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South Vietnam: Stiff ground clashes occurred at both allied and enemy initiative in several areas of the country on 16 September, but the over-all level of military activity remained generally low.

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The Communists may intend to launch a special propaganda campaign in an attempt to make their Provisional Revolutionary Government (PRG) a more credible force. Enemy photographic teams are moving through contested rural areas of South Vietnam taking pictures for distribution abroad designed to illustrate Communist administration at the grass roots level and to support exaggerated PRG claims of population and territorial control.

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Communist China - USSR: Peking is maintaining a front of intransigence and hostility in the wake of last week's meeting between Kosygin and Chou En-lai.

Peking yesterday called attention to the possibility of an atomic attack launched by "social imperialism"--a clear allusion to recent public speculation concerning a possible Soviet pre-emptive strike against China. The statement, part of a slogan for this year's National Day celebrations on 1 October, is unprecedented. In light of last week's meeting it represents a forceful Chinese attempt to portray the USSR as the aggressive party in the dispute. As such, it is likely to further aggravate tensions between Moscow and Peking.

Meanwhile, the stream of standard anti-Soviet invective from Peking is continuing with no change in content or volume. On 14 September, for instance, New China News Agency publicized the showing in several foreign countries of a Chinese documentary depicting the "Atrocities of the New Tsars" along the border.

The Soviet stand-down in polemics is still in effect but is unlikely to continue much longer in the face of such outbursts by the Chinese. China's behavior could allow Moscow to re-enter the propaganda battle with the renewed claim that it has sought to temper the dispute but is compelled to defend itself against Peking's "aggressive" intentions.

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Brazil: Top military commanders have yet to reach agreement on a successor to ailing President Costa e Silva.

High officers of the three services began meeting separately on 15 September to form a consensus on their own choice for a new president. They apparently are convinced that Costa e Silva will never be able to resume his executive duties. Their belief was almost certainly strengthened by a medical bulletin issued on 14 September stating that the President has a "deficiency of mobility of his right side and of speech" and that he required complete rest. His family also reportedly does not expect him to return to office.

If the commanders are able to agree on a single figure, they must decide whether he should serve the remainder of Costa e Silva's term, which ends in March 1971, or should remain in office for a complete four-year period.

The new chief executive will face major political questions and a serious security problem. Costa e Silva had planned to reopen congress and obtain its sanction of a new constitution. These steps have been shelved during the triumvirate's rule, but there is likely to be increasing pressure for some decision in this area soon.

The new president will probably adopt additional security measures to deal with the grave problem presented by terrorism. The triumvirate has already undertaken a major roundup of subversives, reinstated the death penalty in cases involving "subversive war," and authorized the banishment of persons whose actions affect national security. Security officials have also assigned guards to high military officers who, they believe, may be the terrorists' next targets.

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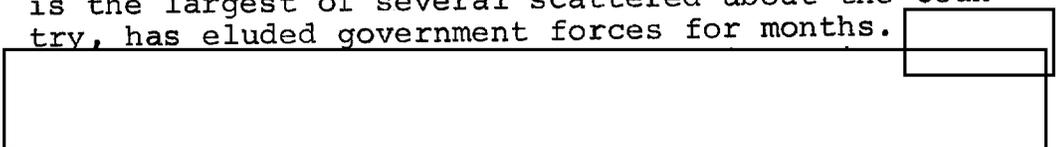
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Panama: National guard leaders are redoubling their anti-insurgent campaign following the killing of two guardsmen on 12 September.

The ambush, which occurred in the highlands near the Costa Rican border, has been attributed to members of a 17-man guerrilla band known to be operating in the mountainous region dividing Panama's Atlantic and Pacific provinces. This group, which is the largest of several scattered about the country, has eluded government forces for months.

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Libya: The new regime may put royalist officials on trial.

Libyan newspapers are calling for the establishment of revolutionary tribunals to try senior responsible officials of the old regime on charges of corruption and graft. Rumors are circulating in Tripoli that the military junta has made lists of those who are to be tried; among those mentioned are former prime minister Bakkush and former petroleum minister Musa.

Investigation of petroleum officials could well involve several US oil companies operating in Libya. Economic considerations will probably limit any immediate action against the petroleum industry, although a few smaller nonproducing companies could be affected. Corruption charges against officers in US companies could, however, be exploited by anti-American elements in the new government.

The official news agency has referred to the trials, during Bakkush's tenure, of the leaders of the disturbances in Tripoli and Benghazi which followed the June 1967 Arab-Israeli war. If these new trials take place, it is possible they may develop into an inquisition similar to the one conducted in Iraq by President Qasim during 1958-59. [redacted]

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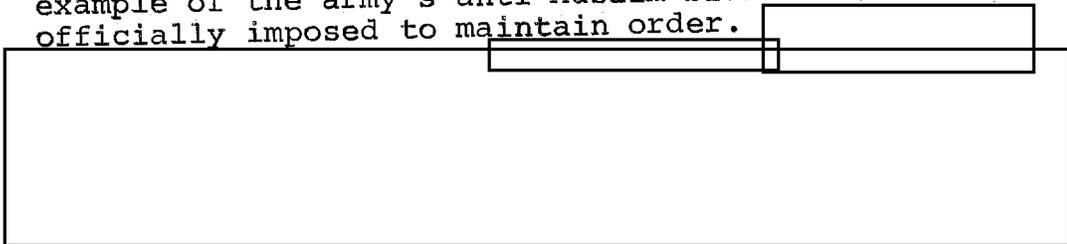
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Indonesia: Army-Muslim antagonism has been aggravated by a wave of anti-Israeli sentiment.

The refusal of military authorities in Djakarta to allow anti-Israeli demonstrations to protest the burning of the al-Aqsa mosque in Jerusalem has angered the Muslim extremists, who see the ban as an example of the army's anti-Muslim bias. The ban was officially imposed to maintain order.



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Indonesia's Muslim community has long objected to the dominant role that army leaders play in the government and believes that its own representation is far too small. The army for its part, is apprehensive that Muslim tactics will impair national unity and threaten army supremacy.



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Peru: A Soviet economic mission led by the vice minister of economics will visit Peru the second week of October. The Peruvian minister of agriculture has announced that the mission will make a feasibility study of a major irrigation project in northern Peru. It is believed that the project would require about \$250 million and about 20 years to complete. Four mining technicians reportedly are included in the team, indicating that the USSR may also be interested in Peru's vast mineral deposits. The Velasco government has been pressing the Soviets to make a commitment on the irrigation project, but the Soviet Union is being very cautious about getting involved in Peru in any major way.

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Ecuador: Exports are expected to decline 12 percent in 1969 because of reduced sales of bananas, coffee, and cocoa, which account for about 85 percent of total exports. Sales of the principal export, bananas, are down sharply, in part because Japan has again shifted to imports from Taiwan. The cocoa and coffee crops have been reduced by both drought and untimely rain. Export earnings may not improve much until 1973, when shipments from newly discovered oil fields begin. The rapid import rise of recent years probably will be halted by the restrictive measures imposed last June, but reduced export earnings will further strain the country's skimpy foreign exchange reserves.

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