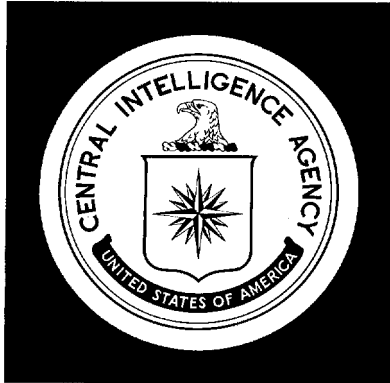


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DIRECTORATE OF  
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SOUTH VIETNAM: President Thieu is moving behind the scenes to pave the way for a government political party.

[Redacted]

Earlier efforts in this direction foundered on the factionalism and self-interest of the traditional political groups Thieu sought to meld into a unified organization. He believes he can avoid some of these pitfalls now by concentrating on enlisting individuals rather than on wholesale mergers.

[Redacted]

Despite past failures, Thieu appears to have a better chance now of forming a tightly knit political organization, especially if he bases it on the far-flung governmental machinery that, in effect, has served him as a political party. Serious questions remain, however, as to whether Thieu will be able to form a party that can attract a large measure of genuine popular support. Factionalism and the many sources of dissatisfaction in the country work against such a venture and, although the Thieu regime has been trying to fashion programs with broader appeal, it has a considerable distance to go to win the backing of many Vietnamese.

The government has suffered from the lack of an ideologically oriented mass party that could attract the loyalty of the people the way the Communist Party has in many provinces in the past. Thieu recognizes this and has advised new party recruits that, if hostilities are brought to an end, the formation of an effective political group to compete with the Viet Cong will be extremely important to the government side.

[Redacted]

[Redacted]

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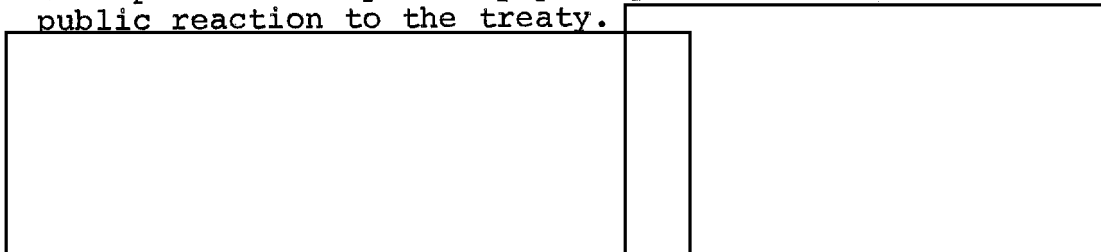
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WEST GERMANY: [ The inter-German negotiations to implement the Four-Power Berlin accord are apparently drawing rapidly to a conclusion.

West German negotiator Egon Bahr has been determined to conclude an agreement by this weekend. In response to allied reservations over terminology in the inter-German draft, however, Bahr had agreed to make one more effort to win East German acceptance of Western language in this week's negotiations. [ Bahr has scheduled a meeting with the allied ambassadors this morning, and thereafter with the West German cabinet, presumably to review his progress thus far. ]

The parallel negotiations between the West Berlin Senat and East Germany appear to have progressed smoothly but more slowly. Their negotiators plan to meet daily for the rest of the week, however, and Bahr anticipates signature of an inner-Berlin agreement by 8 or 9 December.

[ These developments closely follow a visit to Moscow by West German Foreign Minister Scheel. ] Moscow, in an effort to increase pressure on Bonn for early ratification of last year's Soviet - West German treaty, took the position that it would delay signing the final protocol of the Berlin agreement until the treaty is ratified. Scheel apparently attempted in vain to convince the Soviets that such linkage would further complicate the ratification process and probably precipitate a negative public reaction to the treaty.

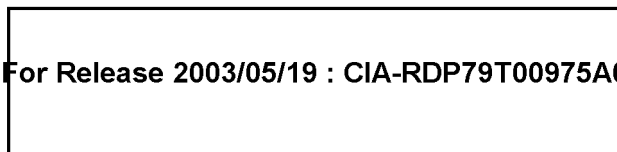


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According to Scheel, the arrangement with Moscow calls for submitting the treaty for ratification following completion of the inter-German agreement and announcing the intention of the Four Powers to sign the final Berlin protocol at some unnamed date.

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INDONESIA-CHINA: Indonesia has made little progress in its informal talks with Chinese representatives, thereby justifying Djakarta's desire to proceed cautiously toward the normalization of relations.

In Djakarta's first direct meeting with a Chinese official since 1967, the Indonesians encountered a hard Chinese position.

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[Redacted]

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[Redacted] If relations are to be normalized, [Redacted] Indonesia must cease "terrorizing" Indonesian Communists and must free all political detainees arrested following the abortive Communist coup in 1965.

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[Redacted] Djakarta's own conditions for normalizing relations are that Peking cease its support of dissidents in Indonesia and stop its anti-Indonesian propaganda.

Indonesia's military-controlled government is reluctant to resume relations, suspended in 1967 on the grounds that Peking had encouraged the attempted Communist coup, but believes it must prepare for an eventual accommodation.

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[Redacted]

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President Suharto [Redacted] stated [Redacted] that relations with China would not be restored until after the newly selected Congress--theoretically Indonesia's highest policy-making body--convenes in October 1972. This would afford the government more time to consider new international developments and to prepare

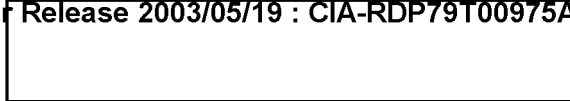
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internal public opinion for a change in policy toward China. In the interim, the government favors increased direct trade as the best way to begin normalization.

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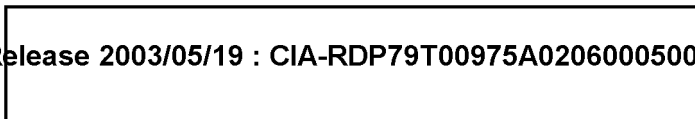
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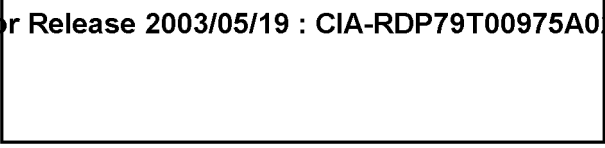
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ICELAND: A general strike, slated to begin at midnight on 5 December, threatens to bring down Iceland's center-left coalition.

In order to avoid the strike, the administration recently pushed through legislation trimming the work week to 40 hours and increasing paid vacations to four weeks as promised in the pre-election campaign last spring. In addition, the government's vow to hike wages 20 percent over a two-year period for low salaried jobs appears to be on schedule, with a six- or seven-percent increase expected this year. Nevertheless, nearly all member unions of the Iceland Federation of Labor (IFL) are demanding a whopping 20-percent increase for all salaries and up to 30 percent for lower paying jobs.

Because two of the three coalition parties are labor-based, a strike would test coalition unity under any circumstances.

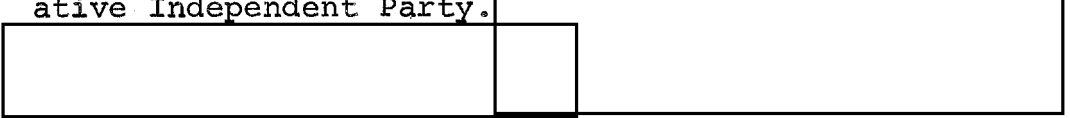
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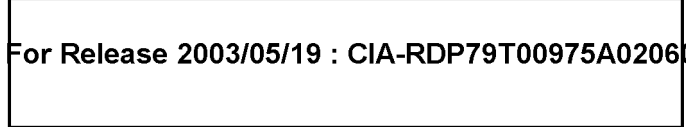
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Hannibal Valdimarsson, leader of the small but pivotal Organization of Leftists and Liberals, a partner in the present coalition, reportedly is backing the IFL demands with the intention of replacing the government with a new center-left coalition that would include the opposition Social Democrats in place of the Communist-dominated Labor Alliance. Such a government would not have a majority, however, and reportedly would rely on the neutrality of the conservative Independent Party.

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