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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.

LETTER OF TRANSMITTAL

JUNE 6, 1973.

Hon. STUART SYMINGTON,
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 positon 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 Takhli, 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 Lopburi. 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 Takhli, Kokethiem, Chieng 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, $2.1million 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 Lo, 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-aircaft 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 offsetting 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 LGC[1]/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.

B. GOVERNMENT, INSURGENT AND NORTH VIETNAMESE FORCES

There is no greater mystery in Cambodia than the size of the Cambodian Government's armed forces. According to an estimate by the Military Equipment Delivery Team, the authorized Cambodian force structure ("authorized" for U.S. support), was 212,357 personnel: 197,937 in the Army, 7,408 in the Navy and 10,012 in the Air Force. The Chief of the Military Equipment Delivery Team Cambodia told us that the Cambodian Armed Forces monthly payroll strength in February 1973 was 278,430 and that effective strength was 275,700. The Defense Attaché office estimated actual strength at 261,518 and the number of "phantom" soldiers at 16,480. In Washington we were given still different figures. The Joint Chiefs of Staff briefers said that there were between 175,000 and 190,000 in the Cambodian Armed Forces, and State Department officials estimated them at 150,000.

In December 1972, the Cambodian Minister of Information announced that his government had "sometimes" met payrolls of as many as 300,000 soldiers (a fact confirmed by civilian officials of the Embassy) of whom, the Minister said, as many as 100,000 were later found to be non-existent. The Minister went on to say that the Cambodian Government had almost completed a payroll survey and had found only 180,000 real soldiers on duty.

When we asked the Chief of the Military Equipment Delivery Team for his comments on the Minister's remarks, he described them as "totally uncoordinated," and "not correct," adding that the number of "phantoms" was "less now." (Earlier, in another context, he had said that the payroll figure reported to the Embassy by the Cambodian Government in December 1972 was 292,000.) He explained to us that the magnitude of the "phantom" problem had not been "identified" until September or October 1972, implied that the Mission had then immediately taken remedial measures, and stated that "phantoms" had not been a significant problem prior to September 1972. He also said that the U.S. Mission could not have known how serious the problem was until the Cambodians established a defined force structure which they had done only recently. (In January 1972, during a previous visit to Phnom Penh, his predecessor had shown and explained to us a detailed plan of the Cambodian force structure.)

At present the United States is making available to the Cambodian Government virtually all of the local currency proceeds from both the Commodity Import Program and P.L. 480 assistance for military pay and allowances. The terms under which this support is provided were first spelled out in a project agreement signed in 1971 which required the Cambodian Government to submit monthly personnel reports and to comply with certain standards of operation.

The Chief of the Military Equipment Delivery Team (who arrived in early 1972) told us that he did not begin receiving monthly personnel reports until December 1972. Among the other provisions of the agreement which the Military Equipment Delivery Team was supposed to oversee were those which specified that the Government "provide periodic reports on the progress and execution of that part of its defense budget relating to personnel . . ." and that "actual alloca-

tions and expenditures, either from GKR (Cambodian Government) revenues or from U.S.-owned or jointly-controlled local currency for the support of the GKR National Defense Budget which do not conform to the budget will cause the final contribution to be reduced as the U.S. Government may deem appropriate." Similar provisions have been included in subsequent program agreements and, in addition, the agreement covering the Calendar Year 1972 support program contained other provisions calling for a review of Cambodian Government obligations and expenditures by the Economic Counselor of the Embassy and the Chief of the Military Equipment Delivery Team, the establishment of an accepted military pay system and the prompt refund of funds released in the event such funds "are used in a manner inconsistent with the requirements of the (Project) Agreement."

In connection with these requirements, we noted that the Ministry of Defense budget for Calendar Year 1972, which was incorporated in the 1972 project agreement, specified military pay and allowance expenditures of approximately 12.8 billion riels. The Embassy, however, has reported to Washington that actual calendar year 1972 expenditures for military pay and allowances were approximately 15.5 billion riels.

As early as our January 1972 visit to Cambodia, American officials acknowledged to us that the Cambodian Government's strength figures were "grossly exaggerated" by the inclusion of "phantom soldiers" approximating at least ten percent of the reported strength. At that time we also reported that U.S. military personnel were already "deeply involved as advisors or organizers in activities such as force planning, military budgeting, logistics and training." It would appear, therefore, that Military Equipment Delivery Team personnel either should have known, or did in fact know, that the Cambodian force structure was greatly in excess of that agreed upon by the two governments, that the Cambodian Government was exceeding the amounts provided for in the budget which was included in the program agreements, and that there were a large number of "phantoms" included in the strength figures being provided to the Embassy. Nevertheless, there is no indication that any support funds have been refused because of these violations of the agreements or that any refunds have been sought.

While we were told on this visit that the Embassy was withholding the next $4 million installment of the U.S. contribution to the Exchange Support Fund in part because of the phantom problem, at the same time Embassy officials described this action as largely "cosmetic" and said that, in any event, as of the time of our visit no requests from the Cambodian Government for disbursements of counterpart funds for pay and allowances were pending.[1]

[1] Subsequently, according to Department of State officials, the FANK payroll was reduced to 258,000 men and the U.S. Embassy released the $4 million portion of its contribution to the Exchange Support Fund. In addition, the Cambodian Government requested on April 28, 1973, the release of 3.8 billion Riels ($14.8 million) in counterpart funds for military budget requirements. Following the reduction in the FANK payroll, the Embassy in Phnom Penh agreed on May 28, 1973, to release 2.51 billion Riels of counterpart funds ($10.9 million) for this purpose.

Meanwhile a new kind of payroll problem has begun to emerge. In addition to payments being made for soldiers who do not exist, many soldiers actually on duty are not receiving their pay. One recent example, which was brought to the attention of the Chief of the Military Equipment Delivery Team by other Embassy officials, involved one entire military region in which, as of the second week in April, soldiers had not yet been paid for the month of March.

By contrast, there appeared to be a fairly broad consensus among the U.S. intelligence community on the number of "KC"—or Khmer Communists, as the insurgents are now called. (The Cambodian Government objects to the term "insurgents," although it is still the official U.S. Government terminology for the Khmer Communists; indeed most Cambodian military and civilian officials seem unwilling to admit that they are no longer fighting the North Vietnamese.) The estimate agreed to in early April by CIA, DIA and the Embassy was between 40,000 and 50,000. One CIA order of battle analyst argues, however, that total KC strength, including main forces, local forces and guerrilla militia, may be as high as 250,000, a figure which CIA considers excessive.

All analysts agree that there are no more than approximately 5,000 North Vietnamese combat troops in all of Cambodia of whom probably 2,000, or at most 3,000, are targeted against Cambodian Government forces. The remaining 2,000 to 3,000 North Vietnamese combat troops are targeted against South Vietnam together with approximately 27,000 North Vietnamese support forces whose principal mission is to support forces in Vietnam but who also provide logistics support for the Khmer communist insurgents.

U.S. analysts who specialize in the Khmer insurgent movement saw what they considered to be a spectacular change in March 1972: the 64,000 North Vietnamese and Viet Cong forces in Cambodia—most of whom were estimated to be targeted against Cambodia—began to leave Cambodia for South Vietnam to participate, as it later turned out, in the spring offensive. Most have never returned or been replaced leaving, as earlier noted, only 2,000 to 3,000 targeted against Cambodian forces. Although we heard occasional references to North Vietnamese artillery support for the KC, there was no indication that the analysts who briefed us, either in Washington or the field, considered this support to be a significant aspect of KC offensive operations.

We were told that when they left Cambodia the North Vietnamese/Viet Cong turned over to the KC the job of keeping the Cambodian forces on the defensive so that they would not interfere with North Vietnamese logistic support of their forces in Vietnam. Since that time, according to these analysts, the KC have run their own program. (We were told however that many, but by no means all, KC battalions have a Vietnamese element, although in most cases it is Viet Cong, not North Vietnamese, and consists of three to five people out of a total battalion strength of between 300 and 400 men.)

In August 1972, the KC launched their first major independent offensive. The offensive had run its course by mid-November. A second offensive took place during the first three weeks in January, and a third

offensive began on February 10 and lasted most of the month. During the last of these offensives it became clear that the KC were operating in regimental size formations. The March-April offensive has been the most significant KC military activity; at the time of our visit these forces had closed, at least temporarily, all lines of communication into Phnom Penh.

Most U.S. analysts believe that the Khmer insurgents are not a united movement but consist of a number of groups including the Khmer Rouge, the old time insurgents who are anti-Sihanoukist; the Khmer Rundos, originally and perhaps still a pro-Sihanoukist group; the Khmer Hanoians, the 3,000 to 5,000 Cambodians sent to Hanoi for training in 1954; and some miscellaneous groups including Chams and Montagnards. Despite the fragmented character of the force, they have developed an identified command and control apparatus with a high command and a clearly defined structure of regional, province and lower level commands which direct both civil and military affairs. And there has been and continues to be rapid improvement both organizationally and militarily. These groups are, in sum, coming closer together and not growing further apart. And even those who are pro-Sihanoukist show no disposition to negotiate or compromise but rather seem determined to pursue a military course.

Most U.S. Government analysts contend that the KC movement is controlled by Hanoi and reject the notion that the KC have an independent identity or objectives. One analyst takes a strongly divergent view and, while acknowledging the KC's dependence upon Hanoi for logistical support, nevertheless argues that the KC deals with Hanoi almost as an equal on internal policy matters affecting Cambodia. To support his contention, he points to numerous indications of friction between the KC and the Vietnamese similar to those which, in the past, other analysts have frequently cited to us as indications of the internal dissension and hence weakness of the communist opposition to Lon Nol.

All government analysts are generally agreed that whatever the degree of cohesion within the KC movement, Prince Sihanouk is regarded with mistrust by most elements of the movement and by the North Vietnamese as well. While all now acknowledge, in contrast to their previously held view, that Sihanouk could play a role in a future Cambodian Government, they do not believe that he would be allowed to exercise significant power. In this connection some in the intelligence community believe that the three KC "ghosts," Khieu Samphan, Hu Nim and Hou Youn, who at one time were generally believed to have been secretly executed by Sihanouk, are in fact alive and playing leading roles in the Cambodian Communist Central Committee's affairs. Whether they are the real leaders of the KC movement, however, remains unclear.

In mid-1970 the Cambodian Government organized a small clandestine military group of perhaps two or three battalions which was trained and located in Southern Laos. This operation was under the general direction of Lon Non and its activities were initially at least in part financed or coordinated by the CIA. The units in question performed poorly in combat in Laos, and U.S. sponsorship was terminated. Until recently, it was thought that there were no longer any Cambodian units in Laos. In the course of this trip, however, we

learned that [deleted]. We were also told that the Thai Government sends intelligence collection teams into Cambodia.

According to Cambodian Armed Forces statistics, there are 248 prisoners of war—46 North Vietnamese, 97 Viet Cong and 105 "sympathizers," as they chose to call Khmer insurgents.

An old civilian prison is being converted into a new POW camp. The materials—barbed wire, pickets, a generator, and weapons and ammunition for the guards—are all funded by the FY 1973 Military Assistance Program at a cost of $110,000. The camp, which will have the capacity of holding 400 prisoners "comfortably," is at Koh Kong on the sea coast near the Thai border. At the time of our visit, the principal problem which was delaying the camp opening was finding 200 guards; the Cambodian Armed Forces could not produce them. The Cambodian Government has promised that an International Red Cross representative may visit the camp as soon as it is in operation. Red Cross representatives have been allowed to visit the places where prisoners were being held on only two occasions. Some Cambodian officials have said that they have had to refuse requests for such visits because the prisoners have been kept in a "temporary" installation. They say they are under no obligation to admit Red Cross representatives because the Cambodian Government did not sign the Geneva Convention. (According to the records of the Department of State, the Cambodian Government signed the Geneva convention on December 8, 1958.)

C. THE UNITED STATES PRESENCE

The Embassy keeps a daily total of all U.S. personnel in Cambodia. On April 5 that list showed 185 U.S. personnel and 78 third country national personnel in country. The 185 personnel were 57 civilian direct hire, 101 military, 19 personnel on temporary duty (10 military and 9 civilian) and 8 U.S. contractor personnel.

The 57 civilian direct hire were Embassy personnel and those working for AID and CIA [deleted]. The 101 military were: 12 in the Army Attaché office, 3 in the Air Attaché office (there is normally a Naval Attache in the Embassy but he was not in the country that day), 68 in the Military Equipment Delivery Team, 13 Marine guards, 3 in the office of the Officer in Charge of Construction, 1 officer attached to the Political Military Section of the Embassy, and 1 Seabee. The contractor personnel were from Air America, Bell Tech and Federal Electric Corporation.

The Embassy professes to maintain tight control on temporary duty personnel in order to ensure that it does not exceed the legislative 200 man ceiling on American personnel in Cambodia. When we asked to see a detailed breakdown of the temporary duty personnel on a given day, however, Embassy officials were unable or unwilling to provide it.

D. THE AID PROGRAM

The status of economic aid to Cambodia as of April 1 was as follows: A total of $172.05 million in AID funds had been programmed—$20 million in FY 1971 for a reimbursable grant, $50 million in FY 1971 for the Commodity Import Program, $20 million in FY 1972

for a cash grant, $16.5 million in FY 1972 for the Commodity Import Program, $45 million in FY 1973 for the Commodity Import Program, $500,000 in FY 1973 for refugees and $20.5 million in FY 1973 for the U.S. contribution to the Exchange Support Fund (covering all of CY 1972 and half of 1973). Of the $172.05 million programmed, $138.45 million had been fully committed and $93.65 million had been disbursed. Still remaining to be firmly committed are $200,000 from the $20 million FY 1971 grant, $2.6 million from the FY 1971 $50 million Commodity Import Program grant, $1.8 million from the $16.5 million FY 1972 Commodity Import Program grant and $29 million from the FY 1973 $45 million Commodity Import Program grant. The entire $8 million FY 1973 grant for the Exchange Support Fund has been firmly committed but only $4 million has been disbursed. The remaining $4 million was being withheld, as of April 1, because the Cambodian Government has not met certain conditions including reducing the number of military personnel paid. (As noted earlier, these funds were subsequently released.)

In addition, the U.S. has agreed to provide a total of $54.8 million in P.L. 480—$9.2 million in Calendar Year 1971, $35.9 million in 1972 and $9.7 million in 1973. Of this $54.8 million, $30.8 million has been firmly committed and $28.9 million has been delivered. Still to be committed are $14.1 million from 1972 and all of the 1973 amount. The grand total of economic assistance provided to Cambodia since 1970 is thus $226.85 million of which $169.25 million has been firmly committed and $122.55 million has been disbursed.

Expected contributions for the Exchange Support Fund for 1973 are U.S. $16 million, Cambodian Government $7.15 million, Japan $7 million, Australia $1 million, United Kingdom $490,000, Thailand $250,000, New Zealand $120,000 and Malaysia $10,000. The U.S. share is thus about 50% in 1973 compared to 66% in 1972.

In the past year the two central facts of Cambodian economic life were continuing inflation and an enormous budget deficit. The inflation problem is illustrated by the rise in the Phnom Penh working class price index since the beginning of the war. In January 1970 the index stood at 348 and in subsequent years it has risen as follows: to 524 in March 1971; to 819 in January 1972; and to 1144 in January 1973.

Cambodian Government expenditures have also continued to climb and to exceed revenues by a wide margin. In 1971 expenditures were 18.7 billion riels while revenues were only 4.2 billion riels. In 1972 expenditures were 32.6 billion riels against revenues of 8.7 billion riels. The budget deficit has been made up in two ways: by U.S. counterpart funds—roughly 7 billion riels in 1972 (an amount almost equal to total government revenues) and by printing money (the money supply increased 50 percent in 1972). At the heart of the budget problem, of course, has been the continuing increase in the size of the Cambodian armed forces and the corresponding increase in the cost of military pay and allowances.

The Cambodian Government has not proved any more equal to the economic challenges than it has to those in the military sphere. In 1971, under Sirik Matak's leadership, the Cambodian Government committed itself to a series of economic reforms many of which were ef-

fectively implemented. One serious exception, however, was the failure to carry through on an adjustment of pricing policies and subsidies to foodstuff, fuel and government enterprises, a reform which is now long overdue but which, given its potential political impact, will be difficult to implement any time in the near future.

Another serious aspect of the current Cambodian economic situation is the shortage of and inability to distribute rice. Until 1971 Cambodia was a rice exporting country. In 1972, however, rice production dropped to its lowest level since 1962. Normally surplus areas produced only enough for their own needs and Phnom Penh became completely dependent on rice from Battambang Province in the northwest. When the road to Battambang was cut in August 1972, a rice crisis developed in Phnom Penh.

To meet the immediate problem the U.S. supplied 10,000 tons of rice from Vietnam, and the Cambodian Government bought another 60,000 tons from Thailand, 10,000 tons of which were used to replace the Vietnamese rice. The U.S. Government subsequently reimbursed the Cambodian Government for the cost of the Thai rice under a waiver of section 614(a) of the Foreign Assistance Act.

Prospects for the 1973 rice crop are poor. The estimated 1973 rice requirement for Phnom Penh and certain other areas where rice cannot be obtained locally is 218,000 metric tons. Of this amount, U.S. officials expect that at least 146,000 metric tons will have to be supplied by the United States under P.L. 480 and by purchases from Thailand. Availability from both sources is limited, however, and there is the additional problem of how the Cambodians, with their very limited foreign exchange, could pay for Thai rice. The U.S. Air Force has been dropping rice to various government enclaves throughout the country. To date these drops have totaled more than 2,000 metric tons.

E. THE MILITARY ASSISTANCE PROGRAM

The program figure for the Security Assistance Program to Cambodia was $170 million in FY 1972. For FY 1973 the figure was originally $209.5 million but because no authorizing legislation was passed and the program operated on a Continuing Resolution Authority the program figure was reduced to $133.3 million.

The distribution of that $133.3 million, according to CINCPAC, was as follows (the figures in parentheses are for the originally planned program figure of $209.5 million):

	Millions
Aircraft (28.9)	$7.8
Ships/craft (14.6)	6.5
Vehicles (15.3)	5.3
Weapons/spares (9.9)	4.2
Ammunition (104.0)	79.1
Communications equipment (10.8)	2.1
Other support equipment (7.8)	6.0
Supplies (18.1)	8.4
Other services (6.6)	9.5
Training (2.6)	4.6
Total (209.5)	133.3 [1]

[1] These totals do not represent the sum of the various line items which is, in fact, $136.5 million (218.1), a discrepancy which was never explained to us.

The greatest reductions in money terms, then, were in ammunition, a reduction of $24.9 million, and aircraft, a reduction of $21.1 million. In terms of individual items of equipment, except for aircraft, the major items reduced were patrol boats (from 42 to 32), landing craft (from 12 to 7), vehicles (from 2,365 to 723), individual weapons (from 13,828 to 4,060), crew served weapons (from 3,917 to 27) and howitzers from 100 to 98).

According to Embassy officials, neither the FY 1973 reduction in the amounts available for the Military Assistance Program nor the imposition of a legislative ceiling on expenditures has adversely affected the ability of the Cambodian Government to defend itself. The basic problems are said to be that the Cambodian Armed Forces have serious leadership deficiencies and that the Cambodian soldier does not know what he is fighting for. Officials most concerned with the Military Assistance Program, however, believe that many of the shortcomings of the Cambodian officer corps could have been overcome if American military advisors had been permitted in Cambodia.

In November and December 1972 there was an accelerated delivery of various items of equipment already programmed for delivery under the Cambodian Military Assistance Program. According to the CINCPAC staff, "the requirement was initiated by the Embassy after being specifically requested by Lon Nol and Major General Fernandez" (the Cambodian Chief of Staff). The accelerated delivery project was in three parts. The first part, for which the delivery target date was December 31, 1972, was "to give FANK (Cambodian forces) increased combat capability" and "to give the GKR (Cambodian Government) a psychological boost to help rest GKR/FANK apprehensions about future U.S. support." The material involved included [deleted] armored personnel carriers, [deleted] rifles, [deleted] machine guns, [deleted] trucks and [deleted] howitzers. The second part, for which the delivery target date was February 20, 1973, was to deliver "previously programmed selected weapons and helicopters prior to any treaty or settlement which would preclude such deliveries." The material included [deleted] rifles, [deleted] grenade launchers, [deleted] machine guns, [deleted] mortars, [deleted] helicopters. The third part, for which the delivery target date was February 28, 1973, was to "provide organic logistics, command and control and combat power to already designated brigades." The equipment included [deleted] rifles, [deleted] machine guns, [deleted] grenade launchers, [deleted] mortars, [deleted] trucks, [deleted] howitzers, [deleted] armed personnel carriers and [deleted] generators.

In FY 1973, as of March 31, under the MAP Program 17,440 Cambodian military personnel had been trained in South Vietnam (13,704 from infantry battalions and companies), 2,218 in Thailand (1,968 from rifle companies), 19 had been trained at the U.S. Subic Naval Base in the Philippines, 95 had been trained in the United States and 29,430 had been trained in Cambodia—a total of 49,213 trained compared to 51,146 in all of Fiscal Year 1972.

A list of training of Cambodians in Thailand prepared by the Military Assistance Command in Thailand shows that between Sep-

tember 20, 1970 and March 30, 1973 a total of 5,790 Cambodian personnel had been trained in Thailand—28 by the U.S. Army (at an Intelligence Staff Officer Course in Bangkok), 9 by the U.S. Air Force (all AU-24 pilots), 137 by the Royal Thai Army and U.S. Special Forces together (all in unconventional warfare) and the rest by the Thai Army and Air Force. As of March 30 there were 247 Cambodians in training in Thailand—29 were being trained by the U.S. Army in Bangkok in POW interrogation, 68 AU-24 pilots, gunners and maintenance people were being trained by a U.S. Air Force Mobile Training Team at Takhli, 148 were being trained in unconventional warfare by the Thai Army, 4 were in Thai Army ranger training and 3 student pilots were being trained by the Thai Air Force.

Throughout our visit to Phnom Penh we experienced considerable difficulty in obtaining responsive answers to questions relating to the Military Assistance Program. Military Delivery Equipment Team personnel appeared extremely reluctant to provide information requested and generally chose to respond to questions on the broadest possible grounds. As a result we had to spend considerable time at CINCPAC headquarters in Hawaii, where the Staff by contrast was most open and helpful, in straightening out and supplementing the information given us in Phnom Penh. A case in point was the question of excess military material provided to the Cambodian Government.

In Phnom Penh we asked for a figure for long supply and excess material given to Cambodia under the Military Assistance Program but at no cost to the program. We were told that the delivery value of materiel under the MAPEX and MIMEX excess programs was $3,110,207, that another $4,461,967 had been provided "in other areas," meaning aircraft, and that the delivery value of excess material thus totalled $7,582,174. At CINCPAC we were told that these figures were incomplete, as they referred only to Army provided material, and that the total to date in FY 1973, at acquisition cost, was $19,870,091.

The Cambodian Air Force inventory as of April 18, was 187 aircraft—both fixed wing and helicopters. This included [deleted] T-28's and [deleted] Huey helicopters. Fourteen additional aircraft were projected for delivery in FY 1973 including [deleted] C-47's, [deleted] C-47 gunships and [deleted] C-123's.

The original FY 1973 program provided for [deleted] T-28's and [deleted] UH-1H helicopters. The revised FY 1973 program list shows that, with a reduction of $21.1 million in the program amount for aircraft, Cambodia will receive, in FY 1973, 59 additional aircraft—both fixed wing and helicopters—all at no cost to the Cambodian Military Assistance Program except for $408,000 in rehabilitation costs of some T-28's and the C-123's. In FY 1972, [deleted] T-28's, [deleted] O-1's and [deleted] C-47's were received. The total value of all these aircraft provided in fiscal years 1972 and 1973 was $19,054,077 while the total cost charged to the program was $1,758,646. All of these aircraft came out of excess programs except for [deleted] T-28's which were transferred from Thailand as redistributable property under a program called "Project Peace Trunk."

We asked the Military Equipment Delivery Team officers about reports that there were thousands of children in the Cambodian Army. We were told that there were perhaps 4,500 children under 16 on the payroll and that the number had probably been as high as 6,000. One senior U.S. military officer, commenting on this question, said that "the little fellows were so anxious to fight that unit commanders didn't have the heart to turn them down," but those more familiar with Cambodian ways say that unit commanders like to recruit children because they can pocket their pay and the children don't complain. The presence of children in the Cambodian armed forces led to an embarrassing episode in Cambodian-Australian relations a year or so ago. Until last year Australian advisors were training Cambodian troops in Vietnam. On one occasion an Australian journalist visiting the camp called attention to the large number of very young children among the trainees. As a result of the subsequent publicity in Australia, the Australian Government refused to train any more units which included children.

F. REFUGEES

An Embassy report on refugees in the Khmer Republic, dated February 10, said that at first most of those who fled their homes did so in order to escape the war and the fighting. In some instances, the report said, they fled to avoid allied air strikes and in others they fled to avoid South Vietnamese troops. In the last year, the Embassy report noted, a new kind of refugee has emerged from areas in which there was little fighting—a political refugee who is fleeing not from the fighting but from the enemy. In some instances, they are fleeing because they cannot find enough food. In others, they are tired of the more onerous aspects of Communist control, such as taxes and conscription quotas.

As the date would indicate, this Embassy report was prepared before the beginning of the current heavy U.S. bombing campaign. All available independent evidence indicates that the bombing and ground fighting have greatly increased the number of refugees. Some of these new refugees have come to Phnom Penh but many others have been driven deeper into KC held territory. At CINCPAC, for example, we asked for and were given a large map indicating the general location of all Cambodian targets struck by U.S. aircraft since early February. The greatest concentration of air strikes is found in those areas of central and southern Cambodia where the population is heaviest, for example, along the Mekong River, the four provinces to the south of Phnom Penh and around some province capitals. While most Cambodian authorities welcome this bombing and continually ask for more, others including some of the principal figures of the new leadership council have expressed concern over the impact of the bombing, particularly by B–52's.

Over half of all the refugees in Cambodia (286,000 of a pre-bombing campaign total of 491,000 registered refugees) are in Phnom Penh. Of those in Phnom Penh, only 3,700 were in camps at the time of our visit. Prior to February there were an estimated 200,000 official refugees who had not yet registered.

V. VIETNAM

A. THE CEASE-FIRE: VIOLENT STALEMATE

The South Vietnamese Government's estimate of cease-fire violations by the North Vietnamese and Viet Cong from January 28 through April 10 was 10,405 of which 5,098 were attacks by fire, 2,490 were ground attacks, 1,843 were harassments, 510 were infiltrations, 397 were assassinations, 53 were sapper attacks and 14 were ambushes. The U.S. has no independent check on these statistics and does not report cease-fire violations independently. American and other foreign observers to whom we talked told us that they considered these figures to be greatly inflated because the South Vietnamese tend to report even the firing of one mortar round as a cease-fire violation.

They do not, however, apply the same strict standard to themselves. There is no doubt that there have been South Vietnamese cease-fire violations, but the South Vietnamese would not admit it to us. We talked to a number of South Vietnam generals, including Military Region Commanders and members of the Vietnamese Joint General Staff, who maintained that there had not been even one South Vietnamese Government violation.

In the operations briefing by the Defense Attaché Office, we were told that the initial cease-fire activity was characterized by enemy attempts to regain positions lost in Quang TriProvince just prior to the cease-fire, to seize populated areas and key terrain, to interdict lines of communication and to conduct harassing attacks designed to limit the capability of South Vietnamese forces to react. The South Vietnamese reaction was immediate, and their use of artillery fire and tactical air "reached levels of intensity higher than that experienced during the 1972 Spring offensive." The situation then began to stabilize, although combat activity continued. It was not all enemy initiated, however. We were told that the South Vietnamese Army had "initiated several operations designed to expand areas of control to which the enemy reacted strongly," that enemy activity "has been largely defensive or harassing in nature," and that in one part of MR I South Vietnamese forces "expanded operations into historically contested areas."

As of the time of our visit the Defense Attaché Office characterized the North Vietnamese activities as generally defensive except for the continuing attacks by fire along the DMZ, on the border ranger outpost at Tonle Chan and in the Hong Nhu area. The latter is the point on the Mekong at the Cambodian border where the North Vietnamese were attacking convoys bound for Phnom Penh from positions along the bank which they had occupied before the cease-fire.

As indicated earlier, South Vietnamese forces have continued a substantial level of activity since the cease-fire. In the immediate post cease-fire period, U.S. officials told us, firings of 105 mm howitzers were continuing at a rate which exceeded 31,000 rounds, the average daily production of this ammunition in the United States. Accordingly, the decision was made to reduce the number of shells issued to approximately 21,000 a day. Subsequently, a further decision was made to institute a Defense Expenditure Allocation limit of 9,400

rounds a day. As a result of these moves, the daily average of 105 mm rounds issued to the South Vietnamese had fallen from 55,000 a day during the two weeks immediately following the cease-fire to 24,220 during the two week period between February 25 and March 9 and to 5,312 in the two week period ending April 9.

American officials believe that the imposition of these controls had been helpful in promoting South Vietnamese observance of the cease-fire. South Vietnamese officers, however, obviously resent the controls, believing they place them at a military disadvantage. Incidentally, the figures supplied to us by the Defense Attaché Office indicated that on the day preceding the cease-fire, the South Vietnamese army had fired 235,355 105 mm rounds.

In terms of the long-range military outlook, there were two areas in which North Vietnamese activities were a source of major concern to both U.S. and South Vietnamese military officers at the time of our visit. These were Quang Tri and Thua Tien provinces in Military Region I and the area in Military Region III between Saigon and the Cambodian border. American officials told us that General Truong, the Military Region I commander, considered the situation in his region to be ominous. The North Vietnamese were building new roads in the area, expanding old ones, increasing their artillery and antiaircraft capabilities and building up their manpower levels. North Vietnam units in Military Region I were believed to be at approximately 80% strength. General Truong, we were told, expects the enemy to maintain pressure up and down Route 1 and to nibble away at the South Vietnamese defensive perimeter in an effort to confine government control to the narrow strip of coastal lowlands. General Truong is said to be counting on a strong U.S. air response if the enemy should attack again in strength in this area as he did in April 1972.

The other principal area of danger is the Binh Duong-Binh Long-Tay Ninh area of Military Region III which lies astride the traditional route of attack on Saigon. North Vietnamese forces in that area are now considered by both U.S. and South Vietnamese analysts to be stronger in terms of armor and artillery than they were last April. The South Vietnamese commander in the region told us that he expected U.S. air support to be available in the event of a major offensive.

While U.S. officials do not report on individual cease-fire violations, there has been a determined effort to report on the general situation in the country in the post cease-fire period. Foreign Service officers with previous experience in Vietnam who are, in most cases, trained in the Vietnamese language have been assigned to the Consulates General in the four military regions. They have been given freedom to report independently and have, by all accounts, done an admirable job. We certainly were most favorably impressed by what we saw of their activities and reporting.

Some points from their reports:

1. The level of military activity in South Vietnam declined in the first sixty days compared to the pre-cease-fire period. That decline ranged from radical in Military Region I to slight in Military Region III.

2. Both sides have violated the Paris Agreement, although neither side has added significantly to its control of population or territory. Where the battle lines are vague, South Vietnamese Government forces have encroached on territory considered predominantly under Communist control, and in Military Region III they have been even more agressive in offensive operations.

3. The balance of political and military forces has not changed.

4. Province chiefs and military commanders are skeptical, if not openly critical, of the Paris agreement which they believe was a U.S.-imposed agreement favoring the North Vietnamese. Most of these officials expect a new enemy offensive within several months.

5. Both sides are attempting to use resettlement as a tactic. The South Vietnamese Government wants to bring refugees from camps and settle them in abandoned areas. The Provisional Revolutionary Government is offering land and loans to settlers and is building homes, hospitals and schools to try to lure refugees and others out of government-controlled areas.

6. The ICCS has had little, if any, restraining effect on combat. A genuine cease-fire will come only when the Vietnamese belligerents are ready.

In the fighting since the cease-fire on January 10, through April 13, according to Vietnamese official press reports, 3,866 South Vietnamese military were killed and 1,069 were missing. On the other side, 16,704 North Vietnamese and Viet Cong were killed and 209 were captured.

According to the Hamlet Evaluation Survey, as of February 28, the enemy controlled 3.7% of all districts, 3.3% of the villages, 5.9% of the hamlets and 1.1% of the population. On April 30, 1972, at the height of the offensive, the enemy controlled 5.1% of the districts, 8.2% of the hamlets and 3% of the population.

B. THE ICCS AND THE CEASE-FIRE

The pattern of ICCS activity was summed up by one observer as characterized by occasionally successful Canadian initiatives, Polish and Hungarian obstructionism, Indonesian pessimism and frustration by all parties.

The ICCS organization provides for a headquarters element of 116 per delegation, 7 regional teams with 4 per delegation per team, 26 regional sites with 2 per delegation per team, and 12 point of entry sites with 2 per delegation per site. To defray the costs of the Commission's operation, the four signatories to the Paris Agreement each contributed 4.5 million French Francs ($967,000) as an initial deposit. After the budget is approved, perhaps sometime in May, each of the four signatories will pay 23% of the costs and Canada, Hungary, Indonesia and Poland will each pay 2%.

Many observers expect the Canadians to pull out of the ICCS eventually, thereby removing the only source of initiative within the Commission. Until this happens, however, the Canadians are expected to

establish a strong record of their determined effort to make the Commission work.

C. SOUTH VIETNAMESE GOVERNMENT FORCES

The "authorized" levels for South Vietnamese forces approved through CINCPAC and submitted to the Secretary of Defense for approval for FY 1973 ("authorized" means the level the United States has agreed to support) are [deleted] in the Army, [deleted] in the Navy, [deleted] in the Marines, [deleted] in the Air Force, [deleted] in the Regional Forces and [deleted] in the Popular Forces— a total of 1,098,193. The assigned strength as of February 28, 1973, was 1,077,023 with most of the shortfall in the Regional and Popular Forces. The only service with an assigned strength higher than that authorized was the Navy with an excess of [deleted].

Virtually all of those with whom we talked noted, American officials with satisfaction and independent observers with some surprise, that the South Vietnamese Army appears to have performed very creditably since the cease-fire. Desertions actually dropped during December and January and, although they have recently begun to climb again, in February 1972 they were no greater than the preceding year.

D. ENEMY FORCES

The CIA estimate of North Vietnamese/Viet Cong strength as of April 15, 1973 was 253,000—142,000 North Vietnamese and 110,900 Viet Cong. Of the 142,000 North Vietnamese 80,600 were in Military Region I, 24,600 in Military Region II, 22,500 in Military Region III and 14,300 in Military Region IV. Of the 110,900 Viet Cong, 25,700 were in Military Region I, 19,500 in Military Region II, 42,400 in Military Region III and 23,300 in Military Region IV. As of January 31, 1973, total North Vietnamese strength had been 120,500. That estimate rose to 142,000 as of April 15 by adding 28,200 infiltration arrivals and 9,800 returned prisoners of war and by subtracting 5,100 in one departing division and 11,400 casualties.

The infiltration picture is confused. Before we left Washington we were told at the Defense Department that enemy tank strength had increased from between about 300 on March 31, 1972 to over 400 as of March 19, 1973; that enemy artillery had increased slightly in the same period; and that infiltration which, in the period January 28–March 19, 1972 had been about 21,000, had been about 25,000 in the same period in 1973 with about 10,000 personnel entering the pipeline after the cease-fire.

At USSAG Headquarters in Thailand we were told that since the cease-fire 9,300 North Vietnamese had begun to infiltrate—7,000 of whom were infantry—and that the net result has been that the North Vietnamese were holding their own against casualties. In Saigon we were told that 341 tanks, 27 armored personnel carriers, 173 artillery pieces and 146 anti-aircraft weapons were sent down the trail in the 1972–73 dry season; that most of this equipment was already on the trail before the cease-fire and relatively little had

arrived in Vietnam since the cease-fire; that, as far as infiltration of personnel was concerned, about 25,000 were in the pipeline at the time the cease-fire was declared; that some 5,200 (half regular infantry groups and half special purpose groups) had entered the pipeline since the cease-fire was declared; that a total of 15,100 had arrived since the cease-fire and there were no replacements in the pipeline; that last year there were between 90,000 and 100,000 in the pipeline at this time; and that North Vietnamese draft calls were down in December and January and are even lower in March. By contrast at the South Vietnamese Joint General Staff headquarters we were told that 60,000 men had entered the pipeline between January 1 and the end of March.

It would appear that in terms of personnel in South Vietnam, North Vietnamese strength, taking account of infiltration, released prisoners and casualties, is almost exactly equal to the lower range of the CIA estimate of one year ago. In May 1972 the CIA in Saigon estimate of North Vietnamese in the South was 145–165,000. In terms of armored vehicles and heavy artillery and anti-aircraft, however, the current inventory of the North Vietnamese is greater than that in the South at the time of the 1972 spring offensive. It appears, incidentally, that most of the new equipment brought south during the 1972–1973 dry season entered North Vietnam during the period of the intensive U.S. air and naval interdiction of North Vietnam in 1972.

We were also told in Saigon that all the supplies that had been stockpiled in Cambodian storage areas were used up in 1972 and early 1973 and that the kinds of supplies being brought down now were those required to maintain troops in place—food, clothing and medical supplies—not ammunition and other items indicating immediate offensive intentions. CIA analysts thus had concluded that there will be no general offensive in the next four months. In September, however, they expect the North Vietnamese to emphasize ammunition in their supply flow and if they now preposition armor and artillery, and there is no bombing on the trail so that men could be moved quickly down it by truck, by late next fall they could again be in a position to launch a major offensive similar to that in the spring of 1972.

E. THE U.S. PRESENCE

As of the time of our visit, there were approximately 8,500 official Americans in Vietnam including 50 military personnel in the Defense Attaché Office, 160 Marine security guards, 1,100 civilian direct hire employees in the Defense Attaché Office, 4,900 Defense Department contractor personnel, 125 in the Embassy, and the remainder in assorted other agencies. The number of CIA personnel was not separately identified.

With the termination of the MACV Command on March 29, 1973, a Defense Attaché Office headed by an Army Major General was created and is located in the building that formerly housed MACV headquarters. As explained in the section of this report on Thailand, the military command and control element formerly at MACV has been relocated at USSAG, the newly created military command at Nakon

Phanom Royal Thai Air Base. The Defense Attaché Office in Saigon is subordinate to USSAG.

The role of the Defense Attaché Office is officially described as follows:

> The DAO will handle normal attache functions, the provision of logistic and communications-electronic support to the RVNAF (South Vietnamese Armed Forces) and military assistance programming and budgeting. Operationally, it will continue the essential aspects of critical ongoing training, intelligence operations and liaison with the RVNAF Joint General Staff without engaging in "advisory" functions or direct training.

These functions will be performed by three categories of personnel. For each category a ceiling has been established by the Joint Chiefs of Staff. These ceilings are: 50 U.S. military personnel, 1,200 Department of Defense direct hire civilians and 5,500 Defense Department contractor personnel.

There are plans to reduce the number of direct hire and contractor personnel. A fact sheet which we were given in Washington stated that Defense Department direct hire civilians would be completely phased out by the end of January 1974. This paper, which was dated March 20, 1973, also stated that contractor personnel would be reduced to "about 4,000 by the end of March, to less than 2,000 by the end of the year, and to approximately 500 very soon thereafter."

We were told that it was understood under the agreement that civilians not engaged in giving military training or advice to the Vietnamese military or police units are not military advisers even if they are attached to military units or concerned with the supply or maintenance of military equipment. Therefore, the United States apparently considers there is no question as to the legality of the presence of Defense Department civilians or contractors.

[Deleted.]

The previously noted withdrawal schedule apparently was based on the expectation that there would be a real cease-fire after January 28, an expectation which has yet to be realized. How the continued fighting will affect the withdrawal of Defense Attaché Office personnel is not yet clear. It is apparent, however, that the initial withdrawal schedule has already been modified in the light of circumstances which have developed since January 28.

In our initial briefing by the Defense Attaché Office in Saigon we were told that contractor personnel then on duty numbered 4,917 (and thus were not "about 4,000" as anticipated), and we were shown a slide which indicated that the number expected to be in Vietnam after January 1, 1974 was 2,136 (rather than "less than 2,000," as indicated in the March 20 paper) and that the number remaining after July 1, 1974 would be 1,099 (while the March 20 paper had said that it would have dropped to "approximately 500" very soon after January 1, 1974). We were told in a Defense Attaché Office briefing on April 13 that the number of Air Force contractors would be 2,644 after July 1, 1973 and 1,703 after January 1, 1974. Three days later we were informed that these figures had been revised upward as follows: 2,800 remaining after July 1, 1973 and 1,926 after January 1974. The explanation given for the adjustment in the withdrawal schedule was that fighting had continued at a higher

than anticipated level, thus necessitating a higher level of support activity, and that, in the case of Air Force contractors, Vietnamese Air Force personnel "have been diverted because of operating requirements."

Nevertheless, it was our impression that the intention of all the U.S. officials with whom we spoke was to reduce the number of Defense Department personnel engaged in support activities as rapidly as possible. In this connection, one of the concluding lines in the prepared briefing at the Defense Attaché Office stated: "The DAO is organized and operating. Although it is bound to have some growing pains, it is focused clearly on the goal of self-sufficiency." Whether present intentions will be realized, and whether the "pains" referred to will be those of growth or contraction, remains to be seen. We found no evidence, however, to suport the reports which have circulated alleging the existence of a "secret American Army" in Vietnam. The 50 U.S. military personnel assigned to the Defense Attaché Office seem clearly intended to perform the normal representational and reporting functions of an Attaché office.

[Deleted.]

The present Defense Attaché organization includes a "normal" attaché element; audit, support and operations and plans sections; a communications and electronics section; and three major operating elements working with the Vietnamese Army, Navy, and Air Force. The communications and electronics section role is more operationally oriented than other sections of the Defense Attaché Office. It directly supervises the contractor personnel working on a wide variety of communications systems which jointly serve the Vietnamese armed forces and all U.S. Government elements in Vietnam.

The three service elements are similar to those which previously existed within the MACV organization except that they no longer perform an advisory role and are staffed by civilian rather than military personnel. Their basic function is to administer the military assistance program, including delivery and end use checking of equipment and supplies, and to coordinate the wide range of support services provided to the Vietnamese by the Defense Department funded contractors.

The Defense Attaché Office provided the following information concerning its civilian work force. The average age level of civil service employees is 43.5 and the average grade level is GS–10. (We were told by the Defense Attaché staff that the average Contractor employee costs the Defense Department about $50,000 per year.) Of the approximately 1,100 civil service employees now in Vietnam, only 65 are persons who were retired from the military service within the past ten years and, of these, only 6 have been retired less than three years. Similar information on the background of the contractor employees was not available.

We were told that 1,066 of the 1,200 DAO personnel would be in the Saigon area. The other 184 will be located at ten points throughout the country. Contractor personnel will be almost equally divided, at least initially, between Saigon and locations in all military regions.

The Defense Attaché Office has been given responsibility for controlling the supply of and accounting for material covered under the

terms of the cease-fire agreement. Although primary responsibility for justifying and documenting the one-for-one replacement allowed by the Agreement rests with the two Vietnamese parties, they have not reached agreement on procedures to be followed. In the absence of agreement on such basic points as the definition of restricted material, the United States has formulated its own definitions and procedures based on unilateral interpretations of the Cease-fire Agreement. As of mid-April, the only major items of restricted equipment (by U.S. definition) reported lost or destroyed by the South Vietnamese Government, and therefore the only items eligible for one-for-one replacement, have been the following: 42 trucks, 32 tanks, 22 armored personnel carriers, five 105 mm howitzers and one mortar carrier.

In the place of the CORDS organization which previously conducted a wide range of civilian and para-military activities under MACV, there has arisen an office called "Special Assistant to the Ambassador for Field Operations" or SAAFO, as it is popularly known. It performs certain residual functions of CORDS as well as some which would normally belong to AID. Explaining why it is necessary to have SAAFO, the officials concerned say that it is important for psychological reasons to maintain a U.S. presence in the field because of the shock that would result, now that military personnel have withdrawn, if all civilians were also to leave. There is an attribute of bureaucratic empire building easily discernible in the SAAFO organization. In the arcane ways of bureaucratic in-fighting, SAAFO has tried to convey the impression that they somehow have authority over the Consulates General, an idea of which they have been disabused by the Embassy, and they seem to be trying to hold on to as much of the old advisory role as possible at the provincial and regional levels.

At present, SAAFO has 170 AID personnel and 13 Foreign Service Officers—all funded by AID. (At the end of the Fiscal Year, they are projecting a drop to 147 AID personnel and 12 Foreign Service Officers.) Of the 183 presently in SAAFO, 27 are in Saigon and 161 in the various military regions.

F. THE AID PROGRAM

According to AID estimates, in calendar year 1972 the United States will have provided a total of $551 million in direct economic aid—$284 million through the Commercial Import Program, $118 million through P.L. 480 Title 1, and $149 million through AID and Defense Department project programs. The estimate for calendar year 1973, based on projected figures, is that total direct economic aid will be at least $569 million—$295 million through the Commercial Import Program, $170 million through P.L. 480 and $104 million through AID and Defense Department project programs. If piaster purchases not related to AID or Defense Department projects are included, U.S. aid was 26 percent of GNP in 1972 and will be 22 percent of GNP in 1973.

On a fiscal year basis, the estimate provided us in March for direct gross economic assistance in FY 1973 was $649.3 million—$83.2 million for project programs funded by the Defense Department, $168.5 million through P.L. 480, $310 million through the Commercial Import Program and $87.6 million through project programs funded by AID.

The $87.6 million in FY 1973 project programs funded by AID is composed of $41 million in AID projects and $46.6 million in AID financed CORDS project programs. The AID project programs are in the sectors of agriculture, land reform, education, engineering, industry, labor, logistics, public administration, public health, population, narcotics and technical support. The CORDS projects are in community development, public safety, technical support and war victims—the last of these categories accounting for $31 million of the total $46.6 million CORDS program funded by AID. Total budgeted South Vietnamese expenditures for refugee relief in 1972 were $2.8 million. U.S. contributions to refugee relief in 1972 included, in addition to the $31 million mentioned above, $7 million in P.L. 480 aid and counterpart contributions of a minimum of $10 million and a maximum of $15 million depending on the eventual total of bills yet to be presented by the South Vietnamese for reimbursement.

Because of the cut-back in AID funds as a result of the Continuing Resolution Authority, the Exchange Support Fund and the Economic Development Fund have not been started and the commercial import program has been reduced from $310 million to $223 million. AID officials hope to begin the Economic Development Fund in FY 1974 if sufficient funds are authorized.

The $83.2 million in the Defense Department project program consists of $56.8 million in various projects having to do with logistics, highway improvement and civil aviation, and $26.35 million in such Defense Department funded CORDS programs as public safety, telecommunications, national police, rural development, the rallier program and Air America.

U.S. aid to Vietnam in calendar years 1972 and 1973 considerably exceeded Vietnamese Government revenues for the same period. In calendar year 1972 revenues were $343 million while direct U.S. economic assistance for calendar year 1972 totaled $551 million. Revenues for 1973 are expected to be $335 million, and direct U.S. aid in calendar year 1973 will be at least $569 million. The percentage of the South Vietnamese budget directly offset by U.S. economic aid is also considerable. In calendar year 1972 the direct offset was 30 percent and in 1973 it is expected to be 28 percent.

The Vietnamese Government continues to run heavy deficits in both its national and foreign exchange budgets. In calendar year 1972 budget expenditures were $844 million against total revenues (including direct U.S. aid) of only $669 million for an accounting deficit of $175 million, or a real deficit of $294 million if U.S. direct aid is excluded. It is now estimated that calendar year 1973 expenditures will reach $970 million and that revenues will amount to only $624 million (including $289 million in direct U.S. aid) for a deficit of $346 million. If U.S. counterpart is excluded, the deficit would be $635 million.

The Vietnamese Government's most serious economic problem at the moment is the imbalance in its foreign exchange budget. Foreign exchange expenditures in calendar year 1972 were $755 million while earnings from exports, invisible receipts and U.S. piaster purchases amounted to only $332.6 million. Despite a significant proportional increase in anticipated export sales in calendar year 1973 (from $23.3 million to $40 million), increased world prices and freight rates,

coupled with declining U.S. piaster purchases (down from $228.9 million in 1972 to an anticipated $108 million in 1973), will result in total anticipated import expenditures of $829 million. While most of the balance of payments deficit in calendar year 1972 was offset by U.S. financed commodity imports and P.L. 480 amounting to $401.5 million, even with the increase in the total of these two U.S. programs in 1973 to $465 million there will remain a deficit of $152 million. That deficit will apparently have to be covered by a draw down on the government's foreign exchange reserves which amounted to only $230 million at the end of March 1973. During the first quarter of calendar year 1973 this situation was resulting in a $17 million monthly draw down on the U.S. commodity import pipeline and a $12 million monthly foreign exchange reserve draw down.

Based on an analysis of the balance of payments situation in mid-March 1973, the Embassy reported to Washington that the South Vietnamese Government was faced with a major balance of payments crisis. It argued that unless additional FY 1973 funds for Vietnam could be found, a point of "acute danger" would be reached by summer, 1973. At current licensing rates, for example, the Commodity Import Program pipeline would be down to $15 million by the end of June, 1973, if no new funds are made available, and foreign exchange revenues would be far below the $200 million considered to be the minimum desirable.

During the first quarter of 1973 the rate of inflation reached 26 percent, almost double the rate of the past two years, and the Embassy believes that if any meaningful increases are made in government expenditures for social and reconstruction programs and if previously deferred salary increases are granted the inflation problem will be further compounded. What the Embassy apparently seeks to avoid by advocating increased U.S. assistance in Fiscal Year 1973 is the imposition of import control measures. In the Embassy's view, a reduction of imports would adversely affect government revenues and since there is no immediate prospect of reducing defense expenditures (now around 50 percent of the budget, even if direct U.S. budget offsets are taken into account) the effect would be a larger budget deficit and more inflation. Furthermore, the Embassy argues, import controls would inevitably lead to black market speculative activity and capital flight.

As of late April, when we left Vietnam, an active effort was underway in Washington to find new ways to put more dollars into the Vietnamese economy. Among the possibilities being explored was some means of increasing Defense Department procurement in Vietnam. Given the withdrawal of American troops and the heavy requirement for supplies, equipment and contractual services available only in the United States, however, it seemed doubtful whether this approach would be fruitful.

In 1972, Vietnam received $20.3 million in soft loans from Japan, the United Kingdom and the Asian Development Bank and $36.4 million in grants from Australia, Canada, Republic of China, France, Germany, Japan, The Netherlands, New Zealand, the United Kingdom, the United Nations and the Red Cross.

In 1973, the Vietnamese expect a total of $50.1 million in foreign assistance (both soft loans and grants) from donors other than the

United States. Of this total, they expect $20 million from Japan, $7 million from the Republic of China, about $6.5 million from France, about $6 million from Australia, $3.5 million from West Germany, $3 million from Canada, and lesser amounts from other donors. In addition, they expect specific reconstruction, development and humanitarian assistance in addition to the $50.1 million in regular on-going economic assistance. Figures supplied to us by the Embassy indicated that during 1972 South Vietnamese import purchases from some of these donor countries were as follows: Japan—$97.6 million; Republic of China—$22.8 million; France—$26 million; Australia—$.9 million; and West Germany—$9.6 million. By contrast, United States commercial exports to South Vietnam were $20.5 million.

To date there has been very little reconstruction of facilities damaged during the 1972 fighting. In many areas security conditions have made it impossible to begin reconstruction. About 615,000 refugees were still in camps as of mid-April. Many other refugees have come out and returned to their villages and their return, combined with the fact that the American withdrawal has caused about 100,000 Vietnamese workers to lose their jobs, has caused a serious unemployment problem.

According to the Embassy the present 1973 Vietnamese budget includes only $7 million for relief and reconstruction activities. Before the magnitude of the current crisis became apparent, it had been hoped that this could be increased by another $12 million but even this may not now be possible unless the additional funds are provided by the United States.

It would appear that if the Vietnamese economy is to be supported at its present level, and if politically unpopular internal economic measures are to be avoided, gross United States economic assistance to Vietnam in Fiscal Year 1974 will have to be increased substantially beyond the Fiscal Year 1973 level of $649.3 million—probably to around $800 million. Even this figure, however, would not provide for a significant reconstruction program, although it is possible that certain components of the existing program could be re-named to give them the appearance of reconstruction aid.

Enroute to Southeast Asia we met in Paris on March 26 with the U.S. representatives to the U.S.-North Vietnamese Joint Economic Commission. They described the talks as an exploration of the general possibilities of an aid program in North Vietnam and, keeping the conversation on a very general level, described the North Vietnamese position in the talks as follows: there has been no political posturing by the Hanoi delegates who instead have spoken of "healing the wounds of war" and of the U.S. "moral commitment;" the North Vietnamese are "not positive" on multilateral aid, consortia or any other arrangement which would involve intermediaries; they are "leery" of reporting requirements and obviously wish to ensure that they are fully in charge; thus far there has been relatively little indication from the North Vietnamese of their specific needs other than expressions of interest in shelter, food and repair of industrial and port facilities. Points made by the U.S. delegation during the talks were described as follows: we have not taken a fixed position on the mechanism of the aid program but have talked of "joint technical

task teams;" we have stressed our interest in post-war reconstruction and have said that a program cannot be submitted to Congress while fighting is going on; and we have pointed out that the North Vietnamese could absorb more aid if there were de-mobilization.

Subsequent to this conversation, we learned that in the four Commission sessions that had taken place before our visit there had in fact been extensive discussion of a [deleted] and that on March 23 the U.S. delegation had reported to Washington that it had reached agreement with the North Vietnamese on [deleted].

G. THE MILITARY ASSISTANCE PROGRAM

Military assistance to Vietnam is a MASF (Military Assistance Service Funded) program included in the Defense Department Budget. The authorizing legislation states that the funds are to be made available to "Vietnamese and other free world forces . . . on such terms as the Secretary of Defense may determine," thus giving the Defense Department far broader discretion in the use of funds than that contained in the authorizing legislation for the regular Military Assistance Program.

From FY 1966 through FY 1973 the amount of assistance provided under this program, as reported to Congress, was $7.390 billion plus excess equipment and supplies with an acquisition value of at least $761 million. The projected program for FY 1974 is $1.56 billion.

In Fiscal Year 1973 the MASF program for Vietnam totalled $2.26 billion, consisting of $1.4 billion for the Army, $68.6 million for the Navy, $786.3 million for the Air Force, and $1.5 million for the Marine Corps. Of the overall total, $1.03 billion was spent to provide operating and maintenance support for the Vietnamese armed forces and $1.23 billion for the procurement of equipment or "investment" items.

The $1.4 billion Army portion of the MASF program consisted of $68.8 million for military personnel support (primarily food), $573.0 million for operating and maintenance costs, and $759.5 million for investment items including $724.7 million for ammunition. The Navy portion of the MASF program totalled $68.6 million consisting of $54.9 million in operating costs (of which $20.9 million was for the Vietnamese Naval Supply Center) and $13.7 million in investment costs.

The $786.3 million program for the Vietnamese Air Force in Fiscal Year 1973 consisted of $456.3 million in investment costs (including $265.9 million for aircraft), $330.0 million in operating costs (of which $144.9 million was for air munitions) and $21.7 million for training costs. In addition the Air Force turned over facilities worth $261 million to the South Vietnamese Government.

In connection with facilities turned over to the South Vietnamese, it should be noted that Article 6 of the Vietnam Cease-fire Agreement and Article 9 of the Cease-fire Protocol required the dismantling of all military bases in South Vietnam "of the United States and of . . . other foreign countries."

In fact, the U.S. Government transferred whatever title it had to the last remaining U.S. bases before the signing of the agreement. Although according to U.S. officials this point was not clarified during the negotiations, they consider that it was clear from North Vietnamese statements concerning such issues as points of entry that the North Vietnamese did not expect the dismantling of major installations such as Cam Ranh Bay and Ton Son Nhut.

Before Projects "Enhance" and "Enhance Plus," under which the delivery of military assistance equipment was accelerated before the Paris agreement was signed, the South Vietnamese Air Force had 51 squadrons with 1,248 aircraft. These accelerated deliveries provided approximately 600 additional aircraft of which some 280 were helicopters and 230 were fighters, including a large number of F–5A's borrowed from Korea, Iran, and the Republic of China.

To support the increased inventory of more than 1,800 aircraft, the South Vietnamese Air Force will require training in the United States for over 800 pilot trainees to bring the pilot inventory up to authorized strength. Training in the United States will also be required to train pilots to fly the F–5E aircraft which will be given to the Vietnamese to replace the borrowed F–5A's introduced into Vietnam.

On the subject of the replacement of F–5A's by F–5E's, a question has been raised within the Executive Branch as to whether the more advanced F–5E can be considered a legitimate replacement for the F–5A in view of Article 7 of the Cease-fire Agreement which requires that the replacement be "on the basis of piece for piece of the same characteristics and properties. . . ."

At the time of our visit there were 283 contracts in force with U.S., Vietnamese and third country contractors having a total value of $240 million for the provision of a variety of support, training and management services. These contracts, like all other support activities, are funded under the MASF program. If current projections hold, the number of service contracts in force after January 1, 1974, would be reduced to 64 with a value of $16.3 million. These figures, however, do not include communications-electronics contracts which may be rather sizeable, and they may not reflect recent lengthened projections of the duration of substantial support to the Vietnam Air Force.

VI. Future Prospects

The future course of events in Indochina seems to turn on the question of whether the twenty-five year struggle among the Vietnamese, and the corollary conflicts in Laos and Cambodia, will be pursued by military means or whether a political resolution is possible. In theory, the "Agreement Ending the War and Restoring Peace in Vietnam" provided a framework for such a transition. At this point, however, there appears to be little prospect that peace will be restored by political means, given the apparent continued determination of Hanoi and the Provisional Revolutionary Government to displace the existing political structure in the South and given the South Vietnamese Government's adamant refusal to afford either the Communists or the non-Communist opposition any meaningful role in political life.

If the United States thought that the leaders in Hanoi would abandon their lifelong objectives or that President Thieu would be willing to risk the tenuous security won for him by the United States, we may have miscalculated badly. The North Vietnamese may also have miscalculated, of course, underestimating the ability of President Thieu to consolidate his power and overestimating the ability of the Provisional Revolutionary Government to improve its political standing.

As events have turned out, the Provisional Revolutionary Government's prospects for some meaningful political role seem to be diminishing as the Thieu Government presses its advantage. The United States, despite its stated support for a process of political reconciliation, is in no position to press President Thieu on political matters, having had great difficulty in obtaining his agreement to terms which made possible the return of the American prisoners and his endorsement of our assertion that U.S. objectives in Vietnam had been achieved. Thus, the Provisional Revolutionary Government and the North Vietnamese may see no alternative but to renew the military struggle. For the fundamental balance in South Vietnam is between a government with larger armed forces, an established administrative structure, and a potentially strong economy whose distortions and corruptions are offset by massive American aid, on the one hand, and an adversary with spacious base areas, a good infrastructure, a powerful ideology, a non-foreign image (even though its principal supporters are North Vietnamese), iron determination and the support of a dedicated ally in the North. The unknown factors in this equation remain, as ever, whether President Thieu's control is really as firm as it appears to be and how long the North Vietnamese will be able to sustain their extremely costly effort.

At the moment, the balance seems to favor the South Vietnamese Government, especially when the deterrent of American air power is added to the equation. But the North Vietnamese may well calculate that the United States will not intervene again in Vietnam with air power, except in the case of a massive North Vietnamese offensive which placed the South Vietnamese Government in a position of extreme danger. There are all sorts of choices available to the North Vietnamese short of such a drastic step, of course, and a kind of warfare somewhere between low-level harassment and a full-scale offensive may thus be the most likely prospect in Vietnam over the next year.

In Laos, communist forces are in such a strong position, and the government forces are so enfeebled, that the North Vietnamese may be able to leave their Pathet Lao allies to their own devices, retaining of course their use of the Ho Chi Minh Trail. The first sign that they had made such a decision would be the formation of a Provisional Government of National Union.

It has always been said that without foreign forces the Lao factions could work out their own destiny in a characteristically undefined Lao way. They might have done so in 1962 when the dividing lines between the government and Pathet Lao territory were about what

they are now, or at any time since, but they were never given a chance. They may well have it now.

In Cambodia, it is difficult to imagine a political settlement which would not accord the insurgents a significant, if not controlling, political role and even more difficult to imagine a military victory for government forces, especially one which would deny the North Vietnamese their lines of communication into South Vietnam. The Khmer insurgents are growing in strength and confidence and moving from success to success. The Phnom Penh government, although it has the arms, seems to have neither the resolve nor the skill to contain them. If they cannot, their own fate will be sealed and the balance in South Vietnam could be substantially affected. The insurgents, like other armies, need supplies and equipment which the North Vietnamese, aided in turn by the Soviets and Chinese, are providing. At some point those who are sustaining the Khmer insurgents may find it in their own interests to seek a negotiated settlement in Cambodia rather than to continue to support a war which might jeopardize their other interests, in particular their relations with the United States. But until that point is reached, it is difficult to see how the war in Indochina will end definitively for any of those involved, including the United States.

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