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[South Vietnam: The new cabinet in Saigon indicates only limited success in President Thieu's efforts to expand his political base, but reflects his concern with soaring inflation.

The cabinet line-up suggests that Thieu was unsuccessful in winning over several of his first choices, that he was unable to persuade any important Buddhist leaders to participate, and that he plans to play a more active personal role than he did with the Huong cabinet.

Only seven of the 31 cabinet members contribute to broadening the government's base. Three of them are minor politicians, representing parties that make up the progovernment political alliance. Two others-- Deputy Prime Minister Nguyen Luu Vien and Dr. Phan Quang Dan, are nonaligned but veteran politicians with some standing in Vietnamese political circles. Only one appointment, that of retired general Pham Van Dong as minister of veterans affairs, can be considered as the inclusion of an antigovernment element into the new cabinet. Dong is allied with a prominent opposition figure, Senator Tran Van Don.

The major cabinet realignment involved the economic sector where there was a wholesale reshuffling of two ministers and three deputies. The new foreign minister, Senator Tran Van Lam, is a decided plus--a prominent southerner whom Thieu expects can forge a better image of Saigon on the international scene. His predecessor was the target of considerable criticism, particularly from the National Assembly.

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Israel-Syria: Efforts are continuing to obtain the release of the two Israeli passengers still held in Damascus.

Israeli anger is evident and vague threats of punitive action against Syria have been made, but Israeli leaders are currently continuing to pursue the release of their nationals through diplomatic pressures and other international maneuvers. Tel Aviv is relying heavily on the efforts of the US Government and TWA, whom they maintain are primarily responsible for obtaining the release of the captives. The Israeli cabinet met on 31 August and called for "energetic international action." [The killing yesterday of three Israeli soldiers by Arab guerrillas on the Israeli-Syrian border seems likely to heighten tensions further and to increase pressures on the Israeli Government.]

The Italian chargé in Damascus who has been conducting the negotiations with the Syrians was not optimistic about an early release of the two Israelis. Syrian officials do not appear particularly happy about the hijacking and have hinted that they might like to work out an exchange of the captives--identified as private citizens--for three Israeli-held Syrian pilots. Israeli officials have demanded an unconditional release.

TWA officials are now in Damascus trying to obtain the release of the prisoners and to resolve other matters relating to the aircraft. The International Federation of Airline Pilots is meeting in Paris to determine a line of action.

Soviet Deputy Foreign Minister Vinogradov told Ambassador Beam yesterday that Moscow had complied with a US request to forward Washington's view of the affair to Damascus. According to Ambassador Beam, Vinogradov was cautiously optimistic that the incident would "arrange itself," if the Israelis used restraint.

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The Soviets have taken no public stand on the incident, although TASS pointed out that the comandos were "acting in isolation from other guerrilla organizations." The Soviet press has not mentioned the detention of the Israeli passengers. [REDACTED]

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Jordan-Israel: Jordan faces losses to an important sector of its economy because of its inability to repair the East Ghor Canal.

An Israeli air attack on 10 August struck the largely US-funded irrigation canal in five places, cutting off its main water supply from the Yarmuk River. Jordanians trying to survey the damage have been driven off by small-arms fire. The area is illuminated at night by Israeli searchlights. The Jordanian Natural Resources Authority has decided not to attempt repairs until the safety of crews and equipment can be assured.

The authority reports that enough water is still available to irrigate vegetable seedbeds and most citrus trees, although some of the citrus may be lost if the canal is not repaired shortly. Little water remains for some 2,000 acres of banana trees, however, which can survive only about a month without irrigation. If the canal is not repaired this week there will be both the long-term investment loss of these trees and the loss of several million dollars of annual output during the two-year regrowth period.

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[Libya: A military junta has seized power.

A group of officers headed by former Lt. Col. Abu Shuwayrib has announced the establishment of a republic and the formation of a Revolutionary Command Council. Aside from Abu Shuwayrib, the composition of the council is unknown at this time, although observers believe it to be made up of junior officers. The Libyan Parliament and other constitutional bodies have been dissolved and a curfew has been imposed.

25X1 [] the army is in control of the country's administrative centers--Benghazi, Tripoli and Bayda. Sporadic shooting was reported late yesterday and may indicate that the council's control has not yet been completed.

Spokesmen for the new government have informed the US chargé in Tripoli that it will respect all agreements, treaties and rights of oil companies. The council has asked, meanwhile, that the US reduce its training activities at Wheelus Air Base. It added that there need be no concern for any members of the foreign community in Libya.

Press reports quote King Idris, who has been vacationing in Turkey, as stating that he will return to Libya. He does not appear hurried and with the passage of time, the junta may consolidate its position and make its removal almost impossible. Crown Prince Hasan, in a radio speech, renounced all legal and constitutional rights to the throne and called upon all Libyans to support the new regime. He has thereby removed himself from the scene.

Recognition by Egypt and Iraq may help consolidate the junta's coup, as the real or imagined threat of Egyptian intervention may seriously discourage latent opposition. []

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Ghana: The decisive outcome of the parliamentary elections on 29 August should ease the transition from military to civilian rule scheduled for the end of this month.

Kofi Busia's Progress Party swamped the opposition by winning at least 100 of the 140 seats contested. The chances for a smooth changeover were also enhanced by the orderly nature of the elections and by Busia's pre-election acceptance of a constitutional provision that temporarily entrusts the presidency to a commission composed of key military and police figures.

Longer range prospects for stability, however, are clouded by the fact that tribal feelings apparently played a significant role in Busia's victory. Many Progress Party candidates openly exploited hostility toward the Ewe tribe, the only group to vote solidly for the chief opposition party. Serious problems could arise should the new government view the result as a mandate to carry out the tribal purges that some Progress Party members are known to desire.

Busia himself, a soft-spoken intellectual, is now slated to become Ghana's first freely elected prime minister since 1956. He is untested in high government office, however, and there remains some question about his effectiveness as a leader. Moreover, he is certain to be brought under pressure by ambitious younger party members, some of whom would like to replace him with a more vigorous leader.

The new government will inherit intractable economic problems, stemming largely from Ghana's enormous foreign debts, that have only been put in abeyance by the junta that has ruled since early 1966. Busia is likely to continue the junta's harsh deflationary policies, which will inevitably aggravate discontent with the tight economy and high unemployment. In foreign affairs, Busia has already publicly declared his alignment with the West.

[Redacted]

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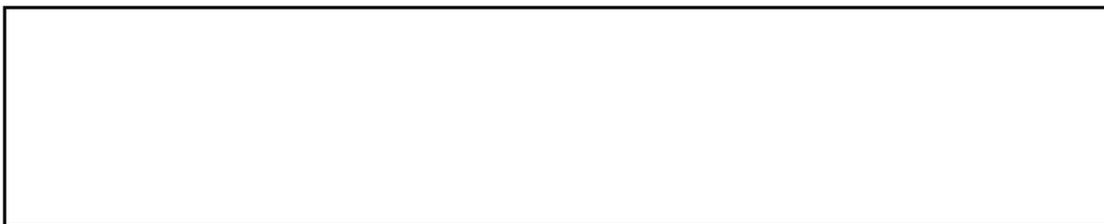
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Brazil: The military has by-passed the constitution and assumed "caretaker" direction of the government.

President Costa e Silva suffered a serious stroke on 30 August; he is partially paralyzed and will be unable to exercise authority for at least 30 to 60 days. Some reports indicate that he is unlikely to recover sufficiently to return to power at all.

The three military ministers decided to bypass Vice President Pedro Aleixo, the constitutionally designated successor, whom they have long distrusted. They issued Institutional Act 12 stating that during the President's "temporary impediment" they would govern under the authority of all previous institutional acts and the constitution. They took this action in the President's name and expressly stated that he will resume power upon recovering his health.

The triumvirate is an ill-assorted group to govern Brazil for any length of time. The senior officer, Navy Minister Rademaker Grunewald, is a tough-minded conservative as is Air Minister Souza e Mello. Widely respected Army Minister Lyra Tavares is more moderate but is unlikely to jeopardize military unity by pushing for a return to constitutional formalities.



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There has been no open opposition to the triumvirate's takeover, which has the wholehearted backing of key military men. There is little chance that the disorganized civilian opposition could put

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together more than a token protest. Vice President Aleixo has little popular support and probably will remain quiet. [redacted]

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The governmental crisis has come at a time when senior officers were already jockeying for position for the presidential election set for January 1971. A conflict has apparently been developing between conservative "old guard" officers and "young Turks" who favor nationalistic solutions to Brazil's problems and sweeping economic and social reforms. If Costa e Silva is incapacitated for a long period, this pulling and hauling in the military is almost certain to increase. A prolonged dispute over a new leader could jeopardize the military unity that is the key to Brazilian stability. [redacted]

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Sweden: Prime Minister Tage Erlander probably will be succeeded, when he retires in mid-October, by a noted critic of US involvement in Vietnam.

The decision will come later this month when the ruling Social Democrats select a successor to Erlander as both prime minister and party chairman. Erlander has been grooming the youthful, left-wing leader Olof Palme for several years and told a US official last week that Palme's accession is "nearly sure."

The 42-year-old Palme has been a controversial figure since the early 1950s. His advocacy of left-wing causes has frightened many Swedish moderates and he has been the lightning rod for criticism of the US role in Vietnam. Most publicized was his participation in an anti-American rally in February 1968.

Social Democratic leaders are obviously trying to soften Palme's image. Palme himself has recently taken positions on domestic issues calculated to curry favor with the party's right wing. Erlander told the US official that he foresees few changes in domestic policy under his successor, and that the US should know that Palme shares his interest in establishing "more normal" relations with Washington.

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Romania: The conclusion of a long-term agreement to purchase iron ore from India will reduce Bucharest's dependence on Moscow for supplies to this key industry.

Under a recent agreement, by 1980 Romania will purchase up to 23.4 million tons of high- and medium-grade iron ore, valued at \$133 million. Iron ore imports from India are projected to increase from the current 800,000 tons to 2.5 million tons by 1978. Romania already has contracted for 9 million tons of this total, with the remainder to be purchased following Indian acceptance of Romanian offers to supply machinery and equipment for industrial projects and raw materials.

The USSR, currently Romania's principal source of iron ore, supplied about 80 percent of Romania's import requirements of 3.4 million tons in 1967. Bucharest is not expected to reduce the current level of imports from the USSR, but probably wants to ensure the availability of other sources of iron ore for the operation of the large new Galati steel mill complex. The export of Romanian machinery to India makes the deal particularly attractive to Bucharest, which is experiencing difficulty in increasing its machinery exports to the USSR.

The agreement represents New Delhi's first long-term iron ore export contract, and will rank Romania second to Japan as an export market for Indian iron ore.

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USSR-Africa: Soviet warships have called at Lagos and Conakry and a visit is expected to Tangier soon. In addition to showing the flag in African waters, Moscow is apparently making a gesture of friendship and support toward three countries where its relations are either good or steadily improving. The ships visiting Lagos are likely to continue on to the Indian Ocean after their port call. [REDACTED]

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Chile: The Socialist Party has nominated pro-Castro Senator Salvador Allende as its candidate for the presidential election in September 1970. Allende, who has run for president three times before, almost certainly will have Communist support for his campaign. He apparently acceded to the demands of more extreme members of his party for a narrow leftist coalition excluding the leftist-led Radical Party. Allende probably hopes to pick up many Radical votes even without the formal support of the party. [REDACTED]

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Ecuador-Cuba: Commercial sales between Ecuador and Cuba may soon resume. [REDACTED]

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[REDACTED] The foreign minister had earlier denied that Ecuador was studying the possibility of resuming diplomatic or commercial relations. Pressures built up by Ecuador's deteriorating trade balance and an abundant spring rice harvest have apparently convinced the Velasco government to add Cuba to its extensive list of Communist customers. [REDACTED]

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