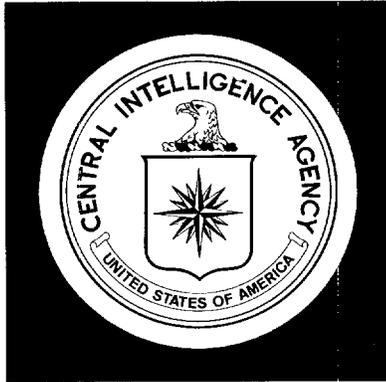


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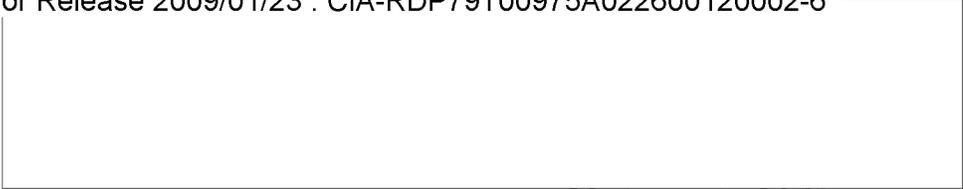
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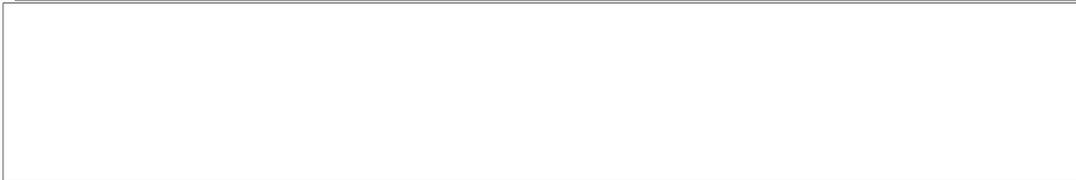
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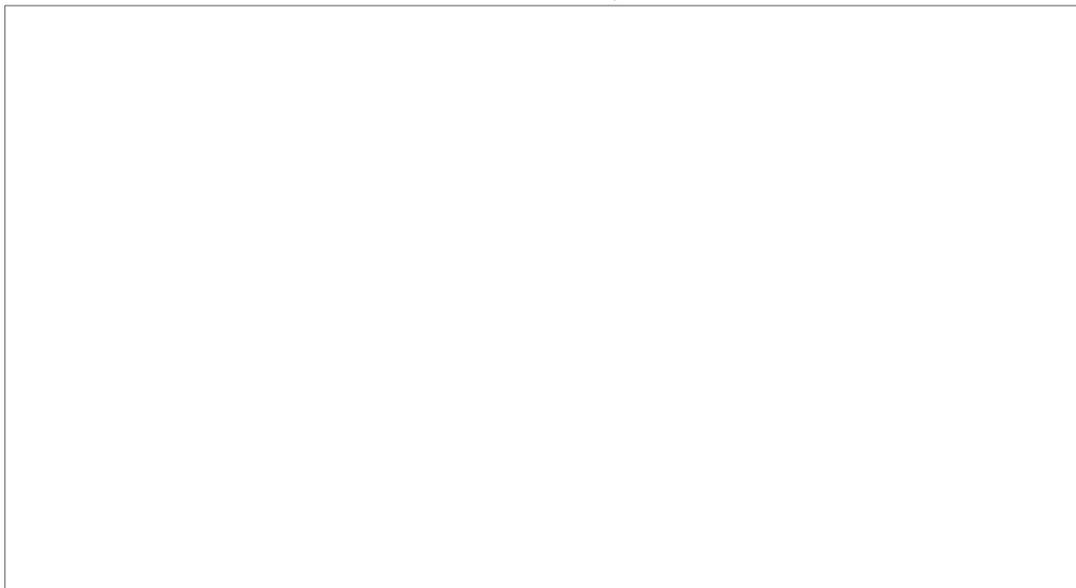
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CHILE: Army commander urges cooperation with the Allende government. (Page 5)



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PANAMA: The government considers moves to gain greater control over the canal. (Page 7)



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CHILE: Army Commander Prats reportedly believes that opposition leaders must work with President Allende to solve Chile's problems.

[redacted] Allende

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is deeply concerned over the political situation and has expressed a fear that his friends are more dangerous to him than his enemies. Prats believes, however, that Allende will be able to "work things out." He countered criticisms of Allende's economic policies by blaming the opposition parties for bickering among themselves instead of cooperating to guide and influence the President. Prats, who is the key figure in the military, may see accommodation as the only method for both military and civilians to improve conditions without violating the constitution. His [redacted] comments also illustrate how persuasive Allende is in depicting himself as a beleaguered defender of the country's interests.

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Prats [redacted]

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[redacted] thinks that legislative elections will not be held next March. Some opposition politicians have already professed the same doubt [redacted]

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[redacted] They claim they fear that Allende, backed by some of his supporters--most notably the Communist Party--may resort to special powers to crush increasingly active forces of the extreme left and right. They maintain that such action "would leave Allende free" to cancel the elections and govern as he and the Communists wish. Allende and his advisers are unhappy over his coalition's electoral prospects, but there is as yet no indication that he will try to cancel the elections. [redacted]

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[redacted]

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[REDACTED]

PANAMA: The Foreign Ministry is again considering bringing the canal issue before the United Nations General Assembly.

Foreign Minister Tack, who has consistently argued for a tough negotiating stance and for publicizing Panama's canal position, is reportedly preparing a speech for delivery to the UN in late September in which he plans to review his country's efforts to reclaim the Canal Zone from the US. Tack wants to request UN support for a unilateral nullification of the 1903 canal treaty and UN assistance in restoring Panamanian sovereignty over the Zone.

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[REDACTED] General Torrijos has been considering the possibility of a surprise announcement of his own on 11 October, the fourth anniversary of his seizure of power, in which he will declare US sovereign rights in the Zone null and void and threaten to break off the negotiations on a new canal treaty.

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Torrijos has made similar threats in the past but has backed down. He has also restrained Tack when the latter has proposed drastic action. Any decision to go to the UN would not be made, therefore, without careful consideration of whether the advantages of using this international forum would outweigh the gains that might be made under the "flexible" negotiating position that reportedly was completed last month in preparation for resumption of the bilateral negotiations suspended last March.

Thus far Torrijos has not endorsed this new position. Instead, he has renewed efforts to obtain international diplomatic support, apparently in the belief that he can thus force the US to make additional concessions on a new treaty. He has also been seeking some unilateral concession--for example, joint police patrols in the Zone--which could be presented to the Panamanian public as evidence of American good will and proof of his ability to deal effectively with the US. Torrijos probably will wait to see what concessions are forthcoming before deciding to resort to the UN.

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