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DIRECTORATE OF
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USSR-Berlin: A Soviet diplomat has indicated that Moscow is ready for four-power talks on West Berlin.

The Soviet chargé, who delivered an oral demarche in Bonn on West German Bundestag committee meetings in Berlin, twice stressed Moscow's willingness to talk with the Western powers regarding West Berlin, according to a West German Foreign Ministry official. This is the first direct Soviet comment on the Allied proposal for Berlin talks since the formal Soviet reply on 12 September, when the USSR expressed its willingness to "exchange opinions" with the West. The chargé's remarks suggest that Moscow wishes to convey continued interest in discussing disputed issues with the Western powers, but is not eager to commit itself on the specifics of the time, site, and agenda of the proposed talks.

The demarche on the activities of Bundestag committees in West Berlin apparently was meant only as a reaffirmation of Moscow's position on the legalities of this issue. The chargé made no threats of counteraction and it is unlikely that the Soviets would risk provoking a crisis over the committee meetings.

Chancellor Brandt has made it clear for some time that he would, under certain conditions, be ready to forego the more demonstrative aspects of West German political presence in West Berlin in return for explicit Soviet acceptance of the city's special legal and financial links to West Germany. Moreover, as evidence of his willingness to make concessions, Brandt decided early last month not to stage a formal January Bundestag work week in West Berlin, which has been customary in recent years as a substitute for the former plenary Bundestag meetings. At the same time, however, it was decided that individual committees and party groups are to continue holding frequent sessions in the city. Bonn shows no inclination toward further concessions on this score, at least not prior to an opening of talks.

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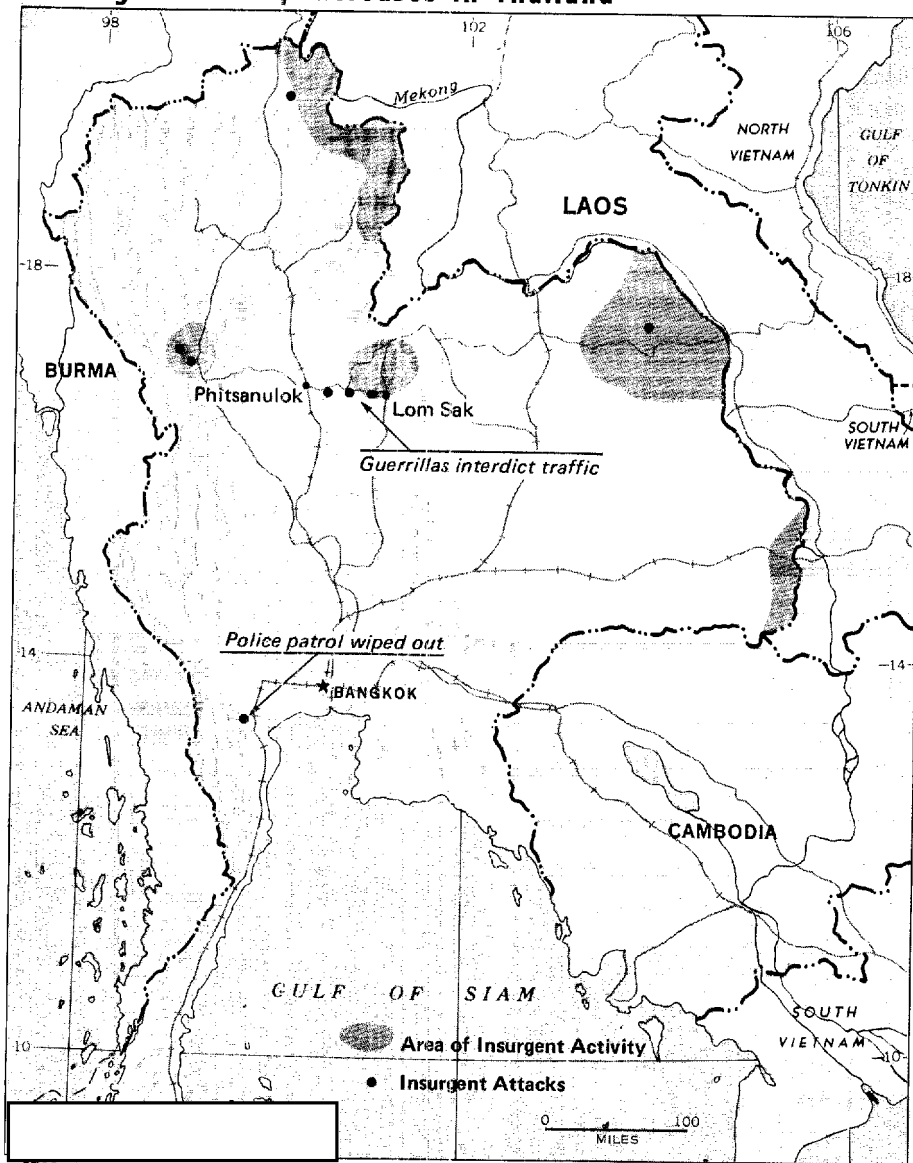
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Insurgent Activity Increases in Thailand



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Thailand: The expected rise in guerrilla terrorism may have begun.

Communist insurgents have conducted several dramatic ambushes in recent weeks, inflicting a number of casualties on government security officials. In the most serious incident, a police patrol was wiped out in an area west of Bangkok that has normally been free of insurgent activity. In other actions, including several involving civilians, the insurgents have demonstrated an unusual degree of brutality.

Much of this activity has occurred in the northeast, where the guerrillas have generally been avoiding armed action.

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In the north central area, the more venturesome tribal guerrillas are concentrating their attention on government tribal development programs and have tried, so far unsuccessfully, to interrupt traffic on an important provincial road.

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the Communists may stage some headline-grabbing activity to celebrate the first anniversary of the Thai Peoples' Liberation Armed Forces. This is the embryonic military arm of the Communist Party of Thailand founded 1 January 1969.

Although the guerrillas are capable of increased levels of violence in several parts of the country, they have not significantly increased their threat to government security forces.

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Panama: A shift in the government's labor policy may ease fears that strongman General Torrijos is hostile to business.

In November, Torrijos announced that the government planned to establish a government-controlled labor organization. This alarmed business groups which feared a strong labor movement and thought that it was part of a government move to create an official political party. It also alarmed labor leaders, who feared for their positions.

Speaking at the congress of the Confederation of Panamanian Workers on 27 December, Labor Minister Escobar stated that the "revolution" has always defended the right of the workers to organize their own unions. He added that the government stimulates and protects private enterprise, which with labor is among the country's greatest resources. Escobar went on to say that the "revolution" calls for the establishment of an equilibrium between workers and employers.

This softening of Torrijos' policy statement is in line with other government moves, such as a meeting last week between President Lakas and business leaders and the lifting of the travel ban on certain businessmen, that are intended to improve business-government relations and further consolidate Torrijos' position in the aftermath of the abortive coup in mid-December.



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Law of the Sea: The Soviets have agreed to a US request for a resumption of the bilateral meetings of experts on the subject.

The USSR approached the US and other countries in the summer of 1967, soliciting views on the possibility of a new international conference on Law of the Sea that would achieve widespread agreement to a 12-mile limit for the territorial sea and exclusive fishing zone. The US responded at bilateral experts' meetings last year that such a conference must establish rights of free passage through international straits and provide some accommodation of the special fishing interests of coastal states beyond 12 miles.

The experts have worked out three articles designed to meet the Law of the Sea concerns of their nations and are conducting separate, worldwide canvasses to obtain reactions to these proposals. The resumed meeting, to be held in Moscow on 7-8 January, would be for the purpose of comparing notes and charting future courses.

To increase the chances of success for a conference on Law of the Sea, the superpowers would like to keep its agenda limited, excluding the issues of the peaceful uses of the seabeds. The less developed countries are suspicious of big-power intentions in both these areas and were instrumental in having the 24th UN General Assembly pass a resolution calling on Secretary General Thant to solicit views on an early convocation of a Law of the Sea conference to consider the full range of issues, including seabeds topics.

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Communist China - USSR: Peking is continuing political attacks against Moscow despite the USSR's announced intention to return Deputy Foreign Minister Kuznetsov to Peking to resume the border talks. [Kuznetsov has left for Peking.] In an authoritative joint editorial on 31 December the Chinese directly denounced Soviet party leader Brezhnev by name for the first time since the Chou-Kosygin meeting last September, and underscored China's determination to defend its frontiers from attack by either the US or the Soviets. The Chinese commentary is consistent with the more strident tone China's anti-Soviet polemics have adopted in recent weeks, and is almost certainly intended to demonstrate to Moscow that the Chinese will continue a tough stance when the border talks are resumed.

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Nonproliferation Treaty: Sweden, a threshold nuclear nation, has told the US that it plans to deposit instruments of treaty ratification on 9 January. Stockholm's action further brightens prospects that the treaty will enter into force soon. Among other threshold states, Japan has said that it will sign shortly, but Israel and India appear unlikely to do so. There is no indication that the nuclear powers France and Communist China have changed their position of refusal to sign the treaty.

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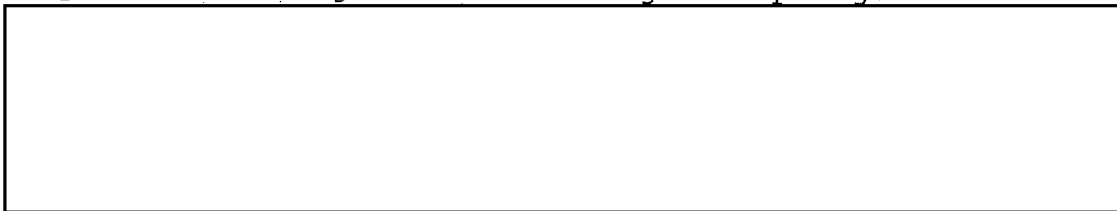
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EURATOM: Agreement has been reached on a procedure for developing a common position in the European Atomic Energy Community (EURATOM) for negotiations with the International Atomic Energy Agency (IAEA) on safeguards against the diversion of fissionable material to weapons use. With German signature of the nonproliferation treaty an accomplished fact, approval by the Council of European Communities of a definitive negotiating mandate is anticipated--if all goes well--during the spring.



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Chile: The impasse over the selection of a presidential candidate is widening the divisions within the Communist-leftist electoral front. The six parties of the Popular Unity Movement finally got together on a program last week after months of wrangling, but agreement on a presidential candidate has proven beyond them. Opposition to the leading contender, Socialist Senator Salvador Allende, on grounds that he is overexposed after three unsuccessful tries at the presidency, reportedly has led him to withdraw as his party's candidate. There is growing talk that Senator Rafael Gumucio, who recently broke away from the governing Christian Democratic Party, will be the compromise candidate.



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Paraguay: The exile of four Christian Democratic leaders Monday for discussing the political situation with military officers is the most serious episode to date in the continuing battle between church and state. Some Catholic laymen and clergymen are espousing revolution and are talking about the type of government to be formed after President Stroessner goes, but there does not appear to be any serious threat to his 15-year-old regime. Although the President has the backing of the military and the Colorado Party, he continues to react vigorously against any opposition.

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