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THE FOLLOWING IS THE TEXT OF A PROPOSED CHAPTER OF*N THAILAND FOR THE SECRETARY'S 1972 FOREIGN POLICY REPORT. REQUEST EMBASSY COMMENTS. WE WOULD ESPECIALLY APPRECIATE SUGGESTIONS ON STRENGTHENING TREATMENT IN THE PAPER OF ECONOMIC POLICIES AND DEVELOPMENTS INCLUDING EFFORTS TO PROMOTE US TRADE AND INVESTMENT. REQUEST YOU REPLY IF POSSIBLE BY COB NOVEMBER 28.

BEGIN TEXT

THERE WAS NO SIGNIFICANT CHANGE IN US POLICY TOWARD THAILAND IN 1972. CLOSE COOPERATION CONTINUED IN SUPPORT OF OUR MUTUAL INTERESTS IN INDOCHINA. WE CONTINUED TO MAINTAIN AND AFFIRM THE VALIDITY OF OUR SECURITY COMMITMENT TO THAILAND UNDER SEATO. WE ALSO CONTINUED TO PROVIDE MILITARY AND ECONOMIC ASSISTANCE TO PROMOTE THAILAND'S SECURITY AND STABILITY. OUR AID WAS, AS IN PREVIOUS YEARS, DIRECTED PRIMARILY TOWARD HELPING THE ROYAL THAI GOVERNMENT IN COUNTERING EXTERNALLY-SUPPORTED COMMUNIST INSURGENCY. ANOTHER IMPORTANT ELEMENT OF OUR POLICY WAS COOPERATION IN THE E*NARCOTICS FIELD TO SUPPORT INCREASINGLY EFFECTIVE RTG ACTIVITIES. FINALLY, WE MADE PROGRESS IN THE GENERAL AREA OF ECONOMIC COOPERATION, INCLD*UDING TRADE AND INVESTMENT PROMOTION.

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THESE MAJOR THEMES OF US POLICY REFLECTED OUR APPRECIATION OF THAILAND'S IMPORTANCE AS A LEADING SOUTHEAST ASIAN NATION AND OF ITS VALUE AS A US ALLY. THAILAND'S STABILITY AS WELL AS ITS FRIENDLY COOPERATION WITH THE UNITED STATES IS AND WILL REMAIN IMPORTANT FOR THE EVOLUTION OF PEACEFUL, STABLE RELATIONSHIPS THROUGHOUT SOUTHEASTI* ASIA.

BECAUSE OF CRITICAL DEVELOPMENTS IN INDOCHINA DURING 1972, US/THAI MILITARY COOPERATION LOOMED LARGE IN OUR RELATIONSHIP. THE NORTH VIETNAMESE SPRING OFFENSIVE REQUIRED A TEMPORARY REVERSAL OF THE DRAW-DOWN IN US AIR UNITS IN THAILNA**AND. WITH AGREEMENT OF THE ROYAL THAI GOVERNMENT, ADDITIONAL US FORCES WERE ASSIGNED TO THAI AIR BASES, RAISING THE NUMBER OF MILITARY PERSONNEL FROM THE PREVIOUS 2*32,200 TO ABOUT 45,000 AND THE RATE OF COMBAT MISSIONS FLOWN WAS CORRESPONDINGLY INCREASED. THESE FORCES WILL BE REDUCED AS CIRCUMSTANCES PERMIT.

THE US REACTION TO THE INTENSIFIED NORTH VIETNAMESE MILITARY PRESSURE HELPED TO REASSURE THE THAI OF US FIRMNESS OF PURPOSE IN INDOCHINA AND THUS INDIRECTLY TO REASSURE THEM OF OUR DETERMINATION TO UPHOLD OUR COMMITMENTS IN THE AREA, INCLUDING SEATO, WHICH IS THE ONLY US SECURITY COMMITMENT TO THAILAND. NEVERTHELESS, THE THAI HAVE SHOWN SOME UNEASINESS OVER THE CREDIBILITY OF THAT COMMITMENT IN THE FACE OF US MILITARY WITHDRAWAL FROM VIETNA-*M, ACCOMPANIED BY POLITICAL R*PRESSURES IN THIS COUNTRY WHICH COULD, SOME FEAR, LEAD TO A WEAKENING OF US WILL TO CONTINUE PLAYING A STABILIZING ROLE IN SOUTHEAST ASIA.

ONE REASON FOR UNEASINESS OVER THE FUTURE US ROLE IS THAI UNCERTAINTY ABOUT THE PROSPECTS FOR STABILITY IN NEIGHBORING LAOS AND CAMBODIA AFTER TRUCE AGREEMENTS HAVE BEEN REACHED. WE HAVE ATTEMPTED TO ASSURE THEM THAT THAI SECURITY INTERESTS HAVE BEEN TAKEN FULLY INTO ACCOUNT IN OUR NEGOTIATIONS WITH THE NORTH VIENT**TNAMESE.

ALSO OF GROWING CONCERN TO THE THAI IS THE COMMUNIST INSURGENCY IN THAILAND WHICH CONTINUED TO EXPAND AND TO RECEIVE OUTSIDE SUPPORT, FROM THE PEOPLES REPUBLIC OF CHINA AND FROM HANOI. THE INSURGENCY IS STILL NOT A SERIOUS THREAT TO THE COUNTRY'S STABILITY AND THE THAI COMMUNIST PARTY HAS NOT BEEN ABLE TO DEVELOP A STRONG POLITICAL BASE AMONG THE PEOPLE. NEVERTHELESS, THE THAI ARE APPREHENSIVE THAT, WITH CONTINUING EXTERNAL SUPPORT, IT MAY GROW TO MORE SERIOUS PROPORTIONS.

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THE ROYAL THAI GOVERNMENT NEITHER EXPECTS NOR DESIRES DIRECT US MILITARY INVOLVEMENT TO HELP THEM MEET THIS PROBLEM BUT THEY EXPECT US MILITARY AND ECONOMIC AID TO CONTINUE IN SUPPORT OF THEIR INTERNAL SECURITY AND DEVELOPMENT PROGRAMS. BECAUSE OF OUR OWN INTERESTS IN THAILAND'S STABILITY AND PROGRESS, WE HAVE CONTINUED TO PROVIDE SUBSTANTIAL ECONOMIC AND MILITARY AID. IN FY 72 WE GAVE ABOUT DOLS 92 MILLION IN MILITARY ASSISTANCE AND ABOUT DOLS 16.5 MILLION IN GRANT ECONOMIC AID, AS COMPARED WITH DOLS 62 MILLION AND DOLS 22.5 MILLION RESPECTIVELY N$IN FY 71. (NOTE: THE FY 72 MILITARY AID FIGURE INCLUDED ABOUT DOLS 10 MILLION IN TRANSFERS RELATED TO PARTICIPATION OF THAI FORCES IN VIETNAM. ANOTHER DOLS 15 MILLION WAS PART OF A SPECIAL PROGRAM OF SUPPORT FOR THAI COUNTERINSURGENCY EFFORTS.) IN MARCH WE CONCLUDED A PL 480 AGREEMENT WITH THE ROYAL THAI GOVERNMENT UNDER WHICH WE WILL SELL, ON CONCESSIONAL CREDIT TERMS, DOLS 14 MILLION WORTH OF SURPLUS WHEAT AND TOBACCO. AN ADDITIONAL SALE OF APPROXIMATELY DOLS 16 MILLION IN SURPLUS COTTON IS ALSO UNDER DISCUSSION.

US ASSISTANCE HAS ALSO BEEN PROVIDED TO SUPPORT THAI GOVERNMENT ANTI-NARCOTICS PROGRAMS. PARTICULARLY SIGNIFICANT WAS THE CREATION OF A SPECIAL NARCOTICS ORGANIZATION WITHIN THE THAI POLICE ESTABLISHMENT. THROUGH THE OPERATIONS OF THIS ORGANIZATION, AND AS A RESULT ALSO OF INCREASINGLY EFFECTIVE ACTION BY OTHER THAI LAW ENFORCEMENT AGENCIES, 1972 SAW A RECORD NUMBER OF NARCOTICS SEIZURES AND ARRESTS. THERE IS ALSO EVIDENCE THAT MARKETING CHANNELS ARE BEING SIGNIFICANTLY DISRUPTED BY THESE INTENSIFIED ~~ENFOR~~CEMENT EFFORTS. PROGRAMS HAVE BEEN INITIAITED ENFORCEMENT EFFORTS. PROGRAMS HAVE BEEN INITIATED AIMED AT THE ELIMINATION OF OPIUM POPPY GROWING, A TRADITIONAL ECONOMIC ACTIVITY OF SOME OF THAILAND'S HILL PEOPLES. THIS EFFORT REQUIRES NOT ONLY EFFECTIVE LAW ENFORCEMENT BUT ALSO, AS AN ESSENTIAL CONCOMITANT, THE INTRODUCTION OF ALTERNATIVE SOURCES OF INCOME, INCLUDING SUBSTITUTE CROPS. THE US, ALONG WITH UN AGENCIES, IS PROVIDING AID AND ADVICE IN HELPING THE THAI GOVERNMENT IN THIS IMPORTANT AREA. PROGRESS IS THUS BEING MADE, BUT THE NARCOTICS TRAFFICKING PROBLEM REMAINS SERIOUS AND EVEN MORE INTENSIVE EFFORTS ARE REQUIRED.

COOPERATION BETWEEN THE US AND THAILAND IN ECONOMIC AFFAIRS OTHER THAN THROUGH OUR BILATERAL ECONOMIC ASI$SISTANCE PROGRAM WAS ALSO A PROMINENT FACET OF OUR RELATIONSHIP DURING 1972. WE CONTINUED OUR PARTICIPATION IN A

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MULTI-NATIONAL WORLD BANK CONSULTATIVE GROUP FOR THAILAND THAT HAS AS A MAJOR PURPOSE TO STIMULATE INCREASED ECONOMIC AND TECHNICAL ASSISTANCE FROM DEVELOPED COUNTRIES. THIS GROUP IS USEFUL AS AN INSTRUMENT FOR DIVERSY%IFYING THAILAND'S ECONOMIC ASSISTANCE SOURCES AND THUS REDUCING THE DEGREE OF THAT COUNTRY'S DEPENDENCE ON THE UNITED STATES.

WITH CLOSE CONSULTATION BETWEEN OUR REPRESENTATIVES, THE AMERICAN BUSINESS COMMUNITY IN THAILAND AND THE THAI GOVERNMENT, SEVERAL POSITIVE STEPS IMPROVED THE INVESTMENT CLIMATE, NOTABLY A REGULARIZATION OF RESIDENCE PERMIT PROCEDURES AND ISSUANCE OF REGULATIONS FOR SOME NEWLY DEVELOPED US FINANCIAL ENTERPRISES IN THAILAND. THE AMBASSADOR AND BANGKOK'S AMERICAN CHAMBER OF COMMERCE MEET MONTHLY TO SUPPORT INTENSIFIED TRADE AND INVESTMENT PROMOTION CT%%ACTIVITIES. IN ADDITION, AN AGREEMENT ON MARCH 16 REGULARIZED THAI COTTON TEXTILE EXPORTS TO THE UNITED STATES BY BRINGING THEM FORMALLY INTO THE FRAMEWORK OF THE UNITED STATES LONG TERM TEXTILE ARRANGEMENT.

WHILE CONTINUING TO RELY UPON AND TO COOPERATE CLOSELY WITH THE UNITED STATES AS THE MAIN STABILIZING FORCE IN SOUTHEAST ASIA AND AS A GUARANTOR OF THAI SECURITY, THE RTG DURING 1972 TOOK STEPS TO ADJUST ITS FOREIGN RELATIONS TO THE CHANGING TIMES. MOST IMPORTANT WAS THE OPENING OF OFFICIAL CONTACTS WITH THE PEOPLES REPUBLIC OF CHINA. BOTH COUNTRIES APPEAR TO VIEW THIS AS A PROMISING ST%%BEGN%INNING IN IMPROVING R%THEIR RELATIONS NOTWITHSTANDING OBSTAELES SUCH AS PRC SUPPORT FOR THAI INSURGENTS. THE UNITED STATES IS PLAYING NO PART IN THE EXCHANGES BETWEEN THE TWO COUNTRIES BUT WE LOOK WITH FAVOR UPON THIS DEVELOPMENT AS BEING CONSISTENT WITH OUR OWN EVOLVING RELATIONSHIP WITH THE PEOPLES REPUBLIC OF CHINA AND AS A CONTRIBUTION TO GENERAL RELAXATION OF TENSIONS IN EAST ASIA. 44