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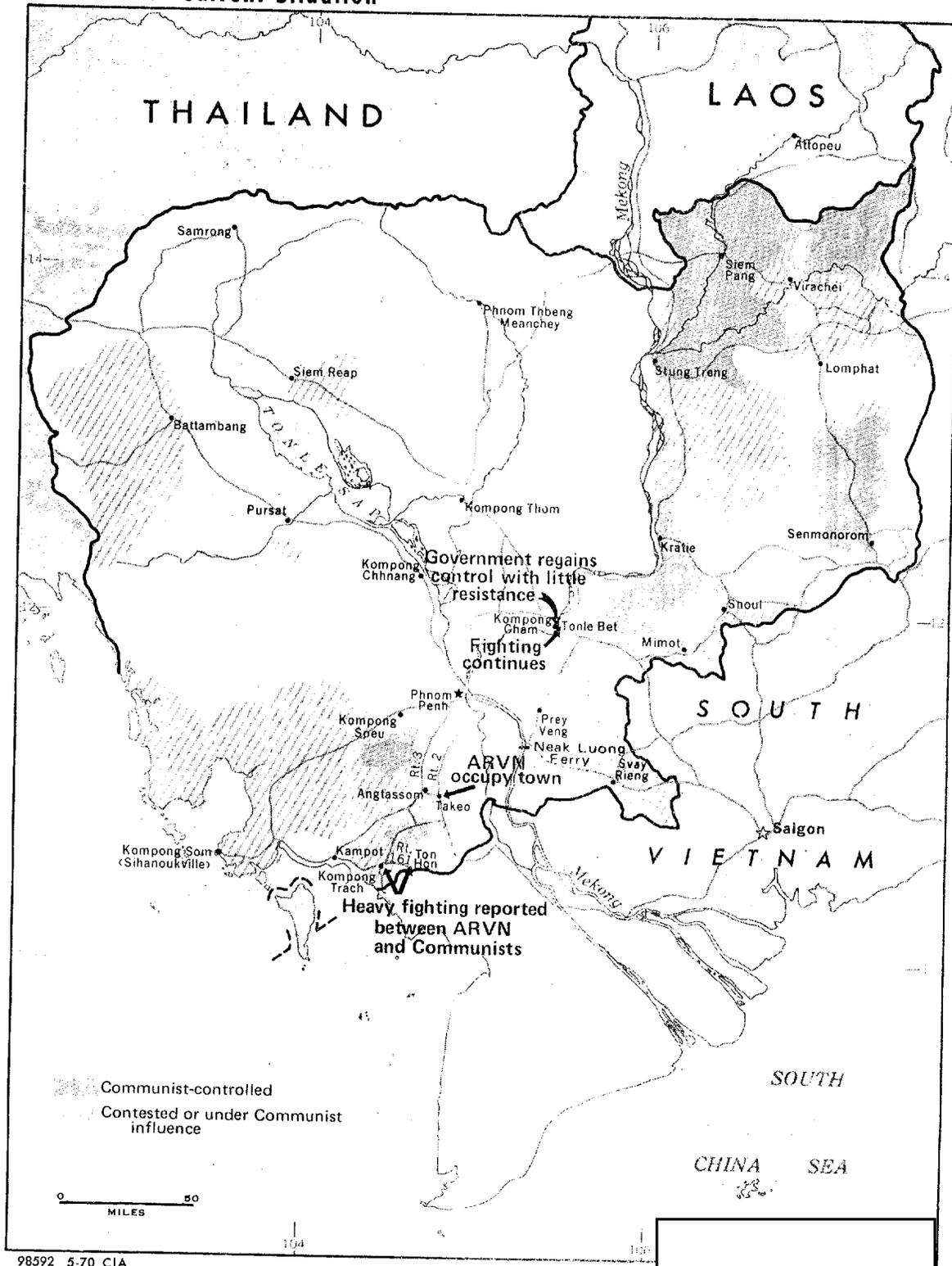
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Cambodia: Current Situation



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Cambodia: No major new enemy attacks have been reported.

The latest South Vietnamese operation along the southern border has helped reduce Communist military pressure there. In one of the stiffest battles since the cross-border operations began, the South Vietnamese claim to have killed 200 Communists in that area.

South Vietnamese troops moved into the nearly deserted town of Takeo yesterday, meeting little resistance. Some of the enemy troops who have besieged Takeo for the past few weeks apparently moved north toward Phnom Penh, where they may soon encounter Cambodian Army elements headed for Takeo on Routes 2 and 3. In Kampot Province, heavy fighting was reported between South Vietnamese troops and the Communists near several towns on Route 161.

Northeast of Phnom Penh, government forces are consolidating their control over Kompong Cham city and are now fighting in the town of Tonle Bet, on the east bank of the Mekong. The Communists apparently did not put up any stiff resistance at Kompong Cham, but they may be regrouping nearby. Government losses in regaining Kompong Cham were light, and most of the casualties evidently were caused by South Vietnamese air strikes on the city.

The morale of the armed forces is still very low, however, in spite of recent allied military assistance.

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[redacted] the poor morale was in part a result of the near-annihilation of a battalion of raw Cambodian Army recruits near the Neak Luong ferry before it was recaptured by South Vietnamese troops.

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Cambodians are having some trouble with the well-trained and aggressive Khmer Krom mercenary troops, [redacted] refusing to serve under the [redacted] army's command.

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Romania-USSR: Party chief Ceausescu departed unexpectedly for Moscow yesterday for what may be a confrontation with the Soviets over basic policy differences.

The announcement of his departure at the head of a ranking delegation stated only that the Romanian and Soviet leaderships had agreed to hold "talks," suggesting that the trip was at Moscow's behest. From the composition of the group, it appears that the Romanians are prepared to discuss ideology, economics, and military affairs.

According to the announcement, those who saw the delegation off included most national leaders and "many Bucharest citizens," thus demonstrating the support and unity of the Romanian people behind their leadership. Such a demonstrative marshalling of popular support indicates that Ceausescu expects to have difficult talks with the Soviets and wishes to display the strength of his backing.

Romanian actions in recent months have put an added strain on the normally cool relations between Bucharest and Moscow. Earlier this year Romania tabled its own proposals on European security and disarmament, which were designed to frustrate a bloc-to-bloc approach and were deliberately at cross purposes with Soviet policy. More recently Bucharest clearly followed China's lead in recognizing Sihanouk's exile government rather than playing the USSR's wait-and-see game.

Last week at the CEMA meeting in Warsaw, Romania did not join the new CEMA investment bank, presumably because the bank would tie the Romanians too closely to the Communist states and would inhibit Bucharest from expanding ties with the West. Other politically touchy subjects which will hold

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a key place in the talks are Romania's good relations with both of Moscow's main antagonists, the US and Communist China.

The symbolic issue that probably holds priority in Moscow's view is Romania's "obstructionism" within the Warsaw Pact, including its continuing resistance to holding Warsaw Pact maneuvers on Romanian territory. This subject will probably be an important issue in Ceausescu's talks. [redacted]

[redacted]

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Communist China - US: Peking's decision not to meet in Warsaw tomorrow represents a postponement rather than a termination of the present round of talks.

The Chinese obviously felt that to meet while US troops were engaged in ground operations in Cambodia would prove embarrassing and tend to undercut the image of militance and resolution Peking has adopted in response to developments in Indochina. In particular, the Chinese probably believe that signs they were "treating with the enemy" on a business-as-usual basis would raise questions in Hanoi at a moment when relations with the North Vietnamese were improving. It would, moreover, tend to blur the distinction the Chinese have been at pains to cultivate between their reaction to the Indochina crisis and that of Moscow, which has been equivocating on the Cambodian issue.

Although Peking waited until the last moment to announce postponement of the meeting scheduled for 20 May, the decision was almost certainly under consideration from the time US troops entered Cambodia.

Despite their strong verbal attacks on US actions in Cambodia, the Chinese will probably be ready to resume the talks once US forces have withdrawn. They have been careful to point out that a new date for the next meeting will be arranged through the normal diplomatic mechanism in Warsaw, and they definitely view the negotiations as an important source of much-needed political leverage in the dispute with the USSR. Moreover, their public statement announcing that the meeting on 20 May had been postponed was couched in much milder language than a similar announcement in February 1969.

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USSR - Communist China: Moscow has answered recent Chinese polemics with a scathing, tit-for-tat indictment of Peking's policies.

An editorial in Pravda yesterday marked the USSR's most sweeping and authoritative condemnation of China since the Sino-Soviet border talks began last fall. The editorial laid out Moscow's response to the anti-Soviet blast which Peking timed for the Lenin centennial last month. The Chinese directly castigated Brezhnev and clearly hit raw nerves in the Kremlin.

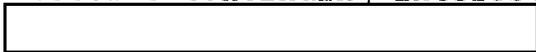
The Pravda article retaliated with personal invective against Mao Tse-tung and contained a long list of charges against him ranging from his irresponsible views on the inevitability of war and the militarization of China to his economic malfeasance and "forcible assimilation" of national minorities in border areas. Using the familiar Soviet contention that Peking's obstructionist and divisive activity weakens Socialist unity and thereby encourages imperialist aggression, Pravda implicitly laid on Peking's doorstep the blame for "the latest events in Indochina." The Soviets can be expected to ring many changes on this theme over the next several weeks.

Pravda used unusually specific language in denouncing Chinese attempts to "undermine relations of alliance between members of the Warsaw Treaty." This reflects Moscow's extreme sensitivity to any design Peking may have to intrude into the USSR's East European preserve at a time when the Soviets are accelerating their own efforts to achieve a measure of bloc solidarity against China.

The editorial made explicit reference to Peking's "unfounded territorial claims" and charged the Chinese with provoking border conflicts. Pravda,

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however, avoided implying any recent change in the presently quiet military situation on the frontier. With respect to the Peking talks, Pravda reiterated the necessity for reaching an agreement, indicating that the article should be regarded as a statement of principle and not as an attempt to jeopardize Moscow's continuing interest in pursuing the talks.



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France: A controversy involving the French Communist Party (PCF) will probably impair its current efforts to form an alliance with the non-Communist left and further reduce its influence among youth.

The controversy stems from the recent revelation by French Communist dissidents that the PCF has supplied the Czechoslovak Government with a document that allegedly "betrays" former premier Alexander Dubcek and could be used against him in a trial. The document is the transcript of a conversation between Dubcek and PCF Secretary General Waldeck Rochet that took place just two months before the Soviet invasion of Czechoslovakia in 1968.

In response to questions from Rochet, Dubcek reportedly expressed little concern about either the possible formation in Czechoslovakia of a social democratic party or the activities of anti-Soviet groups. These statements have been cited by some Czechoslovak party leaders as demonstrating Dubcek's "irresponsible" behavior.

The present controversy poses serious problems for Georges Marchais, deputy to the ailing Rochet and the effective leader of the PCF. Party dissidents, led by the maverick Communist Roger Garaudy, who was recently ousted both from the politburo and his local party cell, can claim with some justice that the PCF's decision to release the Rochet-Dubcek transcript to Prague is stoking the fires of Stalinism in Czechoslovakia, and is indicative of the basic Stalinist tendencies of the French party.

The incident will also adversely affect the PCF's campaign to forge a new unity on the left. The Socialist Party would be the PCF's major partner in such an alliance, but the incident will strengthen the hand of those Socialists who oppose closer cooperation with the Communists.

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EURATOM-IAEA: The five EURATOM members who have signed the nuclear nonproliferation treaty apparently have reached an impasse with France on satisfying the treaty's safeguard requirements.

At the EURATOM Council meeting last week, France again refused to agree to a mandate for the Commission to open the negotiations with the International Atomic Energy Agency (IAEA) required by the NPT. French Foreign Minister Schumann told the other members that France did not believe an agreement could be reached that would not involve IAEA interference with EURATOM's own safeguards system. Because this would be contrary to the EURATOM treaty, France would no longer feel bound to mandatory compliance with EURATOM's own inspection procedures. The other members and the Commission disagree with the French position, and the precise reasons why Paris has taken it remain unclear. Should the French refuse to budge, the ensuing discord would severely strain EURATOM and embarrass some of the member governments.

Even if the present deadlock is broken, there is an increasing possibility that the differences within EURATOM and the strategy of the Communist states will complicate any IAEA-EURATOM negotiations. The East Europeans are pushing for a position that would support a comprehensive IAEA role in the inspection of the facilities of nonnuclear weapon states.

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[Bolivia: The army is renewing pressure on President Ovando to remove leftists from the cabinet.

The cabinet met yesterday to consider the latest armed forces demand after Minister of Planning and Coordination Jose Ortiz Mercado allegedly made statements that he was a Communist. The leftist radicals in the cabinet, Minister of Energy Quiroga and Minister of Information Bailey, have been the targets of the army generals for some months. According to an unconfirmed press report from La Paz, Quiroga resigned during the cabinet's deliberations.

If the President refuses to make more than the minor cabinet readjustments carried out last week, the military may well move to oust him. [REDACTED]

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Peru: The cabinet is considering a new law that would discourage foreign investment and may force out some US companies.

The proposed law calls for "decisive Peruvian participation" in foreign-owned industrial operations after recovery of capital and a "reasonable profit." The minister of industry and commerce said that private or public Peruvian participation of at least 51 percent would be expected and that an eight-percent annual return would be a "good profit" on large investments.

A ministry official indicated that the law would be applied retroactively to foreign firms presently in Peru and that recently concluded investment contracts would be revised. These statements further dampen an already dismal investment climate.

Although many Latin American countries have insisted upon ownership of extractive industries, only Mexico has previously applied this policy to nonextractive industries. By limiting foreign investors to an arbitrary "reasonable" profit, Peru has carried its economic nationalism beyond that of other Latin American nations, except Cuba. In this uncertain environment, little new foreign investment can be expected, except possibly for special copper development deals.

Moreover, the \$19-million artificial fiber factory to be built by a West German firm, the only significant foreign industrial investment to go forward since the 1968 military coup, may be delayed indefinitely.

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Colombia: The government has lifted the state of siege and the restrictions placed on losing presidential candidate Gustavo Rojas Pinilla.

The state of siege was imposed nearly a month ago to curb post-election disturbances by Rojas' followers, who were charging the government with electoral fraud. The disorders were quickly and firmly put down, however, and the country has since remained calm.

The government's candidate, Misael Pastrana, will be inaugurated in August. The official vote count is expected to be completed in early June. Because he won by only a slim margin and lacks popular appeal, Pastrana will probably have difficulty in maintaining the relative tranquility that characterized President Lleras' term of office.

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Guinea: President Sekou Touré's efforts to fashion a rapprochement with Ivory Coast and with France are evoking positive responses.

In March, Touré invited France and Ivory Coast to send delegations to Guinea's annual cultural festival, and both accepted. Later that month, an unpublicized trip to Abidjan by a Guinean delegation was followed up by a return visit by Ivory Coast officials. Touré's latest move came in a speech last week, when he extended an olive branch to France and told the visiting Ivorian officials that "our duty is to work for complete reconciliation between our two nations."

These actions reverse previous Guinean policy, which has been critical of France and has long characterized Ivorian President Houphouet-Boigny as a stooge of French imperialism in Africa. Touré's primary goal is to improve relations with Paris, but he realizes that this requires a reconciliation with Houphouet-Boigny because of the latter's influence with the French. Touré would like the French to resume technical aid and to release the more than \$25 million owed to Guinea for veterans' payments that had been blocked since November 1965 when charges of French involvement in anti-Touré plotting led to severance of relations.

The reaction of Ivory Coast to Touré's initiatives has been warm. Government-controlled media in Abidjan headlined Touré's recent speech and predicted that normalization of relations "is no longer distant." French reaction has been more cautious, but it has also been essentially positive. Following the return of French officials from Conakry in March, France agreed to release part of the payments owed to Guinean veterans.

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Laos: Military commanders in the southern panhandle are bracing for a North Vietnamese assault against the provincial capital of Saravane, which they expect shortly. With reports circulating of three North Vietnamese battalions advancing on the town, the remainder of an already nervous populace has fled to a nearby government outpost. In the north, the situation in the Long Tieng area remains quiet. [REDACTED]

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Latin America: Uruguay has rejected US-Soviet proposals to hold a conference on law of the sea matters, including the extent of territorial waters and fishing rights. An Uruguayan Foreign Ministry official told the US Embassy on 15 May that Uruguay's territorial sea zone of 200 miles is national law and not subject to foreign discussion. He stated that the Uruguayan limit has precedent in similar claims by eight other Latin American countries and indicated that some of the others concerned would reply in the same manner. [REDACTED]

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Costa Rica: The new Figueres administration has made its first move to improve relations with Eastern Europe by establishing diplomatic relations with Hungary. Both ambassadors will be resident elsewhere, as is the arrangement with Poland. Figueres, who was inaugurated on 8 May, is expected to formalize relations with the USSR and perhaps other East European countries in the near future. Costa Rica already has consular relations with Czechoslovakia. The Polish trade mission, which has been in San José for four years, closed its office on 1 May because the commercial arrangement had not been profitable. [REDACTED]

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