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b. If the proposal under a above is not adequate to obtain GVN agreement, we would offer an additional \$4.85 million in piasters. This is estimated to be sufficient to cover local currency costs in 1961 of the call-up of the additional 20,000 men.

c. If neither of the above proposals proves acceptable, the U. S. would offer an additional \$4.55 million in assistance in 1961 which, if the GVN would accept a dollar/piaster rate of 73, would be sufficient to meet the piaster cost for 1961.

As of yesterday afternoon, no reaction had been obtained from Saigon. In a long conversation with Ben Wood, the Deputy Director of the Task Force, Thuan was told before he left the U. S. of our offer under a above. On the basis of this offer, he indicated that he would send instructions to Saigon to initiate the call-up of the 20,000 men, even in the absence of a final agreement. This problem, therefore, seems on its way toward solution.

The Situation in Laos in Relationship to South Viet Nam

A large part of the meeting was devoted to discussion of a draft memorandum that Cottrell read to the Task Force containing his ideas with respect to the situation in Laos and what should be done about it. You are generally familiar with his ideas as a result of your conversation yesterday with him. I did not attempt to take detailed notes on the memorandum, but his proposal runs along the following lines.

Cottrell does not believe that any arrangement to create a neutral Laos will be viable. He does not believe that we should withdraw in favor of the French in Laos. The French cannot be depended upon to do a good job and the reestablishment of their presence will be deeply resented throughout the former Indo-Chinese states. The military situation in Laos is alarming. The Pathet Lao are now posing a serious threat in southern Laos. Cottrell proposes that we seize upon some plausible excuse to break off the Geneva Conference. The failure of the ICC to stabilize the situation would provide such an excuse. **He would then introduce Thai special forces and "hunter-killer" forces now being trained in South Viet Nam into southern Laos in an effort to clean out the Pathet Lao "infection" there.** In the discussion of his proposal, the question was raised as to whether the introduction of U. S. forces would not be necessary. Cottrell acknowledged that this was a real possibility and emphasized the importance of our not letting our friends in Southeast Asia down by refusing to use force if that should prove necessary.

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