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Weekly Summary

State Dept. review
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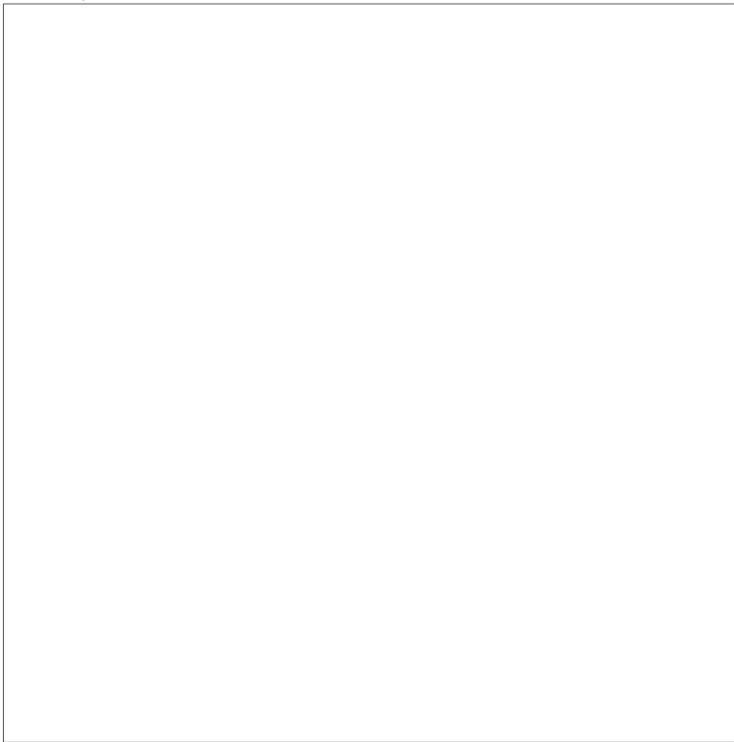
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CONTENTS (May 31, 1974)

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore 25X1 shed separately as Special Reports are listed in the contents.



1 The Middle East: Disengagement

**MIDDLE EAST
AFRICA**

- 3 Israel: New Government
- 4 Iran-Egypt: Manna from the Shah
- 5 Greece-Turkey: Troubled Waters
- 6 Portuguese Africa: Seeking a Cease-fire

EUROPE

- 8 France: Giscard Begins a New Era
- 9 CSCE: Fading Prospects

25X6

FAR EAST

- 10 Cambodia: Homeward Bound
- 11 Thailand: Political Turmoil
- 12 South Vietnam: More Fighting
- 13 Laos: Another Communist Initiative
- 14 Canton Fair Gets Poor Marks

**WESTERN
HEMISPHERE**

- 15 Cuba's Experiment in Democracy
- 16 Argentina: Anti-Guerrilla Offensive

Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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Disengagement

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Reaction throughout the Middle East to the announcement on May 29 of a Syrian-Israeli disengagement has been generally favorable. The important parties to the dispute, however, have treated the announcement with caution or have withheld official comment.

Syria

Damascus radio quoted President Nixon's announcement of the agreement, but so far has not carried any official statement or explanation of the accord. A Syrian-Soviet communique issued at the time of Foreign Minister Gromyko's departure from Damascus played down the importance of the agreement, repeating Syria's position that the separation of forces is merely a "first and inseparable part of an over-all settlement."

The Syrian public is puzzled by the government's performance, according to Western reporters. Some people reportedly doubt that an agreement has really been reached; others assume that an official statement will come with the signing of the document in Geneva on May 31.

Israel

In Israel, officials sought to dispel apprehension. Information Minister Peres said at a press conference on May 29 that no one regrets signing the separation of forces agreement with Egypt, which he said improved Israel's position, and that

Reaction in the Middle East

a similar "change in the atmosphere" may come from the agreement with Syria. He insisted that the government agreed out of a clear Israeli interest, and that it had not sold out settlers on the Golan Heights.

The conservative Likud coalition announced that it opposed ratification of the agreement. A Likud spokesman criticized the accord for jeopardizing the Golan settlements, failing to elicit a Syrian promise to prevent fedayeen attacks from its territory, and neglecting the plight of Jews in Syria.

In spite of Likud's opposition, the Knesset yesterday approved the agreement.

Egypt

Cairo radio emphasized President Nixon's statement that prospects for peace in the Middle East are now better than they have been at any time over the past 25 years. Egyptian officials noted that the agreement opens up the possibility of negotiations on further Israeli withdrawals from Egyptian territory, and clears the way for resumption of the peace negotiations in Geneva.

Lebanon

The Lebanese government has expressed its approval. Influential members of parliament, however, have expressed concern that the Israeli military threat to Lebanon may now increase, and

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Tel Aviv might be able to sow further dissension between the Lebanese and the Palestinians.

Fedayeen

The Palestine Liberation Organization had not released a statement as of May 30. Within the fedayeen movement, however, the conclusion of the disengagement agreement will strengthen the position of Palestinian moderates who favor Palestinian representation at the Geneva conference. Syria, with Egyptian urging, can be expected to align Saiqa—the fedayeen group Damascus supports—with Yasir Arafat in favor of attending the Geneva talks. The more extremist fedayeen organizations will reject any solution that appears to imply acceptance of Israel as a state, even assuming that the Israelis withdraw from all of the territories occupied in 1967. The prospects appear to be for continuing disarray in the ranks of the fedayeen, more acts of terrorism by extremist elements, and support of these groups by Iraq and Libya.

FIGHTING SCHEDULED TO CEASE

Fighting continued at a low level even after the announcement of the accord. A Syrian spokesman stated on May 30 that Syrian tanks and artillery were firing on Israeli positions. All fighting is supposed to cease on May 31, however, with the formal signing of the disengagement agreement in Geneva.

Except for an occasional flare-up, the level of combat on the Golan front was lower this past week than at any time since fighting resumed in mid-March. Israeli and Syrian forces exchanged only sporadic tank, artillery, and mortar fire. Israeli and Lebanese troops engaged in a number of minor skirmishes.

Israeli and Syrian aircraft were active on a couple of occasions, attacking targets in the central sector of the front. The Israelis flew a few reconnaissance missions over southern Lebanon and the Golan Heights.

THE USSR: STAYING INVOLVED

4 [The Soviets stepped up their Middle East diplomacy during the week, probably in anticipation of the disengagement agreement between Syria and Israel. Moscow apparently wants to strengthen its ties with several Arab states prior to the return of Middle East peace negotiations to Geneva.]

4 [Soviet Foreign Minister Gromyko flew to Damascus on Monday for consultations with Syrian leaders on the status of the negotiations and to assure Syrian President Asad of Moscow's support. In view of Moscow's almost total exclusion from the Egyptian-Israeli disengagement negotiations, the Soviets hope to underline their continuing interest in the Middle East and perhaps to take some credit for the Syrian-Israeli agreement.]

4 [As he left Damascus, just hours prior to the announcement of the disengagement agreement, Gromyko said that the USSR fully supports Syria's stand on the agreement and on the entire Middle East problem. It seems likely that Gromyko sought some assurances from Asad that Syria will attend the Geneva peace conference and will work closely with Moscow.]

4 [Meanwhile, Soviet-Egyptian relations appeared to take a turn for the better as Moscow initiated an exchange of messages of praise and gratitude with Cairo on the third anniversary of the Soviet-Egyptian Friendship Treaty.] [Contrary to press speculation, however, Moscow has not yet resumed military aid shipments to Egypt.]

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[In contrast, the Soviets have continued to supply Syria with sophisticated new arms.]

3 [Soviet Defense Minister Grechko arrived in Algeria on May 27 for a four-day official visit—an apparent Soviet attempt to consolidate bilateral relations.]

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ISRAEL: NEW GOVERNMENT

7 5 Prime Minister - designate Yitzhak Rabin informed President Katzir on May 28 that he had succeeded in putting together a cabinet to replace that of Prime Minister Meir. The Knesset is expected to approve the new government, in formation for nearly five weeks, although the tally will probably be close; the vote is now scheduled for June 3.

7 Rabin had an uphill struggle all the way. The initial euphoria of unity within his dominant Labor Party, which surrounded his election last month as party leader, quickly evaporated under the intense factional competition for ministerial representation, particularly for the key defense and foreign affairs portfolios. The outcome became clear only when, after a stormy session, the Labor leadership on May 28 voted to approve Rabin's cabinet line-up.

7 5 A last-minute controversy centered on Foreign Minister Eban's refusal to become minister of information unless he were also given the largely powerless but more prestigious post of deputy prime minister now held by Yigal Alon. Rabin demurred, apparently because Alon, who heads the party's powerful leftist faction, insisted on retaining the post for himself in addition to becoming foreign minister as the price for his faction's continued participation in the government. The faction that Eban belongs to finally and grudgingly accepted his exclusion.

5 Three fourths of Rabin's proposed 20-member cabinet are holdovers from Mrs. Meir's outgoing government, but, in addition to Meir and Eban, two prominent Labor leaders are not included. Moshe Dayan, who has come under widespread criticism as being primarily responsible for Israel's unpreparedness for the October war, will be replaced as defense minister by his Rafi faction colleague, Information Minister Shimon Peres.



7 The Labor Party's powerful "king-maker," Pinhas Sapir, although a Rabin supporter, will step down as finance minister, perhaps seeking to avoid the political pressure that is building as a result of Israel's economic problems. Rabin's efforts to keep the factions and parties in his government together could be hampered without Sapir's presence in the cabinet, as he is Labor's most skillful political mediator and parliamentary tactician. Rabin is keeping the important finance portfolio vacant, apparently pending further efforts to persuade Sapir to stay on.

6 Three portfolios—interior, religious affairs, and welfare—will be held open for the National Religious Party. Rabin still hopes to induce it to relent on the religious conversion issue and rejoin the coalition. This would give the government an additional ten Knesset seats and a comfortable majority. The coalition Rabin now heads, which is made up of the Labor Alignment and two small liberal parties, commands a majority of only one in the 120-member Knesset.

5 Rabin told newsmen that his government will be one of "continuity and change," and promised some changes in foreign affairs and defense. Rabin appears willing to adopt a more flexible approach to peace negotiations than Mrs. Meir, and can count on additional Knesset votes from the leftist parties on the issue. His room for maneuver, however, will be limited by the strong bloc of conservative Labor deputies and by his interest in eventually getting the National Religious Party to enter the government. He will continue to base Israel's foreign policy on maintaining the closest possible relations with the US.

7 On domestic matters, Israelis will look to Rabin for innovative approaches to such acute problems as inflation and housing, as well as greater social equality and electoral reform. Even though he is inexperienced in this area, Rabin will have a freer hand on these issues and may attempt to make a significant break from the past in domestic matters in order to establish that a new team has emerged in Israel.

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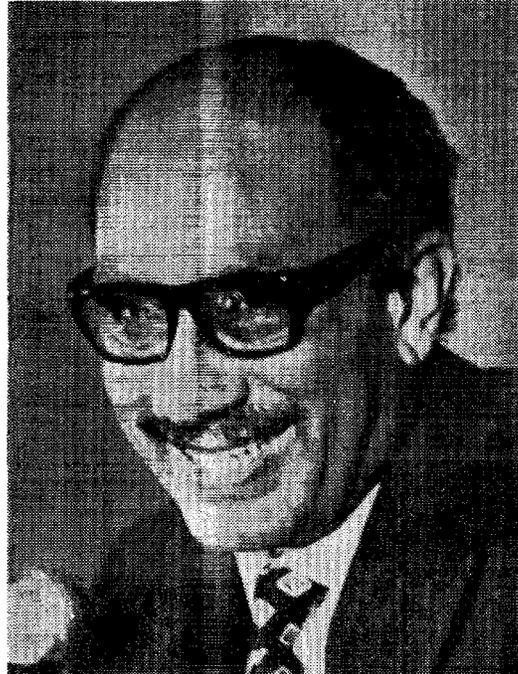
IRAN-EGYPT: MANNA FROM THE SHAH

Egypt's [redacted] discussions in Tehran that on May 25 produced an agreement in principle for economic credits from Iran of possibly \$870 million. Although some of the credit proposals may fall by the wayside, the Shah's overture cannot help but warm ties between the two countries, promote the Shah's regional image, and conceivably lead to an expanded Iranian economic role in the Mediterranean area.

The main points in the pact, of which the details are to be worked out later, call for Iran to:

- provide soft loans of \$250 million for rebuilding Port Said;
- provide \$400 million in credits to finance joint ventures in Egypt to produce phosphate and nitrogen fertilizers, plastics, and cotton goods for Iranian, Egyptian, and other markets;
- give up to \$100 million in credits to boost output in Egyptian chemical, paper, tire and tube, and textile plants;
- supply \$100 million in credits for the purchase of Iranian industrial, transport, road-building, and consumer goods;
- participate in widening the Suez Canal and constructing an oil pipeline from Suez to Port Said;
- set up a joint investment bank in Cairo with initial capital of \$20 million;
- as part of the quid pro quo, Iran will get a commercial outlet, including port facilities, on Egypt's Mediterranean coast.

Some aspects of the recent agreement may well be watered down during the detailed discussions to be held between June and September. Nevertheless, the stage has been set for closer economic relations, which could benefit both countries.



President Sadat

[redacted]

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Although now in a better financial position than in more than a decade, Cairo could use additional aid to revamp its basic services and to participate in joint ventures. Conceivably, President Sadat could also use the Iranian credits to spur Saudi Arabia into giving more aid. For his part, the Shah is looking for markets for Iran's expanding output, which—other than oil—cannot yet compete with products of industrial countries.

The agreement with Cairo is a major step in the Shah's plan to establish Iran as a leading power in the region. In the short run, the accord should pay off in political credits with Sadat, who in the past has been critical of Iran's dealings with Israel. It has become evident since the end of the October war that Tehran's policy is to develop better relations with the moderate Arab states. Toward this end, the Shah has more openly supported UN Resolution 242, which requires Israel to withdraw to pre-1967 boundaries.

[redacted]

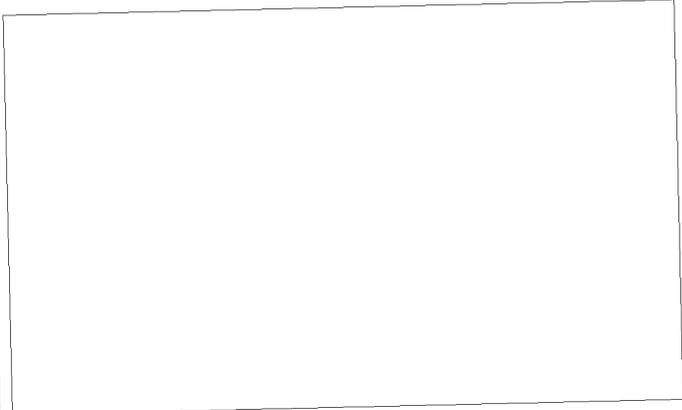
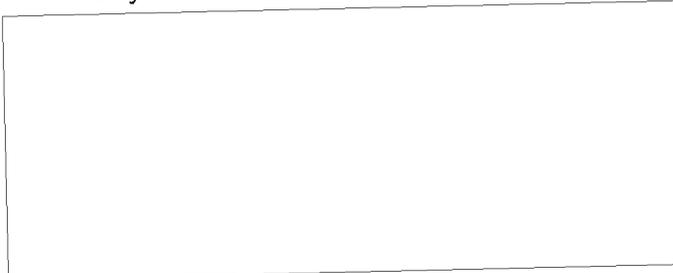
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GREECE-TURKEY: TROUBLED WATERS

(14-19)
Ankara, impatient over Athen's hesitation to commit the Aegean Sea dispute to negotiation, sent a ship this week to survey for oil in the eastern part of the sea. This move, which is regarded by Athens as "very serious," has substantially increased the risk of a military incident. A Turkish official has told US officials that the ship, which was escorted to the eastern Aegean by warships, will explore for oil in "disputed waters." The Turkish move puts pressure on Athens to back up its statements that it will defend its "rights" in the Aegean with force if necessary.

The US consul in Thessaloniki reported late this week that forces in northern Greece had been alerted and fighter aircraft moved to the area. He also observed one Greek amphibious ship loading at Thessaloniki. The Greek government called an emergency cabinet meeting on May 30 to decide how to deal with the Turkish action.



Prior to the Turkish move this week, there were signs that both sides anticipated early talks. A Greek diplomatic note last week seemed to offer some basis for discussions, and Ankara had announced that the respective foreign ministers would meet for talks at the NATO ministers' meeting in Ottawa on June 18-19. The Law of the Sea Conference starting in Caracas a few days later could provide another opportunity for direct contact.

The dispute, fueled by a promising oil discovery several months ago near the Greek island of Thasos, concerns differences over the continental shelf boundary. The Greeks hold that a median line should be negotiated between the Greek islands in the eastern

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25X1 Aegean and the Turkish mainland. The Turks want to divide the Aegean seabed equidistant between the respective mainlands. Under the Turkish version, the Greek islands off Turkey's coastline would be assigned a six-mile territorial sea limit. [redacted]

21 According to the US Interests Section in Algiers, the rebel delegation has received encouragement from the Algerians to stand fast in its demands, even if the talks have to be broken off temporarily. Prior to arriving in London, the delegation conferred in Algeria with President Boumediene, Foreign Minister Bouteflika, and the Algerian ambassador to the rebel regime. The rebel group flew to Britain in Boumediene's private plane.

Portuguese Africa SEEKING A CEASE-FIRE

22 General Spinoza's provisional government and the rebels in Portuguese Guinea began formal talks in London last weekend as part of Lisbon's priority effort to arrange early cease-fires in all three of its long-troubled African dependencies. After a week of discussions, the quick agreement sought by Lisbon had not yet been reached.

23 The London talks have dragged on beyond their originally scheduled deadline of May 27, as the rebels adopted a tougher bargaining stance than the Portuguese anticipated. Spokesmen for the two sides have characterized the talks as "friendly," but have refused to comment on the substantive matters being discussed. Portuguese Foreign Minister Soares flew to Lisbon on May 28 for consultations; he returned to the talks on May 30.

24 According to British press reports, the Portuguese negotiators are resisting rebel demands that Lisbon recognize the "Republic of Guinea-Bissau," proclaimed last September by the insurgent movement. The rebels apparently are also insisting that Lisbon recognize the right of independence of the Cape Verde Islands, as well as of Angola and Mozambique. Lisbon is trying to confine the present discussions to arrangements for a cease-fire in Portuguese Guinea. Soares told the US ambassador in Lisbon this week that Portugal remains hopeful of achieving an early cease-fire "in place" in Portuguese Guinea and of separating the other issues from the current talks.

25 So far, Lisbon has been unable to draw the insurgents in Mozambique and Angola to the negotiating table. The rebels in Mozambique are in a strong military position and probably prefer to see what concessions the Portuguese are willing to grant in the current talks. The Angolan rebels—split into three competing organizations, all militarily weak—are being pushed by Zaire, Zambia, and Tanzania to establish a united front that will be able to bring concentrated military and political pressure to bear on Lisbon. Representatives of the three groups met in Lusaka on May 26 and agreed to "work together." A meaningful reconciliation probably remains distant, however, given the mutual suspicions and past hostilities among the groups.

26 Meanwhile, the Portuguese military commander in Angola banned street demonstrations following a rally on May 26 by several hundred supporters of the Caetano government. That gathering was held in response to a political rally the same day by some 5,000 Africans supporting the Popular Movement for the Liberation of Angola, one of the three insurgent organizations. Although the African rally was peaceful and included an address by the interterritorial minister, the pro-Caetano demonstration was unorganized and unruly and, according to the US consul, could easily have gotten out of hand. The ban was motivated by a desire to avoid a serious racial clash in the future. So far, racial tensions in Angola have remained in a low key. [redacted]

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FRANCE: GISCARD BEGINS NEW ERA

President Giscard's cabinet is the most broadly based government to rule France in almost two decades. The composition of the 16-member cabinet indicates that Giscard intends to exercise firm control over his government and to be responsive to France's desire for change.

The leaders of Giscard's own Independent Republican Party will be key figures in the new

Cabinet. Party president Michel d'Ornano will head the Industry Ministry, while Giscard's right-hand man, Michel Poniatowski, will lead the Interior Ministry. Poniatowski is the only member with the title of minister of state, which entitles him to stand in for the prime minister when he is absent. Other Independent Republicans hold the Economy and Finance Ministry and the agriculture portfolio.

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25 The Gaullists did not fare well. Although they have five portfolios, including the premier-ship, no significant leader of the party is a member of the government. Only Housing and Equipment Minister Galley is a nationally prominent Gaullist, while the three other Gaullist ministers are party back-benchers. Premier Chirac's support of Giscard during the campaign alienated the more orthodox Gaullist leaders, and he may have trouble with them and their followers in the National Assembly. Chirac will probably be able to muster a solid majority in the assembly, but the Gaullist leadership has already made clear publicly that it will not follow unquestioningly the leadership of the Giscard team.

26 Members of various center groups hold four posts, with Jean Lecanuet, whose early support was critical to Giscard's victory, as justice minister. Giscard awarded the Administrative Reform portfolio to Jean-Jacques Servan-Schreiber, who represents the extreme left of Giscard's supporters and has been a severe critic of Gaullist administrations. The remaining three posts are held by technical experts.

26 The new foreign minister, Jean Sauvagnargues, is a career diplomat without political affiliation. He has been ambassador to Bonn since 1970. His appointment, coupled with the close relationship between Giscard and West German Chancellor Schmidt, suggests that cooperation with Bonn, especially in the EC, will receive high priority under Giscard. Sauvagnargues is an articulate defender of French interests, and his Western colleagues often find him difficult to deal with.

27 In his first week in office, President Giscard has continued efforts to overcome his patrician image. He has won wide praise for the simplicity of his inauguration and for his order that issues of newspapers in which the president is personally attacked will no longer be impounded. After the first cabinet meeting on May 29, a government spokesman said that the President had also ordered the suppression of wire-tapping. Virtually

unrestricted bugging by the security services has long been an irritant to the left and to critics of the government. 25X1

CSCE: FADING PROSPECTS

29 At the Conference on Security and Cooperation in Europe, Soviet intransigence over the issue of freer movement of persons and ideas between East and West has cast a pall over the negotiations at Geneva. Moscow's obstructionist tactics have provoked Western and neutral delegations to delay progress in other fields. As a result, many participants are beginning to harbor doubts about the wisdom of accepting the Soviet timetable, which envisages completion of the current stage of negotiations next month in time to sign the final agreement at a summit meeting in July.

29 As a result of the impasse, the EC Nine have begun to consider the courses that remain open in case the conference cannot be completed this summer. These options range from a continuation of the negotiations into the fall to the drastic step of adjournment *sine die*.

29 Western and neutral delegates, meanwhile, remain puzzled by the Soviet tactics, which have placed a successful early conclusion of the talks in serious doubt. The Soviets have persistently advocated a rapid conclusion to CSCE, even though their rigid negotiating posture since the Easter recess has not been conducive to this goal. While Moscow can still make last-minute concessions, it now appears that these may be too little and too late to get the West to conclude the talks with a summit-level meeting this summer.

30 The concessions demanded by the West touch sensitive nerves in the Kremlin and are bound to be controversial. Recent leadership changes and political uncertainty in various Western countries may have added to the Soviets' caution. They may now prefer to let the confused situation settle down a bit before making any commitments.

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CAMBODIA

HOMEWARD BOUND

Ranking Khmer Communist leader Khieu Samphan arrived in Hanoi from Peking on May 27, winding up an extended international tour. In the course of his two-month absence from Cambodia, the junketing "vice premier" and "defense minister" visited 12 Communist and nonaligned countries where he met with a host of important leaders. His travels served to make the point that the Khmer Communists must be reckoned with politically before the fighting in Cambodia can end. They also gave the Khmer Communists a chance to develop some early momentum for another bid to unseat the Lon Nol government at the UN this fall.

Samphan's visits to China undoubtedly were the high points of his tour. His successful talks in Peking appear to have aligned the Khmer Communists more clearly and firmly with China. While in Peking, Samphan declared that China is "our most reliable and solid rear area" and, in a joint communique issued at the end of his visit, he praised Chinese leadership and policies.

On the Chinese side, the communique repeated Peking's calls for an end to US "aggression" in Cambodia and the withdrawal of US support to the "Lon Nol clique" so that the Cambodians could resolve their differences independently. This long-held Chinese position stops short of prescribing a military solution and suggests that Peking has not yet excluded a negotiated settlement. There was no sign in the communique, however, that the Chinese anticipate any early solution in Cambodia.

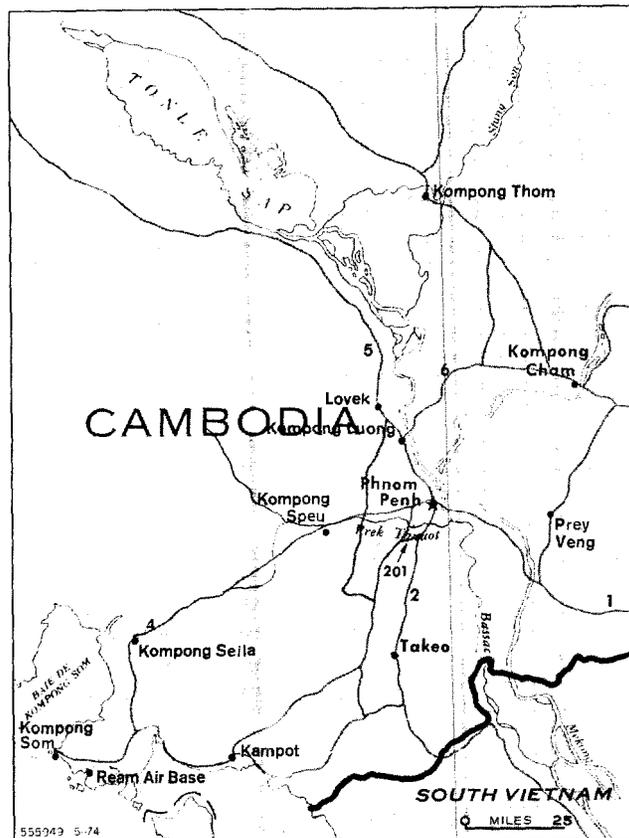
The communique also disclosed that an aid agreement had been signed providing for "gratis" Chinese military equipment to the insurgents. The Chinese first signed a separate military aid agreement with Sihanouk's "government" in mid-January 1973. The conclusion of the 1974 agreement so late in the year could mean that the level of Chinese support will be relatively low. The pact probably resulted from increased Khmer Communist pleas for support, especially in light

of what the insurgents consider to be continued heavy US assistance to Phnom Penh.

While not ignoring Sihanouk entirely, the communique played down his role in the "struggle." Sihanouk evidently was not present during the final substantive discussions in Peking. Samphan's treatment by the Chinese indicates that they believe he will take a major part in any future settlement.

THE MILITARY FRONT

Cambodian Army troops met stiff resistance this week as they tried to force the Khmer Communists from positions southeast of Phnom Penh between the Bassac and Mekong rivers. Insurgent infiltrators from this area and from an area



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northeast of the city managed to move within rocket and mortar range of the capital, but their sporadic shellings caused only light casualties.]

48]Government defenders well north of Phnom Penh at Lovek and Kompong Thom continued to counter insurgent initiatives. Elsewhere in this region, a Khmer Navy convoy moved up the Tonle Sap River from Phnom Penh to Kompong Chhnang City on May 28—the first transit of that important supply waterway since the Communists began their interdiction campaign five weeks ago. East of Phnom Penh, insurgent pressure seemed to be easing against Prey Veng City but, in the far southwest, the Communists continued to move in on the government garrison at Kompong Seila on Route 4.]

A GOVERNMENT CRACKDOWN

48]The government's patience with student-teacher agitation in Phnom Penh has finally run out. Early this week, authorities began arresting student and teacher activists on charges of illegal assembly. The move apparently was designed to quash student-teacher plans to organize a "popular congress" to discuss new anti-government measures.]

47]There were no serious reactions to the arrests, and by midweek the government had released 29 of the 64 detainees. The government's action apparently helped improve its shaky relations with the obstreperous National Assembly, which had been critical of Prime Minister Long Boret's failure to deal more forcefully with the unrest. [redacted]

THAILAND: POLITICAL TURMOIL

(50)
]Thailand's transition from military rule to democracy was sidetracked, at least for a while, last week when Prime Minister Sanya tendered his resignation to the King. Sanya had agreed last October to serve only until a new constitution could be promulgated and elections held, but the draft constitution is presently mired in the National Assembly.

Sanya, who has frequently voiced a desire to step down, claimed he could no longer cope with

the burdens of high political office. The Prime Minister and his cabinet had come under increasing attack in recent weeks for a lack of decisive leadership at a time of economic and political turmoil in Thailand. The 67-year-old Sanya, a professor who saw his government in an interim caretaker role, felt that it should be left to an elected government to forge sweeping new policies. This conflict of expectations, along with the desire of key members of his cabinet to pull out, led Sanya to conclude that his position was no longer tenable.

Although few Thais argue that Sanya is suited for political office, a genuine consensus emerged almost immediately that he was the best man to lead the nation at this delicate time. Sanya's appeal is due largely to the fact that he personally is not a threat to those with political ambitions or to the vested interests of the military and the bureaucracy. Three days after resigning, he responded to a vote of confidence by the National Assembly and to signs of wide public support, by agreeing to form a new government. He will make some changes in the cabinet, presumably affecting those who had been under strongest attack in recent weeks—the ministers of finance, commerce, education, and industry.

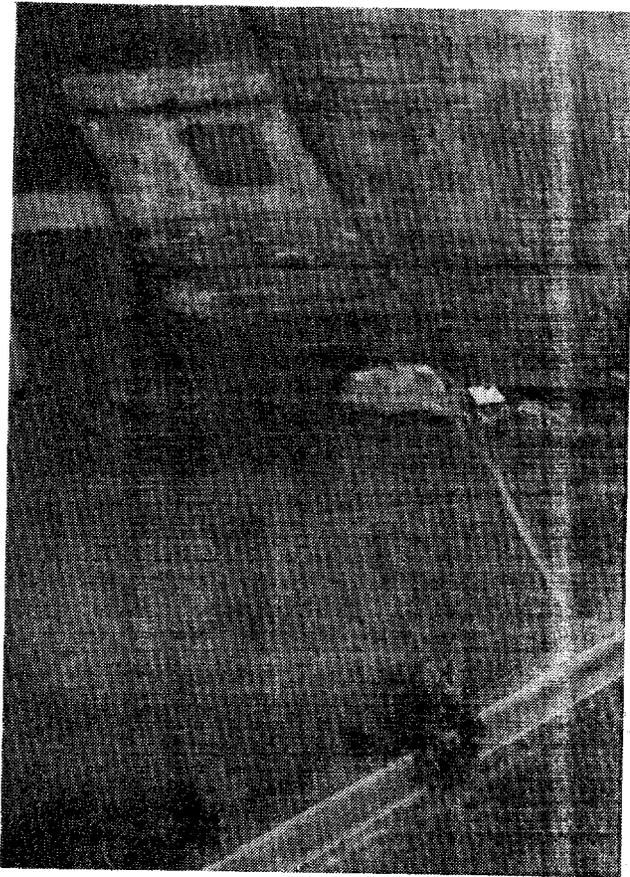
Thailand may gain some political maturity from the events of the past week. Sanya, like so many senior Thai officials, does not deal easily with the type of criticism being directed against the government in Bangkok's current free-wheeling political atmosphere. After years of tight military rule, the press and the politicians have been reveling in their new-found freedom to criticize even the prime minister. They may be learning, however, that there are limits as to how far they can push government officials. The turmoil already seems to have sparked a realization among many Thai that creating a democratic form of government will require cooperation and not just criticism from all quarters of the Thai political spectrum. The Bangkok press is now urging that the process of reviewing the draft constitution be expedited by the assembly. As things now stand, elections cannot be held until 90 days after the constitution has been promulgated. [redacted]

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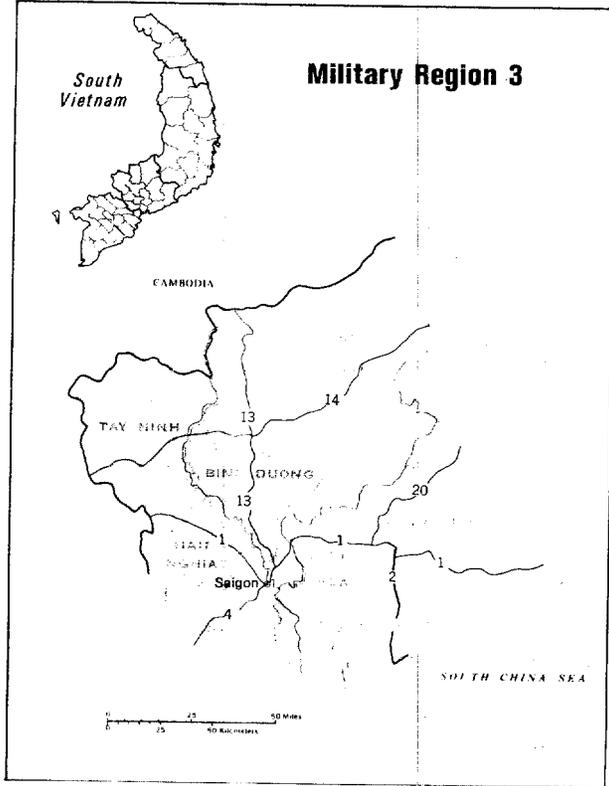
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SOUTH VIETNAM: MORE FIGHTING

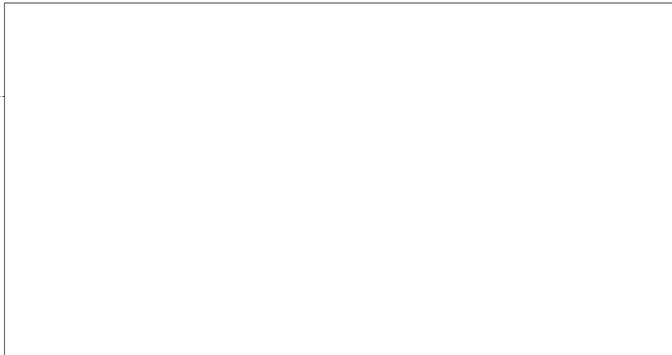
51 Military action remained relatively high in much of the country as tit-for-tat fighting occasionally grew into regimental and near division-sized engagements. Heavy fighting continued in Quang Tin Province, where a North Vietnamese force is attempting to re-assert Communist control in a thinly populated area and move toward the coastal lowlands. Action in the central highlands centered on a North Vietnamese garrison and supply depot at Vo Dinh, north of Kontum City. In retaliation for the Communists' capture of the government outpost at Dak Pek two weeks ago, the South Vietnamese launched heavy air strikes against Vo Dinh and are now trying to move against the base with a regiment-sized force.



GVN outpost in northern delta



77 This type and level of action is likely to continue throughout the country into June, with the focus possibly in the area northwest of Saigon. In this area, the South Vietnamese have thus far made little headway in their efforts to retake positions lost two weeks ago in Binh Duong Province.



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54 [Units from the Communists' 7th and 9th Divisions will apparently bear the brunt of the fighting, replacing elements of the 5th Division, which suffered substantial losses earlier this month. South Vietnamese counterattacks against those units evidently were severe enough to knock them out of action temporarily and force the Communists to bring up reinforcements.]

55 [Souphanouvong called for a policy of strict neutrality, maintaining that Laos should avoid involvement in any military pact or alliance. He advocated the normalization of relations with all countries regardless of their social or political systems, with top priority going to neighboring Indochinese states.]

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53 [redacted] government military commanders remain confident that they can contain any new fighting [redacted]

[redacted]

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55 [In his original presentation, Souphanouvong made it clear that the Communists will be zeroing in on a number of US activities in Laos, including:]

**Laos
ANOTHER COMMUNIST INITIATIVE**

55 [The Lao Communists have followed up their recent success in blocking the opening of the rightist-dominated National Assembly by proposing a comprehensive political program for the new coalition government. The program, outlined in a major speech before the coalition's Joint National Political Council by its chairman, Prince Souphanouvong, is the most significant Communist policy statement since publication of the Pathet Lao's "12 Points" in November 1968 and their "6 Points" of March 1970.]

- 55 [aerial reconnaissance activities;
- military assistance to the non-Communist side of the coalition; and
- alleged support to the so-called "ultra-rightist faction."]

56 [Souphanouvong's highly nationalistic presentation indicates that the Communists will push hard to amend the Lao constitution and the nation's electoral laws to better reflect their view of current political realities. The Prince also dwelled on the need for economic self-reliance and the elimination of "bad" foreign influences. At the same time, however, Souphanouvong stated that "unconditional" foreign economic assistance would be welcome. He singled out the US as having special responsibility for "healing the wounds of war."]

57 [The Vientiane side was definitely caught short by this latest Communist bid to take the political initiative. Although non-Communist and neutralist elements have recognized the need to organize a united political front, they have been unable thus far to agree on who should lead such an undertaking.]

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Traders came away from the 1974 spring Canton Fair describing it as the worst in years. The value of contracts signed apparently fell short of the \$1.3 billion reached at the 1973 fall fair. Even Chinese reports on the fair were restrained. Besides touting the new exhibit building, the only positive claims made were for the presence of more than 25,000 foreign representatives and for a record number of business transactions with Third World traders.

Economics, not politics, caused the decreased business activity. Manufactured goods were in short supply, many types of Chinese mineral and crude material exports were unavailable, and prices for Chinese goods remained at or above world levels. Peking deliberately limited import activity by cutting back invitations to firms primarily interested in selling to China and by not sending representatives from Techimport, the trade corporation that purchases foreign plants and technology. The current ideological campaign seems to have had no effect on the negotiating atmosphere or on attitudes toward foreign businessmen.

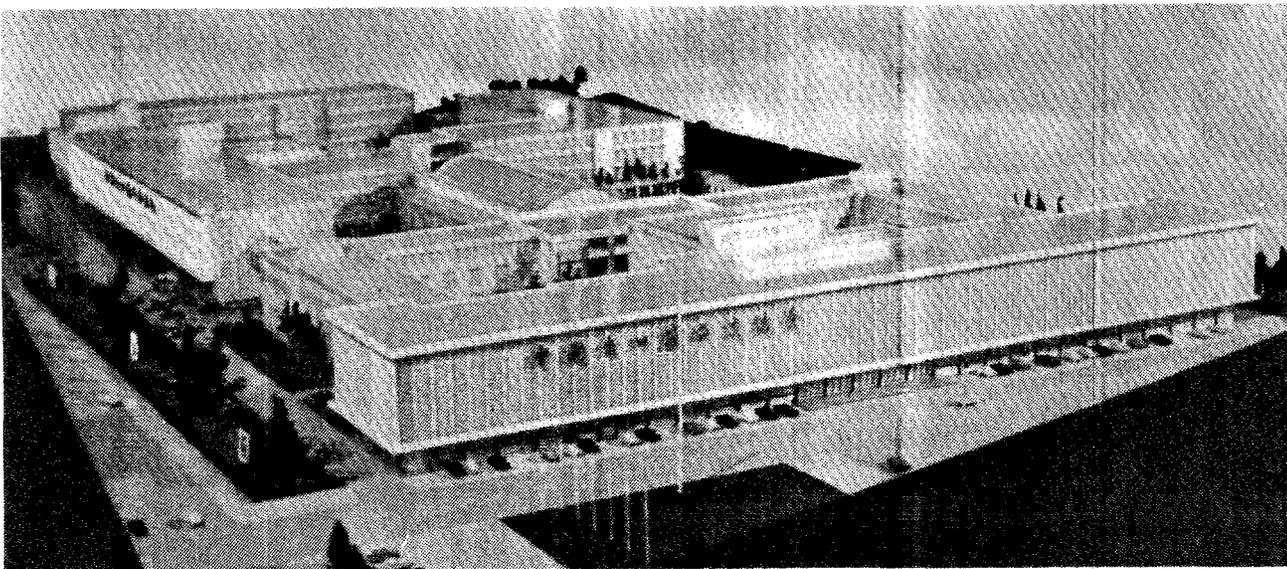
The fair was a disappointment to US businessmen. In spite of a record turnout of 175 US firms, purchases were only about \$15 million

compared with the \$25 million bought at the fair last fall. In addition to high prices and supply shortages, US importers continued to have problems with the style, labeling, and packaging of Chinese goods.

US sales were also off from the \$15 million total of last fall. Only 10 percent of the US firms invited were exporters and few of these were major manufacturers. United Shoe Corporation sold \$500,000 worth of shoe manufacturing machinery through its French affiliate. Continental Can made a presentation on a complete assembly line for food cans worth \$1.5-2.0 million and was asked to submit price quotations.

Japanese traders, the largest contingent at the fair, also did poorly. The contracts they concluded were worth only about \$200 million, down 30 percent from last fall's total. The poor showing was attributed largely to rising prices of Japanese goods; no contracts for Japanese vehicles were signed, for example, because of a 50 percent rise in prices since last fall. Chemical products sold well because of strong Chinese demand. The value of Japanese purchases also decreased sharply, particularly for silk yarn, textiles, marine products, and minerals.

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CUBA'S EXPERIMENT IN DEMOCRACY

66 [A pilot project involving the selection of government administrative officials through popular election is being carried out in Cuba's smallest province. After adjustments are made for problems revealed during the experiment, the program will be expanded to include all six provinces and the national government as well, according to official announcements. The manner in which the project is being handled, however, suggests that it does not enjoy the unqualified support of all factions within the Castro administration and may occasion some rugged political infighting.]

70 [Although Castro himself initially broke the news of the experiment now under way in Matanzas Province, he has since avoided close identification with it. Not a single member of the party's Political Bureau, for example, was present during the Matanzas provincial party assembly on March 3 when details of the project were made public. Instead, a ranking member of the pre-Castro Communist Party, Blas Roca, presided. Castro himself or officials personally associated with him presided over all of the other five provincial party assemblies—and it has since become clear that Roca has been placed in complete charge of the project. The initiation of such a major political undertaking would normally command the presence of Castro himself, flanked by



Blas Roca
Playing a dangerous game

members of his "guerrilla elite." It is difficult to interpret their absence as anything but an attempt to disassociate the Castro clique from the scheme.]

70 [At the same time, the fact that the management of the project is in Roca's hands suggests that the "old" Communists—those in the present regime who belonged to the prerevolutionary Communist Party—are attempting to capitalize on increased Soviet influence and interest in this facet of the institutionalization process that has been in progress throughout Cuban society since 1970. The "old" Communists may believe that Castro's popularity among the masses has declined in recent years and that they stand a good chance of substantially augmenting their power during the first party congress scheduled for next year.]

70 [Roca, however, is playing a dangerous game. He is wholly committed to the new project and has thus left himself open to charges of "sectarianism" should Castro choose to move against the faction that over the years has caused him considerable irritation and embarrassment. In 1962, "old" Communist Anibal Escalante, while serving as organizing secretary of the political machine then being formed by Castro, attempted to place his colleagues in enough key positions to dominate the party, but he was unmasked by Castro, charged with "sectarianism," purged from the party along with many of his supporters, and forced to leave the country while the political apparatus he had set up was quickly dismantled and replaced.]

70 [Roca is now in a similarly vulnerable position. Moreover, as former secretary general of the "old" Communist Party for 27 years, Roca would be likely to bring down with him a large portion of the "old" Communist faction, were he to be purged. It is likely, however, that Fidel would be satisfied with a discredited and cowed Roca, and that he would probably stop short of a thorough purge. In any event, Fidel still controls the military and security forces, and so long as he does, the "old" Communists will be forced to resort to political maneuvering and infighting rather than naked force.]

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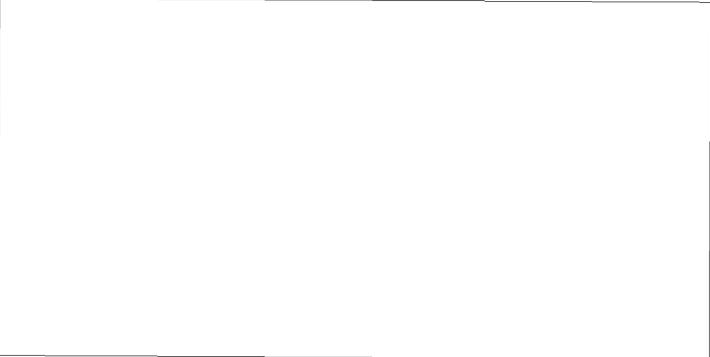
ARGENTINA: ANTI-GUERRILLA OFFENSIVE

11 [An anti-guerrilla sweep by security forces in Tucuman Province, which began on May 18, has given the Peron government a small taste of success in its counter-terrorist offensive. Ineptitude on the part of federal police, however, may have precluded greater results in the action against the Marxist People's Revolutionary Army.]

1 - [The large-scale operation—a joint undertaking by several hundred federal police together with provincial and border police and the armed forces—reportedly uncovered a major training camp used by the terrorists. The assault on the jungle base, which occurred in an isolated mountainous region described by the press as "Little Vietnam," evidently was hampered by heavy rains. This, in addition to indecision—probably stemming from friction between the combined services involved—may have given the terrorists a chance to escape encirclement.]

13 [Press reports claim that 150 suspects were arrested in a subsequent manhunt, but only 27 of them are still being detained as probable extremists. If most of them are members of the People's Revolutionary Army, the roundup would represent the government's first successful blow against the organization. According to official disclosures, weapons and documents were con-

fiscated, but the importance of the discoveries appears to be less than initial reports indicated.]



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75 [Meanwhile, a source within the Peronist-controlled labor movement told the US embassy in Buenos Aires that Peron is expected to approve plans by militant labor unionists to move against left-wing extremists. The source added that preparations are under way to identify leftist "targets" and that actions against them would be "bloody." Implementation of these plans may coincide with Peron's planned departure for Europe. His absence would permit him to avoid close identification with repressive measures that are likely to evoke strong opposition in Argentina.]

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