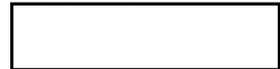


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State Dept. review completed

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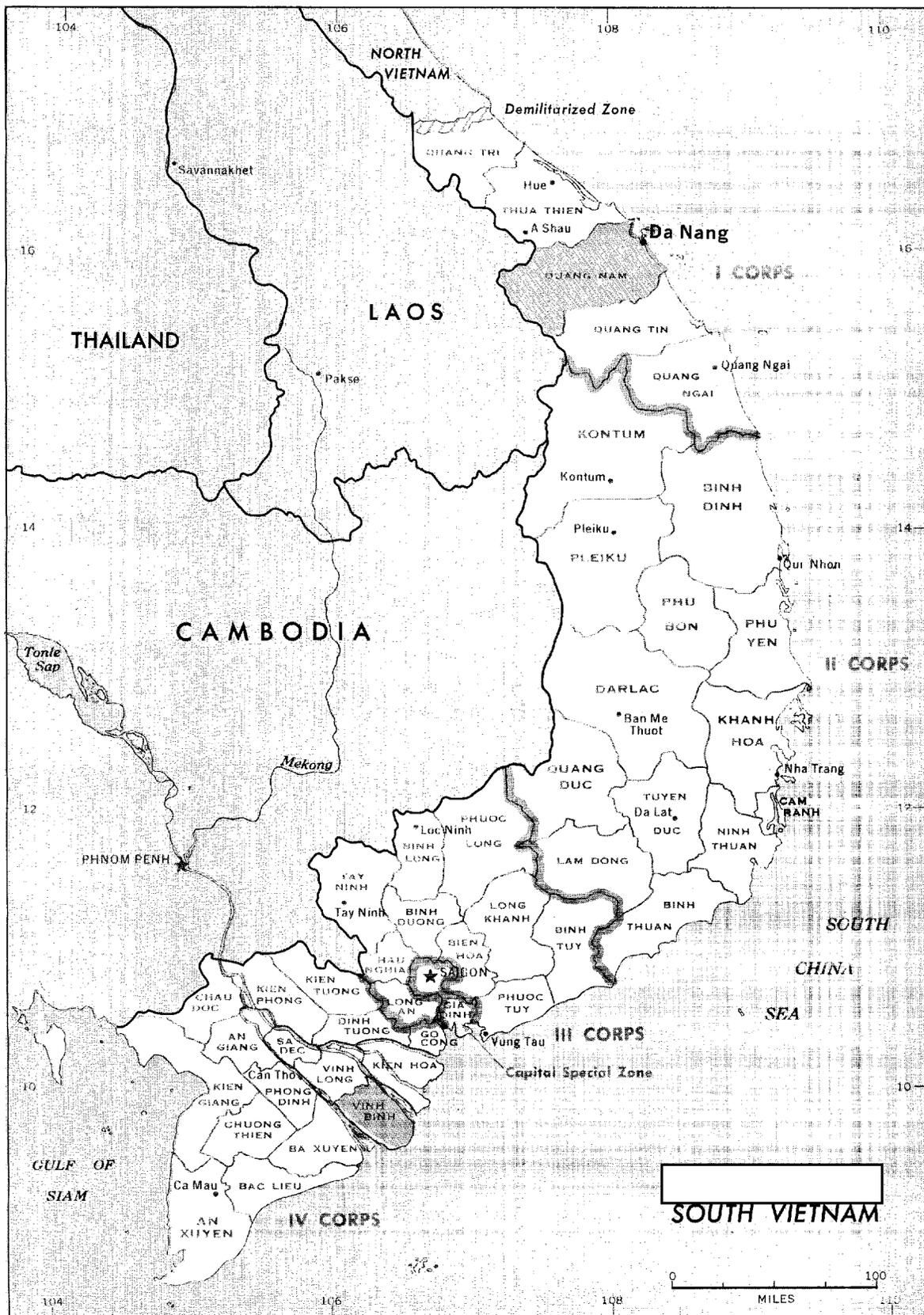
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[Vietnam: Communist forces renewed their shelling of the Da Nang area on 18-19 November and mounted a strong ground attack in the Mekong Delta.

In the delta action, a South Vietnamese Regional Force compound near the capital of Vinh Binh Province was attacked by two enemy companies. Casualties to the garrison's seven defending companies included 30 killed and 23 wounded. In addition, 21 civilian dependents were killed and 30 were wounded. The attackers lost only two killed.

In the Da Nang area, allied military installations again came under enemy rocket and mortar fire on 19 November. Casualties and materiel damage were light, however. Elsewhere, two district towns in the delta and one in northern I Corps were among the targets hit by mortar attacks.

* * * *

Enemy troop movements continue to be observed southwest of Da Nang; allied artillery fire killed 48 North Vietnamese regulars in this area on 18 November. These movements lend support to reports that further heavy attacks are planned in the coastal lowlands of Quang Nam Province.

25X1 [redacted] the initial phase of the Communists' winter-spring campaign in Quang Nam began on 10 November and will continue through 20 December. The major objectives of this phase reportedly include small-scale sabotage and infantry attacks against strategic areas adjacent to Da Nang, coupled with intensified guerrilla activities within the city itself. If these actions are successful, [redacted] they will be followed by major ground attacks by forces of the Communists' Front 4 command and the North Vietnamese 2nd Division. [redacted]

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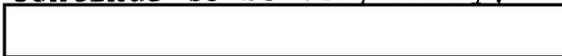
France: Yesterday's heavy outflow of reserves indicates that the remedial measures announced on Monday have not restored confidence in the franc.

By the time the exchanges closed yesterday, French reserves probably had fallen another \$300 million to about \$3.2 billion. This is more than 50 percent below the \$6.9 billion level of 1 May 1968.

France's stated intention to reduce budgetary expenditures and to tighten credit are more likely to be effective in the long run than to have a decisive short-term impact. Speculators are aware that France cannot stand the heavy drain of the past week for much longer. Decisive action to halt the outflow by devaluation will have to be taken well before reserves disappear.

In a related development, a spokesman for West Germany reaffirmed his government's determination not to revalue the mark upward. Instead, it was announced that new tax measures, designed to reduce the German trade surplus, would be taken. New legislation to be discussed by the Bundesrat (upper house) tomorrow probably will include imposition of an export tax and reduction of the "value-added tax" presently levied on most German imports.

These measures would weaken Germany's strong competitive position in the long run. It is doubtful, however, that they will be interpreted as decisive steps by the foreign exchange markets. As long as speculators can continue borrowing to buy marks and sell francs, the pressure on the French currency is likely to continue to be very heavy, if not irresistible.



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Italy: The government's resignation yesterday lends urgency to negotiations for a new triparty coalition.

Both the Christian Democratic and the Socialist parties have minority factions dissatisfied with the party leadership, however, and this complicates the problem of forming such a coalition. About 20 percent of the Christian Democrats' ruling National Council are members of the left-wing faction. The dissident left-wing and centrist factions of the Socialist Party hold 47 percent of the positions on their party's central committee. All these factions are reported to be planning to work together and may prove to be a major hazard to the negotiations.

Should the negotiations not lead to a reconstitution of the old coalition, the outcome might be another interim government, without Socialist participation, pending a congress of the Christian Democratic Party planned for early next year.

Leading candidates to replace caretaker Prime Minister Leone are Christian Democratic leaders of long standing. Treasury Minister Colombo and party secretary Mariano Rumor are among the most likely.

Priority items for a new government program are likely to be labor problems and educational reforms.



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Japan: Yesterday's crash of a B-52 bomber in Okinawa could have important repercussions on Tokyo's negotiations with the US on the reversion problem.

Although Okinawan property damage and personnel injuries were slight, the incident is being sensationalized in the Japanese press, making it difficult for the Foreign Office to hold to its initial low-key expression of concern to the US Embassy. The issue is clearly susceptible to exploitation by leftist demonstrators both in Japan and Okinawa. Furthermore, the crash will generate additional opposition pressure on the government to seek removal of the bombers and to stiffen Japan's approach to the reversion question.

Prime Minister Sato, who will seek a third term as the ruling Liberal Democratic Party's president on 27 November, will now come under renewed pressure to take a firm stand with the US on the postreversion status of the bases on the island. Up to this point, he has avoided committing himself on this question. In contrast, his two party challengers, Miki and Maeo, advocate the same restrictions that now apply to bases in Japan--prior consultation on use of bases and no storage of nuclear weapons. Sato's re-election does not appear to be in serious jeopardy, however.

Since the arrival of B-52s last February, their presence has been continuously criticized by the Okinawan news media, the public, and all elements in the political spectrum. Chobyō Yara, the leftist chief executive - elect, has reiterated in the wake of the crash that he will press the US military administration for removal of the bombers. [REDACTED]

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[Mali: Army elements that yesterday proclaimed the overthrow of the radical regime of President Modibo Keita are trying to consolidate their position.

The swift and well-executed coup has met with little or no resistance. Participating units, including US-trained paratroops, control all strategic points in Bamako and have effectively neutralized the main camp there of the Popular Militia, the paramilitary arm of Mali's single party. It is not yet clear whether all upcountry army garrisons have joined in the coup.

[REDACTED]

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[REDACTED] There are unconfirmed reports that some cabinet ministers and left-wing militants in the party have been arrested.

Although all the prime movers behind the coup are not yet known, a heretofore obscure lieutenant, Moussa Traore, seems to be a key figure. He has announced over Radio Mali that a "Military Committee of National Liberation" has been established to exercise government powers.

Intense friction between the army and the militia was probably an important factor in the decision of the officers to move against the regime. The army has resented the increased authority given the militia ever since the regime took on a more rigidly left-wing cast in the summer of 1967. In addition, discontent with the Keita regime has increased generally because of the troubled state of the economy and differences between militants and moderates over whether Mali should maintain its revolutionary socialist course or pursue more pragmatic policies.

[REDACTED]

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Hungary-USSR: The two governments have concluded an agreement that will bind Hungarian cultural and scientific life more closely to that of the USSR.

Hungarian publicity for the accord, which was signed by Soviet Foreign Minister Gromyko and Hungarian Culture Minister Ilku, suggests that Budapest believes it has won an important acknowledgement of equality. Although the text of the agreement is not available, it appears to contain several firsts, including provisions for joint scientific research, joint book publishing, joint theatrical projects, and cooperation in the training of educational specialists.

An unprecedented clause calls for Hungarians to scrutinize with a view to correction the USSR's textbooks on Hungary and vice versa. The Soviets agreed to loosen their controls over exchange visits, allowing for private initiative on the part of individuals from each side. After years of literary pirating, the USSR also agreed to copyright arrangements.

The Soviets extracted a price. The agreement calls for coordination of the positions of the cultural delegations of both countries at international cultural and scientific conferences and in similar multinational organizations. If the Soviets live up to the accord, however, it will in time probably help to lessen Hungarian resentment over some of the inequities in their country's relationship with the Soviet Union.

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Venezuela: Terrorists attempted to assassinate a Venezuelan Army general on 17 November. The incident took place in western Venezuela in an area frequented by Douglas Bravo's Armed Forces of National Liberation. At about the same time, another group attacked the general's home. No injuries were reported in either incident, but the attacks are likely to reinforce doubts of military leaders over the wisdom of the government's current amnesty programs. Security measures will probably be tightened in preparation for the general election on 1 December, but Communist extremists are likely to make additional terrorist attacks. [REDACTED]

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Chile: Student elections at two important universities have continued for the most part the political alignments previously in effect. At the prestigious University of Chile, the Christian Democratic students maintained their control of the student federation, but extremists of both the left and the right increased their representation on the executive committee. At the University of Concepcion, the extreme leftists retained control of the executive committee of the student federation. Following the announcement of the results in Concepcion, the students attacked the USIS office in a "victory celebration," causing extensive damage. [REDACTED]

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