group has advisory elements from the regimental level up through the highest levels of the Royal Thai Army. The Chief of the Army Advisory Group works primarily with the office of the Thai Army Chief of Staff. There are two staff sections in the group: Plans and Operations, and Logistics. The Deputy for Plans and Operations is the principal advisor to the Thai Army Director of Operations on matters pertaining to operations, training, Volunteer Defense Corps training, English language training, aviation and offshore training and is the coordinator of the group's planning effort. The Deputy for Logistics is the principal advisor to the Thai Army Director of Logistics in matters pertaining to supply and maintenance and directs five technical service detachments. There are five operational Army advisory group field detachments, which advise units of the Thai Army and each of which has one or more subdetachments, and four detachments which support training and logistics activities.

The Air Force advisory group has the majority of its personnel located at Don Muang Royal Thai Air Force Base, the Thai Air Force Headquarters. One or two Air Force field advisors are located at Takli, Kokethiem, Chiang Mai, Ubon, Udorn, Prachuab, Kampong San, Korat, and Sattahip.

The Navy Advisory Group is organized into four primary divisions. The Operations and Plans Division performs liaison with the Naval Headquarters and the Fleet Headquarters. The Technical Assistance Division provides advice and assistance to the Royal Thai Navy in matters ranging from helping various fleet units with maintenance, repair, or logistical procedures to advising the Royal Thai Dockyard and Royal Thai Logistics Department on major management procedures. The MAP Coordination and Implementation Division monitors the Royal Thai Navy portion of the U.S. Military Assistance Program and coordinates with the MACTHAI MAP Directorate on these programs. The training officer assigned to the operations division coordinates with the Royal Thai Navy training requirements needed to augment training that is available in Thailand.

Finally, there is a Marine Corps Operations and Training Division at Sattahip which advises the Royal Thai Marine Corps in all phases of operations, training and logistics.

B. THE INSURGENCY

The insurgency is such an important and continuing theme in U.S.-Thai relations that it is difficult to imagine how these relations would

be structured if the insurgency did not exist. Since the Thai are constantly pressing the United States for more aid, but like U.S. officials insist that American aid should not be viewed as a *quid pro quo* for U.S. use of Thai bases, and since there is no credible external military threat to Thailand, there is inevitably a close relationship between U.S. aid levels and the insurgency threat.

The latest estimate, dated September 1972, of the strength of the "Communist Terrorist," or "CT's" as they are referred to by the Embassy's counterinsurgency experts, is that there are between 7,340 and 7,770 armed terrorists in Thailand—2,640 to 2,960 in the North, 1,920 to 2,030 in the Northeast, 130 in the Central area, 600 in the mid-South and 2,050 in the far South (the activities of those in the far South are directed against the Malaysian Government and not the Thai Government). This represents an increase of 11% over the estimated adjusted total in September 1971. The largest percentage increase over this one-year period was 26% in the Northeast. During the same period, the number in the Central area declined by 15%.

The Embassy continues to analyze the counterinsurgency threat in much the same terms as it has before—as steadily improving in organization, gradually increasing in size, not a serious threat in the short term to Thai society as a whole but a cause for concern in the long run if not brought under control. As in the past, the Embassy tends to emphasize the positive accomplishments of the Thai Government, pointing specifically to the growing commitment of Thai personnel, resources and command attention; the improving coordination of civil, police and military efforts in counterinsurgency activities; and the steady trend towards Thai competence, initiative and self-confidence.

The United States still plays a motivating role, however. One Embassy report we saw concluded by saying, with respect to the counterinsurgency effort, that [deleted]. At the same time, U.S. officials admit, somewhat contradictorily in the face of constant claims of progress, that the principal counterinsurgency operation conducted by the Thai in 1972, Operation Phu Kwang, was not a success and that a similar operation in progress at the time of our visit was no more promising. An Embassy report said that the 1972 operation [deleted].

One tangible indication of weakness is the high rate of government casualties compared to insurgent casualties. In the last three months of 1972, Thai Government forces suffered [deleted] casualties while the "CT's" suffered only [deleted]. In January 1973, the last month for which figures had been compiled at the time of our visit, government forces had suffered [deleted] casualties and the "CT's" [deleted].

The view of some U.S. officials both in Washington and in Bangkok, who believe that the Thai insurgency is a legitimate area of concern for the United States, is that the Thai do not need greater amounts of equipment and material for counterinsurgency operations. They believe that the Thai Government's greatest needs in this area are ones which only the Thai themselves can supply, primarily better organization and leadership. Those who hold this view argue that although the insurgency is growing slowly and the Thai Government's performance is improving, the government is nevertheless steadily losing ground.

Inevitably, there are divergent views within the American Mission as to how best the Thai Government should proceed. Military officials

tend to emphasize the need to perfect counterinsurgency organization and techniques and suggest various models, many of which are based on the American experience in Vietnam. Others, among them many State Department and AID officials, point out that the insurgent movement exploits the rural population's growing awareness of its poverty and its grievances against a government which is largely unresponsive to rural needs and aspirations.

In any event, the Thai insurgency continues to provide the primary justification for continued U.S. military and economic assistance to Thailand. As will be described in more detail in a subsequent section, more than one half of this year's supporting assistance program is devoted to counterinsurgency related activities. So is most of the military assistance program, except for certain "self-sufficiency" industrial projects and *ad hoc* increments. Not surprisingly, counterinsurgency also occupies a significant portion of the time and attention of many elements of the U.S. Mission, including the Embassy, AID, the Military Advisory Group and the consulates. One consular official told us that activities related to counterinsurgency accounted for 40% of the effort of officers at his post.

All indications point to a continuing U.S. involvement in Thai counterinsurgency problems. At the time of our visit, officials in Washington and Thailand were engaged in a study which was described to us as an effort to find new and better ways for the United States to assist Thailand to deal with the problem.

The Thai Government continues to give support to Chinese irregular forces. Although these forces are referred to colloquially as the "KMT," they are now said to have no connection with the Government of the Republic of China. These irregulars were originally formed around remnants of the Nationalist Army that sought refuge first in Burma, at the end of the Chinese Civil War, and then in Thailand. Those who were still responsive to Republic of China control went to Taiwan over a decade ago. The rest, augmented by local recruiting, are used by the Thai Government as a counterinsurgency pacification force in Northern Thailand. They are moved into contested areas in which Thai Government forces have not had much success. Thai Government support includes *per diem* pay, weapons, ammunition, uniforms, POL and resettlement costs for Chinese irregular families. One condition for that support was agreement by the leaders of these forces to refrain from narcotics trafficking, but many observers doubt that this condition is either being honored or enforced. The Embassy estimates that, at a minimum, Thai support is running at the equivalent of \$300,000 a year.

C. THE MILITARY ASSISTANCE PROGRAM

In FY 1972 military assistance to Thailand, then funded by the Department of Defense, was programmed at \$60 million. In FY 1973, military assistance to Thailand was returned to the Foreign Assistance Act, and the amount programmed for Thailand under the Continuing Resolution Authority was \$38 million. (Since there was no military authorization for FY 1973, all amounts programmed were under a Continuing Resolution Authority.)

The total in military assistance, or its equivalent, provided to the Thai in FY 1972 was, however, far higher than the \$60 million program figure. The Thai also received \$15 million under the Additional Assistance to Thailand program, a special add-on of \$4.5 million for helicopters and armored personnel carriers (provided to fulfill a commitment made during Vice President Agnew's visit to Thailand in June 1972), \$6.5 million for helicopters in lieu of Hawk missiles originally promised when Thai forces were sent to Vietnam, \$26.86 million worth of equipment used by Thai forces in Vietnam, \$1.79 million in equipment from the Overseas Replacement Training Center (where Thai forces going to Vietnam had been trained) and \$13.6 million in excess transfers—a total of \$128.3 million or more than twice the planned program. We were told that the total value of these items, calculated another way, came to an even higher figure—\$146.25 million.

The agreement governing the program of Additional Assistance to Thailand, known as "The Ramasoon Agreement," was in the form of an exchange of letters, classified Secret. The first letter, dated March 13, 1972, was from Major General Andrew Evans, Commander, United States Military Assistance Command Thailand, to Air Chief Marshal Dawee Chullasapya, Chief of Staff, Supreme Command. It confirmed that the United States was "prepared to provide certain additional military assistance to accelerate improvements in the internal security and defense capabilities and readiness of RTARF (Royal Thai Armed Forces) to meet likely contingencies while enabling the Royal Thai Government to continue strengthening its economic development efforts." It informed Marshal Dawee that an additional \$15 million in military assistance would be provided in FY 1972. It stated the understanding of MACTHAI that the Thai Government would add to its military budget for FY 1972 and 1973 an additional \$20 million to finance "specific mutually agreed means to improve the military readiness and capability of the RTARF."

Marshal Dawee replied, in a letter dated March 14, that the Thai Government had approved the program and that his letter, and General Evans' proposal in his letter of March 15, constituted agreement on behalf of the two governments.

On arrival in Bangkok we were told that the Embassy was working on the assumption that the Military Assistance Program for Thailand in FY 1973, under the continuing Resolution Authority, would be \$35.875 million. The original planning figure had been \$60 million and the Thai, who were not happy with even the \$60 million figure, had been seriously disappointed by the reduced amount available under the Continuing Resolution Authority.

Having been told before leaving Washington that at the time of his visit in February the Thai had presented Vice President Agnew with a request for additional equipment valued at over \$200 million, we asked the Embassy in a general way whether any assistance beyond \$35.8 million under the Continuing Resolution Authority was contemplated. Embassy officials acknowledged that an intensive effort was underway to locate suitable additional excess which could be used to build up the FY 1973 program figure. While in Washington we had been told that the request presented to the Vice President was a

"shopping list," it was apparent that Embassy officials were apprehensive about the possibility of what they referred to as the chance of an "adverse reaction" by the Thai if more U.S. aid were not forthcoming. In part, the Embassy's desire to meet the Thai request reflected its sensitivity to the charges made by Thai critics (and reported by the Thai Government to the Embassy) that the United States has been "using" the Thai bases to extricate itself from Southeast Asia and that Thailand has not been deriving as much benefit as it should from the American use of the bases.

Thus far, as a result of this search, in addition to the \$35.8 million in Military Assistance the Thai have already received \$13.6 million worth of railroad rails (some of which were stored in Thailand in 1962 as part of the deployment of U.S. forces at that time and some of which were shipped from the United States), and \$2.13 million in excess transfers (as of March)—\$1.7 million from the MAPEX Program, \$.2 million from the MIMEX Program, \$.150 million from the PURA Program, and \$.075 million from other sources.¹ The search for additional equipment is continuing and the final total of the FY 1973 add-ons could well be substantially higher than the approximately \$16 million promised thus far.

D. THE AID PROGRAM

AID assistance, in terms of gross obligations not including P.L. 480, totaled \$16.7 million in FY 1972. That figure represented a continuation of the steady decline from previous years. The total had been \$22.8 million in 1971, \$28.1 million in 1970 and \$37.9 million in 1969. Of the \$16.7 million in FY 1972, \$5.1 million was devoted to public safety and public administration projects, \$3.8 million to community development, \$2.4 million to such miscellaneous projects as a Mekong survey and training and support costs, \$2.2 million to health and sanitation projects, \$2.1 million to agriculture and natural resources, \$.49 million to education, \$.29 million to industry and mining projects, and \$.05 million to labor projects.

Of the \$5.1 million devoted to public safety and public administration projects, \$4.76 million went to civil police administration, an aspect of the counterinsurgency program. In fact, this project took more AID-obligated money than any other in 1967, 1968, 1970 and 1971 (in 1969, the Accelerated Rural Development Program, another counterinsurgency program, received more), and in the period FY 1967 through FY 1972 civil police administration received a total of \$53.2 million out of a total gross obligation of \$213.25 million. The next highest recipient was the Accelerated Rural Development Program which received a total of \$45.37 million. By comparison, \$16.9 million was devoted to agriculture and natural resources projects during this six-year period, \$3.3 million to industry and mining, \$24.2 to health and sanitation, and \$13.7 to education.

Total foreign assistance funding needs for the next Five Year Plan are \$1.2 billion. Of this total, \$879 million, or 78.5%, is expected from

¹ MAPEX is the acronym for Military Articles Pacific Command Excesses. MIMEX is the acronym for Major Items Military Excesses. PURA is the acronym for Pacific Utilization and Redistribution Agency. In all three programs, the excess is provided at no cost to the program except for packing, crating, handling and transportation charges.

donors other than the United States. The sources of these funds, projected by Thai officials, are \$345 million from the IBRD, \$165 million from the ADB, \$310 million from the United States, \$235 million from Japan, \$60 million from West Germany, \$24 million from the U.N., and \$50 million from various other sources.

The reduction in American economic and military assistance came during a year of declining economic growth in Thailand. The economy grew by only 3.5% in real terms in 1972, down from a level of about 6% in the previous two years. This lower growth rate has been attributed essentially to two factors: a serious drought in the summer of 1972, and the fact that the government budget for FY 1972 provided operating funds actually slightly below the previous year.

On the other hand, exports were up 31% in value while imports grew 13% so that the trade deficit was reduced by 20% to \$366 million, and the approved budget for FY 1973 was 8.9% higher than in FY 1972. One of the reasons for a higher government budget was the steady increase in Thai Government official foreign exchange reserves since November 1971. These reserves were at an all-time high of \$1.046 billion as of August 31, 1972. (They had declined to \$960 million by the end of December.) Thus, Thailand has the foreign exchange to pay for increased imports caused by higher budget expenditures.

The improved reserve position results in part from non-permanent factors, particularly low interest rates in the Euro-dollar market and an unexpected increase in U.S. military base-related expenditures. According to the embassy, net U.S. military spending declined from a high of about \$215 million in 1968 to about \$140 million in 1971 but rose again in 1972 as a result of the reactivation of two bases and the increased air activity in Vietnam to an estimated \$160 million. Revised Bank of Thailand balance of payments projections for 1972 and 1973 now indicate an increase of \$65 million in 1972 and a moderate loss of \$45 million in 1973 in net foreign exchange reserves. This compares with decreases of \$72 million and \$61 million, respectively, projected in February 1972. Foreign capital movements into Thailand were 123% higher in 1972 than in 1971.

III. LAOS

A. THE CEASE-FIRE AGREEMENT

There has been a cease-fire in Laos since February 22 when the "Agreement on the Restoration of Peace and Reconciliation in Laos" was signed in Vientiane. In contrast to the cease-fire in Vietnam, however, the Lao cease-fire had, by the time of our visit, virtually stopped the fighting.

Immediately after the agreement was signed the North Vietnamese had driven government forces out of Pak Song in the Bolovens Plateau, but between then and the time of our visit there had been relatively little enemy offensive action. There was some concern in Vientiane at the time of our visit that the North Vietnamese would move against Ta Viang, between the Plain of Jars and Paksane, (which subsequently occurred) and that the Pathet Lao might attack the Sala Pho Koun crossroads between Vientiane and Luang Prabang, but

otherwise North Vietnamese and Pathet Lao troop movements were limited to minor redeployments apparently designed to consolidate defensive positions along easily defensible terrain features. In certain areas there were signs that North Vietnamese units were seeking to decrease their visibility by taking up positions to the rear of Pathet Lao units and by "Lao-izing" certain territorial units which had previously contained substantial numbers of North Vietnamese.

The sharp dropoff in fighting in Laos was illustrated by the casualty statistics. The weekly casualty average between January 1 and February 22 (when the cease-fire was signed) was 76 friendly and 92 enemy killed. In the week after the cease-fire, there were 98 friendly and 76 enemy killed, but during March the weekly average dropped to 18 friendly and 34 enemy killed.

Unlike the negotiations that had produced the Vietnam Agreement, the Lao parties themselves had been in charge of the negotiations that led to a cease-fire so that both the United States and North Vietnam were, in effect, negotiating by proxy. We were told in Vientiane that the degree to which the two signatories were influenced by their principals was, at times, extremely limited. We were also told that the Royal Lao Government had accepted numerous compromises because of Prime Minister Souvanna Phouma's strong desire to achieve a settlement in the face of Pathet Lao intransigence.

The Lao Government's objective had been to see all foreign troops withdrawn pursuant to a general restoration of peace in Laos. Souvanna Phouma had wanted a global settlement, including an accommodation on broad political principles which would insure reconciliation among the various Lao factions; would bring about a gradual "re-nationalization" of the Pathet Lao, weaning them away from the North Vietnamese; and would avoid a *de facto* partition with separate administrations in the government controlled and Pathet Lao controlled zones.

For their part, we were told, the Pathet Lao also had not wished to sign a cease-fire agreement that would have provided for foreign troop withdrawals but not a political settlement. They needed the bargaining advantage of the North Vietnamese presence in Laos not only until an agreement was signed but also until a new coalition government was formed and the Pathet Lao were part of it. Hence, they insisted on a formula under which foreign troops would not be withdrawn until sixty days after the formation of a coalition government.

It was apparent to us from what we were told before leaving on our trip that several aspects of the agreement had been received as unpleasant surprises in Washington. The overall view of the Embassy in Vientiane was that the terms of the agreement were the best that Souvanna Phouma could have hoped to obtain while negotiating from the weak military position in which the government found itself in mid-February.

The Embassy in Vientiane, in commenting on the agreement in detail, said:

(1) The agreement contained features which the United States would have rejected if the negotiations had been between the United States, on the one hand, and North Vietnam or the Pathet

Lao, on the other. In particular, the provisions regarding aerial surveillance, resupply, prisoner release and search for those missing in action, all issues of key importance to the United States, had been made contingent on an internal political process over which the United States had little, if any, control.

(2) At the outset of the negotiations on October 17, the Pathet Lao had presented a new and more detailed formulation of its five-part proposal of March 6, 1970, putting the Lao Government negotiators in the position of having to demand changes in the basic Pathet Lao draft. Much of the Pathet Lao ideological terminology in the original draft remained in the final agreement which, at least at first, led many Lao to believe that the agreement represented a sharp defeat for the government.

(3) One concession made by the Lao Government was to let stand in the agreement a statement calling on the United States and Thailand to respect the 1962 Geneva agreements (i.e., to withdraw their advisers and troops) but not mentioning North Vietnam by name.

(4) Another concession, the most troublesome from the point of view of the United States, concerned air and ground reconnaissance. The United States had hoped that Souvanna Phouma would stand firm against any adverse reference to aerial reconnaissance because it provided the most reliable method of monitoring North Vietnam's adherence to the agreement. The Lao Government had agreed, however, to let stand a phrase in the original draft prohibiting "espionage by air and ground means." The Lao Government takes the position, however, that since protocols defining the agreement have not yet been signed, U.S. unarmed reconnaissance flights should be continued and such flights are being flown.

(5) Still another concession by Souvanna Phouma was to let stand a provision requiring that "special forces—organized, trained, equipped and controlled by foreigners"—be disbanded.

The Lao irregulars, certainly in the category of "special forces," were organized, trained, equipped and controlled by CIA (although the Defense Department assumed the funding responsibilities at the beginning of this fiscal year). They are the backbone of the Lao defense establishment and the only effective Lao armed force. To live within the provision of the agreement requiring the disbanding of "special forces" controlled by foreigners, without diminishing the combat capabilities of the irregulars while they were still needed, the irregulars were integrated into the Royal Lao Army by a directive issued on February 20 (the day before the cease-fire was signed) by the Commander-in-Chief of the Royal Lao Armed Forces. Specifically, the irregulars were "integrated" into the First and Second Lao Army Divisions. These two divisions, one in North Laos and the other in South Laos, were established on September 16, 1972 but never reached authorized strength. It remains to be seen [deleted].

Although the irregulars have been integrated into the regular Lao Army, at least on paper, and are now called BI's (or "Bataillons Infanterie") instead of BG's, or ("Bataillons Guerriers"), they have kept their integrity as units. The pay arrangements that applied before

still do—that is, the money is transferred from the Defense Department to CIA in Washington, they in turn transfer the money to the CIA station in Vientiane which disburses it through the CIA “case officers” who are advisers with the irregulars.

There is some apprehension about the future effectiveness of the former Lao irregulars if their CIA advisors are withdrawn. Some doubt whether these forces will be able to function without the leadership, incentives and support which CIA has been providing. Even if present subsidies were made available through other channels, [deleted.]

Incidentally, the base pay scales for the regular Lao Army and the Lao irregulars are now almost identical and the difference now comes in the combat pay allowances (The Lao Government pays the regular Lao Army; the United States pays the Lao and Thai irregulars.) The average monthly pay for a colonel in the Royal Lao Army is \$70.13, while a colonel in the Lao irregulars receives only \$68.60 without a combat bonus but \$97.69 with that bonus. By contrast, a colonel in the Thai irregular force is paid \$191.75. At the lower end of the pay scale, the average monthly pay of a Royal Lao army private is \$10.13; it is \$20.33 for a Lao irregular private without combat bonus and \$27.60 with a combat bonus; and it is \$94.66 for a Thai irregular private.

B. GOVERNMENT FORCES

Including the 18,000 Lao irregular infantry troops integrated into the Royal Lao Army on February 20, the total Royal Lao Army strength on March 31, 1973 was 60,000. Other government forces were 2,050 in the Royal Lao Air Force, 330 in the River Flotilla and 5,800 in the Neutralist Army. Government forces thus total 68,180 of which 38,500 are infantry. This force level is far lower than in January 1972 when we last visited Laos. At that time, there were 56,800 in the Royal Lao and Neutralist Armies and 27,000 irregulars—a total of 83,800. Current strength figures are, furthermore, only general estimates prepared by the Army Attaché's office which considers that they may be inflated by as much as 10%.

In addition to the Lao forces, there were at the time of our visit 27 infantry battalions and three artillery battalions of Thai irregulars in Laos—a total of 17,330. (At the time of our last visit in January 1972 there were 3,800 Thai in Laos, 5,300 in training in Thailand and 3,000 others on leave, AWOL, wounded or missing in action.)

The decision to bring these units up to their full authorized strength was made in the fall of 1972 when additional forces were necessary to counter increased enemy pressure. The Thai Army, with CIA assistance, had always been responsible for recruiting “volunteers” for the Thai irregular battalions, but because of the high rate of desertion and recruiting problems these units had never been at full strength. When we asked on this visit what steps had been taken to bring the Thai irregular battalions up to strength, we were informed that the Thai Government had made a decision to allow the [deleted] Headquarters, the Thai military command located at Udorn which is responsible for the Thai irregular program, to accept as volunteers for duty in Laos those who had not had previous military service. Thus, we learned for

the first time that in addition to being recruited, encadred, and paid through the Thai chain of command, the volunteers themselves had all heretofore been Thai who had served in the Thai Armed Forces.

As a result of this change in recruiting procedures, between June and September 1972 the strength of the Thai irregulars increased from 14,028 to 21,413. Since then, there has been some natural attrition, as the one-year contracts under which the Thai irregulars serve, have expired, and there has been no additional recruiting since the first of the year. At present all the Thai irregulars except for some 500 in training are in Laos, kept there so as to [deleted].

In this connection we were told in Washington, Bangkok and Vientiane that plans have been made for the phased withdrawal of the Thai irregulars concurrent with the departure of North Vietnamese troops once the sixty-day period withdrawal begins to run following the formation of a provisional government in Laos. This plan raises two questions. The first is that if the Thai irregulars are, in fact, "local forces in Laos," as the U.S. Government has always insisted, why is it necessary to withdraw them.

The second question is what will happen to the Thai irregular units returned to Thailand. In connection with the latter question, we were told prior to our departure that State and Defense Department legal experts were seeking to find some rationale under which the U.S. Government could continue paying and supporting the irregulars notwithstanding the absence of legal authority for supporting them on any basis other than the already transparent fiction that they were local forces in Laos in accordance with Section 601(b) of P.L. 92-436, the Armed Forces Appropriation Authorization for FY 1973. As of the time of our visit, the preference of the State Department was to return the units to Thailand in stages concurrent with the hoped for North Vietnamese withdrawal, thereafter [deleted] and, finally, to [deleted]. Another option being considered, one which was apparently favored by the Thai Government, was to [deleted]. The absence of any present legal authority for the United States Government to pay and support the irregulars represents a major stumbling block to the second option, and the fact that pay and other operational costs of the Thai irregulars are so much higher than those of the regular Thai Army apparently makes it impossible to incorporate the irregulars into the regular Thai Armed Forces.

Like the Lao irregulars, the Thai irregulars are now being paid out of Defense Department rather than CIA funds. But CIA is the disbursing agent as it has been since the Lao and Thai irregular programs were begun. As in the case of the Lao irregulars, the Defense Department funds are transferred to CIA in Washington which then passes the funds through CIA channels to [deleted] Headquarters, a Thai command which then disburses the money.

The cease-fire has also raised an unusual problem in connection with the long-standing practice of the United States of making per sortie bonus payments to Royal Lao Air Force pilots. Combat sorties are now a violation of the cease-fire agreement, but if the pilots do not fly they suffer a serious loss in income. We were told that the Lao Air Force wants to comply with the cease-fire but that the Military Region Commanders, especially in the South, continue to call for air strikes.

In order to encourage the Air Force not to fly, therefore, the United States is making monthly lump sum payments to pilots even if no combat missions are flown. Incidentally, although we were previously aware of the practice of paying per sortie bonuses to pilots, we had never established the source of the U.S. funding. During this visit to Vientiane we learned that CIA used to pay these costs from its own budget. The funds now come from Defense Department Military Assistance Service funds and, like the funds for the Lao and Thai irregulars, are made available to CIA in Washington which transfers the money to the CIA station in Vientiane where the Air Attaché draws it from the CIA station Chief and disburses it to the Lao Air Force Command. In the first quarter of FY 1973 we paid \$37,500 in Royal Lao Air Force combat pay; in the second quarter \$13,500; and in January and February 1973, \$7,500.

The Lao Air Force had flown 2,343 T-28 and 343 AC-47 sorties between January 1 and February 21 when the cease-fire was signed. Between February 21 and March 30, 911 T-28 sorties and 91 AC-47 sorties were flown. It would appear from these statistics that the system of providing combat pay for not flying combat missions has been effective.

C. ENEMY FORCES

One U.S. Government estimate of enemy forces in Laos, given us in Vientiane in early April, was that there are 61,610 North Vietnamese in Laos (of which 11,720 are infantry, 9,325 are command and combat support, and 40,565 are infiltration support) and 29,665 Pathet Lao or Lao Communist (of which 16,240 are in infantry companies, 3,520 are combat support, 8,000 are support and combat not organized into units, and 1,725 are neutralists).

Another U.S. Government estimate of enemy strength, as of March 31, also given us in Vientiane, was about 70,000 North Vietnamese (10,000 in North Laos and 60,000 in South Laos, including about 55,000 supply, transport and defense forces along the Ho Chi Minh Trail); 35,000 in the Pathet Lao (24,000 in North Laos and 11,000 in South Laos); and 2,000 neutralists (all in North Laos).

By either estimate, enemy forces are thus down from the 121,000 to 145,000 level of January 1972. At a minimum, intelligence estimates placed North Vietnamese strength at 90,000 in January of last year, compared to a maximum estimate of 71,500 in April of this year.

There are also approximately 30,000 Chinese forces along the major Chinese road system in Northern Laos, about the same number as in January 1972. In the past year, the Chinese have begun construction on a new road from Muong Sing toward Burma (which is now eight miles from the Mekong), a second new road from Muong Sing to Nam Tha and a third from Nam Tha to the southwest which presently ends about 20 miles from the terminus of an American-built road which leads northeast from Ban Houei Sai. The new Chinese roads are motorable, single-lane roads with fords but are not all-weather. There has been a decrease in Chinese anti-aircraft installations along the southernmost roads. Many of the installations have been removed over the past year and the removal of the remaining installations

is apparently being accelerated. In part, this withdrawal has been compensated for by the installation of early warning radars, making fewer radar installations necessary. There are no anti-aircraft installations along the new roads being built to the north of the older roads.

D. THE U.S. PRESENCE

When we arrived in Vientiane in late March there was a feeling of cautious optimism in the Embassy that a provisional government might actually be agreed upon by the Lao parties within a few weeks following the March 21 target date set in the cease-fire agreement. On the basis of this expectation, all operational elements of the Embassy, except for AID, were at the time making plans for substantial reductions in their activities. Included in these plans were schedules for phasing out the CIA paramilitary advisors and support personnel, major reductions in the number of U.S. Army and Air Force advisors and in the Army and Air Force Attachés "Project 404" (the activity that has directed many aspects of U.S. operations in Laos), a reduction in the personnel of the Requirements Office (which has been administering the delivery of military assistance program items in Laos), and the termination of the Air America contract which has for years provided air support services for the entire range of U.S. military, intelligence and civilian activities.

The terms of the existing Air America contract provided for notification regarding renewal for the last quarter of the current fiscal year by April 1. The Embassy had planned to notify Air America on April 1 that the contract would be greatly reduced, and a meeting had been scheduled for that purpose. While some elements in the Embassy were apprehensive about the proposed reduction of Air America services, the official view of the Mission was that the curtailing of Air America operations would be a clear signal that the United States intended to comply with the provisions of the cease-fire agreement. On the evening of March 31, the Embassy learned that "DepChief" in Thailand had been instructed not to reduce the Air America contract.

As of February 1, 1973 there were 1,174 American personnel in the U.S. Mission in Laos. Of these, 654 were direct-hire personnel—61 State Department, eight USIS, 332 AID/Laos, 13 AID/Regional, 122 in the Army Attaché's office, 100 in the Air Attaché's office, 15 Marine guards and three from the Bureau of Narcotics and Dangerous Drugs. The remaining 520 were contract and sub-contract personnel—including 337 Air American personnel and 102 from Continental Air Services. CIA personnel are not separately identified even on a list of personnel classified "secret."

When we visited Laos in January 1972, there were 1,259 U.S. personnel—669 direct-hire and 590 contract and sub-contract employees. In his speech on March 6, 1970, the President said that there were 1,040 personnel in Laos. In January of last year, there were 514 personnel working for Air America and Continental Air. At the time of this visit, there were 439.

Of the 216 in the Army and Air Attaché offices as of February 1 of this year, 122 were Army personnel (10 in the Army Attaché's office, 76 in "Project 404," 13 on temporary duty, and 23 assigned to com-

munications duties), and 94 were U.S. Air Force personnel (seven in the Air Attaché's office, 69 in "Project 404," and 18 assigned to communications duties). By the end of 1972, the number of Air Force personnel in the field had been reduced from 91 at the end of 1971 to 35—three in Vientiane, eight at Savannakhet, eleven at Pakse, three at Luang Prabang, and ten at Long Tieng.

In 1972, the first Lao Air Force Forward Air Control (FAC) pilots were graduated from a training program at Vientiane and by the end of 1972 16 Lao FAC pilots had been trained. The number of U.S. FAC pilots was accordingly reduced from 26 in 1971 to eleven by the end of 1972. At the time of our visit, these eleven were still there, but no American FAC pilot has flown a mission since the cease-fire agreement was signed on February 21.

Before we left Washington, we were told by Executive Branch officials that the plan was to reduce Attaché personnel to forty, five of whom would be assigned to a greatly reduced "Requirements Office" which is the office that distributes military assistance supplies. The Requirements Office has been part of the AID Mission. The plan, we were told, is to take it out of AID and to operate it, with five officers instead of forty-three, as part of a planned Defense Attaché's office. "Project 404" would, we were told, also be phased out. All of the foregoing arrangements were, however, contingent upon North Vietnamese performance with regard to the withdrawal provisions of the Lao cease-fire agreement.

E. THE MILITARY ASSISTANCE PROGRAM

The \$375 million expenditure ceiling for Laos in FY 1973, set by legislation, is divided as follows: \$319.5 million for Department of Defense expenditures, \$5.5 million for CIA, and \$50 million for AID. Included in the Department of Defense figure, however, is approximately \$180 million for support of the Lao and Thai irregulars, of which at least \$60 million is disbursed by the CIA.

As of March 9, military assistance expenditures in FY 1973 had totaled \$282.1 million. Of this total, \$19.2 million was in investment costs (new equipment) and \$262.9 million in operating and maintenance costs (salaries, allowances, subsistence and consumables such as ammunition). By service, \$43.2 million had gone to the Royal Lao Army, \$116.7 million to the Thai irregulars, \$61 million to the Lao irregulars, and \$61.2 million to the Royal Lao Air Force.

The amount requested for FY 1974 is \$311 million which includes \$107 million for Thai irregulars and \$70.1 million for Lao irregulars. If the cease-fire continues to hold, of course, this amount could be substantially reduced, especially if the Thai irregulars are disbanded. We were told that for the time being, however, the United States plans to continue to provide the same entire range of military support to the Lao Government that it has in the past.

One problem of great concern to those responsible for the administration of the Lao program is the possibility that it might be placed under the traditional Military Assistance Program (MAP) in FY 1974 rather than continuing to operate under the Department of De-

fense Military Assistance Service Funded (MASF) program. Unlike the MASF authorization, existing MAP authority does not permit, without a Presidential determination and notification to Congress, the payment of any pay or allowances or the provision of subsistence, all of which would be necessary if we were to continue the present kinds of payments for the Lao and Thai irregular programs and Lao Air Force combat pay.

Although we were told that there was no massive shipment of additional military assistance to Laos as there was in Vietnam in anticipation of the cease-fire, deliveries of items already on order were accelerated. In addition a decision was made to build up reserve stocks of ammunition from a [deleted] day supply to a [deleted] day supply. Deliveries for this purpose were virtually completed by January 20, [deleted]. Subsequently, we were told, a decision was made by the Ambassador to bring stocks of 40 mm and 57 mm anti-tank ammunition up to a [deleted] day supply. These shipments were completed in March. Delivery of additional aircraft is still expected and is justified by the Mission on the grounds that until final cease-fire arrangements are agreed upon anything that is already in Thailand or authorized for delivery to Laos may still be delivered.

The Royal Lao Air Force had on hand, at the time of our visit, a total of 171 aircraft, both fixed wing and rotary. Under the military assistance program, they are "authorized"—meaning that the U.S. agrees the Lao should have and is willing to provide them with—a total of 184 aircraft. But, in addition to the 171 Lao Air Force aircraft now on hand, there are 14 T-28's due to arrive, which were funded under the FY 1972 program; 20 additional H-34's, which belong to the Royal Lao Air Force but are operated by Air America; four C-47's in "flyable storage"; 15 O-1's and one T-41 in "storage"; and one C-123K due in from Saigon in early April. (The C-123K's are operated by Air America, although they belong to the Royal Lao Air Force. However, Lao crews are in training and are scheduled to begin assuming operational control on June 1.) Furthermore, Air America operates in Laos two C-46's in addition to 20 H-34's and nine C-123K's all of which belong to the Royal Lao Air Force; four C-7A's, one C-130, and eight C-47's which are "furnished" by the U.S. Government; and 32 other aircraft which are company owned.

F. THE AID PROGRAM

In terms of obligations the aid program in FY 1972 totalled \$48.927 million—\$30.7 million in project programs, \$45 million for the import program and \$17.75 million for stabilization (the U.S. contribution to the Foreign Exchange Operations Fund). The estimated total for FY 1973 was \$47.859 million—\$31.759 in project programs and \$16.1 million for stabilization.

Of the \$31.759 million in project programs, \$5.5 million is for general technical support, another \$5.5 million is for refugees, \$4.1 million is for development of the rural economy, \$3.3 million is for roads, \$3 million is for air technical support, \$2.4 million is for public health, \$2 million is for narcotics control, and amounts of less than \$2 million

are for agriculture, maternal child health, the civil police and police administration.

A small proportion of AID program funds in Laos is directed to traditional AID health, education and welfare projects as contrasted, for example, with expenditures for American salaries, foreign exchange operations, narcotics control and administrative overhead. The first category of traditional AID projects accounts for only \$5 million, or slightly more than ten percent of the \$47.8 million total in FY 1973, while the second category accounts for \$26.7 million, or over half of the program funds. The principal differences between the amounts obligated for various categories of projects in 1973, in comparison with obligations in 1972, are an increase from \$3.3 million to \$4.4 million for refugees and an increase from \$1.1 million to \$2 million for narcotics control. While one paper which we were provided by AID stated that air technical support would also go down from \$6.97 million to \$3 million, another paper given us by the same office on the same day estimated their costs at \$5.8 million in FY 1973.

As of March 30, there were 264,500 refugees on full support and 16,726 on partial support—a total of 281,226. When we visited Laos last in January 1972, there were 236,448 refugees receiving full or partial support.

In Calendar Year 1972, the U.S. contribution of \$16.1 million to FEOF amounted to 70% of the total foreign contribution. In Calendar Year 1971, the U.S. contribution of \$20.1 million amounted to 75% of the total foreign contribution. The reduced U.S. contribution to the FEOF in 1972 was made possible in part by the fact that the Lao Government for the first time contributed to the fund, although this took the form of Special Drawing Rights in the IMF rather than a direct currency contribution.

The total domestic and import revenues of the Lao Government are far below even the stabilization portion of the AID program. In FY 1973, the government budget provides for total revenues of the equivalent of \$13.7 million—\$9.1 million in domestic revenues and \$4.6 million in import revenues. The Lao budget for FY 1973 also provides for total expenditures of \$37.7 million, leaving a deficit of \$23.97 million, or more than 63 percent.

There are three areas within the Security Assistance Program in Laos in which, over the past years, there have been contributions from various agencies through cost sharing arrangements. The first is for those refugees in Military Regions I and II who are dependents of Lao irregular soldiers. In 1969 the Department of Defense agreed to pay for the subsistence and air delivery costs involved in supporting those refugees. Since that time, AID and DepChief have agreed on cost sharing of food and related air delivery costs based on the numbers of dependents on the refugee rolls in those areas. Within these cost sharing arrangements, as refined over the past two years, Defense Department funds have also been used to pay for required handtools, rice and vegetable seeds, as well as household items such as blankets and cooking utensils. During FY 1972, CIA allocated \$4.7 million in support of these irregular dependents. For FY 1973, another \$4.7 million is being provided from Defense Department military assistance funds for the same purpose.

The second area is in medical services for Lao irregulars and their dependents. In FY 1971 cost sharing arrangements were worked out under which CIA agreed to pay for medical services (and an appropriate share of the cost of delivery of these services) provided through the AID Village Health Program and "Operation Brotherhood" activities to Lao irregulars and their dependents throughout Laos. For FY 1972, \$2.052 million was allocated (exclusive of air support dealt with below) by CIA for medical services. For FY 1973, \$2.020 million has been allocated by the Department of Defense for the same purposes.

The third area is air support. Air services costs have been shared over the past several years by the various users of U.S. contract aircraft—Air America, Continental Air Services and some separate small helicopter contractors. Cost sharing for these services is determined by actual recording by the AID Air Support Branch of users when air services are in direct support of each U.S. agencies' programs. Percentage calculations for sharing that portion of air services which is servicing the refugee and paramilitary populations in MR I and II are based on the percentage of refugees who are dependents of irregular soldiers as compared with non-dependent refugees. Related maintenance, ground services, and other costs of the air companies are shared on the same percentage basis as the utilization of flying services.

Agreement on actual cost sharing of air support costs is arrived at by a joint agency cost sharing team with representation from each agency utilizing the air services. This team sends a quarterly cost sharing message to Washington which serves as a basis for allocation of costs among the three agencies. In FY 1972, of a total air support expenditure of \$39.9 million, the AID share was \$6.1 million. For the first half of FY 1973, total funding utilization under air services contracts amounted to \$22.9 million. AID has projected its share of air support costs to be approximately \$5.8 million for all of FY 1973. The fact sheet describing the cost-sharing is reproduced here *verbatim* to show how difficult it is to comprehend these arrangements.

The air service contract cost allocation shown above is a summary total, developed by taking the total of services provided USAID and CIA by DOD, and off-setting same by the total of services provided by USAID contracts to DOD and CIA. For example, services furnished to USAID and CIA through the DOD contracts totaled \$1.612 million for USAID and \$2.779 million for CIA. Concurrently, USAID provided services totaled \$1.442 million, \$.081 for CIA, \$.573 for DOD, and \$.788 for LGC/LIF. The USAID-for-DOD and LGC¹/LIF services reduced the amount owed DOD by comparable amounts and the USAID-for-CIA figure was paid to DOD by CIA, resulting in an off-setting reduction in the payment to DOD by USAID. The resulting amounts are used for cost sharing.

IV. CAMBODIA

A. INTRODUCTION

Upon our arrival in Cambodia we found it generally agreed among all observers that the political, military and economic performance of the Lon Nol government had reached an all time low. Furthermore, it was our impression that the feeling of apathy and futility on the part

¹ LGC is the accounting designation for the Thai irregulars, LIF is the designation for Lao irregulars.

of government officials was so profound that it obscured any sense of crisis which, by any Western standards, they should have felt given the facts of the situation.

In the military sphere, the Cambodian armed forces, which had never recovered from the Chenla II debacle in the fall of 1971, were facing a Khmer Communist movement that had gained remarkably in strength since that time, a fact that many Cambodian officials, both civilian and military, refuse to admit. In the political sphere, as a result of manipulated presidential and parliamentary elections, compounded by the universally abhorred machinations of Lon Nol's younger brother, Lon Nol had alienated almost all of those who had supported him in the past. In the economic sphere, prices were rising at an alarming rate, food and other commodities were becoming increasingly scarce and the budget was virtually out of control.

Most observers with whom we talked felt that what Cambodia most needed to do was to get out of the war, but Lon Nol appeared both incapable and unwilling to do so except on his own terms. It was apparently understood as a result of Dr. Kissinger's last pre-cease-fire visit to Phnom Penh that the announcement of a Vietnam agreement would be quickly followed by an offer from Lon Nol for a unilateral cessation of offensive military actions. It apparently was "hoped" that Hanoi would then prevail upon the Khmer communist insurgents to reciprocate so that a *de facto* cease-fire would come into being.

In his January 29 statement, subsequently referred to by American officials as an "unconditional" cease-fire offer, Lon Nol said:

By virtue of the Geneva Agreements of 1954, we have the right to repossess the parts of our country which have been illegally occupied by the North Vietnamese and Vietcong forces. To enable them to leave our territory in the shortest possible time, we will order our troops as of Monday, January 29, 1973 at 7 a.m. (Phnom Penh time) to suspend their offensive operations and to establish contacts with the people to ascertain their welfare and to assure their protection. Incidents which might impede their passage or jeopardize their installations will be regarded as actions by intruders who will bear full responsibility for any misfortunes which ensue. We will continue to exercise our right of legitimate self-defense through defensive military operations throughout our territory.

Many observers regarded this statement as being one which could not possibly have been acceptable to the Khmer insurgents as the basis for a *de facto* cease-fire. We were told by American officials, in fact, that it was not the kind of offer which the United States had wanted or expected Lon Nol to make.

The subsequent sequence of events is murky but certain facts are relevant: Lon Nol dismissed a Sihanouk statement from Hanoi (apparently backed by the North Vietnamese) regarding the possibility of negotiations as representing only Sihanouk's views; Khmer insurgents reiterated their refusal to deal with Lon Nol but there was nevertheless a lull in insurgent offensive operations; Sihanouk's efforts to see Kissinger were rebuffed; government forces were confused by Lon Nol's offer and some stopped fighting while others continued their efforts to reopen certain lines of communication; on February 10 the Khmer insurgents renewed large scale offensive operations; and American air strikes, which had been halted following Lon Nol's statement, were resumed.