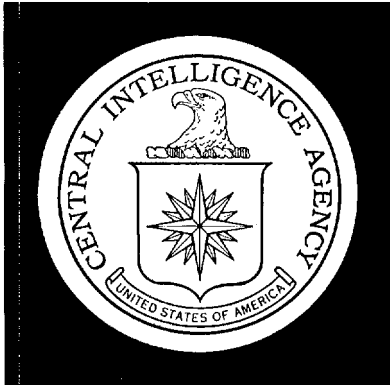




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NORTH VIETNAM: Hanoi has expressed deep misgivings over the implications for Vietnam of recent developments in Sino-American relations.

Breaking a three-day silence on last week's announcements, the North Vietnamese party daily on 19 July published a hard-hitting editorial sharply criticizing "socialist" nations that, by responding to Washington's overtures, fall in with the Nixon doctrine. Although it did not directly mention China or President Nixon's upcoming visit, the editorial inveighed against big powers that gang up to make small countries do their bidding.

Hanoi's statement asserted that the Vietnamese Communists would hold to their present course and would not be bound by pacts or arrangements concluded behind their backs. In a telling sentence, the editorial reiterated that the US could disengage from Vietnam only by coming to terms with the Vietnamese and no one else: "Nixon has been running...in search of a way out. But he has gone to the wrong place. The exit door has been opened (i.e., the seven-point proposal), yet he has tumbled into an impasse."

Indeed, Hanoi strongly implied that if worst comes to worst the Vietnamese are prepared to go it alone. It recalled that through history, the Vietnamese by themselves have defeated successive foreign "imperialists," leaving unsaid that the Chinese have been prominent among them.

North Vietnam's strong reaction and blunt language probably reflect a reawakening in Hanoi of latent fears that Vietnamese Communist interests in Indochina could become enmeshed in big-power politics, as they were under less favorable circumstances for the Viet Minh in 1954. Hanoi may think that by forcefully and quickly weighing in, it can deflect any notions the Chinese may have

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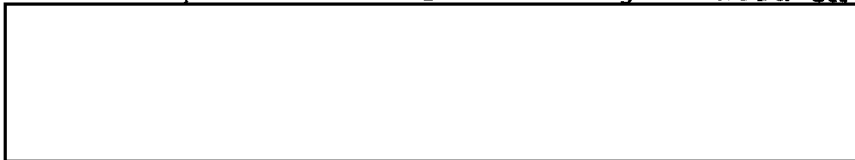
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that Vietnamese Communist interests can be sacrificed to their own. Perhaps more importantly, Hanoi may also hope to make it clear that Washington cannot count on relaxed tensions with Peking to lead Hanoi into compromises it would otherwise not make. Moreover, Hanoi probably views last week's announcements in Washington and Peking as taking the play away from its own seven points and removing a good deal of the pressure it felt the Viet Cong proposal had generated on Washington.

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USSR-CHINA-US: The announcement of President Nixon's planned visit to China is certain to heighten Soviet concern that Peking and Washington are ganging up on Moscow.

Although initial Soviet comment has been sparse, reflecting Moscow's stunned surprise over the Sino-US move, the USSR will undoubtedly view the President's planned trip as an attempt by the US and China to gain leverage for extracting concessions from Moscow. The USSR has failed to note publicly the President's statement that the development "is not directed against any other nation" and may repeat the comments of some of its East European allies that the planned visit has "anti-Soviet" overtones.

Some initial Soviet propaganda comments have already sought to fan apprehensions in Hanoi that Washington and Peking are dealing at North Vietnamese expense. Moscow has suggested that Washington will use the development to avoid a reply to the new Vietnamese Communist negotiating proposal and has implied that the US and China plan to sell out Hanoi.

Moscow's attempts to score propaganda points at Peking's expense, however, will not obscure Moscow's more fundamental apprehensions about the trend of Sino-US relations. The visit to China this spring of the US table-tennis team made a strong impression on the Kremlin, but Moscow had apparently concluded that it would lead to only a slow development of political contacts. Moscow will now be more fearful that the new Sino-US move portends an eventual development of more meaningful US-Chinese collaboration, which it fears can only work to its own detriment.

The projected visit is unlikely to have any immediate dramatic impact on Moscow's policies in its current negotiations with either Washington or Peking. Moscow's position on such issues as arms limitations, Berlin, and the Sino-Soviet border dispute have a logic and history of their own. Initially, however,

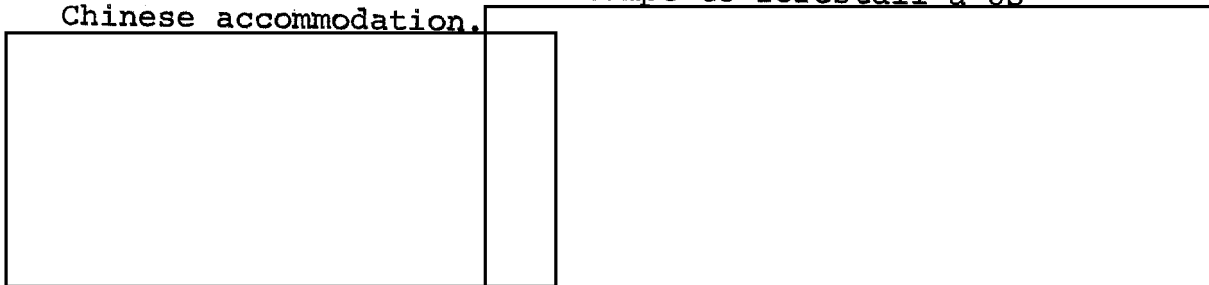
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the Soviets may feel a need to adopt a firmer stand on some contentious issues, in an effort to demonstrate that Sino-US tactics cannot force concessions from the USSR. Over the longer run, Moscow may perceive itself under increased pressure to be somewhat more forthcoming in its dealings with either or both of its rivals in an attempt to forestall a US-Chinese accommodation.



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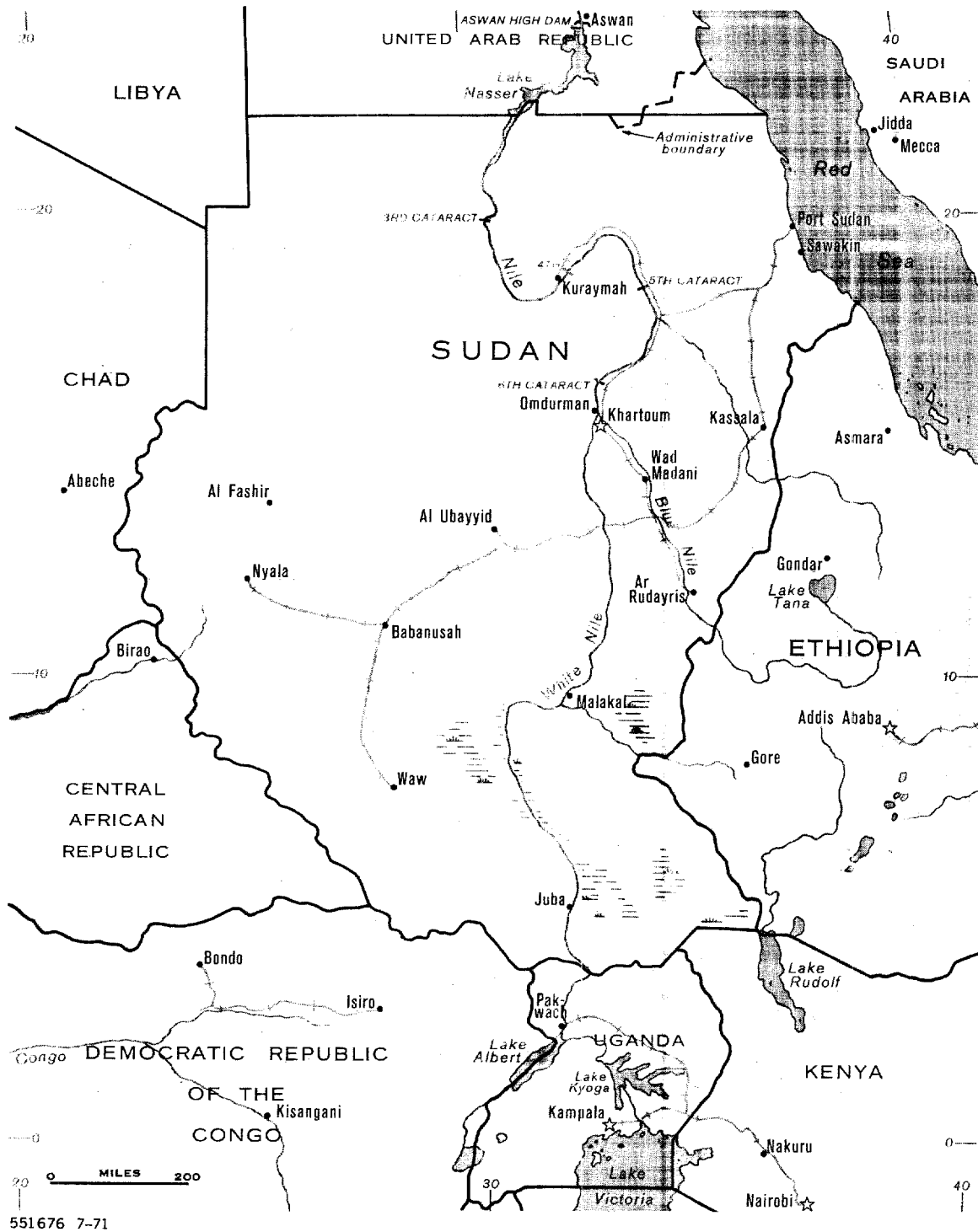
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SUDAN: The regime of Revolutionary Command Council (RCC) Chairman Numayri was overthrown yesterday by a group of military officers.

Press reports from Khartoum have identified the coup leaders as Major Hashim al-Atta, a former member of the RCC, Brigadier Uthman Sharaf, commander of the Republican Guard, and Colonel Abd al-Munim Ahmad, commander of the 3rd Armored Regiment. Atta, who has been declared president of a new ruling council, announced over Sudanese radio that the former regime had been overthrown because it was dictatorial. He said the coup leaders are prepared to cooperate with "all democratic and nationalist elements in creating a new government" which would "liberate Sudan from an alliance between foreign and local capitalism." He spoke favorably of continued relations with the Soviet Union.

Numayri had been in difficulty almost from the moment his own group took control in a coup on 25 May 1969 because of friction between conservative military officers and left-leaning nationalists in the government. To placate the officers there were periodic purges of Communists. Al-Atta, a one time organizer for the Sudanese Communist Party, was the victim of one such purge in December 1970, despite his record as a brilliant officer and talented technician.

In a bid to gain broad support for the new government Atta promised to attack a number of the domestic problems which had plagued his predecessor. To raise hopes for an end to the costly, 15-year military campaign against the Negro tribesmen of the south, the new strongman promised eventual home rule for southern Sudan. He also called for the participation of the "masses" in administering the country, although leadership would continue to be provided by the army. Atta indicated that Sudan would maintain a strong stand against Israel in the Arab-Israeli conflict and would support the cause of the Palestinian resistance.

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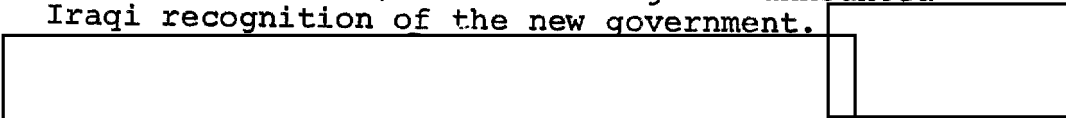
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Following al-Atta's broadcast, Radio Omdurman broadcast messages of support for the new leaders from political, social, and military organizations in northern Sudan, and Radio Baghdad announced Iraqi recognition of the new government.



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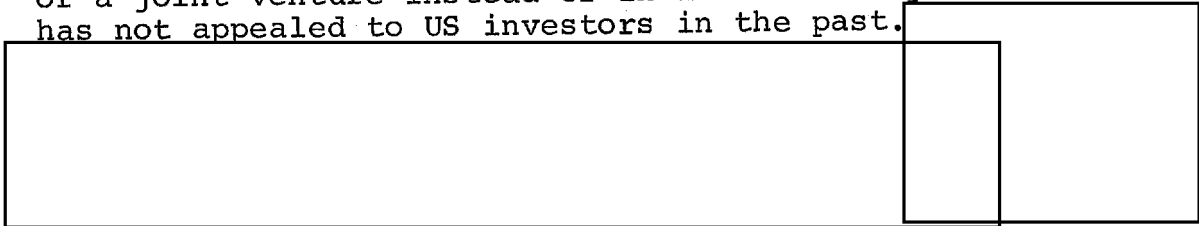
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USSR-US: In the highest level appeal to date, Prime Minister Kosygin has suggested that US companies form joint ventures with the Soviets to help develop the USSR's raw materials.

Kosygin spoke at some length on this subject in his discussion with several US participants in the recent "Dartmouth" conference in Kiev. He mentioned the production of nonferrous metals, timber, phosphates, natural gas, diamonds, and exploration of the continental shelf as possible areas of collaboration. As precedents he cited arrangements with Japan and West Germany where the Western partner is paid for its assistance from the output of the project. He also noted that the Soviets are studying the possibility of supplying oil to the West under similar joint ventures.

Kosygin's remarks ignored the negative factors in US-Soviet trade such as Soviet trading practices and the lack of interest on the part of US importers in most Soviet products. Repayment from the output of a joint venture instead of in hard currency also has not appealed to US investors in the past.



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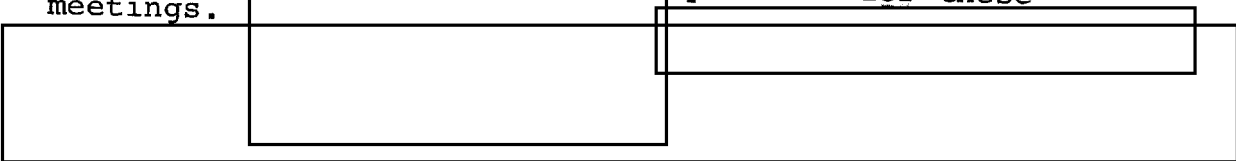
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INTERNATIONAL MONETARY DEVELOPMENTS: The Netherlands will propose a package solution for international monetary problems at today's meeting of the Monetary Committee of the European Communities (EC).

The package contains several important elements. Stricter balance-of-payments discipline would be required of all countries. For the US, the proposal recommends the reimposition of mandatory controls on investment abroad, a toughening of the interest equalization tax, and a commitment to redeem any increase in dollars held abroad either in gold or by drawing on the International Monetary Fund. Exchange rates would be altered through a three-percent devaluation of the dollar and a revaluation of the Canadian, Japanese, and some EC currencies; exchange-rate bands also would be widened, except within the EC. Finally, to help the US, it is proposed that other countries agree to a more equitable sharing of military and aid expenditures, and that they actively encourage investment in the US.

The Dutch proposal is in part an attempt to resume movement toward an EC monetary union by compromising French and West German differences over setting a date for ending the floating of the mark. Acceptance of the package by the EC would imply such a termination without stating so directly. Although the Dutch hope that the EC members will agree to present this package at the international financial meetings in September, it may serve primarily as a catalyst for discussion and thereby improve the chances for reaching a common EC position for these meetings.



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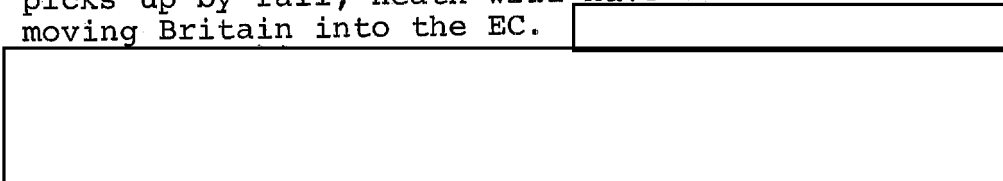
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[UK: The Heath government yesterday introduced into Parliament a package of financial measures aimed at stimulating the lagging economy.

Finance Minister Barber announced that sales taxes would be lowered and credit terms eased to revive consumer demand and thus increase employment in the manufacturing industries. In addition, the government last week announced a \$245-million public works program to increase employment in depressed areas.

According to the latest economic indicators, the British economy remains sluggish despite lower taxes and higher pension allowances contained in the budget announced in March. The gross domestic product dropped almost three percent in the first quarter of 1971. Fixed capital expenditure was off by ten percent, and exports of goods and services were down seven percent.

The government's latest moves serve a dual purpose. The reflationary measures will aid output and employment, and will also help refute the arguments of the Labor Party that the depressed state of the economy precludes British entry into the European Community at this time. If the UK's growth rate picks up by fall, Heath will have an easier time moving Britain into the EC.

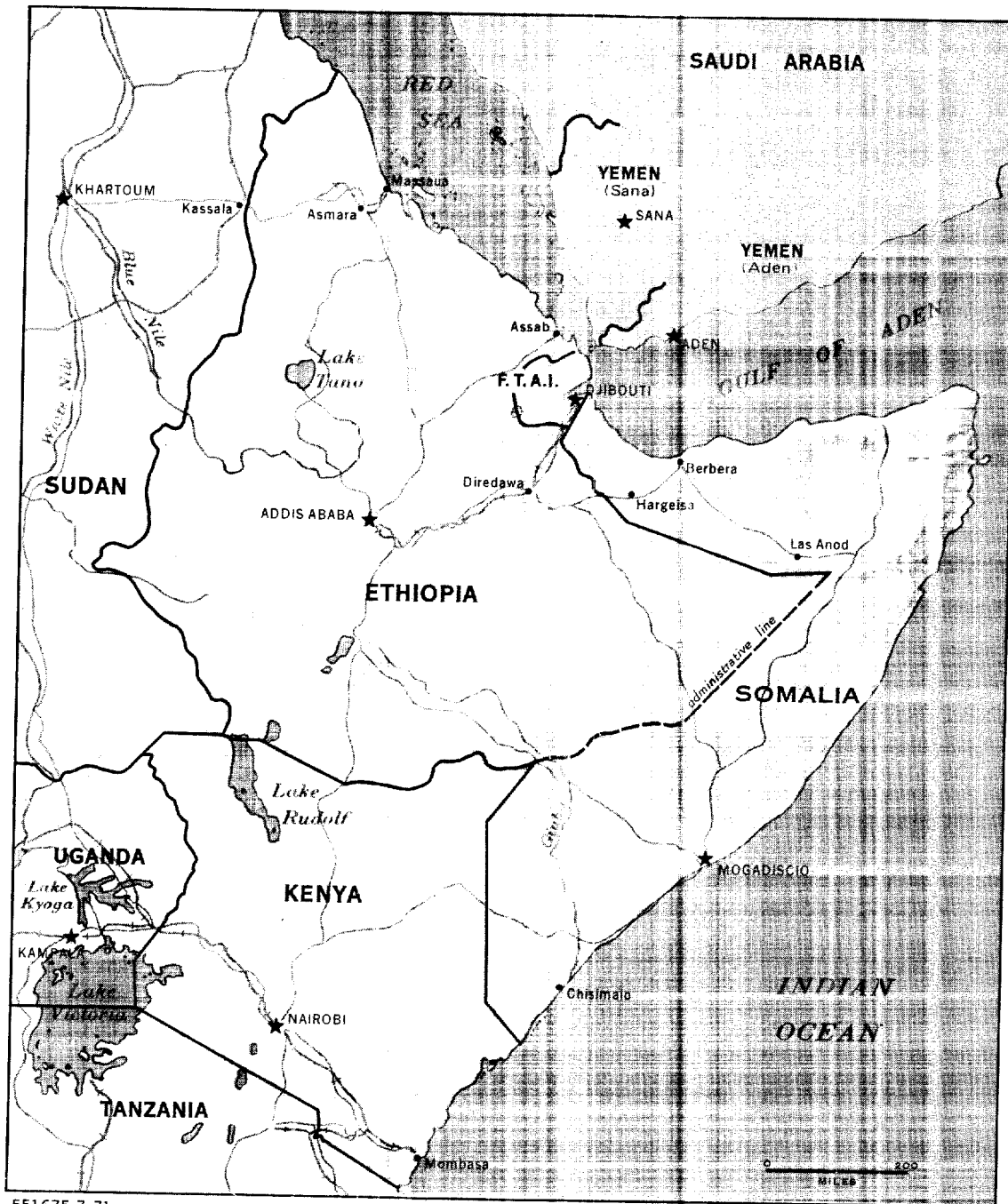


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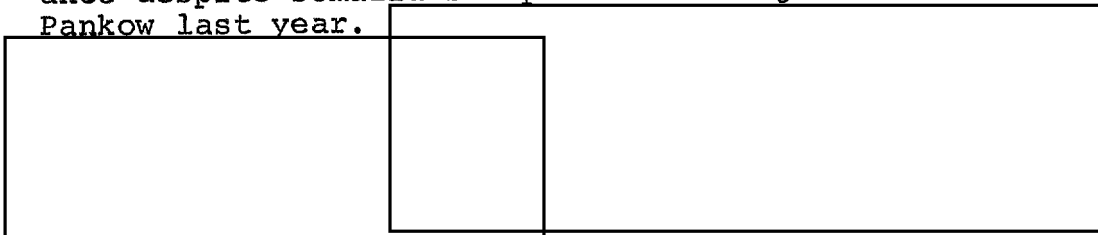
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COMMUNIST CHINA - SOMALIA: Peking has agreed to provide substantial new economic assistance to Somalia, perhaps amounting to as much as \$110 million.

The agreement, concluded during the visit to Peking in early June by a Somali delegation, calls for the construction of a 600-mile road between Mogadiscio and Northern Somalia. This project could account for at least half of the new credit. The remaining funds are to be used for agricultural development and light industrial plants. In addition Peking recently signed protocols to begin work on projects included under earlier agreements amounting to some \$23 million.

Since the coup in October 1969, other Communist countries have provided little economic aid to Mogadiscio. Earlier this year Moscow canceled a small part of the debt owed under a credit extended in 1961 and agreed to a five-year postponement of the debt repayment due this year. In addition, it will provide a small amount of assistance for several projects including construction of oil depots. East Germany has provided only a token amount of assistance despite Somalia's diplomatic recognition of Pankow last year.



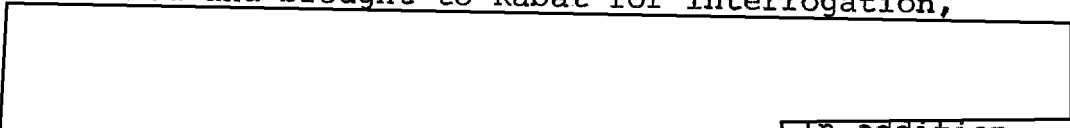
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MOROCCO: Calm prevails throughout Morocco as the investigation continues into origins of the attempted coup of 10 June.

Another 50 to 60 military officers have been arrested and brought to Rabat for interrogation,



in addition to the ten officers executed last Tuesday after a summary court-martial, an unstated number of officers were peremptorily shot after the Rabat radio station and military headquarters were retaken.

The King has called an extraordinary session of the unicameral chamber of representatives for tomorrow, presumably to approve the law establishing the state security court that the King said would be created. What role this new court will play in the investigation is not yet clear.



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MALAWI-PORTUGAL: President Banda apparently hopes to broaden his policy of open cooperation with white-ruled southern Africa through increased official contacts with Portugal.

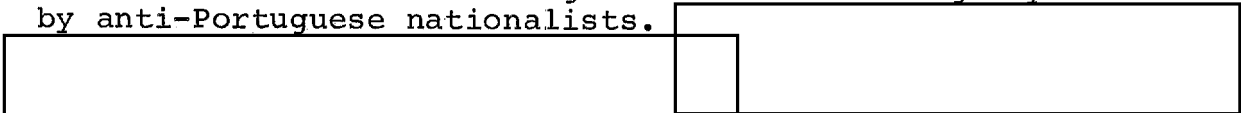
A three-day visit to Malawi last week by the Portuguese minister of overseas--the first visit by a Portuguese cabinet minister--touched on a wide range of topics including Portugal's plans for greater autonomy for its African territories, Lisbon's moderate racial policies, and its ability to support territorial development. The Portuguese also agreed to provide Malawi with modest financial and educational assistance.

The major result of the visit, however--and the one closest to Banda's heart--was an agreement for future state exchanges. Portuguese Foreign Minister Patricio will visit Malawi later this year, and Banda will go to Mozambique in September, following a visit to South Africa next month.

Such exchanges are crucial to Banda's open-dialogue policy, which seeks to prove that black African states are capable of governing their own affairs, and that southern African whites need not fear black majority governments. Equally important is Banda's own reliance on white southern Africa for Malawi's economic development and his desire to head off violent confrontations as a solution to the question of black independence in southern Africa.

Although closer ties with Portugal's overseas provinces may give Banda's policies added weight with southern Africa, such ties are not likely to sway many black African leaders, who for the most part regard dialogue as naive and ineffectual. One event during Banda's trip to Mozambique that is likely to prompt strong criticism from these leaders will be his visit to the controversial Cabora-Bassa hydroelectric project, which has become a symbol of Portugal's economic colonialism to much of black Africa and the target of limited insurgency by anti-Portuguese nationalists.

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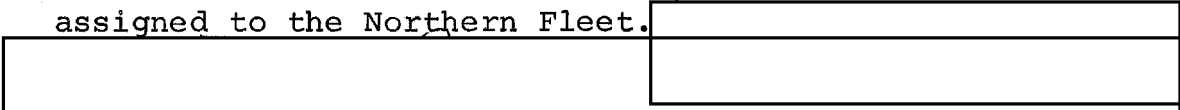
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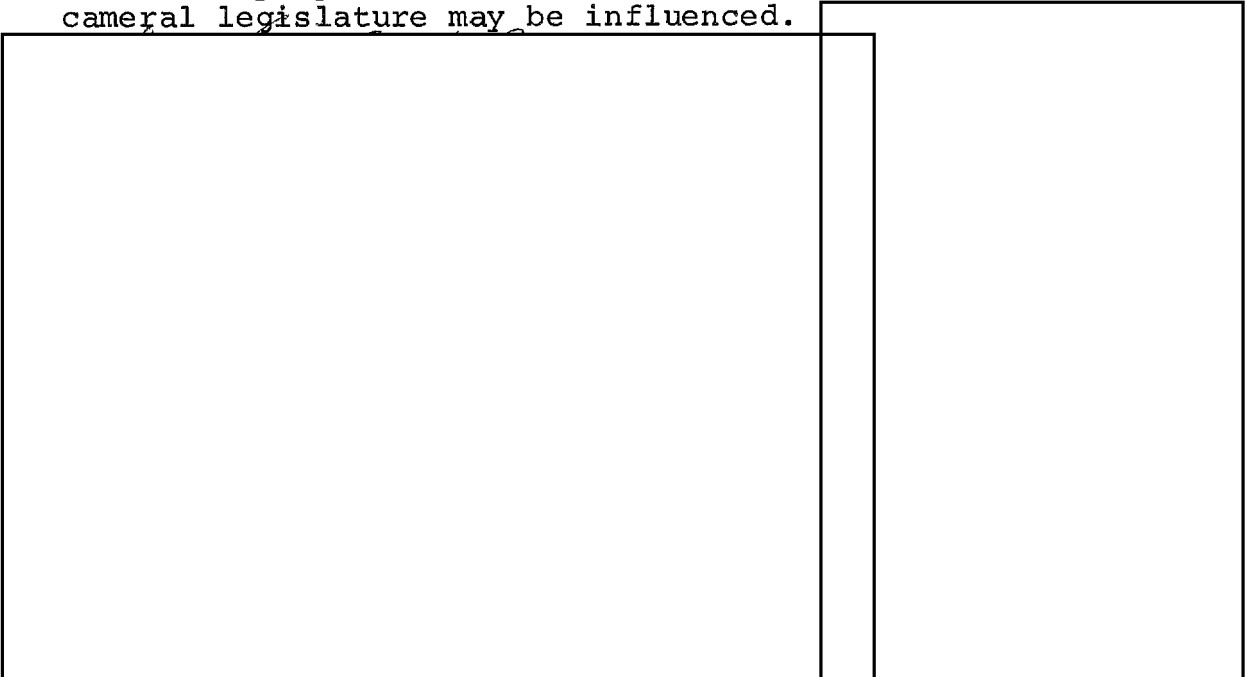
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USSR: The first of the new Kresta II - class guided-missile cruisers is about to join an operational fleet. The ship is now moving through the Norwegian Sea and probably is headed for the Northern Fleet. This improved version of the Kresta-class cruiser has greater ASW and air defense capabilities. The ship spent nearly a year in the Black Sea--probably testing its new missile systems--and now appears to be ready to make routine deployments with other Soviet surface warships and submarines assigned to the Northern Fleet.



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CHILE: The defeat of the administration's candidate in a legislative by-election in the important Valparaiso port area will encourage the opposition parties to cooperate. The winning Christian Democratic candidate was supported by two other parties, and the government Popular Unity coalition received approximately the same minority total that it won in that area in the municipal elections last April. Despite President Allende's statement that the defeat would not affect his program, the timing of his coalition's projected move toward creation of a unicameral legislature may be influenced.

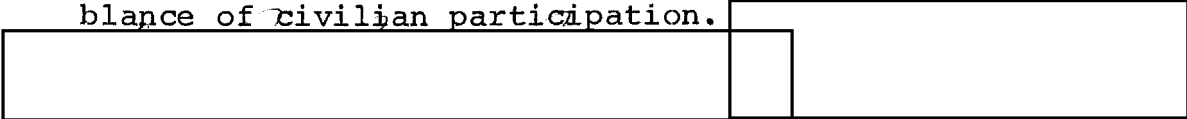


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BURMA: In another step aimed at creating the appearance of a return to normality and permanent institutions in Burmese political life, the military oligarchy has dropped the word "revolutionary" in the official title of the government; it is now called the Government of the Union of Burma. General Ne Win, who has been chairman of the ruling Revolutionary Council for the past nine years, on 15 July named himself prime minister in the "new" government and reappointed all the incumbent army officers who serve as cabinet ministers. These changes, which come on the heels of the restructuring of the government's Burma Socialist Program Party and the addition of some civilians to government bodies, will not effectively alter the army's predominant role in Burma. They are probably part of a process that includes the prospective writing of a new constitution and perhaps other steps designed to give some semblance of civilian participation.



YEMEN (SANA): Premier Numan has sent his resignation to President Iryani, believing that his government has reached a dead end in meeting the country's deepening financial crisis. The ultimate blow had been the refusal of the consultative council to accept a Saudi Arabian loan, an action motivated entirely by political bickering with utter disregard for the fiscal chaos that might result. General al-Amri, who previously had been felled by similar problems, is expected to return from medical treatment in Cairo to try the premiership once more.



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