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RM-4743-AID/ISA
SEPTEMBER 1965

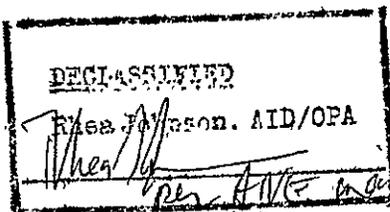
SECURITY AND ASSISTANCE IN LAOS (U)

Charles A. Cooper, Paul F. Langer, Richard H. Moorsteen,
and Charles J. Zwick

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PREFACE

This RAND Memorandum presents the results of an examination of U.S. assistance to Laos. It is part of a larger study aimed at contributing to the development of a coordinated U.S. assistance effort in Laos and Thailand. The results of the parallel Thailand study are presented in a companion Memorandum RM-4744-AID/ISA.

The dual study was undertaken at the request of the Assistant Administrator for Far East of the Agency of International Development, as an outgrowth of an earlier RAND study, also made for that office, of U.S. economic assistance in Vietnam (R-430-AID). The authors of that Report, upon its completion, made an exploratory visit to Thailand and Laos at AID's request in October 1964, to survey the possibilities for a similar study in those two countries. The resulting discussions with the U.S. Missions in both countries and with AID/Washington led to the decision for RAND to undertake studies in Thailand and Laos.

Because of the importance of the military element in U.S. assistance strategy in both countries and the interaction between economic and military aid, it seemed appropriate that the scope of the study should include the Military Assistance Program. The Assistant Secretary for International Security Affairs of the Office of the Secretary of Defense sponsored this element of the study. It was the view of both sponsoring agencies and of The RAND Corporation that simultaneous examination of both of the major aid programs would contribute to a more comprehensive understanding of U.S. assistance in the region.

A RAND team of eight people launched a six-month study in the field at the beginning of February 1965. Three of the authors of this Memorandum were based in Vientiane, and four of the authors of the companion Memorandum (RM-4744-AID/ISA) were based in Bangkok; both elements of the team worked in close association under the overall direction of the project leader, Charles J. Zwick, who is a co-author of both Memoranda. He also maintained contact with Washington and The RAND Corporation in Santa Monica, California. The team benefited

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from discussions in Bangkok and Vientiane with F. R. Collbohm, Gerald F. Hickey, and Stephen T. Hosmer (all of The RAND Corporation), and Vernon E. Ruttan of the Asian Rice Institute.

This Memorandum reports the results of the Laos study. Its theme is the relation of U.S. assistance policy to U.S. security objectives. While the study is broad in scope, it does not attempt to be comprehensive. In the first place, time limitations as well as the extraordinary breadth of U.S. assistance programs in Laos called for selectivity and concentration of effort. Also, given the context and purpose of the study, it could be assumed that most readers would be familiar with the general nature of U.S. economic and military assistance programs in Laos, the administrative arrangements for them, and their policy environment. Therefore, no attempt is made to describe them systematically and fully. Rather, they are referred to only to the extent necessary to support the analysis and suggestions for innovation or change in the areas singled out for study. The depth and detail with which these areas are treated varies considerably. Some of the topics that were studied are only briefly touched upon here, either because there is little new to say, or because a more complete discussion, while not changing the substance of the Memorandum, would have made it necessary for security reasons to limit it to a very narrow distribution.

This Memorandum is addressed to both sponsors of the study. Much of the team's investigation was devoted to understanding military problems. However, although recommendations for MAP are made in the study, most of the findings refer to civilian programs supported by AID. This is not a reflection of the relative importance of the two programs in Laos, but rather of a central finding of the study: that the largest contributions to increased military effectiveness in Laos are to be expected from measures taken on the civil side.

The information on which this Memorandum is based was gathered by the authors as a result of extensive discussions and travels in the field. Similarly, the conclusions and recommendations reflect ideas and opinions originally encountered in the course of these discussions.

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The authors wish to thank Ambassador William H. Sullivan for providing generous access to all elements of the U.S. Mission and facilitating contact with Lao officials and other informants, without which this study would not have been possible.

A particular debt of gratitude is owed to Charles A. Mann, the Director of the U.S. Aid Mission in Laos at the time this study was made. His support, encouragement, and assistance were invaluable. The authors wish to thank the many individuals throughout the U.S. Mission who gave generously of their time both in discussion and in facilitating the work of the authors. In particular, Norman Sweet, Robert Scott, and Walter Bollinger of the USAID Program Office did their best to familiarize the authors with the details of the USAID program and were ready at all times to discuss any aspect of it. Without the extensive assistance and guidance of Edgar Buell of the USAID Rural Development Division and of Doctors Charles and Patricia Weldon of the USAID Public Health Division, it would not have been possible for the authors to familiarize themselves with the Refugee Relief program, whose effectiveness is matched only by its complexity. Clark Joel of the Economic Affairs Office of USAID was the source of the information on which Chapter 8 of this Memorandum is based and extensive discussions with him illuminated the problems and issues relating to non-project aid. Mark Pratt and Thomas Barnes of the Political Division of the U.S. Embassy attempted to lead the authors through the thickets of Lao politics and arranged extensive informal contacts with Lao civil and military leaders. During the course of their travels throughout Laos the authors received at all times a degree of cooperation and help from field personnel that far exceeded the traditional bounds of courtesy. Finally, the authors might yet be struggling to cope with the novel problems of living and working in Laos were it not for the unflagging assistance of Mrs. Elizabeth Sher, secretary to the Director of USAID.

Although the study was not formally sponsored on the Lao side, Lao officials at all levels were exceptionally forthcoming and courteous. Discussions were held by one or more of the authors with

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the Prime Minister, the Minister of Finance, and other senior officials of the Royal Laotian Government as well as with provincial governors, district officers, and field representatives of RLG ministries throughout Laos. Lao military representatives were equally helpful, and discussions were held with the Chief of Staff of the Forces Armées Royales, the commanders of the major military Regions, the Commander of the Royal Lao Air Force, the Commander of the Neutralist forces, and many younger officers, particularly representatives of the General Staff. Senior members of the Buddhist hierarchy also provided helpful information.

The burden of reading and commenting on a draft version of this Memorandum was undertaken by a number of the authors' RAND colleagues, including John Enos, Malcolm W. Hoag, Stephen T. Hosmer, David Mozingo, Richard R. Nelson, Guy Pauker, James R. Schlesinger, Robert Slighton, and Charles Wolf, Jr. Their efforts are gratefully acknowledged. Oleg Hoeffding painstakingly reviewed the original draft and contributed to its improvement with many valuable suggestions at every stage of its revision.

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SUMMARY

Laos is of direct concern to three major U.S. security objectives -- it is a front of the war in Vietnam, it is the forward defense for Thailand, and it is an essential participant in the President's development program for Southeast Asia, which symbolizes U.S. commitment to the area. The importance of these objectives makes safeguarding Laos against communist takeover an enduring goal of U.S. policy. Laos' smallness and lack of internal stability stimulate the communists to seek power in that strategically located country, and make it improbable that Laos can remain independent solely through its own efforts, at least for many years. The U.S. role is to provide dollar and technical assistance to strengthen the ability of the Royal Laotian Government to govern and defend Laos, while, at the same time, through military means, deterring or counteracting pressures too large for the RLG to handle. It is in the U.S. interest to accomplish as much as possible through assistance, minimizing the risks of avoidable military involvement.

The U.S. assistance program to Laos has been essentially oriented toward maintenance, rather than investment in the future. Last year, only 10 to 20 per cent of economic assistance went for long-term purposes, and only about 2 per cent of MAP for training and military construction. The remaining funds went mainly for current costs, such as civil and military pay, relief, air supply, and military consumables. Maintenance is a low cost approach when pressures are low, but a high cost, high risk approach when they rise, as recent events have shown. The present situation in Laos has required greatly increased Thai and U.S. military involvement, and rapidly mounting expenditures of money (for example, MAP has increased by \$30 million -- that is, tripled -- since 1964). A more fundamental approach to assistance for Laos is needed, to strengthen the contribution the Lao can make to their own security.

Programs oriented toward this need are now being formulated. In keeping with traditional U.S. assistance policy, they focus on

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building infrastructure and raising income. To produce tangible results, projects that are large relative to Lao resources will be needed. However preponderant the U.S. contribution, the RLG will be taxed with additional technical, administrative, and financial responsibilities. Meanwhile new access to funds and new opportunities to use the money in politically disruptive ways will have been opened. Thus, while such programs have an important role to play, in their initial impact they may by themselves be destabilizing, divert the RLG from other tasks, and hence jeopardize the goal they are intended to achieve.

Nothing in the history of developmental assistance indicates that it is automatically transformed into improved security, our ultimate objective in Laos. The basic fact is that Laos now lacks the civil and military apparatus needed to convert dollars, in the form of traditional economic and military assistance, into an adequate return in terms of nation building and internal security. For U.S. objectives in Laos to be achieved, therefore, it is essential to confront the problem directly, making improvement in the quality of the government and military establishments themselves a principal objective of the assistance program.

This is the major finding of the present study. It is addressed directly in proposed programs to increase the technical capability of the RLG and the authority of its leaders, to reduce factional infighting and the illegal diversion of funds, and to improve local government and working relations between the center and the regions. It is also addressed indirectly, first, in a suggested reorientation of project aid to focus it as much on strengthening governmental leadership and promoting a sense of national identity as on stimulating general social and economic development, and, second, in suggested revisions of non-project aid procedures to regularize the financial relationship between the Lao private and governmental sectors, as well as to reduce the dollar costs of assistance.

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INCREASING THE STABILITY AND EFFECTIVENESS OF THE RLG AND FAR

Laos has few competent men, and the talents of those it has are too often wasted on factional infighting. Both problems are greatly aggravated by corruption, which demoralizes the civil and military services and exacerbates factionalism as public funds are used to build the private following of ambitious power seekers. The resulting instability undercuts the basis for regularizing relations between the civil and military authorities or between the regions and the center. As a result, RLG leaders lack authority and Laos is unable to focus even the slender resources it commands on the tasks of defense and nation building. A leadership conscious of these problems is beginning to emerge in Laos, and there is a demand for change among influential circles of the elite. But the problems are so integral to their society that it is hard for the Lao to surmount them on their own. The best hope for success, therefore, lies in closer collaboration between the Lao and the Americans, as is frequently pointed out by the Lao themselves. The climate for such an undertaking is good now, but the opportunity may soon pass:

The key to the American role is finding measures effective enough to matter, but not so intrusive as to undermine the Lao-U.S. relationship. In this, the manner of implementation will be as important as the measures implemented.

Approaches to Implementation

The Americans should be clearly seen as acting to enhance the authority of the Prime Minister, so as to increase his effectiveness, enlist his support, and reassure the Lao regarding U.S. intentions. At lower levels, too, the Americans must work through indigenous leaders, developing their abilities and advancing the careers of the capable. To be accepted, U.S. advice should be closely attached to material support. For this reason and to foster governmental integrity, the U.S. Mission should strengthen its control over aid funds. To minimize frictions and misunderstandings, American

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personnel should develop closer personal relations with their Lao counterparts. New measures should be phased in, gradually and tactfully, as experience is gained, and should move forward only as results satisfactory both to the Lao and the U.S. Mission are obtained. We should not aim or expect to thwart natural drives to seek authority and wealth, but instead should try to direct these drives into constructive channels. For example, while better controls can reduce the diversion of government funds, a more expansive economic climate will open opportunities to profit through legitimate business activities.

Improving the RLG Civil Service

Competent Americans should work in RLG staff positions, to upgrade RLG technical competence directly, to provide on-the-job training and stimulation to Lao co-workers, and to give the Prime Minister closer control over RLG operations. Their presence would also provide the U.S. Mission with more information and influence. At present, the RLG relies for advisors on France (about 40) and the United Nations (about 35), with results satisfactory neither to Laos nor the United States. USAID should form a Public Administration Division, with training of RLG officials as its first task, and improvement of RLG organization as a long-term goal. The RLG would need a matching agency, such as an equivalent to Japan's Personnel Authority, to improve personnel management and increase the Prime Minister's control over it. Thai civil service training facilities should be used. Both for training and reorganization, the goal must be improving on what exists, not changing wholesale to American systems.

The RLG should be urged to organize, with U.S. advisory participation, a government accounting office, reporting to the Prime Minister and with authority to audit all accounts, including the military. This would strengthen the most critical point in the RLG's ability to regulate itself, and would hold out the promise that U.S. assistance could flow more and more through RLG rather than USAID channels.

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A necessary if not sufficient condition for improving RLG performance is a major increase in civil service pay and reform of pay schedules. Present rates are grossly inadequate -- still about 35 per cent below 1961 in real terms -- and do not provide adequate incentives for good effort, particularly at upper levels, thus making corruption and demoralization inevitable. Higher pay is greatly desired by the RLG and should be offered in combination with the arrangements for improved personnel management and auditing.

Improving Military Performance

The Forces Armées Royales play an essential role in Laos, but the FAR fails to make the military contribution it could to rural security or defense against communist aggression. Moreover, it is faction ridden, and is often a disruptive force in Lao civil affairs and an irritant to the public, especially the peasantry.

More training, better pay, tighter control of U.S.-supplied resources, and closer working relations between Americans and FAR commanders could gradually lead to a more disciplined, professionalized, and effective FAR. In particular, the FAR logistical system is inadequate to support effective operations and serves instead as an arena of contention among commanders and a source of funds for the politically ambitious. U.S. advisors at the G-4 level, third country technicians in FAR depots, and a working integration of the U.S. advisory and supply functions at the regional level would provide the contact and leverage to improve FAR operations, insulate the contending generals from each other, and reduce diversion of funds.

RURAL PROGRAMS

Refugee Relief

This program is, for the most part, not "relief" at all, but an integrated political-military war effort in the uplands of Laos,

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and an outstanding success of its kind. While temptations to over-extend it should be resisted, expansion in many areas will be desirable. The program requires and deserves priority support from Vientiane. The content of the program could usefully be enriched by a more systematic effort to attract defectors from the communists, and a supporting informational campaign. The economic component of the program could be improved by the provision of veterinary services.

The Cluster Program

The village cluster program, which has been the cornerstone of USAID's rural development efforts ever since its inception in late 1963, is in transition, as demonstrated by the management this year of the "forward areas" program and the Wapi project in southern Laos. The latter represents an ambitious attempt to design a politically effective rural program over a broad area in which security considerations are closely tied to development efforts. By building on the solid base that has been established by the cluster program to date, it should be possible to modify the community development focus of the present standard cluster program in favor of an approach that more effectively supports and develops rural leadership and thereby better promotes security.

To permit more extensive coverage, projects should be simple and easily understood. Increased emphasis should be given by USAID field representatives to programs that contribute to organizing and making more effective rural government in Laos, even though the commodity input to these programs may be relatively minor. Guidance from Vientiane to USAID's field representatives is essential, but over-emphasis on the technical execution of projects can lead to neglecting action in areas where concrete results are less demonstrable but may be more fundamental.

AID TO EDUCATION

Nothing the RLG could offer its citizens is more in demand than greater educational opportunity. For both political and developmental

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purposes, the United States should support a major expansion of Lao education. The guiding principles for the effort should be maximum access to education (as opposed to maximum quality for the few), and instruction in the Lao language (as opposed to the continued dominance of French). Within five years, it should be possible to increase enrollment in grades 1-3 one-and-one-half to two times, in grades 4-6 three to four times, in grades 7-10 tenfold. Teacher training must be expanded accordingly. Provision should be made where needed for financial assistance to students of merit, for study both in Laos and abroad, and especially in Thailand. Modest vocational training and adult literacy programs should be considered, but it does not seem appropriate at this time to provide university education in Laos. Aid to education in Laos is no doubt the most effective means by which traditional development assistance can be expanded.

ECONOMIC DEVELOPMENT

Economic progress in Laos is essential to provide the Lao leadership and people with the feeling that the future promises them a better way of life and a more modern nation. U.S. support for long-term development also shows the durability of our commitment and demonstrates that we have a more constructive purpose than fighting the enemy alone. In no case, however, should economic effectiveness be the sole criterion against which programs are judged. Political and security considerations must be adequately taken into account even in programs that have development as their apparent goal.

Commercial restrictions and uncertainties generated by the civil and military authorities are a major barrier to economic progress in Laos and should be a matter for priority attention by the U.S. Mission. A more adequate road system, including feeder roads, would serve to promote national unity and security objectives as well as to promote commercial activity in rural areas. Similarly, development of Lao rivers as transport arteries should be considered.

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USAID is inaugurating a rice purchase program to supplement its on-going rice seed multiplication project. This program should include provision for making good the local rice deficits that may arise as a result of our purchases, and should be designed to strengthen, not supplant, private commerce in rice. A moderate differential between the Lao and internal Thai rice price would stimulate Lao production but still provide rice at a saving to USAID because of the Thai premium on rice exports. Because the Lao price is below the world market price for rice, consideration should be given to furnishing fertilizer and other imports at subsidized prices. However, large scale technical assistance and capital investment to increase Lao agricultural productivity does not appear appropriate at this time. A program that promoted the development of provincial capitals as economic centers would also support economic progress in rural areas.

NON-PROJECT AID

Continued non-project aid is necessary to support the Lao economy and help Laos bear the costs of a major military effort. This aid would be more efficient and less costly for any given level of the RLG budget deficit if the U.S. Import Program were reduced in size and limited to U.S. goods, and the Foreign Exchange Operations Fund increased accordingly. Tighter controls should also be established over the U.S. Invisibles Program. These changes can be accomplished without jeopardizing the financial stability achieved since the January 1964 stabilization program. To encourage exports the United States should urge the RLG to end the present practice of requiring exporters to surrender foreign exchange at the unfavorable official rate.

THIRD COUNTRY ASSISTANCE

The primary value of third country aid in Laos is not its contribution to easing the financial burden on the United States, but the tangible evidence it gives of international support for the RLG. However, such aid also provides leverage for the third country.

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This can be troublesome if the donor does not share U.S., or even RLG, objectives, as is often the case with France. While it is desirable to have as broad an international backing for the RLG as possible, the United States should be prepared to fill the gap in cases where other donors attempt to influence the RLG in undesirable directions by reducing or threatening to reduce their contributions. In the case of Thailand, political as well as economic considerations argue for increased Thai-Lao economic cooperation.

U.S. MISSION EFFECTIVENESS

The priority of the USAID program in Laos, together with its highly unusual nature, makes inevitable a conflict between standard AID operating procedures and the needs of the program. Of particular importance are modifications in recruitment procedures in order to provide personnel of the required high quality. Attention should be given to the possibility of placing greater responsibility for recruitment on USAID personnel and to expanded use of contractors and non-career employees. Temporary promotions and performance bonuses should be considered to reward outstanding service. Administratively, procuring and warehousing against expected use would enable quicker response to rapidly changing demands, while greater reliance on post-auditing procedures would enhance the flexibility of USAID operations. Feedback for improved programming should be built into USAID operations, and more research is needed on the characteristics of rural Laos and on the nature and tactics of the Pathet Lao.

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Chapter 1

INTRODUCTION

The United States is defending three major security objectives in Laos. In the first place, Laos is a front of the war in South Vietnam. The Democratic Republic of (North) Vietnam (DRV) uses Laos as a corridor and staging area to support the Viet Cong. This and the longstanding DRV ambition to control all of what was once French Indochina have resulted in increasing DRV intervention in Laos. The Pathet Lao are supplied, encadred, and augmented with organized units from the DRV. Successful action against the communist side of Laos, therefore, impedes DRV support for the Viet Cong directly and drains off men and materiel that would otherwise be available to the DRV for use elsewhere. Until a more general settlement is reached in Southeast Asia, the war in Laos must be viewed as part of the larger conflict.

Second, Laos is the forward defense for Thailand. The Chinese and Vietnamese communists have clearly signaled their intention to support a "war of national liberation" directed against the Royal Thai Government (RTG) and its American ally. The prospects for this enterprise hinge critically on the effectiveness of the communists' efforts in Laos. Communist failures in Laos will make their undertaking in Thailand vastly more difficult, whereas communist gains in Laos can add vastly to the costs to us of thwarting it.

Third, U.S. policy toward Laos is viewed by friends and enemies, by allies and potential allies, as indicative of U.S. intentions in Asia and of the U.S. will and ability to make good on commitments given. We are judged not only with respect to our resolution, but on the content of our effort -- whether we are pursuing a purpose more constructive than simply military opposition to the communists. All this, of course, applies most tellingly to the attitude of Thailand. It must also be a major factor influencing calculations on the communist side, which has long argued that lack of interest

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and inability to cope with the problems and needs of the region would eventually produce a U.S. withdrawal from the Western Pacific. The other countries of the region -- Burma, Cambodia, and Malaysia -- also scrutinize our performance in Laos, and, as the President has noted, in the final analysis even countries as far away as our NATO allies will be affected by the degree of resolution that is shown.

These considerations are reflected in U.S. policy. They underlie the sequence of threat and counterthreat that led to the Geneva Accords of 1962, just as they do the unpublicized but resolute measures taken since 1962 in response to communist violations of the Accords. They have, however, become much more explicit, both publicly and in private commitments, during the present year, as the level of violence has mounted in Vietnam and Laos, as Thai-U.S. cooperation has crystallized, and as the President has spelled out the breadth and durability of our commitment to the region.

U.S. security interests would be fully served by a truly independent, non-communist Laos. As has been authoritatively stated, the United States neither needs nor wants Laos as a client state or military ally. Both history and logic, however, indicate that the communist side will not permit such independence in a power vacuum. Laos' internal weaknesses stimulate the communists to seek power. Except as these weaknesses are gradually overcome, therefore, even neutrality for Laos is a realistic goal only in the presence of external assistance sufficient to offset communist pressures. For the United States, this means playing an active role in Laos to defend it against communist takeover, while attempting over the long run to strengthen it as a social and political entity increasingly able to govern and defend itself. A reduction of the U.S. presence, now needed to avert communist exploitation of Laos' internal weaknesses, will be possible only as progress is made toward the long-term objective of nation building.

How Laos can be preserved as a non-communist state depends critically, of course, on events in South Vietnam. Although a

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contribution to the war in South Vietnam can be made in Laos, the main impact will come from the other direction. A resounding victory over the communists in Vietnam would be of enormous benefit to the non-communist side in Laos. Even then, it should not be assumed that the Laotian problem would be resolved automatically. The communists would try to retain territory, military forces, and organization in Laos, hoping to make better progress whenever the circumstances become more propitious. This means that some degree of pressure against the non-communist side would persist, and that government weaknesses and fissures in the non-communist groupings would be exploited. Viewed pessimistically, the prospect of success against the communists might be expected to give freer rein to tendencies toward narrow self-interest and factional infighting on the non-communist side -- fostering anew conditions exploitable by the communists. In any case, building a reliable bulwark against this course of development must be part of a long-term policy toward Laos.

If the war in South Vietnam is protracted, heavy communist pressure in Laos will no doubt continue. If a negotiated settlement leaves the communists hoping to make further gains at another time, as has happened before, or frees DRV resources from South Vietnam for use elsewhere, pressures in Laos will at least continue and more likely increase, perhaps greatly.

The combination of centrifugal forces within the non-communist side and continued pressure from the communists offers little prospect that the Royal Lao Government (RLG) will be able to defend itself during the foreseeable future without substantial U.S. support. By the nature of the need, this support will have to include a mixture of economic and military components. Of the two kinds, economic support is the least costly to the United States. Participation on the military side not only runs quickly into large sums of money, it brings the United States into direct involvement, entailing U.S. prestige and credibility -- even American lives. It could also involve Thailand, with serious consequences for the

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internal development and security of this important ally. The design of the U.S. assistance program in Laos should reflect these facts. Where there is uncertainty the risk of overspending in dollars is to be preferred to the risk of avoidable military involvement.

No program of assistance can develop sufficient indigenous strength to withstand all the pressures that can be exerted on Laos by the DRV and China. But it is reasonable to aim for an indigenous effort that will: (1) have sufficient internal cohesion and consistency of purpose to avoid being crippled by factional infighting, loss of hope or irresponsible policies; (2) make continuing progress against the communist side at its present level of input, local and foreign; (3) force the DRV and China, if they wanted to reverse the trend, to intervene on a scale that is costly, risky (in terms of provoking a U.S. reaction) and obvious to world opinion; and (4) make a major positive contribution to a joint effort, if escalation occurs and U.S. and/or Thai forces are required in Laos. Even with this, some direct U.S. participation, and the credible threat of more if needed, will be necessary to maintain Lao independence. Without a strong indigenous base in Laos, on the other hand, the costs to the United States and the risk of failure will be unacceptably high.

Even a program with these limited objectives is ambitious under present conditions. The non-communist side in Laos is ill-organized to defend itself. It is weakened by incompetence, corruption, and factionalism. A sense of nationhood is only beginning to emerge in Laos, and the country is dangerously divided along regional and ethnic lines. The war consumes a disproportionate share of its manpower and resources. Little is left for long-term improvement, and the morale of the people and their leaders is not adequately supported by hope for a better future. As a result of all this, neither the government nor the military is able to make satisfactory use of the material support received from the United States, for purposes of either self-improvement or effective action against the

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enemy. The Forces Armées Royales (FAR); for example, does not make the contribution that might be expected from a force of its size toward sapping the enemy's strength and providing rural security. This is the case today. It would become more glaringly and dangerously obvious tomorrow, if the enemy's attention and resources were to be increasingly focused on Laos. The basic fact is that Laos lacks the civil and military apparatus needed to convert dollars, in the form of traditional assistance, into an adequate return in terms of nation building and military security.

U.S. assistance to Laos in the recent past has been oriented essentially toward maintenance. It has paid current costs but largely avoided investing in projects that would pay off only in the future. Thus of total economic assistance last year, project and non-project, only about 10 to 20 per cent was directed toward long-term development. The remainder went to support civil and military salaries, relief, air support, and the like. Of the current military assistance program, only 2 per cent goes for training and virtually nothing for military construction, the bulk being spent on consumables. As a maintenance operation, it has been remarkably effective. Successes have been scored in many directions scarcely foreseen at the time of the Geneva Conference. On the other hand, the intensification of the conflict in Southeast Asia and the deepening of the U.S. commitment cast increasing doubt on maintenance as the dominant form of U.S. assistance. It is a low-cost approach when pressures and commitments are low, but a high-cost, high-risk approach when they rise. This was illustrated strikingly during 1964. As communist efforts increased, the United States responded -- most dramatically with the T-28 program -- and the MAP budget tripled, rising by some \$30 million. Developments since then have evoked further direct responses from the U.S. side, adding costs not shown at all in the assistance budget. In other words, the present situation has been obtained by invoking continually higher levels of effort, whereas any further deterioration in relative posture within Laos will have to be quickly reflected by

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large increases in U.S. expenditures and involvement. It is only reasonable, therefore, to look for ways to defend against such deterioration by strengthening the non-communist's indigenous base. Efforts toward this end are more likely to succeed if begun now, while conditions in Laos are relatively favorable, than if delayed until the need is desperate.

Programs oriented toward these goals are now being formulated. In keeping with traditional U.S. assistance policy, these focus mainly on building infrastructure and raising incomes. For example, construction of the Luang Prabang Road has been approved, a vigorous effort is being made to organize financing for the Nam Ngum Dam, and a program to increase rice production has begun. Infrastructure and income have an indispensable contribution to make, but they are not goals in their own right. They contribute to the ultimate U.S. objective -- security -- only insofar as they promote the ability of Laos to govern and defend itself. Nothing in the history of economic assistance suggests that there is an automatic transformation of projects designed for these purposes into improved governmental performance, political cohesion, and hence national security. To produce tangible results, a program that is large relative to Lao domestic resources will be required. On past performance, it seems not unlikely that injecting the funds, personnel, and foreign contractors needed to carry out such a program will make it even harder for the Lao to hold up their end of our joint undertaking. However preponderant our contribution, the RLG will be called on to provide additional technical and administrative services, to deal with more numerous U.S. counterparts, and to take an active part in the equitable distribution of the benefits. This will tax RLG competence in the purely technical sense. Meanwhile, it will open new access to funds and new opportunities to use the money in disruptive political struggle. Thus in their initial impact, such projects may even be destabilizing and jeopardize the goal they are intended to achieve.

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This is not an argument for doing less. For reasons already stated, it is essential to find suitable ways to build toward Laos' future. What is indicated, however, is that an effort along traditional developmental lines will not suffice. It must be accompanied by programs that will strengthen RLG effectiveness, stability, and integrity of purpose. In fact, analyzed closely, it is precisely the ability of Laos to govern itself that is the prime objective of the assistance program. To see this, it is enough to compare U.S. preferences as between a Laos that is poor but responsive to the guidance and mandate of the RLG, and a Laos that is wealthy but defiant of its government's leadership. The real question, therefore, is that of choosing programs best designed to accomplish the desired end. Developmental and welfare programs are certainly needed, but neither Laos nor the United States would be allocating their efforts wisely if they did not confront the problem more directly, making the improvement in the quality of the government itself a principal objective of the assistance program.

This is the major finding of the present study. The recommendations in succeeding chapters reflect it, both directly and indirectly. Thus Part I is devoted explicitly to programs to improve the performance of the RLG and FAR. Here the focus is mainly on the central government -- on increasing its technical capability, strengthening the authority of its leaders, especially the Prime Minister, reducing factional infighting and the illegal diversion of funds, and enhancing its ability to relate constructively to the regions and to support local government. The program is also designed to augment the U.S. Mission's leverage and intelligence with respect to FAR and RLG operations.

Selected issues concerning project aid are taken up in Part II. Most of the recommendations refer to the further development of projects already started by USAID, particularly in the fields of rural development and education. Here again, the orientation is toward programs that not only stimulate general social and economic

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development, but specifically strengthen governmental leadership at all levels and promote a sense of national identity and unity.

Methods of financing non-project aid are discussed in Part III. Suggestions are made to reduce both the dollar cost and pressure on the U.S. balance of payments of maintaining any given level of effort. These measures should also rationalize the financial relationship between the Lao private and governmental sectors, producing an environment more conducive to economic development and governmental integrity. The relationship of Laos to third countries, in the perspective of U.S. security objectives, is also considered in Part III. Long-term viability for Laos, it is argued, will best be served by a gradual economic and cultural reorientation in which relations with Thailand in particular are strengthened. A constructive role for third country and multinational assistance to Laos is also suggested. Finally, measures to increase the effectiveness of U.S. operations in Laos are described.

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PART I

A NEW DIMENSION FOR ASSISTANCE TO LAOS

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Chapter 2

PROBLEMS OF GOVERNMENTAL DEVELOPMENT IN LAOS

The United States has a major stake in improving the unity and effectiveness of the Lao government and armed forces. The dangers of disunity among the forces on the noncommunist side have been painfully demonstrated by events in Vietnam. On what is fortunately a smaller scale so far, the same consequences can be seen in Laos. For example, the unsuccessful coup attempted last February virtually wiped out the Paksane-Borikhane section of the hill tribes program. A spread of this kind of infighting could undermine our most valuable military and political assets in Laos. Similarly, efforts to counter the communists by building infrastructure, stimulating economic development, and improving health and education are essential, but will be built on sand if not accompanied by a substantial improvement in the ability of the Lao to govern themselves. Again the case of Vietnam comes to mind, where millions have been invested in social and economic measures, but where the objective of these expenditures has been frustrated by government instability and malfeasance. In Laos the same unfortunate syndrome can be seen. For example, USAID supports programs designed to promote agricultural productivity, while army units requisition the peasants' output at gun point and the RLG district officer, for reasons of his own, forbids the movement of produce to urban markets. What is the net effect on the peasant? In short, it is self-deception to expect to accomplish more with good works than can be undone with the greatest of ease by bad government.

To acknowledge a major interest in developing effective governmental and military institutions is one thing. To specify their shape and how to bring them into existence is another. This is not usually a major focus for U.S. assistance policy and not, therefore, a field in which we have much experience to draw on. Undoubtedly, in the long run, it is also true that the task must be accomplished primarily by the Lao themselves. It is their country, and only through their own efforts will they come to appreciate and master the institutions that

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emerge. But the Lao, too, are novices at building good government, and the best hope for success lies in a cooperative venture to which both parties contribute their best efforts.

A period of uncertainty and pragmatic exploration lies ahead, therefore. The problem for the United States (and Laos) is to insure that there is a trend in the right direction, and that it is clearly discernible. Meanwhile it is essential to maintain a level of governmental stability and effectiveness sufficient to support ongoing economic and military programs and a degree of responsiveness to U.S. guidance sufficient to support U.S. policy objectives in Southeast Asia.

Although our ultimate objective is to foster the initiative and responsibility of the Lao, this goal can be defeated by overloading Lao capabilities, just as a parent's ultimate objective of imparting independence and self-sufficiency to his child can be defeated by transferring responsibilities and authority prematurely. A case in point is the effect in Laos of providing inadequately controlled resources. Rivalry for their possession has a destabilizing impact on the system which undercuts the constructive purposes for which the funds are provided. Giving funds in this fashion subverts the recipient, whereas giving them with proper control assures that they are correctly utilized, and in the process builds the recipient's own ability to use them properly. In the USAID Trust Fund, the Mission has developed an instrument for controlling project aid that shows supervision can be both effective and acceptable to the Lao. U.S. supervision over the utilization of aid could be extended in areas where it is still inadequate, in particular with respect to MAP supplies and non-project aid.

There are many problems in building effectiveness that the Lao will find difficult to solve by themselves. Although Americans cannot replace the Lao in these tasks, there is a need for closer collaboration between the two. Some of these problems arise because the requisite technical competence is not readily available among the Lao. Others stem from low standards of performance, not so much in terms

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of technical skills as of working habits, integrity, and acceptance of responsibility. In both respects, the Lao could benefit by working side by side with Americans doing similar jobs, through a shift of Americans from "counterpart" roles into positions where they do staff work for and with the Lao.

As elsewhere, improving the quality of government in Laos is basically a political task, which must be carried out by the political leadership. Paradoxical though it may sound, providing better U.S. supervision over aid funds and placing Americans in staff positions of the RLG, if properly handled, will work to enhance the authority of the present Lao political leadership. The most debilitating influence on their authority now is the limited ability of the system to carry out their policies, due to ineffective operational performance and factional infighting. To have authority, a leader must be able to get done what he says should be done. This authority will be increased by making the system respond better to the leadership's policies.

Laos is one of the world's most backward countries. Its institutions are amorphous and its modes of thought, even among many of the elite, are pre-modern. It is difficult even to discuss its problems in our customary terminology, because the words carry an air of substance and precision ill-suited to the shadows and ambiguities of Laos. Nevertheless, its geographic location and political significance make it important to us, and we must grapple with its problems, however frustrating and bizarre the task may sometimes seem. By the standards of the West, or even of Thailand, what can be accomplished is limited indeed. But the matter must be judged in relative terms, and the relevant standards are those of Laos. We cannot catapult the country into modernity, nor do we need to. But we can improve on the present situation. If we do not make such progress, the centrifugal forces in Laos may leave us no base from which to operate.

The remainder of this chapter examines in more detail the weaknesses in the Lao system alluded to above. This is not a complete description of the system, but focuses only on features that present special obstacles to U.S. policy and that can be significantly affected

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by the U.S. assistance program. Chapter 3 offers specific program recommendations.

INCOMPETENCE, FACTIONALISM, AND CORRUPTION

The most serious ills afflicting present Lao leadership are incompetence, factionalism, and corruption. Taken singly, each is a major problem. Together they are mutually reinforcing and supported by historical factors and traditional Lao values to an extent that makes it doubtful whether they can be overcome by the efforts of the Lao alone. This is often pointed out by senior Lao, both civil and military.

Laos is notable for the lack of qualifications and experience with which its leaders must meet its complex and weighty problems. This is hardly surprising. The country's educational establishment does not begin to supply the country's needs. Education abroad, although an invaluable supplement, is inadequate quantitatively and often produces a Lao who is out of touch and even out of sympathy with his country's ways and needs. Both the policies of the French colonial administration and the tumultuous domestic developments in Laos since independence have prevented the establishment of a tradition or fund of experience adequate to develop competent leadership. This means that truly competent men are few and that their skills must be carefully husbanded and deployed.

The Lao power structure tends to organize itself into factions, based on allegiance to an individual or family, or a regional or ethnic elite. Both the army and the government, therefore, become arenas in which the struggle for power between these factions is carried on. This means, in the first instance, that the energies and offices of the nation's leaders become the instruments of internecine warfare, rather than the means of achieving national goals. Second, the struggle for factional power inevitably becomes in part a struggle to control positions of authority. Individuals are placed in office because of their factional allegiance or family connections, rather than for reasons of qualification. Thus the country's small stock of

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competent men is not used to best advantage. Good men are not necessarily placed where they can do the most good. Instead, positions of critical importance are often preempted by men of lesser competence, motivated to use their office as a personal or factional status symbol, rather than to do the best job with the qualities they command.

The role of corruption in Asian societies is difficult for the Westerner to understand. Many extra-legal payments, which would be regarded by us as blatant graft, are so well accepted and so firmly embedded in tradition as to carry the legitimacy of the tip we leave in a restaurant. Payment is not unethical; indeed, nonpayment may constitute a high-handed breach of implicit contract. To say this much implies that we must strain our powers of comprehension in judging the effects of corruption in Laos. It would be pseudo-sophistication, on the other hand, to leap from this modest insight to the conclusion that all forms and degrees of corruption are acceptable to the Lao and compatible with that minimum of performance required for the survival of Lao society. On the contrary, in recent years, under the impact of social upheaval and the introduction of massive quantities of U.S. aid, techniques and uses of extra-legal transactions have been developed that have no sanction in Lao tradition. Furthermore, under the pressures of communist attack, many time-hallowed practices may themselves require revision. Difficult though the task may be, therefore, it is necessary to make a serious attempt to appraise the role of corruption in Laos and its impact on U.S. objectives there.

All the well-known consequences of corruption operate in Laos. It diverts resources. It distracts the nation's leaders from their legitimate duties. It is contagious in that honest officials are corrupted or demoralized as they see less scrupulous colleagues grow rich. But its gravest consequence from the U.S. point of view is that it is politically destabilizing to a degree that threatens the continuity and integrity of the government.

In the first place, corruption stimulates factionalism. Not only does a position of power give access to wealth, but the acquisition of

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wealth opens the route to increased power. Since the authority of the factional leader depends on his personal following, he uses his resources to buy followers. Indeed, without resources at his personal command, his following is likely to prove of dubious reliability, as the recent experiences of Phoumi and Kong Le demonstrate. The competition for resources becomes part of the competition for power. One faction dares not leave the field of corruption to another without risking its own power position. Since so many resources flow from Vientiane, the culmination of this competition is often a struggle for control of the central government itself. Second, the widespread, widely known existence of corruption discredits the government and provides a moral justification for variously motivated attacks against it. Lao in all walks of life are literally obsessed with the problem. Thus even the most self-seeking aspirant to power can mobilize support by advertising his cause as an assault on corruption. It is not surprising, therefore, that in each of the coups since Kong Le's in 1960, corruption and the control over resources has figured both as a prime motivating factor and a political justification.

Since so many of these problems are integral to Lao society, it is hard for the Lao to surmount them on their own. The surest route for a man to improve his capabilities is to serve with colleagues of excellence -- but it is just this kind of pacesetter who is now in shortest supply. The strong Lao sense of obligation to personal, familial, and factional relations makes it extremely painful for individuals in public service to apply to their colleagues hard-headed standards in personnel policies or in the enforcement of financial integrity. Furthermore, it may be dangerous to do so, should an offended colleague find the means to take revenge through his own network of friends, relatives, and allies. This sense of danger acts, too, to preserve the factional character of the Lao power structure and therefore the frictions that factionalism creates. Did the commander who responded to Phoumi's appeal last February act as a free gesture of loyalty or as insurance against the possibility that Phoumi's coup would succeed and his failure to respond would be punished? Until there is assurance that factions will not rule the roost, individuals

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will tend toward factional allegiance for self protection -- the problem breeds its own continuation.

CIVIL AND MILITARY AUTHORITY

The distribution of authority between Lao civil and military leaders is ill-defined, variable, and subject to dispute, sometimes hidden, sometimes overt. In part this is natural in a country long at war. A wide spectrum of government activities have security implications, and military leaders inevitably become involved in areas that in other countries are left entirely to civil authorities. However, military leaders, especially in Vientiane, also intervene in civil affairs to increase their personal political power. Control over armed forces and over the large volume of resources that flow through military channels tempts the ambitious general again and again to turn the army into an instrument of personal authority and to use this base to increase his influence on civil affairs, even to the point of upsetting the government.

An immediate consequence of this tendency is to promote competition and distrust among military leaders. At present, some of the country's most able military leaders fear arrest or assassination at the hands of their colleagues. This of course undermines the military effort against the communists. For example, most of the military movements in Laos in the early months of this year were directed against other non-communist units, in preparation for, and as aftermath to, the attempted February coup. The best organized and most effective military operation conducted by the General Staff since Operation Triangle in the summer of 1964 was the suppression of dissident FAR elements in Thakhek in late February. Able military leaders are scarce in Laos. The country can ill afford the reduction in numbers and effectiveness now occurring through political rivalries and intrigue.

In addition, the work of civil authorities is impaired by the encroachment of the military. What kind of performance can be expected from the Customs Service, for example, when its officers are waved

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aside at gunpoint by military convoys carrying contraband? At a higher level, the government has reason to feel hostage to the military forces. Only timely and adroit action by the U.S. Mission frustrated military coups against the central government in 1964 and 1965. The orderly development of a more modern approach to government requires confidence, and this means that more stability must be built into the system. Hairbreadth rescues are not enough.

As matters now stand, many of the ablest, most ambitious -- and public spirited -- men in Laos are in the armed forces. They cannot be excluded from an interest in civil affairs by simple fiat, especially when they have serious doubts about the efficacy and integrity of the civil government, and harbor suspicions about the potential use of civil channels to promote the careers of rival military leaders. Furthermore, in many cases it may be desirable to recruit from the military in filling civil posts. Nevertheless, practical considerations dictate the continuation of an essentially civilian government in Laos. There are no leaders now visible among the military capable of stepping into Souvanna's or Sisouk's role. Filling the civil ministries with generals and colonels would not only reduce the professional competence of the government, but would lower the capabilities of the FAR. More important, the ascendance to power of any of the generals likely to take the step would jeopardize his colleagues and produce self-destructive conflicts within the military.

For all these reasons, a normalization of the relations and the distribution of responsibilities between the civil and military is needed. This must be based on greater confidence by the military in the performance and integrity of the civil government on one hand, and increased professionalization of the military on the other. They must be able to take pride in comporting themselves like soldiers and feel assured that their careers will be advanced by so doing. And they must know that neither they nor their rivals will find an alternative route to power by dominating civil affairs.

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REGIONAL AND ETHNIC DIFFERENCES

Even among the ethnic Lao, there is a long tradition of regional autonomy and rivalry, stemming from the days of the Mekong city states into which Laos was once organized. This is reflected today in the domination of regional affairs by locally prominent families and in the mutual suspicion among these regional elites. From the U.S. viewpoint, it is most seriously reflected in the high degree of autonomy manifested by regional military commanders.

The sense of separation felt by the ethnic minorities of Laos is much sharper still. Each of these is distinguished from the Lao (and other minorities) in many ways, from language and religion to dress and world outlook. They have a history of conflict with the Lao, and they fear Lao domination, though the intensity of mutual suspicion is not so great as between the Montagnards and Vietnamese.

These built-in tendencies toward separatism run counter to the most fundamental common interest of the noncommunists of Laos. Given free play, they will increasingly lead the noncommunist side to fight within itself, permitting the enemy to play group against group. On the other hand, true national unity is a remote prospect. Neither the central government nor the General Staff commands sufficient respect and confidence to bring these diverse groups together. Nor does either body yet deserve such trust. Expanding their authority prematurely would exacerbate present differences rather than produce the desired unifying effect. For example, hastily extending the authority of Vientiane over the hill tribe programs of the North would be more likely to wreck this valuable effort than to bring unity and integration.

This is not to say that the cause of unity is without natural assets in Laos. The King is respected by almost all noncommunist groups. The war and the expansion of the military establishment have accelerated both geographic and social mobility. People know more about the rest of their fellow countrymen than ever before. Travel and education abroad has increased the sense of nationality among the

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younger elite. But the most important forces are external. The pressure from the communist side has generated a sense of common cause. And the American support for each of the noncommunist groups has produced a set of special relationships between them and the Americans. In trying to bring harmony to the noncommunist effort, the Americans often act as honest broker -- carrying communications, seeking areas of mutual agreement, coordinating operations, restraining the impetuous or reassuring the threatened. In this way, American personnel have become a temporary unifying factor, permitting the noncommunist side to function in the interim needed to build effective national institutions of its own.

Regionalism and ethnic groupings are, perhaps, just a special case of factionalism, but they are functional in a very basic way and hence must be harnessed to our objectives rather than combated. Most of the fighting against the communists is carried on by a few FAR commanders in regions outside Vientiane and by partisan forces composed mainly of ethnic minorities. Their ability to operate is best served by retaining the present kind of localization. At the same time, friction between them and the center can undermine both their will and ability to fight, or even turn them against the center itself. Thus the building of a durable capacity to resist the communists depends on improving the quality of the central institutions until they win respect and authority among these diverse groupings. Meanwhile, the job of holding the lot together must fall at many critical junctures on the Americans.

A DEMAND FOR CHANGE

Despite a veneer of French administrative organization, leadership in Laos, until quite recently, has been dominated by an old and essentially exploitative, if traditionally Asian, approach to government. Positions of power were attained through strength, guile, and inheritance, and the resources and authority commanded by these positions were considered to be rightfully available for the pursuit of personal rather than public ends. The public interest received

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consideration only instrumentally: traditional Lao leaders provided benefits in somewhat the spirit that ranchers protect and fatten their herds.

Developments since independence, most recently and threateningly the rise of Siho, have convinced a large and influential circle of Lao that the old style of leadership has become increasingly ill-suited to the needs of Laos. Its weaknesses and abuses are readily exploited by Pathet Lao propagandists and organizers, while the flow of dollars into Laos and the increase in the size and fighting capability of Lao armed forces have raised the stakes and the dangers of feudal disputes among noncommunist factions. Continued dependence on the political mechanisms that support the old style of leadership -- factionalism, favoritism, and corruption -- means continuation of an ineffective and inherently unstable government, ill-equipped even with U.S. support to act in its own defense.

A new style of leadership that draws its authority from its ability to achieve national goals is beginning, but only beginning, to emerge. Whether it can become firmly established is now at issue. Leadership in Laos will continue to be a blend of the old and the new, the proportions depending on the particular individuals who come to power and the ground rules under which they must work. Each step in the direction of the new style of governing will make the next step easier. As leaders emerge who seek the cooperation rather than the extinction of other potential leaders, and as the institutions of government become more effective in limiting the misuse of power by those in authority, fears of reverting to the old style of factional conflicts will diminish. On the other hand, the failure of such institutional changes to occur and the consequent retention of the means to power by the old style of leadership will undermine the confidence essential to continued development toward the new. Good intentions are not enough to insure success, as the experience of CDNI* testifies. The system itself must be altered, if leaders with

*Committee for the Defense of the National Interests.

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the best of intentions are not to find themselves forced to choose between defeat and the adoption of the old style of operation.

The attempted coup of February 3, 1965, resulted in the ouster of two of the men most symbolic of the abuse of authority, Phoumi and Siho. Their departure has produced a momentary sense of relief and a demand for change, especially among civil and military officers just below ministerial or general rank. The dissatisfaction of these men is clearly a potential source of improvement, but it is also destabilizing. Some of them are cleared headed and judicious, but many, despite their good will, are inexperienced, impetuous, and unrealistic. Because education is both rare and esteemed in Laos, a well-educated man may carry weight in fields for which he has no particular qualification. Thus, for example, a young doctor, with a sound medical background but a political orientation of naive Marxism, may be in a position to influence political or economic developments. The present ferment cannot safely be resisted, but unless it is channeled into constructive directions, it may do more harm than good.

A ROLE FOR THE UNITED STATES

A number of circumstances make the present period more propitious for favorable development than has been true in the past. On the other hand, the basic weaknesses of the system remain, and there is little assurance of success unless some of these can be ameliorated. There is now an opportunity (which may not last if it is not acted on) for changes in the desired direction.

At the most senior level of government are a Prime Minister and Minister of Finance who enjoy the confidence of almost all noncommunist leaders in Laos and who appear able to work together in the new style. This is as favorable a combination as is likely in the foreseeable future for breaking the cycle of self-fulfilling suspicion and cynicism. However, they are limited in both the budgetary and administrative means at their disposal, and they are not without competitors in quest of authority. For example, at this writing, the General Staff seems to be evolving into the fiefdom of a single clan, one of whose

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members was recently appointed Director of Customs. Meanwhile, delegations of colonels call on a respected regional commander, urging him to lead a coup against the high command. Faced with frustrations, either Souvanna or Sisouk might withdraw from his present post, with no replacements of comparable caliber in view. Even if they stay, a failure to achieve results will create dissonance in the ranks and undermine their effectiveness and resolution.

The combination of tact and steadfast support displayed toward the present RLG leadership by the U.S. Mission has produced an atmosphere of exceptional mutual confidence. The Mission's restraint in pressing its views has allayed possible fears of neo-colonialism. The Lao are in any case not xenophobic. At the same time the determined U.S. commitment to Southeast Asia has reassured the Lao about our long-run interest in their country. These factors have strengthened relations between the United States and the noncommunist elements in Laos. They have also contributed to the growing estrangement between the latter and the Pathet Lao. Given the uncertainties of life in Southeast Asia, however, we cannot be sure that the present opportunities for Lao-U.S. cooperation will always be available.

Even the Lao most alert to the weaknesses of the present system have only limited confidence in their own unaided ability to overcome them. Virtually every Lao we interviewed, from ministers and generals to captains and district officials suggested on his own initiative that Americans should play a more active role. This is not as surprising as it may at first seem. Many Lao attribute responsibility to the United States for the poor governmental performance of recent years, which they believe resulted in large measure because the United States provided assistance without adequate supervision or attention to political consequences.

Lao receptivity should not be taken as a signal to rush in blindly. An invitation to intervene issued in the abstract can produce resentment when accepted in the concrete. It would be naive, however, to suppose that by failing to take an active role in Lao affairs we can avoid incurring Lao resentment. A relatively detached policy will be

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seen as an indication that the United States is unconcerned with the welfare of Laos and has only an instrumental interest in the country; this in turn will raise doubts about the durability of the U.S. commitment. Moreover, those Lao who resent our tolerance of the way assistance is misused are likely to be those most imbued with a sense of public spirit, whereas those who resent our intrusion are likely to be those misusing the funds provided.

In short, the United States is already a major participant in Lao affairs. U.S. economic and military assistance bulks so large, the U.S. diplomatic presence is so influential, and U.S. policies elsewhere in Southeast Asia weigh so heavily in Laos' future that nonintervention is not feasible. By omission or commission, we intervene daily. What is more, the present pattern of intervention does little to bring the necessity for intervention to an end. Unless better progress is made toward developing Lao institutions genuinely capable of effective self-government, the U.S. involvement will be needed indefinitely. This will become increasingly apparent to the Lao, who need the prospect of true independence to make even their current efforts seem worthwhile. The question, therefore, is not intervention versus nonintervention, but whether in collaboration with Lao leaders programs can be developed to give more satisfactory results to all concerned. The climate for such an undertaking is favorable at present. If we let the opportunity pass, we may end like the man who would not fix his roof while the sun was shining, but was forced to do a hasty job of patching under much less promising circumstances.

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Chapter 3

MEASURES TO INCREASE RLG AND FAR EFFECTIVENESS AND STABILITY

The key to taking a more active American part in Lao governmental development is finding measures that are effective enough to matter, but not so intrusive as to undermine the basic Lao-U.S. relationship. The resolution of this conflict must be sought in the well-known principle that the manner of the execution is often more important than the content of the measure being executed. This chapter suggests first some general lines of conduct that would make a U.S. effort blend more effectively with the work and attitudes of the Lao; and second a menu of more or less concrete measures through which the United States can support the government-building process in Laos.

SOME GENERAL DIRECTIONS TO FOLLOW

Relations with the Prime Minister

U.S. policies must be clearly designed to enhance the authority of the Prime Minister. This is necessary to gain his acceptance and to reassure the Lao that the United States seeks to strengthen their government, not to take it over. Besides, it is essential to the ultimate objective. People everywhere, but especially in a society like that of Laos, tend to trust and respond to an individual, rather than an abstract institution. In particular, confidence in Souvanna and his authority is a unifying factor for the country because he is the least likely to use his power for parochial ends. The central government as an institution does not carry the same assurance, because it and many of its organs have too often been used for factional infighting. A major goal for the United States, therefore, is to increase the responsiveness of the central government and the General Staff to the guidance and values of the Prime Minister. As this is accomplished, public acceptance of the institutions will also grow, increasing their effectiveness. Meanwhile, by strengthening

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relations between the U.S. Mission and the regional commanders, the Americans can serve the Prime Minister as a link between him and them. This will help him fulfill his unifying function without waiting for perfection in the General Staff or being stymied by its present defects.

The occupant of the post of Prime Minister may change from time to time. To function effectively, however, any occupant will need the authority and administrative means to make the governmental and military apparatus execute his policies. By putting themselves in a position to help in these respects, therefore, the Americans can facilitate orderly succession to the office, reducing the likelihood that Souvanna's successor, say, will be hamstrung because he lacks Souvanna's personal stature. In this way, too, they can be better placed to influence, if necessary, the conduct of occupants who, because of pressures or personal proclivities, might adopt dangerous policies.

Working Through Indigenous Leaders

At lower levels as well, our efforts should be toward developing and strengthening the indigenous leadership, but this will be more difficult because the quality and motivations of men at this level are uneven. Our weapon here is selectivity. Where leadership positions are already in the hands of good men, we should make a special effort to support them materially, to encourage them to take the initiative, thus developing their own leadership capacities, and to promote their relationships with higher levels of authority. As these men advance in effectiveness and rank, men of more marginal caliber should become receptive to adopting the same standards of performance. There will always be some who are basically inadequate. It is most realistic to expect that little will be accomplished where they are in authority and hence to focus our efforts elsewhere. There is more to be done in Laos than we or the Lao can undertake at once. It should be possible to work principally through support of desirable elements, avoiding conflict with (but also support of) the

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less acceptable. Meanwhile selective advancement of the able, together with natural attrition, will improve the overall quality of the government.

Using Resources to Maintain Leverage

Much of our influence in Laos depends on our control over the flow of resources. If we want our advice to be taken, we will do well to attach it closely to accompanying support. Furthermore, existing Lao institutions are not yet capable of insuring correct end use. Premature transfer of control over resource allocation, therefore, has the effect of corrupting rather than strengthening the allocating institutions, by making them instruments of abuse rather than control. On both counts -- maintaining U.S. influence and fostering the integrity of the government -- the Mission should maintain and in some instances increase its control over resource flows. Many Lao, for example, spontaneously praised the USAID Trust Fund to the team, on the grounds that it assured the use of aid for its intended purposes, in contrast to other methods of transfer that did not supervise end use. Thus there is acceptance among the Lao of both the desirability and propriety of close U.S. supervision of aid funds. By contrast, we may end up with both the wrong friends and the wrong enemies if we make the funds available without such supervision.

Fostering Personal Relations with the Lao

As in most Asian countries, personal relationships play a most important role in Lao governmental and military affairs -- far greater than in western societies. The acceptability and effectiveness of Americans in Laos are greatly increased if their style of work takes adequate account of this fact. To get results at the working level, we must also build relations at the personal level. Although the members of the Mission are certainly well disposed to their Lao counterparts, they could do much more in this respect, on an individual-to-individual basis, with major benefits for their

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work. There are now instances in which Lao at various levels of authority, including some quite senior, have established a degree of mutual confidence with individual Americans approaching that considered necessary for a reliable working relationship among the Lao themselves. For the Americans, this required linguistic qualification, an ability to contribute to the professional pursuits of the Lao, and an expenditure of time and attention far beyond that afforded by the normal cycle of working meetings and diplomatic entertainment. It is the unusual American who can play this role, but with even a few, if strategically placed, the payoff can be large in terms of our ability to communicate with the Lao and to comprehend and influence events. Senior members of the Mission should be able to encourage a general tendency toward more personal contact by giving explicit recognition of its value to the staff they supervise. Individuals who prove especially apt at it must be spotted and supported, and full use should be made of their potentialities. These considerations argue powerfully for offering adequate incentives to acquire linguistic qualification and live close to the Lao (for example, in the provinces), and for increasing the number of Americans working side-by-side with the Lao, rather than out of Mission offices.

A Public Rationale for Our Policies

For purposes of public explanation, the focus for the set of recommended actions should be support for the current efforts of the Prime Minister to improve the quality of government and reduce corruption. This combines several important elements: (1) It supports the Prime Minister's authority, moral as well as practical. (2) It attacks a problem widely recognized by the Lao. (3) U.S. concern with the disposition of our aid is recognized by the Lao as a legitimate reason for active American participation in the work of the government.

Pragmatic Implementation

Some of the measures recommended in the next section are novel.

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Taken in their entirety, they could have a major impact on developments throughout Laos. On both counts, they should be instituted gradually and tactfully. This is important in order to make use of the experience gained in earlier phases to improve design and implementation in the later, to give the Mission time to master its new operational responsibilities and to avoid alarming or overwhelming the Lao.

Only as results satisfactory to both the Mission and the Lao are obtained from the first steps should additional ones be taken. Although the measures are intended to improve the general climate for institution building in Laos, true progress can be achieved only through the exercise of initiative by Lao leaders of genuine stature. Men with more advanced concepts of leadership are beginning to appear in influential positions in Laos. The best hope for success lies in encouraging them to take the initiative, while providing the kind of financial and administrative support they need to be effective.

The measures are also designed to provide the U.S. Mission with a capability in being, permitting it, as desired, to take a more active role in governmental development. The intention, in other words, is to create a suitable set of instrumentalities. The vigor with which these instrumentalities are applied and the uses to which they are put must be decided pragmatically, in accordance with the needs of the moment. Insofar as Lao initiatives are successful in developing more stable and effective practices, the Americans can tread lightly, working as disinterested technicians to provide improved RLG operational capability. Where help is needed or emergencies arise, on the other hand, the Mission will have a richer flow of information and be better equipped to act.

Regularization, not Regimentation

It is neither possible nor desirable to stymie the natural drives of ambitious and influential persons to seek authority and

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wealth. It should be possible gradually to direct these drives into more constructive channels. For example, most of the important families of Laos are involved in business as well as government. The measures recommended in this study are intended to reduce opportunities for enrichment through illegal diversion of government funds, but at the same time their net effect would be to increase total disposable income in Laos and hence to expand business opportunities. By increasing their legitimate business activities, the families could end up richer than before, even though their direct access to government funds was reduced. The effect on Laos would be to reduce the disruption of governmental functions while stimulating economic development. Similarly, political activity in quest of office and rank must be expected to continue and can, in fact, make an important contribution to the emergence of effective leadership. What is needed is to enhance the relative probability of success for leaders who tend to operate in more modern and constructive ways.

PROGRAMMING RECOMMENDATIONS

Concrete measures must be tailored by the Mission to fit prevailing circumstances and can be adopted only in cooperation with the RLG. The measures suggested below are therefore described in relatively general terms. It is believed that they would, in some form, be acceptable to the RLG. Many were initially derived from suggestions by RLG officials, but no attempt has been made, of course, to explore formal RLG responsiveness.

The measures are essentially administrative, whereas the problems they are addressed to are essentially political. The paradox is inevitable, as the United States cannot rely primarily on taking political initiatives to attain its objectives with respect to Lao domestic developments. We can, however, press for administrative measures clearly related to our assistance program, but also conducive to the political trends we hope to foster. The measures suggested below are intended to be of this sort, in the

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following respects: (a) They should alter the rules under which the game is played in favor of newer styles in leadership, by reducing the misdirection of aid funds for personal gain and power. (b) They should provide incentives for a more professional performance from those in civil and military service. (c) They should increase the authority of the Prime Minister and his associates. (d) They should provide the U.S. Mission with information and leverage at a finer level of detail than at present, permitting it to influence developments in the small, rather than choosing between inaction and swatting flies with a sledge hammer.

MEASURES DIRECTED TOWARD THE CIVILIAN GOVERNMENT

American Personnel for Staff Positions

The United States should stand ready to supply and finance competent personnel for Staff positions in the RLG. These may be called "advisors" but they should be prepared to undertake operational as well as advisory responsibilities. The advantages of such staffing in critical areas are numerous. By supplying policy guidance and professional competence, RLG performance can be markedly improved. The advisors would also provide on-the-job training, stimulation, and a standard of performance by means of which the competence of Lao officials can be increased. In addition, the presence of Americans would help stiffen the backbone of the RLG and strengthen the ability of Lao officials to resist factional pressures. Finally, Americans in staff positions could provide useful intelligence about issues within the RLG and about personalities, making it possible for the United States to find and support capable and sympathetic officials.

At present, the French Mission supplies about forty advisors, operating at the ministerial and sub-ministerial levels from the Prime Minister's Office and Foreign Ministry to the Bureau of Post, Telephone and Telegraph. Even if these were all active, capable men, an arrangement under which we supply the money while the French

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advise on spending it should be viewed askance. French and U.S. policies on Southeast Asia are sharply opposed. Furthermore, divorcing the advisor from the source of funds means divorcing him from his most persuasive tool. In practice, with some notable exceptions, the French advisors have tended toward passivity, waiting for advice to be sought by a counterpart who is too embarrassed and sometimes too ignorant even to ask. OPEX, under United Nations auspices, supplies some 35 experts who are supposed to act in staff capacities. Lacking either the motivation or supervision necessary to cope with the frustrations and vagaries of doing business in Laos, these men have for the most part slipped into the same passivity as the French. On performance to date, it is fair to say that neither source has met the needs of the RLG, nor, a fortiori, can either be considered a reliable support for U.S. objectives in Laos.

We can hope for better performance from Americans, acting under the guidance of the Mission and motivated by the high priority accorded Laos in U.S. policy. The excellent service performed in this year's budget preparations by the only U.S. advisor now attached to the RLG is an indication of how much can be accomplished. It is not necessary to displace the advisors now present in order to make good their deficiencies by adding Americans. Their presence may even be an asset; in part, by showing the entry of Americans as part of an existing tradition rather than a neo-colonial takeover. Furthermore, for some positions we too may wish to recruit foreign nationals. However, security sensitive positions should be occupied insofar as possible by Americans, and we should aim toward a general climate of opinion consistent with U.S. views throughout the advisory staff. With attrition, and the judicious application of leverage, this should be obtainable in the course of time.

Advisors should be provided only at the request of the RLG. There is already a demand on the Lao side that the United States has not yet met. Further requests could no doubt be stimulated by the Mission through responding to existing requests, suggesting additional slots,

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and channeling USAID support most liberally to those functions in which we participate. The total number supplied would increase gradually and be decided pragmatically in accord with the results obtained and the Mission's ability to recruit suitable personnel.

The level at which advisors should be provided must be determined on a case-by-case basis. However, in general, there would appear to be scope at both technical and policy-making levels. In the latter case, the advisor's function is, through personal contact, to generate mutual confidence and a more comprehensive flow of information between his Lao colleagues and the U.S. Mission. With proper guidance, he can advise on many matters as long as he understands that negotiations on major issues continue to be the responsibility of senior members of the Mission.

The advisors supplied must have a level of technical competence high enough to perform their work and win the respect of their Lao colleagues. However, the present standards and technical complexity of work in most RLG services is not very demanding by western standards. In many cases a high degree of expertise will be less important than ability to establish close personal relations with Lao officials and flexibility in adapting one's working style and ideas to a novel environment. At senior levels, in particular, stress should be given to maturity of judgment, linguistic ability, and experience in dealing with novel and unstructured situations. If necessary, technical support could be given to senior advisors through a USAID special assistant or counterpart. Thus the advisory function would be divided into two layers: a small number of sensitive positions that must be filled by men of relative sophistication; and under them, a larger number of more routine positions, where technical skills are the main requirement. By holding down the numbers in sensitive positions, a sizable advisory effort could be mounted without sacrificing the flexibility essential to the Mission's operations in Laos. Some areas where introduction of Americans into the RLG structure would be particularly useful are identified in connection with the recommendations given below.

The Police

One area, for which no other programmatic recommendations are made in this Memorandum, should be given special weight -- the police. An excellent study of police reorganization by another group* recommends the provision of public safety advisors in the usual sense -- that is, to supply technical expertise in a consulting capacity. The report also calls attention to the potential for corruption and the abuse of power for political ends inherent in any police organization and frequently observed in action in the case of Laos, as well as to the fact that the current Director of Police is a man with a reputation for corruption in the recent past. A prime goal of our support for police reorganization must be to counteract such dangers. This can be accomplished only in part by traditional support programs, such as training and technical guidance. A vital element would be added with respect to both effectiveness and integrity if we also supplied Americans to work in key staff positions, such as the police inspectorate, the special branch, or the alien control division. In addition to these headquarters posts, advisors accepting staff functions should be assigned to the provincial police. The ability of the RLG to govern the countryside will be greatly affected, to the good or to the bad, by the comportment and quality of the provincial police. An advisor living and working in a single province would have enough time to learn Lao and could become sufficiently familiar with local personnel and police activities to give active guidance in a way impossible for a consultant working out of Vientiane or riding circuit over a number of provincial headquarters.

A USAID Public Administration Division

USAID should enlarge its support for the training and retraining of RLG officials. This would improve the quality of RLG performance not only through the general benefits of training but because it would provide USAID with an opportunity to exercise selectivity among trainees,

* Frank Walton, et al., Survey of the Lao National Police, USAID, Vientiane, 1965.

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forwarding the careers of those of promise. This program should be carried on in close consultation with the USAID advisors working in staff positions in the RLG.

A contract such as that now maintained by USOM/Bangkok with Public Administration Services might be useful if an organization such as PAS could be found to supply personnel appropriate to the needs of Laos. The role of Ecole Royale de Droit et Administration Publique, now supported by the French, would also have to be examined. Perhaps the best use of an organization such as PAS would be to improve this institution.

For reasons of economy and political acceptability, as much of the training as possible should be conducted in Laos. Early exploration should be begun of what is needed to supply training in the Lao language, especially at junior levels. One possibility would be to employ Thai officials trained by the PAS as instructors. Training facilities available in Thailand should be utilized as fully as possible, with training in the United States or France occurring only in exceptional cases.

To support an expanded training effort, USAID would probably need a Public Administration Division. This Division would have training as its first task. However, it should also concern itself with the structure and organization of the RLG, a matter now receiving active consideration within the RLG itself. The present administrative organization has been adopted uncritically from the French and is often too complex for the Lao to operate. Furthermore, some of the most important central organs, in particular the Ministry of the Interior, have had many of their provincial functions usurped by the feudal character of the power structure in the provinces. Although the matter must be approached delicately, we must help the central government to develop the means to give leadership in the countryside, which means upgrading the qualifications of the province governors and district officers and their staffs, and increasing their responsiveness to guidance from the Ministries.

Both in training and reorganization, it is essential to recognize that the task is to improve on what now exists, not to change wholesale

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to American systems. For this reason, and to enhance its general acceptability, the Division should work in close collaboration with RLG officials; for example, through the formation of joint study groups focusing on individual problems.

Increased Pay and Perquisites

A necessary, though not in itself sufficient, condition for improving government effectiveness in Laos is a major increase and reform in civil service pay. As a result of inflation, civil service real income has fallen by about 50 per cent since 1961. This has undermined civil service morale and in some cases made it virtually impossible for government officials to live on their salaries. A pay scale under which a government minister earns no more than a cook in household employment is not interpreted as a serious attempt at remuneration, but rather as an invitation to self-remuneration through illegal or inappropriate means. The result is corruption, inefficiency, and a lack of discipline. Also, if other measures designed to improve the quality of government performance are to be effective, an adequate, equitable wage scale for civil servants must be established.

The problem of inadequate pay is particularly serious at senior levels. Government salaries at upper levels do not begin to make it possible for senior officials to maintain a standard of living appropriate to their rank or comparable to that maintained by foreign officials or private businessmen in Laos. What is needed is a massive increase in government pay scales at the upper levels. Since relatively few individuals are involved, the cost of such an increase would be small, but the benefits would be large. If such a major pay increase raises political difficulties, consideration should be given to providing part of it in kind, through increased provisions for cars, housing, and household servants. Senior officials also incur sizable monetary obligations as part of their responsibilities. For example, during public appearances, especially in the countryside, they are expected to make religious and philanthropic contributions; they also must entertain other dignitaries and visitors from abroad. These obligations are

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functional and firmly established. They cannot and should not be ignored. However, they should be normalized by regulations, legal sources of funds, and accountability.

Insufficiency is not the only defect in RLG civil service pay. Pay differentials for variations in skill and qualification are inadequate to provide incentives for good performance or self-improvement. Too large a share of the total is based on family size and cost of living allowances, while relative pay increases based on seniority alone exceed those obtainable by advancing in grade. Even more serious is the fact that, at senior levels, payment for service abroad is many times greater than for service in Laos. The only way senior civil servants can live within their pay is by spending as much time as possible abroad, saving there to spend at home. It is not uncommon, therefore, to find a man whose services are badly needed in Vientiane absent from his post for three months to attend, say, a conference on consular law in Vienna. Considering the weight of Laos' domestic problems and that most of her important relations with other countries are handled in Vientiane, a pay system incorporating this strong disincentive to serve at home is especially perverse. Pay for service at home must be increased and the return on serving abroad should be reduced. (A way of doing this, by reducing opportunities for manipulating foreign exchange through "invisible" transactions, is suggested in Chapter 8.)

The RLG has doubled base pay (pay net of family and cost-of-living allowances) for all civil servants as of July 1, 1965. The increase amounts, on the average, to about one-third of the previous rate of payment. This is a step in the right direction, as it has restored some of the relative differentials between ranks. However, allowances will still account for more than half the total, and increases will still be excessively based on seniority rather than promotion. Furthermore, the increase will not provide adequate absolute levels. For example, a married man with two children, after eight years of service in the lowest of the three civil service grades, will now earn a little over 11,000 kip per month, whereas according to USAID estimates, a relatively austere budget covering food, clothing and sundries (but not

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rent) for a family of this size would come to over 19,000 kip. For higher grades, the new pay scale covers this minimum requirement, but still falls far below the levels appropriate to the recipient's social position or the rate of pay he might expect in private employment.

It is desirable, therefore, for the U.S. Mission to begin now to consider what further increases and structural reforms are needed. As the Mission view is formed, joint consultations with the RLG could begin. The ultimate objective should be the establishment of an adequate and rational system of salaries, prerequisites, and funds to meet legitimate official obligations. The particulars of such a system require detailed, technical study. By way of illustration, an increase of 55 per cent (about 1.9 billion kip) over the payroll projected for fiscal year 1965/66 (3.4 billion kip inclusive of the July 1, 1965 pay increase) would be enough to: (a) provide employees in the lowest grade with approximately enough to feed and clothe their families; (b) preserve existing relative differentials between grades; (c) preserve existing absolute differentials based solely on seniority (thereby reducing their relative importance); (d) establish two or three additional upper grades to open the route to advancement for the more competent; (e) provide salaries of 150-300,000 kip per month (\$300-\$600 at the free market rate) and expense accounts of 40-50,000 kip per month for the most senior 100 positions. This would bring average real civil service pay to about the level of 1961 once again, but with a much improved incentive structure.*

U.S. willingness to meet these costs would generate considerable good will, especially among the best elements in the RLG. This should help to induce the RLG, acting jointly with the U.S. Mission, to undertake

* An increase of this magnitude would make RLG salaries about the same as for comparable civil service grades in Thailand (using the free market rate of exchange between baht and kip). No precise comparisons are possible, though, because dependent allowances are given only in Laos. Generally speaking, Thai civil servants are considerably better qualified than Lao of comparable grade. On the other hand, RTG civil service pay is low by other Thai standards, with the result that the underpayment-cum-corruption syndrome prevails and consideration is now being given to ways of increasing pay rates.

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reforms, with respect to civil service structure as well as the control over government funds. It is essential, therefore, that from the outset the provision of this additional financial support be contingent on the institution of such other measures, especially the two immediately following below. For this reason, it might be best to phase the provision of additional payroll support over a few years, that is, the period necessary to institute the other measures.

Personnel Authority

The barriers to effective use of existing talent within the Lao civil service are numerous. The problem goes far deeper than inadequate pay scales. Thus, the evils of promotion by seniority are reinforced by the diffusion of authority for personnel management throughout the ministries and by factionalism, which makes connections rather than ability the criterion for placement. Such a system will not attract good people and will not make for the best allocation or stimulate the best efforts of those it has. What can be done?

One possibility is the establishment of an office, similar to Japan's National Personnel Authority, reporting directly to the Prime Minister's office, with broad powers of civil service administration. In Laos, the Authority would have a short-term objective of identifying talent already available and insuring its placement in positions of greatest usefulness, and a long-term program of revising civil service job descriptions, job qualifications, examinations, the design of programs and selection of candidates for in-service and outside training, promotions; and so on.

The short-term program is intended to employ exceptional measures to break through existing barriers to rational use of the country's slender stock of competence. The long-term goal is a system that can function effectively according to its own rules, without resort to exceptional measures. For both objectives the Authority would need the technical expertise and integrity of purpose of competent U.S. advisors. Only the combination of the Prime Minister's authority at the general level and the disinterested operation of the American at

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the staff level will make it possible for the Authority to resist the pressures that now make rational personnel policy so difficult.

Even so, many concessions to Lao custom will be necessary. In particular, it will inevitably be easier, and politically more acceptable, to rationalize by promoting the able than by firing or demoting the incompetent. This will be especially true where senior posts are occupied by men of inadequate qualifications or motivation. Their work is poorly done and they keep potentially better men out of these posts, but the pressures that put them in also make it difficult to remove them. Many, however, could be "promoted," if sufficiently prestigious and well-paid positions were made available.

Given the waste generated by an incompetent man in an important job, the creation of acceptable sinecures might produce large gains in effectiveness at modest cost. For example, a series of Royal Policy Commissions on basic problems, such as economic development, education, or religion, might provide housing for men of experience and public standing no longer suited to operational positions. Alternatively, increased prominence and emoluments might be given the existing office of Royal Counselor. Partial retirement under conditions of public respect is honorably established in Lao tradition. Probably all that is needed to move many men from taxing responsibilities is the honorific and the honorarium. The United States should indicate its willingness to foot the bill.

On the other side of the picture, there are undoubtedly many under-utilized resources now available to the RLG. For example, some civil servants are now in positions for which they are completely untrained. Their productivity could be increased by retraining or transfer to jobs for which they are better qualified. Others are in services with inadequate operating funds, with the result that they are quite able to work but have no function to perform. The Personnel Authority, by inventorying the present civil service staff and preparing adequate records, could rationalize the distribution and retraining of civil servants. In this way, it should be possible to permit a large increase in government services without expanding the civil service roster. In fact, even

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a half-hearted attempt to count heads would reveal many "dead souls" on the roster, persons long since gone whose pay is now collected and used for other purposes. The payments now dispatched to the missing could be saved or used for better ends. The RLG roster now contains only some 9,000 regular civil servants. (There are also about 4,000 contract and daily hire personnel, but they account for a relatively trivial share of the total payroll.) An effort of modest size to develop a better picture of who and what these people are could produce substantial benefits.

A Government Accounting Office

Although the RLG already has some auditing capability, it lacks both the authority and the competence necessary for reliable accounting and control over the flow of resources. There is, thus, a major gap at perhaps the single most critical point in the government's ability to regulate itself, a weakness that could be offset to a substantial degree by U.S. technical assistance. One way of providing it would be the establishment of a Government Accounting Office reporting directly to the Prime Minister or the Minister of Finance. As a newly organized body, the office's personnel on the Lao side could be chosen afresh, avoiding the problems created by functionaries of inadequate qualifications or integrity embedded in existing offices. It would have Americans doing staff work, whether officially designated as technical advisors or otherwise. This presence, in addition to bolstering the technical capability of the office, would give it the authority to command access and would remove the onus of enforcement from the Lao employees who might otherwise suffer intimidation or retaliation. The office would make use of the present flow of information from existing auditing procedures to avoid unnecessary duplication, but it would have the authority to run checks on these and to conduct independent audits over the broadest range of accounts, including those such as the military, not now open to such inspection. Thus, in addition to providing better control over resource flows, the office would become a source of valuable information, both to the Prime Minister and the U.S. Mission, over a range of activities now carried on more or less autonomously.

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What is proposed is a new RLG institution, and its feasibility in the form just suggested would depend, therefore, on the attitude of the RLG. Obviously, there are other ways of packaging the same set of essential components. There is reason to believe that some package of them would be acceptable, because the basic elements have been independently suggested by the Minister of Finance, that is, a revitalized auditing apparatus with better personnel selection, staffing by mixed nationalities, and a broadened field of investigation. It may be that the RLG would rather see the non-Lao positions not filled exclusively by Americans, or that it would prefer to reorganize existing offices to creating a new one.

The establishment of a dependable auditing capacity as an essential prerequisite to transferring authority over aid funds to the RLG. Until end-use supervision is assured, devices retaining control in American hands, such as the USAID Trust Fund, should be maintained. Thus, although U.S. participation in the auditing function initially would mean further American intrusion into RLG affairs, its objective is, on the contrary, the creation of circumstances that will permit the transfer of more complete control to the RLG. Ultimately, when the principle and practice of RLG auditing are well established, the Americans can withdraw from this function, surrendering complete control to the RLG. This phased sequence is the most prudent, but probably also the swiftest, route to true RLG self-sufficiency.

Although the institution of the auditing capability is intended primarily to strengthen the integrity and effectiveness of the RLG, it should also produce savings in the U.S. assistance bill. At present, the RLG civil budget is divided about equally between pay and materials costs. Thus large sums, which must ultimately be met through non-project aid, are spent on procurement through the RLG budget rather than the USAID Trust Fund, and hence are disbursed without adequate control. We know that civil servants spend more than they are paid. It is only reasonable to presume -- and there is direct evidence as well -- that they make good the difference in part through the misallocation of materiel procurement. At least part of the increased cost of higher civil service pay, therefore, can be recovered by auditing these expenditures.

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Although it is impossible to estimate the magnitudes involved, they may be greater than might at first be supposed. Disposing illegally of building materials allocated to the Ministry of Public Works, for example, is a cumbersome method of self-remuneration and must cost us, the payer, more than it is worth to the recipient.

Improving Physical Facilities of the RLG

Most RLG offices are in dilapidated structures, expensive to maintain and depressing to work in. Although we do not wish to foster delusions of grandeur, we should not be insensitive to the problems that inadequate physical facilities can raise. F. H. Vittetow* describes the demoralization of a "materials production center" expected to write and print textbooks in a building without lights, water, usable equipment, or reference works. A modest program of improving the most inadequate RLG physical facilities is now carried on by USAID. This could usefully be expanded, as an indication of our interest in the long-term development of the government, but more importantly as a stimulus for RLG ministries to cooperate with USAID-sponsored programs. No cooperation, no new facilities.

Increasing RLG Revenues and Reducing Incentives for Corrupt Practices

A stable, predictable government that exacted no extra-legal payments would do much to stimulate normal economic activity and hence to broaden the government's tax base. Probably the best revenue-raising measure, therefore, is simply a general improvement in the integrity of the RLG and FAR.

Although it was Adam and Eve who sinned, the serpent and the apple played the precipitating role. In addition to enforcing standards of governmental behavior, therefore, we should try also to reduce the opportunities for illegal profits and to discourage the community of traffickers who organize the trade and provide the points of contact for corruptible officials.

* One Year and One Million Books Later, USAID, Vientiane, April, 1965.

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The more frequently administrative procedures must be invoked, the more opportunities there will be for officials to demand bribes or for the swift of foot to make profits by offering them. Hence, it is desirable as much as possible to permit the laws of economics to regulate business affairs, rather than to depend on licenses, price controls, government monopolies and the like, all devices that have been amply tried, with predictable results in Laos. The Mission should use its influence to discourage excessive resort to administrative regulation. In particular, if civil servants and soldiers are adequately paid, the use of USIP to subsidize imports for sale to them at cut prices through "economats" and other special purveyors should be ended.

At present many goods are smuggled from Laos into neighboring countries, especially Thailand. This trade supports an underworld community in Laos that is always seeking new ways to exploit its capital and contacts. Many of these people are transients who would move on if their sources of profit in Laos were cut off.

The following measures should serve the combined purposes of increasing RLG revenues and reducing corrupt practices:

A further improvement in customs collections. Improved customs procedures now being instituted with USAID support in Vientiane could be extended to other major points of entry. Of greater importance, the RLG customs service should be provided with an adequate cadre of U.S. or third country advisors, working in staff positions, to assure honest and thorough collection. The system of forfeiture, under which customs duties are prepaid through negotiation, rather than on the basis of actual arrival, invites abuse and should be eliminated. Evasion of customs is not only a source of financial loss to the RLG, but one of the practices associated most notoriously in the public mind with corrupt officialdom. On both counts, a major effort should be mounted against it.

Equalizing Lao and Thai customs tariffs. Lao tariffs are now markedly lower than Thai rates on a number of goods, such as liquor and perfume, which are therefore imported first into Laos, then smuggled into Thailand. Equalizing customs rates would eliminate this traffic

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and would bring the Lao domestic price structure into greater similarity with the Thai, providing better preconditions for gradual integration of the two economies in the future. The effect on Lao revenues is uncertain -- it would increase the duty received from each import, but reduce the total volume of imports by eliminating that portion destined for Thailand. Thai customs collections would clearly be increased. Thai officials have expressed concern at revenues now lost through smuggling from Laos. For these reasons, a willingness to consider tariff equalization on the Lao side should be welcomed by the Thai and could, perhaps, be made part of negotiations aimed at rationalizing Thai-Lao economic relations generally. For example, more generous Thai concessions in the matter of transit rates on goods coming to or from Laos, discussed in Chapter 9, might be induced.

An increase in urban real estate taxes. These should be limited to properties above a specified minimum value, to avoid burdening the poor. Urban real estate is one of the most visible of assets, and a tax on it should be easy to collect if the penalty for nonpayment were, as in most countries, seizure and public auction.

The U.S. Mission should pay housing rentals in kip. At present the Mission pays rentals in 12 foreign currencies by deposit in foreign bank accounts. This is contrary to Lao law and aids landlords in evading Lao income tax. There is, in the end, no profit to the United States in the practice because we are the residual payers of the RLG budgetary and balance-of-payments deficits. Thus, money we "save" through rental agreements reached in collusion with landlords we will later have to pay in the form of non-project aid. Meanwhile we give active support to illegal practices by landlords, most of whom are also RLG or FAR officers. We discredit ourselves and encourage corruption by this practice.

MEASURES DIRECTED TOWARD THE FAR*

FAR is a large army for a country of 2 to 3 million people, but it is undertrained and underdisciplined. As already noted, its performance leaves much to be desired in several respects. It fails to make the contribution it should to rural security and to raising the costs of military aggression to the North Vietnamese. It is ridden with rivalries among its senior officers and is a disruptive force in Lao civil affairs. The behavior of FAR units often antagonizes the civilian populace and undermines the stature and authority of the RLG. The recommendations in this section are designed to contribute to improved FAR performance in these areas.

The proposed measures would establish tighter control over U.S. supplied resources and, at the same time, create the necessary preconditions for better FAR performance by improving the rules and conditions under which FAR operates. They are also intended to encourage closer relations between FAR commanders and the U.S. Mission, especially at the region level. This would permit the Mission to use its influence with regional commanders not only to improve troop discipline and performance, but also to encourage greater responsiveness to and understanding of the objectives of the central government. As noted earlier, the General Staff is unable to perform this function adequately, and overreliance on it to do so would do more harm than good to the cause of national unity. At this stage, the General Staff can best be assisted by supplementing its ability to carry out critical coordinating, planning, and supply functions. Finally, certain measures are proposed to improve the training of FAR troops.

Some of the recommendations in this section would require the further introduction of U.S. (or third country) personnel in positions

*The discussion in this section refers to the FAR. It does not deal specifically with problems of the Neutralist army (FAN). The most important issue concerning the FAN is that of integration with the FAR. This issue is too current and too complex to be dealt with adequately in this study. However, the measures suggested in this chapter have as one of their objectives the professionalization of the FAR, which would facilitate the gradual integration of all Lao armed forces into a single establishment.

that could be interpreted as contravening the 1962 Geneva Accords. In recognition of this, we have tried to outline a low-visibility but high-impact program. In many cases such additional personnel could be given civilian status. To a large degree the measures we propose work through financial and supply management. Above, we have suggested the establishment of a Government Accounting Office. Continuing supervision over the use of funds and supplies by the FAR would be a legitimate function for such an Office, and the additional personnel we have in mind could be employed by the GAO in auditing capacities. In general, the question of contravening the Accords is a matter of interpretation. Both sides of the agreement have frequently published charges of violation by the other; since the Accords have not been formally revoked, it is clear that the signatories place a substantial value on keeping them intact. The potential usefulness of our recommendations must be considered in this context.

Pay and Perquisites

As with the civil service, the precondition for improving FAR discipline is the provision of an adequate level of pay and subsistence. Military pay, like civil service pay, has declined in real value by about half since 1961. Again, a doubling of base pay (excluding allowances) went into effect July 1, 1965, the net result of which was to increase military pay about a third over present levels.

With introduction of the new schedules, pay and family allowances of men in the ranks approaches adequacy. This takes account of the fact that their dependents are located mainly in the countryside, where living is cheaper and more austere than in the cities. Subsistence allowances, however, are still grossly inadequate. At present, 55 kip per soldier are allocated for daily perishable food requirements, whereas the USAID Requirements Office (RO) estimates that 85 kip are needed. As a result the troops supplement their allowance at the expense of the peasantry, stealing or underpaying for food. It is false economy to force an army fighting the Pathet Lao to provision itself in this fashion. An adequate allowance for requisitioned food would make it possible to

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impose better standards of discipline in this respect and is therefore an essential part of encouraging better relations with the civil population. It would also raise rural money incomes and encourage peasant production for the market.

After the 1965 raise, pay rates for noncommissioned and commissioned officers, especially in senior ranks, will still be low relative to their social status and authority. It is unrealistic to expect a general commanding troops to hold his personal expenditures below the level of a skilled mechanic. That rate of pay invites abuse, and abuse at the top invites abuse in the ranks. In addition, as with senior civil servants, the higher military ranks have obligations (such as entertaining and payments to survivors of subordinates killed in action) that are not formally funded and that, therefore, they meet through extra-legal means. One common source of extra-legal funds is the allotment for local food procurement. Thus, the inadequacy of funds available to officers, whether for personal or official use, also results ultimately in underpayment for local procurements and alienation of the peasantry.

Again, the determination of a more suitable schedule of pay and allowances would require a technical study by the Mission and consultations with the Lao. To illustrate its possible cost, at present force levels for both FAR and FAN, an increase in the total expenditure for pay and allowances of about 2 billion kip over the 6 billion now budgeted for Fiscal Year 1966 would permit: (a) a modest 15 per cent increase over present levels for enlisted men; (b) an increase to 85 kip per day in subsistence allowance for enlisted men; (c) a 30-50 per cent increase over present levels for sergeants and commissioned officers, who receive no subsistence allowance; and (d) an increase of two to five times in total pay for colonels and generals.

In addition to increasing pay and subsistence, provision should be made now for accountable funds to be used for the monetary obligations traditionally borne by senior officers. In this connection, the question of pensions and survivors' benefits should be reviewed. These are now meager in the extreme. (The RLG budget for Fiscal Year 1966

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provides only 45 million kip -- \$90,000 at the free rate -- for all military pensions.)

Better Payroll Control

Under present procedures, military units have their own paymasters, who receive funds from the central budget and make distributions to individual soldiers. The paymaster is under the local commander, with the result that final allocation of the payroll is also under the latter's control, permitting him to redistribute it as he sees fit. In addition to permitting him to take a share for himself and for kickbacks to higher echelons, this system of payment has the effect of giving him considerable freedom in the numbers of men he maintains in his command. His roster may retain the names of men who are dead or missing, so that the receipt of their pay is continued. On the other hand, he may recruit locally, forcing him to spread pay and supplies over a larger number of men than they are intended for. For the FAR as a whole, the actual number of men under arms has tended to exceed the number budgeted for. This freedom in local recruiting has two harmful consequences: (1) Commanders compete for recruits and numbers under arms, intensifying reciprocal frictions and suspicions, and (2) logistic support does not match unit strength, usually with the result that there are not enough supplies to keep the soldiers adequately equipped. It would seem that better control over payrolls would permit better control over numbers, since unpaid soldiers would be difficult to keep in the ranks. How such control might be achieved is another question. One possibility would be for the paymasters to work out of the Ministry of Finance, making payment only to soldiers who can show positive identification and whose names appear on an official roster. Bona fide soldiers unable to appear for payment would receive arrears subsequently.

Better Exploitation of MAP

The FAR's logistical system presents it with some of its most acute problems. The technical difficulties are far beyond the system's capabilities. Responses to requisitions from the field are uncertain. Literally no one in Laos has a serviceable picture of what supplies are now available in FAR depots or of the condition and maintenance

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requirements of equipment in the field. As a result, the supplies available often are mislaid or misdirected, and units in the field are ill-supported and unable to use much of the equipment they have. Second, inadequate control results in the illegal diversion of supplies to provide funds for influential officers. Third, the struggle for supplies is a major factor in the factional infighting among FAR commanders. The unreliability of the system thus intensifies mutual distrust. In particular, it undermines the respect of commanders outside the Vientiane region for the General Staff, the central government, and the Vientiane Commander. Finally, with logistic support in its present state, it is difficult for FAR to employ and develop its operational capabilities, its most important function from the U.S. point of view.

For these reasons, consideration should be given to increasing the U.S. role in operating the FAR logistical system. From our standpoint, this would reduce the waste of our supplies and permit better operational performance. This would provide FAR with the learning and self-confidence that come from more successful military operations. Americans played an active role in almost every aspect of Operation Triangle from which the FAR probably benefited more than from any other single experience. Logistics is an area in which more help from the U.S. side is needed -- and could be readily extended.

USAID's Requirements Office, perhaps acting jointly with ARMA and CAS, should be expanded to provide the following kinds of assistance: (1) Technicians should be supplied to FAR depots to inventory the items now in stock, maintain accurate current records henceforth, supervise equipment maintenance, and monitor the flow of supplies to assure proper end-use. Perhaps 30-40 third country technicians would be required. Men with experience in this work in Laos are available through ECCOIL from the Philippines. (2) Civilian American logistics advisors -- already requested by the General Staff -- should be made available. At least two should be assigned to work closely with the G-4 so that the paperwork required at headquarters does not make it impossible to travel extensively in the field. This would help develop both the

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technical competence and the impartiality of the General Staff's logistic system. (3) Meanwhile, the work of RO/Vientiane and the G-4's office should for all practical purposes be integrated. Although G-4 should take as much responsibility and initiative as feasible, ultimate assurance of adequate logistic support to the regions should be provided by RO. Whether this means direct supply via Thailand or not is a technical question. The main point is U.S. assurance of support to the regions. This would alleviate perhaps the most corrosive defect in present FAR practices. (4) At least two permanent American representatives should be assigned to each of the major military regions, to assure sufficient travel to the field. One of the representatives would bear primary responsibility for technical supply functions and his qualifications need extend no further than that. The other, however, should have the stature and background to act as a general advisor to the regional commander. For him, the ability to make close contact with his counterpart and to understand broader military and political matters is of greater importance than a background in logistics. As an alternative to working out of RO, he might be from ARMA or CAS, depending on the needs of the region and the availability of suitable personnel. What is essential is a working integration of the advisory and supply functions. A good man, with this kind of leverage, should be able to motivate his counterpart in many desirable directions. This could be the key, for example, to better troop discipline, better planning, and so on. (5) In order to assure support and provide incentives for aggressive commanders and their operations, only minimum levels of support should be maintained according to the T/O&E of agreed force levels. Additional support should then be provided in accord with current operations. This would stimulate advance planning, in cooperation with the American regional advisor. He will be able to support his advice with material, or to withhold support from ill-conceived operations (and coups). (6) The trial head count and field inventory currently in progress should be reviewed, when finished, with respect to improving such activity and placing it on a continuing basis. Adequate support and the authority to assure access and reliability should be provided by RO. (7) Some

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attempt should be made to provide reliable identification cards, however primitive, to every soldier and to begin a system of unit and individual accountability, making the troops responsible for equipment and gear issued them. At present, for example, it is virtually impossible to reequip a unit without issuing duplicates of many items still in hand.

Construction and Maintenance Funds

Military structures throughout Laos are in disrepair and neglect. At present, almost no funds are budgeted for their maintenance, replacement, or expansion. Where the commander is forced to take action, he generally does so illegally by diverting funds from other uses. Funds for the maintenance of existing structures and the construction of a limited amount of new facilities should be provided through legal channels, with adequate accountability. These funds should be made available on a priority basis to units whose military performance merits recognition.

Training

The Geneva Accords of 1962 gave to the French exclusive responsibility for training Lao military forces. Because of the breakdown of the Government of National Union the French Military Mission has, with a few exceptions, failed to carry out its training functions. As a result, FAR remains an inadequately trained army. One consequence of this is that FAR is considerably larger than would be optimal were its quality higher. Another consequence is that FAR has remained underdisciplined and unprofessional. Finally, of course, lack of training sharply reduces its effectiveness.

A modest program of unit training in Thailand is supported by the United States. At present, training is given to units only up to company size, whereas FAR operations are often conducted by units of battalion size. The total number of troops trained under the program is now about 1,700 per year, only 2-3 per cent of present FAR and FAN strength. Only 2 per cent of MAP funds for Laos are spent for training.

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This is a poorly balanced allocation of effort, and a larger training program is indicated.

The Geneva Accords make it impossible for the United States to conduct overt training in Laos. However, in-country training centers could be established in little frequented parts of the country such as Champassak and Sayaboury. Under overall U.S. supervision, instructors could be recruited from the Royal Thai Army, outfitted in FAR uniforms, and a program inaugurated that would permit a larger flow of unit training, up to battalion size. Such a program should be designed to produce Lao instructors so that in two or three years the entire program could be run by the Lao. Alternatively, the possibility might be explored of building one or more such centers in Northeast Thailand or expanding existing RTA facilities to accept more FAR units.

This program too should be used to reward good performance, and priority in training should be given to units under the most capable and reliable commanders.

Literacy for FAR Soldiers

A literacy program for the FAR is recommended in Chapter 6. This is a natural complement to the measures recommended above to professionalize the FAR and improve troop conduct. Such a program would provide the FAR with better qualified troops and Laos with better qualified citizens, increase the self-esteem of the troops, and indicate a concern for the common soldier on the part of the FAR and RLG, which should improve their image with the public.

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PART II

PROJECT AID

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Chapter 4

OBJECTIVES AND TACTICS

Project aid in Laos spans activities whose content ranges from the purely developmental (education, agricultural development) through mixed security and developmental (clusters, roads) to almost pure security (refugee relief, military technical support). No comparable distinction can be drawn functionally, however, since the two-way interrelationship between developmental and security projects is the heart of the aid problem in Laos. In this chapter, we attempt to analyze the relation between the broad lines of project aid and U.S. objectives, and the tactics for effective utilization of project aid.

The project aid activities of USAID are constantly being modified and improved. The Mission is rich in ideas for better programs, for new programs, for better ways of carrying out present programs. As outside observers we have been struck with the energy with which new programs, new procedures and new approaches are discussed and set in motion. Many of the problems that arise in the project aid program are essentially technical, for example: Are metal well-rings better than wooden well-rings? Will a particular kind of pig prove profitable in the Bolovens? On these issues the technicians within the Mission are far more competent to judge than any outside observers. Accordingly we do not attempt a comprehensive review of the ongoing programs of the Mission. In the remaining Chapters of Part II of this Memorandum we have selected three topics that appeared to us to be of importance and on which non-technical comments might be of use.

Before turning to the objectives of project aid, it would appear appropriate to discuss the distinction between project and non-project aid, one clearer in practice than in theory. Theoretically, projects could be administered through the RLG budget and financed by means of an increased non-project aid program. The criteria under which it becomes more desirable to administer a particular project through the form of project aid rather than through inclusion in the RLG budget are by no means clear-cut. Project aid has

important advantages, however, that in many cases make it a more desirable form of aid. First, and most important, it makes it possible for USAID personnel to ensure that projects are soundly conceived and well carried out -- in short, the United States has more direct control over the program content of project aid than over programs in the RLG budget. Furthermore, project aid can be used selectively to support competent Lao officials attuned to U.S. policy objectives, thereby improving the quality of local and central administration. An additional, though less apparent, advantage is that carrying out project aid provides the U.S. Mission in Laos with valuable information that would otherwise be unavailable.

From time to time arguments are advanced supporting the expansion of the RLG budget to include activities currently financed under project aid. This may be desirable sometime in the future but there is no hurry about it. Throwing too large an administrative burden on the RLG too soon would not only sharply reduce the effectiveness of the present programs but push the day further off when the Lao can run their own programs. As noted in the previous chapter, the best way to improve RLG performance is not to place impossible burdens on the fragile Lao administrative capability but to find ways of strengthening this capability while bearing whatever part of the burden the RLG cannot yet carry.

OBJECTIVES

The basic objective for project aid is the same as for U.S. policy as a whole -- to help create and maintain an independent noncommunist Laos. Within this broad goal, however, certain instrumental objectives can be distinguished that have particular relevance to project aid.

Influencing the Behavior of Individuals

One objective of the project aid program is to influence the behavior of individuals. The desired behavior will differ from area to area. Unlike Vietnam, Laos does not have active insurgency extending throughout the country. The war of "interlocking combs" barely

exists in Laos. Insurgency in some areas, conventional warfare in others, relatively stable communist or RLG control in others, and a power vacuum in some tribal areas -- the face of the conflict in Laos depends on where you are when you view it. The variegated nature of the conflict must be reflected in the kinds of programs mounted in particular areas and in the priorities assigned to them.

Where the conflict in Laos between the RLG and its communist adversaries approaches a classic insurgency situation, public attitudes and individual behavior have major security significance. In these areas much is needed from the peasant. Intelligence concerning Pathet Lao (PL) activity and membership is indispensable, participation is needed in RLG paramilitary efforts, individual and community resistance to PL efforts at gathering intelligence, at recruitment, and taxation is desirable. Similar objectives, though on a more modest scale, apply to areas where PL control is dominant. In both of these kinds of areas active support is the goal rather than passive support. "Winning the hearts and minds" of the inhabitants is not enough; good will must be turned into action in support of the government. Where peasants are asked to take genuine risks in supporting the government, strong incentives and good organization are needed. The riskier the behavior desired, the stronger must be the incentives and the better the organization.

Elsewhere in rural Laos, the conflict is for the moment dormant. In such areas less is required from the peasants in the way of overt action in support of the government. Nevertheless the allegiance of peasants in these areas to the RLG is important to counter any future communist attempts at fomenting active insurgency. Intelligence in particular is still needed, though the risk of giving it may be less acute. In the urban areas of Laos there are, at the present time, few signs of popular unrest or active insurgency. This situation could deteriorate were the PL to step up its pressure in the cities. The problem in the cities is to continue to give urban dwellers active disincentives to cooperate with any communist attempts to organize urban dissidence. Student unrest, civil service dissatisfaction, and

the establishment of a communist underground among the Chinese and Vietnamese communities are potential dangers to guard against.

Approximately half of the population of Laos consists of minority ethnic groups -- the so-called "hill tribes." The relation between these minority groups and the central government is a major, perhaps the major, social and security problem in Laos. These groupings do not constitute a homogeneous community. Individual tribes are themselves weakly organized, cooperation between tribal groups is limited. In some cases these people are organized against the communists, in others they are organized in support of the communists, in still others they are not organized at all. Project aid can support the friendly tribes and be instrumental in turning the unaligned tribes, and even those at present sympathetic to the communists, into active participants in the conflict against the communists.

Improving the Performance of Lao Civil and Military Authorities

A second major target of project aid is the performance of civil and military authorities. Better performance is needed to resist and overcome communist military pressure, to make effective use of U.S.-provided resources and to generate self-confidence among Lao leaders and general confidence in them from individual Lao citizens. A major aspect of improved performance is the reduction of official abuses, both civil and military. Probably nothing is as damaging to the image of the government as the casual tyranny imposed by local FAR units over the countryside. Similarly, the arbitrary abuse of power by regional and local civil officials, and the corrupt diversion of funds, go a long way toward negating efforts to demonstrate that the RLG is worthy of the peasants' respect and support.

It is also in the U.S. interest for Lao civil and military authorities to be responsive to U.S. guidance. Because there is a general community of interest between the United States and Lao leaders, and because responsible Lao officials realize their need for advice and assistance, this goal is attainable. Changing conditions could make it more difficult than it is at present, however. Accordingly careful

attention must be paid now to laying a solid groundwork for mutual cooperation as time goes on.

The U.S. Image

What people think about the U.S. role in Laos is important. "Image" may be a poor word but it is the best there is to describe this issue. The RLG attitude to the United States will greatly affect the success of our policies in Laos. RLG officials must be persuaded both of the benevolence of our interest and the durability of our support. If they have doubts about either they will have doubts about the ultimate consequences of U.S. participation in the struggle against the communists. Stressing the benevolent intentions of U.S. policy alone is insufficient because the Lao realize that when the chips are down the durability of our support will depend as much on our self-interest as on our good will.

The attitude of the rest of the world is also important. Recent history affords ample evidence that world public opinion can influence the outcome of such struggles as that in Laos. Although the world-wide popularity of U.S. actions in Laos is not the deciding factor, the material and moral support that can be enlisted from others will make a difference. It is also important that U.S. policy in Laos be persuasive to U.S. citizens and leaders.

Finally, U.S. policy in Laos must be viewed in light of its impact on present and potential allies. The current government of Laos has in effect allied itself with the United States in a struggle against communist aggression. Both Laotians and others can see what the tangible results of this alliance have meant. The United States can do nothing through its aid programs to bear the human costs of war -- the death and suffering that war entails. But it can bear the economic costs -- and more. Demonstrating in Laos that the United States will provide economic and military assistance to its allies, on a scale sufficient to bring the promise of a brighter future, may be decisive in determining the behavior of other nations when faced with the threat of communist aggression in the future.

INGREDIENTS OF GOOD PROGRAMMING

The principal objectives of project aid have just been listed. The means at our disposal for attaining them are specific programs, carried out in different sectors of Lao society. What elements must these programs contain to harness them to the desired objectives? This section spells out several such ingredients in general terms. An analysis of some specific programs in terms of these components is presented in the following three chapters.

Leadership on the Lao Side

One element essential to each of the objectives is active, indigenous leadership. This is not always easy to evoke, but in the end it will turn out to be the vital ingredient for success.

Individual citizens have ideas and values of their own. But in making decisions, and in particular in confronting the novel demands generated by USAID programs or the conflict between communists and noncommunists, they seek the guidance of men they respect and trust. Furthermore, to act effectively they must act together, just as to withstand the pressures of enemy propaganda and actions they need the reinforcement of group support. All of these things mean that they must be organized, which quintessentially requires leadership. To stimulate the desired behavior from individuals, it is necessary but not enough to approach them as individuals. It is essential that the kind of leadership they will accept and follow be present and participating. A fortiori, it is essential that this leadership not display passivity or opposition.

Leadership is equally important in determining the performance of the civil and military authorities. Neither group is a machine, responding automatically to commands from above. They are heterogeneous collections of people, with authorized functions they fulfill in greater or lesser degree, but also with motives and relationships of their own. Moving them to put out their best efforts, organizing them to work together efficiently, disciplining them to refrain from seeking personal ends at the expense of common goals, all require proper

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leadership at each level of the hierarchy. The chao muong (district chief) may act the petty tyrant unless the chao khueng (provincial governor) keeps his eyes open. The chao khueng may lapse into passivity unless the central government or the regional commander shows an active interest in supervising him. Soldiers may abuse the authority their weapons give them unless their commander maintains discipline. Leadership is vital to good civil and military performance, and effective leadership at any level must stem from an adequate input of leadership at the top. The senior man is the keystone. He has the most authority both with the people and with leaders of lower rank. His sanction and interest mean effective participation at lower levels, whereas without him it will often be hard to obtain or of little practical value. Our ultimate objective, after all, is to bring the people into a better relationship with their government and senior leaders. The latter are the target of enemy propaganda and ideological attack for the same reasons that it is in our interest to strengthen their standing with the people -- it is the highest levels of leadership that can bring individuals and fragmented communities together to act in their own defense. It is to them that individuals and smaller communities look for wisdom and guidance, for the reassurance of belonging to a group large enough to care for itself.

Involving the indigenous leaders in constructive programs is also of great importance for the image of the United States projected by our activities in Laos. It demonstrates both to the Lao and to other potential allies that we seek to strengthen self-government, not to overwhelm it. And, by bolstering public support for the leadership, it associates our presence with a popular cause.

The Role of Americans

Two factors dictate an active and relatively prominent role for Americans in Laos. The first is that Laos has too slender a stock of competence, too weak a system of internal organization to do the things that must be done. Necessity forces Americans to do much that the Lao

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cannot do for themselves, even when this may carry certain negative side effects. There is also a more positive aspect. Laos is a small country that has been invaded by a stronger neighbor, North Vietnam, and lives under the threat of a giant, China. The frequent reports of villagers who think they have seen Chinese battalions or Vietnamese divisions show that the sense of invasion and imminent peril from abroad is felt at all levels of Lao society. Viewed in this light, the Americans play the part of a powerful ally. A visible American presence is reassuring. A tactful but serious U.S. effort to develop Laos is read as signaling the degree of U.S. commitment to Laos' future.

Since Americans must be both active and visible, the key to their effectiveness does not lie in being inconspicuous, but in developing a working partnership with the Lao. This is difficult, as are all alliances, but there is a complementarity between what Americans and Lao have to contribute that is essential to success. It is the Lao who must do the fighting, gather the intelligence, operate their economy, and provide leadership to their fellow countrymen. Only indigenous leadership can evoke the response of the Lao citizenry and supply the political ingredients necessary for success. The United States, however, must also provide leadership, but leadership of a different kind. As partners with the Lao, the United States can help the Lao leaders develop a sense of identity and community and convince them of their capability of pulling their own weight in the alliance. To do this successfully requires that Americans do enough to assure that progress is being made and to develop the capacities of the Lao to do still more. At the same time Americans must guard against taking the leadership so enthusiastically as to rob the indigenous leadership of its authority and functions, even when no apparent resistance or resentment against their doing so is evident. In short, they must constantly be alert to the dangers of doing either too little or too much. The consequences and likelihood of misjudgment will be greatly reduced if we, as must all allies, seek every opportunity to build mutual confidence and understanding. This means, for example, never promising what cannot

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be delivered, never starting what there is no intention of finishing. Most important, it means establishing relations of mutual trust between individual Americans and individual Lao.

Material Incentives

Our programs should use material incentives to motivate individuals and communities to resist the communists and to accept the guidance of noncommunist leaders. This means providing a significant differential in the quality of life in favor of those on our side, and doing so in a way that clearly associates the difference with continuing noncommunist leadership. The initial provision of such benefits should be done in a way designed to generate good will for the authorities on our side and thus for the other programs they sponsor as well. For example, these authorities should be actively involved with the establishment of a new school or dispensary, and the project might be timed to coincide with security-oriented programs, such as the formation of a self-defense unit. Benefits of a continuing nature, such as the services of a school teacher, or follow-on programs are needed, because the impression made by benefits provided in the past will gradually fade. The people need to feel that the continuation of noncommunist leadership is in their interest. For certain kinds of activities, such as gathering intelligence or capturing enemy arms, direct payments in money or kind would be appropriate, and material stimuli for defection or betrayal of the PL should be devised. More generally, we should be clear that the purpose of our material programs is to stimulate desired behavior and attitudes, and improvement in the material conditions of life is not an end in itself. Thus, for example, a program that improved the villagers' lot but threw a bad light on RLG performance (say, through an unfavorable comparison between the chao muong and the American cluster manager) would be more of a liability than an asset.

Long-Term Development

To command the loyalty of its members, a society must offer outlets for their ambitions and energies and the promise of improvement

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in desired directions. Although the Lao are not obsessed with "progress" in the manner of the Americans, they have their own concepts and needs in this respect, as indicated, for instance, by the value they place on schooling for their children. Among the elite and the young, both of critical importance in the struggle with the communists, the desire for advance is especially noticeable. Our programs, therefore, must promote the long-term development of Laos.

Although our own prime concern is with political development, through which the people and their leadership are drawn together, this goal can be achieved only if accompanied by development in other directions as well: education must be expanded to provide trained cadres; physical infrastructure must be laid in to link the country's diverse parts; economic development is needed to provide individuals with the means to pursue their ambitions and better their lives. Again, though, development should be promoted primarily for the contribution it can make to political stability rather than for its own sake. Thus, assuring marketing opportunities for peasants who desire them is an appropriate goal, but stimulating discontent with subsistence agriculture in order to force economic growth is not. Although the United States must promote development as a tangible indication to the Lao and the rest of the world that its concern is deeper than simply supporting the day-to-day struggle with the communists, it should be possible to design programs for this purpose that serve the goal of political stability as well.

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Chapter 5

USAID'S RURAL PROGRAM

One of the notable achievements of USAID in Laos is the degree to which the program has moved into the field. Sizable field operations extend the influence of U.S. personnel and provide indispensable information about developments and problems in provincial Laos. USAID people have learned that facts as they appear in Vientiane may bear little relation to the facts as actually found in the field. This heightened U.S. awareness of the problems and opportunities in rural Laos is the necessary pre-condition for the effective implementation of the kind of rural program suggested later in this chapter.

A wide variety of USAID activities is underway in rural Laos. We shall discuss these activities under two broad headings: refugee relief and cluster operations. Neither term is an adequate description of the activities they encompass, but they are both accepted as standard nomenclature. A distinction is drawn between these two programs for several reasons. First, the refugee relief program is centered on active military operations to a degree unmatched in the cluster and related programs. Second, the refugee relief program is operated in areas where the central government's administrative structure is weak or non-existent, whereas the cluster programs work in an environment where an RLG administrative structure is already in place. On the U.S. side, too, there is a clear administrative division between the two programs, even though both are embedded in USAID's Rural Development Division (RDD).

We do not attempt to evaluate or review each of the many technical operations that are carried out in rural Laos. Many, though by no means all, are integral parts of the refugee and cluster programs. The focus of this chapter is on the broad conception and effectiveness of these more general programs.

REFUGEE RELIEF

Many diverse activities are carried on under the title of "refugee relief." Some have to do with temporary assistance to or resettlement of people who have fled from dangerous or enemy controlled zones. The bulk of the program, however, is not "relief" at all, but part of an integrated political-military war effort. On performance to date, the program is perhaps the outstanding success among the various U.S.-sponsored attempts of the kind. In terms of U.S. objectives, it is the most advanced of the rural programs in Laos: it combines U.S. material and personnel inputs with indigenous leadership in a way that contributes both to the immediate goal of fighting the communists and to the long-term economic and political development of the region in which it operates. The program is described in some detail below. Except as indicated, the discussion refers to Northeast Laos (Sam Neua, Xieng Khouang, and Eastern Luang Prabang) where the program is most fully developed and the largest expenditures are made.

Description of the Program

Northeast Laos abuts on North Vietnam. Ever since the French Indochinese War it has been an area of major concern to the Vietminh and, in their conception, a base area for the Pathet Lao. It is inhabited, especially in the valleys, by ethnic Lao, but the largest part of the population are minority groups -- the Meo prominent among them -- living on the slopes and crests of the mountains that dominate the topography. Some of these people have been in the area for centuries, but a large number are relative newcomers, having migrated from China and North Vietnam after the turn of the century. They grow upland rice, using slash-and-burn techniques. They are migratory, but attached to their way of life, and hence to the kind of terrain that can support it. Their present area is rugged and sparsely populated with few towns, roads, or navigable rivers. They tend, therefore, to be quite self-sufficient. For this reason and because the population is sparse, the area does not produce food surpluses which can support an invading army.

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Some of the people feel a strong commitment to the Pathet Lao because of political convictions or through personal loyalties and historical circumstances that have put their clans and leaders in the communist camp. A larger number are controlled by the communists through their traditional techniques of village political organizations and the exercise of de facto police, military, and governmental authority. Material hardships and the often harsh regimentation of what was formerly a freer, more traditional way of life, have produced widespread dissatisfaction with communist rule. The greatest source of strength for the communist side is its proximity to North Vietnam and its ability to draw on Vietnamese troops and supplies. The proportions in which Vietnamese and Lao nationals participate in the communist forces is apparently not known with precision, but North Vietnam provides organized units able to go into battle on their own as well as cadres for Pathet Lao units. The communist military force is heavily dependent on supplies from Vietnam. Unlike the Viet Cong, it tends to be road-bound, and the main areas it controls are lowlands and towns.

The noncommunist effort is led, both in civil and military affairs, by General Vang Pao, who is FAR Commander of the military region but also an indigenous leader of the Meo. He commands some regular FAR troops, but his effectiveness depends to a greater extent on partisan units organized from the local inhabitants. Although the Meo provide the backbone of the partisan effort, there is a substantial non-Meo participation as well, all under the command of Vang Pao. The essence of the partisan effort is that the soldiers are fighting in defense of their families and homelands. Their endurance and willingness to fight, therefore, depend on their seeing a close connection between their military efforts and the well-being of their families. The USAID program in the area is designed principally to support the war effort in this respect. In addition, it provides certain kinds of direct support to the fighting forces.

The largest and most vital element of the program is the supply of rice and other necessities to villagers who flee the communists.

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To move, these people must go on foot, abandoning their crops under cultivation and most of their supplies and household possessions. Without external material support, movement of this sort means severe deprivation or even starvation. The first assurance required by a partisan fighter, therefore, is that provision will be made for his family when enemy pressures force withdrawal. Without it, he cannot accept the risks of fighting and would instead have to submit to enemy domination.

U.S. ability to provide this kind of support makes the organization of partisan bands possible. Furthermore, our ability to choose the locations at which we make distributions gives us a vital say in the deployment of the partisan forces. Generally speaking, these men will fight to defend their families and, in fact, will fight over sustained periods only if in reasonable proximity to their families. When the villagers flee, a decision (which must be acceptable to the villagers, Vang Pao and his staff, and the Americans) is made about the location at which they will establish their new village. In large degree, therefore, this decision also determines the deployment of the partisans. New sites must be chosen with a view to providing security for the civilians and land suitable for cultivation. At the same time, it is possible to give due weight to military considerations, maintaining forces in areas that might otherwise be abandoned to the enemy and coordinating the deployment and activities of scattered groups.

The strategic considerations underlying the pattern of relocation make this program fundamentally different from usual refugee relief operations. It is essential that the villagers make every effort to support themselves after they move, so they will retain the self-confidence and sense of proprietorship that motivates them to fight in defense of their lands. On the other hand, military considerations make it desirable for them to occupy terrain subject to contest by the enemy. For this reason there is no fixed relationship between the number of "refugees" receiving commodity assistance and the success of the program. A quick return to self-sufficiency

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is a mark of success that reduces the refugee roster; but the villagers' determination to hold difficult terrain is also a mark of success, even though it may result in repeated moves and hence a large refugee roster. Thus, the commodities supplied through the program must be viewed as military support, not relief, and their effectiveness measured in military terms, not in the rate of reduction of the refugee roster.

The foregoing explains some of the inputs needed to make an effective partisan effort possible. A more creative aspect of the program is directed toward motivating people to take part in it. Of course, the most important factors in this respect do not stem from us, but from the unacceptable conditions of life imposed by the communists and the innate desire of the people to follow their own traditions and live by their own values. However, the program is designed to reinforce these desires by making the alternative to communist rule more attractive and by providing the political and organizational means to translate personal preference into collective action.

No doubt the single most important motivating factor has been the leadership of Vang Pao. Initially through necessity, and now through preference as well, the number of Americans in the area has been kept small. The program has operated as much as possible through the indigenous leadership of Vang Pao and his military and civilian subordinates. Their initiative has been encouraged and their judgments and objectives have been respected. Vang Pao himself has used the program not only to strengthen his position of leadership among the Meo but to extend it to other ethnic groups as well. Showing personal concern for their problems and values, filling responsible positions in his organization with their leaders, he has enhanced the authority which his command position gives him and won increasing acceptance of his leadership among the non-Meo. Thus, the program has fostered an indigenous leadership structure extending from the villages to Vang Pao, to which the people are responsive. They have the confidence of belonging to a group much

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larger than their village, under the active leadership of a man much more powerful and experienced than their clan or village head.

Usually fewer than ten Americans operate on the ground, in close contact with the people of the region. About two-thirds of our expenditure on the program goes for the air support needed to transport program supplies to the Americans and Vang Pao and his staff, and to carry indigenous troops and people unable to move by foot because of injuries or enemy dispositions. Thus, a small number of Americans on the ground and in positions of political sensitivity multiply their effectiveness through the flow of resources they control. The air supply (requiring a much larger number of Americans) is technically demanding but requires no exceptional sophistication in dealing with the local people. In this way, a handful of Americans on the ground can maintain active collaboration with 150-250,000 inhabitants of the region. Limiting the number of Americans in the area is desirable in part because it ensures maximum participation and development of the indigenous leadership, and in part because it would be difficult to maintain the flexibility and quality of the American operation with greatly increased numbers.

The Americans on the spot take an active and visible role in the program. In some situations, their visibility may even be their main contribution -- for example, where it reassures isolated groups that they can expect American support and that the Americans have confidence their positions can be held. The Americans provide technical advice, direct many activities, help with supply, and coordinate and participate in decisions about all aspects of the program. In this, they are not only acting in support of the program generally, but also as representatives of the U.S. side in a working alliance. They are involved therefore in the bargaining process which all working alliances imply. On one hand, they must show U.S. good faith by their personal dedication, by demonstrating understanding and concern for the interests of the other party, and by trying to make the most effective use of the resources allocated to them. On the other, they must evoke a corresponding commitment from the local

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people. The latter must understand and be confident that the program will succeed only by means of their own best efforts. This often means resisting attempts to avoid conflict with the enemy or to rely too much on American support. It means demanding self-reliance to the greatest extent feasible, but standing ready to help when something extra is really needed.

The balance between fostering local initiative and demonstrating American commitment through supplies and actions is made possible in large part through the personal relationships that have developed between the Americans and Vang Pao and his senior subordinates. As an outgrowth of their joint activities, but equally through the personal association in the evenings, at meals, drinking bouts, celebrations, and ceremonies, the two groups have come to understand and trust each other as individuals. Although establishing this kind of relationship is an art, rather than a science, and falls far beyond the range of normal professional activities of AID personnel, its contribution to the program is of critical importance. The result is not only a basis for good working relations at the top, but at lower levels as well, where the people are aware of their leaders' attitude toward the Americans. With this sanction, it is possible for the Americans to have direct dealings and develop relationships with people at all levels of authority.

In addition to responding to local leadership and American support, the people are motivated by the prospect of improving their lives and those of their children. Villagers who have had to abandon their homes are helped -- and expected -- to return to a self-supporting basis as quickly as possible. They are given blankets, some clothing, household utensils and tools, but are generally expected to construct their own housing from local materials. They will be supplied with rice through the end of the next growing season, but not thereafter. Hence, they must start promptly to cultivate their own. All of this permits them to maintain a minimum material level without submitting to communist rule.

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Beyond this, they are encouraged to build for themselves simple schools and dispensaries using local materials. The American part is to provide textbooks, other school supplies, and medicines.

In the past there was no formal education in most parts of the area. Although the people strongly desire education for their children, there are few qualified teachers. For the present, therefore, it is necessary to make do with whatever is available. A literate and conscientious adult armed with USAID schoolbooks and teaching manuals can teach himself as he goes along and provide literacy and some access to knowledge to children who would otherwise have none at all. Education is in the Lao language, and this helps the various ethnic groups to find their place as part of the Lao nation. More than 110 schools have been established under the program since the first one was built in 1960.

Technicians for the dispensaries are given a training course of three months to one year in a USAID maintained hospital and are supervised thereafter by the USAID Public Health Division. They are taught to recognize and treat certain complaints, but to wait for assistance from Public Health for those which are unfamiliar to them. In addition to serving the civilians, the dispensaries perform an essential military function, treating about 7500 battle casualties a year. Again, the qualification of the technicians leaves much to be desired, but the provision of even rudimentary medical care is a complete innovation for most of the villagers, and the dispensary network represents a basis from which to provide better care in the future.

Assistance is provided to increase food production. Vegetable seeds are distributed, including some varieties not previously grown locally. The villagers have been encouraged to construct ponds, in which they raise fish (Tilapia) from fingerlings supplied initially by the Americans and now multiplied locally. Communities with ponds now derive about a quarter of their protein from Tilapia, and some of the fish are marketed locally, providing income opportunities for the ambitious and a step toward monetization of the economy.

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The programs just described are carried on at the village level. In addition, some projects of larger scope have been completed or are now under way. The local dispensaries are backed up by a system of eighteen sub-hospitals manned by technicians of higher qualification. Cases that cannot be diagnosed or treated by the village technicians can be referred to these. Cases beyond the capacity of the sub-hospitals can be sent to an 80-bed hospital (now being expanded to 130 beds) at Sam Thong, Xieng Khouang, run under Public Health supervision by two Operation Brotherhood doctors and a staff of local nurses and technicians. These tiers of medical treatment reassure the patients and give the villagers generally a sense of belonging to a larger and stronger community. A similar practical and symbolic function will be served by the vocational and secondary schools now under construction at Sam Thong. These will provide village children with the means of extending their learning beyond primary school, and even to go on to higher education, something totally unknown in the past.

Sam Thong is in the Southwest quadrant of Xieng Khouang, whereas much of the territory most critically contested with the communists is further to the northeast, in Sam Neua. Although mobility (the ability to escape from the enemy when he attacks in force, and to return to harass him afterwards) is the essence of the partisan effort, some token of determination to remain in Sam Neua is needed to maintain the endurance this kind of effort requires. For this reason, two "little Sam Thongs" with permanent medical and educational facilities will be established in defensible sites in Sam Neua.

The program has served to bring people of different ethnic origins together, through their resistance to a common enemy, their acceptance of a common leadership, and their joint participation in constructive projects. Thus, both within and between ethnic groups, the program has increased social cohesion, that is, the ability to act collectively and the sense of belonging to a larger community.

Programs similar to the one in Northeast Laos are underway in Northwest Laos (Nam Tha Sayaboury, and Western Luang Prabang) and, on

a much more modest scale, in Southeast Laos (Saravane and Attopeu). These programs are not as developed as that in the Northeast, in part because they are newer, but also because the indigenous leadership on which they are based lacks the ability and stature of Vang Pao.

For Laos as a whole, the program has worked. By 1965, the number of villagers participating in it (that is, receiving commodities or benefiting from the schools and dispensaries) amounted to over 350,000, including perhaps half or more of the population of the northern hill country. Sam Neua province, for example, which was almost totally controlled by the communists at the time of the Geneva Accords, is now dotted with noncommunist partisan strongholds. The communists are increasingly forced to rely on troops and supplies from Vietnam, whereas the share of the local population participating in the program and thereby accepting noncommunist leadership has been limited mainly by our appraisal of a prudent rate of expansion, taking into account administrative capacity as well as the military response that more rapid expansion might evoke from North Vietnam.

Prospects and Problems

Directions of future development for the program are uncertain. There seems little doubt that increasing numbers of people can be attracted to take part in it, if sufficient material and human resources are made available from our side. There is scope for extension. Self-preservation may demand it, where military considerations, for example, make extension into particular areas important. In older areas, momentum must be maintained by gradually upgrading the quality of the effort. As long as the enemy attacks, some of the participants will be forced to fight, to suffer casualties, possibly to abandon and then reestablish their villages, with all that this costs in hardships, possessions, and work. A continuing sense of progress toward a better life will make the necessary effort sustainable. This means, for example, increasing the qualification of the teachers and hence the level of education available to village children, improving medical care for soldiers

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and villagers, or enriching the food production program, perhaps by providing veterinary services. The problem is to increase the scale of operations in these directions while retaining the indigenous character of the program. A much more rapid rate of improvement would be possible only by greatly increasing American participation, with the danger that local initiative and self-confidence will be reduced. The villagers need to feel that they are fighting for their own cause, guided by their own leaders. A related problem could arise at the top. A growing program will intensify the demands -- administrative, technical, and personal -- on both the Americans and the indigenous leaders. Because so much of the program's success is based on the close relations existing among these individuals, too rapid growth would jeopardize the program's most important component. Although we must be sensitive to the natural desire of the indigenous leadership to see the program improved, we could defeat our own purpose by setting too vigorous a pace.

Second, the full scope and consequences of enemy military reactions remain to be tested. The effect of the program so far has been to weaken the Pathet Lao, while evoking ever-increasing participation from North Vietnam. The partisan forces mobilized by the program raise the cost of such intervention for the Vietnamese, which is to the good so far as we are concerned. Where the Vietnamese attack in force, however, they are difficult to resist. At the same time, the casualties sustained by the partisans impose a heavy strain on the morale of their home communities. These people are not professional soldiers. They have migrated to avoid danger in the past. It is difficult to know at this time whether the Vietnamese will be able and willing to inflict a casualty rate high enough to counteract the attractions of the program and the strength it has given the noncommunist communities, causing withdrawal or submission by the partisans and their families. Obviously, Vietnamese actions depend on many factors unrelated to the program, such as the likelihood of U.S. counter-escalation and alternative demands on their resources. In part, however, the Vietnamese must be expected

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to respond to the success of the program itself. As they see their assets in Laos dwindle, they may be willing to pay a higher price or accept a greater risk to retain those that remain.

In other words, the program might be analyzed as attacking two targets, the Pathet Lao against whom it can operate decisively, and the Vietnamese against whom too great a measure of success may evoke a damaging reaction. Its general strategy -- in the absence of external support sufficient to deter or counteract the Vietnamese -- should be one of aggressive nibbling, eroding the communists' indigenous base by robbing the Pathet Lao of popular support and defeating it in battle; and harassing the Vietnamese when they intervene, making their operations costly and risky, but avoiding a challenge so militant as to induce a major Vietnamese reaction. The great virtue of the program is that it provides the noncommunist side with the combined political-military means to govern their own territory, even when opposed by an experienced indigenous insurgency. It is essential to preserve the program for this function. It is a weapon that can make the Vietnamese task in Laos much more difficult. By itself, however, it is not sufficient to exclude the Vietnamese from Laos, and if we tried to use it for the purpose, we could destroy it.

As noted already, mere preservation of the program requires further development of it and progress toward its goals. At the same time, growth itself makes the program harder to operate effectively by increasing the numbers and work loads of the men needed to guide it. This conflict can be relieved in part, therefore, by any measures, such as better logistical and technical support from USAID/Vientiane, that could increase the effectiveness of the men in sensitive parts of the program. As many requirements are generated by enemy actions that cannot be accurately foreseen, it is important to have quick and reliable responses from the program's supporting base in Vientiane. Delay in air dropping rice, for example, may cause terrain to be abandoned that could otherwise have been held. The importance of the program justifies special

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procedures and priorities adequate to provide the support and flexibility needed to conduct this kind of warfare. More can and should be done in Vientiane toward this end.

At present, the program does not focus systematically on attracting and rehabilitating defectors from communist forces. For the most part, those who have shown their commitment to the communist side by bearing arms are treated as irredeemable. Few prisoners are taken and few incentives are offered to stimulate desertions. This is not an easy element to introduce into the program because much of the hostility between the opposing sides is based on deeply rooted tribal and historical antagonisms and because success on the non-communist side depends so much on social cohesion and mutual confidence among its members. Defectors from the communist ranks are not readily digestable, especially as some genuinely unreliable elements must be expected to come too. On the other hand, the carrot as well as the stick should be used. One possibility that might be developed further would be to resettle defectors in non-sensitive parts of Laos well away from areas occupied by their traditional foes. If the relocation problem could be solved, it should be possible to design effective, positive incentives for defection from the communist ranks.

The program could also be strengthened by a well-conceived informational effort. In part, this would consist of propaganda directed toward the enemy. A more important aspect, however, would be the development of an educational-political orientation effort for the forces on our side. The aims and content of such an undertaking would have to be carefully thought out in advance and the program designed to begin cautiously, developing themes, techniques, and goals as experience is gained. Recent studies have shown the important contribution to Viet Cong motivation and discipline made by continuing indoctrination. Although we are relative novices at this sort of activity, we can learn by doing. One way of beginning would be the organization of small discussion groups, with American and indigenous members, focusing on local happenings of political and

military significance. One aim would be to develop for ourselves a better feel for the motives, aspirations, and thought patterns of the indigenous troops. Another would be imparting to them a better understanding of the larger objectives furthered by their part in current operations, of the complementarity between their values and the goals of the program, and of the relationship of their locality to Laos as a nation. The sessions might also include instruction in literacy, local history, or arithmetic, using the widespread desire for self-improvement through education as a motivating factor. A program of this sort would be especially valuable in the Northwest and Southeast, where social cohesion and the indigenous leadership are still relatively underdeveloped.

The most important long-term problem facing the program is no doubt that of relating it to the central government in Vientiane. Until now, we have operated in the Northeast, for example, mainly in direct support of Vang Pao, rather than going through the General Staff of RLG ministries. In large part, for reasons given above, the success of the program is attributable to Vang Pao's personal leadership and the relationship established between him and the Americans. The rivalries with which the General Staff is ridden and the long-standing suspicions that divide the Meo and the Lao would undoubtedly have undermined the collaboration had we tried to operate solely through Vientiane. Our direct support for Vang Pao increased our influence with him while it reduced his vulnerability to undercutting from Vientiane. These two factors made it possible for him to keep his energies directed against the communists, even though political events that seemed threatening to him occurred in the capital. On the other hand, our direct support for him is known and viewed with apprehension by many leaders in Vientiane. They fear the separatism that is implied. Furthermore, the long-term interest of the people of the Northeast can be served only if they are part of a larger and more developed community. It is in the interest of all concerned, therefore, to find a route to gradual integration.

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This has already been recognized in principle by Vang Pao, who has reintroduced the RLG Governor of Xieng Khouang as the civil authority in Sam Thong and brought the school system under the Ministry of Education. Nevertheless, true authority in the region still lies with him. It is important that we use our influence and our leverage both with Vang Pao and the RLG to facilitate the process of integration. In terms of our objectives in Laos, however, it would be a mistake to rush this process. Moving too swiftly in something this delicate could result in clashes and mutual suspicions that could make ultimate resolution of the problems more difficult. "Facilitating" integration, therefore, should include those measures that make a measured pace acceptable. As impatience will come mainly from the RLG side, we should seek to reassure them that integration is firmly accepted as a final goal. Meanwhile, we should avoid measures that increase RLG anxiety or jealousy, such as too rapid a rate of development of the physical facilities in Sam Thong, the most visible part of the program. In broader terms, the most important contribution to integration would be improving the stability and quality of the RLG itself, making the central government more capable of ruling the regions and more acceptable to them. The program itself will gradually make integration easier by spreading the Lao language and increasing the villagers' general level of education and knowledge of their country.

THE VILLAGE CLUSTER PROGRAM

The village cluster program, which has been the cornerstone of USAID's rural development efforts since its inception in late 1963, is in transition. In recent months standard cluster operations have been supplemented by the inauguration of the "Wapi Project" in the south and by the establishment of a "forward operations" program, which is already underway in two locations. These developments reflect changes that have occurred in Laos since the cluster program was designed, as well as experience gained from managing that program. Before addressing the question of the appropriate future direction of the program as a

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whole, this section attempts to present a summary analytical review of the three types of rural programs currently in operation.

The Standard Cluster

The village cluster program arose in response to the conditions present in Laos after the signing of the Geneva Accords in 1962. It soon became apparent that the accords had not brought genuine peace to the Lao countryside and that USAID's rural program had to be designed to be effective in the midst of a continuing civil war throughout Laos. Prior to the inception of the cluster program, USAID's rural efforts comprised a series of self-help projects scattered over the country and designed to provide benefits, though on a small scale, throughout Laos. It was decided that such a program was too unfocused to be used as a major weapon in the struggle against armed communist insurgents. Accordingly, the village cluster program was formulated. The program was to be a combined village security and village development program designed to secure, in time, key rural areas of Laos. To make possible more effective utilization of scarce U.S. and Lao personnel, and the continuous on-site presence of skilled personnel with the leadership abilities needed to change village attitudes, the program was to be focused in seven village clusters, rather than spread thinly throughout the countryside. It was thought that by clustering the program it would be possible to demonstrate that improved health, education, diet, and village facilities were both desirable and obtainable to villagers willing to contribute their own efforts to achieve them. Clustering was necessary to provide a quantum change in the quality of village life, thereby demonstrating the value of joint community action.

The security side of the program encompassed two lines of development. Although the Pathet Lao did not control large areas of rural Laos in 1963; it was able to move freely throughout most of the countryside. FAR was believed to be incapable of providing security on an extensive basis even in areas nominally under government control. Clustering was necessary in strategic areas to fit in with

FAR capabilities for providing security. FAR was to take the lead in establishing early-warning intelligence nets and training and organizing village self-defense forces, which could resist small-scale PL incursions and release FAR forces from static defense for more aggressive military actions against the communists. USAID personnel were to play no part in the security aspect of the program.

The concept underlying the village cluster program was that village security and rural improvement had to proceed together. The dynamic of the program was based on the idea that if the villagers acquired a greater stake in their own security through the social and economic side of the program they would be willing to undertake greater responsibility for their own defense. The program was designed to grow in response to demands for it from areas outside the initial clusters, as neighboring villages heard and saw the successes of the program and its reputation spread. This view of the link between security and economic programs is a community-centered one. By associating changes in the community with the government, a favorable attitude towards the hitherto remote central government was to be fostered. Such a view was based on the idea that villagers, by and large, looked on outside authority as inevitable but not necessarily desirable. Apathy, rather than allegiance or hostility, was considered to be the characteristic attitude of villagers towards the central government.

Because the village cluster program was set in motion as a pilot project, the United States was slow to enlist the full support of the RLG and its regional and local representatives for the program. Not being able to guarantee the permanence of the program inhibited the United States from pressing the RLG to back the program and to ask its representatives to give it their full support. Although the cluster program had the nominal sanction of senior Lao officials, they did not participate in planning the program, they were not actively involved in carrying it out, and they failed to send down clear instructions to lower-level officials. As a result, in the initial stages of the program local officials in many cases failed

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to give the program their blessing. Chao khuengs were given no assistance from the central ministries, chao muoungs received no guidance from chao khuengs, and so on down the line. Gradually this situation improved, and passive acceptance, if not always active involvement, was received from local as well as central government officials. Nevertheless, the cluster program in conception and execution was largely a community-centered program rather than a political program. Not until the Prime Minister began to give the program active support in late 1964 was the full cooperation of rural officials forthcoming.

Partly as a result of changes in the overall security situation in the countryside, and partly as a result of FAR's lack of initiative, the village security component of the program never came to fruition. Nevertheless, FAR was able to provide adequate conventional security to the clusters, in part because the Pathet Lao failed to respond actively to the challenge. Although the economic and social programs did not directly enhance security, they were able to proceed without being undercut by Pathet Lao depredations.

At the present time, the cluster program remains the main vehicle for USAID's rural development program. Projects outside cluster areas, although not discouraged, require special permission from the USAID Director before they can be undertaken. In each of the clusters varied development and welfare activities are carried on. Road building has been one of the most important and popular projects. Dispensaries and schools have been constructed and staffed. An attempt is made to carry out an agricultural program in each cluster with demonstration gardens, livestock programs, water control projects, and similar activities. A large well-digging program has been carried out as has a program of environmental sanitation largely focused on the construction of water-seal toilets. In short, the projects carried out in the clusters reflect a wide variety of rural programs and involve the use of all of the technical services of USAID.

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The guiding philosophy of the cluster program remains one of community development. This approach seeks to foster increased self-confidence and to stimulate progressive community efforts. By providing technical guidance and material support, but insisting on village self-help to carry out projects, the program tries to demonstrate what is possible for a community that is willing to organize and exert itself to improve its material circumstances. The support that is given is designed to show the interest of the RLG in the welfare of its rural citizens.

The cluster program is given overall direction by the Rural Development Division of USAID. Permanent U.S. representation at the cluster sites is provided largely by members of the International Volunteer Service, although USAID personnel live in provincial capitals, and in two cases in cluster villages. The technical divisions of USAID assist in carrying out the various cluster projects. The RLG supports the cluster program through representatives of the various ministries involved, and through so-called "fundamental educators" provided by its Commissariat of Rural Affairs.

The cluster program has several important accomplishments to its credit. By mounting major rural development efforts in the countryside it has succeeded in stimulating FAR to provide security to the clusters and to move troops out from secure base areas into the field. Even though conventional military security is now good in most cluster areas this accomplishment is of major importance. RLG civilian ministries have also been stimulated to extend the scope of their rural activities and to provide government officials for service in the countryside. Local officials have also responded to the program and in many cases have taken an active role in helping to carry out its objectives.

Clusters provide significant benefits to the population that they reach. Large amounts of material resources have been given to the clusters and have been used to raise the local standard of living. Villages have schools and dispensaries today that had none before the clusters came into existence; roads have been built; pigs

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have been distributed; wells have been dug -- in short, the economic side of the program has some notable successes to its credit. As a result, in the cluster areas the image of the RLG has improved. At the same time United States support for this program has convinced senior RLG officials that the United States has a genuine interest in the welfare of Laos and its inhabitants.

An additional accomplishment of the cluster program is its contribution to better management of the resources provided by the United States. Prior to the establishment of this program, U.S. resources were sprinkled over the countryside and distributed by local Lao officials. Few officials could resist the temptation, and corruption was common. By clustering its rural operations the United States controls the resources more effectively, and the problem of misappropriated resources is now of minor proportions.

Nevertheless the cluster program has not fulfilled all the hopes originally held for it. In particular, as mentioned above, the security part of the program has virtually dropped out. Although security is better in many rural areas, the reasons for this improvement lie elsewhere. No village defense forces have been formed, and no intelligence system has been established. In part the need for a security element in the older clusters is less than originally envisioned. But the absence of such an element has called into question the desirability of relying on the standard cluster as the model for carrying out USAID's rural program. One unfortunate aspect of the failure to develop a security program in conjunction with the economic and social program of the clusters is that many Americans carrying out the cluster program fail to recognize the importance and desirability of focusing on security issues. Community development has become a goal for its own sake rather than a means for attaining objectives more directly tied to United States policy goals in Laos.

Associated with this emphasis on community development as a goal in its own right has been inadequate attention to the political

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effects of the cluster program. The focus of the program has been on the communities themselves and on local leaders -- naibans and tassengs -- rather than on higher levels of leadership. Provincial and district officials have gradually given their support to the village cluster program but their role has been a relatively passive one. Community development has been viewed as a technical process to be built from the bottom up. This approach has not been successful in achieving the quantum jump in community life that was originally hoped for. As the experience of the refugee relief program shows, and as is borne out by experience in Vietnam, strengthening local communities requires strong leadership from above. It is a mistake to view the Lao village as essentially an independent entity capable of developing its own local leadership to the degree necessary to build a cohesive and progressive village community. Political leadership is an essential ingredient both in strengthening local communities and in influencing the attitudes and behavior of the rural population toward the national government. Political leadership is also essential in coordinating village programs with the FAR and the RLG ministries.

Although the original cluster plan envisioned clusters as centers for extending benefits outward, as the program developed it has tended to focus inward on the cluster areas. As a result the favorable impact of the program has been felt in only a limited number of villages. The political effects of the program in villages outside cluster areas have been neutral at the best; at the worst they have been negative, for villages without programs have become jealous of their more favored neighbors. No program can, or should, distribute its benefits evenly over the countryside like icing on a cake. However, peasants in areas where the program is not operative have to understand why it is that they do not receive commensurate benefits. The essence of the problem is a political one. Political leaders must help determine the coverage of the program and help to explain to less favored areas why it is that they have not yet been provided the material benefits that other areas are receiving.

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The most serious drawbacks of the cluster approach derive from the circumstances of its conception and design -- the failure to link the inputs with the desired output, the apolitical nature of the program, and its limited coverage. In addition to these weaknesses there are others that derive from the way the program has been implemented. The cluster program is over-programmed. Each local activity must be part of an overall activity plan, so flexibility of approach is limited. Detailed construction specifications are determined by Vientiane. As a result there are serious delays in initiating and completing projects and the whole program has an unnecessary sluggishness. In addition, cluster managers feel they must complete a given list of activities and accordingly focus on getting the job done on the input side without having adequate time or authority to worry about whether the job is getting done on the output side. Moreover, few USAID personnel live in the villages, whereas the IVS teams who do have little authority in designing the program and little experience in evaluating it. No political guidance is given them to help draw their attention to the kinds of information that would be most relevant and useful. USAID personnel who have the experience and authority to do this do not in most cases achieve the degree of personal involvement with local leaders that would enable them to get a clear picture of how the program is working and how it might be improved. Partly as a consequence of the lack of USAID personnel living in the villages, and partly as a consequence of the focus on inputs rather than output, there has been inadequate feedback in the program. Finally, the inward focus of the program has led to a preoccupation with what is going on inside the village and inadequate attention to the village's relations with the outside world, and to insufficient concern for what is happening in villages not covered by the program. This means that the political effect of a particular cluster on the broader region of which it is a part remains unperceived. In the economic sphere this has led to an overemphasis on raising the level of subsistence in cluster areas and underemphasis on broadening opportunities for and reducing barriers to commercial relations with areas outside the clusters.

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FORWARD AREA OPERATIONS

Forward area operations are limited objective projects undertaken in areas of strategic political or military significance. Because they are new they have not yet evolved into a well-defined approach. They differ from standard cluster operations in a number of respects. In the first place they are less comprehensive, being limited to a few selected projects in each area where they are being undertaken. Although they will be conducted largely on a self-help basis the emphasis is more on the impact they have on the attitudes of the community than on fostering any deep-seated community development. An essential feature of these operations is that they are not intended to continue indefinitely, and United States personnel will not necessarily remain in place during the entire lifetime of the operations. In some cases it may be decided to transform forward area operations into full-scale cluster efforts, but in others the operations will simply cease once the initial projects are physically accomplished. The kind of projects chosen will be selected in order to provide quick and visible results. Thus, the emphasis will be on such things as bridges, air strips, schools, and dispensaries rather than on such training and development activities as environmental sanitation or agricultural improvement.

The great advantages of forward area operations are that they make it possible to move quickly to seize opportunities as they arise and to extend the coverage of the rural program further than would be possible simply through cluster efforts. Moreover, they will enable USAID to do something, however limited, in areas where security or political considerations dictate attention but where standard cluster operations would not be feasible. Their flexibility both as to content and location should make them a useful supplement to the more ambitious but more cumbersome cluster efforts. However, they share with the standard cluster approach an essentially apolitical character. The permission and support of local authorities is sought, but the programs are carried out largely by Americans and are not conceived primarily as a means for extending the prestige and authority of local and regional officials. Finally, although the possibility of

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incorporating security programs in forward area operations has been discussed, they remain essentially input programs that place little responsibility on the local populace or local officials to respond actively in such a way as to provide major security or political returns.

THE "WAPI APPROACH"

The inauguration of a new kind of rural program in the province of Wapikhamtong early in 1965 marks a more advanced stage in the development of the cluster program in Laos. It is still too early to assess its success, though early indications are favorable. We give below a brief description of the Wapi approach, for comparison with other rural programs. Because of its newness, the focus of discussion is on the basic conception and strategy of the Wapi program rather than on its results to date.

Under the umbrella of FAR elements adequate to provide conventional security, the Wapi project combines a broad socio-economic program -- schools, dispensaries, roads, wells -- with a security program that includes the training of self-defense forces and the establishment of an early-warning intelligence system with an immediate reporting capability. The project is a joint U.S.-Lao undertaking with CAS in charge of its security aspects, USAID responsible for furnishing the inputs and guidance for the socio-economic program, and General Phasouk as the political and military leader on the Lao side. The area over which the Wapi project extends varies from secure to very insecure. The strategy is to begin in the relatively secure areas with a combination of simultaneous economic and security programs, and later to extend operations into less secure areas after the original areas are organized. Progress to date has set the stage for extending operations into some of the more insecure areas.

The Wapi project is a variation of the standard cluster operation, but a variation that differs fundamentally in size, scope, and kind. Where previous cluster programs have been narrow, focusing inward on a particular village or group of villages, the Wapi project is broad,

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covering an area far larger than that covered by traditional cluster operations (in fact, it surrounds and incorporates the La Khone Peng cluster). Plans are ready for its expansion into neighboring areas. Closely associated with its geographical scope is its political character. Both Boun Oum, the foremost political leader of the region, and his nephew General Phasouk participated in initiating the Wapi project. Phasouk takes a leading role in managing it, and a control team made up of FAR officers under his command is responsible for coordinating and overseeing the various security aspects of the program. Phasouk is not only the Military Commander of the Fourth Military Region (which includes the province of Wapikhamtong) but also one of the most respected and effective political leaders in the area, and his sponsorship of the Wapi project lends it a political forcefulness not found in standard clusters. Villagers in the area covered by the Wapi project associate the benefits it provides and the obligations it imposes with General Phasouk. He, in turn, is well aware of the political nature of the project and manages its operations accordingly.

Another notable feature of the Wapi approach is that the expected output from it is well-defined. The socio-economic aspects of the program are designed to induce favorable attitudes toward the RLG and its local leaders. But that is not the end of the matter. These same villagers are also asked to modify their behavior: to bear arms in defense of their community; to provide intelligence; to resist PL demands for food, lodging, or labor; to cooperate with local RLG military and civil authorities. Standard clusters, where there is little agreement about what the desired output is even among those who manage them, are difficult to evaluate or improve. The Wapi project, on the other hand, has indicators of success built into it.

A valuable innovation in the Wapi project is the establishment of a training course for naibans and tassengs from the area. The course, which was held for several weeks, included personal appearances by General Phasouk and Prince Boun Oum as well as by representatives of FAR and RLG ministries. Apparently a success, even with officials brought in from territories controlled by the Pathet Lao, this course

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will need follow-up action. Local officials should be brought together periodically for training, propaganda, and morale, and individuals of particular merit and skill should be selected for special training and attention.

The broader geographical and political character of the Wapi project has focused attention on the behavior and attitude of the FAR security forces and the performance of RLG civilian authorities. In standard clusters these matters are considered to be exogenous, except possibly as they relate to the cluster itself, but in the Wapi project they are viewed as endogenous problems and have received institutional recognition. FAR soldiers in the area have been given higher subsistence allowances and better quarters; in return, they are expected to behave correctly toward the local population and stricter discipline is maintained. In addition, General Phasouk has established an inspectorate within his control team to make field investigations of progress, problems, and abuses. This is a new and potentially very important development. It is too early to tell yet how it is working, but the experiment should be watched carefully and the United States should stand ready to advise and assist in any way possible. At the same time the village level propaganda effort, which got off to a slow start, should be given special attention by United States advisers. This sort of effort is difficult to organize and establish, but the potential pay-off is very high.

The Wapi project appears to be fundamentally sound in design and execution, but, as in all new programs of such scope, a number of issues remain in need of further clarification. The sharpest controversy over the Wapi project has centered on the question of "self-help" vs. "force account" construction. A temporary truce has been achieved but the issue is likely to arise again. The proponents of a force account approach stress the need for simultaneity -- if peasants are being asked to do something, the carrot must be forthcoming at the proper time and place. On the other hand, the proponents of self-help feel that only direct participation will make the benefits appreciated and lead to stronger communities, and that self-help is

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the only way these primitive communities have of taxing themselves. Both of these arguments have merit. The question is whether a force account approach can be used in some cases without destroying the possibility of using a self-help approach in others. One possibility that might be tried is to reserve certain classes of projects to a self-help approach. Thus, where schools or dispensaries might be provided on a force account basis, small dams might always be constructed by self-help. In general, a flexible approach is called for, using force account where necessary, not insisting on self-help where inconvenient or unpopular, but preserving as far as possible the principle of the self-help approach.

The political character of the Wapi project means that its relative merits depend on one's view of the role of the regions in Laos. The question of whether United States influence and resources should work exclusively through the central government and General Staff in Vientiane is discussed earlier and that argument will not be repeated here. However, it should be noted that the close association of the Wapi project with General Phasouk will reduce the program's effectiveness as a symbol of United States goodwill toward the central government, while increasing its value to Phasouk and Boun Oum.

Finally, there is the question of whether the favorable beginning made by the Wapi project can be sustained. Wapikhamtong is a relatively poor province where the prospects for sustained economic development are poor. Will lack of economic progress eventually rob the project of its usefulness? There is reason to believe this will not be the case. The choice faced by villagers in the areas lies between the RLG and the Pathet Lao. They are aware that in Pathet Lao areas even the small benefits provided by the RLG do not exist. The presence of schools and teachers, dispensaries and medics, wells and roads will serve to remind the villagers of their government's continuing interest in them. Villages will respond to a continuing show of services. If this is forthcoming, a continuing inflow of resources is not essential. But even if the program can be sustained without fundamental economic progress, such progress would still help in increasing the effectiveness of the program.

FUTURE DIRECTIONS FOR THE CLUSTER PROGRAM

Laos today offers more favorable opportunities than it did when the cluster program was being formulated and designed. Security from Pathet Lao depredations has improved markedly in much of the Mekong Valley, the FAR is a greatly improved military organization, and the vigorous program of airstrikes in Laos inaugurated last year has been effective. Small-scale incursions by Pathet Lao patrols still occur, and areas of borderline security remain as do areas of communist control, but the improved security in RLG areas and the improved capability of RLG military forces have placed the Pathet Lao in a more vulnerable military position. At the same time, partly as a result of its increasingly evident dependence on the North Vietnamese, and partly as a result of its failure to fulfill its early promise of social and political reforms and progress, the Pathet Lao movement has lost much of its appeal and effectiveness as an indigenous revolutionary force. The RLG, on the other hand, has made considerable progress in bringing material benefits to the countryside and in harmonizing the formerly conflicting "right wing" and "neutralist" factions. The fragility of this recent political progress has been commented on earlier, but the fact remains that there is a more cohesive government base from which to build. The success of the recent stabilization program has also placed the Lao economy on a more solid footing. Finally, the role of the United States as a partner with the Lao has emerged more clearly, both as a result of the domination of the Pathet Lao by the North Vietnamese and as a result of our evident alliance not with any particular faction but with a political structure felt to be more representative of Lao national interests as a whole.

The time is opportune for mounting a rural program responsive to the better opportunities that exist for extending and securing RLG control over rural Laos. The experience gained from managing the cluster program, and the goodwill generated by it, place USAID in a position to move forward from the strong base that it has already established. Security-oriented rural programs, such as the Wapi project, can play an important role in extending RLG control into new areas and

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in further restricting the ability of the Pathet Lao to operate in RLG areas. In addition, the USAID rural program can be instrumental in improving RLG effectiveness in governing rural Laos, thereby reducing the danger of future Pathet Lao subversion and demonstrating to areas still dominated by the Pathet Lao that the RLG offers benefits and progress that the Pathet Lao cannot match.

The primary objective of the rural program must be to make RLG officials more effective in attracting, organizing, and commanding the loyalties and energies of the rural population. Better and stronger leadership is the key to progress of every kind, whether security, economic, or social. Working in the village from the bottom up by attempting to change individual attitudes and capabilities will not produce results except over a very long period of time. To get quicker results the job must begin with the leaders, even though the ultimate objective is to change the attitudes and behavior of the people. Accordingly, the focus of USAID's rural program must be its impact on leadership in rural Laos, not on carrying out projects. The program should give primary emphasis to helping rural officials to use all the means at their disposal to provide effective leadership. The resources we have at our command must be used to impart prestige, authority, and power to these leaders, while leverage and abilities are used to point these leaders toward the right objectives. Good leaders will be energetic in making maximum use of their power to exploit the available opportunities for extending and deepening RLG control, and to make individual peasants aware of their role and their responsibilities.

Leadership in Laos is rudimentary. Its structure has not been fixed, and individuals are still far from achieving their full potential. But it is a mistake to think that rural Laos is a political vacuum. No area is anarchic, and none is really isolated from governmental and political leadership of some sort. Moreover, no Lao official is indifferent to the attitude of his superiors and to his own opportunities for advancement. Pressure from above can be used to elicit effort from rural officials. There is a structure with which to work and a hierarchy through which to operate. USAID's rural program should

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be designed to be politically effective in moving and shaking the existing governmental structure of rural Laos to make it more responsive to opportunities as they arise, and to the needs of the rural population.

To make him a more effective leader the rural official needs resources that can be used to give weight to his leadership. His ability to command resources, to give them or deny them, provides the power to influence peasant behavior. He needs leadership above him, to encourage his efforts, reward his successes, and penalize him for his failures. Pressure must be placed on him to perform. He needs cooperation from the RLG and the FAR. The central ministries provide technical services that are indispensable to good government, and, in rural areas, the FAR provides the most important service of all -- security. The rural official's relations with the central ministries and with the FAR must be regularized. To accomplish this he needs the backing and support of higher officials in the region and in Vientiane.

The usual objection to USAID's working through and in support of local leadership is that good leaders in Laos are few and far between. The approach we recommend does not depend on the existence of a Phasouk in every muong. The capacity of every official to exert leadership can be increased. Better government, not ideal government, is the goal. Moreover, there is room for tradeoffs: where there is a weak and incompetent chaou muong, the chaou khoueng can be relied upon more heavily, and vice versa; if civil leadership is poor, the Regional Commander can play a more active role. Moreover, the program should reflect differences in the quality of leadership: larger and more ambitious programs should be directed to areas where there are capable Lao leaders because the payoff will be greater. If leadership in a critical area is too bad to work with or around, we should use our influence to change the leadership. Only if this is not possible, and the area is too critical to neglect, will there be no choice but to try to do the job ourselves. In this case, which should be the exception not the rule, our sights will have to be lowered. Although we can make Lao leadership work better, we cannot ourselves provide a substitute for it.

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Since the objective of the rural program is to strengthen the government's ability to govern rural areas, the program itself should be designed to be effective over as broad an area as possible. Moreover, if the focus is on leadership rather than projects, it becomes clearer that the ultimate constraints on the program lie in the capacity of local leadership and the availability of resources to provide security (particularly military resources). With this focus, expansion of the program could proceed as opportunities open up and resources become available. Distinctions between different institutional forms (such as standard clusters, Wapi programs, and forward-area operations) would become unimportant. The particular form of the rural program could vary from area to area, with a full-scale Wapi project at one end of the spectrum and modest programs similar to current forward-area operations at the other. Perhaps the best way to envisage the rural program is to conceive of it as a single large program along the lines of the current Wapi project, but with its content in different areas reflecting the local situation. The question of when the Americans should "get out" then loses its relevance, for Americans are there to support local leadership, not to supplant it.

USAID's rural program has already begun to move in the direction of the broader, politicized approach that we are recommending. The development of the Wapi approach, the new problem-oriented format for Area Coordinator's reports and the establishment of an evaluation unit in the Program Office, and the increased authority and flexibility provided for Area Coordinators -- all testify to the progressive nature of the cluster program. The purpose of this section is to focus attention on what appear to be the central issues involved. The recommendations that follow are intended as suggestions to help in quickening the pace at which the program evolves, not as detailed instructions.

Two general principles should be applied in designing and carrying out a more politicized USAID rural program. First, the program should focus more clearly on the desired output. Neither increasing the welfare of the rural population nor promoting economic development are ultimate objectives in the same sense as improving security and strengthening the

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political appeal and authority of the RLG. USAID's representatives should give priority of time and thought to security-related projects and to working through local leaders in a style that fosters political cohesion. In some cases, there may be a conflict between these goals and the goals of humanitarianism, economic development, and even efficiency. For example, the location of development projects should not be determined solely on the grounds of economic efficiency; consideration should be given to placing them in areas where their political payoff is particularly high. Similarly, refugee programs should be designed to serve security interests, not to improve refugee welfare or save dollars. The most efficient and humanitarian refugee program might well be to attract refugees from insecure to secure areas where they can be cared for and rehabilitated, but security considerations will often dictate leaving refugees in places where they can be used to provide intelligence and even to conduct paramilitary operations.

Second, the rural program should be less concentrated. Clusters, where they are appropriate, should be viewed as centers for providing services to areas outside them. The goal should not be to strive for a quantum jump in the welfare and attitudes of the cluster communities but to maximize their ability to serve outside communities. Some clustering of rural activities will be useful in helping maintain administrative control over resources, in providing a center for demonstrating the value of certain rural programs, and as training centers. But the overall goal should be to influence as broad an area as possible, striving for the most politically effective distribution of resources. Clearly, this implies removing the premium placed on activities within clusters and reducing the number of activities undertaken in cluster areas in favor of increasing them in outside areas. Concentration should no longer be a guiding principle.

The suggestions that follow are intended to illustrate some of the implications of these two principles:

Emphasis should be placed on simple, easily understood projects. Projects that necessitate fundamental changes in peasant attitudes should have less priority than those that satisfy peasant needs given

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their present attitudes. Our interest is not in improving peasant lives but in achieving our political and security objectives. In concrete terms this means dispensaries rather than environmental hygiene, projects to raise disposable incomes rather than those to improve the content of diets. Concentration should be placed on a relatively small number of simple projects -- roads, schools, dispensaries, wells, small dams -- although in every locality some projects outside this basic list will also be desirable. Emphasis on simple projects will reduce the need for supervision and explanation, make a more extensive program feasible.

Quality standards should be relaxed. Relaxation of the quality standards of the present program would permit more rapid quantitative results. Ten makeshift schools with partially qualified teachers will make more of a contribution both to political and economic development goals than a single school in a permanent building with a qualified staff that has only one-tenth the number of students. A program of school building and dispensary construction in as many villages as possible should be a major goal of the rural program. Relaxing construction standards would also help in two respects. There is no need for USAID schools and dispensaries to be the best buildings in the area. They can and should be built of local materials in the local style. How rapidly the program is pressed should depend solely on how rapidly teachers and medics can be trained to staff it. To permit a maximum program the initial staff should possess only minimum qualifications. As time goes on the quality of these personnel should be upgraded, but it is not desirable to wait until fully qualified people are available to expand the program.

(Road building is an exception to the principle that quality is a relatively unimportant consideration. For valid political reasons roads are ordinarily not constructed on a self-help basis, and the question of durability and maintenance costs therefore becomes more important. If a self-help school lasts only a few years, the costs of reconstructing it are small. There is even some value in maintaining peasant involvement in the program through the periodic reconstruction

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of self-help projects. For roads, however, the issue of quality of construction is purely economic and there is a clear tradeoff between the cheapness of the original road project and its durability.)

Self-help should remain a basic principle of the USAID rural program. Although self-help is not a principle that should be slavishly adhered to, it is one that is well worth preserving. Self-help involves people with their leaders and can be politically effective as a result. Moreover, self-help projects can serve to keep the program in line with what people really want: villagers will usually not voluntarily work on projects to which they are indifferent. To preserve this principle, self-help projects should be largely voluntary. Effective and respected political leaders will often be successful in organizing support for self-help projects that the community, left to its own devices, would not choose to support, but this is not inconsistent with voluntarism. Leadership serves to educate people to their needs and capabilities. Experience throughout Laos, and in other countries, has shown that self-help can achieve extensive and relatively rapid results under effective leadership, but not when such leadership is absent. One way to judge the effectiveness of a particular leader, and to force him to keep in touch with his people, is to give him responsibility for organizing self-help projects. In this respect, an effective technique is to limit the number of self-help projects that will be supported in any particular area at any particular time. For example, a muong may be given material support for three self-help projects at a time; only when one is completed would additional support be forthcoming. It should be noted that the earlier recommendation for simple projects with relaxed construction standards is consistent with dependence on self-help, for villagers have neither the time nor the skill to carry out elaborate construction tasks. Properly guided, self-help can be used to make an extensive rural program more manageable by holding costs and administrative burdens within feasible bounds.

Self-help is a matter of degree; it is consistent with the provision of outside labor as well as outside materials. Force account is simply one end of a continuum. Where timeliness is of urgent

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importance, force account projects may be preferable to self-help. As discussed earlier, the problem is to make sure that using the force account approach for some projects does not foreclose the use of self-help for others. Moreover force account projects can be designed to enlist some degree of local participation in planning and discussion so as to preserve the principle of local involvement.

Projects should be supported for the express purpose of increasing the prestige and authority of a particular leader. Americans have often hesitated to support rural projects that are desired by local leaders largely to enhance their political stature rather than to benefit the local population. Such hesitancy may be mistaken; indeed, more attention should be given to providing the tools of leadership to local officials. For example, the United States should provide more transportation to rural officials -- for example, jeeps and boats to district and provincial officials to enable them to get out of their district and provincial centers. Where there is an official who will make good use of them, we should consider turning over limited amounts of commodities to him for his disposal. A few bags of cement will not subvert a district chief but they may well serve to enhance his authority and prestige. He should be given more authority to authorize small projects; and for larger projects, which must be carefully supervised by United States and RLG officials, he should be given the ultimate sign-off authority to help demonstrate that the project comes from him. There is little payoff in making projects appear to come from the United States or even from a distant and impersonal RLG.

Increased emphasis should be given to programs in which the U.S. commodity input is relatively minor. Managing USAID-supplied resources is only one aspect of USAID's rural program. USAID's field representatives should be viewed, and should view themselves, as having responsibilities that go far beyond this and extend to the broader question of organizing local government and making the RLG effective in rural Laos. A variety of programs contribute to this end, in many of which USAID already participates. A mere listing of some of the possibilities illustrates how important such programs can be: a Pathet Lao returnee

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program, programs for rural youth, civic action, an adult literacy campaign, elimination of FAR abuses, and so on. USAID can and should play a major role in organizing and developing constructive programs of this sort. The relevant programs will depend on the particular circumstances of the area in question and on the particular interests and capabilities of the available USAID personnel. Specific suggestions are made below only concerning youth activities and civic action, though many other programs are of equal importance.

Young people in rural areas are the natural targets of communist propaganda and recruitment efforts. The breaking down of traditional society all over Laos, together with the slow pace and boredom of rural life, makes rural youth a potentially unstable element. Much can be done to combat this. Encouragement of sports and recreational activities in rural areas is at least as important as more purely developmental activities. IVS can play a major role in such programs, and consideration should be given to requesting, and using, IVS volunteers with interests and skills in physical education and recreation. Athletic activities are also a useful vehicle for increasing communication among villages and areas and can serve to foster a sense of belonging to a single nation. Recent efforts to organize urban youth for a peace corps type of activity in rural areas, particularly in summer programs, indicate that further attention should be given to providing support for rural youth organizations. RLG suspicion of efforts to organize rural youth has been inhibiting in the past, and only the Boy Scout and Girl Scout movements have received support. The Mission's Youth Committee should explore with the RLG what further possibilities appear workable and enlist the suggestions and comments of USAID's rural workers.

Civic action should be more of a two-way street. In addition to pressing military authorities to organize programs to benefit the civilian populace, we should consider what the civilian populace can do for the military. Commodities and materials to improve the soldiers' life (for barracks building and the like) could be channeled through the civil authorities. Villages could be persuaded to hold fêtes for

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the benefit of the local military forces. Civic action itself should be emphasized, but an even greater payoff would come from simply eliminating present abuses (which are now termed "negative civic action"). USAID should always see itself as playing a valuable intermediary role between civil and military authorities. Ministerial rivalries and civil-military conflicts will not disappear by themselves; Americans can take an important part in working out the necessary adjustments between the various centers of power through designing and sponsoring programs directed to this end.

In some cases programs of the type we are discussing can be organized at the local level, but they will usually require regional and even national support and authorization. USAID can play an important role in serving as a transmission belt for ideas and in applying pressure at the higher levels. In every case, the objective should be to design the programs so as to consolidate and strengthen the RLG presence in rural areas.

Training programs should focus on officials. The question of providing training for the adult rural population in general and for rural officials in particular is a complex and important one. For the rural population as a whole the question of training cannot be separated from the question of literacy. However vigorous our training efforts are, they will be slow to take effect and have uncertain results if those who are being trained are illiterate. Literacy is more than a specific skill. It is a whole approach to life -- and to change. Laos will not become a nation of skilled craftsmen, or even of skilled farmers, until the general level of literacy and education is far higher than it is now. This is not an argument against training, but it is an argument for restricting, to a modest amount, the share of scarce resources allocated to programs for training individual peasants. For rural officials, however, this is not the case. Their training should have high priority.

Rural programs should foster a market economy. Lao villages are not self-sufficient, isolated communities. Even in relatively remote areas they already have some links to the market, and villagers are

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not only producers but traders. There is undoubtedly scope for increasing and improving local handicraft production, but Laos is overwhelmingly a nation of small farmers. It is largely through development of a more profitable agricultural system that economic progress will come to the countryside. Accordingly, in USAID's rural program, stress should be placed on reducing the barriers to the commercialization of Lao agriculture. This requires attention to the links between villages and the outside world: marketing and transport facilities, the attitudes and policies of local and regional officials, and so on. This, too, is an argument for a more extensive rural program, rather than one that is primarily village-centered. Moreover, the success of the rice-seed multiplication project in non-cluster areas suggests that some economic programs may not require the close community relations that the cluster program aims at providing.

An associated weakness in the economic portion of the present cluster program is that it relies primarily on relatively inexpert generalists. For example, the demonstration plots of the cluster program are characterized more by good will than by good results. The IVS participants who manage them are inadequately trained and supervised; the crops and livestock demonstrated are frequently inappropriate, the plots are often poorly located, and the whole operation lacks a scientific approach. What is needed is a higher level of technical competence and professional specialization.

The USAID program must be flexible and responsive to new opportunities as they arise. A program of the type we are describing cannot be standardized; no simple set of specific guidelines will be appropriate in all areas. Only people on the spot will have the necessary expertise and familiarity with local conditions to make the program effective. In general, it would be inefficient and costly to lay down firm rules and standards. The ad hoc approach that is needed will still require guidance from Vientiane, but such guidance will be ineffective and inappropriate if it is overly rigid and specific. The danger lies as much in being over-specific about what should be done as in being over-restrictive about what may be attempted. Pressure on USAID field representatives to carry out a detailed list of activities and to meet

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rigid time schedules can be just as burdensome as failure to permit novel approaches to problems. Overemphasis on the technical details of project execution (particularly on the input side) confuses means with ends, and can lead to neglect of action in areas where concrete results are less demonstrable but may be more fundamental. Chapter 10 offers some suggestions for administrative flexibility that apply also to the efficient administration of the rural program. The current trend toward greater decentralization of responsibility for the rural program is in the right direction and should be further developed.

A particularly fruitful area for administrative and program flexibility is that of inter-agency cooperation. Counterinsurgency is an inter-agency problem par excellence. The experience of USAID and CAS in the refugee and Wapi programs shows how productive inter-agency cooperation can be. But the limits of effective cooperation have by no means been reached. In particular, USAID's field employees could profit from better political guidance from the Embassy, and Embassy political officers could profit from USAID's on-the-scene knowledge of what is happening in rural Laos. Perhaps the most important need is to build an adequate information system into the rural program. No program in rural areas will be politically effective if information policy is neglected there, or is conducted at cross-purposes with the program. The role of USIS is crucial here.

More USAID personnel should live in the villages. No USAID personnel live in Lao villages with the recent exception of the cluster managers in Vang Vieng and Muong Pieng. When feasible, USAID personnel should be encouraged to have their permanent bases outside Vientiane and the provincial capitals. The only Americans now living in any numbers in the villages are IVS personnel, who do not participate in program development. There is no substitute for living where the work is being done. Allowance must be made for difficulties of transportation and communication, but if first-hand information is to be obtained and fed back into programs, some way must be found for more Americans to live a substantial part of the time in rural areas.

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Feedback is essential. All rural programs are necessarily conceived in ignorance, and even well-designed programs can be improved substantially as experience is gained from operating them. But for experience to be useful it must be systematically collected and evaluated. Organized feedback is the key to progress, and every effort must be made to achieve greater feedback from current operations. Periodic program evaluation in terms of objectives is essential for the success of the rural program.

A role for the narrow cluster. The importance of training, agriculture research and experimentation, and organized feedback suggests an important role in the future for the narrowly focused standard cluster. Although inappropriate as the major vehicle for USAID's rural program, a cluster with narrow focus is appropriate as a center for training rural activators and local officials, and as a locus of research activities. USAID has already developed a concept of the village cluster as a rural "laboratory," and we believe that an attempt should be made to put it into practice.

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Chapter 6

EDUCATION AND TRAINING

The present U.S. program of aid to Lao education is highly effective but limited. A major expansion of U.S. support to education in Laos would be justified by the contribution such a program would make to both economic development and to near and long-term political objectives. More and better education is fundamental to economic and social progress in Laos. Moreover, nothing the RLG has to offer is more in demand by the people of Laos than education for their children. Statements by defectors and captured Pathet Lao show how effective the communist promise of educational opportunity has been in recruiting for their side. Experience in the refugee relief and cluster programs shows that education can be a still more potent force for the RLG, which can better fulfill its promises. An ambitious and effective RLG education program would generate, as perhaps no other measure could, popular appreciation of the advantages of RLG rather than Pathet Lao control. A better educational system could in the longer run be a major unifying factor, imparting a sense of nationhood and common history to the diverse peoples of Laos. This is especially important with respect to the minorities who make up fully half of Laos' population and who, until recently, had no educational facilities at all. Even the ethnic Lao frequently tend to think of their community in local, or at best regional, terms.

Through a vigorous effort to provide Laos with better and more extensive educational opportunities, the United States could markedly improve its image and create an atmosphere of good will that would contribute to U.S.-Lao cooperation in other fields. Such an effort would also demonstrate to other countries, and to the U.S. public, the constructive component of American policy toward Laos, and provide a convincing demonstration of a long-range commitment in Laos.

THE SETTING

Apart from a modest effort of Buddhist-inspired education -- inferior to similar efforts in neighboring countries -- the Lao people

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have until quite recently had virtually no access to education. Under the French colonial regime they were treated somewhat like natives who could only be spoiled by introduction to knowledge. What little instruction was provided was limited to a small minority. In 1945 there were only some 11,000 pupils in Laos' primary schools; probably no more than a few hundred Lao pupils were attending high schools in other parts of Indochina and abroad; and a mere handful held degrees from universities in France. Independent Laos, in all respects a late-comer among the nations of Asia, has thus been forced to build on a very slender educational base. This past neglect and the disruptive effect of civil war and foreign aggression have made it necessary to start from scratch in developing an educational system.

Even at the lowest levels, the present-day educational system fails to provide education for the majority of Lao children. Today, after the considerable primary school expansion of recent years, less than one-half of them have access to even the three-year primary school, representing the first step up the educational ladder, and only one-third to the full six years of elementary school. Although lack of educational opportunities is most serious in remote rural areas, even in Vientiane primary school facilities are seriously inadequate -- one Vientiane primary school, for example, is forced to turn back some 200 children each year.

At higher levels of education the situation is even worse. The application of the French educational philosophy in Laos has resulted in an educational pyramid that rapidly narrows at the middle and top levels, creating an enormous waste of human and financial resources and frustrating the ambitions of many of Laos' most aspiring and energetic citizens. In 1963 less than one-fourth of the school children originally admitted into the first grade succeeded in graduating from elementary school. Even within the highly selective secondary school system, the rate of attrition remains exceedingly high: in 1963, less than one-third of the students passed their intermediate examination (taken after three years of secondary schooling); less than one-third of these (that is, one-ninth of the original group) obtained the first

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part of the baccalaureate; and only half of these, or about 5 per cent of the original class, left the lycée with the coveted document testifying that they had passed the second part and thus gone all the way through Laos' French-style secondary educational system. As a result in 1963 only 65 students in all of Laos obtained the qualifications to become full-fledged students in France's institutions of higher learning where Laos' elite continues to be trained.

The French imprint remains particularly strong in Lao education. French teachers are the instructors in the only secondary schools in Laos. Education is directed by French-educated officials and French advisors. The system itself is permeated by the academically oriented elitist educational philosophy of France. As a consequence, Lao education does not fit the pupil to his country's needs and does not prepare him for earning a livelihood in a Lao setting.

Even after independence, French remained the language of instruction in elementary schools. Today it continues in this role in the upper grades of the elementary school where French language instruction occupies one-fourth of the weekly schedule -- 7-1/2 hours as compared with only 4 hours for Lao. In secondary education, skill in French is still the criterion that determines success or failure, for instruction continues almost entirely in that language. The linguistically untalented, or the village boy poorly equipped in French, is seriously handicapped.

The RLG has plans for expanding the Lao educational system, but at a relatively slow rate. Current RLG projections aim at providing three-year schooling for 71 per cent of the relevant age group by 1980, and a full six-year education for some 50 per cent. In principle, the RLG has now accepted the fact that a Laotian nation must learn and think in Lao rather than in French, that its educational system must be geared to the needs of Laos rather than to the standards and conditions of a very different country. In practice, however, this principle is being implemented only sluggishly. Part of the difficulty is the French orientation of the educational leadership. An additional

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difficulty is that the Lao language is still in a state of flux and to some extent lacks the requisite 20th century vocabulary (Thai terms are generally filling the gap). The dearth of printed Lao literature, texts, and reference works, basic to any sound instruction, presents another difficulty. Finally, there is the problem of training an adequate number of teachers and providing secondary training without the help of French instructors who teach in French.

Although these problems are slowly being solved, resistance to "Laotianization" persists. It is fed both by a lack of confidence of many Lao leaders in their people's ability to develop an indigenous educational system and by their skepticism about relying for help on U.S. educational methods, academic standards, and educational philosophy. The prominent role played by French advisers at all levels of Lao education also contributes to the anti-American, pro-French sentiment in education.

The French tradition in education in the past has also kept the Laotians from fully using Thailand's educational facilities. Indeed, French policy consciously separated these two countries, orienting Laos toward France. Individual Lao were led to seek education in France rather than in Thailand, where culture and language were closely related to the Laotian, and where educational opportunities were significantly greater than in Laos. As a result, only the rich or the favored had access to higher education, and the elitist bias of the French educational system was further strengthened.

U.S. assistance to Lao education has been restricted by U.S. hesitation about moving into this French cultural preserve. USAID has restricted its educational program to the field of primary education and has avoided anything that might look like a U.S. attempt to reduce the role of the French in education. In doing so, the United States has in effect voluntarily forgone opportunities to influence the new generation of Lao leadership and has failed to take the initiative in support of what could be a popular and productive program of major importance to the future of Laos and to U.S. objectives there. In the past such an approach probably stemmed from a correct reading

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of the situation, but at a time when Lao attitudes toward the French have become markedly more suspicious, and when French willingness to play a constructive role in Laos is seriously in doubt, continued U.S. diffidence about undertaking a more active role in Lao education appears unwarranted.

GUIDELINES FOR AN EXPANDED EDUCATIONAL PROGRAM

The nature of the educational process is such that an educational assistance program requires a relatively long perspective; it must build from the base upward in an interlocking fashion. A child who is poorly trained in the first grades will be increasingly handicapped as he advances. A Lao pupil whose rural school has exposed him to only a limited amount of French will find it difficult if not impossible to pass through the narrow gate of the entrance examination to the lycée where French is the language of instruction. What may be intended as a limited reform of education might therefore have far-reaching effects. Frequent policy changes in education will prove extremely costly, and will be unsettling to those in the system. Hence, any substantially expanded U.S. assistance program for Lao education should be based on a well-articulated and integrated approach.

Since the success of an educational program in Laos must be judged in political as well as economic terms, technical criteria of economic or scholastic effectiveness alone are inadequate for designing such a program. Both the scale and content of the program must reflect political objectives. Further, the program should be carried out in close coordination with other programs. In particular, the guidelines for USAID's rural program discussed in the previous chapter are relevant to such matters as the location of schools, how they are built, who teaches in them, what is taught, and who gets the credit for the program. With proper attention to these matters the program can have an early payoff in terms of its effect on popular attitudes and allegiances, in addition to making a long-term developmental contribution.

A possible format for an expanded program of U.S. assistance to Lao education (taking into account the considerations just mentioned) is outlined in the final section of this chapter and set forth in more detail in Appendix B. Two broad objectives form the core of this program: the quantitative expansion of Lao education and a transition from French to Lao as the language of instruction at all levels of schooling.

EMPHASIS ON QUANTITY

In the short run, an increase in the quantity of Lao education can be expected to bring significantly greater political returns than improvement in the quality of the present amount of education. Peasants who themselves had no access to education want such access for their children. By making available even the simplest kind of primary school education to children who at present have no school at all, the RLG could reap a sizable harvest of good will. In addition, the steep slopes of the present pyramid of Lao education force most children now enrolled in school to drop out of the educational system much earlier than they might freely choose to do. If more room was made in the middle and at the top of the Lao educational system, this potential source of frustration and discontent would begin to dry up.

In order to permit a major quantitative expansion of Lao education, quality standards will initially have to be relaxed. A program that uses relatively unqualified teachers, makes do with cheap and available facilities and materials, and is permissive about the quality of education in general can be mounted on a broader scale and affect more people than one stressing quality. Political benefits flow from increasing access to some kind of education, even if it is not the best. The success of the extensive, low-quality education program in hill tribe areas testifies to the effectiveness of such an approach.

The degree of conflict between quantity and quality need not be great. Even a program focused on quantitative expansion could bring about relatively rapid expansion of functional literacy and achieve positive, if modest, economic benefits. In addition, the quality of

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the existing educational system need not be reduced to make room for its quantitative expansion. Expansion can be achieved as an add-on to the present system. Finally, as time goes on, the quality of the larger educational system can be continuously improved as more qualified teachers are found, as teachers in the system are upgraded through retraining, and as more and better facilities and teaching materials are made available.

LAOTIANIZATION OF EDUCATION

It will be difficult to make Laos into a self-reliant nation so long as French rather than Lao is used in the schools. To transform the country into a nation in a real sense, the national language must not be relegated to a secondary role. Furthermore, a program for Laotianizing education (already accepted in principle by the Lao Government in the Education Act of 1962) should not end in merely replacing the French language with Lao and French instructors with indigenous teachers. It will also require a modification of the organization and content of Lao education so as to harmonize it more closely with the country's needs.

With increasing U.S. influence in the field of Lao education, it may be tempting to replace the traditional French flavor with a specifically American flavor, to substitute English for French, American instructors for French instructors, and American high schools for French lycées. Such a policy would be self-defeating. It would unnecessarily arouse the antagonism of those affected, especially of the French-educated leaders who might suspect the United States of practicing "neo-colonialism." It would also create major and costly difficulties of staffing and retraining that the United States would be ill-prepared to meet. And, most important, it would result in institutions perhaps even less suited and less related to the Lao environment than their predecessors. Such methods would also fail as instruments for building a Lao nation.

Laotianization as adopted in principle by the RLG and as a goal for U.S. assistance policy should thus not be anti-French in character,

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but pro-Laotian. French instructors and French schools should be encouraged to continue their work. But their effort should be increasingly supplemented by secondary instruction in Lao, to expand the opportunities for secondary education and to create schools better adjusted to the Lao environment.

Foreign languages will remain an essential ingredient of Lao education above the elementary level. This does not mean, however, that English should replace French as the principal language of instruction. Under a program of Laotianization, French will lose its predominant position and English will play an increasing role, but only as a foreign language that allows the Laotian to participate in the modern world. The Thai neighbor has successfully used his own language in schools and universities while maintaining a high level of English language competence. There is no reason why this should not also be possible in Laos.

THE PROGRAM IN SUMMARY

We recommend an expanded USAID education program that might cost, when fully operative, additional AID funds amounting to about \$9 to \$10 million annually.

Primary and Secondary School Education

The core of our recommendation is that USAID should support and help in developing a major speed-up in the expansion of Lao primary and secondary education. Although estimates of the appropriate degree of expansion at each level are somewhat arbitrary, a reasonable approach would be to strive to increase the amount of primary school education in the first three grades by one-and-a-half or two times, triple or quadruple it in the next three grades, and expand secondary school education some ten-fold. These targets should be attainable in the next five years. For reasons of both desirability and practicality, this program should be based on the use of Lao as the basic language of instruction in both primary and secondary education.

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Adoption of appropriate quality standards should make the physical requirements of the program attainable. Construction from local materials of additional simple schools, both primary and groupes scolaires,* largely on a self-help basis, and additions to the present groupes scolaires to extend their services to high school years, lies within USAID's capabilities. Similarly, the increased number of primary school textbooks required could easily be made available. Preparation of adequate high school textbooks, if they are viewed as simply year-by-year additions to the present primary textbooks, could also be accomplished.

The most difficult problem is finding the teachers. At the lower level, literacy alone may be a sufficient qualification, and more use could be made of formally "unqualified" instructors. At higher levels, the aim should be to train teachers to the minimum degree necessary to enable them to teach the grades to which they are assigned. A number of measures would help: provision of teachers' manuals, expanding the one-year National Education Center (NEC) program, upgrading the best of the upper grade primary school instructors through summer courses, and so on. It should be possible to expand the higher levels of primary education and extend instruction into secondary grades without undue delay. Systematic retraining and continued development of a basic teacher training program would permit the system to be continuously improved as time goes on.

It should be noted that the kind of secondary schools we recommend would not be a substitute for the present lycées, which would continue to represent a higher level of education than available in the Lao system. Although it would be possible to develop one or two U.S.-oriented "model high schools" of a standard equivalent to the French-oriented lycées, we do not believe this to be as desirable as a broader expansion of more modest but serviceable secondary schooling.

* Groupes scolaires offer a complete primary education (that is, grades one through six).

Scholarships and Stipends

One reason for the high dropout rate characteristic of the Lao education system is that the nature of the Lao school system effectively bars those lacking French language skills from advancing into secondary schools. Another important factor is that most Lao families cannot support an extended course of education for their children. Wealthier families, by contrast, can provide their children with a home environment where French is spoken and with the necessary funds for education beyond elementary school. Therefore, those who graduate from the lycées at home and abroad and are ready to fill governmental positions or obtain advanced education abroad are not only few in number, but belong for the most part to a select group of families. Their holdover positions of power and influence are perpetuated through the present educational system, which effectively prevents the broadening and democratization of the base for leadership.

One way of broadening this base is to identify ambition and talent and give those who have these qualities sufficient financial support to permit them to continue their education. This could be accomplished through a system of national scholarships and stipends based on merit. These would enable good students to complete their primary school education, and the best students to carry on through secondary school, even in cases where they must be supported away from home. Any expanded U.S. educational program should contain such a feature. In addition, in conjunction with our proposed reform of the U.S. Invisibles Program (see Chapter 8), U.S.-financed support of Lao students abroad should be based on merit and performance, and limited to secondary and university education.

Use of Third Countries

An international flavor to a U.S.-sponsored expanded education program would minimize French sensitivities as well as the apprehensions of those in the RLG who are dubious about the U.S. role in education. Moreover, third countries and international organizations could provide services that the United States by itself may not be in

a position to furnish. In particular, some of the French speaking nations outside France could provide technical or other personnel, through the United Nations, or by way of direct hire, thus supplementing U.S. resources.

The role of Thailand could be particularly significant in providing needed training facilities, personnel, and skills for underdeveloped Laos. A common cultural heritage and linguistic and geographic proximity make Thailand the natural choice for such a role. The systematic encouragement of advanced training of Lao students in Thai universities, and increased use of Thailand's technical training institutions, would be efficient economically and desirable politically.

Technical and Vocational Training

Before embarking on a major program of technical and vocational training, more information is needed. Any overall plan in this area would require a review of the present USAID in-Mission training program, an evaluation of the craft school extensions of the groupes scolaires, an examination of the two technical schools that now exist, a survey of the Thai facilities for technical training, and a study of the possibility of preparing technical training manuals in Lao.

Higher Education in Laos

U.S. support for higher education in Laos should be limited to improving the Institut Royal de Droit et d'Administration and Ecole Royale de Médecine, insofar as appropriate arrangements can be worked out with the French and the RLG. No encouragement should be given at this time to the idea of a national university in Laos.

Adult Education

The adult population of Laos is largely illiterate. Within this group there are undoubtedly some who desire and would respond to educational opportunity. Up to now the RLG has paid only lip service to the idea of an adult education and literacy program. A good place to begin

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such a program would be within the RLG armed forces, where it should be possible to mount an effective literacy campaign and even perhaps a limited program of technical training. A modest adult literacy program in rural areas should also be considered. Finally, the increasing role and numbers of Americans in Laos would appear to call for a step-up in English-language instruction programs.

Training Government Officials

Lao officials are frequently underqualified for their jobs and would benefit from better training. In Chapter 3 we recommended the creation of a Public Administration Division for USAID, with training of officials as its primary function. As part of the rural program, training programs for government officials should be given every encouragement with emphasis on high-level officials. Since Thailand has had considerable experience in training local government officials, participation of Lao officials in Thai training programs (both full course and short sessions) should be encouraged.

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Chapter 7

ECONOMIC DEVELOPMENT

The United States has a dual interest in stimulating the long-term economic development of Laos. The stamina and perspective needed to resist the communists and improve Lao institutions require a long-term prospect of progress. Both the leadership and the people need to feel that their efforts will do more than keep them in the same place, that gradually they will result in a more modern nation and a better way of life. Given the gap between contemporary Laos and the level of expectations generated by communist propaganda and continuing contact with the rest of the world, no single quantum of improvement is likely to satisfy their needs. Instead, the standard must be a rate of improvement that can be sustained for the indefinite future.

Second, support for long-term development reflects credit on the U.S. role in Laos -- among the Lao, with the rest of the world, and at home. It shows the durability and seriousness of the U.S. commitment to Laos, and it shows that we have a more constructive purpose than merely fighting the enemy.

The objectives are political and military in character, not economic. Accordingly, the effectiveness of programs should be measured in terms of what is accomplished in the political and military areas, not in terms of the rate at which Laos approaches economic self-sufficiency. The deepening of the U.S. commitment to Southeast Asia requires a level of activity in the area that will inevitably cost money. United States policy stems from the security interests we defend in Laos. This course will continue to be costly just as other expenditures for national defense will continue at high rates for as long as can be foreseen. That certain of these expenditures are best made in Laos, instead of elsewhere, is based on the calculation that our national security can be defended more economically and reliably in that way, not on Lao rates of growth. Even if the aid bill rose

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every year, economic assistance to Laos might still be the most effective way to defend our interests.

As with other programs, promoting economic growth should be viewed in cost-effectiveness terms. This means every effort should be made to achieve any given level of effectiveness (political-military) at minimal cost (economic). It is at this point that economic efficiency enters as a criterion. Programs that successfully stimulate economic growth will increase Laos' ability to support itself, reducing the cost to the United States. The ideal program, therefore, maximizes political-military strength and economic growth simultaneously. In the real world, it is difficult to maximize two different things at once. Therefore, we shall often prefer programs that give large benefits in terms of domestic stability within Laos or of the world's impression of U.S. purposes in the area, as opposed to other programs, weaker in these respects, that maximize the rate of growth. In no case should economic effectiveness be the sole criterion against which programs are judged.

Laos is economically dependent on the United States and other foreign donors and will remain so for the indefinite future. Any progress that is made over the next few years can be expected to have only a marginal effect on eventual Lao economic viability. Lao economic dependence is in part a heritage of French colonial neglect, and in part a consequence of the strains imposed by a costly and protracted war. Although there are idealistic Lao officials who would feel less anxious if they could see an early end to dependence on external aid, continued Lao economic dependence gives the United States leverage it would otherwise not possess. Economic progress in Laos is desirable to satisfy Lao aspirations and meet Lao needs for self-respect, and to demonstrate to others the positive side of our involvement in Laos. However, this is not the time to sacrifice other objectives in favor of Lao self-sufficiency. Certainly the dollar costs of aid to Laos are not so high as to make necessary the planned phasing out of the aid program.

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ARBITRARY BARRIERS TO ECONOMIC DEVELOPMENT IN LAOS

A major barrier to economic progress in Laos is that commerce and production for sale are hampered by restrictions and uncertainties generated by the civil and military authorities. A peasant may have his surplus output seized at little or no compensation by military requisitioners. A merchant who goes into the countryside to buy livestock or produce may be prohibited from taking his purchases back to market or forced to make extra-legal payments to district officers or soldiers at military checkpoints. Provincial governors or regional military commanders may prohibit the transport of rice out of their jurisdictions, to insure against local deficits or to exact bribes. A tin mine operator may have his supply of local fuel cut off by a general motivated by greed or personal pique. An alien who successfully develops a business may be harrassed for payments by the immigration police. The severity of these restrictive practices varies unpredictably from time to time.

Under the circumstances, it is not surprising that peasants produce mainly for their own consumption or that merchants and entrepreneurs hesitate to undertake new directions in trade or manufacturing. Many of the projects we might support to promote economic development can be frustrated by the arbitrary imposition of authority. There will be little response to encouraging vegetable production or building roads, for example, if the route from farm to market is blocked or made unprofitable. If we are serious about stimulating economic activity, we must do more than build projects. We must attack those root causes of malfeasance that are amenable to specific action, such as underpayment of the civil and military services. The Small Industry Survey Team in its draft report, for example, concludes that "government salaries must be adjusted upwards. We do not believe that any serious industrial development program is likely to succeed until this is done." Expenditures for improving governmental performance are as basic to economic development as expenditures for roads or dams. We must also use our influence and powers of persuasion to bring Laos' senior leadership to understand that more is required for economic

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development than capital outlays. Finally, we must develop and use the kind of leverage with all levels of officialdom that will permit us to insist on remedial action when major abuses occur. Clearly, we should not think of action along these lines as a sweeping reform movement that could eradicate all abuses and arbitrary restraints. Such practices are often deeply rooted in the local culture. But any improvements in this respect will make it easier for the people of Laos to better their lives through productive activity, and also reduce the amount of friction between them and their officials. This path toward economic growth, therefore, is also politically stabilizing. Better intelligence from USAID field personnel concerning these issues would permit senior U.S. and Lao officials to use their authority and prestige to press for the reduction of arbitrary restrictions on economic activity.

ROADS, RIVERS, AND RADIOS

Just as it is fragmented politically, Laos tends to be fragmented economically. Peasant families produce for their own subsistence. Localities and regions are cut off from each other and strive for self-sufficiency. This is inefficient economically, as it obstructs specialization and the rational division of labor. It is divisive politically, as the people and regions do not have the communications and demands of interdependence to bring them together.

Perhaps the single most important element needed to overcome this fragmentation is a more adequate system of roads. The present system does not even connect all the principal cities, with the result, for example, that the price of pork in Vientiane is a multiple of that in Pakse, whereas the livestock breeders north of Pakse export to Thailand at low prices and are among the least prosperous peasants of lowland Laos. Much of the population of Laos lives in villages not accessible by road. These people cannot produce for the market even if they want to. In addition, they are isolated from government officials and services. Many USAID and FAR supply operations now carried on by air could be performed at lower cost if more roads were available. Providing Laos with a better road system is an especially

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appropriate activity for the United States for several reasons:

(1) Roads are essential to effective military operations. This is graphically illustrated by recent intelligence that suggests the North Vietnamese may have built more roads in Laos during the last twelve months than has our side. Providing against unforeseeable military contingencies also suggests a time urgency in road completion that might not emerge from a purely economic calculation. (2) Road building is a relatively impersonal operation, in which our taking the initiative will show us in a good light without undercutting RLG authority or leadership. (3) Improved means of access will increase the effectiveness of the present RLG administrative system. (4) Assuming that U.S. assistance to Laos will continue for some time, the cost of the roads supplied may well be recovered in large part by decreased costs of USAID and FAR supply operations. On this count, a large, early effort would be more economical than a program of the same cost and magnitude spread out over time. (5) Roads are the impact project par excellence. They are universally desired and appreciated by the rural populace, but provide benefits to the towns as well by increasing their marketing area. (6) Roads are relatively low risk projects. There is a great deal about the agriculture, politics, and sociology of Laos that is still not understood. Any vigorous attempt, to alter the status quo, therefore, entails the risk of error and unanticipated results. Among the undertakings that can make a major contribution to economic development, roads seem perhaps the least likely to produce unexpected side effects, because they make the transition to new forms of economic activity possible without simultaneously undermining the old. The community can therefore choose its own pace in changing over. For all these reasons, it is recommended that roads receive a substantially higher priority in the economic development program than would be indicated by economic calculation alone. Furthermore, road construction is an appropriate and feasible activity for direct U.S. action. Although it is clearly desirable to include provisions for training Lao workers and technicians in road building, the pace of the program should be dictated by U.S., not Lao, capabilities.

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It is now planned to complete the Vientiane-Luang Prabang highway during the next three dry seasons. This could and should be shortened by one year. In the same period, the Nam Cadinh bridges between Vientiane and Savannakhet should be completed. Together with minor additional expenditures, these projects would provide Laos with an all-weather trunk road (Route Nationale 13) from Luang Prabang to the Cambodian border. This leaves a gap in the road system of the Mekong Valley portion of Laos from the Burmese border, through Houei Sai to Luang Prabang. The Mekong is navigable all year from Houei Sai to Luang Prabang, and unless there are overriding military considerations to the contrary, it would seem that the best use of funds in the near future would be in extending the system of feeder roads, linking towns and villages with Route 13 or, north of Luang Prabang, with the Mekong. Also, in accord with the analysis of rural programs in Chapter 5, we recommend that the present concentration of feeder road construction within standard cluster areas be relaxed and greater emphasis placed on connecting isolated villages with the national road system and the rural facilities provided in cluster areas. Giving priority to roads of military as well as economic significance is already standard USAID practice. In both connections, special attention should be paid toward coordinating road construction in Laos with existing and projected roads in Thailand.

Rivers provide a less costly means of transport than roads, and most of the major cities of Laos lie along its largest river, the Mekong. Although portions of this river are not navigable during the dry season, it can be used from Houei Sai to Pakse during high water, from Houei Sai to Luang Prabang and from Vientiane to Savannakhet the year around. Several smaller rivers, navigable at high water, feed into the Mekong. A balanced plan for developing transport facilities in Laos, therefore, should take full account of the potential of rivers. USAID has tentatively proposed a program of improving river docking facilities. Funds should be provided for this activity, and further study made of the costs and returns to channel improvement and provision of additional river craft.

An improved flow of economic information has a stimulating effect on economic development in much the same way as improved transport. To

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produce for the market and sell advantageously, peasants must know what prices are offered and what markets are available. An overall effort to increase agricultural productivity, therefore, should include a supporting informational effort. In Laos, where literacy rates are low, radio broadcasting is an especially suitable vehicle for such an effort. The listeners could also be informed about other government programs designed to benefit the peasantry, to enlist their participation, and to increase their awareness of their stake in their government's future. To be of use to the peasant, economic information must pertain to his locality. This means that the provincial and regional programming should be stressed.

AGRICULTURAL PRODUCTION

Although rice is Laos' most important crop, the country does not satisfy its own consumption requirements. At present, about 50,000 tons a year must be imported from Thailand, at a cost to the United States of about \$6 million. At the same time, Lao rice yields (about 900 kg. per hectare) are low relative to those in other countries and much land suitable for rice production is unused. Fertilization of rice is virtually unknown, pesticides are little used, water control is undeveloped, and the varieties grown have not been selected scientifically. Although low income levels do not seem to be a major source of discontent among the Lao peasantry -- it is difficult, for example, to hire day labor for public works at modest pay rates during the dry season, when peasants have time available -- there is evidence that higher incomes and ways to increase output are desired and appreciated.

There is thus a potential for increasing rice production that could raise rural incomes and permit the country to come closer to supplying the domestic market. On the other hand, as with so many facets of Lao society, much is still unknown about rice production and marketing, and many uncertainties are attached to the problem of raising output. For example, the large number of able-bodied men under arms means that the man:land ratio in the countryside is unusually low, which may account to a considerable degree for both the unused land and the low yields.

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Over 90 per cent of Lao consumption is of glutinous rice, for which experimental data relevant to Laos are meager. It is not yet clear how output will respond to the agro-technical measures that might be adopted. Beyond this, increased output will be forthcoming only if producers are convinced that marketing channels are open to them. As noted above, commercial marketing is subject to harassment by local and regional authorities. Furthermore, those channels that do operate are only sketchily familiar to us, with the result that we cannot be sure of what will occur if we adopt specific measures designed to influence the volume of marketings. Given the importance of rice to both producers and consumers, unanticipated side effects of efforts to raise output and marketings could have serious political consequences. This is not an argument for passivity, but for proceeding with due caution.

USAID and the RLG Department of Agriculture are now engaged in an effort to increase rice output. The first phase of the program was begun last year. Improved rice strains were distributed to cultivators, who contracted to resell all output in excess of their own consumption needs, producing a multiplication of the improved rice seed. The multiplication program is continuing this year. Simultaneously, in order to increase yields, improved seed is being distributed to other farmers, with no concurrent obligation other than to repay the seed in kind after harvest. By harvest (November-January), it is intended to provide marketing channels that will assure producers a reliable outlet for this year's surplus and encourage them to strive for larger surpluses in the future. In designing this program and refining it in the future, the following considerations are suggested:

(a) We must be prepared to make good local rice deficits that arise as a result of our purchases. There is some possibility, though probably not a great one, that peasants will sell too much if offered an attractive price, causing them to run short later in the year when prices typically rise. A more serious prospect is that U. S. purchases will replace some that normally occur through commercial channels, with the result that non-producers, such as city dwellers or military dependents, will find their usual sources of supply inadequate. The

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United States should be prepared in advance to sell rice when such deficits appear. The capability to do so will also serve to reassure local and regional authorities who are sincerely worried about rice shortages in their jurisdictions, making it easier to induce them to remove obstacles to the rice trade. Whether rice for this purpose must be stockpiled in Laos or should be obtained on need through importation is a technical question that must be decided on the basis of economy and reliability. What is essential is that rice be sold, if necessary throughout the year and throughout the country, at a rational price.

(b) The USAID program should be designed to strengthen, rather than supplant, private commerce in rice. The expansion of rice-marketing and milling will be done most effectively if the forces of private enterprise and competition can be harnessed to it. The rice-buying apparatus, therefore, should be directed toward demonstrating to producers, millers, and merchants that profitable opportunities for expansion exist, and toward standing by as both a buyer and seller of last resort, to maintain order in the market and to prevent the exploitation of producers where local competition among merchants and millers is lacking. Thus, for example, we should stand ready to buy paddy from the peasant or polished rice from the miller, but at a differential that allows slightly more than a reasonable return to the miller for handling, storage, and milling. If correctly calculated, this differential will stimulate the miller to outbid us slightly in buying from the peasant, assuring the peasant a fair price for his paddy but keeping the trade moving through commercial channels. If we find that we are acquiring paddy, it will indicate that we have shaved the margin too closely. Similarly, in selling rice to meet shortages, we must set prices high enough to permit a reasonable return to private merchants acting in competition. This means, for example, that the selling price must rise gradually in the period after the harvest, reflecting the interest charges and storage costs incurred by holding rice for later sale.

(c) As the largest customer for rice in Laos, USAID is in a

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position to influence the price of rice throughout the country. Some increase over present levels seems desirable. If the increase in civil service and military pay scales we recommended in Chapter 3 are enacted, both of these groups will be able to absorb the price increase without hardship. Through the multiplier effect, the increases in USAID and RLG expenditures expected to occur during the next few years will raise incomes for the rest of the urban population as well. Meanwhile, the new pattern of providing non-project assistance we recommend in Chapter 8 will increase import prices somewhat. An increase in the price of rice would raise rural incomes, permitting peasants to share in the rise in urban incomes and to absorb increased prices for imports, while providing an incentive for increased rice production. Should the Lao price of rice rise above the Thai price, the unofficial movement of rice across the Mekong (that is, Thai exports on which the official rice export premium is not paid) will be stimulated. This probably puts a ceiling on the increase feasible in Laos. A moderate price differential, even if it attracts a small flow of rice from Thailand, would be desirable, because it would still stimulate Lao production and provide rice at a saving to USAID, the internal price for Thai rice being below that now paid for USAID procurements in Thailand. A large flow from Thailand would be undesirable, because it could be sustained only with the connivance of the Thai authorities, producing a corrupting relationship between Thai, Lao, and USAID officials.

(d) As sufficient experimental information is obtained to provide a reliable basis for using fertilizers and insecticides, these should be supplied to producers at subsidized prices. So long as the bulk of imported rice must come from Thailand at world market prices (that is, inclusive of the Thai rice premium), the economically rational ratio of rice-to-fertilizer or rice-to-insecticide prices is the world price ratio, not the ratio of the Lao rice price to the world fertilizer (or insecticide) price. Thus even calculating strictly on the basis of minimizing costs for the United States, it will pay to provide fertilizers and chemicals at subsidized prices in Laos, at least to the point where the need for imports is

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eliminated. (Whether it pays to go beyond that point depends on the possibilities for marketing Lao rice abroad -- a distant prospect not examined here.) The rate of price reduction is given by the ratio of the Lao price of rice to the world market price paid by USAID in Thailand. For example, if rice in Laos sells for half the price charged USAID by Thailand, fertilizers and chemicals should be reckoned at half the actual cost of landing them in Laos in determining economic application rates and therefore in selling them to rice producers. If, for political reasons, it is desired to provide greater benefits to peasants, an even more generous subsidy could be granted. In either case, the provision of fertilizers will have to be supervised, to assure that they are used in Laos and not re-exported at the world price to Thailand. This is unfortunately cumbersome, but cannot be avoided so long as the Thais retain what is for them, too, an uneconomic rice: fertilizer price ratio.

(e) Certain non-glutinous rice varieties can be heavily fertilized to produce yields three or more times greater than those now obtained from glutinous rice in Laos. If similar yields could be obtained economically in Laos, it might be possible to offer non-glutinous rice to consumers at a large discount over glutinous. Experiments should be undertaken, therefore, to ascertain both the productivity of non-glutinous varieties under Lao conditions and the receptivity of the Lao consumer to low-priced non-glutinous rice. If results are positive in both cases, there could be major benefits from the introduction of these varieties: (i) Output and rural incomes would go up. (ii) Lao rice production would become heavily dependent on the supply of fertilizers from the Free World. Areas that came under communist control would be cut off from this supply, impairing their ability to support enemy forces and intensifying peasant awareness of the disadvantages of enemy rule.

(f) Any program expected to produce a major increase in marketing of rice (or any other product) must have active support from the most senior Lao leaders, in order that their authority be used to remove the barriers to such commerce now imposed by local and regional

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authorities. Unless these artificial barriers are lowered, attempts to interest the peasant in producing for market are only too likely to arouse political discontent while failing in their economic aims.

The rice purchase scheme represents an ambitious new USAID program that will take time to be absorbed and improved. We feel that with the addition of this program the present scale of assistance to Lao agriculture is approximately correct for the next few years, though a moderate upward trend in its size is desirable. Two basic factors would appear to argue against a major campaign to increase Lao agricultural production at this time. First, protracted war in Laos has severely distorted the agricultural economy. Labor, in particular, is artificially short. As a result, it would be difficult to design and set in operation today a program appropriate for peacetime conditions. Moreover, until peace is reestablished, the payoff to such a program is likely to be very limited. Second, RLG and USAID administrative capacities are already strained. Even if money were available to support a major new program of agricultural development, its additional administrative costs could be high. The rice purchase scheme, together with measures recommended elsewhere in this study to expand Lao education, increase rural incomes by raising military pay, reduce barriers to rural commerce, and improve RLG effectiveness seems to represent a program in support of the Lao peasantry adequate in its impact and of higher priority.

SMALL INDUSTRY

Developing small industry in Laos is the subject of a separate study by the Small Industry Survey Team and therefore not treated systematically here. Although their final report is not available at this writing, a draft report finds that numerous profitable opportunities for manufacturing now exist, but go unexploited in Laos. One reason for this is political and military insecurity. Potential entrepreneurs are afraid that their investments may be damaged or seized as a result of fighting or a shift in control between the communist and noncommunist sides, or between factions of the

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noncommunist side. For American investors, AID can provide investment guarantees against such eventualities. However, the opportunities in Laos will often be too small or too exotic to attract U.S. investors. A more promising candidate is the Asian entrepreneur -- for example, the Hong Kong or Bangkok Chinese -- who is experienced in dealings in this part of the world and interested in smaller undertakings that may complement other enterprises of his in the region. Means should be devised to attract this kind of entrepreneur and to create conditions under which he can operate constructively. We suggest, therefore, that ways be sought consistent with existing legislation for guaranteeing desirable investments against war damage or expropriation, even where the investor is not American. Perhaps FEOF or a similar multi-national fund could undertake this function, or a regional fund associated with the Asian Development Bank might be considered.

DEVELOPING PROVINCIAL CAPITALS

A program of developing provincial capitals could have an important unifying effect on the nation, if it were designed to increase the ties between the peasantry and their provincial centers and between the provinces and Vientiane. The essence of the scheme should be a flow of services from Vientiane to the provincial capitals, provided in a manner that makes them available to the surrounding villagers as well as to inhabitants of the capitals. USAID has proposed several developmental projects that lend themselves to this function. Others could no doubt be devised. Some examples that seem worthy of priority attention are discussed below.

Schools to provide secondary education in Lao should be built in the main provincial capitals, as recommended in Chapter 6 of this study. Boarding facilities and stipends for rural children who have shown promise in primary school should also be provided, to open educational opportunities for those without relatives in town or other means of supporting themselves away from their villages. This would represent a striking innovation in the career outlook for most peasant children. For the desired political effect to be achieved, however, it is

essential that some mechanism be installed to assure equity in the choice of beneficiaries, such as participation in student selection by USAID/Education.

Existing hospitals in the provincial cities are dilapidated and inadequately staffed. These should be refurbished and expanded; proper provision should be made for future maintenance, and additional doctors and other technicians provided. In addition to treating the people of the city, the hospitals should have the following functions:

- (1) Technical supervision and support for dispensaries in the surrounding villages. For example, a doctor from the hospital should be provided with transport and assigned to make regular visits to the village dispensaries to advise the village medic, treat complaints beyond the medic's competence, and bring serious cases back to the hospital.
- (2) Training and refresher courses for village medics should be established, to expand and upgrade the village dispensary system.
- (3) The hospital should provide backup for military medical facilities, training FAR medics and treating wounded soldiers. This service would be appreciated by the regional commanders as well as the troops.

As a result of military actions, Laos has large numbers of amputees and other physically disabled. Vocational training and rehabilitation centers for these people should be established to provide them with simple prosthetic devices, to help them acquire money earning skills, and reintegrate them into the productive economy. Such assistance would be appreciated by the disabled and by their families, and would improve the morale of troops in battle who risk disablement. It would also relieve FAR commanders of a demand for support, expected by disabled subordinates under Lao tradition, which now forces illegal diversion of funds budgeted for other purposes (see Chapter 3).

In addition to providing governmental services, measures should be adopted that will stimulate commercial and industrial activities in the provincial cities, such as the opening of branch banks and improvement of credit facilities, the use of local contractors to carry out RLG and USAID construction projects, and local procurement

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by USAID of materiel. In all these activities the aim should not be the development of the urban area alone, but its development in conjunction with providing services, marketing, and employment outlets for the surrounding villages.

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PART III

FINANCE AND SUPPORT

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Chapter 8

NON-PROJECT AID

INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

Role of Non-project Aid

Laos, largely because of its involvement in a war that forces it to support some 80,000 men under arms, runs a government-budget-deficit extremely large in relation to the Lao economy. The deficit generates domestic demand far greater than can be met from domestic resources at present levels of income. This leads to a balance-of-payments deficit that may be higher in relation to domestic production than that of any other country in the world. The deficit is financed by outside aid largely from the United States but also from other donors, mainly the United Kingdom, Australia, Japan, and France. This non-project aid translates domestic demand into purchases of imports and foreign exchange. Although the translation is not perfect, since imported goods and services are not perfect substitutes for domestic goods and services, recent experience has been reassuring. Demand has increased substantially but an adequate supply of foreign exchange has made it possible to hold domestic prices reasonably steady. This experience, together with the knowledge that most demands for goods in Laos can be met by imports from Thailand at stable prices, makes it possible to assume with some confidence that further increases in demand can continue to be neutralized by appropriate increases in non-project aid with relatively small domestic price increases.

The Lao balance-of-payments (summarized in Table 1) is both instructive and unique. Commercial receipts of foreign exchange from legal exports in 1964 covered only some 3 per cent of commercial imports of goods and services. Illegal exports, however, were some five times as great as legal commodity exports, and earnings from local expenditures of embassies and international organizations were twice as high. There is no hope under present wartime conditions of even approaching a solution to the Lao balance-of-payments problem.

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Table 1

BALANCE OF PAYMENTS OF LAOS IN 1964
(in \$ million)

Account	Debit (-)	Credit (+)
Current account:		
Commodity imports	31.3	
Invisibles (service) imports	<u>6.0</u>	
Total	37.3	
Earnings from exports and invisibles		6.7
Deficit on current account	30.6	
Capital account:		
Foreign aid (plus imports for embassies and international organizations)		35.3
Short-term capital export, and errors and omissions	4.7	

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The payments deficit is a clear reminder that Laos cannot maintain its current modest standard of living without substantial foreign aid. Foreign aid feeds, clothes, and shelters the country to a remarkable degree. Even substantial relative increases in exports will not change this situation.

One interesting aspect of the Lao balance-of-payments data is the light they shed on the extent of capital flight. The \$4.7 million figure for short-term capital export and errors and omissions would represent the maximum possible for capital flight if all the other entries were correct. Since a major part of the \$4.7 million represents overseas transmissions of earnings, largely by Chinese businessmen and foreign workers, true capital flight is unlikely to be very high even if net export earnings are understated. However, receipts from re-exports of goods financed through the United States Import Program and the Foreign Exchange Operations Fund are probably understated and no allowance is made for over-invoicing of exports. On the other hand, certain local imports from Thailand that do not go through FEOF or USIP are also not caught.

The Present System of Non-project Aid: A Combination of Cash Grants and Commodity Imports

For many years one of the sharpest controversies concerning the USAID program in Laos was whether non-project aid should be given in the form of cash grants or through commodity import programs. Those who opposed cash grants argued that they were used to finance unwarranted amounts of luxury imports and capital flight, that they provided no protection to the U.S. balance of payments, and gave the RLG an incentive to increase its budgetary deficit. Strong evidence to support these arguments was found in the large excess of the value of cash grants over the value of imports: it showed that at best cash grants were being used to finance unwarranted increases in RLG reserves; at worst, to finance large amounts of capital flight.

Critics of commodity import programs, on the other hand, pointed out that the administrative capability necessary to administer and

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police commodity import schemes was lacking in Laos, and that without cash grants adequate in amount to preserve the free convertibility of the kip, a currency black market would inevitably arise.

The present system of providing external financial assistance to Laos is based on the stabilization program introduced on January 1, 1964. This program included a devaluation of the official exchange rate from 80 kip to the dollar to 240 kip to the dollar, creation of a free market for all foreign exchange transactions except commodity aid imports and specified invisibles, the establishment of a multi-national FEOF to support the free market, the imposition of a fixed ceiling on the RLG budgetary deficit at a level agreed upon between the RLG and FEOF donors, and a pledge of credit restraint. This program has been successful in restoring financial stability to the Lao economy. Prices have held steady after an initial adjustment to the devaluation of the official rate, the free exchange rate has been maintained at approximately 500 kip to the dollar, and speculation against the kip has virtually ceased.

Non-project aid in Laos is a combination of commodity imports and cash grants. Table 2 summarizes non-project aid to Laos in 1965. Three national commodity import programs exist: the United States Import Program, the United Kingdom Import Program, and the Australian Import Program. Through these programs, certain authorized categories of goods are brought into Laos from specified sources at the official exchange rate of 240 kip to the dollar. UKIP and AUSIP are entirely tied to British and Australian goods respectively, whereas USIP, for some commodities, permits limited world-wide procurement. In addition, a United States Invisibles Program finances certain categories of invisibles payments, both private and official, at the official rate of exchange.

The demand for foreign exchange for purchasing goods and services not eligible for inclusion in the above programs is financed through the free market, largely with funds provided through FEOF. Goods and services financed through the free market include perishables and urgently needed imports for which commodity import procedures are too

Table 2

NON-PROJECT AID TO LAOS, 1965
(in \$ million)

Type of Aid	Amount
Commodity aid, Fiscal Year 1965:	
U.S. import program (including petroleum, oil, lubricants)	9.0
United Kingdom import program	2.2
Australian import program	<u>0.3</u>
Total	11.5
U.S. Invisibles Program	3.7
Contributions to Foreign Exchange	
Operations Fund, Calendar Year 1965:	
United States	4.0
France	1.3
United Kingdom	1.7
Australia	0.4
Japan	0.5
RLG	<u>2.8^a</u>
Total	<u>10.7</u>
Total non-project aid	23.1
Of which U.S. contribution is	16.7

SOURCE: USAID, Laos.

^aThe RLG contribution of \$2.8 million, representing a transfer of dollars from a U.S. working fund, was made in Fiscal Year 1965 but will be wholly available in Calendar Year 1965.

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unwieldly, other goods not included in the commodity import codes (so-called "luxury" goods), and overseas remittances and capital transfers. FEOF operates as a multilateral fund of convertible currency to which the donors (the United States, the United Kingdom, France, Australia, and as of this year, Japan) contribute amounts agreed upon annually. This fund provides convertible currency to the commercial banks in Vientiane to meet the residual demand for foreign exchange at the free market rate. No limitation is put on the purposes for which FEOF funds can be supplied. Control over the demand for foreign exchange is exerted indirectly, through the agreement between the FEOF donors and the RLG on the maximum permissible size of the RLG budget deficit. If the deficit exceeds the agreed limit, the FEOF agreement is automatically abrogated.

The existence of FEOF makes it possible to maintain free convertibility for kip and has been essential in preserving financial stability and confidence in the currency. Were FEOF not in existence, or were more serious restrictions placed on the use of FEOF funds, a black market for foreign exchange would inevitably develop, as it has in South Vietnam and in Laos in the past. No conceivable system of exchange control in Laos could be well enough managed to avert this problem. Ineffective controls would invite abuse and stimulate speculation. The moderate amount of capital flight should be viewed as the price of free convertibility. Any attempt to reduce capital flight by imposing serious restrictions on the use of FEOF funds would in all probability be self-defeating, resulting in a black market that permitted capital flight to continue while it undermined public confidence in the kip. In the end, capital flight would be more likely to increase than to decline.

Outlook for Increased Domestic Spending

Increased domestic spending affects the amount of non-project aid required to hold inflationary pressures in check, whether the increase comes from a higher budget deficit or from increased local currency expenditures associated with project aid. Both these

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categories of spending are likely to increase significantly over the next several years.

Largely as a result of the increase in civil service and military pay that went into effect on July 1, 1965, the RLG budget deficit is expected to increase from 4.8 billion kip in FY 1965 to 10.6 billion kip in FY 1966. At the same time local currency expenditures associated with project aid are expected to rise in line with the 15 per cent increase in project aid, a figure that does not include any increases that will result from the President's expanded program. In future years further increases can be anticipated in both of these categories. Government pay levels remain too low, and demands for increased government services are increasing. U.S. determination to invigorate development efforts in Laos and the beginning of operations on the Nam Ngum Dam project will also lead to rising local currency expenditures. Finally, if the recommendations made elsewhere in this study were fully implemented, domestic expenditures would rise by another five to eight billion kip.

In short, the costs of an effective aid program in Laos, responsive to changed conditions in that country and to U.S. policy for Southeast Asia, will be reflected in large part in heavier demand for non-project aid. Hence, the present system of non-project aid requires careful examination to ensure that it is appropriate to the increasing demands that will be placed on it.

Summary of Recommendations

The reestablishment of financial stability and confidence in the kip has been a major achievement. Changes in the system under which this was accomplished should be carefully scrutinized and discussed with the RLG to ensure that they do not jeopardize the new-found stability. Nevertheless, the present system can be improved upon and has several weaknesses that can and should be eliminated. Our recommendations are as follows:

- (1) The USIP program should be restricted to U.S. goods (with

the exception of POL), held to a level no greater than the present dollar amount of imports of U.S. goods, and FEOF increased accordingly.*

(2) Tighter controls should be established over the U.S. Invisibles Program and steps taken towards the ultimate elimination of non-official conversions of kip at the official rate.

(3) The forced conversion of export earnings at the official rate should be eliminated.

We feel that the above changes can be carried out beginning in 1966 in such a way as not to jeopardize the financial stability of the past 18 months. The recommended changes would benefit the Lao economy, reduce the dollar cost of non-project aid, and help to make the Laos aid program more responsive to present needs. In the longer run, they would make for less foreign aid and contribute to the eventual economic independence of Laos.

RESTRICTING USIP TO U.S. GOODS

We recommend that, with the exception of POL items, the United States Import Program should be restricted to U.S. goods and held to

* Since this chapter was drafted, a major revision has been made in the USIP program by restricting it to rice, POL, certain types of machinery, and motor vehicles. As a result of this reform, the USIP program is expected to run at an annual rate of only about \$4.8 million and the United States has informed the RLG it will increase FEOF accordingly. This change is very similar to that recommended in this chapter, with some exceptions: (a) Rice will continue to be imported through USIP. As noted elsewhere in this report (see Chapter 7) we recommend that a new rice marketing mechanism be established, and USIP imports of rice then eliminated. (b) The new system restricts USIP imports by commodity rather than by source. Restriction to U.S. suppliers would reduce the costs to the U.S. balance of payments and make the problem of over-invoicing more manageable. (c) The new system also would exclude certain USIP imports of U.S. origin now consumed in rural areas. One of the findings of the USAID survey mentioned below was that restricting USIP would not cause significant price increases in rural areas in part because several USIP items of importance in these markets would continue to be available; for example, detergents and condensed milk. As the new system takes effect, USAID should be alert to price developments in rural areas in case they turn out to be troublesome.

a level no greater than that of present imports from the United States under USIP. The Foreign Exchange Operations Fund should be expanded accordingly. Such a reform would achieve some dollar savings in aid, and would reduce the balance-of-payments drain of the U.S. aid program, without jeopardizing broader U.S. objectives in Laos.

Dollar Savings and Balance-of-Payments Benefits

Almost 60 per cent of USIP imports now come from countries other than the United States. Eliminating USIP financing for these goods, while holding the value of the USIP program to that of present imports from the United States, would channel a major portion of the Lao demand for foreign exchange from the USIP program to the free market. Since the free market rate of 500 kip per dollar is considerably lower than the USIP rate of 240 kip per dollar, there would be a marked reduction in the dollar costs of non-project aid. Table 3 indicates the approximate magnitude of these savings in fiscal 1966. Table 3 also shows that restricting USIP would reduce the amount of dollars spent outside the United States. The magnitude of the savings for the U.S. balance of payments, however, would depend on the use to which these dollars are now put. Reducing dollar earnings of countries who have a high propensity to spend dollars in the United States has only a limited effect on the U.S. balance of payments. When such indirect effects are included in the net balance of payments, savings are reduced. One major effect of restricting USIP would be to reduce the amount of dollars spent in Thailand. Since Thailand does not spend a particularly high proportion of its foreign exchange earnings in the United States, the direct balance-of-payments savings in this case will not be greatly reduced.

It would be a mistake to view restricting USIP primarily as a device for reducing the total cost of the aid program in Laos. A more important result of such a revision would be to reduce the dollar cost of future increases in RLG budgetary expenditures. Table 4 shows the approximate dollar savings per billion kip increase in the RLG budget deficit which the suggested restrictions on USIP would entail.

Table 3
EFFECT OF RESTRICTING USIP IN FY 1966
(in \$ million)

Item	Present System ^a	Restricted USIP
FEOF	8.0	10.6
USIP (not including POL) (U.S. origin)	9.8	4.3
POL	(4.3) 2.5	(4.3) 2.5
Total	20.3	17.4
Dollar savings		2.9
Reduction in direct balance- of-payments drain		3.2

NOTE: These figures are based on the following assumptions:

- (1) A price elasticity of demand for foreign exchange of unity;
- (2) Demand for POL is independent of the average price of other imports;
- (3) 10 per cent of goods imported through FEOF are supplied from the United States;

^aFigures in this column supplied by USAID, Laos.

Table 4

DOLLAR COSTS OF FINANCING A ONE-BILLION-KIP INCREASE
IN THE RLG BUDGET DEFICIT

Item	(1)	(2)	(3)	(4)
	Present System		Restricted USIP	
Domestic multiplier	1.33	2.00	1.33	2.00
Cost (\$ thousand)	1930	2870	1330	2000
Savings (\$ thousand)			600	870

NOTE: The calculations in this table are rough estimates, but show the order of magnitude of the foreign exchange costs of an increase in the RLG budget deficit and the savings from restricting USIP. The assumptions on which these calculations are based are similar but not identical to those used by USAID (see TOAID A-1351, June 3, 1965). They include: (a) a marginal propensity to import of 0.5; (b) domestic leakages ranging from 0 to 0.25; (c) a unitary elasticity of demand for foreign exchange; (d) demand for POL independent of the size of the RLG budget deficit. The method used is virtually identical to that used by USAID.

Parts I and II of this study make various recommendations the implementation of which would increase the RLG budgetary deficit by five to seven billion kip. The aid costs of financing such an increase would be considerably less if the USIP program were restricted along the lines suggested. Table 5 illustrates the effect of restricting USIP on the non-project aid bill in the event of a five billion kip increase in the RLG budget deficit.

Impact on the Effectiveness of the U.S. Aid Program

Restricting USIP to U.S. goods would bring about a rise in domestic prices in Laos. USAID estimates that the rise in import prices resulting from restricting USIP would increase the cost of living in Laos by approximately 4 to 5 per cent, and that domestic prices might also increase slightly. However, a number of factors suggest that these price increases would not impair U.S. objectives in Laos:

(1) Domestic incomes will rise as a result of the scheduled increases in government and local currency expenditures. Table 3 shows that even under a restricted USIP it will be necessary to transfer more dollars to Laos in FY 1966 than were supplied in FY 1965. In other words, Lao real income will be increased over its present level even though the USIP program is restricted. Restricting USIP without increasing RLG spending above levels anticipated at present would be shaving this point rather finely, however, since FY 1966 non-project aid would be only \$.7 million higher than FY 1965 non-project aid. The programs recommended elsewhere in this study, such as civil service and military pay raises, will more than compensate these groups for the increase in prices resulting from restricting USIP. As to peasant incomes, a USAID survey of rural purchases of USIP goods, conducted at our request, showed that the impact of restricting USIP on peasant standards of living would be relatively insignificant. Moreover, peasants would benefit from increased purchases in rural areas made possible by raising military pay and subsistence allowances.

Table 5
DOLLAR COST OF FINANCING A FIVE-BILLION-KIP INCREASE
IN THE RLG BUDGET DEFICIT^a

Item	(1)	(2)	(3)	(4)
	Present System		Restricted USIP	
	Multiplier 1.33	Multiplier 2.0	Multiplier 1.33	Multiplier 2.0
FY 66 level	20.3	20.3	20.3	20.3
Dollar savings ^b	--	--	2.9	2.9
Adjusted FY 66 level	<u>20.3</u>	<u>20.3</u>	<u>17.4</u>	<u>17.4</u>
Additional costs resulting from increase in RLG budget deficit ^c	<u>9.5</u>	<u>14.4</u>	<u>6.7</u>	<u>10.0</u>
Total	29.8	34.7	24.1	27.4
Net increase in dollar costs over FY 66	<u>9.5</u>	<u>14.4</u>	<u>3.8</u>	<u>7.1</u>

NOTE:

^aThis table overestimates the dollar savings -- perhaps by as much as \$1 million -- since it implies no increase in POL purchases in spite of a sizable increase in domestic spending.

^bFrom Table 3.

^cBased on estimates in Table 4.

(2) Dollars provided through FEOF rather than through USIP make a greater contribution to Lao welfare because a dual exchange rate is inefficient. When goods are brought into Laos at prices lower than those at which they are purchased, their dollar cost to the United States is greater than their value in Laos. For example, USIP building materials that cost \$1000 outside of Laos may sell in Laos for as little as 250,000 or 300,000 kip. Consumers are willing to pay this amount for the USIP goods, but presumably would not be willing to pay the 500,000 kip that the same materials imported through the free market would cost. The difference between the 500,000 kip and the amount they actually pay is a measure of the inefficiency of the dual exchange rate. Given the magnitude of the difference between the official and free market rates of exchange, this inefficiency would appear to be quite sizable for the many goods that are purchased through USIP channels which could be competitively marketed in Laos even if imported at the free rate of exchange.

(3) USIP stimulates two types of corruption: re-exports and over-invoicing. Re-exports are profitable because of the difference between the USIP and free market exchange rates. Goods coming into Laos at prices lower than those prevailing in Thailand are re-exported into Thailand. This problem is less serious now than it was prior to the 1964 devaluation which narrowed the margin between the official and free rates of exchange. Nevertheless, re-exports of USIP goods continue, and restricting USIP would sharply reduce profitable opportunities for re-exports.

"Over-invoicing" is the process by which Lao importers, in collusion with foreign exporters, overstate the price of imported goods in order to get more dollars at the official rate, usually for transfer abroad. Unlike the re-export problem, this problem cannot be solved by bringing Thai and Lao prices into line because the importers will still have the same incentive to acquire dollars at the official rate of exchange, whatever price their goods sell for in Laos. Restricting USIP would eliminate over-invoicing on all goods originating outside the United States. U.S. suppliers should

be easier to police than those in other countries.

(4) USIP goods, which are imported at the official rate of exchange, are frequently relatively cheaper in Laos than on the world market. The general effect is to distort price relationships in Laos, artificially encouraging the production of certain goods relative to others. Although not a serious problem at this time, this distortion will grow in importance as the Lao economy develops. In the future it could become a major barrier to Lao economic independence and the establishment of closer economic relations with Thailand.

Cheap raw materials and cheap machinery purchased through USIP serve to encourage domestic manufacturers. However, for goods competitive with Lao production, the opposite is true. Trying to cope with this problem by making goods with potential domestic substitutes ineligible for USIP financing places a heavy burden both upon the administrators of the USIP program and upon local entrepreneurs who must make guesses about the future shape of the program. Markets react to present opportunities more vigorously than to the possibility of future opportunities dependent upon changes in economic policy. A major program of subsidized imports makes it more difficult to attract entrepreneurs to the Lao market.

POL, Rice, Tin Roofing, and Cement

These are the most important commodities that would be affected by a restriction of USIP to U.S. goods. The first two deserve special attention because of the unique characteristics of their cases, whereas a discussion of the latter two will serve to illustrate in specific terms some of the general points made earlier.

POL. The POL supplied to Laos through the USIP program is purchased by the United States through a barter arrangement with Indonesia in exchange for surplus agricultural commodities. Hence, the real cost to the United States is the value of the latter goods. This cost is considerably less than the dollar value of the POL on the world market. Consequently, the disparity that ordinarily

exists between the costs of USIP goods and their price on the Lao market is avoided in this case. So long as POL continues to be provided through this barter arrangement it is economically sound to furnish it to Laos at the USIP rate. Moreover, the effects on the domestic economy of Laos are favorable, since cheap petroleum products stimulate business activity and encourage rural transportation and commerce. The chief defect of the present system is that POL is illegally re-exported to Thailand because it is cheaper in Laos. In this case, the benefits to the United States seem to outweigh the defects, and our program should be continued. If the present barter arrangement should break down, the disadvantages of including POL in the USIP program would be similar to those for other goods and consideration should be given to excluding POL.

Rice. At the present time, rice is intermittently imported through USIP for sale below the Lao market price to civil servants in partial compensation for the rise of the cost of living. Rice supplied in this way, although small relative to the total supply of rice in Laos, reduces the demand for rice in normal market channels and serves to some extent to limit price increases at times of shortage. This system has several defects: provision of rice below market prices invites abuse on the part of those in charge of its distribution; providing rice through exceptional procedures -- Economats, Sogimex; and so on -- weakens the normal commercial marketing system; subsidizing a single commodity is an inefficient way of compensating civil servants. A preferable alternative is to provide adequate monetary compensation to civil servants and to leave the distribution of rice to the normal commercial marketing system. If rice imports are necessary to preserve an orderly market, a USAID program for this purpose should be instituted with the rice sold at the market price through commercial channels (as discussed in Chapter 7).

Cement and tin roofing. These two commodities are perhaps the most important of those that would be affected by restricting USIP to U.S. goods because both are imported from Thailand and brought

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into Laos at well below world market prices. As both are consumed in rural areas, concern has been expressed that eliminating these goods from USIP would have an undesirable effect on U.S. interests in rural Laos. However, the survey of rural expenditures conducted by USAID indicates that a rise in the price of these goods would not cause a significant reduction in peasants' standards of living. Both of these goods are also widely used in urban areas, but those who benefit from their low price are those who already reap many of the benefits of the non-project aid program and who will benefit from the rise in domestic spending that is sure to occur in the next several years.

The low price of these goods artificially stimulates their consumption relative to available domestic substitutes. As pointed out earlier, this means that the amount of dollars spent on these goods greatly exceeds the value of the benefits they provide to Laos. In addition, their low price inhibits the development of production of domestic substitutes. Boun Oum's cement plant near Thakkek is about to start operation. Surely it is undesirable to force this plant to compete against subsidized imported cement. Roofing materials -- thatch and tile -- are also produced in Laos and it is undesirable to discourage their use by subsidizing the price of tin roofing. In short, we do not believe there is a good case for keeping these goods in the USIP program.

Alternatives to Restricting USIP

Two proposals for modifying the non-project aid program have aroused considerable interest: changing the FEOF rate of exchange, and eliminating USIP. We believe that restricting USIP is preferable at this time to either of these alternatives.

The total cost of the non-project aid program could be reduced by lowering the FEOF rate of exchange from 500 to 1, to 550 or 600 to 1. This would not reduce the inefficiencies of the present system. Moreover, it would increase rather than restrict the opportunities for corruption in the non-project aid program. A change in the FEOF

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rate of exchange would undermine confidence in the kip and threaten the maintenance of financial stability in Laos by causing speculation and capital flight to increase. The opposite proposal -- that the FEOF rate be increased -- has also been advanced as a means for cushioning the effect on prices of a restriction of the USIP program. Even if USIP were reduced, as noted, real income in Laos would probably rise and there would be no need to raise the FEOF rate of exchange, which would be a costly procedure. In addition, changes in the free market exchange rate should be avoided to bolster public confidence in the durability of present arrangements.

We believe that restricting USIP is preferable to abandoning the program for several reasons. In general, it is prudent to change the system as little as possible. The present system has not failed, although it could be improved. The complete elimination of the USIP program would threaten the maintenance of the official 240 rate of exchange, which is politically attractive to the RLG. Preserving this rate for some imports also serves U.S. interests directly by making it easier to press foreign embassies and international organizations to purchase their kip at the official rate, thereby reducing the additional foreign exchange requirements of the RLG. Restricting USIP would also have a smaller impact on the price of goods consumed in rural areas, whereas even a restricted USIP program would make it possible to provide investment goods and materials at subsidized prices to stimulate domestic economic activity.* Moreover, eliminating USIP would not go much further than restricting USIP in reducing the inefficiency of a dual exchange rate. Thus, inefficiency, as described earlier, occurs when imports are sold in Laos at prices below their purchase prices in the world market. Many U.S. goods brought in through USIP would not be marketable in Laos if imported

* In the long run, an exchange rate subsidy, even for investment goods, is undesirable because it distorts factor ratios, produces an uneconomic price structure, and is a vehicle for administrative abuse. See the discussion in the report of the Small Industries Survey Team, Chapter 3.

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at the free rate, and their prices are, therefore, nearer world market prices than are goods brought in from other countries that would be imported profitably even at the free rate.

Although restricting USIP would save somewhat fewer dollars than eliminating it, it would better protect the United States' balance of payments. Elimination of a \$5 million USIP program restricted to U.S. goods might result in savings of some \$2-1/2 million, but it would increase the balance-of-payments drain by approximately \$2-1/4 million. The extra dollar costs should be viewed, in part, as the price of the favorable balance-of-payments effects. In addition, restricting USIP would require a smaller increase in the U.S. contribution to FEOF, reducing the appearance of U.S. domination of this institution, while making more likely the continued existence of the British and Australian import programs.

Although we recommend at this time that USIP be restricted rather than eliminated, we believe that the ultimate goal should be the establishment of a unitary exchange rate in Laos. In the long run, this will help to make the Lao economy more efficient and eventually release Laos from economic dependence on foreign aid. However, there is no urgency about establishing a unitary rate of exchange until domestic economic activity has become more vigorous. A gradual approach to a unitary rate of exchange would also moderate the adverse consequences to particular groups who benefit from the present system. In the interim, USIP commodity codes should be scrutinized annually to determine if further restriction is desirable and every attempt should be made to hold the dollar size of the USIP program near its present level. In determining which commodities to finance through USIP, first consideration should be given to those that subsidize investment rather than consumption, whereas commodities that are extensively re-exported should be cut back.

Side Effects of Restricting USIP

One consequence of restricting USIP may be that this program

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will no longer generate sufficient counterpart funds to meet U.S. needs for local currency expenditures associated with project aid. This difficulty can be overcome by purchasing the needed kip from the Banque Nationale de Laos. If this is done, the United States should insist that the dollars used be turned over by the Banque Nationale to FEOF as a contribution of the RLG. This would ensure their efficient use in supporting the kip, and would help avoid the appearance of U.S. domination of FEOF. This latter danger is not sufficiently important to offset the advantages to be gained from restricting USIP. A larger U.S. contribution to FEOF will not involve greater U.S. control so long as the management of FEOF remains in the hands of an IMF Managing Director and a management committee made up of the donor nations.

THE U.S. INVISIBLES PROGRAM AND THE RLG CURRENCY REGULATIONS^{*}

As part of its program of non-project aid, the United States finances certain Lao invisible transactions. In 1964 this program amounted to \$3.5 million out of total recorded invisible transactions of around \$6 million. For analytic purposes, the items financed can be divided into two kinds: (1) Direct foreign exchange payments by the RLG (expenditures of RLG embassies, salaries and per diem paid to diplomats and other RLG employees stationed or traveling abroad, contract air services); and (2) foreign exchange sales by the Banque Nationale de Laos to Lao individuals and corporations for purposes eligible for the official rate of 240:1.

The latter category includes: (a) a daily allotment allowed RLG employees and military personnel on temporary missions abroad over and above the per diem they are paid by the RLG; (b) an "installation" allowance for diplomats and their dependents stationed abroad, and for government employees, military personnel, and private students abroad for training and education (this allowance is additional to

* The information on which this section is based comes from an excellent USAID study of this subject prepared by Clark Joel.

stipends or other support); (c) a monthly allotment for students in school abroad; (d) actual expenses incurred for medical treatment abroad, plus a daily allotment while abroad for medical reasons; (3) payments for international airlines tickets, international telegrams, orthopedic appliances, vaccines and serums; (f) bank commissions; and (g) airplane rentals.

The RLG regulations governing the category are overly liberal. This results in excess expenditures at some avoidable cost to the United States. But the regulations are disadvantageous to both the United States and Laos for more fundamental reasons. By allowing foreign exchange sales at what is in fact a subsidized rate, they stimulate misallocation of the dollars available, and provide incentives for undesirable activities and corruption.

Dollars purchased for kip at 240:1 through the BNL can be legally exchanged back into kip at 500:1 at any commercial bank in Laos. Thus any opportunity to buy more dollars than actually needed can be turned to profit through arbitrage between the two exchange rates. The exchange regulations are so liberal that almost every trip or sojourn abroad offers such an opportunity. As a result, much undesirable foreign travel is generated while better uses for the dollars go unfulfilled. Worse yet, fictitious trips are recorded by officials in charge of travel rosters who then collect the profit on the corresponding foreign exchange allotment. At present, the United States commitment to provide foreign exchange for the agreed list of eligible transactions is open-ended. Thus, there is no incentive for the RLG to husband the resources involved. The amount of excess foreign exchange demanded as a result of this liberality is not large, but savings of perhaps as much as \$1 million could be made.

We recommend that USAID and the RLG work together toward the eventual elimination of access to foreign exchange at 240:1 for individuals and corporations. Foreign exchange for direct RLG expenditures should continue to be provided at 240:1 in order to maintain the semblance of an "official" rate of exchange, desirable

for reasons explained earlier. The principal items recommended for elimination or restriction are discussed below.

Official Missions

Persons traveling abroad on official business are paid a per diem of about \$14. If traveling in the United States they are entitled to purchase personally an additional \$35 per day at 240:1. The allotment varies from \$18 to \$30 for other countries. If, for example, they use \$17 per day to repurchase kip at 500:1 they will recover their entire kip outlay and still have \$32 per day financed by the United States. This is in excess of their needs and permits them to make a significant profit on the trip -- the longer the stay, the greater the profit. This induces officers and civil servants to look for travel opportunities as an offset to their inadequate pay in Laos. Superiors even reward subordinates by sending them abroad. As a result, many of the official missions are of minor value, if any, to Laos; whereas the services of competent men are urgently needed at home. Thus the invisibles reimbursement is part of a perverse incentive system of high rewards for foreign junkets and underpayment for service at home, which should be corrected. An adequate but minimal per diem should be paid employees on official missions. No private purchase of kip at 240:1 is required.

Military Officers and Government Employees in Training Abroad

Expenses for training abroad are a similar problem. A direct payment is made out of USAID or MAP funds, but the individuals involved also have access to varying amounts of foreign exchange at 240:1; in some cases, even at 80:1. The total provision is excessive, also making foreign training too profitable and providing an incentive to go and remain abroad. Again the system should be reviewed by making an adequate provision in the form of direct support for necessary expenditures abroad, and eliminating the right to purchase foreign exchange at privileged rates.

Travel for Medical Treatment

Persons going abroad for medical treatment are entitled to purchase foreign exchange at 240:1 to cover their actual expenses for transportation and treatment, plus \$35 per day. Thus a stay in a Bangkok sanitorium at, say, \$15 per day would earn the patient a net profit of 5,500 kip per day over and above the sanatorium bill and transportation. (He could purchase \$50 at 240:1 for 12,000 kip, but would be left with \$35 that could be converted back at 500:1 into 17,500 kip.) Many patients return with tape recorders as well as improved health. Revision of the regulations could eliminate the profit opportunity by restricting foreign exchange purchases to actual outlays. The question remains, however, of the desirability of subsidizing medical treatment abroad. This is a subsidy received only by the wealthiest, many of whom could afford to pay for treatment at 500:1. Furthermore, funds spent for treatment abroad do nothing to finance the development of better medical facilities in Laos, and the money now spent to subsidize medical travel could be used for improving medical services in Laos.

Private Students

There are now about 300 Lao students enrolled abroad without scholarships. Under present regulations they are entitled to purchase foreign exchange at 240:1 for "installation" expenses (\$400 in the United States, \$240 elsewhere) and for support (\$200 per month in the United States, \$120 elsewhere). Funds for support may be purchased over an indefinite period and are available to all students, even five-year olds. Of the 300 students, about 200 are in France; their expenditures are not reimbursed under the U.S. Invisibles Program, but by the RLG out of its other foreign exchange earnings. The present system subsidizes education abroad, which no doubt is desirable, but does so inefficiently and in a way that leads to abuse. For example, some of the "students" on Taiwan are able to live on their earnings from arbitrage between the two exchange rates; "studying" is a way of life, and there is no indication that they will ever return to Laos.

Clearly, funds spent to subsidize primary school students abroad beyond a reasonable period could be put to other and better uses. Even in the remaining cases, this form of subsidization is inefficient, because it accrues to those most able to afford study abroad, rather than to those with the best educational potential. A more rational system would require those paying their own way to purchase foreign exchange at 500:1, with the dollars saved going to partial or complete scholarships for promising students who lack personal means. Providing the subsidy through scholarships would permit the United States and the RLG to influence the subjects studied and the place of study, to maximize the return to Laos on funds so spent. Acceptance of a scholarship should also obligate the student to return to Laos when his studies are completed. A gradual shift, designed to minimize hardships for students already abroad, should be made from the present system to one using scholarships instead of the exchange rate as the means of subsidy. For students reimbursed through the U.S. Invisibles Program, this can be accomplished through RLG-U.S. agreement. For students in France, the attitude of the French would have to be canvassed and new arrangements, if any, made accordingly.

Miscellaneous Expenditures

There is no valid reason for either the United States or the RLG to subsidize expenditures for airline tickets, telegrams, orthopedic devices, bank commissions, insurance. Foreign exchange for these purposes should be purchased at the free market rate. Eliminating foreign exchange purchases at 240:1 for airplane rentals would probably require a subsidy to Royal Air Laos from the RLG budget. If such subsidization is deemed desirable, it would be preferable to make it openly rather than through the exchange rate. Hiding subsidies in this fashion is bad budgetary practice, because it conceals real costs in terms of other possible budgetary expenditures forgone.

If all the above changes were adopted, U.S. reimbursements for invisibles would probably be reduced by \$1.5 to \$2 million, but the

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demand for foreign exchange from FEOF would rise by perhaps \$0.5 to \$1.0 million. The difference, about \$1 million, could be used to provide scholarships abroad and so on. The changes would also eliminate much of the incentive for the Lao elite to spend so much time abroad.

To make rational use of foreign exchange for invisible expenditures, the United States and the RLG should jointly study existing regulations and expenditure patterns. This should lead both to revisions in present regulations and the annual preparation of a foreign exchange budget, which would take account not only of U.S. reimbursements but RLG earnings from other sources and provide a comprehensive picture of all invisible expenditures. The United States' contribution would thus be based on a broad perspective and U.S. leverage could be used to promote the rationalization of all expenditures. In this connection, the United States and the RLG would no doubt also wish to review means to increase compliance with RLG currency regulations by other foreign embassies and international organizations in Laos.* At present, contrary to regulations, several embassies (Communist China, Indonesia, South Vietnam, Thailand, and Cambodia) and international organizations (CIC, FAO, UNESCO, and WHO) apparently finance their operations entirely at the free market rate, as they make virtually no purchases of kip through the BNL.

CHANGING EXPORT REGULATIONS

Increased Lao exports would reduce the amount of non-project aid needed to maintain financial stability in Laos. As the principal donor, the United States would benefit from Lao policies that facilitate exports. Present regulations, however, discourage exports by requiring that 60 per cent of export earnings be remitted to the Banque Nationale at the official rate of exchange. In effect, this regulation establishes a rate of exchange for exports of 344 kip to the dollar. The effective rate of exchange on the import side of

*The U.S. Mission should itself refrain from similar practices. See the remarks on rental payments in Chapter 3.

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USIP is restricted to U.S. imports will be very close to the free rate of 500 kip per dollar. The disparity between the export and import rates of exchange makes the continuance of the present regulation uneconomical.

If exporters convert all their foreign exchange earnings into kip through the free market, FEOF resources will be augmented, even though BNL foreign exchange receipts will be reduced. There is a danger that exporters would hold their foreign exchange earnings abroad if they were not required to remit 60 per cent of these earnings to the BNL. However, if there is to be any hope of stimulating Lao export production and increasing commercial foreign exchange earnings, the present conversion requirement must be lowered. We recommend that USAID begin discussions with the RLG to this end.

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Chapter 9

LAOS AND THIRD COUNTRIES

U. S. OBJECTIVES

Economic and Political Burden Sharing

Under many circumstances third country contributions to an assistance program will reduce the burden shouldered by the United States, economically and politically. This need not always be the case, however. If, for example, the aid program of a third country is meant to bolster policies markedly divergent from those encouraged by the United States, the economic benefits might be negated by the adverse political effects. In such instances, the United States might even be compelled to engage in heavier economic support programs in order to neutralize the effect of the other country's aid. It is clear that third country contributions should not be judged in purely economic and budgetary terms, but rather by their total impact, including both economic and political effects.

In the case of Laos, the economic aspects of third country aid contributions are overshadowed by political factors, in part because the amounts involved in economic (as distinguished from military) assistance to Laos are relatively modest, and in part because our objectives in that country are heavily security-oriented. The degree to which third country aid may lighten the political burden carried by the United States is not as easily or as accurately measured as its economic effect. On the whole, however, such contributions on the part of our allies and of friendly neutral nations are desirable from the U.S. point of view.

The impact of third country aid on public opinion. Foreign contributions influence public opinion in Laos itself, in the outside world, and even in the United States. Third country contributions to the development and security of Laos clearly bolster the latter's confidence, and decrease the undesirable psychological effect that too heavy and exclusive a reliance on U. S. support might have. At the

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same time, international assistance to the U.S.-supported RLG strengthens the image of a legitimate government engaged in a struggle against foreign aggressors, and promotes the necessary climate abroad for continued international recognition of the RLG and support of its actions. Finally, no U.S. policy can be successfully implemented in the long run if it does not have the support of U.S. public opinion and of Congress. Participation of other nations in assistance to Laos can be an important factor in securing continued support for our own programs.

Creating a third-country involvement in Laos. It is in the U.S. interest to create a third country stake in Laos and where such stake already exists to enlarge it and increase public understanding of it. The economic involvement of third countries in Laos, whether through aid projects or through normal commercial channels, creates a political stake. It requires closer ties and contacts between Laos and third nations, which in turn will ordinarily have a beneficial effect on the level of mutual understanding and community of interest. For example, it is well known that a diplomatic representative is in many cases more sympathetic to the needs of the nation he is accredited to than is his home government because of his increased understanding of the local situation. This is particularly true in Laos, which must enroll foreign support by overcoming the stereotyped notion of a comic opera nation, one about which foreign news coverage is extraordinarily scanty and distorted. It is also desirable to maintain diversity of foreign involvement in the cultural and economic affairs of Laos in order to give that country the confidence of being part of a larger community of nations concerned with its welfare and possessing the strength to protect it against the powers that threaten its independence and survival.

Third country aid may, however, have negative side effects, for it can divert the energies of the Lao government and its personnel from more important work and provide the donor nation with increased leverage in Laos -- an effect that may not always be beneficial to U.S.

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policies in that country. These considerations assume heightened importance in the case of aid from nations whose objectives in Laos differ considerably from those of the United States, as is the case with France and the Soviet Union. If, for example, these countries should decide to subscribe to building the Nam Ngum Dam, their contribution would be economically desirable. It would also have politically beneficial effects since such international aid would tend to legitimize U.S. support for Laos and give it the sanction of nations whose policies in Southeast Asia are in many ways antagonistic to those of the United States. But, a share in the support of such a major project as Nam Ngum would allow these countries to wield substantially increased leverage in Laos. It would therefore be desirable to maximize the beneficial effect of such foreign aid while establishing safeguards against the temptation on the part of these donor nations to apply their increased leverage in ways prejudicial to the United States. To meet this problem, the United States should be ready, if and when the need arises, to replace the foreign aid offered by other nations. So long as the United States maintains such readiness and shows its determination to exercise this option if required, it need not be unduly concerned about any increased leverage gained by a foreign nation.

Long-term Viability and Regional Security

Economic viability, political unification, and military security remain the national goals of the country, but even modest advances toward these objectives will require some degree of cooperation on the part of nations in Laos' periphery, as well as a willingness on the part of Laos to recognize the fact of regional interdependence.

Laos is too small to be economically efficient. Greater integration with its more developed neighbors would be a step toward economic viability. The scope for greater integration extends beyond purely commercial transactions. Regional cooperation would allow Laos to benefit from more advanced cultural and technological facilities and innovations, and help to narrow the technological gap which now

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separates Laos from even its closest neighbors. Finally, closer integration of Laos into its environment would tend to modify the present view of Laos as a tiny, exotic, and intrinsically worthless country (and Southeast Asia as a collection of similar countries), in favor of a view on Laos as an integral part of an economically, politically, and strategically important region. Although such a viewpoint is also needed in the United States, it is particularly desirable in the third countries that are potential contributors to assistance programs in Laos.

Full regional integration in Southeast Asia is a distant goal; progress toward it raises many complex issues. But there are opportunities even now for knitting closer ties between Laos and other countries basically in accord with U.S. and RLG objectives in Asia. The outstanding case is Thailand. In a broader Asian context, and in a longer run, Lao-Japanese relations assume special importance.

THAILAND

Laos and Thailand share not only common ethnic, linguistic, and cultural origins, but also a history punctuated by invasions, mutual conflict, and war. The two peoples are linked together by many historical ties, but are separated by complex reactions to their past. In contrast to traditionally independent Thailand, Laos has only recently emerged from beneath a colonial regime that consciously sought to turn the Laotian people away from their Thai neighbors. French language and civilization was used during the past decades to create an artificial barrier between the two countries that had not existed before.

Today the characteristic feature of the relationship between the two countries might be termed its asymmetry. Viewed from Bangkok, Laos is a minor and poor relative, an underdeveloped region on the fringes of the Thai world with little to offer materially, culturally, or intellectually. It is only when foreign pressures in Laos threaten Thai security that Laos becomes a major concern for Thailand. The rest of the time Laos does not loom large on the Thai horizon. Laos,

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on the other hand, sees Thailand as dwarfing it in population, area, material and cultural achievements. This gap has been further accentuated in recent years: whereas Thailand has enjoyed peace and has been progressing smoothly toward greater and greater prosperity, Laos suffered the devastation of civil war and foreign invasion and has been able to avert total collapse only through outside aid.

It is not surprising that the Lao view Thailand and the Thai people with mixed feelings. Aware of their weakness, and remembering Thai occupation of Lao border provinces during World War II, many Lao leaders fear that too close a relationship between the two countries will result in Thai domination. Living on the frontier of the struggle against communist aggression, they cannot help but feel that their sacrifices go unappreciated by their Thai neighbors for whom Laos serves as a protective shield. Yet at the same time, it is clear to most responsible men in Laos today that their people can benefit greatly from closer relations with Thailand.

Economic and Political Burden Sharing

The port of Bangkok is also the gateway to Laos: all goods from outside Thailand destined for Laos pass from Bangkok through Thai territory, and the few items Laos can send abroad leave by the same route. Thailand is also one of the major beneficiaries from the U.S. assistance program to Laos as its proximity makes it a major source of supply. In many other ways, Thailand gains economically from the U.S. involvement in Laos. Thailand is in a position to aid the development of Laos and facilitate efforts by the United States to reduce the cost of its assistance to Laos.

Admittedly, the indispensable role that Thailand plays with regard to supply lines for Laos places her in a strong bargaining position insofar as economic concessions to Laos are concerned. However, Laos is not entirely without assets in dealing with its neighbor, at least so long as the United States remains a third party interested in the welfare of both nations. Laos has something to offer Thailand. As pointed out elsewhere, the equalization of Lao and Thai tariffs could

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benefit Thailand in many ways and the Lao market could come to play a significant role in the development of Northeast Thailand. Even so, we should perhaps not be too hopeful about the immediate possibilities of wresting economic concessions from Thailand for the sake of reducing the cost of U.S. assistance to Laos. We must first succeed in convincing Thailand more fully of the vital interest it has in a viable Laos and of the need for making contributions to that goal.

There are opportunities to reduce the U.S. burden by rationalizing the allocation of aid. To be effective such rationalization need not require any sacrifice on the part of Thailand or Laos. At present, and probably for a long time to come, U.S. assistance will continue to go to both Thailand and Laos. If the two countries are viewed as an entity rather than as separate recipients, a more rational allocation of aid could be achieved between them. For example, the freight rates now being charged by Thailand for the transport of aid commodities to Laos are uneconomically high. They substantially raise the cost of U.S. aid to Laos and discourage development of Lao exports. If these rates were reduced to an equitable level the loss to Thailand could, if necessary, be compensated for by an increase of U.S. aid to that country. Under such an arrangement, aid to both Laos and Thailand would benefit without any increase in cost to the United States. Similarly, the present allocation of resources for various types of training in Laos could probably be modified to make more use of those of Thailand's fairly well developed facilities in fields where Laos lags considerably behind.

Even where Thai civilian and military training and other facilities are fully utilized, it may be more economical to expand them than to build new facilities in Laos or introduce Thai personnel into Laos. There may be limits imposed upon such a policy by political considerations. To spur the development of Laos and to increase their confidence, the United States would not wish to create excessive reliance on Thai resources. In a few select cases it may be desirable to create some facilities in Laos (a medical school adapted to the needs of Laos and Northeast Thailand for example) that could be used jointly by Thailand to create at least the appearance of a more balanced relationship.

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Although Thailand's economic interest in Laos is only marginal at the present time, political-strategic considerations favor Thai contributions to the development of Laos. A lukewarm Thai attitude toward support of Laos could be interpreted internationally as a downgrading of Laos' strategic significance. Clearly there are political incentives for any Thai government concerned about the threat from the north, and relying on U.S. protection, to contribute in some measure to the viability of Laos. These contributions are not likely to be offered in the form of substantial economic burden sharing, since Thailand, despite all the progress it has made, remains a comparatively small country with demanding development problems of its own.

Apart from the possibility of Thai purchases of electric power from the projected Nam Ngum Dam, Thai contributions in the future are likely to be mainly of two kinds: the handing down of low-grade technical skills much needed in Laos, and technical assistance in fighting the war in Laos without involving Thailand in heavy expenditures. Such contributions are already forthcoming to some extent. In view of U.S. leverage and the growing seriousness with which the Thai government views the situation surrounding Vietnam and Laos, the United States should be in a good position to obtain further Thai contributions with regard to the use of training and logistic facilities as well as in terms of more direct military contributions.

Regional Cooperation and Long-term Viability

It seems inadvisable to press too rapidly for implementation of a regional arrangement between Thailand and Laos. It is preferable at this stage to shun overly ambitious schemes that would be realized only on paper and seek practical opportunities for increased cooperation between the two countries. Areas for even greater cooperation between Thailand and Laos will continue to open up as time goes by, but even today a number of important opportunities suggest themselves.

The use of Thai educational facilities for the training and re-training of Lao citizens is already an accepted principle in USAID training programs. A particularly important opportunity relates to

the training of government officials. Successful programs of this type are now under way in Thailand with U.S. assistance. Laos, even more than Thailand, is in need of such training courses if it is to achieve an adequate level of government effectiveness. Both governments have indicated their willingness to cooperate in this and in related fields. This may be taken as one of an increasing number of indications that the obstacles in the path of Thai-Lao cooperation are steadily losing in significance under the impact of the common danger and the U.S.-induced intensification of relations between the two neighbors.

Both governments are eager to establish better control over their borders. Especially significant could be a fuller development of the incipient cooperation between the two countries' customs services, the police, and other local authorities along the common border, which serves as an access route for subversive elements, smugglers, and criminals. In this connection, some attention might be given to a study of the present inadequate legal arrangements regarding extradition of criminals and fugitives from justice as well as of commodities illegally exported or introduced into the other country.

Even along purely economic lines the present asymmetry of relations does not completely eliminate opportunities for expanding cooperation between Laos and Thailand. Thus, a gradual equalization of tariffs between the two countries, as suggested in Chapter 3 of this study, would have several beneficial consequences. On the other hand, reciprocal lowering or elimination of tariffs on selected goods could gradually lead to the creation of a single, broader, and more efficient market. Joint development plans could gradually prepare the ground for a greater degree of economic integration. An advance toward this goal would in turn facilitate the political cooperation desired by the United States and create conditions for regional arrangements.

JAPAN

For many years now, the Japanese government has been treading softly in Southeast Asia, sending high-level goodwill missions and

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cultural envoys to erase the hatred sown during the war and to pave the way for normal relations. This patient effort has generally paid off. In recent years, Japanese business has begun to assert itself throughout the area and Japanese commercial ventures sprout almost everywhere. Southeast Asia is now almost as important a market for Japan as the United States.

Laos has played a minor role in this increased Japanese economic involvement in Southeast Asia because of the small size of its market and its economic and political instability. The introduction of USIP curtailed Japanese commercial opportunities in Laos and resulted in a sharp drop in Japanese exports to Laos. The present commercial stake of Japan in Laos is therefore very small and unlikely to grow unless Japan benefits from changes in U.S. aid policies or can be convinced to make substantial contributions to the development of Laos for other reasons than economic.

Japanese sensitivity to military involvement in Asia, born of the experiences of World War II, is decreasing, but it is still sufficiently strong to limit the freedom of action of the ruling conservatives in Japan. Any identification with the U.S. or allied military effort in Southeast Asia could generate the most serious domestic political pressures against, and even within, the government. Japanese economic aid in Southeast Asia will therefore be tied very closely to prospects for a broadening of the Japanese market there and will avoid any program or project that could identify Japan with the U.S. military effort. Moreover, under its present legal and administrative arrangements Japan is unable to provide grant aid except for minor technical projects and, in exceptional circumstances, projects related to wartime reparations.

An extension of the Japanese aid program in Laos is also rendered unlikely in the near future by the recently increased Japanese commitment to Southeast Asian development programs and other new Japanese responsibilities in Asia. Japan has recently extended a \$50,000,000 long-term loan to Taiwan; has committed several hundred million

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dollars worth of reparations and loans to Korea; and has pledged \$200,000,000 to the Southeast Asian Development Bank. As a result, the Japanese Ministry of Finance feels that Japan is over-committed, at least so long as the present economic recession prevails. There is also fear that the difficult U.S. position in Vietnam may lead to increasing pressure on Japan to make additional financial contributions directly or indirectly related to support of U.S. policies -- support that Japan, for domestic political reasons, is reluctant to give. Thus, Japan is not likely at present to make a significant expansion of its modest aid to Laos on its own initiative. Nor would it respond favorably to a direct U.S. request to do so. However, should the United States want to encourage Japan to increase its contribution in the longer run, Japan might be receptive to several arguments and actions.

For one thing, Japan realizes that it stands to benefit substantially from the expansion of U.S.-sponsored economic development programs in Southeast Asia. The United States could point out to Japan that access to these benefits would warrant more cooperation with the United States in the economic and political development of Southeast Asia, including Laos. The modification of the USIP program, already instituted by AID and discussed in Chapter 8, will appreciably increase the Lao market for Japanese exports. The United States should continue to impress this fact upon Japan, and seek continued or increased Japanese support for FEOF in return.

The United States may be able to shape its development programs in Laos in such a way as to make it interesting for Japanese companies now operating in Thailand (such as construction and trading companies) to extend their operations northward into Laos. Any increase in the Japanese economic stake in Laos would also add to their willingness to defend and further develop that stake. It would be sound to welcome Japanese aid projects in Laos even when they do not command the highest priority in our view, so long as they do not run counter to U.S. objectives or entail heavy U.S. expenditures.

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Japan's contribution to FEOF, \$500,000 in 1965, is modest and is offered on terms less attractive to Laos than those on which the U.S. contribution is given. However, in view of the known Japanese difficulties in contributing on any other terms and in substantially increased amounts, it would not seem desirable to press too hard for concessions that we might fail to obtain and that might also prejudice potentially more important Japanese aid contributions. The present arrangements for Japanese participation in FEOF are tolerable and its presence in this body is highly desirable. The United States might therefore hint at the need for somewhat enlarged contributions, but not insist on them, coming back to this issue at a more opportune time. Meanwhile, however, the Japanese are building up local currency (kip) balances, and the United States should urge their use by the Japanese for projects deemed desirable.

Japan could play a larger role in providing technical aid to underdeveloped Laos. Existing Japanese legal arrangements facilitate this kind of aid, and it would also be desirable as a means of increasing the Japanese economic stake in Laos through the introduction of Japanese technology and perhaps Japanese contractors. Particularly promising in this respect are agricultural aid projects (including experimental farms; irrigation; plant improvement; and vegetable, fruit, and possibly silk production). Japan has special skills in this field and its government has expressed its readiness to mobilize these resources for the benefit of Asia, as reflected in the recent Japanese proposals for the establishment of an Agricultural Development Fund for Southeast Asia and the creation of an Asian Agricultural Technical Institute. Japan could also assist with medical and health services and with a whole range of other technical development projects: A useful role could be played by the recently established Japanese counterpart of the Peace Corps, the Overseas Cooperation Volunteer Corps. Laos has been assigned a high priority by the Corps and is scheduled to be among the first recipients of its services, before the end of 1965. The desire on the part of the Japanese Embassy to assign such volunteers to the Vientiane area and primarily to agricultural and technical projects deserves U.S. support.

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Another field in which Japan has a strong stake and can point to considerable accomplishments is that of telecommunications. The provision of radio equipment by Japan to Laos' school system has suffered from the inefficiency of the Laotian government's administrative procedures but continues to hold out promise, and deserves U.S. backing.

In launching into extensive programs for roadbuilding in Thailand and Laos, the United States might also consider arrangements for Japanese participation. Japanese construction and construction machinery companies have far-flung interests in Southeast Asia and wield substantial political influence in Tokyo. The recent establishment of an Asian Highway Committee in Japan is another indication of Japanese interest in this field. Together with Thailand, Japan would also be well placed to help Laos with the establishment and operation of small industry.

Finally, an active Japanese role in the implementation of capital projects in Laos or having relevance to Laos is highly desirable for political reasons. Japan undertook the original feasibility study of the Nam Ngum Dam which has now been approved by the U.S. government in connection with the \$1 billion development scheme for Southeast Asia, and is being subscribed to by other countries. This is an important test case; for having taken the lead in this matter, Japan's prestige is committed. It would harm the cause of U.S.-Japanese cooperation in Southeast Asia if Japan should take the role of a silent partner who benefits from the venture economically but fails to contribute and thereby build a political stake in this major international project.

THE FRENCH PRESENCE IN LAOS

For a number of reasons, the French relationship to Laos is of particular concern to U.S. policy. France's role in Laos continues to be important. More than 200 French teachers (a larger number even than in pre-independence days) serve in the country's post-elementary schools. French advisers sit in the Prime Minister's office, the Ministries of the National Economy, Finance, Justice, Public Health,

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Public Works, Education, Telecommunications, and many other RLG agencies. In accordance with the Geneva Accords a French military mission has the monopoly of training the Lao armed forces. French citizens continue to enjoy certain legal privileges carried over from the earlier days.

French preponderance is gradually being reduced by the course of events. Improving relations with Thailand increase that country's cultural and economic influence, thereby reducing Laos' reliance on France. The overwhelming role now played by the United States and its personnel in keeping the country viable tends to lead Laos away from France. More important, so does French policy in Southeast Asia, which is often in open conflict with the Laotian government's conception of the national interest. To emphasize its disapproval of recent Lao policies, France has ended its program of aiding capital projects.

Yet, France's influence over the emotions and thoughts of the Laotian elite remains a factor to be reckoned with. It must also be recognized that France shows no sign of voluntarily relinquishing its influence. Thus, despite admitting an acute shortage of French teachers, the French government has been reluctant to let its nationals be supplemented by Americans even in the teaching of English and has granted some French teachers exemption from the military draft in exchange for their readiness to teach in Lao schools. The level of French expenditures for cultural purposes remains high and has actually grown in recent years, reportedly passing the \$2 million level in 1965.

U.S. policy should be aimed at gradually decreasing Lao dependence on French contributions in the sensitive areas of government or in fields where the French presence could be an instrument for obstructing U. S. policies. The U.S. aid program should work toward developing Lao independence in a non-provocative fashion. What this means in terms of actual political and educational programs has been discussed in Chapters 3 and 6. There it is also argued that such an approach is politically feasible and need not lead to a clash with France unless the French leadership has decided to provoke a conflict in any case.

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French economic contributions remain desirable so long as they do not provide the French government with undue political leverage that could be applied against U.S. interest. Accordingly, the desire to obtain French economic contributions should not be the dominant criterion in weighing the worth of French participation in economic assistance programs to Laos.

An examination of the present French aid program to Laos indicates that four of its components are now posing or may in the future pose a policy problem for the United States:

1. France has decided to abandon indefinitely the construction of the Nam Cadinh bridges. This problem is already being solved by the U.S. readiness to complete this project.

2. France continues to participate in the FEOF stabilization fund as the next largest contributor after the United States, contributing about \$1.3 million in 1965, although under conditions that vitiate much of the contribution's value. For domestic and international reasons it seems desirable to continue the present arrangement. Should France decide to pull out entirely, the United States should be ready to substitute dollars or raise its contribution elsewhere.

3. A difficult problem may arise at least temporarily should the de Gaulle government take the dramatic step of suddenly withdrawing its teaching staff from all Laos educational institutions. Although this is not very likely, a sudden French withdrawal of teaching personnel cannot be entirely ruled out in light of such brusque actions of the French government as occurred some years ago in Guinea. In such an eventuality, the United States would obviously be hard put to fill the gap on short notice without temporary disruption of the system. However, as time goes by and Lao teachers become available, this problem should become less serious. Even if such a contingency should occur in the very near future, it should prove possible to replace at least some of the French personnel with linguistically qualified U.S. instructors and to fill the remaining posts with bilingual or French-speaking personnel to be obtained through the United Nations or from Canada, Switzerland, and Belgium -- or for that matter by direct hire among the French.

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4. A French decision to withdraw all advisers to the RLG seems unlikely. Should it occur, it would tend to be damaging to French interests since it would create a demand for the introduction of U.S. personnel or of third-country specialists capable of cooperating with the United States. Nevertheless, the United States should prepare now for the time such a need might arise.

OTHER CONTRIBUTOR COUNTRIES, INTERNATIONAL ORGANIZATIONS, AND PROSPECTIVE DONORS

Commodity Import Programs

The recent modifications of USIP do not affect the value to the United States of the United Kingdom and Australian Commodity Import Programs. Although small in monetary terms, these programs tangibly demonstrate the commitment of other nations to the U.S. program of support for Laos. Further, since they are operated along lines very similar to USIP they help to make that program more acceptable, minimize the appearance of a U.S. monopoly of concern with Laos, and facilitate Congressional support for USIP. A cancellation of these two programs, even if balanced by donations of other types, would be undesirable from the U.S. point of view for the reasons stated. At present, the chances of enlisting the aid of other donors for similarly conceived programs do not look very hopeful. However, a search for such prospects should not be abandoned.

Foreign Exchange Operations Fund

The United States and France, the United Kingdom, Australia, and, as of this year, Japan participate in this stabilization fund by contributing varying amounts to its operations. Elsewhere (see Chapter 8) it is argued that it is desirable and may actually be inevitable to raise total subscriptions to FEOF substantially in the coming years. In this connection, it should be kept in mind that the international character of the fund is one of its most desirable characteristics. Even if no additional foreign subscriptions can be obtained, or if

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certain donors should reduce their donations, every effort should be made to preserve international participation so as to avoid giving the impression of a U.S. monopoly of support.

The United Kingdom and Australia have in the past proved to be model participants. There is no reason to believe that the two Commonwealth allies of the United States will depart from their previous policies, although it may well be that the difficult foreign exchange position of the United Kingdom may force it temporarily to reduce its contribution. Although Canada might be viewed as a potential new donor, it does not appear that Canadian aid policies would allow that country's participation and it may be more effective to apply Canada's willingness to make a contribution in Laos to the field of technical assistance and capital projects.

Technical Assistance and Capital Projects

As in the case of FEOF it is in the interest of the United States to enlist the broadest possible international support and economic involvement, technical assistance and capital projects, in Laos. Within the limits posed by considerations of political and military sensitivity, efforts should be made not only to maintain the present level of bilateral and multilateral contributions, but to strengthen them and to enlist new donors so as to make the support program for Laos as much as possible an international venture. A number of European countries may be willing to make additional contributions, notably Germany which is under a reciprocal obligation to give tangible demonstrations of its solidarity with the United States in resisting communist pressure. Canada is another possibility. It may also be possible to increase the contribution of the Philippines which currently provides only medical services under the Operation Brotherhood program, entirely underwritten by USAID funds.

The multilateral assistance efforts in Laos, especially those of the United Nations, have in the past been rather ineffective. In part this has been because of the nature of the organizations involved. Some of the blame must also be assigned to the quality of the personnel

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dispatched to Laos and to the lack of supervision under which they have been operating. The unsatisfactory performance of the United Nations specialists is also due to the fact that they are provided by their sponsors with no more than their salaries. In Laos, where even the most basic tools and facilities are lacking, and where the government is in no position to provide supplementary funds, the internationally sponsored specialist operating without the benefit of a support organization is often condemned to ineffectiveness unless he can obtain USAID support.

It may therefore be advisable for USAID to make a systematic study of bilateral and multilateral programs in Laos with a view to granting support to those that are currently ineffective for the reasons stated above, but could be upgraded. A first step in that direction might be an attempt to bring together the various contributors working in related fields. An experiment recently carried out (with RLG assistance) along these lines in the field of support for Lao education suggests that such an attempt could prove helpful to everyone concerned by suggesting priorities and avoiding duplications. It would also provide USAID with a better opportunity to coordinate and give direction to the many assistance efforts. How this could be done and how U.S. interests could be served is now being demonstrated in a joint planning effort for the development of a United Nations cluster village near Vientiane. If successful it might point the way toward reconciling the U.S. desire to give direction to the aid program with its hope of giving it international flavor and sanction.

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Chapter 10

IMPROVING U.S. OPERATIONAL EFFECTIVENESS IN LAOS

INTRODUCTION

The USAID program in Laos should not be considered a standard aid program either in its priority or in its nature. The conflict in Laos and that in Vietnam are part of the same struggle against communist aggression in Southeast Asia. Moreover, the nature of the struggle in Laos is such that the USAID program plays a particularly active role in resisting communist pressure. Even a casual glance at the USAID program in Laos is enough to see that it bears little relationship to a standard program of promoting economic development. As a result the demands placed on the program are highly unusual, even exotic. In some areas of Laos the USAID program is a counter-insurgency program, in others it is even an insurgency program. USAID airplanes and materiel support a major military campaign against the Pathet Lao and North Vietnamese in the hills of Laos. USAID runs what in other countries would be considered a major military assistance program, is directly involved in almost every operation of the RLG and supports the entire Lao economy to a degree perhaps unmatched anywhere else in the world. In short, USAID finds itself doing things as a matter of course in Laos that would be impossible in most other countries.

The priority of the USAID program in Laos, together with its highly unusual nature, makes inevitable a conflict between the needs of the program and standard AID operating procedures, designed for entirely different kinds of programs in entirely different environments. It is the responsibility of both Washington and the Mission to seek imaginative ways of operating the program in Laos, even if these are in conflict with standard operational procedures. This has already been done to a remarkable degree: the flexibility of operating procedures in Laos is a credit both to the vigor and responsibility of the USAID Mission and to the understanding and receptivity of AID/Washington. In this chapter, certain issues are pointed up where more

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conscious attention to the special needs of the program might be useful. The chapter does not discuss funding problems, but deals instead with administrative and organizational issues.

PERSONNEL POLICY

The crucial role played by USAID personnel in Laos places a premium on good performance. The payoff to good performance is greater and the costs of poor performance heavier in Laos than elsewhere. Accordingly the standard personnel problems -- recruitment, retention, utilization -- take on accentuated importance for the Laos Mission. Although able people are important throughout the Mission, in key positions responsibilities are particularly heavy and the opportunities for achievement are notably high. For these positions good people are not just desirable, but indispensable. When a person is found who "clicks," there is almost no limit to what he can contribute to the Mission's effectiveness. By dealing through such key personnel the Mission can retain its flexibility and its ability to give adequate policy guidance and advice even after the Mission as a whole has grown large, as now appears inevitable.

Recruitment

AID/Washington should accord special priority to recruiting for key positions in the Laos Mission. The personnel policies of AID as a whole require that availability be taken into account in filling vacancies. Special efforts should be made, however, to locate the best possible candidates, even though this will mean giving less weight to the placement of unassigned personnel than would standard AID procedures. In some cases formal availability should be waived entirely as a criterion, and uniquely qualified officials transferred from their present positions to Laos.

Attention to quality in Laos does not mean overemphasis on formal qualification. The nature of the program in Laos is such that educational background and time in service are often less reliable indicators of potential performance than elsewhere. AID/Washington must be

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more flexible in the matter of job standard qualifications in Laos than in most places. The Ph.D. in rural sociology may be highly qualified for work in most AID missions, but his education and analytical abilities may not fit him for the work that is being done in Laos. USAID has a responsibility for informing AID/Washington about the nature of the jobs that need to be filled and the types of people it thinks could best fill them. Job standards and qualifications in Laos must match and reflect the special needs of the program. This can be done only through close cooperation between the field and Washington, and a willingness to be imaginative and pragmatic in meeting this problem.

Greater responsibility should be placed on USAID personnel for recruitment. The unusual nature of the program makes it difficult for people not part of it to assess the suitability of particular candidates. Moreover, Mission personnel often have personal contacts that could extend AID recruitment to channels and people that ordinarily would not come to AID's attention but would be particularly appropriate for this program. A man who is good at an unusual job is likely to know another who would also be good at it. Time and again USAID personnel remark on somebody "back home" who would be ideally suited for the kinds of positions available in Laos. USAID personnel should be canvassed for suggestions, and when they return to the United States on home leave or for special missions, or even after the end of their tours, they should be requested to spend part of their time in the United States on recruitment. Trips solely for recruiting purposes should also be made.

Any such program would have to receive adequate support from AID/Washington. Failure to follow through on the potential candidates would damage the program. Naturally, not everybody suggested can be used, but Washington must keep USAID personnel informed as to the action it has taken on their suggestions. If USAID personnel are given adequate and realistic guidance about AID/Washington requirements and needs, and if USAID is selective in the people it appoints to help in its recruiting responsibilities, such a program could be an effective complement to traditional AID recruiting procedures.

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Greater use should be made of noncareer employees. Many people who might be attracted to work in Laos, and who might be well qualified for doing so, will not necessarily be interested or appropriate candidates for career positions in AID. A more ambitious attempt to enlist such people should be made. Temporary assignments carrying with them no guarantee of career appointments could be made both in Washington and the field. Similarly, contract personnel who can be hired for fixed periods of time would be appropriate in this regard. Greater use of noncareer people would make it more feasible to adopt pragmatic job standards and qualifications and to make more use of USAID personnel in recruiting as recommended above.

One source of noncareer people that could be tapped more fully is personnel from other agencies. The State Department, the Department of Defense, USIA, and the Central Intelligence Agency would all appear to be possible sources of personnel with qualifications and experience appropriate to many jobs in Laos, particularly jobs involving close working relations with the Lao. For technical, financial, and economic help the Treasury Department and the Federal Reserve Board would also appear to be potentially useful.

To make a noncareer service attractive it may often be necessary to provide appropriate financial incentives. Part of a career employee's remuneration lies in his career status. Noncareer employees should be provided with direct financial benefits to compensate for their lack of tenure in order to assure that adequately qualified applicants are attracted to the program.

The Peace Corps and former employees of the AID Mission in Vietnam should be thoroughly canvassed for candidates for employment in the rural programs in Laos. These sources have already proved to be capable of providing personnel well-suited for work in the rural programs in Laos, but neither has been fully exploited. A more effective canvassing of these sources would undoubtedly turn up additional candidates for consideration.

A pool of prospective employees should be hired prior to actual assignment on the basis of anticipated future needs. We understand that this has already begun and recommend that further exploitation

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of this device be made. The time lag between the occurrence and filling of a vacancy, even in urgent cases, is often appallingly long. By hiring against the expected rate of attrition, both stochastic and scheduled, and in anticipation of future increases in personnel requirements, this time lag can be reduced. Moreover, having a pool of candidates available in Washington would make it possible to provide them with language and area training often impossible to accomplish when there is an urgent need to get them into the field.

Contractors

Greater use of contracting organizations, in addition to individual contract employees, should be considered. Contractors have more flexibility in paying their employees, and they often have an advantage in recruiting personnel with special skills and qualifications.

One possibility is to broaden the use of existing contract organizations, such as Air America, to undertake functions for which AID procedures fail to provide adequate personnel or support. For example, AID qualification requirements might preclude hiring a desirable employee who could, however, work for a contractor. Another possibility is to extend the list of contractors. Already IVS, Air America, and Operation Brotherhood show how useful this device can be. Three specific possibilities should be carefully considered. As mentioned above in Chapter 3, the establishment of a Public Administration Division within USAID would appear desirable. To augment the work of this division, consideration should be given to a contract such as that in Thailand with Public Administration Services (PAS). PAS has shown there that it has the capability of finding trained and qualified personnel and that it can mount an effective program of training and reform in public administration. Although the question of finding qualified personnel fluent in French is a difficult one, PAS, or another similar organization, might well be able to meet a need that cannot be adequately filled through AID channels. To improve and tighten RLG financial and accounting controls it might be possible to make use of one of the large international accounting firms. Such

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firms have French speaking employees and might be more acceptable to the RLG as well as more effective than U.S. Government employees. Finally, further use might be made of foreign organizations under contract to either the RLG or USAID.

Promotion and Retention

The difficulty and unpredictability of finding people capable of outstanding performance in Laos and the investment USAID has in people who reach their greatest effectiveness only late in their tour of duty places a high premium on keeping those who work out particularly well. Exceptional measures should be considered to retain such people. AID/Washington will seldom be able to evaluate the performance of particular individuals on the basis of the formal documentary evidence available to it. However, the USAID Director will ordinarily have better and more extensive knowledge of the unique contribution made by individuals to his operations. Since we have been in Laos we have become familiar with several cases where the Director was unable to keep people who were making an outstanding contribution and who would have been glad to stay if promotions had been forthcoming. In an unusual operation such as USAID, maximum discretion must be permitted the Director in promoting and retaining those individuals he knows to be making an essential contribution.

Consideration should be given to temporary promotions and performance bonuses as a possible means of reconciling needs in Laos with AID and U.S. Government procedures and regulations. Often employees in Laos will be less concerned with their rate of advance in AID than with securing more adequate financial remuneration while they are there. The number of people who have left Laos to retire from AID is evidence of this. If the USAID Director were empowered to give them temporary promotions for as long as they remained in Laos, or to provide one-time performance bonuses, some of these people could undoubtedly be kept, to the benefit of USAID and AID. In particular, the USAID Director should be empowered to offer some sort of inducements to keep people on for additional tours of duty. Finally, one of the major obstacles to

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retaining people in Laos is the inadequate provision for the education of their children. Providing partial scholarships for study in the United States or in other countries might be usefully considered.

Washington-Vientiane Exchange

AID policy in Laos is formulated partly in Washington and partly in the field. A similar division exists in the execution of AID policy. As a consequence, Washington and the field are continually engaged in joint decisions and joint program implementation. Nevertheless, there is frequently a divergence between the Washington point of view and a field point of view that reflects the divergence in the experience and atmosphere of the two locales. Vientiane is physically and atmospherically far removed from Washington. AID officials in Washington lack the detailed familiarity with the Lao environment of USAID officials in Laos. USAID officials in Laos lack the detailed familiarity with the no less exotic environment of their AID/Washington colleagues.

The problem of communication between the field and Washington exists in all aid programs, but is particularly important in Laos because of the highly unusual character of many USAID operations and because of the many unique features of the Lao environment. To make the partnership between AID/Washington and USAID/Vientiane more complete, consideration should be given to the temporary transfer of officials from one locale to the other. For example, a Program Officer in Vientiane might exchange jobs with his counterpart in Washington, say, for a three-month period. Such exchanges would probably be most effective if those involved were required to assume approximately the same operational responsibilities as their counterparts. Some provision for time spent on general orientation and familiarization should undoubtedly be made but the emphasis should be on doing a job, not on observation. This recommendation might be usefully implemented in conjunction with the above suggestion for more reliance on USAID personnel in recruitment.

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ADMINISTRATIVE FLEXIBILITY

Many of the programs carried out by USAID, particularly the refugee relief program and other security oriented programs, require unusual flexibility to meet urgent demands. Timeliness is often of greater importance in making a program work than any other single factor. Similarly field personnel need adequate flexibility in meeting unusual and unpredictable demands and requirements. Below are suggestions designed to improve the efficiency and flexibility of USAID operations, especially field operations.

Procuring and Warehousing Against Expected Use

For high demand items procurement and warehousing against expected use can make a significant contribution to operational efficiency. The whole question of procurement and warehousing policy deserves analysis -- including the issues of local procurement authority, a Southeast Asian warehouse, a Lao warehouse, and regional warehouses. Going from field demand, to the regional headquarters, to Vientiane, and back to the states with requests for commodities is inevitably time-consuming and, for emergency items, costly. The Mission in Laos now has enough experience to make calculations of expected use feasible for a wide range of items. For other items local procurement authority may be needed. A more dynamic procurement and supply policy would save money and sharply reduce delivery times. This issue should be given priority review by the Mission and by AID/Washington.

Post Auditing

Particularly in field operations the USAID Mission should move further in the direction of making certain categories of expenditures permissible without specific prior approval. Given competent field personnel for routine and emergency expenditures post auditing should suffice to ensure that funds are being properly used and prior approval procedures held to a minimum. The establishment of certain categories of expenditures, which could be agreed to "on the spot" by field

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personnel, with appropriate quantitative limitations, would give new flexibility and new timeliness to field operations. This proposal would be particularly helpful if the general shift towards cheaper, less elaborate projects recommended in Chapter 5 is implemented.

Better use should be made of petty cash funds. Almost without exception, every USAID field employee we encountered felt he could productively use a larger petty cash fund. The accounting requirements for petty cash need not be burdensome to satisfy legitimate bookkeeping requirements. A careful review of the adequacy of petty cash regulations should be instituted.

Commodity revolving funds should be established in a variety of locations. Certain commodities are constantly required for USAID field operations in relatively small amounts. The administrative burden on USAID field representatives would be eased if there were a commodity equivalent of petty cash.

STYLE OF OPERATIONS

The intimate involvement of the USAID program with the most sensitive matters of RLG concern, and the importance of close personal relations between Americans and Lao, dictate a style of operations in Laos in which technical competence is only one yardstick of effectiveness. Language competence, familiarity with the history and culture of Laos, awareness of the complicated political issues current in Laos, the ability to appreciate the Lao point of view, experience and ability in adapting to a novel culture and novel demands -- all may be of greater importance in enabling USAID personnel to carry out their jobs effectively than their degree of technical competence. Americans do not play an outsider's role in Laos; to be effective they must be accepted as partners and as friends. Accordingly a high priority must be placed on such things as language training, orientation for assignment in Laos, current political guidance, and political sophistication.

Language Training

Not enough USAID personnel speak adequate Lao or French. Not

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enough language training is given prior to assignment to the field and existing facilities for Lao language training in Laos are inadequate. For most jobs outside of Vientiane the ability to communicate in Lao is highly desirable, and in many cases essential. Even for Vientiane, the ability to speak Lao is very useful and appreciated by Lao officials and the population. Yet, with the exception of the IVS personnel and some of the USAID's rural staff, few Americans can speak even a smattering of Lao. Lao is not a difficult language, and it is not necessary to speak it fluently and grammatically. This ability could easily be acquired within the first year in Laos. What is needed is a well-organized program of instruction in Lao, and, even more important, determined supervisory pressure to achieve results. Attendance in a class is not the goal; learning Lao is. Supervisory pressure will, of course, be less effective when the supervisors themselves have not learned the language. In some cases, French is more important than Lao, particularly for those USAID employees who deal largely with senior RLG officials. Although the Mission does better with regard to French than with regard to Lao, its performance is nevertheless inadequate and could be improved.

Language ability, in either French or Lao, should be a primary factor in promotion and retention throughout the Mission. Naturally there are some supporting technicians for whom language ability is less crucial. Yet even here the payoff should not be underestimated. The effect on the Lao populace in general, and on Lao officials in particular, if most Americans in Laos were to learn to speak even rudimentary Lao, would be highly favorable.

Orientation and Guidance

No USAID employee should arrive in Laos without at least rudimentary familiarity with the history and customs of Laos, and no USAID person should long remain in Laos without becoming familiar with the political environment in which he is working. Preassignment briefings and orientation should be made as thorough as possible, but guidance of this sort, perhaps from the political section of the Embassy, must

continue throughout the employee's stay in Laos. A briefing book should be maintained to keep personnel up to date, containing more extensive cultural and historical material than is usual in such documents as well as current political information. In general, particularly for field personnel and for senior USAID officials, greater emphasis should be placed on continuing political guidance and on the adequacy of their understanding of the overall situation in Laos. Otherwise such individuals will increasingly tend to become absorbed exclusively in their relatively narrow area of jurisdiction and lose sight of the broader policy considerations. This tendency can be overcome in large measure by keeping them informed of their part in the larger picture.

Living in the Field

The USAID program in Laos depends for its effectiveness on adequate and extensive field operations. Laos is too decentralized to depend on programs run from Vientiane and through the central Ministries of the RLG. Firsthand knowledge of conditions and problems in rural areas is essential. Equally important is the establishment of close personal relations between Americans and regional and local leaders throughout Laos. This can be done only by assigning USAID personnel to live in the field. However, there is no avoiding the fact that for most Americans, and even more for their wives, living conditions in rural and provincial Laos appear primitive and difficult. Moreover, the physical strain of living in rural Laos soon begins to be felt.

Consideration should be given to making available differential benefits to USAID personnel permanently assigned to field positions. One possibility would be to provide differential or per diem allowances, both as a material incentive and as a tangible indication of the importance of the assignment. In recognition of the physical and psychological strain, more generous provisions for leave and transportation could be provided, such as one week R&R trips every six months to Hong Kong, Bangkok, Manila or other Southeast Asian

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cities reached by government aircraft. Such trips should be supplementary to standard government leave provisions.

RESEARCH AND EVALUATION: FEEDBACK FOR IMPROVED PROGRAMMING

The central theme of this report is that the time is opportune to shift the emphasis of U.S. programs in Laos from maintenance to development -- economic, social, political, and military. In part, this requires a greater degree of U.S. involvement in Lao affairs but it also demands a more vigorous and conscious effort to analyze the Lao environment and evaluate the success of American programs. The key to the proper design of programs is analysis and research; the key to their improvement is experience and feedback.

Analysis of the Pathet Lao

U.S. knowledge of the Pathet Lao remains seriously incomplete. Even such basic questions as whether the Pathet Lao are predominantly ethnic Lao or not remain unexplored. A concerted effort to bring together knowledge that already exists about the Pathet Lao, and to explore the remaining areas of ignorance, would pay handsome dividends in increasing the effectiveness of U.S. operations in Laos. In talking to American personnel in the field we have time and again been struck with the general ignorance that prevails about the nature of the enemy that is being fought. Yet it is a truism that an effective military campaign begins with good knowledge of the enemy.

There are several possible avenues of research. First, the existing information about the Pathet Lao should be brought together, organized and made more widely available. This alone would go a long way toward filling in the gaps; many people in Laos are familiar with some part of the Pathet Lao elephant. Pooling their information would make it possible for everybody to get a clearer picture of the whole animal. Research to extend our knowledge of the Pathet Lao should also be begun. One fruitful procedure would be a more comprehensive program of interrogation and interviews of Pathet Lao defectors, prisoners, and refugees. A considerable body of experience has been

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built with this technique in other insurgency situations and the results have proved informative and illuminating. Another possibility is to conduct field investigations. The Pathet Lao movement reflects the decentralization of Laos; the leaders are often local rather than national. Those who are most acquainted with the local PL are often the local military or guerrilla leaders who have been fighting them for years. Families, clans, tribes are at least as important among the Pathet Lao as among the RLG, and the best way to sort out these relationships and exploit their vulnerabilities is through field investigation.

Basic Research on Rural Laos

Rural Laos has not had the academic attention paid to it that other areas of Southeast Asia have. The existing anthropological, sociological, economic, and political knowledge about rural Laos is sketchy and outdated. Frequently academic research is of little relevance to program operations, but this need not be the case. U.S. programs in rural Laos are big and getting bigger. To make them more effective some basic research into rural Laos should be begun. Several themes appear promising. First, more knowledge is needed about the nature of commercial relations in the countryside and the existing political and traditional barriers to increased commercialization. Second, more information is needed about the power structure in the countryside. Who are the natural leaders? What is the attitude of the peasants to the central government? What is the attitude toward FAR? Toward the Pathet Lao? Toward Americans? Toward other nationals?

USAID has already moved to increase its analytical capabilities by establishing an Evaluations Division within the Program Office. This is a useful step in the right direction but it is not a substitute for more fundamental research. Since government service provides only limited incentives for research, the main reliance would probably have to be on outside academics, whose career and reputations depend on research. USAID should consider means of stimulating suitable academic

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interest in Laos. If USAID provided support and facilities for such research, it would also be in a position to see that the projects undertaken were relevant and that the people undertaking it were suitable for Laos. It is not a question of dictating conclusions, but of ensuring usefulness and avoiding political incidents and disclosure of security sensitive information.

Feedback

The best designed program in the world must constantly improve itself or it will quickly become static and ineffective. Experience provides useful lessons, but it will not automatically lead to improved programs unless there are effective feedback mechanisms. Using the lessons learned from experience for improving programs is the key to progress and continued success. Reports from program officials are the key to this process and should constantly be improved and revised. But operational reports will inevitably tend to focus on operational issues. The end-of-tour reports are among the most thoughtful and analytical pieces of paper that exist in the Mission. Better use could be made of them if they could be written somewhat prior to the end of tour thus permitting a fuller discussion and better interaction in the production of constructive ideas by the different elements of the Mission. Alternatively, the end-of-tour report might be replaced or supplemented by mid-tour reports. For example, if all personnel qualified to write such reports did so at about the same time, the Mission would periodically come into possession of a comprehensive review of its entire program.

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Appendix A

COSTS AND PERSONNEL REQUIREMENTS

The measures recommended in this study are described in general terms to explain their nature and their relationship to each other and to U. S. objectives in Laos. For them to become operational, much more detail must be added, but this can be done only in connection with policy decisions about the mix of measures to be implemented, the approach to be taken with the RLG, the rate and sequence with which individual measures will be phased in, and so on. Furthermore, as such decisions are made and implemented, feedback will be forthcoming from the RLG, and the design of the measures will require continuing modification to reflect the new information gained and the outcome of the consultations between the Americans and the Lao. In other words, a practicable level of specificity can be reached only by those with operational responsibility, the U.S. Mission and its counterparts in Washington. For these reasons, too, it is impossible to make reliable estimates of the costs or personnel requirements of the recommended measures in their present form.

Dollar costs. On the basis of consultations with USAID/Vientiane, and some highly tentative calculations made by us, an estimate of the total cost of the various recommended measures has been made and is shown in Table A-1. These are additional to present programs, which are presumed to be continued. Of the total shown in the table, \$3 million would be chargeable to MAP and the remainder to AID. The costs are based on the revised non-project aid procedures and sources of counterpart funds recommended in Chapter 8. The costs refer to an annual rate of expenditure at the time when all the recommended measures have been fully implemented. To reach this level of expenditure, therefore, would require five years or more (depending on the rate at which measures are implemented). In the interim, there would be a gradual increase to the indicated level.

Offsets. Institution of the non-project aid recommendations of Chapter 8 would reduce the dollar cost of the present level of support

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for Laos by about \$4 million -- \$3 million through restricting USIP and \$1 million through the revised invisibles program. With improved RLG auditing and personnel procedures and better control over the disposition of military supplies, as recommended in Chapter 3, there would be significant savings, perhaps several million dollars, both in AID and MAP, though the amounts can scarcely be foreseen with any accuracy.

Personnel. Most of the program recommendations would require few additional personnel. The major exception to this is the set of measures, outlined in Chapter 3, to increase RLG and FAR effectiveness. As this is the area in which program design must be most sensitive to decisions by those with operational responsibility, it is impossible to anticipate requirements with much realism. The cost estimates of Table A-1 are predicated on: additional advisory staff (including military warehouse technicians) of 100, consisting of 50 Americans and 50 third country nationals; a Public Administration Division for USAID and/or contractor services requiring 10 Americans and 5 third country nationals; additional personnel in education, 8 Americans; additional field staff for RDD, 15 Americans.

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Table A-1

ILLUSTRATIVE COST ESTIMATES OF RECOMMENDED PROGRAMS
(millions)

	Project Aid	Non-Project Aid
<u>Part I</u>		
Civil and military pay increases	--	\$7.8
Additional advisory staff	\$1.5	--
Construction for RLG and FAR	0.1	0.4
Public administration program	0.3	--
Military training	3.0	--
<u>Part II</u>		
Education	3.5	5.5
Feeder roads	0.4	1.6
Provincial capital development	0.2	0.8
Rural programs	0.8	0.2
	<u>9.8</u>	<u>16.3</u>
Total Gross Cost		\$26.1

Appendix B

SUGGESTIONS FOR AN EXPANDED PROGRAM OF
U.S. ASSISTANCE TO LAO EDUCATION

The following suggestions for an expanded U.S. effort in the field of Lao education represent varying levels of detail. This is partly due to the insufficiency of statistical data available on Lao education and population and partly because no attempt was made to go into the technical details of programs, a task best left to the educational specialist.

Cost figures shown in this section are merely indicative of the general magnitude of expenditures involved. These amount to a maximum annual total of \$9.1 million. Elementary education programs would require about \$5.7 million: school room construction, \$1.5 million; instructional materials, \$0.1 million; teacher training and related expenditures, about \$0.5 million; scholarships, about \$0.5 million; additional U.S. staff, \$0.1 million; and, additional Lao staffing, principally teachers, roughly \$3.0 million. Secondary education would require a budget of about \$2.0 million: school construction, \$1.1 million; teacher training and related expenditures, \$0.35 million; American staff assistance, \$0.15 million; and, text books, about \$0.35 million. Other categories would absorb the following magnitudes of AID annual support: vocational and technical training, about \$0.5 million; higher education, \$0.5 million; scholarships (other than for elementary school level), \$0.2 million; adult education, \$0.2 million; and, training of government officials, \$0.1 million. (The data for these calculations were for the most part supplied by the USAID staff.)

PRIMARY EDUCATION

It is estimated that only one-third of the school age population in Laos is currently in school and that the literacy rate of the adult population (including the armed forces) is somewhere around 15 per cent -- one of the lowest in Asia.

The current U.S. effort in the field of elementary education should not only be maintained, but the pace be stepped up with the aim of opening the school doors to all Lao children, or at least the vast majority, within the near future. An additional expenditure of about \$5 million annually could probably bring this ambitious goal within sight during the next 6 or 7 years. It should be noted, however, that the rate of progress toward this objective need not necessarily be uniform. The speed of the educational drive and thus its cost as well as its final target and geographic emphasis could be adjusted in accordance with political considerations and changing strategic objectives.

The realization of the suggested program would entail U.S. and third-country assistance for four major program components: (a) physical facilities, (b) means of instruction, (c) teacher training, and (d) identification and support of talent.

Physical Facilities

Much has been accomplished during the past years in providing Laos with the physical facilities for instruction, either by way of rural self-help or through contract or force account construction.* Nevertheless, there are not enough elementary schools to accommodate the growing number who desire an education. Most schools currently operate on a two-shift curriculum and are overcrowded

This situation is particularly serious in the recently liberated areas and in the strategically important regions inhabited by the hill tribes. The current USAID effort to increase the educational facilities in these areas might well be stepped up in order to counteract Pathet Lao propaganda, to provide strong incentives to these groups in their fight against communist pressure, and gradually to link them more closely to the central government of Laos.

* Force account is construction contracted out and paid for on a straight commercial basis.

Here as in most other parts of the country, away from the towns, simple school buildings could be erected with local materials at small cost and with U.S. personnel involved only in a supervisory capacity. Where self-help is difficult to implement or where strategic considerations recommend speed, force account construction would seem indicated. Past experience demonstrates that in easily accessible areas (including most towns) there is enough contractor capacity currently available to expand the school construction program several fold. Within USAID, the Public Works Division is capable of tripling its school building activity if the necessary budgetary support is forthcoming. The construction program could probably be further accelerated if a joint U.S.-Lao program for the training of Lao supervisory personnel were initiated.

There seem to be no insurmountable obstacles to providing necessary school facilities in Laos within this decade, thus giving virtually all children an opportunity to obtain at least a minimum education of 3 or 4 years.

Considering the state of education in Asia and especially its retarded development in Laos, such a program could be a major achievement, for it could make the entire school age population functionally literate. Laos, however, will also require a large number of individuals sufficiently well prepared for vocational training and a few who can go on to more advanced education. These needs could be satisfied by a gradual increase of the numbers and sizes of the 6-year elementary schools, the so-called groupes scolaires, as well as realistic terminal programs in agricultural crafts and farm mechanics at the post-elementary level.

The USAID objective of raising the rate of those advancing beyond the fourth grade from the current 15 per cent to more than 30 per cent (and to maintain this percentage through the sixth grade) would probably necessitate an approximate doubling of the capacity of the existing 140 groupes scolaires. The cost of this relatively large building program (involving more permanent structures than the rural

schools) could be reduced if these buildings were used mainly for instruction in grades 4 through 6, while simple school structures for the lower grades were correspondingly increased.

Means of Instruction

One of the major achievements of the U.S. education program in Laos is the successful and rapid development of instructional materials (primarily textbooks) for Lao school children. This project constitutes a real breakthrough as, for the first time, it provides all school children with separate textbooks for each subject they study and in Lao rather than French. This program provides evidence that even in the complex and sensitive realm of education, and despite the French bias of many Lao educational leaders, U.S.-Lao cooperation can result in major advances and further the interests of both parties. The textbook project is so well underway that it need only be continued and, as needed, expanded to meet the rising quantitative requirements.

To gain maximum benefit from the on-going program, it could be extended into four functionally related areas: (1) the setting up of a Lao mechanism (with U.S. participation) for a continuing revision of the texts allowing for a strengthening of ties -- now largely nonexistent -- between the local teachers and the central administrative agencies in the Education Ministry; (2) the preparation, in conjunction with the National Education Center (NEC),* of teacher's manuals to accompany the texts; (3) some support to the development of local printing facilities to permit reprinting of texts in the country, and further expansion of the program with local resources; and (4) an extension of the materials production program into the field of secondary education (see below).

Thanks to the USAID-produced texts, a major problem in Lao education has been solved. However, further thought might be given to

* The Laotian Teacher Training Institute or Ecole Supérieure de Pédagogie.

the use of modern means of instruction in order to narrow the educational gap between the urban and rural areas. This gap is particularly wide in Laos where so many areas are nearly inaccessible because of a lack of transportation and also because of military security. The wider use of radio, as a training aid, already sanctioned by the RLG, would help. It would also have the desirable effect of linking the outlying areas more closely to the center, thus providing another unifying element in a country still very much given to tribal and clan loyalties. A previous radio teaching experiment, undertaken under international auspices, was less than successful primarily because of inherent administrative weaknesses in the Lao Government. A renewed attempt, again perhaps with international aid, is indicated once the U.S. effort to improve RLG administrative operations meets with some success.

Teacher Training

No school construction program will make sense without a parallel program producing the requisite number of teachers. In fact, the lack of teaching personnel constitutes today the major obstacle to a dramatic expansion of the elementary school system throughout Laos. Quite rightly, therefore, the U.S. assistance program has made a heavy investment in the development of the NEC at Dongdok, Vientiane, the largest single U.S. venture in Laos to date.

However, at the current rate of teacher formation, this training program for several years to come cannot provide a sufficient number of instructors from among its graduates and from the auxiliary facilities in Pakse and Luang Prabang. An acceleration of the educational effort in Laos would further sharply increase the demands on these training institutions. This presents in an acute form the problem of whether to emphasize quality or quantity. The forthcoming visit of a university contract team which will look into the problems of secondary education and teacher training may provide new ideas and insights into a possible solution.

Meanwhile, a cursory examination of the issues and problems involved strongly suggests that a breakthrough with regard to teacher training is possible. This would require a number of modifications of the existing program and some new approaches including the following measures.

(1) Accelerate the switch from French to Lao as language of instruction.

The political and related advantages of such a switch have been pointed out in the text of this report. Lao officials have already accepted this as an inevitable development in the educational reform of 1962. Moreover, experience with the use of French as the medium of instruction in teacher training programs has been disastrous. A recent official document of the Education Ministry speaks of the students in the French Section at Dongdok (where the majority of all future Lao teachers are trained) as "pursuing their studies by way of an uncertain state of bilingualism which for the majority of them turns into an insurmountable handicap as concepts must be discovered through the medium of [an alien] language." In short, the future teacher is unable to gain substantive knowledge because of his inability to understand his professors and the textbooks. Under pressure from its almost exclusively French staff, the NEC has moved in the wrong direction; rather than speeding the transition to Lao as the language of instruction, the future teacher now spends most of two years acquiring a better knowledge of French so that he can eventually absorb the subjects of his study. All this effort is directed toward teachers who will be going out to teach, not in universities, but in village schools, and not Frenchmen, but children who speak Lao at home and seldom hear a word of French.

In addition to this continued emphasis on French in practice, Laotianization is accepted in principle. The vigorous new Lao director of the NEC and some members of his staff now wish to Laotianize the program of their institution. They are also attempting to produce a series of instructional materials in the Lao language. Since these are essential to any program of Laotianizing teacher training, USAID

should seriously consider providing material assistance and link this support to its materials production program.

In teacher training, reliance on French teachers should gradually be narrowed to the teaching of French language and literature. (We must guard against the temptation of merely replacing French instructors by Americans. We would only create the same problems by placing U.S. instructors in positions that can be filled by Lao.)

(2) Strive to prepare more teachers.

If Laos is to broaden its educational base more rapidly, insistence on quality must to some extent be modified. The desire of the Lao leaders to provide their schools with the very best instructors on a par with those in more advanced countries is understandable, but it is also unrealistic, for this approach would deny literacy for many years to thousands of Lao youngsters.

Admittedly some minimum standards must be maintained for teachers just as functional literacy should be a minimum goal for the Lao pupil. Under the present circumstances, however, it seems more desirable to gear the teacher training program to the requirements of the various levels of school instruction the future teacher will confront, rather than aiming at all-around competency. The vast majority of Lao teachers will be teaching in village schools and in the first grades. It is an expensive luxury to equip them now much beyond their immediate needs.

Currently the NEC provides a number of training levels (a one-year course as well as four-, five-, seven-, and nine-year courses). The one-year course^{*} has recently been producing a limited, and reportedly decreasing, number of graduates (fewer than 200 a year). The graduates have the status of auxiliary teachers qualified to teach in the first three grades in elementary village schools. This preparation would be quite sufficient to make these young men and women acceptable teachers for the first elementary grades. If so,

* Now being transformed into a two-year course.

there should be no reason for not expanding rapidly this part of the teacher training program. A massive effort in this direction would make it possible to meet the mounting needs of the lower grades.

Any concern about the quality of these elementary teachers or about their being barred from advance in the hierarchy could be remedied through a substantial program of upgrading through re-training courses. These might be held principally at the NEC, which is underused during much of the year (the Lao system is distinguished by its forthright recognition of the need for leisure time -- six or more months per school year). Financial incentives could attract the young teachers. Selective promotions of the more outstanding students and admission to third-country programs (for example, in Thailand) could be used as added incentives. In this way, a continuing improvement of teacher standards at the village level could be accomplished while providing the necessary upward mobility.

None of these proposed programs and approaches need prevent the NEC from simultaneously developing its training programs for a more advanced level of teaching aimed at providing Lao teachers for all levels of instruction.

(3) Decentralize training.

The bulk of teacher training (about 80 per cent) is now being done at the NEC in Vientiane, with a minor effort going on at Pakse and Luang Prabang Teacher Training Institutes. The latter programs are also slated for some extension, as the NEC is supposed to accommodate no more than 1,500 students.* In these circumstances, it is imperative that the training system be expanded in other localities such as Pakse and Luang Prabang. Additional sites may deserve consideration.

Another advantage of such decentralization for training, at least on the elementary level, relates to the nature of teacher training itself. It is a generally accepted principle that practice

* The reasons for this restriction may deserve looking into.

teaching is a useful ingredient of such training. However, the location of the NEC away from the Vientiane population center provides only very meager opportunities for practice teaching. (At present a need for 16 classes has to be met by only three.) Pakse, Luang Prabang and possibly other sites to be developed could provide more adequate practical training facilities.

(4) Encourage girls to enter the teaching career.

An upward trend in the number of girls admitted to teacher training at NEC has been observed over the years although the relative increase now appears to level off.

For some time to come, much of Laos' youth will probably continue to serve in the armed forces and remain unavailable for other duties. To fill the gap by mobilizing womanpower in suitable professions such as teaching appears one way of meeting the difficulty. Other countries have done well in this respect and there are no basic obstacles in the Lao social system to prevent a further advance of women into the teaching professions.

(5) Attract ethnic minority groups into the teaching profession.

To relate the ethnic minority groups more closely to the central government and to create among them a stronger feeling of identity of interest with the Lao population must be one of the important U.S. objectives. One of the best ways of creating such useful ties is through the medium of education. On one hand, this can and is being done by convincing the RLG that it must make a greater effort in providing the ethnic minorities with schools and teachers. Another effective means would be to open up the teaching career more widely to members of the minority community. Direct U.S. support for such a policy might lend itself to misinterpretation on the part of the RLG which remains suspicious of the loyalties and ambitions of the ethnic minorities. However, assistance could be extended through a scholarship system, financed by the United States and tied to a regional quota. Since the ethnic minorities predominate in certain regions, geographic representation would give them a better

chance to qualify than if the selections were all made by the Lao authorities in Vientiane.

(6) Identify and support talent.

The acute need for identifying potential Lao leadership and for facilitating its access to positions of influence has been discussed in the text of this report. Increasingly educational qualifications will become a prerequisite for such positions. To respond to this growing need, a program for the identification of talent among the Lao youth of school age would seem indicated. Such a scholarship system should aim particularly at mobilizing resources from rural and other areas now neglected (such as those inhabited by the hill tribes) and provide sufficient material support to allow the more gifted children to complete primary and, depending on performance, also secondary and advanced education. Publicizing such yearly stipends, based on merit and awarded by a respected national committee, could have a strong psychological and political effect. To enhance the image of the Lao national government such a scholarship program would probably best be defrayed out of Education Ministry funds rather than directly from U.S. aid, so long as the safeguards against diversion outlined in Chapter 3 have been introduced.

(7) Provide student counseling services.

Lao teacher training institutes like other Lao educational institutions lack anything resembling a student counseling service, and the introduction of an American adviser who could train Lao student counselors at Dongdok and elsewhere seems to be indicated.

SECONDARY EDUCATION

The Growing Need

In the modern world a country must secure its leaders and professional men from among those who have had at least a high school education. And it must offer opportunities for self-improvement to its ambitious citizens. But in Laos educational

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educational facilities remain so limited and the rate of attrition so high that only one pupil out of 500 who entered the first grade leaves the terminal grade of secondary education. Moreover, stress in Laos' secondary institutions is on an elitist and academic orientation, ill suited to the needs of the country. The six lyceés and collèges of Laos tend to produce, as the Laotians themselves admit, "des élites en l'air."

The problem of Lao secondary education is further compounded by the increasing difficulty of providing the necessary staff. More than 200 French instructors are now teaching in Laos' high schools as against a handful of Laotian professors. Even at the present slow rate of increase of the student body, some 800 French instructors would be needed within the next 15 years. This need is not likely to be met. The Education Act of 1962 has therefore adopted also for secondary education the principle of Laotianization, but the RLG does not expect to complete this process (which has hardly begun) before the end of the next decade.

For some time USAID has been concerned about the problem of secondary education in Laos. While U.S. support for elementary education is creating a broad and solid base for further advances, the top of the educational pyramid remains narrow and under-French control. In the absence of a policy decision to move into this vital area, the United States has been under pressure to provide the physical plant in which French-style secondary education continues.

Inevitably the United States has now been compelled to review its policy on Lao secondary education. USAID is currently in a position to make a major contribution to U.S. objectives by seizing the obvious opportunities.

The RLG, lacking experience and competence in higher education, and conscious of too great dependence on the French, appears willing to accept U.S. guidance and assistance for the development of its secondary education system. The Act of 1962 provides some basic guidelines that can be endorsed by the United States: the principle

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of Laotianization of all education and the desire to make Laos' educational institutions conform more closely to the country's economic and social needs. A bold program on the part of the United States could dramatically affect the manpower situation in Laos and have a profound impact on the social, economic, and political structure of the country. Further, unless a secondary school system of a modern type is created, Laos will fall further and further behind its neighbors and find it difficult to participate in any future regional development effort.

Some Desirable Features of a Program for Secondary Education

There is a temptation to apply American standards and to aim at reproducing a system that has proved its worth under U.S. conditions, but may be overly sophisticated, wasteful in resources, and out of tune with the indigenous environment. Thus, any attempt to establish in Laos an American-style high school with its lavish appurtenances and costly construction would tend to arouse a negative reaction in Laos, would divert resources, and may create an image of the United States that would be counter-productive. Simplicity and adaptation to the Laotian environment should be the guiding principle in any U.S. planning for secondary education, whether it is a matter of developing a prototype such as a demonstration school or not. It must be kept in mind that anything created by Americans will eventually have to be taken over by the Lao -- the sooner, the better -- if it is to be practical and operative in the years to come.

The most logical and effective, as well as the most acceptable, way of introducing our aid into secondary education would be by building on the elementary system we have already created. The high schools we wish to develop in Laos should not be American counterparts of a lycée, but upward extensions of the primary school system that the U.S. educational program has been successfully developing in cooperation with the Lao government. These schools should be geared to the broader needs of the country rather than to those of a small, wealthy elite. To be fully effective these schools should be

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developed in the provincial centers throughout the country rather than in a single city or two.

This approach would also go far toward solving the thorny "French question" in education. As the Lao-style four-year high schools develop, the lycées with their French instructors will be increasingly transformed into institutions providing advanced training beyond the high school level. On this level they will have to compete with training facilities in Thailand and elsewhere. Meanwhile, Laos will have genuinely Lao educational institutions from the elementary through the junior college level.

Implementation of a Broad Program of Secondary Education

If we approach the problem in this spirit, we should be able to provide Laos with simple four-year high schools in every province under RLG control within a short time and with the expenditure of relatively little American financial and technical assistance. A study of the problem suggests that such a plan would require no more than one or two American specialists and could be well underway within less than two years. It could be implemented fully within three years. After another year and a half, the new high schools could graduate their first 1,000 students -- a number of graduates roughly equal to the total graduate output of the French lycées for fifteen years.

These schools would lack the frills that we would normally associate with high school education. They would provide a modest but serviceable secondary school system that might not meet the high academic standards of metropolitan France but, for the first time in its history, would provide Laos with a continuous stream of young people adequately trained to occupy positions in the lower ranks of government, to engage in a variety of civilian occupations, and, with some additional technical training to take over the many positions that now are held by Americans and third-country nationals. The total impact on Laos and the effect of the American image there and elsewhere in Asia could be expected to be very large compared with

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the modest outlay. The suggested project would very much be in the spirit of the Presidential proposal of April 1965.

The proposed high school system would build in every respect on existing institutions. To the largest extent possible, the existing groupes scolaires would grow into a single complex providing elementary, vocational, and secondary education. This will in most cases be feasible, since only a small number of rooms would initially be required to accommodate a yearly class of 50 pupils per provincial high school (a total national output of 1,000 graduates annually). The cost will be further reduced if the already available simple school room plans evolved by USAID/Public Works are adopted.

While these additional rooms are being built a select group of teachers in charge of the highest grade of elementary school could be trained at the NEC for a one-year period to prepare them for secondary teaching. Meanwhile, high school textbooks could be created by making use of the experience, some of the personnel, and the facilities of the Materials Production Center, which by mid-1966 will have completed its task of writing and producing texts for elementary schools.

A planning period to establish the necessary cooperation between the Ministry of Education and USAID and to work out in advance the technical details would obviously be required before launching the secondary school project. On the basis of past experience, six months to one year should suffice. Thereafter, another twelve-month period would make it possible to provide sufficient school rooms for the first two years of the new high schools, to train sixth-grade teachers to take over the 7th and 8th grades (the first two classes of high school), and to allow the writing and production of the Lao language texts. In the second year the developing high schools could be provided with the additional class rooms for the 9th and 10th grades, the requisite number of teachers for these grades could be trained, and the new texts could be written and printed. The training of principals for the new schools (probably

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best done in Thailand) and the creation of supplementary materials could be fitted into this development program, which at the end of three years would result in an operational though modest high school system for all of Laos.

While many technical aspects of the suggested development program will require more detailed study, there appears to exist no fundamental difficulty in implementing the plan. An estimate made within the Mission puts the total cost of the program at less than \$2 million. To this amount would have to be added the cost of feeding and boarding students from rural areas. The cost for food based on the experience of the NEC, where such a system of government subsidy prevails, would run less than \$500,000 per year, even when the new school system reached its full capacity of four 1,000-student classes.

Vocational and Technical Training

Even elementary technical skills are exceedingly scarce in Laos today. As economic development in Laos proceeds, the demand for such skills is bound to grow. This will be especially true when such construction projects as the Vientiane-Luang Prabang Road and the Nam Ngum Dam get under way.

When the Mission requires technical personnel, it usually finds that the Lao labor market is unable to supply it. As a result, USAID operations and assistance programs sponsored by the Mission must rely heavily on third-country nationals, to the annoyance of the Lao. Substantial savings could be effected and a source of irritation removed if Lao were in a position to fill such posts. A concerted Mission effort to produce the necessary competence among the Lao would thus be justified for this reason alone.

Currently, Lao programs aimed at providing technical skills are distinguished by a lack of direction, by the absence of an overall plan, and by a multiplicity of uncoordinated efforts and donors. Some attempts have been made since 1964 to provide the groupes scolaires with a one-year vocational extension to be eventually expanded into a two-year program, but the project has hardly got off the ground.

Apart from a modest, recently launched German venture in low-level technical education, there are two major technical schools, the Vientiane Technical School (Collège Technique de Vientiane) and Savannakhet Technical School (Collège Technique de Savannakhet), with a student body of some 600. The whereabouts of the graduates is something of a mystery. They seem to have contributed little, probably because of the low level of training offered and the poor caliber of the entrants. The students have recently been described by the Lao direction of the Vientiane institution as, "zeros in terms of intelligence and in their knowledge of foreign languages, and below par even in their mother tongue" (nuls en intelligence, nuls en langues étrangères, moins que acceptable en langue maternelle même).

The difficulties of these institutions are compounded by the variety of their sources of support, which nevertheless remain insufficient in the aggregate. The RIG contributed in 1964/65 the equivalent of \$40,000 for both technical institutions. USAID offered some minor assistance. France furnished four instructors and UNESCO provided an additional eight staff members. The level of international support is being drastically curtailed and, with a paucity of school equipment and discord among staff and students, Laos' technical training institutes present a bleak picture at present.

It is obvious that an attack on the problem must be made. Since no planned action can be expected from the inexperienced and financially constrained Education Ministry, the initiative will have to come from USAID, which should enlist in its efforts whatever international help can be obtained.

In these circumstances, the most immediate need is to establish the pertinent facts required for effective attack on the problem. The Education Division should have on its staff a vocational specialist who could gather the facts in cooperation with his Lao counterpart in the ALG Office of Technical and Crafts Organization (Bureau d'Organisation Technique et Artisanale) established in December 1964. The situation also suggests that some attempt should be made to establish priorities through a manpower survey, even if such a survey must by necessity be very modest.

An overall Mission plan for the development of Lao technical skills would require programs in five areas of concentration:

(1) An in-Mission training effort. Some steps in this direction are now being taken.

(2) An evaluation of the worth of the craft school extensions of the groupes scolaires. A countrywide planned program of support and development might be found promising.

(3) A detailed examination of the programs and resources of the two technical schools, to determine what kind of support would be required to enable these institutions to meet more fully the needs of economic development in Laos. This should take into account other international contributions and be coordinated with the German technical education effort. There would also seem to be ample room for enlisting Japanese aid in developing low-level technical skills in Laos, especially in the field of agriculture. Perhaps this could be done as a component in a multi-nationally staffed agricultural training institute.

(4) In cooperation with the Ministry of Education, USAID could also usefully extend its teaching materials program into the production of now lacking technical manuals in the Lao language. In this as in other technical programs the assistance of Thai technicians would prove inexpensive and effective.

(5) In line with the findings of the proposed survey, an expanded program for technical training in Thailand should be developed to supplement the modest Lao facilities. This would allow also a steady upgrading of Lao technical skills at minimum cost.

Higher Education

Sisavong University, the national university of Laos, exists at present only in name. Some Lao, however, are already dreaming about ivy-covered towers rising on the outskirts of Vientiane. To encourage such dreams at this stage of the country's development would be doing it a disservice, and may involve the United States in a costly and unpromising venture.

Rather than launch into such a project, U.S. aid policy should concentrate for the time being on building a broader base for professional competence, that is, a system of secondary and vocational technical schools. This does not mean that we should not avail ourselves of now existing opportunities to provide the advanced training desirable for government and other positions of leadership.

Laos possesses two institutions which could be classified as offering advanced professional training: the Royal Institute of Law and Administration (Institut Royal de Droit et d'Administration) and the Royal School of Medicine (Ecole Royale de Médecine). Both might do good service if given support; the inadequate support they now receive comes largely from French government sources. The School of Medicine, in addition to nurses and midwives, trains also a number of "assistant doctors." With an enrollment of some 60 students it is sadly lacking in almost everything: instructors, buildings, instruments, books, and professional literature. Some additional French support for this institution is a definite possibility, and substantial U.S. aid to it may raise the delicate problem of U.S.-French-Lao cooperation in a joint venture. Essentially, however, the decision as to whether U.S. aid should bolster the School of Medicine is dependent on the emphasis USAID places on the further systematic development of indigenous medical services in Laos. Any U.S. support program should be clearly geared to the country's needs for medical workers. Aid to the School of Medicine would therefore probably be best developed along very practical lines.*

The School of Law and Administration is currently the only institution in Laos which offers training for future government officials and administrators. Whatever its present level of accomplishment -- and there are contradictory opinions on this subject -- the institution occupied a key place in the Lao educational structure. Currently more

* See Dr. Franz Rosa, "A Doctor for Newly Developing Countries: Principles for Adapting Medical Education and Services to Meet Problems," The Journal of Medical Education, October 1964.

than 100 students are enrolled, including a number of government officials undergoing retraining. As with the School of Medicine, the principal outside support comes from the French government. Some minor assistance also comes from the U.S. government and the Asia Foundation. Any expanded U.S. aid to the institution would therefore inevitably raise the issue of U.S. relations with the French program in Laos. On the other hand, as the School is a RLG institution, and as financial assistance to it should be welcomed by the Lao authorities, there is room for working out suitable arrangements. Such arrangements are all the more desirable from the U.S. point of view, as a better trained administrative corps is a prime requisite for greater government effectiveness. The School of Law and Administration could play a key role in this regard. The most practical approach to the problem might be a contract with Public Administration Services, as suggested in Chapter 3.

Study Abroad

Advanced training for Lao students could be developed in such a way as to gradually reduce reliance on France and French institutions of higher learning. Lao interests can be served by more systematically encouraging the advanced training of Lao students in the universities of Thailand. The advantages are obvious: reduced cost, fewer linguistic and cultural obstacles, and the establishment of closer links between Laos and Thailand, and there is evidence that the Thai government is favorably inclined toward providing assistance. Thus, only in exceptional cases should training in the United States or other Western countries be encouraged.

An examination of RLG foreign exchange regulations and of the USAID Invisibles Reimbursement Program indicates that the United States now, in effect, reimburses RLG expenditures for the private study of Lao students abroad. This not only includes students in advanced training, but also students at the secondary and even at the elementary level.

Foreign exchange regulations, which are extremely generous in the treatment they accord private Lao students abroad, permit them to

purchase dollars at the official exchange rate of 240 kip per dollar. Any such student -- and this category includes 5-year-olds attending nursery school -- is entitled to an initial "installment allowance" of \$400 in the United States (\$240 in Europe). In addition he may convert each month the equivalent of \$200 (\$120 in Europe), and this profitable transaction may continue every month as long as the student is enrolled abroad. Only students in France do not fall under these regulations. (The total of private Lao students now abroad reportedly runs to a minimum of about 300, two-thirds of this number in France).

The present arrangements have two major undesirable features.

- (1) They provide U.S. subsidies for families wishing to send their children for study abroad irrespective of the need for such training and without imposing any selection standards other than family wealth.
- (2) They encourage Lao private students to remain abroad for unnecessarily extended periods or even indefinitely because in many cases (Hong Kong and Taiwan for example), the gains that can be realized from the exchange allocation exceed the amount that could be earned by work abroad. Often this means that the RLG (and ultimately the United States) will pay a subsidy to Lao students who have not the slightest intention of ever returning to Laos.

It would therefore seem desirable to proceed at the earliest practicable date to the revision of foreign exchange regulations removing expenditures for schooling abroad from the list of purposes eligible for conversion at 240:1. While awaiting the implementation of the change of the present system and in order to avoid hardship for students now abroad, certain modifications of current regulations may have to be introduced during the transitional period: (1) establish more realistic schedules for installment allowances, (2) introduce maximum terms for the period during which a student may remain abroad, the term depending on the type of training he is undergoing, (3) establish minimum standards of performance for students abroad, and (4) exclude elementary schooling abroad from the eligible list.

The proposed revisions of expenditures for study abroad would result in substantial savings, then making it possible for the same

number of aid dollars to provide education abroad for a larger number of Lao students. In addition, these students would be selected on the basis of their intellectual qualifications rather than by the criterion of family wealth. In line with that principle, the present system should be supplemented by the provision of adequate funds for scholarships enabling qualified Lao students to pursue advanced training in Thailand and in other countries which can offer an educational environment suited to Lao needs.

Adult Education

The Education Act of 1962 provides for the creation of Rural Education Centers (Centre Rural d'Education) which would serve simultaneously as primary schools and adult education centers. In practice, however, adult education has not been touched in Laos as all resources have been poured into the build-up of the regular school system.

Dean Rusk once stated, "A nation's political, social and economic development can rise no higher than that of its human resources. Since education is the chief means of raising the level of human resources, it is not a luxury to be postponed until national development has been accomplished." This statement applies obviously not only to the youth but also to the adult population of a country.

The potential contribution that improved adult skills can make is very large. Further, adult education gives an outlet to the energies and ambitions of those who are not satisfied with their station in life, ties these potential agents of progress more closely to their government, and broadens the reservoir from which the nation can draw for leadership.

Adult education need not -- in fact, should not -- be elaborate in its organization, content or setting. A beginning might be made as part of the refocused rural program. As the Education Act suggests, elementary schools could be used for these purposes, or other public buildings, even wats. Nor would the problem of teachers be an obstacle. Salaries for Laotian instructors are by American standards almost infinitesimally small; part-time instructors, for example, now receive 750 kip or \$1.50 per month.

The village teacher or a literate Buddhist monk provided with a slight bonus payment, might be the logical choice for carrying the adult education program into the Lao communities. Perhaps there is also a place in this scheme for the so-called "fundamental educators," multi-purpose workers operating under the primary school inspectors and now lacking clearly defined functions. These men, who appear to be highly motivated and often of superior caliber, may well constitute a valuable reservoir of competence and energy. A re-evaluation of their role might well be undertaken by USAID.

Even where no regular teacher is available some progress could be made, for every Lao community has at least one literate person whose prestige could be served by making him the adult teacher in his community. The missing ingredient, the texts, could be easily supplied by a modification of the elementary texts already developed by USAID in cooperation with the Lao government.

We suggest that, at the least, an experimental program of adult education should be attempted. On the U.S. side such a program should be the responsibility of a USAID staff member working with the Lao authorities, preferably sitting as an adviser in the Education Ministry.

Similarly, a literacy and education campaign within the armed forces merits strong consideration. Earlier proposals have for some reason met with difficulties on the U.S. side, while there is indication of acceptance of the concept and even of enthusiasm on the part of many Lao military. The "school in a pack" idea which the Education Division has been promoting recently appears worthy of support. If implemented it could have a strong effect on the attitude, morale, and discipline of the FAR, not to speak of its practical usefulness. Realization of such a project would, of course, require the approval of the Education Ministry, and the support of the Ministry of National Defense and of the General Staff, while implementation would have to be left to the judgment of the regional commanders.

Ongoing English-language instruction programs for adults, both civilian and military, could also be stepped up to provide an instrument

for professional advancement and a tightening of links between Laos and the United States.

Training of Government Officials

In discussing the problem of Lao government effectiveness (see Chapter 3) it was recommended that USAID take the necessary steps to assist and advise the RLG in improving the technical skills and efficiency of its officials. Much of this could be done through the development of the Royal Institute of Law and Administration, and through the services of a Public Administration Division operating out of USAID, which would concern itself primarily with training. The experience of USOM/Bangkok with the training of local government officials in Thailand could serve as reference material. And it might be desirable to make arrangements for Lao officials, such as the chao muong, to attend Thai schools for local government officials -- the Nai Amphur Academy near Bangkok, for example. An exploratory survey of this possibility showed that the Lao government, on its own initiative, had been considering the use of these Thai training facilities and that the Thai government had responded favorably. Exploitation of this opportunity would be facilitated by the program for regional administrative training centers in Thailand. The first of these regional training programs was actually under way in July 1965 at Nongkai, opposite Vientiane. The convenient location of this site for Lao officials residing in the Vientiane area made it possible for two Lao officials to participate in the training program. In choosing sites for these Thai training centers, the possibility of Lao participation should be taken into account. Thus, sites on or near the Mekong river would provide easy access from the Lao side and be convenient for any such Thai-Lao regional training arrangement. Also, informal discussions between Lao and Thai officials indicate that training facilities in Thailand for government officials at the provincial governor level would be opened to Lao participation for short-term seminars. By beginning a Lao-Thai program "at the top," its effectiveness and acceptability throughout the RLG might be materially enhanced. Thus, while creating closer ties between Thailand and Laos, this form of regional cooperation could materially enhance the effectiveness of

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the RLG. At the same time, U.S. support for such a program in Thailand would provide the United States with continuing and sufficient leverage to give it purpose and direction.

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Appendix C

RELATIONS WITH LAO BUDDHISM

Buddhism is the state religion of Laos. The Buddhist Church, with its 8,000 monks and 10,000 novices, is the second largest organized group in the country (after the FAR). Its organization parallels that of the RLG, with a hierarchy of officials ranging from village to district to province to the Patriarch in Luang Prabang. Buddhist leaders are respected at all levels of society, and in particular in rural areas where the wat is the center of community life. Buddhism in Laos is not as dynamic as in some other Buddhist countries, in part because of the low level of education and backwardness of most members of the Buddhist clergy. But, although Buddhism is relatively quiescent as a political force, it is still a major social institution throughout Laos. It is impossible to travel through the Lao countryside without being struck by the fact that the wat is, ordinarily, by far the largest, best constructed, and best tended property in the Lao village. Clearly, the monks have an extraordinary ability to mobilize the villagers' resources and energies and to organize them in achieving communal goals.

Both the RLG, which maintains a Ministry of Cults in charge of relations with the Buddhist movement, and the Buddhist hierarchy itself, are anxious to preserve the present apolitical character of the Lao Buddhist movement. There is evidence of some rumbling beneath the placid surface, however. In June 1965, a Lao Buddhist Youth Association made its appearance prior to the national elections. The founders of this organization included cabinet members, political and business leaders, and FAR officers. From time to time, there are reports of Pathet Lao attempts to influence the Buddhist hierarchy and, particularly, the rural clergy. These efforts have so far met with little success. Finally, the active role of the Buddhist movement in South Vietnam in the national affairs of that country has not gone entirely unnoticed among Lao Buddhists.

Reliable information concerning trends and undercurrents in Lao Buddhism, and continued effective RLG influence with Buddhist leaders,

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are necessary lest Lao Buddhism unexpectedly emerge one day as a disruptive political force. Consequently, Buddhism cannot be ignored in Laos or taken too lightly. Moreover, Buddhist comprehension and support can lend a legitimacy and sanction to the RLG and its programs. What is needed is a low key, low cost, low risk approach that would provide continued contact and influence for the U.S. Mission and the RLG with the Lao Buddhist movement.

In its relations with Lao Buddhism, the U.S. Mission should work closely with the RLG authorities, particularly the Ministries of Cults and Education, to avoid alarming the RLG or weakening Buddhist dependence on RLG material support and authority. Nevertheless, on the local level close working relations between Americans and the clergy will often prove desirable; and at a higher level, contact by Senior Mission officials with Buddhist leaders could be used to demonstrate U.S. interest in Lao Buddhism and to generate support for U.S. policies in Laos.

Suggestions for a modest expansion of U.S. activities involving Lao Buddhism are presented below. As experience is gained, a better basis will emerge for assessing the potentialities of work with the Buddhists and designing programs to realize them.

AN INFORMATION CAMPAIGN

In Laos today, Buddhist sanction for RLG programs and objectives is probably the greatest contribution that Buddhism could make to the RLG. Since the Buddhist Church is highly structured, support at local levels is most likely to be forthcoming only if senior Buddhist officials instruct their subordinates that it is desirable. Accordingly, every effort should be made to keep Buddhist leaders informed and bring them in on planning concerning RLG social and development programs. One specific device that should be considered is placing material concerning these programs in the two Buddhist periodicals which circulate among the Buddhist clergy throughout Laos.

SUPPORT FOR BUDDHIST SOCIAL ACTION

Lao Buddhism has a traditional interest in community and social

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development. Village priests could be led to take a more active role in support of RLG village programs. In particular, they could play an important role in an adult education campaign. Consideration should also be given to the participation of young and energetic Lao monks in the current Thai program of training Buddhist monks for operating their own version of "Mobile Development Units" in rural areas. Alternatively, a similar Lao program might be inaugurated. At present, efforts to enlist Buddhist support for social programs are modest. USAID support, in addition to that given now by USIS and the Asia Foundation, might be useful in furthering such efforts.

SUPPORT FOR PALI AND WAT SCHOOLS

So-called Pali schools (Buddhist seminaries) and wat schools (supplementary primary schools with monks as auxiliary teachers) are qualitatively poor but quantitatively extensive. Even the former are not purely religious institutions since many of their graduates either re-enter civilian life or become teachers in wat schools. Support through RLG channels for these institutions, particularly in teacher training, provision of textbooks, and developing courses in practical subjects related to village life would be a useful adjunct to the USAID education program and an effective means for giving RLG support to Buddhism.

THE BUDDHISM INSTITUTE

The Buddhist Institute in Vietnam is Laos' institution of advanced Buddhist education. It now has some 130 students but is sadly lacking in funds, qualified instructors, and teaching materials. The Ministry of Education has ambitious plans for its future, featuring the development of a curriculum stressing Far East Buddhist civilization and the Buddhist role in community development, and has repeatedly requested assistance for the Institute and its staff. One possibility for U.S. assistance is to provide needed instructors in English. The U.S. Mission might also consider whether it can give formal support to teaching assistance from other countries.

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