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South Vietnam: President Thieu is making some headway in his efforts to pull divergent South Vietnamese political groups together.

Preliminary agreement has been reached between Thieu and several leaders to organize a progovernment political confederation, the National Social Democratic Front. It will consist initially of the Revolutionary Dai Viets, the Nhan Xa, the Catholic Greater Solidarity Force, and the Hoa Hao Social Democrats. In addition, the Lien Minh and a recently enlarged faction of the Vietnamese Nationalist Party are expected to join.

Each group in the confederation will have one vote on the presidium, and Thieu will serve as the elected president, possibly with veto power. Thieu has apparently indicated that he may eliminate his unpopular aide, Nguyen Van Huong, as an intermediary, and will make himself available to party leaders directly. In spite of these agreements, some hard bargaining still lies ahead before the organization holds its national convention, now scheduled for 25 May. Thieu has not yet agreed to cabinet representation for the groups participating in the confederation, a concession which the participants still hope to get in exchange for their cooperation.

* * * *

The enemy shelled ten allied positions northwest of Saigon in Tay Ninh Province during the night of 6-7 May. A light rocket attack against Hue yesterday resulted in three civilians killed and two wounded. Three terrorist incidents in Saigon last night, including a bombing at the central post office, caused a number of civilian casualties.

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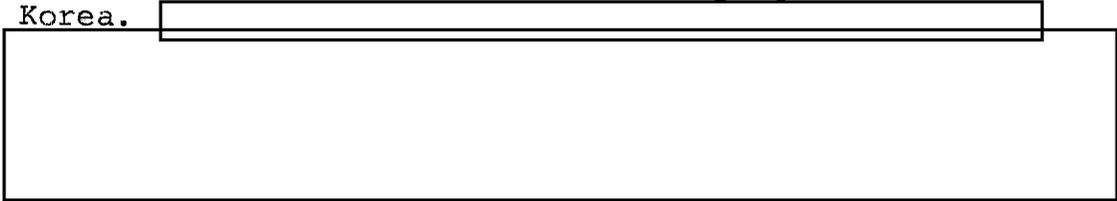
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North Korea: There is evidence that one of Kim Il-song's long-time lieutenants has recently been named to head the apparatus in charge of the subversive campaign against South Korea, probably in order to strengthen Kim's ability to impose his adventurist policies on the North Korean regime.

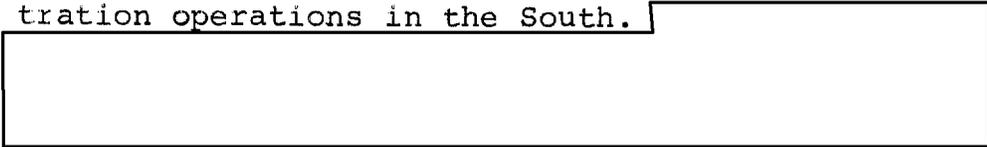
Kim Chong-nin, who has been closely associated with Kim Il-song since the days of the Korean resistance movement against the Japanese, recently assumed party functions which indicate that he is now heading its Liaison Bureau, the office which directs infiltration and other subversive activity against South Korea.



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There were clear hints of continuing resistance to Kim's campaign of harassment and subversion against the South and provocations against the US in an editorial in the North Korean party newspaper four days before the US reconnaissance aircraft was shot down on 15 April. The editorial denounced "flunkeys and factionalists" who by implication had opposed Kim's policies and demanded unconditional acceptance of the "orders and instruction of the leader."

Although this appointment probably does not foreshadow any major changes in the nature and scope of the North Korean effort against the South, it may result in an intensification in harassment activities in the Demilitarized Zone area and infiltration operations in the South.



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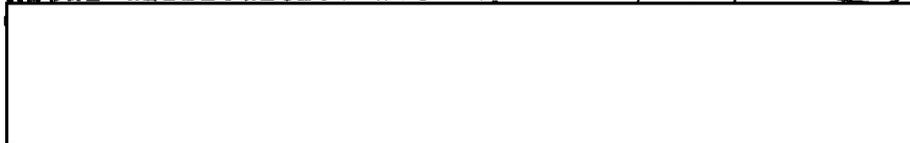
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Western Europe: (France has failed in its attempts to disrupt the multirole combat aircraft consortium or to join the consortium on its own terms, and may now join West Germany in the production of a trainer aircraft.)

(In a meeting on 1 May, the defense ministers of Germany and France discussed joint development and production of a trainer aircraft. This aircraft would be a follow-on for the French Fouga Magister trainer and also probably would be used to train pilots of the proposed swing-wing MRCA.)

(France had tried to entice Germany away from the MRCA project with offers of co-production on a French Mirage swing-wing plane or the substitution of such a French aircraft for the entire MRCA program. Both offers were turned down. At the meeting on 1 May, France reportedly offered to buy 40 of the MRCA if substantial changes were made in the program which would in effect give France predominance. This offer also was declined since the order would be too small to justify the changes.)

(There is little advantage for France in joining the MRCA consortium unless it can have control over the project. France is the only free world country besides the US that has a flying swing-wing aircraft. Such aircraft are difficult to design and develop, and the experience gained from the Mirage G is of considerable value. France, therefore, will not sell this advantage cheaply or help to develop an aircraft that would compete with the Mirage swing-wings. France probably now believes that the MRCA project ultimately will founder for political and economic reasons or because of technical difficulties with the swing-wing design.)



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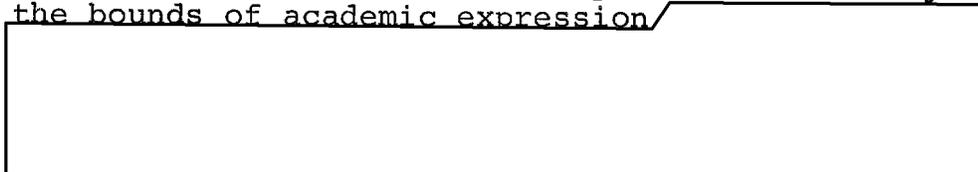
Hungary: An important reform of Hungary's elite Academy of Sciences is under way.

The shake-up is designed to increase the academy's effectiveness and leadership in the new conditions resulting from Kadar's economic and educational reforms. It also seeks to bring the academy's activities under the direct control of the party leadership.

The Academy of Sciences had been working extensively in applied research, but largely under the direction of other agencies. Under the new system, high-level party experts in technology, economics, and education--including an alternate politburo member--presided over the academy's recent general assembly. They presumably will channel research into areas the party deems critical, and will have the political power to ensure that assigned tasks are accomplished.

The party will soon begin a complex reform of the academy's inner structure and "its whole position"--presumably including ideological attitudes as well as practical goals. Academy directors have already taken over "coordination" of the social sciences, an area of study riddled by factional squabbles between ideological conservatives and reformers, and marked by a trend toward scientific objectivism which the party refuses to tolerate.

If carried out successfully, the shake-up will probably result in a more important role for the academy in planning and executing the Kadar regime's domestic programs, but at the price of narrowing the bounds of academic expression



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USSR-India: Soviet Premier Kosygin took advantage of his recent trip to New Delhi for the funeral of Indian President Husain to hold substantive talks with Prime Minister Gandhi.

During the talks, Kosygin apparently tried to reassure the Indians, who have been troubled in recent months by Moscow's sale of arms to Pakistan. The two leaders probably exchanged views on the recent political difficulties in Pakistan as well as other matters of common interest. Concern over Chinese intentions, particularly in border areas, was almost certainly a topic high on the agenda.

The Soviet premier may have decided to attend the funeral at the last minute as a pretext to meet with Mrs. Gandhi. He was accompanied by two other high-ranking officials.

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USSR - North Korea: Soviet President Podgorny will visit North Korea and Mongolia later this month. He will be the highest ranking Soviet official to visit North Korea since 1965. He probably intends to discuss events in China in both capitals, as well as to test the mood in Pyongyang in the wake of the EC-121 affair. Soviet support for the North Korean action at the time was lukewarm, and Pyongyang may have considered this, along with Moscow's assistance to the US in the search for survivors, as a tacit rebuke. The Koreans have been upset over the general lack of world support for the shutdown. Podgorny will presumably seek to assure the North Koreans that Moscow acted in their interest but is unlikely to do anything to encourage further such adventures by Pyongyang. [redacted]

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USSR: Soviet intelligence collection ships have resumed close-in operations against US territory following a 15-month hiatus triggered by the Pueblo incident. The ship stationed off Guam has moved closer to shore, and on 1 May an intelligence ship off Norfolk reportedly violated the US three-mile limit. The Soviets apparently feel that precautions adopted at the time of the Pueblo incident are no longer necessary. [redacted]

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Western Europe: Speculation that the deutschmark will be revalued soon gained momentum on the foreign exchanges yesterday. The Bundesbank took in about \$650 million in foreign exchange during the heaviest day of trading since last November's currency crisis. This brings the inflow of foreign exchange into West Germany since De Gaulle's resignation to about \$2 billion. With the central bankers going to Basel this weekend for their regular monthly meeting, speculative fever can be expected to rise today and Friday. [redacted]

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Nigeria: General Gowon may soon replace 3rd Division Commander Adekunle, the unpredictable Yoruba who has made a small fortune as warlord of the federal southern front. Senior Nigerian Army officers, including the chief of staff and another division commander, have apparently persuaded Gowon to replace Adekunle. The 3rd Division has done poorly in recent months, and serious disorganization has set in following the loss of the important town of Owerri. Adekunle is reportedly resigned to being relieved of his command; he does not appear to have any significant support in the army, and the Yorubas will probably accept the change provided another member of their tribe is named in his place.

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Panama: (A number of prominent Communist Party and student leaders were jailed by the national guard on 5 May. The military government apparently hopes the arrests will forestall any student demonstrations that follow the reopening of a major secondary school yesterday and the probable reopening of the national university later this month. Both of these institutions were centers of antigovernment agitation after the coup. The latest crackdown also could be a security precaution in anticipation of Governor Rockefeller's visit on 18 May.)

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