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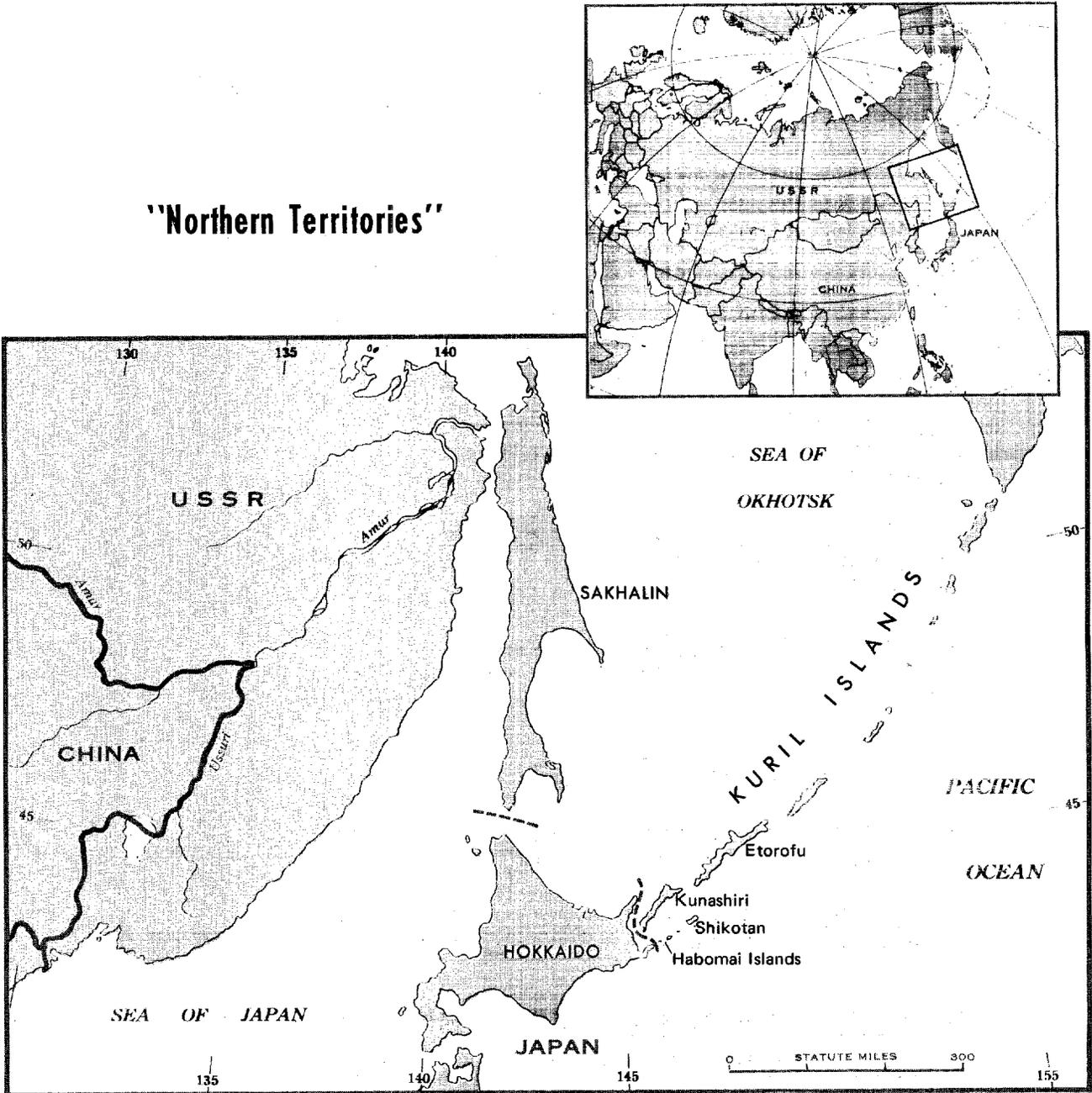


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"Northern Territories"



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JAPAN-USSR: Tokyo plans to keep pressure on Moscow for the return of the southern Kuril Islands despite Soviet insistence that the issue is closed.

According to a high Foreign Office official, the Japanese Government intends to use Moscow's protest over Japan's recent exploitation of the issue as a pretext to publicize further Tokyo's demand for the return of the islands, held by the Soviets since the end of World War II. In receiving the Soviet protest, the Foreign Office denied a charge that the government was "artificially" trying to stir up anti-Soviet sentiment. The Japanese stated that with the settlement of the Okinawa problem, Tokyo "naturally" wanted to settle this issue as well.

The Soviet protest was largely motivated by anger over Prime Minister Sato's reference to the "northern territories" issue in his speech at the UN last month. Soviet officials have warned the Japanese that relations would be "adversely affected" if Tokyo persists with its campaign.

Tokyo recognizes that the Soviets are extremely unlikely to return the islands. The Sato government's campaign, therefore, is aimed at capitalizing on growing nationalistic sentiment in Japan, as well as undercutting opposition charges that the government is neglecting its responsibilities. The prime minister recently expressed a desire to go to Moscow to settle the issue, but only in the improbable event that the Soviets show a willingness to negotiate.

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THAILAND-JAPAN: The Thais, in recent talks, were unsuccessful in their efforts to reduce the large and growing trade deficit with Japan.

The deficit, which doubled to \$300 million during 1966-69, accounted for more than half of Thailand's total trade imbalance last year. Although Japanese officials agreed to a Thai-proposed export target plan for 1970-71 that would increase Japanese purchases from Thailand, they pointed out that Japanese importers could not be forced to abide by the plan.

The lack of success in talks with Japan highlights the problems the Thais face in moving away from their traditional rice export base. World demand is slackening because of increasing self-sufficiency. As a result, rice earnings from sales to Japan declined nearly 50 percent between 1966-69, largely offsetting Thai successes in promoting new markets, particularly those for rubber, tin, and corn. Exports to Japan have grown by only ten percent since 1965, while imports have grown 44 percent.

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PHILIPPINES: President Marcos' call yesterday for immediate renegotiation of US military base rights was timed to calm domestic criticism of his government's agreement with the US position in a jurisdictional dispute.

A Philippine court had tried to make the US commander of Clark Air Base responsible for the failure of a US serviceman to return to the Philippines to face trial for a two-year-old offense. The Philippine Department of Foreign Affairs on 11 November came out in support of the US view that this matter should be settled through diplomatic channels.

The case of the serviceman, who was mistakenly permitted to leave the Philippines while under subpoena from a Philippine court, had become a cause celebre for Philippine nationalists. The US refusal to accept a Philippine arrest order for the Clark commander had prompted adverse press comment and demonstrations at the US Embassy.

The Philippines has long sought renegotiation of US military base rights to secure a clearer US statement of recognition of Philippine sovereignty over the bases. Marcos made this goal a campaign promise in his bid for re-election a year ago, but a succession of domestic problems had forced repeated postponements. Although Marcos apparently did not intend to raise the subject until at least mid-1971, he may have felt constrained to take earlier action to protect his nationalist credentials in view of his government's conciliatory attitude in the jurisdictional dispute.

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EUROPEAN COMMUNITIES: The initial presentations of Austria, Switzerland, and Sweden have highlighted the difficulty the European neutrals will have in establishing mutually satisfactory arrangements with the EC.

At meetings this week in Brussels, the community heard the views of the three neutrals and stated its own policy with regard to these countries, which are not applicants for full membership. Speaking for the Six, West German Foreign Minister Scheel noted that, in seeking possible solutions to the problems of these countries, the EC would want to preserve the decision-making power of an enlarged community and safeguard its future development. Furthermore, solutions reached would have to conform to international obligations requiring that preferential arrangements lead to the formation of a customs union or free trade area.

The major problem for the neutrals lies in their attempt to draw a line between economic integration and political involvement. All three countries indicated a desire for arrangements going beyond the elimination of tariff barriers, but they offered no new ideas on how to pursue such objectives as economic and monetary union while remaining outside an enlarged community's own decision-making processes. Sweden, for example, remains particularly insistent that the "form" of its participation be settled only after "substantive" discussions have been completed.

Although no timetable has been set for negotiations with the neutrals, both sides envisage that arrangements for them will come into force at the same time as Britain and other applicants are admitted to membership. The commission will now conduct exploratory discussions with the neutrals and undoubtedly try to obtain more definite statements of how they see their relationship to an enlarged community.

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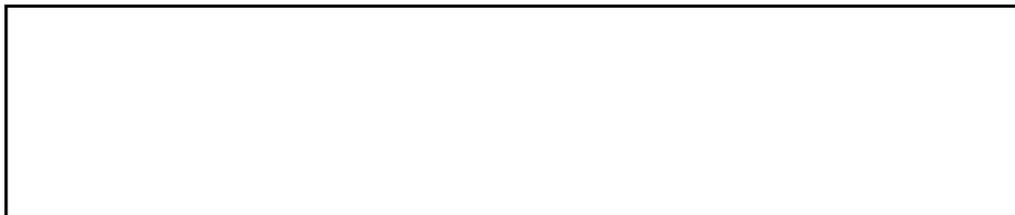
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GUATEMALA: President Arana's resort to emergency powers is aimed at crippling the left-wing terrorists.

Arana declared a state of siege yesterday after he and his advisers determined that the violence could not be controlled through normal legal procedures. Congress has not acted upon the anti-subversive law Arana had requested, and he apparently believed that the continuing wave of murders and kidnappings required some visible government response. The government, and Arana personally because of his tough anti-Communist reputation, have been under heavy criticism for weakness in the face of this challenge.

[The government's first moves are in line with reported plans to move rapidly against both terrorists and suspected "intellectual authors of subversion." Security forces have reportedly shot an urban terrorist chief and have arrested several prominent persons, including a former police chief and an ex-minister of foreign affairs who now heads a major opposition faction.



In the past, the government's unleashing of clandestine counterterrorist squads has added significantly to the level of violence and has cost many innocent lives. President Arana has reiterated his intention not to repeat the bloodletting of the 1966-68 period, but the intense pressure on him to fight fire with fire might become irresistible.



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NOTES

WEST GERMANY - POLAND: Negotiations for a West German - Polish treaty of reconciliation have been concluded; formal initialing is now scheduled for 18 November. West German Foreign Minister Scheel is scheduled to return to Bonn today, but will go to Warsaw next week to initial the treaty for West Germany. Sources close to the talks said it was expected that formal signing of the treaty would be carried out before Christmas by West German Chancellor Brandt, who will come to Warsaw. The timing of the announcement may have been designed to provide maximum publicity for the Free Democrats, Foreign Minister Scheel's party, on the eve of the state elections on 22 November in Bavaria. [REDACTED]

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ROMANIA-POLAND: Polish party leader Gomulka and Romanian President Ceausescu signed a new bilateral friendship and alliance pact in Bucharest on 12 November. The new 20-year treaty, which replaces the one concluded in 1949, closely follows the form of the recent Romanian-Soviet treaty. It provides for all necessary mutual aid, including military, in the case of attack by "a state or group of states," but unlike the older treaty, it omits specific mention of West Germany or any other state. Before the end of this year Romania is slated to sign new treaties also with Bulgaria and East Germany, leaving only the Romanian-Hungarian treaty still to be signed. The completion of these pacts reflects a gradual improvement in the cool relations which prevailed between Romania and the other Warsaw Pact countries after Ceausescu denounced their participation in the invasion of Czechoslovakia in 1968. [REDACTED]

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CHILE: The Allende government has started trying to suppress inflation through stricter price controls. It has annulled certain decrees authorizing price increases and has forced a roll-back of some previously uncontrolled prices. This could also be the first step in a campaign to squeeze private firms to pay for Allende's promised substantial wage increases and possibly to force some companies to sell out to the government.

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