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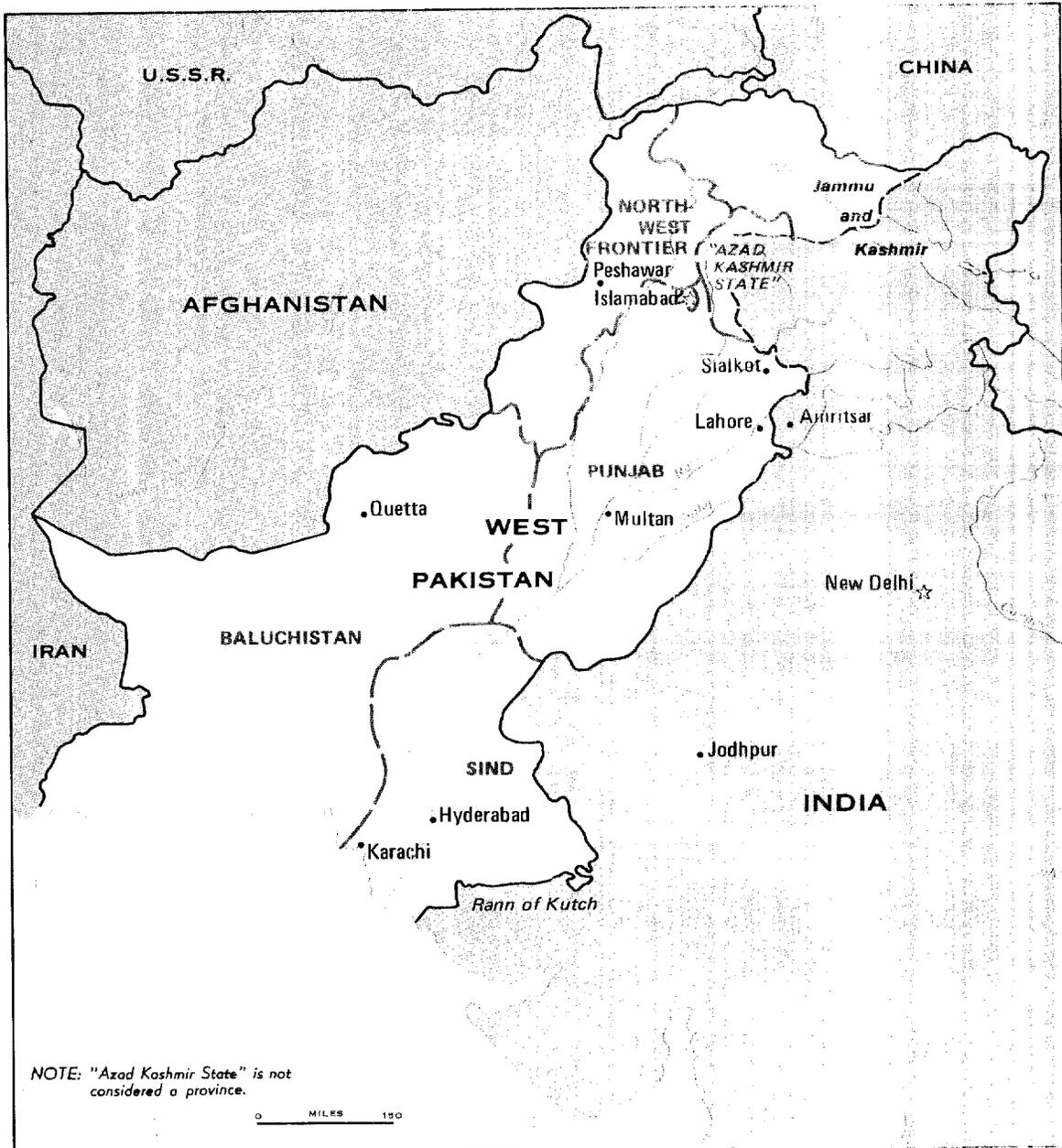
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PAKISTAN: President Bhutto is beginning to encounter opposition on several fronts.

The left wing of Bhutto's Pakistan People's Party (PPP) is increasingly open in its criticism of the limited nature of the government's nationalization policies. Probably hoping to push Bhutto further, Finance Minister Hasan has speculated to newsmen that more industries will be taken over. Radical PPP members are demanding the nationalization of banks, textiles, and transportation. Health Minister Rashid--probably the most important of the radicals--has let it be known he might resign if Bhutto fails to improve the lot of farmers and workers. Dissatisfaction is also evident among workers in Karachi and Lahore, where a recent series of strikes is probably due in part to the failure of Bhutto's policies to meet labor's expectations.

Although Bhutto cannot afford to alienate the strong left wing of the PPP, he probably will be cautious about giving in to its demands. Neither the officer corps nor the right wing of Bhutto's party, which includes large landowners, would be pleased with sweeping economic reforms. [REDACTED]

[REDACTED] opposition of the officer corps to the government's recent housecleaning in the ranks of senior officers is growing, but so far is directed mainly at acting army commander Gul Hassan. Some Punjabi officers reportedly believe the retirements were directed at the Punjabis as a group.

Bhutto is also having problems with the faction of the National Awami Party headed by Wali Khan (NAP/R), which expects to control the provincial governments of Baluchistan and the Northwest Frontier (NWFP), the two least populous provinces of Pakistan, but the two where opposition to the central government has always been strongest.

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Bhutto may still be able to work out an arrangement with Wali Khan, and in any case the NAP/R is weak in the two largest provinces--the Sind and the Punjab--and has strong conservative opposition in the NWFP.



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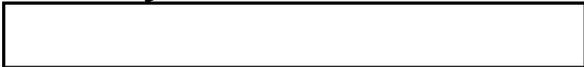
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CHILE: President Allende's move in shifting Socialist Interior Minister Jose Toha to the defense ministry is in response to the vote by the lower house of congress to impeach Toha.

The shift finesses possible Senate confirmation of the impeachment, even though opposition parties were less sure of mustering their slim majority in that house. It also puts Toha in a job Allende considers increasingly vital. The President may hope that Toha's experience as interior minister in organizing police and other internal security forces in support of the government will now be useful in dealing with the growing evidence of discontent among military officers. Allende probably took the precaution of discussing the appointment during a two-hour visit to the defense ministry on 5 January. He may also have discussed the appointment of a military man to a cabinet post in the changes he will make later this month.

The switch of 70-year-old Radical Alejandro Rios from his figurehead performance at defense to interior puts him first in line to succeed Allende. There is no vice-president. Rios, by training and experience, is a teacher whose primary qualification is a long and close association with Allende that spurred him to lead a leftist faction out of the Radical Party to support Allende's bid for the president in 1964.

The elevation of a Radical to the top post could be used by the President to justify reducing the number of cabinet posts held by that declining and divided party. One aspect of Rios' appointment that could arouse uneasiness in both coalition and opposition is the fact that the powerful job of undersecretary is held by a capable young Communist, Daniel Vergara, who will no longer have a strong superior to offset him.



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URUGUAY: The expected renewal of terrorist activities seems to be at hand.

A Tupamaro proclamation, broadcast on 6 January during a terrorist take-over of a radio station in the capital, declared an end to the organization's standdown. Operations had been virtually halted prior to the elections on 28 November in order to boost the stock of the leftist coalition, which nonetheless attracted only about 18 percent of the vote. The take-over follows reports that imprisoned Tupamaro members expected increased activities, with US public safety official Lee Echols a likely target. Other leftists, including former congressman and prominent terrorist lawyer Ariel Collazo, have also predicted an early renewal of the Tupamaro offensive, and this expectation has been widely shared even outside of terrorist circles.

For several weeks the leftist press has been attacking Echols and others. Echols has been labeled a CIA replacement for Dan Mitrione, the public safety official kidnaped and murdered in 1970. On 30 December, the government closed the leftist publication that has featured the attacks, citing the unfounded allegations against Echols as the specific reason for the indefinite suspension.

The Tupamaros have carried out more than a dozen kidnapings since 1968. The three current captives, all Uruguayans, have been held for more than nine months.

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SOUTH KOREA: President Pak is moving ahead with plans to bring the South Korean press under greater government control.

Pak has ordered the Ministry of Culture and Public Information to merge the country's three major news services [REDACTED] The purpose of the merger is to establish direct government control over the dissemination of information [REDACTED]

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[REDACTED] Moves to tighten control over individual newspapers will follow.

Pak's crackdown on the press is part of a broader effort to strengthen his grip on the nation in the wake of his 6 December declaration of an emergency. The South Korean press, despite severe restriction by a succession of regimes, remains a major critic of the government, and Pak undoubtedly is anxious to prevent any press reflection of growing public concern that he intends to impose "one-man rule." He also has been concerned for some time that South Korea's relatively outspoken press placed Seoul at a propaganda disadvantage vis-a-vis Pyongyang.

Despite the government's confidence that it can limit domestic and international criticism, the action against the press could generate considerable adverse comment. South Korea may again be censured by the International Press Institute for denial of freedom of the press. Indeed, South Korean press interests have encouraged such outside help to ward off more stringent government controls.

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JAPAN: Recent speculation in the Japanese and American press on the formation of a "yen economic bloc" reminiscent of the prewar "Asian co-prosperity sphere" goes far beyond Tokyo's modest interest in the possibility of increasing the role of the yen as a settlement currency. The Ministry of Finance continues to oppose any form of currency union or even formal yen payments arrangements.

Tokyo is planning to relax gradually existing foreign exchange controls and practices that presently preclude use of the yen as a settlement currency. If, after the relaxation, Japanese exporters can make yen contracts with customers, Tokyo appears willing to nurture such a development slowly.

Interest in the use of the yen as a settlement currency arose as a result of the experience of Japanese traders during the suspension of the dollar's convertibility from mid-August until the recent currency settlement in December. Almost all Japanese trade was conducted in dollars and it became difficult to conclude new contracts because of uncertainty regarding the eventual yen revaluation. Use of the yen in international trade would considerably ease this problem during any such periods in the future. Since a number of countries in the Far East conduct a large share of their trade with Japan, the use of yen for payments, and even as a supplementary reserve currency, is plausible over the long term.

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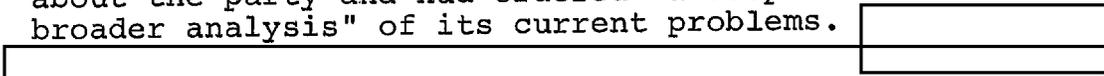
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NOTES

ISRAEL-LEBANON-SYRIA: Increased fedayeen activity along Israel's borders with Lebanon and Syria raises the possibility of Israeli reprisals. Terrorist attacks mounted from bases in Lebanon have increased since late December; the latest incident occurred on Thursday when rockets were fired at an Israeli border town. In a particularly provocative incident in the Golan Heights on Thursday, fedayeen based in Syria killed and decapitated an Israeli Army engineer. Editorials in the Israeli press have warned that unless the Lebanese and Syrians control terrorists operating within the territory, Israel will be compelled to act. Lebanese nervousness was highlighted in a statement by Prime Minister Salam charging that Israel was preparing to take military action against Lebanon.



YUGOSLAVIA: President Tito's proposals for reorganizing the League of Communists of Yugoslavia (LCY) are encountering growing opposition. Some members of the LCY's statutory commission believe that the proposed reforms require changing the party statutes--something that entails convocation of a party congress. The next congress is not due until 1974; in the interim an LCY conference is supposed to meet annually--the next on 25-26 January--to oversee party work and ratify policy changes. Although the upcoming conference lacks authority to change any statutes, it is empowered to convene an extraordinary congress which could resolve the impasse. The two-day postponement of the next LCY presidium, now set for 12 January, probably also stems from continuing disagreement at the highest levels over Tito's directives. On 6 January the party's executive bureau admitted that it had listened to "critical observations" about the party and had ordered "a deeper and broader analysis" of its current problems.



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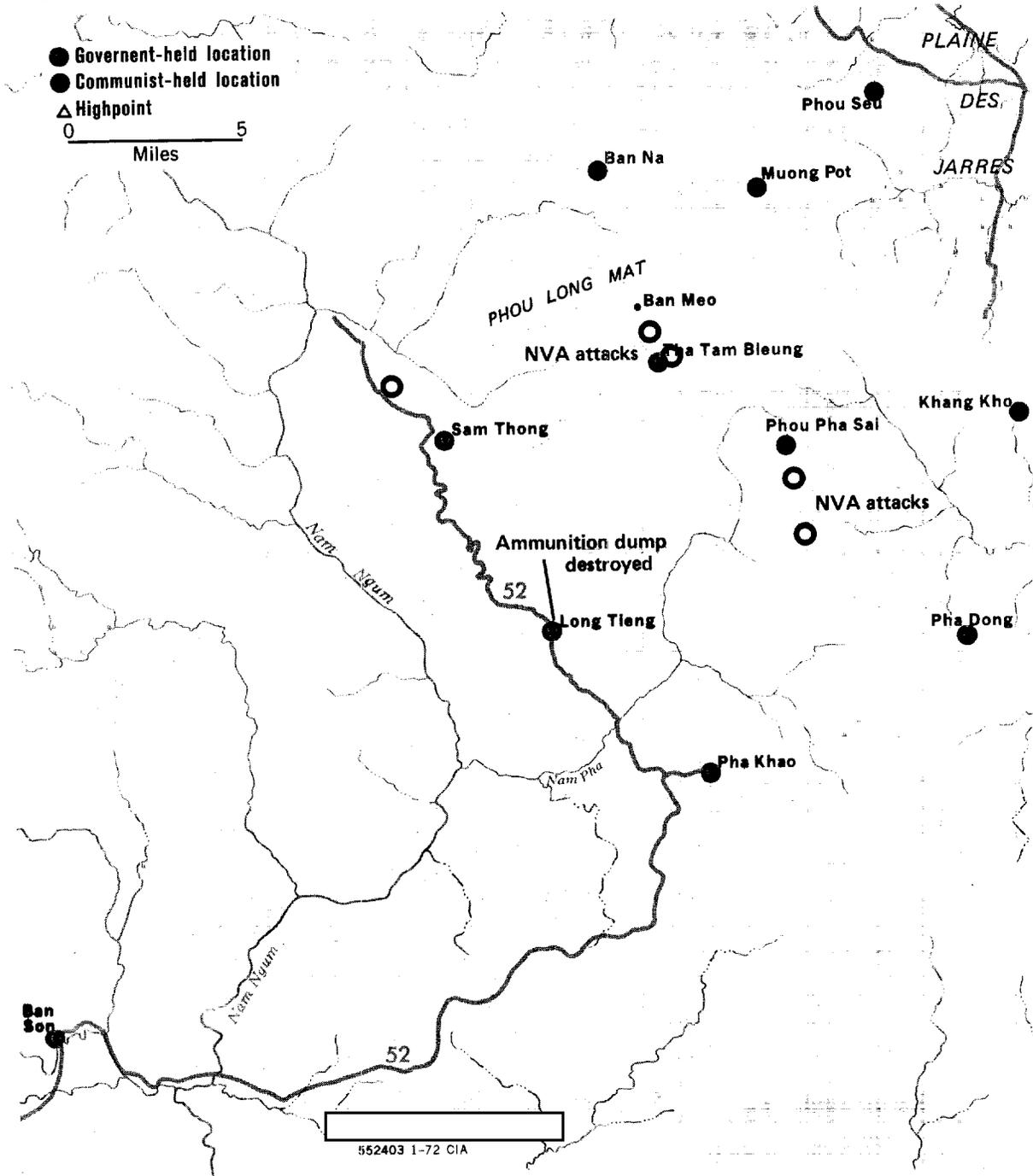
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LONG TIENG AREA



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LAOS: The level of enemy pressure around Long Tieng continues to rise. On 6 January the remaining ammunition in Long Tieng was destroyed--probably by North Vietnamese sappers. The resulting explosions closed the airstrip and hurled shells nearly a mile. Sizable enemy probes and shelling attacks were reported at almost all of the outlying defensive positions, including Sam Thong, Phou Long Mat, Phou Pha Sai, and Pha Dong, but no major positions changed hands.

[REDACTED]

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ECUADOR: Political tension is increasing in anticipation of the return today from exile of the populist politician Assad Bucaram. On the night of 5 January at least eight bombs exploded in Guayaquil, allegedly set off by supporters of President Velasco who oppose Bucaram. On Thursday, Velasco flew to Guayaquil and angrily denounced the bombings, promising to maintain public order. Estimates of the crowd being assembled by Bucaram's supporters to greet him range as high as 150,000. Velasco reportedly is looking for an excuse to exile Bucaram again, thus removing him from the campaign for the presidential election in June. Should serious trouble break out, however, military plotters might decide to make their move to seize power.

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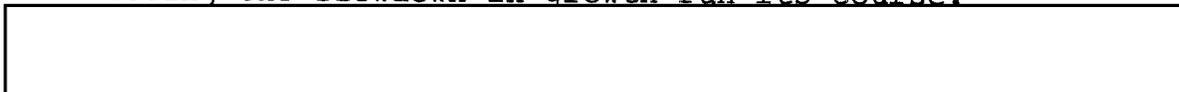
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NETHERLANDS: The central bank's decision to lower its discount rate from five to 4.5 percent, although primarily a reaction to decreases in West Germany and the US, has domestic economic overtones. The change, which was accompanied by a slight relaxation of domestic credit restrictions, reflects mounting concern about too sharp a deceleration in the domestic economy. In the first ten months of 1971, prices rose eight percent, private investment grew by only two percent against an expected seven-percent rise, productivity and private consumption fell below expectations, and unemployment continued to rise. If the anticipated decline in economic growth materializes, the Biesheuvel government could face the hard choice next spring between spurring the economy at the risk of even greater inflation or letting the slowdown in growth run its course.



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