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Talks Falter

Economic negotiations between the Cambodians and the South Vietnamese were suspended without agreement on several major issues when the Saigon cabinet withheld approval of agreements covering trade relations. The Cambodians, for their part, balked over Saigon's re-

quest for a \$38 million "contribution" from Phnom Penh to help defray costs of South Vietnamese military operations in Cambodia. Although South Vietnamese intransigence may be largely a bargaining ploy for the next unscheduled series of talks in Phnom Penh, such apparent bad faith likely did not sit well with some Cambodian leaders who are already hypercritical of their Saigon allies. (~~SECRET NO FOREIGN DISSEM~~)

Thailand: *Insurgent Prospects Improve*

The insurgent movement in northeast Thailand is continuing to rebound from the setbacks suffered during the 1967-68 period. During the past rainy season, the insurgents concentrated on improving their organization and village support network in traditional operating areas rather than significantly expanding their armed strength—which remains around 1,500—or attempting to move into new operational sectors. There is evidence, however, that for the first time in the northeast the insurgents have established a secure base, in the Duong Luang area of Nakhon Phanom Province. This region has been the most active insurgent area since the movement in the northeast began in 1965.

limited evidence suggesting an increase in the links between insurgents and their sympathizers in urban areas.

Despite their improved capabilities, the insurgents have avoided large-scale or highly visible actions. Increased terrorism and harassment of the government's fledgling village defense forces are designed to gain the initiative without prompting a major government counteroffensive. Such tactics are effectively playing on both Bangkok's belief that the insurgency in the northeast is well in hand and the Thai Army's desire to turn over its counterinsurgency role to police and civilian agencies.

In addition to supporting the training and indoctrination of insurgents and the filling out of quasimilitary village units, the base has facilitated an increase in external support for the insurgency. Chinese AK-47 rifles reportedly have been infiltrated into the region from Laos in increasing numbers, and there are indications that more Thai cadre who have been training in China and North Vietnam are returning to the area. There is also

With the deteriorating situations in Cambodia and Laos providing the pretext, the 2nd Army has since midsummer reduced its counterinsurgency force commitment in the northeast by two thirds, or to less than 1,000 troops. Moreover, the army now is under orders to engage in suppression operations only in response to emergency situations. (~~SECRET NO FOREIGN DISSEM~~)

Laos: *The Southern Campaign Begins*

Communist forces overran several key government positions on the Bolovens Plateau in a series of closely coordinated attacks on 22 November. The enemy captured two main irregular

bases, Sites 26 and 38, northwest of Attopeu as well as four other outposts in the same general area. Two other sites, about 15 and 30 miles north of Attopeu, were also captured.

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