2. "Things are going well" in Laos. Military successes up through April 1961 had led the Communists to feel that they had the necessary "edge" at the bargain table to assure a "neutral" Laos, with the Pathet Lao integrated into both the army and the government. Utilizing their normal tactics, the Communists could probably achieve the upper hand in Laos by ostensibly legal means within the next year; the negotiations on integration of the armed forces and formation of a coalition government would, in this regard, present them with a "sterling opportunity" to exploit the existing differences between various Lao political factions. Another advantage the Communists had realized was the "virtual elimination of the likelihood of US or SEATO military intervention." And the apparent acceptance by the US of a "neutral Laos" probably had convinced the Communists that another test of arms was, in any event, unlikely. But in the unlikely event that the RLG reneged on the integration scheme and attempted to maintain itself as a separate force, the Pathet Lao were well-prepared to resume hostilities.

3. In South Viet Nam, the Viet Cong were "making good progress in the field," at least in part because of their increased control of the Laos-South Viet Nam border areas. Although they were probably somewhat concerned about future US reactions in South Viet Nam, the Communists probably regarded the fall of the GVN as "only a matter of time."

4. After the fall of Laos and South Viet Nam, the Communist prospects in Thailand would be greatly improved, and the Communists would quickly turn their attention to that country.
country. Under these circumstances either the Thai
themselves would seek an accommodation with the Communists
or, that failing, the standard techniques of subversion
could be brought to bear.

Assuming, CINCPAC continued, that this hypothetical
assessment was at all valid, the US and RLG must strive to
obtain the best possible terms at the three-Princes meeting.
Ambassador Brown had, to CINCPAC's mind, implied that the
RLG should "go out of its way" to accommodate Souvanna.
However, CHMAAG Laos saw the RLG bringing several assets
into the negotiations (see item 20 December 1961). CINCPAC
felt CHMAAG's assessment valid, and that "there was much
to be gained and nothing to be lost by being tough as
nails at the bargaining table."

(See item 5 January 1962.)

(TS) Msg, CINCPAC to JCS, 232035Z Dec 61.

26 Dec 61

Ambassador Brown was granted an audience with the King.
During their conversation, the King, who at times appeared
morose, denied "talk" that he would serve as Prime Minister
in a new government and expressed his belief that Souvanna
would fail to form a successful coalition. In addition,
the King complained that foreign countries had interfered
in a purely domestic matter by attempting to force the
acceptance of Souvanna as head of the national coalition and
that the assurance given by SEATO had proved worthless
because of divided counsels in that organization.

(S) Msg, Vientiane to SecState, 882, 26 Dec 61.

The Acting
26 Dec 61 The Acting Secretary of Defense requested the JCS to include, in their study of the possible withdrawal of US forces from Laos (see item 5 December 1961), their evaluation of a proposal that the personnel of MAAG Laos be organized at the time of withdrawal into a provisional tactical unit. This unit would evacuate in slow stages overland through Savannakhet province to South Vietnam. This course of action would be, the Acting Secretary continued, a "show of force" to raise the morale of the peoples of Southeast Asia and to demonstrate the seriousness of US intentions; it might also, he concluded, produce some useful intelligence on Communist activities in the panhandle of Laos. (See item 14 February 1962.)

(S) Memo, Actg SecDef to CJCS, 26 Dec 61, at to JCS 2344/27, 29 Dec 61; JMF 9155.2/3100 (5 Dec 61).

26 Dec 61 The JCS approved for presentation to the SEATO nations CINCPAC's recommended changes to SEATO Plan 5. By CINCPAC's proposal, submitted to the JCS on 25 November, a third force, Force CHARLIE, would be added to Forces ALFA and BRAVO of the current plan (see item 5 April 1961). Force CHARLIE, to be composed of two US battle groups, would deploy to Pakse and be responsible for all Laos south of Senu. This area of Laos was, CINCPAC had stated, a principal area in which the insurgents were presently consolidating their positions. With Force CHARLIE, then, to assume some of Force BRAVO's responsibilities, the Thai battalion in BRAVO would be transferred to ALFA, as would a Pakistani battalion from Central Reserve. With these added forces, ALFA would take over from BRAVO responsibility for Thakhek. The revised composition of the combat forces in Laos.
in Laos would be as follows:

**Force ALFA**
- 2 US BLTs
- 2 Thai battalions
- 1 Pakistani battalion

**Force BRAVO**
- 1 Australian battalion
- 1 New Zealander battalion
- 1 UK battalion

**Force CHARLIE**
- 2 US battle groups

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(TS) Msg, JCS to CINCPAC, JCS 2715, 26 Dec 61, derived from JCS 2339/48, 19 Dec 61; (TS) Msg, CINCPAC to JCS, DA IN 176601, 25 Nov 61; all in JMF 9060/3100 (25 Nov 61).

27 Dec 61

During the informal meeting of the three Princes at the Prime Minister's residence, Prince Boun Oum demanded that the eight-man "center group" in the coalition government be divided equally between the Vientiane and Xieng Khouang factions. He also demanded retention of Defense and Interior portfolios by the Vientiane faction until Souvanna "proves" his neutrality. There was no further need for a three-Prince meeting, said Boun Oum; he suggested that Souvanna should "get to work and form his cabinet."

Souphanouvong also demanded the Defense and Interior posts for his group, adding that if there were to be no negotiations he would return to Xieng Khouang. Souvanna's efforts to conciliate failed.

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(S-NOFORN), DIA Intelligence Bulletin, 36-61, 28 Dec 61, p. 1.

27 Dec 61

The Secretary of State, in an "eyes only" message "confirm[ed]" Ambassador Brown's full authority to take action necessary to bring about an acceptable coalition government
The meeting of the Princes began on 27 December and almost immediately ran into a "substantial snag," when both Boun Oum and Souphanouvong claimed for their factions control over the Ministries of Defense and Interior. Ambassador Brown reported that after this first session he visited Souvanna, who claimed to be psychologically depressed because of Boun Oum's apparent ultimatum concerning the two cabinet posts. The Ambassador stated that the US would support a government headed by Souvanna and that he himself would do his best to bring about a genuine discussion rather than a mere exchange of demands.

Although no formal meeting of the Princes was held on 28 December, the leaders of the three factions exchanged their views. Ambassador Brown reported that Souvanna had informed Phoumi that Defense and Interior would have to be controlled by neutralists, a position supported by Souphanouvong. Souvanna had stated that he intended to keep the Defense portfolio for himself and to give the Interior portfolio to Pheng Phongsavang who was of Souvanna's own faction.

On 29 December, Souvanna and Boun Oum discussed the composition of the cabinet but were unable to agree upon
upon the size and membership of the neutral central group. During the afternoon, however, Souphanouvong, claiming that foreign influence made it impossible for the Princes to reach agreement, left for the Plaine des Jarres.

The meeting came to a formal end on 30 December after Souvanna had visited the King and again talked with Phoumi. During the conversation with Phoumi, Phoumi proposed a 19-member cabinet -- 4 Communists, 4 conservatives, and a 10-man center group evenly divided between Xieng Khouang and Vientiane neutrals. Souvanna asked whether he, Souvanna, would control Defense and Interior under this scheme, but Phoumi said he needed time to consider the matter. Souvanna stated that if Phoumi's answer were affirmative, he and Souphanouvong would return to Vientiane to complete the negotiations.

(S)Msgs, Vientiane to SecState, 890, 27 Dec 61; 891, 27 Dec 61; 911, 30 Dec 61; (C)Msgs, Vientiane to SecState, 897, 28 Dec 61; 901, 29 Dec 61; 902, 29 Dec 61; (OUO)Msg, Vientiane to SecState, 889, 27 Dec 61; (U)Msg, Vientiane to SecState, 909, 30 Dec 61.

The Secretary of State, in a circular telegram, instructed the US Ambassadors at Canberra, London, Ottawa, and Paris to express to their respective host governments the hope that these nations would join the US in rendering economic aid to a Souvanna government. Although the US intended to continue its aid program at about the present levels, the coalition government would need additional financial and technical assistance. Participation in the aid program by Canada, the UK, Australia, and France would, in Secretary Rusk's opinion, demonstrate Western support of Souvanna.
Souvanna and increase the kingdom's chances of remaining truly neutral and independent.

(c) Dept of State CIRC 1187, 29 Dec 61.

29 Dec 61

Phoumi reported to CHMAAG that a coup, planned by adherents of Souvanna and Kong Le for the early hours of 29 December, had been thwarted. The purpose of the alleged coup had been to seize control of Vientiane while Souvanna and Souphanouvong were present for the meeting of the Princes.

CHMAAG, however, informed CINCPAC that he "would not like to place too much weight on the accuracy of Phoumi report or extent of disaffection until we check further and sound out our sources."

(S/NOPORN) Msg, CHMAAG Laos to CINCPAC, DA IN 188485, 29 Dec 61.

30 Dec 61

In a message to Ambassador Brown, the Department of State expressed its general acceptance of the 4-5-5-4 numerical ratio proposed by Phoumi (see item 27-30 December 1961). Souvanna's demand that his neutrals hold both the Defense and Interior portfolios also was considered acceptable.

The Department, however, desired that Finance be in the hands of the Vientiane neutrals and that the influence that would be wielded by Pheng Phongsavan as Minister of Interior be offset by the choice of a strong and competent anti-Communist as his principal subordinate. Additional suggestions were made concerning other cabinet posts.

Among the appointments found acceptable were the selection of Phoumi as Minister of Public Works and Vice Premier and the appointment of Souphanouvong as Minister of Planning.

Ambassador
Ambassador Brown informed the Secretary of State that, during a discussion of the composition of a coalition cabinet, Phoumi had said that "he had a final fall-back position of Souvanna as Prime Minister and Minister of Defense with Phoumi as Deputy Prime Minister and Secretary of State for Defense." It further appeared, according to the Ambassador, that Phoumi would prefer that Defense and Interior be divided between the RLG and the Pathet Lao rather than be entrusted to a neutral center group.

In commenting upon Ambassador Brown's report, Secretary Rusk agreed fully with the Ambassador's opposition to a division of Defense and Interior between the RLG and Pathet Lao, a situation "which would obviously create a chaotic and dangerous condition." The Secretary of State then reiterated the US position that the Pathet Lao should be restricted to minor cabinet posts.

In response to a request by the Department of State for comments on certain measures designed both to bring pressure on the RLG to follow sound fiscal practices and to prevent Phoumi or others from removing from US jurisdiction RLG foreign exchange resources, the US Ambassador in Vientiane concluded that the present informal understanding, by which

30 Dec 61

(S) Msg, State to Vientiane, NIACT 578, 30 Dec 61.

31 Dec 61

(S) Msgs, Vientiane to SecState, 912, 30 Dec 61; State to Vientiane, NIACT 579, 30 Dec 61.
the Chase Manhattan Bank would inform the Department of State of any irregular RLG transactions, provided adequate protection to Lao financial reserves. Thus, the Ambassador recommended that no further action be taken at this time.

Among the possible courses of action listed by the Department of State and commented upon by Ambassador Brown were a cessation of cash grants, the halting of counterpart releases to support Lao currency, and the control of Lao external assets.

1. **Cessation of cash grants.** The Ambassador stated that this measure would have a "sledgehammer effect," particularly if all grants were stopped simultaneously. The US, however, might halt certain grants while continuing others, thus "twisting this type of sanction to almost any degree of effectiveness desired."

2. **Halting counterpart releases.** This sanction would, in the Ambassador's opinion, have almost the same effect as the cessation of cash grants. The RLG also would react in the same manner -- by increased borrowing from the Lao national bank. The resultant increase in the supply of local currency, if combined with the cessation of cash grants, would induce a run on the government's dollar reserves.

3. **Controlling Lao external assets.** In coming to his conclusion that the existing arrangement with the Chase Manhattan Bank was adequate to protect US interests, the Ambassador branded the US attachment of Lao funds in settlement of presently outstanding claims as "pointless and uselessly irritating to the RLG." Nor was the Ambassador eager to invoke any controls on RLG withdrawals which could
could, in the event of Lao improvidence, lead to suspension of the free convertability of the kip. If there were certain knowledge that Phoumi or others were attempting the fraudulent withdrawal of external assets for purposes contrary to US interests, the Trading with the Enemy Act might be invoked. The Ambassador, however, doubted that the US could ever obtain such knowledge. Finally, Ambassador Brown believed that the US might require a certification of the purposes for which the RLG was withdrawing its external assets. Such a procedure was not believed necessary at present because the acting governor of the Lao national bank, whose signature was required for any such transfers of funds, was "relatively incorruptible." If a new governor were appointed, certification procedures might reasonably be invoked.

(S) Msgs, State to Vientiane, 564, 15 Dec 61; Vientiane to SecState, 914, 31 Dec 61.

31 Dec 61

Ambassador Brown told Phoumi he was "convinced" that unless the portfolios of Defense and Interior went to Souvanna's neutrals, the negotiations among the Princes would collapse. Phoumi, however, expressed doubt that his colleagues in the RLG would allow him to yield even one of these positions and declared that it was time for concessions by the other side. The US Ambassador replied that his government believed Phoumi had gained "substantial concessions" from Souvanna. The time had come, Ambassador Brown continued, "to sell these two positions for the highest possible price." Although Phoumi appeared sad, the Ambassador termed the conversation "entirely friendly."

Later
Later in the day, after being advised that his refusal to cede the two positions could mean the end of US aid (see items 27 and 29 December 1961), Phoumi told another embassy officer that he was too shocked by the US defeatist policy to carry on. He maintained that the RLG cabinet would not yield the two posts to Souvanna's faction. When reminded that Ambassador Brown had been instructed to take drastic action in the event the RLG proved intransigent, Phoumi replied that he saw no use in having American support if all it meant was surrender to the enemy. Phoumi then warned that he might leave the kingdom and that Boun Oum might seek its partition. In commenting upon this interview, Ambassador Brown observed that "It appears that the US position has now been fully comprehended by Phoumi. His reaction is understandable."

(S) Msgs, Vientiane to SecState, 915, 31 Dec 61; 916, 31 Dec 61.

31 Dec 61 At year's end, the FAR combat commands were occupied as follows: the Northern and Southern Commands were both engaged in "clearing operations," as they had been during recent months (see item 30 November 1961); the Central Command, while retaining its primarily defensive posture, had stepped up operations near Tha Thom, north of Paksane.

In the Northern Command, the FAR captured the town of Ban Na Mo, approximately 15 miles east of Nam Tha, on 7 December, and began on 12 December relocating units to improve its position in the Muong Sai area.

The Central Command conducted reconnaissance patrols in the Tha Thom area in early December. During the last week in December, air strikes were conducted against enemy positions in the area.
The Southern Command conducted routine patrols throughout the month. On 19 December, CHMAAG learned that the FAR planned a three-phase operation to clear the Mahaxay and Nhommarath areas (see item 4 November 1961), but a few days later the FAR postponed this action until the three Princes had concluded their upcoming negotiations.

(TS) JCS SEA Sitreps, 6-61 to 9-61, 7 to 28 Dec 61; (S) Mags, CHMAAG Laos to CINCPAC, DA IN 179380, 4 Dec 61; DA IN 179867, 5 Dec 61; DA IN 180457, 6 Dec 61; DA IN 181305, 7 Dec 61; DA IN 181876, 8 Dec 61; DA IN 183158, 12 Dec 61; DA IN 184167, 14 Dec 61; DA IN 185536, 19 Dec 61; DA IN 187009, 23 Dec 61; DA IN 187135, 24 Dec 61; DA IN 187777, 26 Dec 61; DA IN 188099, 27 Dec 61; DA IN 188694, 30 Dec 61; DA IN 188923, 31 Dec 61; DA IN 188922, 1 Jan 62.