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# U.S. Official in Laos

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VIENTIANE, June 2—Amid continuing tensions between the United States and Laos, a top State Department official arrived today to assess how recent power shifts here will affect future relations.

Philip C. Habib, assistant secretary of state for East Asian and Pacific affairs, said he would discuss "the whole question of relations" including the overriding issue of continuing U.S. aid, in meetings with Prime Minister Souvanna Phouma, Foreign Minister Phoumi Vongvichit and Economics Minister Soth Petrasy.

"I'm here to listen," he told reporters at Vientiane airport where he arrived from the U.S. airbase at Udorn, Thailand.

What Habib hears during his 24-hour stay could have decisive influence on whether the United States agrees to Laos' request for "unconditional" aid and even whether a U.S. embassy will continue to function in Vientiane.

Habib's recommendations will be made within a few days after he returns to Thailand. U.S. sources indicate that his findings will be influenced by fears that U.S. officials remaining in Laos will be virtual hostages. Their presence could be used to pressure Washington to grant new aid, which Laos wants to receive without the supervision of U.S. administrators.

According to a highly informed U.S. source, a number of senior State Department officials find it galling that "we



PHILIP HABIB  
... 'here to listen'

have to buy the security of our mission here with aid."

The U.S. Agency for International Development is closing down by the end of June in response to violent demonstrations by students linked to the Communist Pathet Lao, which is rapidly gaining strength in the coalition government.

"There is certainly a hostage consideration," said one source close to the meetings between Habib and Laotian leaders.

Concern over the physical safety of remaining U.S. officials has prompted the embassy to evacuate all their dependents. The last family, the wife and children of Charge d'Affaires Christian Chapman, are expected to leave in the next day or so. Only 150 of the 820 U.S. officials who were here a month ago remain.

What embassy officials con-

sider "harassment" of Americans in Vientiane is continuing, even though the week-long student occupation of the AID compound ended five days ago. This morning, a U.S. Marine guard quietly left town following an incident Sunday night in which a group of young men, supported by Pathet Lao military police, accused the Marine of beating up one of the youths. The Marine denied it.

Chapman and Foreign Minister Phoumi decided it would be "mutually agreeable" to ship the Marine out of the country, an embassy spokesman said.

"The Pathet Lao are already claiming they expelled him," the spokesman added.

Most U.S. diplomats here expect this sort of incident to recur. They fear that if the Ford administration or Congress should decide against further aid to Laos the incidents will become more serious.

"The administration, the congress and the American people will have to decide on Laos," said a high-level source. He suggested that were it not for concern over the safety of Americans still here, such a decision would probably be negative.

"It still may be no," the source said, "but under the circumstances it might not be as clean a break as we'd like."

There is a growing belief among diplomats that following the overwhelming defeats of U.S.-backed forces in South Vietnam and Cambodia, there is little reason for the United States to maintain a physical or monetary presence in Laos as the Pathet Lao gain control of the coalition government

# to Weigh Aid Future

set up under the 1973 cease-fire accord.

"We certainly must admit that we have no vital interest here," said one source. "We do have a nominal interest and for that reason should keep up a modest diplomatic representation, but not at any cost."

Last year, the United States provided Laos with \$62 million in economic and military assistance. There seems to be no doubt that if any aid at all is to be approved for next year, it will be a fraction of that figure.

During a one-hour meeting between Souvanna and Habib this afternoon, the neutralist prime minister, who has become a largely ineffectual figure as the Pathet Lao gain strength, repeated the Communist position—that Laos wants to maintain diplomatic and aid relations with the United States, but on Pathet Lao terms.

"If they think we're just going to mail them a signed check every month, they obviously don't understand how our system works," said one source.

The same source expressed doubt that political considerations justified aid under any terms.

"There's little reason to believe a U. S. presence would have a moderating effect here," he said.

If the United States decides that it wants to remain in Laos, Washington is not altogether without bargaining chips.

One important lever the United States controls is the \$32 million Foreign Exchange Operations Fund.

U. S. contributions to the fund last year were just over

half the total, while the rest was contributed by Britain, France, Japan and Australia.

For the last 11 years, the fund has provided Laos with hard currency to pay for its massive imports of food, petroleum products, medicines and most other consumer goods. Last year, Laos imported \$45 million worth of goods while exporting just \$10 million of its own products, mainly timber.

The current fund agreement expires at the end of this month and an accord has not been signed for the following years. Other members of the fund say they're waiting for the U. S. lead, and there are suggestions that if the United States fails to agree to another year, the others will drop out too.

In their benign moments, Pathet Lao leaders say they want to continue the foreign exchange fund, just as they want to continue receiving U. S. aid — without conditions. But in their angrier moments, they say they can turn to their Communist neighbors and more distant socialist governments for assistance.

So far, practice has not borne this out. Following recent appeals by Pathet Lao leaders, only North Vietnam has come through with \$1 million worth of rice, cloth and cement. China, North Korea and the Soviet Union have promised assistance but have not delivered.

Furthermore, there appears to be no way for Communist governments to replace the current fund with their own version of a foreign exchange supply fund. Most of Laos' imports come from or through

Thailand, and only hard Western currencies may be used in payment. Most socialist governments are unwilling or incapable of providing hard currency.

Some Western specialists believe Laos will follow the example of Cambodia and attempt to build a fenced-in economic system based on agricultural self-sufficiency. Only about 20 per cent of the country's economy is based on money, and this sector is almost entirely in Vientiane and a handful of other towns.

Because landlocked Laos is so small, it is in a much weaker position than Cambodia to stand alone. This critical fact leads most observers to conclude that the Pathet Lao will establish its own variant of Communist rule, seeking to maintain working relations with all of Laos' neighbors as well as with most Western powers.