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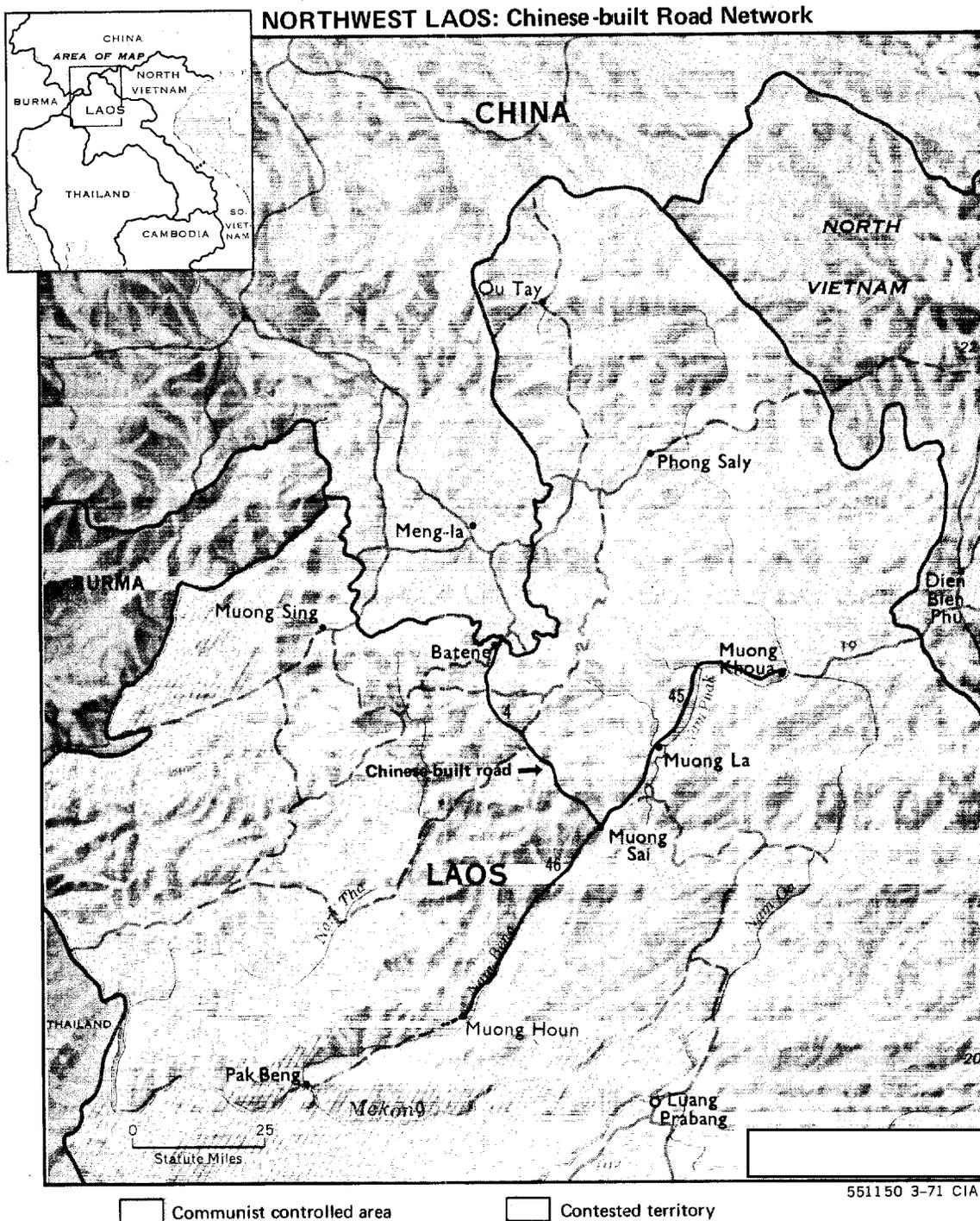


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COMMUNIST CHINA - LAOS: Aerial photography indicates that Peking has further strengthened its antiaircraft defenses in northwest Laos since the end of last year.

About 2,000 additional antiaircraft personnel along with heavier caliber radar-controlled anti-aircraft guns and three or four additional air surveillance radars have been deployed along the road network. Thus, the estimated strength of Chinese military forces in Laos is now some 16,000 to 20,000 compared with 14,000 to 18,000 late last year.

The 6,000 to 7,000 Chinese air defense troops now in Laos are organized into at least two AAA divisions. They man about 400 weapons, of which over half are light and medium antiaircraft guns and the remainder are automatic weapons. The heavier weapons generally protect strategic bridges, major construction sites, and large barracks areas particularly in the Muong Khoua, Muong La, Muong Sai, and Muong Houn areas. The smaller pieces are more widely scattered to defend the road construction forces.

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CAMBODIA: The government is putting out the line that it has foiled a plot to restore the monarchy.

The press in Phnom Penh has been told that Acting Prime Minister Sirik Matak has ordered the arrest of a number of officers who allegedly were moving to place a member of his family on the throne.

[Redacted]

It seems likely, however, that Matak has surfaced this story to allay the fears of Khmer Krom leaders and other military officers loyal to Lon Nol that he was planning a royalist coup of his own against the prime minister. Matak may also be using the "royalist plot" as a means of undercutting Srey Saman, whom he has been trying to ease out of office.

Whatever the case, it seems unlikely that the press reports will serve to clear the air of allegations that are now involving virtually every major political figure in the country.

[Redacted]

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PAKISTAN: There has so far been no government move in reaction to East Pakistan's latest step toward complete control of its own affairs.

East Pakistani leader Mujibur Rahman's 35-point directive announced on the radio yesterday essentially clarifies and amplifies actions to be taken under the noncooperation movement he launched on 7 March. In contrast to the essentially negative nature of the noncooperation movement--based on an East Pakistani boycott of the central government--Mujib's new directives call for positive actions by local officials, such as depositing tax collections in a special fund. If implemented, these directives would put Mujib in effect in control of East Pakistan's government.

At almost the same time, President Yahya Khan flew to Dacca to see Mujib. According to one of Mujib's advisers, the East Pakistani leader planned to urge the President to turn over power in East Pakistan to Mujib's Awami League immediately and to demand the withdrawal of troop reinforcements sent to East Pakistan in the last few weeks. Should the military attempt to use force, Mujib would proclaim independence.

President Yahya will be reluctant to agree to such actions, but the alternatives--East Pakistani secession or a costly and probably futile effort to hold the country together by force--might seem as unpalatable.

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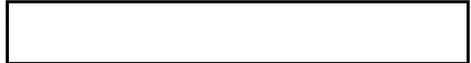
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INDIA: The government, which had planned on a reduction in the price of imported crude oil, now is faced with a price rise.

India's oil ministry last year planned its fuel requirements on a ten- to 20-percent decline in world crude prices over the next three years. Instead, the recent 35 cents per barrel increase in posted crude prices in Iran and Saudi Arabia will raise costs of crude landed in India by nearly 25 percent. Crude imports, which now cost the country about \$140 million a year in foreign exchange, will increase to \$175 million immediately and by 1973 are expected to cost \$350 million. This is a substantial additional burden for a country that is already facing a severe foreign exchange shortage.

The government also must decide who is to absorb the increase. Refinery profits cannot be squeezed much further because private refineries claim that returns on investment have been reduced from 12 to four percent in the past five years.

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KUWAIT: Kuwait is moving toward an exchange of diplomatic missions with Communist China.

Peking is already represented in the Persian Gulf area by its ambassador in Iraq, who has been holding discussions with officials in the Kuwait Foreign Ministry. The US Embassy reports that formal agreement on the exchange of diplomatic representatives has not yet been reached, but that the announcement of such agreement is imminent.

The general Kuwaiti position has been that it will establish formal relations with any country except Israel on an unconditional basis. Kuwait considers that recognition took place when Kuwait attained independence in 1961 and received a cable of recognition from Chairman Mao Tse-tung. It was the Nationalist Chinese, however, who established an embassy in Kuwait. In 1965 the Kuwaiti crown prince visited mainland China and later a New China News Agency office was established for a brief period in Kuwait.

Iran has expressed alarm at the development, but the chief initial impact of a formal exchange of missions would be on the Nationalist Chinese, who will almost certainly close their embassy in protest.

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UNITED KINGDOM: The new cereal agreement negotiated with the US lets Britain impose import levies on wheat and corn, but protects US rights under the General Agreement on Tariffs and Trade (GATT).

London is now free to switch on 1 July from a farm support program under which farmers have been subsidized from general funds to a variable-levy system, which may raise the price of imports. The switch is being undertaken to reduce the drain on the Exchequer and to diminish the government's role in agriculture. Moreover, the new system is a move toward the common agricultural policy of the European Communities (EC). Negotiation with Washington was required because the UK has bound itself under the GATT not to impose tariff duties on wheat and corn. Almost \$100 million in US cereal exports are potentially affected by the levy. The adverse effect on US exports will be offset in part by British concessions on sorghum, denatured wheat, and corn.

The agreement may be terminated by either government on three months notice, but if it is terminated, US GATT rights to tariff-free entry may be invoked. It is expected that the agreement would be terminated should Britain join the EC. US assertion of its rights and the obligation of the UK to offer compensation to the US could be used to seek adjustments in the EC's common agricultural policy.



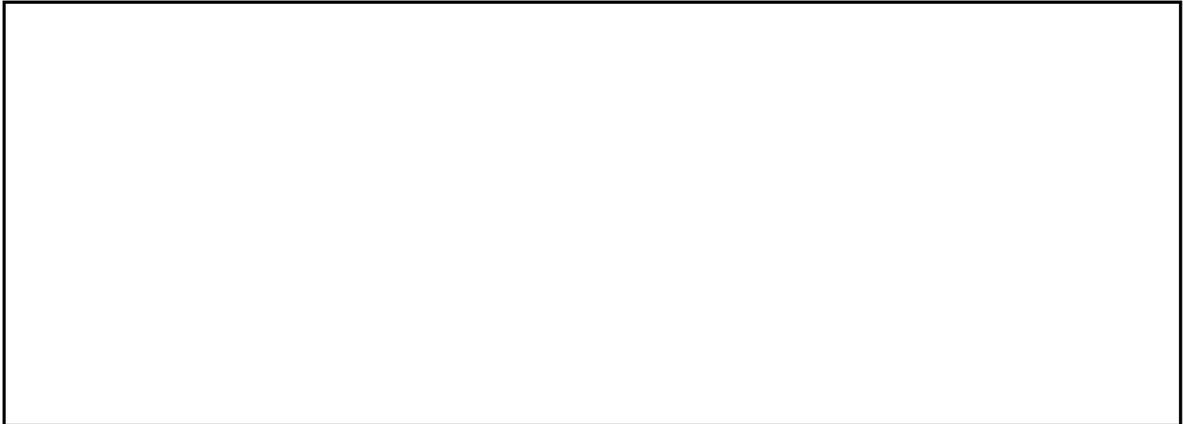
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JORDAN: Amman has made two important diplomatic changes that may improve Jordan's foreign relations considerably. Muhammad al-Farra, Amman's maverick ambassador to the UN--whose unauthorized actions and pro-Palestinian proclivities have long ruffled Jordan's relations with other UN members--has been transferred to Spain, and a loyal supporter of King Husayn, Baha al-Din Tuqan, is replacing him. In the delicate field of Egyptian-Jordanian affairs, former defense minister Major General Hiyari has been named ambassador to Egypt. Last month relations between the two countries had been ruffled by Egypt's rejection of an allegedly anti-Nasir nominee as ambassador in Cairo. Both changes are overdue and are being made as part of a general Foreign Ministry overhaul.



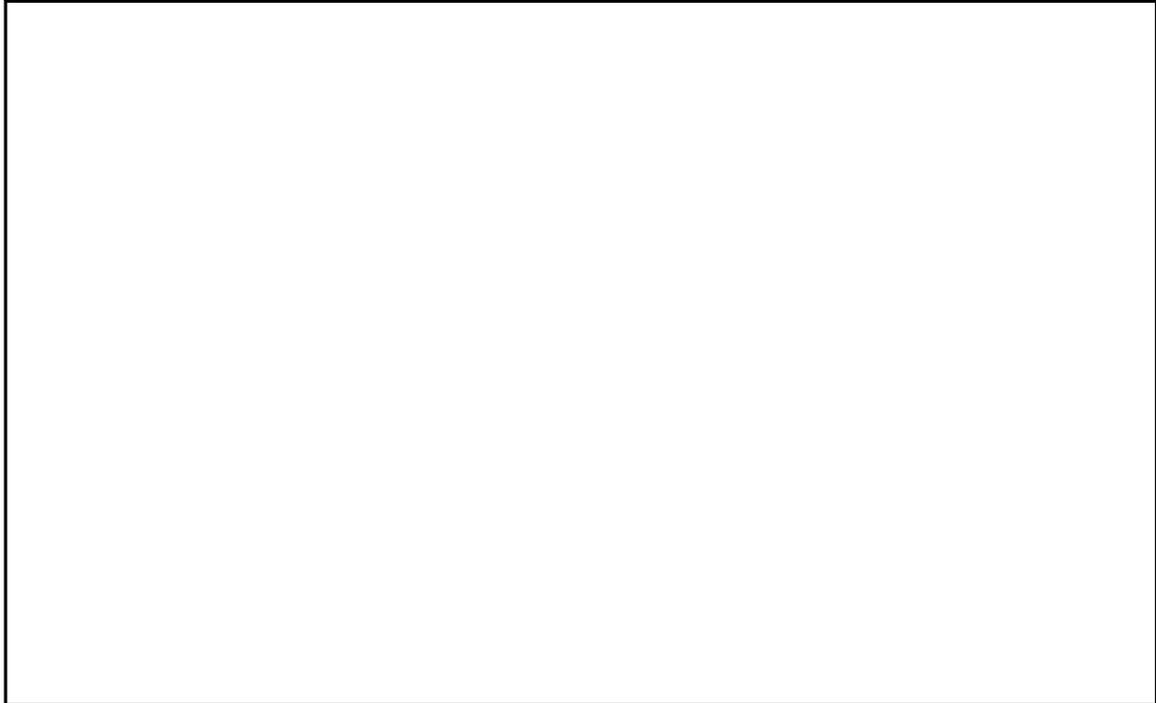
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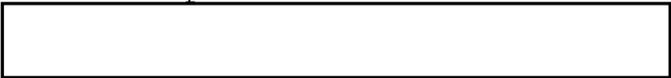
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VENEZUELA: Foreign oil companies are dismayed by the jump in tax reference prices announced by the government. The reference prices, which are used to calculate company income taxes, have been raised an average of 59 cents for a barrel of crude oil to \$2.57, and 83 cents for a barrel of petroleum products to \$2.81. The latter consists mostly of fuel oil exported to the US Eastern Seaboard. The companies apparently believe that in the short run they can pass most of the tax increases on to consumers, but they are worried about the effect on profits if export prices later weaken. In a related industry development, President Caldera reaffirmed in his address to the opening session of Congress that the state petroleum corporation will own the two gas liquefaction plants Venezuela expects to have in operation by 1974-75.



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