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size and objectives of the attacking forces. Nevertheless, it is reasonable to assume that the attacks were at least supported by the North Vietnamese Communists and that their minimum objective is the reactivation of the International Control Commission. Visits by the Foreign Ministers of the Republic of Viet-Nam, Cambodia and Thailand have served to improve the good relations of Laos with those countries and may pave the way for increased cooperation with Thailand and Viet-Nam. Strong British support of the Lao Government's opposition to communist efforts to reactivate the International Control Commission was another encouraging development.

Although the Lao Government appears to have handled the insubordination of the former Pathet Lao battalion at Xieng Khouang in a moderate manner, this episode gives cause for concern on two grounds: first, the Lao Army displayed a disappointing lack of capacity to control a small scale internal security problem when it permitted the battalion to escape; second, communist bloc threats relating to this episode raised the possibility that the bloc may be planning either an accelerated subversive effort in support of the Neo Lao Hak Xat or a more serious move in Southeast Asia. Discussions in Paris at the end of May resulted in a general reconciliation of French and American views on means of improving the effectiveness of the Lao National Army through American participation in training in a manner that the French Government can justify in the light of its responsibilities under the 1954 Geneva Accords. The Lao Government has accepted French-American proposals, and a joint training program has been initiated.

The generally increased pro-Western posture of Laos has included a greater appreciation of SEATO. However, neither the Lao Government nor the United States favors Laos joining SEATO at this time.

Monetary reform, including the adoption of a realistic rate of exchange and free convertibility of the Lao currency, was undertaken by the Royal Lao Government on October 10, 1958. The reform has been successful in virtually eliminating previously widespread financial and commercial abuses and in essentially holding the line on inflation. A number of serious financial problems for the United States and for Laos, which existed in varying degrees of importance prior to the institution of monetary reform, remain unresolved: (1) Lao Government revenues remain strikingly low while expenditures have increased, thus aggravating the already sizeable civil budget deficit; (2) dollar reserves have substantially declined and have only been maintained above the "safe" level by periodic injections of cash grant dollars; (3) with the exception of POL (petroleum and other lubricants) products the use of Procurement Authorizations for imports has almost entirely ceased.

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