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State Dept. review completed

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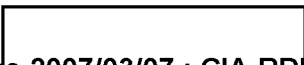
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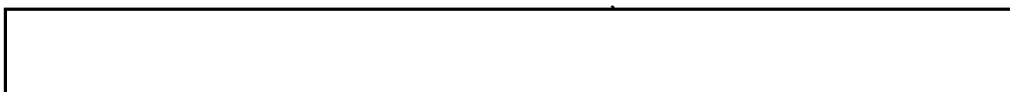
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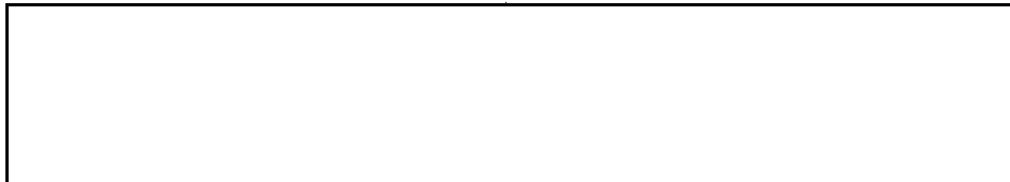
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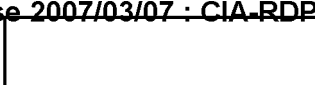
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**LAOS**

Vientiane remains calm, at least on the surface.

American officials are going about their normal duties at the AID and defense attache compound, but—in contravention of the terms of an agreement concluded with Pathet Lao ministers and leftist student demonstrators earlier this week—some members of the capital's joint police force remain on patrol inside the compound grounds. Most of these police are Pathet Lao.

The evacuation of American dependents and other nonessential personnel is continuing. As of May 30, some 153 official and 109 nonofficial Americans were still in Vientiane. The US mission will be down to about 50 personnel by the end of next week.

The Pathet Lao, meanwhile, are continuing to increase their troop strength in Vientiane. According to officials of the US defense attache office, there may now be more than 5,000 Lao communist troops in the capital, and their strength appears to be increasing daily. There also are reports that a Pathet Lao battalion, along with a dozen light tanks, is on the capital's northern outskirts, and that still another battalion is near the southeastern suburbs.

\* \* \* \*

The situation calmed following the recent agreement to terminate AID operations by the end of June and successful negotiations to provide severance pay to former guards. The threat to the Americans still in Vientiane is not expected to rise in the next week or so. Thereafter, however, the prospects for civil unrest in the capital will grow, with a consequent increase in the threat to the safety of Americans and other foreigners.

If there is a drastic reduction or a total cutoff of US assistance to Laos after June, anti-US sentiments might then build and cause a serious threat to the safety of the remaining US mission personnel in Vientiane. Prime Minister Souvanna Phouma and non-US diplomats in Laos have already warned the Pathet Lao that the recent harassment of Americans could result in an abrupt cessation of all US aid. Should this happen, Souvanna noted, no other source of assistance could be substituted in time to preserve the government as it has existed.

Loss of US assistance will exacerbate the already severe economic pressures in Laos. Prices, unemployment, and inflation have already risen sharply, food and

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other goods are becoming scarce, imports have dropped, and there is a shortage of foreign exchange. About two thirds of the contributions to the multinational Foreign Exchange Operations Fund projected for 1975 are funded by AID.

Some Pathet Lao leaders understand the degree to which Laos is dependent on US foreign assistance, and they want it to continue—without detailed accountability to the US. Other communist leaders are apparently prepared to risk the complete termination of US and other Western aid in order to achieve internal political goals.

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The Pathet Lao, however, may decide to institute more strict population control if civil disturbances continue. [Redacted]

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The North Vietnamese have committed themselves to providing the Pathet Lao with whatever military hardware may be needed to assure effective communist control over the country. The North Vietnamese will maintain their own military forces and political as well as economic personnel in Laos in sufficient numbers to ensure that Hanoi will be the predominant foreign influence there.

If the Pathet Lao prove incapable of controlling civil unrest, the North Vietnamese can be expected to move units in to lend a hand. [Redacted]

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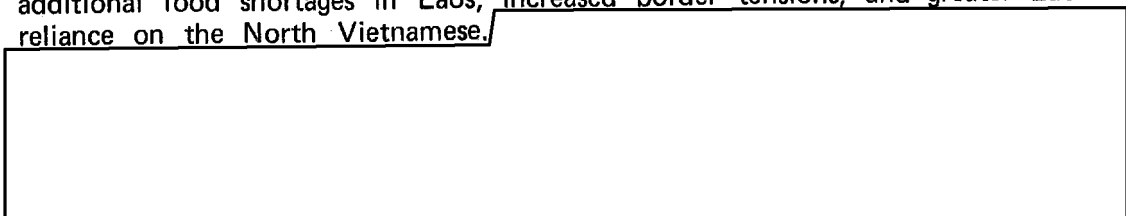
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Lao-Thai relations are bound to deteriorate if North Vietnamese forces become more active in areas close to the border and if people continue to flee from Laos into Thailand. Both countries may try to seal the border. This could lead to additional food shortages in Laos, increased border tensions, and greater Lao reliance on the North Vietnamese.

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## LEBANON

Fighting, apparently initiated by extreme leftists attempting to spark new violence, resumed briefly in Beirut yesterday, despite the increased effectiveness of joint Lebanese-Palestinian patrols in separating Phalangist and fedayeen forces.

Prime Minister - designate Karami completed his formal consultations with political and religious leaders on Thursday, but has not yet announced a cabinet.

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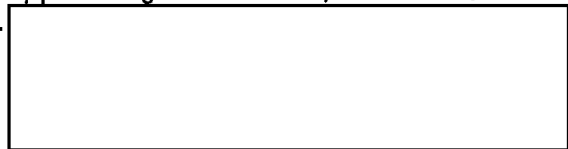


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Socialist leader Kamal Jumblatt has raised an additional problem by insisting that no representatives of the Phalanges Party be included in the new cabinet. He probably will back down, however, if his own Progressive Socialist Party is offered strong representation.

These differences could delay formation of a government for as much as several days, but so far do not seem likely to prompt Karami to abandon his efforts. After five years outside the government, Karami appears eager to succeed, and his critics lack a more attractive alternative candidate.

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**SPANISH SAHARA**

Spain's announced determination to speed up the decolonization of Spanish Sahara has upset Morocco, which is worried Madrid may relinquish control of the territory—possibly by granting it independence—before a political settlement acceptable to Rabat is achieved.

Rabat, in a communique issued on May 26, expressed surprise at Madrid's announcement last week suggesting that Spain might unilaterally transfer sovereignty in the Sahara if the other parties—Morocco, Mauritania, and Algeria—delay too long in coming to an agreement. The Spaniards also sent a letter to the UN calling for negotiations among "all parties" and warning that if no action is taken, Madrid would set a date for unilateral withdrawal. The Moroccan communique concluded with a veiled warning that Rabat would use force if necessary to uphold its claim to Spanish Sahara.

In conversations with US officials, Moroccans have said they suspect Spain is colluding with Algeria, which supports a pro-independence party in Spanish Sahara. Although Rabat has consistently opposed the inclusion of Algeria in any settlement negotiations, the Moroccans may now acquiesce if only to prevent an early Spanish withdrawal.

Algeria, which insists on being included in any negotiations, can be expected to support the principle of self-determination for Saharans. Algiers may eventually be willing to settle for less in order to avoid a confrontation with Morocco.

Madrid's statement last week does not necessarily portend its early departure from Spanish Sahara. Spain has given no indication of how long it will remain there or to whom power would be transferred if it withdrew unilaterally. The statement probably was meant to goad Morocco, Mauritania, and Algeria to settle their differences and enter into serious negotiations.

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**AUSTRALIA**

Canberra's moderate Defense Minister Lance Barnard is expected to announce shortly that he is resigning to take an ambassadorial post. No reason has been given for Barnard's decision, but he has no doubt been dissatisfied since he was eased out of the deputy prime ministership a year ago.

Barnard's move will complicate the Labor government's already difficult position in Parliament. His seat would be contested in an early by-election under circumstances unfavorable to Labor. His constituency is traditionally a Labor district, but the opposition Liberals have available a vigorous candidate who would be a formidable threat.

Loss of Barnard's parliamentary seat would dangerously reduce Labor's already narrow majority in the House of Representatives. This, on top of the opposition-controlled Senate's blockage of 25 pieces of legislation, might force Labor to consider calling a national election. With public opinion polls showing that Labor now trails the Liberal-Country opposition by 13 percentage points, the Labor government will face a difficult choice between an election under unpromising prospects or continued frustration of its legislative program.

The front-runner for Barnard's defense job appears to be William Morrison, now science minister. A left-winger who has questioned Australia's alliance with the US, Morrison has opposed the presence of US scientific and defense installations in Australia. Prime Minister Whitlam has strongly defended the facilities as important to Australian security, however, and could be expected to assure their tenure should he give Morrison the defense portfolio.

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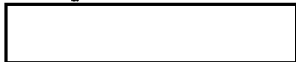
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