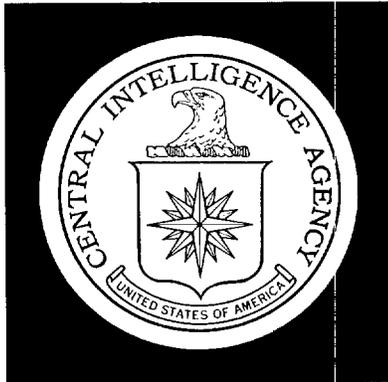


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DIA and DOS review(s) completed.

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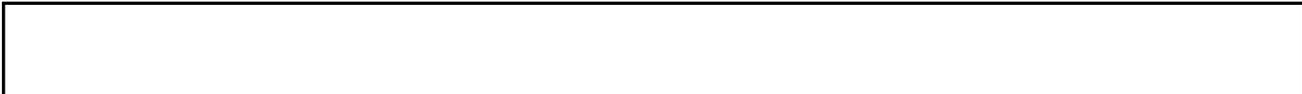


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ARMS CONTROL: Preliminary reactions suggest substantial differences between the British and French regarding the Soviet proposal for a five-power nuclear disarmament conference.

Officials of both countries recognize that the Chinese response will determine whether any such conference is held. The British are frankly hoping that Peking will torpedo the idea and let the Western three off the hook. By contrast, Quai officials have stressed that it is natural for Paris to be attracted to the idea because the conference would give France a disarmament role it does not have in SALT. In addition to the government's public acceptance of the proposal, Pompidou responded favorably to Ambassador Zorin when the Soviet initiative was presented to the Elysee.

When questioned about the proposal by a US newsman on 21 June, Chinese Premier Chou En-lai appeared negative, but he did concede that his government had not yet made a final decision.

The British, although believing that it may be necessary for tactical reasons for the Western three to be forthcoming toward the proposal, are worried about its impact on the Geneva disarmament conference that reconvenes next week. Noting the extreme sensitivity of the nonaligned and non-nuclear members of the Geneva conference to any implication of collusion among the nuclear powers, London fears that acceptance of the Soviet proposal would hurt the work in Geneva.

The British have asked for consultations with the US and hope the French can be persuaded to join in. A French official has said Paris is willing to discuss the Soviet initiative "bilaterally" with the US, but the US Embassy notes that France's earlier response has left little to "harmonize." Paris remains strongly opposed to such consultation in NATO, stressing France's traditionally independent line regarding the relation of its nuclear forces to the alliance.



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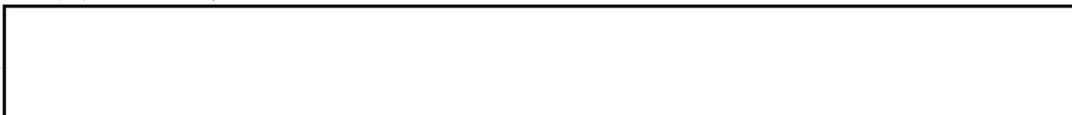
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NATO-MALTA: The allies have apparently agreed to acquiesce in the initial demands of the Mintoff government so as not to prejudice NATO's future relationship with Malta.

If there are no allied objections, Secretary General Brosio will inform the Maltese today that Italian Admiral Birindelli, commander of NATO's naval headquarters for Southern Europe (NAVSOUTH), will leave Malta as requested and that a meeting of NAVSOUTH subordinate commanders scheduled for next Monday will be postponed. (The US Embassy in Valletta reported yesterday that Birindelli was in Rome.) The allies hope thus to gain time and to avoid giving Mintoff an excuse for more far-reaching demands.



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it seems clear that Mintoff will seek new relationships with NATO and alliance members in the course of a general revision of Malta's defense arrangements with the UK. The Foreign Ministry has told the US that no further visits of Sixth Fleet ships to Malta will be approved by Valletta until new "general arrangements" have been worked out--implying as a minimum increased monetary benefits to Malta as the price for such visits.

Since Malta achieved independence in 1964, its relationship with NATO has never been clearly defined. There have been loose consultative ties, and NAVSOUTH, a small command unit, has been located on the island. It is unclear whether Mintoff's actions presage a demand for removal of NAVSOUTH as part of a more neutral Maltese orientation or merely a requirement for increased compensation for its retention. In either case, NATO will have to reassess its ties with Malta and the value of retaining NAVSOUTH on Malta as opposed to integrating it within NATO's more extensive operations in Naples.



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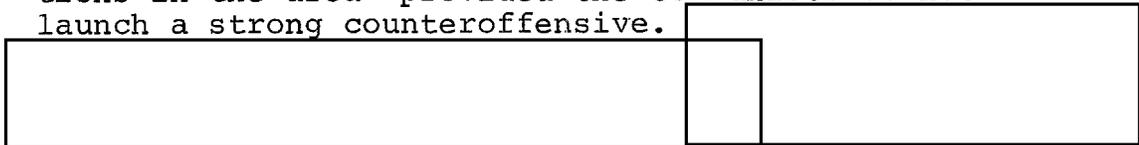
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CAMBODIA: Government forces evidently made an outstanding showing in the recent fighting north-east of Phnom Penh.

In a post-action assessment, the US defense attaché has reported that Cambodian troops made excellent use of firepower, maneuver, and air support to drive elements of several North Vietnamese main-force units from their prepared positions near Kompong Chamlang. The success in the northeast was primarily the work of Khmer Krom soldiers, who have been the mainstay of the Cambodian Army (FANK) since the war began. Their performance clearly will give Phnom Penh a much-needed psychological lift, and the FANK high command has been quick to declare a major victory.

The Khmer Krom suffered substantial casualties in their prolonged but persistent drive toward Kompong Chamlang. About half of their wounded have already been evacuated to Phnom Penh, however. The commander of the FANK campaign in the northeast plans to spend the next few days resting, resupplying, and reinforcing his battle-weary troops. Once that is accomplished, he apparently will concentrate on fortifying his local defenses and on establishing a better logistical base to support future operations in the area--provided the Communists do not launch a strong counteroffensive.



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JAPAN: The ruling Liberal Democratic Party (LDP) and the Communists are both expected to make modest gains in the Upper House elections on Sunday.

The gains will probably be largely at the expense of the Japan Socialist Party, still the largest opposition party despite a series of electoral disasters during the last two years. Komeito, the political arm of the militant Soka Gakkai Buddhist sect, is unlikely to match its rapid growth in recent years.

In the face of considerable public apathy, the ability of the parties to get out the vote, rather than issues, may play a decisive role in the outcome. The apathy results in part from the lesser importance of the Upper House in the governmental process.

Nevertheless, the results of the elections may well affect the relative strength of factions within the LDP, and thus have an influence on the outcome of the race to succeed Prime Minister Sato. For the opposition, the success of those Socialist candidates backed by a coalition of the non-Communist opposition parties will have a direct bearing on prospects for realignment of those parties into a new, moderate leftist party.



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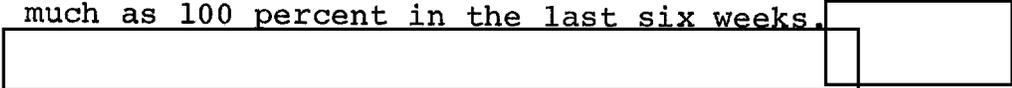
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PAKISTAN: Economic conditions in East Pakistan are grim and health conditions are deteriorating in West Pakistan.

A team from the World Bank, which recently toured East Pakistan, believes that a possible collapse of the distribution system poses the greatest risk of famine in the next few months. The inability to move large quantities of foodgrains from the ports to the interior is the major bottleneck. The rail system, which normally accounts for 60 percent of traffic, now handles only ten percent of a greatly reduced volume, and internal water transport cannot handle the traffic normally carried by rail. Although activity has picked up somewhat at the two major ports, they are still operating at less than half of capacity. In the East wing's small industrial sector two major facilities that are among the few now operating normally may have to shut down because of distribution problems.

Food stocks in much of the cyclone-affected area are greatly depleted, if not totally exhausted. Cyclone relief distributions have resumed in some places, but often with reduced allotments. Lack of seeds and other agricultural inputs for the next rice crop, now due for planting, means that large parts of the cyclone area will require relief next year as well. Elsewhere in East Pakistan, stocks of foodgrains are very low outside of the major urban areas where the government storage facilities are located. Even in some rural areas where food is available, prices have risen so high that many people cannot afford to buy.

Meanwhile, press reports indicate that doctors fear a health crisis in West Pakistan because of cutbacks in health expenditures as a result of increased military spending. Polio, smallpox, and malaria appear to be spreading even now. Restrictions also have been placed on drug imports, and some medicine prices in Karachi have increased as much as 100 percent in the last six weeks.



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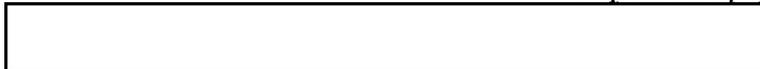
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KENYA: Major General Joel Ndolo, chief of the defense staff, has resigned after being implicated in a recently disclosed coup plot.

Gideon Mutiso, a member of Parliament and a leader of the plot, testified at his trial on Wednesday that he and Ndolo met on a number of occasions to discuss coup plans. High Kenyan officials now are pressing for Ndolo's arrest, but President Kenyatta may refrain from moving against him, at least until charges against him become well publicized. If the government does arrest Ndolo, he may implicate other high-ranking officials in the conspiracy.

It is unclear how the army and Ndolo's fellow Kamba tribesmen, who make up a majority of the army's senior officer corps, would react to the general's arrest. Although the Kamba, along with Kenya's other minority tribes, have become increasingly resentful over the dominant position enjoyed by President Kenyatta's Kikuyu tribe, Ndolo reportedly has lost considerable support among Kamba and other army officers as a result of his complicity in the plot.



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BOLIVIA: Security forces remain on alert as the unofficial popular assembly, which reconvened on Tuesday, continues its activities. The assembly's announced goal is to transform Bolivia into a "socialist state." Initial sessions concentrated on organizational matters and were marked by friction among the assembly's various extreme leftist sponsors, who are divided by conflicting ideologies and personal ambitions. President Torres has not reacted to the assembly's renewed claims to governing powers.

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[Redacted] The establishment by the far leftist Bolivian Labor Central of a "military command," and its announced intention to organize a national militia, could strengthen military support for a move against Torres soon.

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PERU: Minister of Fisheries Tantalean, reporting to the nation on the results of his recent trip to the Soviet Union and Communist China, has announced a proposed Soviet credit for assistance in building a fishing port. He said that the credit would be accepted unless a more favorable offer were received from the World Bank, Japan, or some other source by 31 July. The Soviet terms include repayment over ten years at three percent interest, with the major portion payable in fishmeal. Tantalean also confirmed that some \$15 million worth of fishmeal would be shipped to Cuba during the next year and that commercial offices would be established in Lima and Peking to facilitate Peruvian trade with Communist China.

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CHILE: Mutual distrust and personal ambition are still hindering renewed efforts by the opposition to coordinate political action against the Allende government. The agreement by the three opposition parties to support a single candidate against the government in a legislative by-election on 18 July may be threatened. One indication of a split came on Tuesday when conservative deputies helped to re-elect a member of the Allende coalition as president of the Chamber of Deputies, defeating the Christian Democratic candidate. Allende's personal appearance to open the campaign of his coalition candidate is one indication that he regards the by-election as a major test of strength, and is seriously concerned that his candidate may lose against combined opposition.

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BURMA: The government may be forced to sell its last \$21 million of gold in late July to cope with an increasingly grave balance of payments situation. This sale would be the final one in a series that began last August when Burma's gold holdings totaled \$84 million. Funds thus acquired would be used to pay for needed imports. Export receipts from rice--the country's prime foreign exchange earner--probably will be insufficient as a result of this year's glutted world market. As another means of offsetting its trade deficit Burma reportedly has approached West Germany and Japan for nonproject loans, but such aid has not yet been forthcoming.

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AFRICA: The eighth annual Organization of African Unity (OAU) meeting ended ahead of schedule on 23 June. The conference, the shortest in the OAU's history, was attended by only ten heads of state of the 41 member countries. The conferees rejected the efforts of Ivory Coast to dismiss the question of a dialogue with South Africa, the most contentious issue raised at the conference. OAU opposition, however, is unlikely to deter Ivorian President Houphouet-Boigny, who has already indicated that he intends to hold his own meeting with representatives of the small number of African governments in sympathy with his position.



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