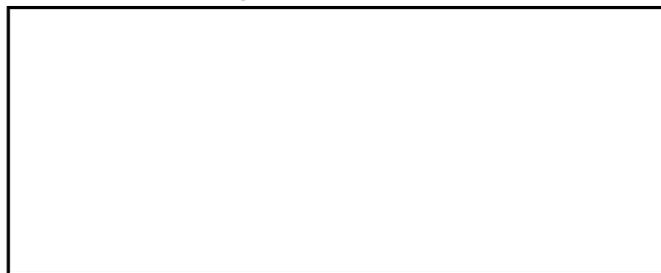


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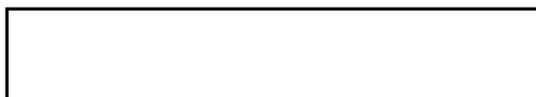
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CAMBODIA: Phnom Penh's reserves of some petroleum products are almost exhausted. The last regular supply convoy to reach Phnom Penh from South Vietnam was on 20 March. Unless stringent rationing measures are enforced and the Cambodian Army reopens the Mekong River corridor soon to supply convoys, the city could be out of gasoline and diesel fuel by week's end.

The Khmer insurgents now control about 20 miles of the river between Phnom Penh and the government base at Neak Luong. Elements of three, and possibly four, insurgent regiments are known to be in the area. The government has assigned two infantry brigades and several battalions of paratroops from Phnom Penh's general reserves to sweep operations along the lower end of Route 1 between Phnom Penh and Neak Luong, and along the Mekong.

These demoralized units have shown little taste for combat, however, and thus far have made no progress. Army Chief of Staff Fernandez is reluctant to reinforce them with other units from his dwindling reserve because he fears that this would lead to territorial losses elsewhere.

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USSR-US: In a private meeting with US Export-Import Bank Chairman Kearns on 30 March, Premier Kosygin took a positive attitude toward expanding economic relations with the US. He stressed his interest in developing long-term relations across the board with the US, particularly in the areas of trade and economic cooperation. He expressed concern, however, about the instability of the dollar and attendant difficulties of doing business with the US.

Kosygin repeated a theme expressed by other Soviet officials in recent months that the development of US-Soviet trade thus far has been one-sided. He would clearly like to expand Soviet exports to include commodities such as capital goods. He regards the current state of US-Soviet trade as being of a "momentary nature" and believes that really major business ventures should be undertaken to put Soviet-US economic relations on a "real and sound" basis. To accomplish this, it is clear that Kosygin strongly desires that massive long-term credits on easy payment terms be made available.

Kosygin cited inflation, the instability of the US dollar, and related international monetary problems as obstacles to the development of US-Soviet trade. He expressed concern over short-run effects, such as high prices of grain, artificial fibers, and other commodities, and in the long run, the impact of this instability on negotiations for large-scale joint projects. He referred to the Eurodollar pool, estimated at \$80 billion, held in Western Europe and suggested that the USSR might borrow from it to buy US equipment. Such purchases would be used to develop Soviet raw materials for sale to Western Europe and to the US. This triangular arrangement, he thought, would satisfy all parties concerned.

Kosygin expressed satisfaction with the credits that the US Export-Import Bank has already extended, but downgraded the \$500 million in Commodity Credit Corporation credits, calling them short term in nature. In effect, he appears to be calling for longer payment terms for grain purchases.

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OAS: Venezuela and Chile reportedly intend to propose changes in the policy of sanctions against Cuba during the OAS General Assembly that begins here tomorrow. The assembly also will provide another forum for Latin American countries to criticize US economic policies.

The sanctions--imposed in 1964 and 1967--resulted from Venezuela's charges that Cuba was sponsoring subversion in its territory. Consequently, any Venezuelan move to modify the sanctions policy will have a significant impact on the attitudes of other delegations.

A two-thirds majority (16 votes) is necessary to rescind the sanctions. Since a vote of this size probably will not be obtained, the anti-sanctions forces are likely to introduce a broadly worded resolution designed to gain a simple majority.

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At the same time, other delegations may move to postpone the issue by referring it to the Permanent Council. The final outcome, depending on the wording, probably will be very close.

Most of the rhetoric against US trade and aid policies will come during the debate on Secretary-General Galo Plaza's "review of the system of inter-American cooperation for development." Many Latin Americans have criticized US trade barriers, "coercive" economic measures like the Hickenlooper and Gonzalez amendments, and what they see as insufficient sharing of new technology.

The US can also expect criticism during discussion of Venezuelan Foreign Minister Calvani's agenda item on "consideration of the ultimate purpose and mission of the OAS." The primary debating theme

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under this heading will be the complaint of some Latin Americans that the US exerts excessive influence in the inter-American system.

Under the Calvani item, both Panama and Peru are expected to make general proposals for a reorganization of the OAS. They probably will suggest the creation of separate economic and political bodies and the moving of OAS headquarters from Washington to a Latin American city. A major goal is to reduce US voting power in the Inter-American Development Bank. Although the assembly will provide a forum for articulating the many problems of the OAS, it will be unable to come up with any practical solutions.

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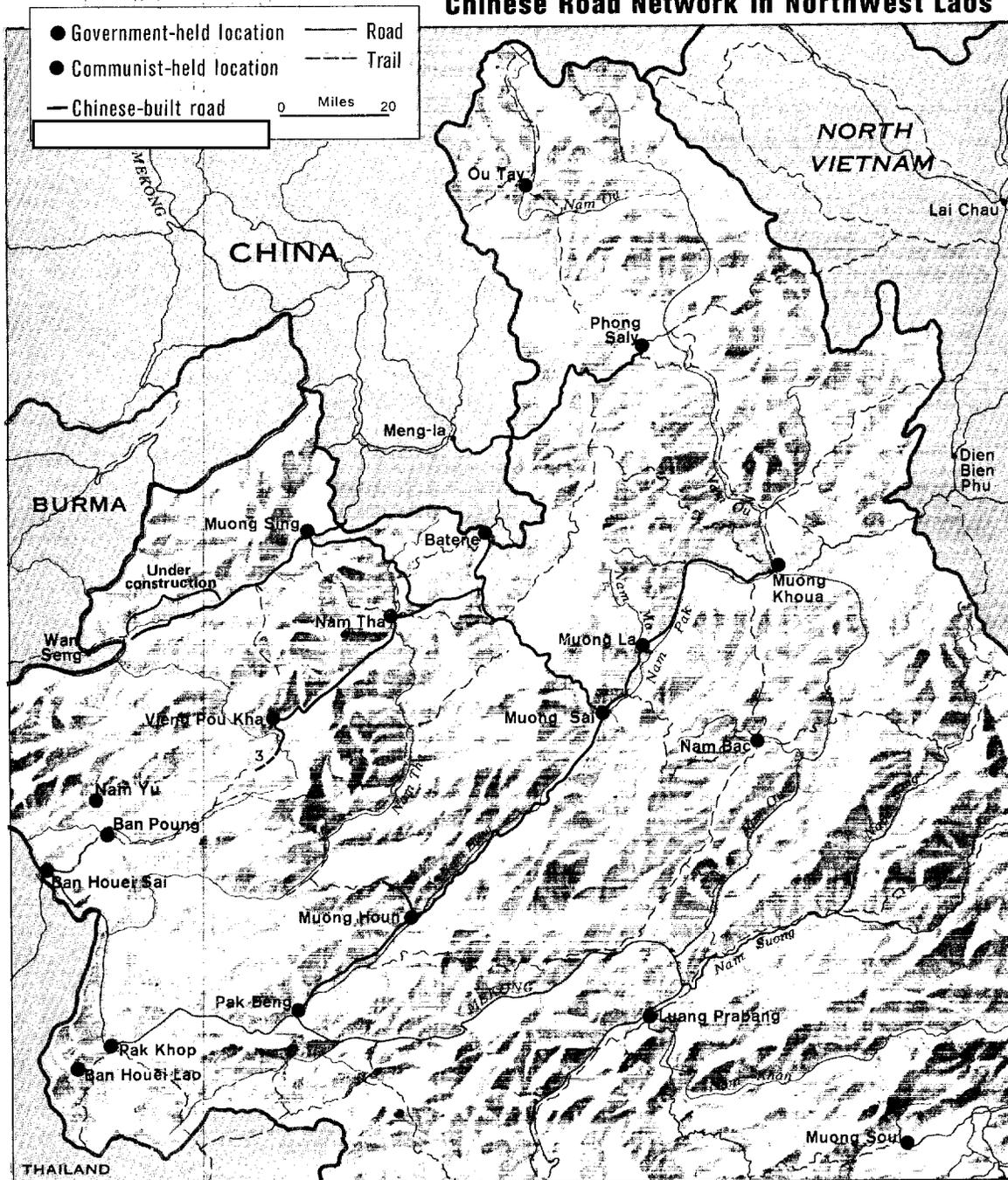
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Chinese Road Network in Northwest Laos



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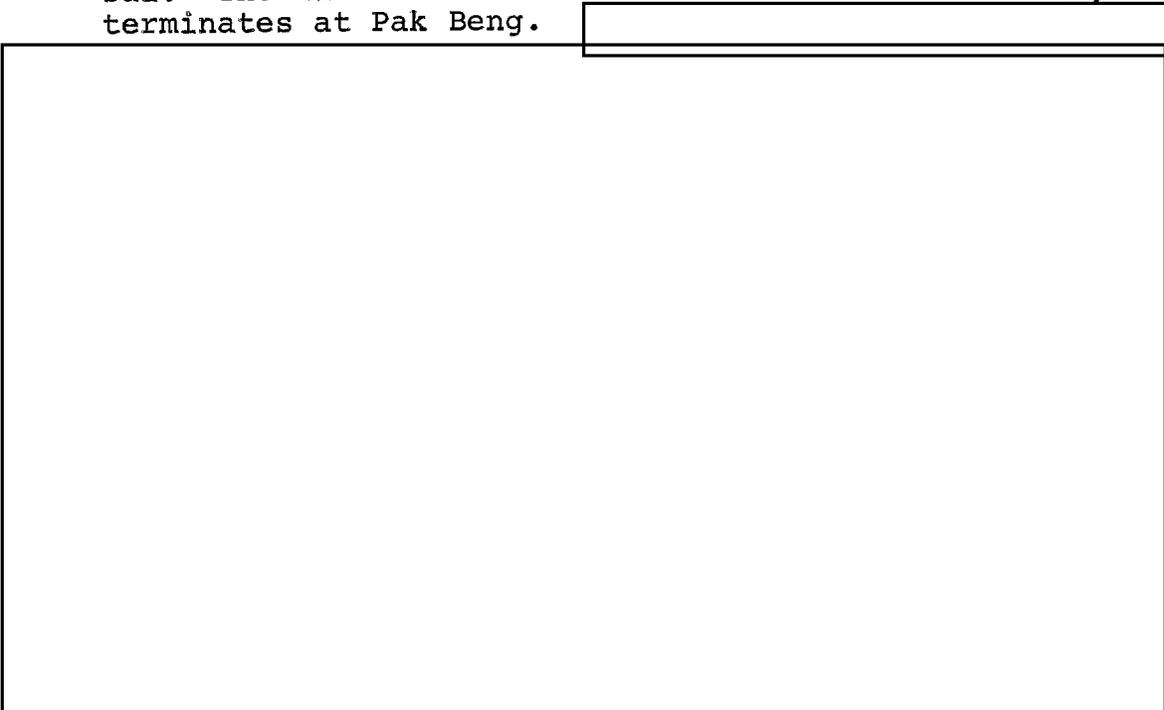
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CHINA-LAOS: Chinese road construction crews in extreme northwestern Laos have reached the Mekong River at the Burmese border.

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[redacted] an old logging road, Route 322, has been repaired and cleared from the Chinese border southwest to the Mekong where the river forms the Lao-Burmese border. The road is motorable to within at least eight miles of the river. There are no government forces in the area, but there are signs of growing Burmese Communist activity in the adjacent Shan state of Burma. The Chinese are still working on Route 3 leading southwest from the Pathet Lao administrative center at Nam Tha toward Ban Houei Sai, a government-held town on the Mekong. Construction on Route 3 has not advanced since mid-March, and its terminus is still 23 miles away from a serviceable spur road leading to Ban Houei Sai. The first Chinese-built road to the Mekong terminates at Pak Beng.

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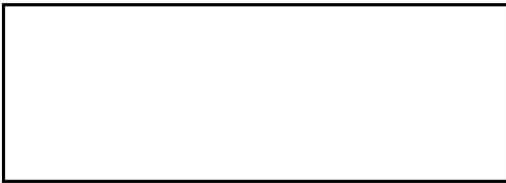
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