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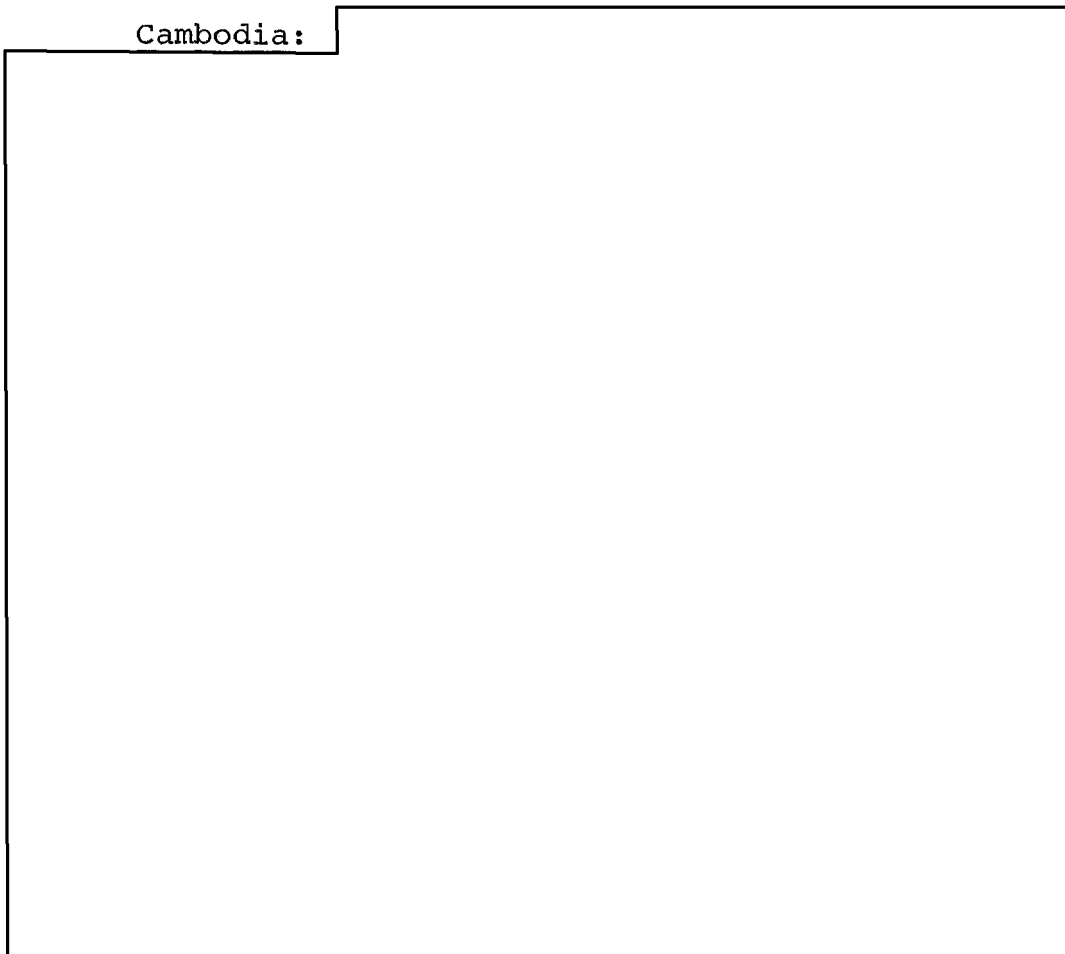
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Cambodia:



The Military Situation

The struggle for Srang continued yesterday, as government forces, with air and artillery support, again were unable to make any headway in their effort to retake the town. A Cambodian Army spokesman in Phnom Penh claimed that the arrival of additional enemy reinforcements had prevented Srang's recapture. East of Srang, government forces at Tram Khnar apparently were still almost completely surrounded by Communist troops, according to press reports.

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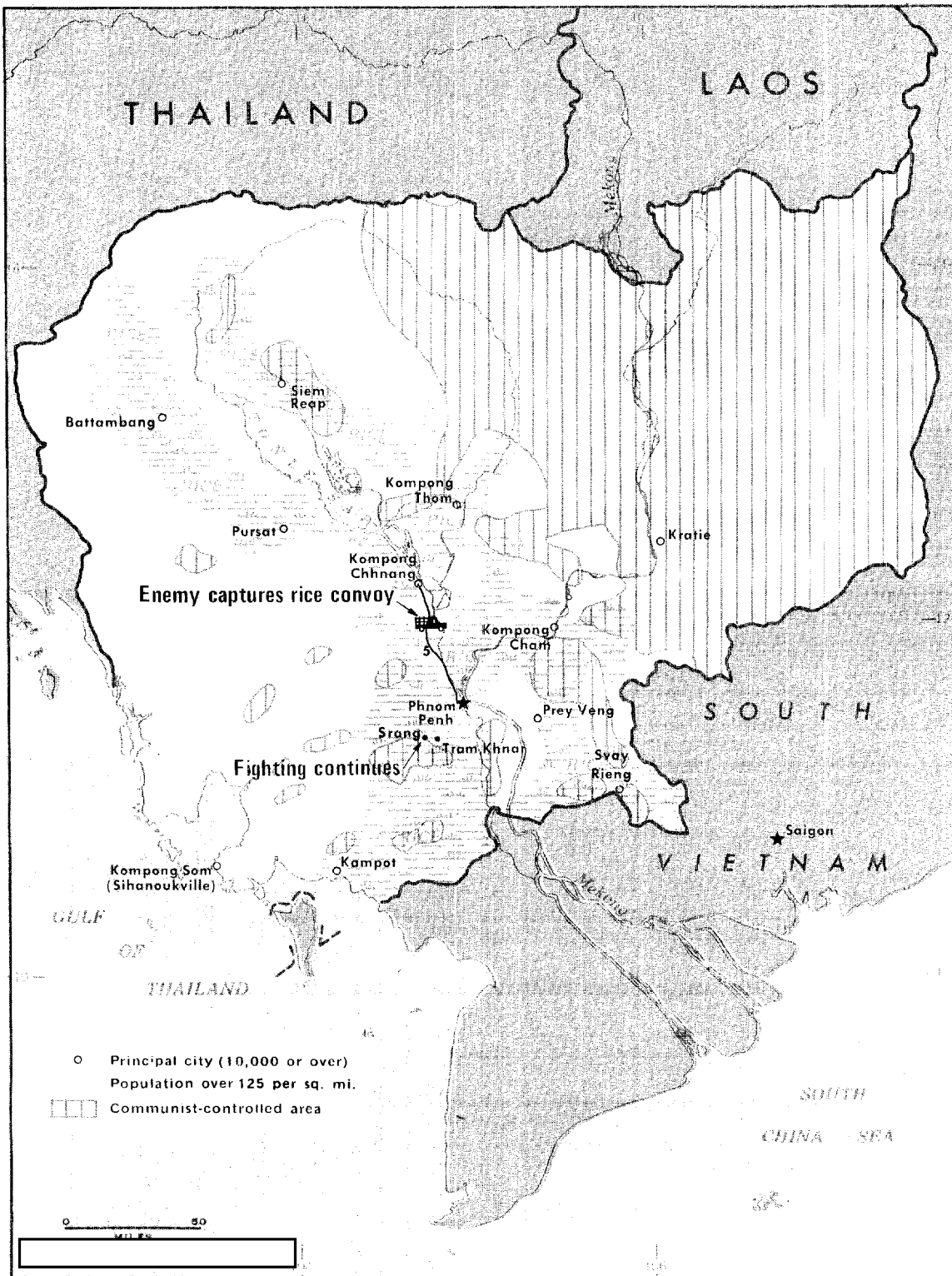
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CAMBODIA: Current Situation



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The Communists in the past two days also have harassed scattered government positions and units in Kompong Cham, Prey Veng, Svay Rieng, and Kompong Chhnang provinces. In one incident the enemy captured a ten-truck rice convoy on Route 5, south of Kompong Chhnang city, on 31 August. [REDACTED]

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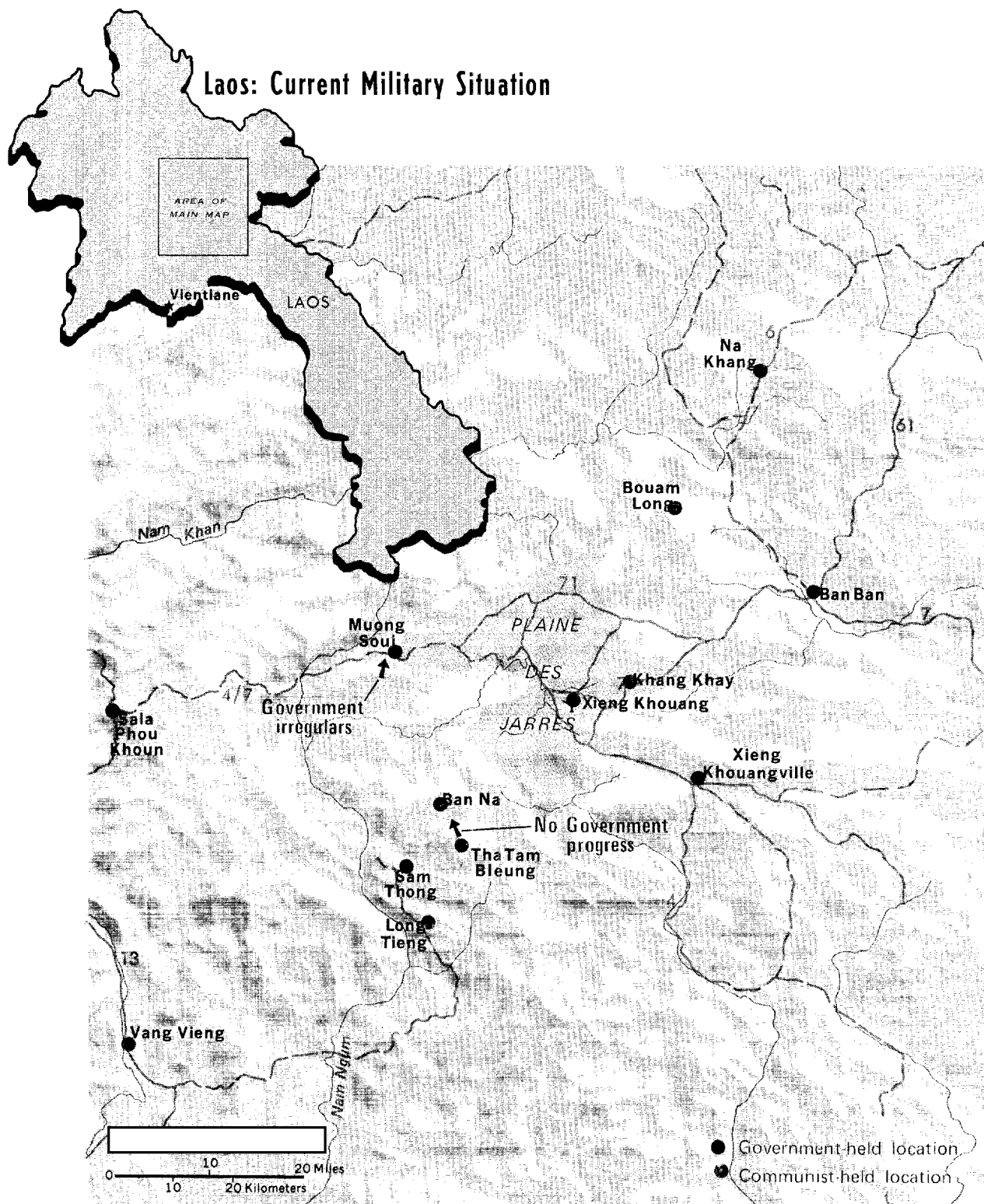
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Laos: Prime Minister Souvanna Phouma, according to press reports, has proposed to Communist leader Souphanouvong that they meet in Paris this month to discuss the prospects for peace talks.

Souvanna's invitation, issued shortly before his departure for a two-month trip abroad, was in response to Souphanouvong's urgent request on 1 September that the Prime Minister appoint a plenipotentiary to meet with his representative at Khang Khay. Souvanna had appointed an 18-man delegation to represent the "government side" if the talks at Khang Khay materialized in his absence. But the Pathet Lao, apparently, are strongly opposed to meeting with a large group which includes rightists, and are insisting that Souvanna appoint an individual to represent him personally rather than the government.

This disagreement over representation could cause at least a temporary breakdown in the dialogue between Vientiane and the Communists. It seems most unlikely that Souphanouvong will accept his half-brother's invitation to meet with him in Paris. Souvanna appears to be equally unwilling to send a personal representative to Khang Khay. [redacted]

[redacted] has reported that he asked the Prime Minister recently if the head of the government delegation, Pheng Phongsavan, would go to Khang Khay as his plenipotentiary. Souvanna is said to have replied, "No, not for the moment."

* * * *

On the military front, government troops have still made no progress in their extended effort to take Ban Na. But 15 miles to the north, on the western approaches to the Plaine des Jarres, an irregular force of 300 men is reported to have reached the vicinity of Muong Soui without significant opposition. Muong Soui is an important storage and trans-shipment point on Route 7 that has been in Communist hands since June 1969. Still uncommitted enemy forces in the area can be expected to react sharply to the government's foray in the near future.

[redacted]

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Chile: The race among the three candidates in the presidential election tomorrow is close.

Some three million Chileans will go to the polls, but it probably will be the 200-member congress that actually will elect Chile's next president. If, as expected, none of the three candidates--Marxist Salvador Allende, Christian Democrat Radomiro Tomic, and independent conservative Jorge Alessandri--receives an absolute majority, congress must choose between the top two. This congressional vote would not come before 24 October; the new president is to be inaugurated on 4 November.

If no candidate takes a substantial lead tomorrow, the political situation in Chile may become quite tense. Allende's supporters fear that extremists plan to provoke violence during and after the election, regardless of the outcome. His backers, particularly the Communist Party, are publicly attacking plans of the Movement of the Revolutionary Left, claiming that violence will trigger repressive reaction from the right.

There are various rumors of sentiment within the military to seize power in the event of an Allende victory or a breakdown in public order. There are, however, no reports of coordinated contingency planning. The shortness of time between the congressional decision and the inauguration in any event might hamper such a move. Military forces, as well as the efficient carabineros (national police), will be on alert tomorrow to prevent interference with the election process.

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Bolivia: The Ovando government and representatives of Gulf Oil Company have worked out an agreement for compensation for the company's property expropriated last October.

The company will receive \$79.5 million compensation for the lost property at no interest plus \$14-15 million in debts owed by Bolivian agencies. The company will be paid 30 percent of the export proceeds from Bolivian petroleum until the sum of \$79.5 million is reached. The method of payment for the debts is still undecided.

25X1 [redacted] President Ovando, the cabinet, and the military high command have approved the arrangement and an announcement will be made soon, possibly today. Some details remain to be worked out, such as who will serve as an intermediary between Gulf and the government in getting the oil fields into production again.

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Mexico-Cuba: President Diaz Ordaz made his sharpest criticism of Cuba to date in his state of the union message this week.

Attacking Cuba for refusing to extradite aircraft hijackers, Diaz Ordaz called it "absurd and seriously criminal" to risk passengers' lives for the personal motives of air pirates. Mexico last month moved to end the bilateral air treaty that provides Cuba with its only regularly scheduled air link in the western hemisphere. In the absence of a Cuban request to renew the treaty, air transport between the two countries will cease on 11 August 1971.

The strained relations were reflected last week when a Cubana Airline plane in Mexico City was the alleged target of a bomb threat. Mexican officials rejected Cuban demands that their embassy personnel search the aircraft and allowed only a Mexican security team to board the plane.

In an interview with Chileans in early August, Cuban Prime Minister Fidel Castro took several swipes at Mexico. He stated that Mexico's cancellation of the air treaty could not be used as "blackmail" to force extradition of hijackers and condemned Mexico's inaction against a former press attaché in the Mexican Embassy, Havana, who the Cubans allege was a US agent. Castro several times indicated that Chile is a better friend of Cuba than Mexico, even though Mexico is the only Latin American country with which Cuba has diplomatic relations.

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Spain: Leaders of the illegal workers' committees are using labor grievances to promote countrywide demonstrations, probably next Monday, but the police are taking steps to limit the turnout.

The main effort is concentrated among the construction workers, angered by the fatal shooting of three of their colleagues in Granada on 21 July, when police fired on demonstrators protesting the slowness of collective bargaining negotiations. Committee leaders are also using a rumor, that the Chrysler Corporation affiliate in Spain intends to lay off some 2,000 workers in the near future, to incite fear of similar treatment among workers at other automotive factories and in dependent industries. Madrid subway workers, who on 29 July began a strike that the government suppressed after one day, are also encouraged to participate.

Steadily rising prices and the slowness with which the cumbersome official syndicate system is moving to renegotiate some 4,000 bargaining agreements expiring this year have led to increased militancy among workers who want higher wages. The government is under pressure to exceed its announced guidelines of an eight-percent increase to avoid labor unrest.



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NOTE

Jordan: The cease-fire established between Jordanian and fedayeen forces on the evening of 1 September generally seems to be holding up. The Jordanian cabinet met yesterday to discuss the situation. According to Amman radio, the government adopted "effective" measures to restore order and strengthen the "ties of fraternity" between the army and the fedayeen--an indication that the government probably hopes to avoid the use of force. A Baghdad-based commando radio station said that the military committee of the Palestine resistance movement met under Yasir Arafat and made "important decisions" involving the fedayeen militia and military forces. No details were given, but the fact that both sides seem to prefer talking to shooting suggests that the moderates may succeed in averting an all-out clash.

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