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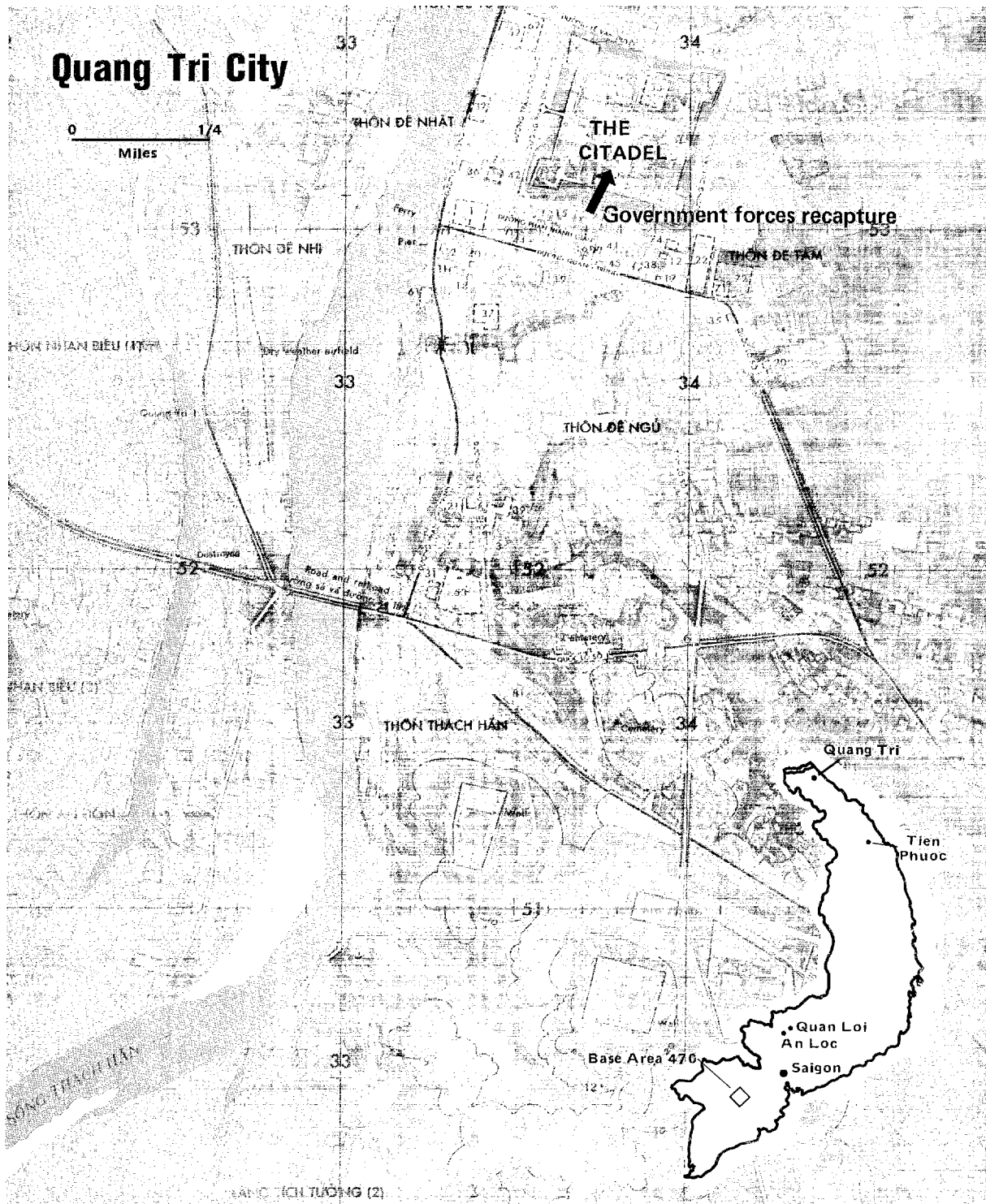
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VIETNAM: South Vietnamese Marines claim to have gained control of the citadel in Quang Tri City. At least two Marine battalions are inside the citadel and an enemy command post for defense of the fortress has been overrun. Fighting outside the citadel was less intense, but the Communists have stepped up their artillery attacks against Marine and Ranger positions in the city's southern and northern sectors.

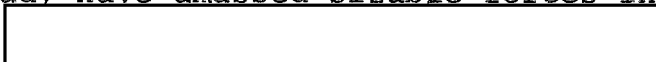
Fighting was light in the other four provinces of Military Region (MR) 1 on 15 September, although the Communists are still trying to expand their newly won footholds in the coastal lowlands.



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In the southern half of the country, fighting picked up somewhat in the An Loc area where government troops are trying to recapture the city's airport. Several sharp engagements have been fought in this sector in recent days, and there are indications that the enemy may soon offer more determined resistance.

Sharp contacts continued in the delta, with enemy forces maintaining pressure against government outposts close to supply and infiltration corridors. Most of the action on 15 September was near the Cambodian border in Chau Doc Province, through which the enemy has been infiltrating units into the southern delta, and in Dinh Tuong Province where the Communists already have amassed sizable forces in Base Area 470.



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CHINA: The ongoing campaign to discredit former defense minister Lin Piao has entered a new phase that appears to have as much current as historical significance.

The new round was kicked off in August by an authoritative article in the party theoretical journal, Red Flag. While calling for continued vigilance against "class enemies," the article asserted that intraparty strife will inevitably surface every few years but that these periods of chaos are always followed by order. The message in Red Flag and in more recent provincial broadcasts seems to be that the excesses of the Cultural Revolution, now being blamed on Lin, are a thing of the past and that the current struggle at the top will not be allowed to disrupt life throughout the country.

These attempts to reassure jittery cadres, who have been braced for another purge during the year since Lin's demise, are falling short. The current campaign itself is a double-edged sword, requiring participants not only to expose Lin's misdeeds but to examine their own political attitudes. Cadres, perplexed that the anti-Lin campaign has continued so long after Lin's downfall, apparently are interpreting the prolonged denunciation of Lin as a sign that more heads will roll. Indeed, the regime's failure to wrap up the anti-Lin drive has given rise to grass roots speculation on the fate of a number of provincial leaders. In recent weeks, party bosses of three provinces in east China have been rumored to be under arrest.

These and other rumors may not necessarily be true, but local cadres seem convinced that the conflict among the top leadership has not ended with Lin's downfall, and the new phase of the anti-Lin campaign is likely to fan their fears. [redacted]

[redacted]

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YUGOSLAVIA: The strong performance of the foreign trade sector is continuing, but Belgrade is having less success coping with inflation.

The government's policy of stimulating exports and restricting imports has helped to reduce Yugoslavia's chronic trade deficit. Exports have covered more than 70 percent of imports so far this year, in contrast to less than one half of imports last year. The continued growth in earnings from tourism and remittances from workers abroad has led the National Bank Governor to predict that Yugoslavia will realize a current account surplus this year for the first time since 1965.

On the domestic front, stabilization efforts are meeting with less success. The federal government's inability to control spending at the republic level, coupled with strong increases in personal incomes and the money supply, has fueled the persistent inflationary trend. Despite a price freeze that was in effect from November 1971 through March 1972, prices probably will rise by almost 15 percent this year. In the past, large price increases have brought about worker demands for another round of wage increases.

Largely as a result of the government's restrictions on imports, some enterprises are experiencing shortages in supplies of raw materials which, in turn, may slow economic growth. If the shortages persist, the government's export drive may be threatened in the latter part of 1972 and early next year. In addition, larger than normal imports of wheat, corn, and vegetable oil will be necessary to supplement the mediocre 1972 harvest.

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ALGERIA-USSR: President Boumediene reportedly has accepted an invitation to visit the USSR sometime during November and he may also travel to Eastern Europe.

Boumediene would like to engage in serious negotiations for more favorable terms for Soviet aid. To impress this point on the Soviets, he is sending Minister of State Cherif Belkacem to Moscow on 2 October for eight days of preliminary talks. Belkacem, who is also president of the Soviet-Algerian Friendship Society, has been instructed to grant a Soviet request to stage a film and graphic arts exhibit in Algeria this fall.

The major purpose of the President's travels is to obtain economic aid without making any major concessions. Also important is Boumediene's apparent need to bolster his image at home as an influential international figure and thereby divert public attention away from domestic problems. [REDACTED]

[REDACTED]

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NOTES

MEXICO: Security officials fear that more bombs will be exploded in outlying sections of the capital today while President Echeverria reviews the Independence Day parade in the main plaza. No particular group has yet claimed credit for the bombs that rocked downtown Mexico City yesterday. [redacted]

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[redacted]

Meanwhile, the army is keeping a wary eye on Guerrero State where Lucio Cabanas and his guerrillas are expected to attempt another "spectacular" sometime this weekend. Two army patrols have been ambushed in recent weeks, and there have been rumors that Cabanas might try to occupy an urban center in a show of force. [redacted]

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[redacted]

* * * *

UK: The change in Britain's trade position from a surplus in July to a near-record \$473-million deficit in August reflects both the dock strike and statistical aberrations. Most of the deficit results from customs reporting procedures that understated exports. The trade account should improve appreciably in coming months as the backlog of export goods from the strike is reduced. It will also benefit from the drop in the value of sterling since the currency was floated in late June. [redacted]

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[redacted]

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GHANA: Accra's budget statement for the fiscal year ending in June 1973 calls for a \$34-million surplus to slow inflation, but this may not be possible to achieve without foreign aid. The budget apparently incorporates suggestions made by World Bank officials and is evidence of Ghana's intention to pursue greater fiscal responsibility. This could open the door to constructive consultation between Accra and its foreign creditors and donors regarding cooperative efforts to resolve the nation's foreign debt problems and meet its economic development needs. Ghana's Western creditors have been awaiting the budget statement because it will play a significant part in creditor discussions set for early October in London. [REDACTED]

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CHILE - EAST GERMANY: Some features of East Germany's first credit extensions to Chile should be particularly welcome to Santiago, which is extremely short of foreign exchange. Although announced as a \$20-million development credit repayable over eight to ten years, two contracts amounting to more than one third of the pact have been signed for medical instruments and tractors. These items probably will be delivered during the next year. In addition to the development credit, Pan-kow extended a \$2-million short-term credit to cover Chilean imports of East German foodstuffs. [REDACTED]

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