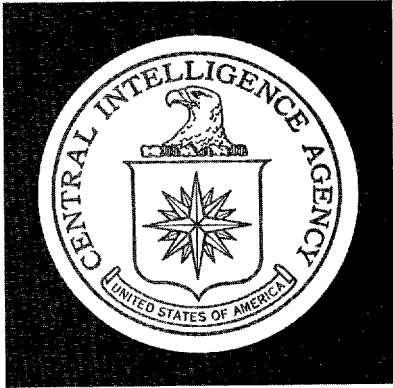


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South Vietnam: Reports from the provinces reflect increasing Communist attempts to set up local administrative structures in preparation for employing political tactics following a settlement.

A captured political cadre recently said that existing Communist quasi-governmental organizations at the local levels in his province were being replaced by "people's revolutionary committees" under the new peace alliance. [REDACTED]

[REDACTED] reflects Communist plans for a series of elections beginning at the local level and eventually culminating in a general election on the basis of "one man, one vote" to unify the country.

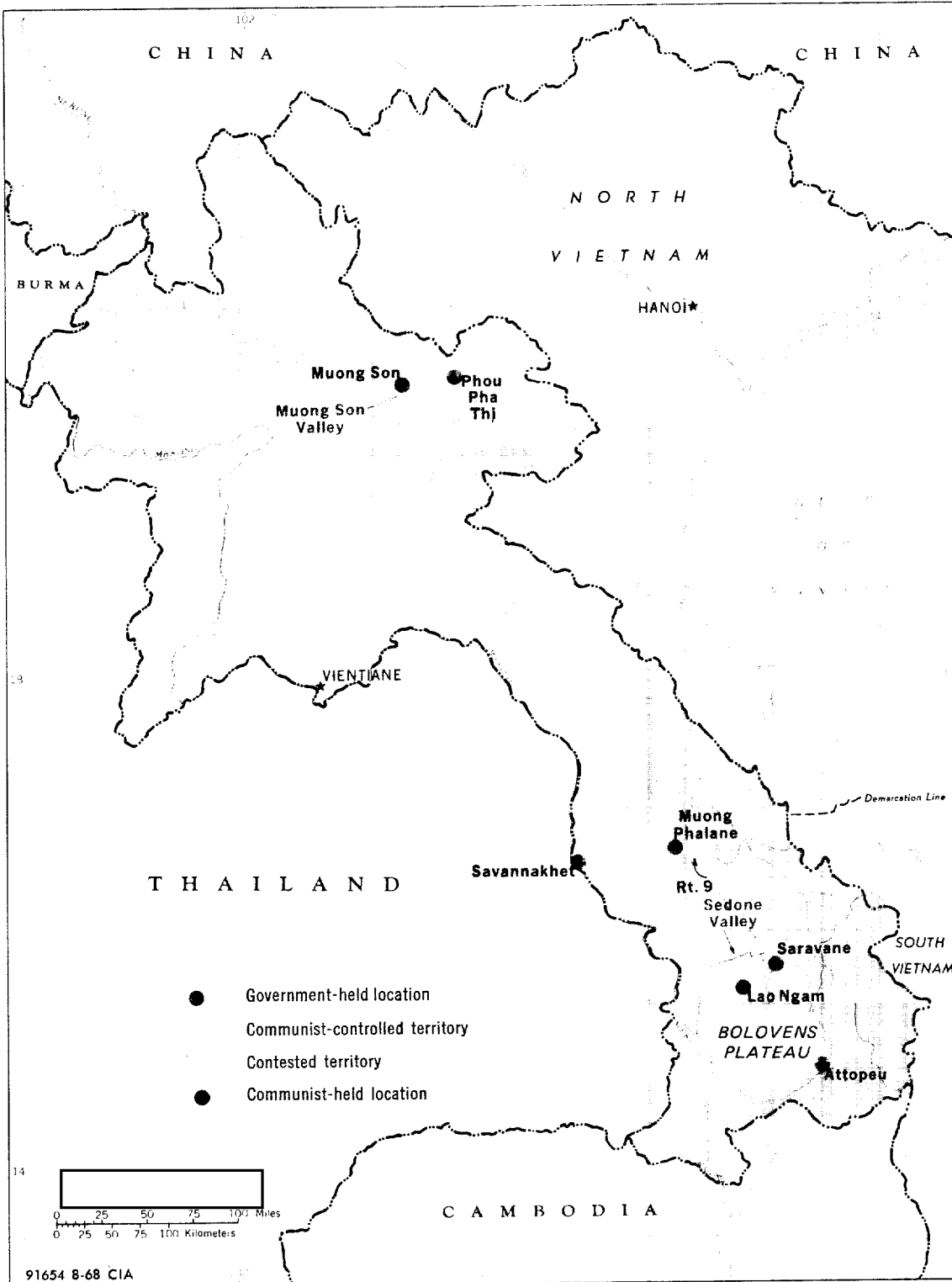
President Thieu presumably had these considerations in mind when he recently reiterated his support of the new South Vietnamese political front, the Lien Minh. Thieu emphasized that such a broadly based political organization was essential because of the possibility of an end to the war. He stressed that the Communists consider the political aspects of the struggle even more important than the military.

[REDACTED]

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LAOS: Current Situation



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Laos: Government troops are making modest gains as they move gingerly to offset Communist dry season advances.

The month-old campaign to regain the Muong Son Valley in North Laos, nearing completion, is meeting only light enemy resistance. The government plans to establish an air navigational facility at Muong Son to replace the one lost at Phou Pha Thi last March. Vientiane also hopes that Muong Son can eventually be used to help rebuild shattered government assets in the northeast.

In the south, a multibattalion operation is making some progress clearing Communist troops from an area west of Savannakhet town. Indications of an enemy withdrawal farther east along Route 9 has raised hopes that Muong Phalane, lost last February, can be reoccupied in the next few weeks without a major effort.

The government is doing little, however, to strengthen its badly eroded position in the strategic Bolovens Plateau area. North Vietnamese and Pathet Lao troops are still entrenched in the Sedone Valley, and the provincial capitals of Attopeu and Saravane are still virtually surrounded. In addition, government troops have abandoned Lao Ngam, which had been successfully defended against two heavy North Vietnamese attacks during the dry season.

The Communists have not demonstrated any inclination to take advantage of shaky government morale and unusually good fighting weather to press their offensive into government-held territory. They are probably not willing to expend much effort to defend certain fringe areas, but the continuing presence of a substantial number of North Vietnamese troops is a clear sign that the Communists intend to hold on to most of their dry season gains.

(Map)

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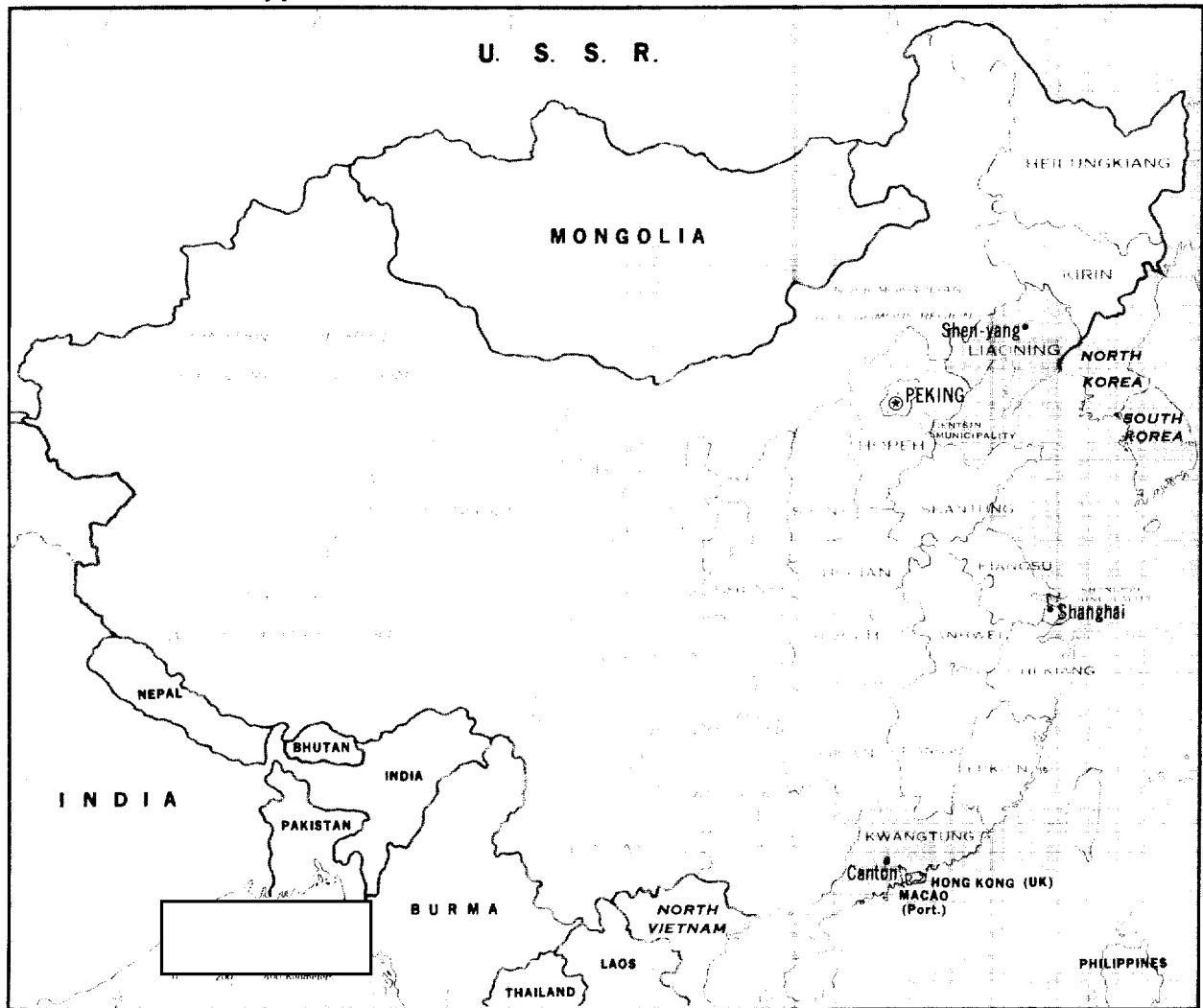
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Radical Factions Suppressed in Two Provinces



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Communist China: In the aftermath of Peking's recent strictures against violence, "revolutionary" factions are being suppressed or dissolved in at least two provinces.

25X1 [redacted] the army, in its recent crackdown on unruly factionalists in Kwangtung, has dealt much more harshly with the radical Red Flag faction than with its rival. The army, which was not empowered to act this firmly last summer at the height of factional fighting, has now greatly weakened the Red Flag organization. It has occupied Red Flag headquarters throughout Canton, arrested its leaders, including the Red Flag representative in the provincial government, and apparently is taking steps to silence its propaganda media. Members of the more "conservative" East Wind faction have been deputed as members of a special civilian police force and reportedly have been arresting their hated rivals in the Red Flag organization.

During much of 1967 the Red Flag faction carried on a running feud with senior officers in the Canton Military Region. At one point the military tried to ban the group as "counterrevolutionary" but this order was countermanded by Peking. After September 1967, the Red Flags ostensibly supported the military command, but [redacted] underlying hostilities persisted. Until now, the army--under strict orders not to suppress any faction in official favor--has not acted against the Red Flags openly. The Red Flag faction has in the past been supported both by the Cultural Revolution Group and by major groups in the Peking Red Guard congress.

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According to a provincial broadcast on 6 August, all factions in Liaoning have recently dissolved "voluntarily." These factions include two particularly troublesome groups who, like the Red Flags in Canton, have a record of opposition to local Military Region commanders and have operated with the support and protection of the same radical forces in Peking.

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The Shen-yang Military Region commander, confirmed last May as chairman of a new "revolutionary" government in Liaoning, presided over a "dissolution" ceremony.

It is too early to tell if these developments are the beginning of a nationwide trend. If so, it would be a major step in strengthening the authority of the regional military commanders and stabilizing the political structure in the provinces.

The touchy issue of how far to go in damping the Cultural Revolution may be creating new strains in Peking, however. On 6 August two nationally prominent newspapers in Shanghai denounced unnamed forces that were allegedly trying to engineer the dismissal of members of the Cultural Revolution Group. In unusually lurid language, one newspaper accused these "enemies" of following traditional tactics of "eliminating those who are close to the emperor" with the ultimate aim of removing his lieutenant.

(Map)

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[Czechoslovakia: There are new signs of disapproval from some of Prague's allies.

Parliamentary chief Smrkovksy told a party gathering on 8 August that he did not think the other delegations in Bratislava were persuaded that the Czechoslovak road is the right one. Hungarian sources have indicated that the Soviet and other Eastern European leaders who met in Bratislava now expect a political crisis in the Czechoslovak party by the time it convenes in extraordinary congress on 9 September. According to these sources, Dubcek's allies will expect him to handle such a crisis with a strong hand and to apply brakes on further liberalization.

The Hungarian party press said yesterday that there will be new consultations on Czechoslovakia "in the near future." This may indicate that there will be a new Communist summit meeting in Prague in connection with the party congress. Presumably the leaders inimical to Prague's reforms will attend in order to attempt to promote the election of a new party leadership in Czechoslovakia which would include at least some orthodox Communists.

From the point of view of the Soviets and the Eastern Europeans, developments in Prague must appear unsatisfactory. Tito is receiving a hero's welcome in Prague, conservatives are again being removed from party office, Dubcek is being attacked by liberals for his handling of the Prchlik affair, and some news media are showing little respect for the regime's appeal for voluntary restraint. In addition, the cabinet apparently is considering a new constitutional guarantee of the inviolability of private ownership, and has resolved to present to its CEMA partners a series of proposals for expanding trade in the West.]

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[There have even been renewed unofficial forecasts on the radio that diplomatic relations with West Germany may come fairly soon. These developments are in effect tests of how far the Dubcek regime is resolved to live up to its promises at Cierna and a reconnoitering by liberals of permissible limits.



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Poland-Rumania: Rumania's note of 30 July protesting alleged Polish interference in Rumania's internal affairs has reignited accumulated grievances in Warsaw and Bucharest.

The main party daily in Warsaw, Trybuna Ludu, on 7 August revealed that the Rumanian note had been rejected by the Poles as "groundless." In an accompanying commentary, the daily refuted the Rumanian charge that Polish criticism of Bucharest's foreign policy--made during a recent Warsaw television program--constituted interference in Rumania's internal affairs. According to Trybuna Ludu, "We consider it our duty to criticize the positions of fraternal parties when they come into conflict with the vital interests of other parties and the international forces of socialism." This reflects much the same rationale as that used against the Czechoslovak regime by Moscow's loyal Eastern European allies, who failed to invite Rumania to the Warsaw conference in mid-July or to the later meeting in Bratislava.

The Polish party daily also took the opportunity to surface old peeves against Bucharest, such as Rumania's establishment of diplomatic relations with Bonn in January 1967, its walkout from the Communist consultative meeting in Budapest last April, and its "reluctance" to develop closer CEMA ties. The Rumanians answered on 9 August with a lengthy editorial taking strong exception to the Polish charges.

The nature and the timing of the Rumanian-Polish polemic indicate that the exchange is more related to issues stemming from the Czechoslovak-Soviet confrontation than to strictly bilateral matters. The Rumanian note, published by the Rumanians while the Cierna talks were being held, clearly supported Prague.

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Both Bucharest and Warsaw probably view each other's actions as a breach of a tacit agreement against public polemics. In view of the stern tone of the Rumanian editorial of 9 August, it is unlikely that Warsaw will remain silent.

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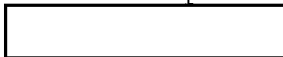
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Greece: Exiled opposition leader Andreas Papandreou has stepped up agitation for an open resistance to the junta.

Papandreou and the Greek Communists reportedly have agreed on the general objective of resistance to the junta and on the need to coordinate resistance activities in Greece and abroad in anticipation of the constitutional plebiscite on 29 September. A joint statement to this effect has been issued in Rome by Papandreou's Panhellenic Liberation Movement and the "Patriotic Front." The Front was formed by EDA, the domestic arm of the outlawed Greek Communist Party, in mid-1967 in an attempt to organize an antiregime alliance with the non-Communist opposition.

The Liberation Movement and the "Patriotic Front" invited all political parties to assume a common posture against the plans of the junta to "install a totalitarian constitution." Papandreou subsequently told reporters in Stockholm that he had cabled former Prime Minister Constantine Karamanlis, a conservative now living in Paris, proposing a meeting "as a first step toward a joint stand."

The Greek Government is publicizing these moves by Papandreou as proof of the collusion between the center and Communist elements in Greece and abroad. Greek papers carried statements by former parliament deputies denouncing the Rome pact as a new Communist attempt to undermine Greece's "struggle for democracy." Another article charged that Papandreou would cooperate with "any enemy of Greece."



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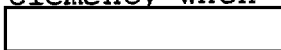
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South Korea - West Germany: Relations between Seoul and Bonn are showing considerable improvement.

A West German parliamentarian is planning to visit Seoul soon, and it now appears that a visit to South Korea by the chairman of the Bundestag Foreign Assistance Committee that had been canceled may be rescheduled. Seoul is also hopeful that Bonn will again offer favorable credit arrangements for South Korean industrial purchases from West Germany.

Relations between the two countries cooled noticeably after South Korean security authorities spirited the South Korean members of a North Korean spy ring out of West Germany last year. The South Korean Supreme Court's decision on 30 July ordering the retrial of 12 of the members of the ring, including all who had received sentences of death or long-term imprisonment, undoubtedly was influenced by a desire to ease frictions with West Germany. The Germans have reacted favorably to the court's action, but complete restoration of relations would be difficult unless the group is given executive clemency when the judicial process is completed.



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USSR: The Soviet naval squadron in the Mediterranean is returning to its normal strength with the arrival of new units from the Black Sea. It is expected that the squadron will level off at 30-35 ships--its average during the past year--after the current turnover is completed. The squadron now includes about ten submarines, one of them probably nuclear powered, and more than a dozen surface combat ships.

[Redacted]

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Syria-Lebanon: Syria may shortly "cut" its already strained relations with Lebanon, [Redacted]

[Redacted] The two countries have never exchanged formal diplomatic missions even though they have recognized each other. Plotting by Syrian exiles in Lebanon is at the root of Syria's unhappiness with the Lebanese Government. Damascus has applied various pressures to back up its demands that the exiles' activities be curtailed and apparently is considering further measures.

[Redacted]

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East Africa - Communist China: Eight Chinese are now in Lusaka to arrange for the arrival next month of the 300 Chinese technicians who will survey the Zambian segment of the Tan-Zam railroad. A similar detailed engineering survey under way in Tanzania for several months is due to be completed by late 1969.

[Redacted] Tanzania's plans call for Peking to supply all rolling stock and signaling and communications equipment and to furnish maintenance crews for at least ten years while Africans are being trained to take over.

[Redacted] Zambia would prefer Western equipment compatible with its present system, but has had to go along with Tanzania for lack of any alternative.

[Redacted]

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Uruguay: Police raids on the national university yesterday have touched off violent student demonstrations. President Pacheco seized upon the kidnaping of the President of the National Power and Telephone Company by a terrorist organization as a justification for a raid to uncover arms and subversive literature. Spurred on by their leftist rector, the students have been staging antigovernment demonstrations and acts of violence for several months. If the demonstrations continue, Pacheco will have an excuse to bring the university under stricter government control. [REDACTED]

* * * *

Panama: Persistent plotting by defeated presidential candidate David Samudio suffered another setback on 7 August, when all top national guard officers publicly reaffirmed their loyalty to Commandant Vallarino. This rebuke will not necessarily deter Samudio, but his efforts to enlist support among the officers for a move to prevent Arnulfo Arias' assumption of the presidency on 1 October have little chance of success. [REDACTED]

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Guyana-Venezuela: A company of Guyanese soldiers has reportedly set up camp about ten miles from Ankoko Island--a disputed island in the river that forms the boundary between Venezuela and Guyana. The soldiers will patrol the area and escort any Venezuelan intruders back to the border, using force if necessary. Prime Minister Burnham is concerned that his political opposition could make an issue of the country's inadequate defense capabilities and has apparently decided to improve the situation, even at the risk of another border incident. [REDACTED]

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