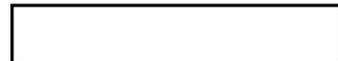


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EC-US: Western Europe will have trouble coming up with a common response to the US call for a new Atlantic Charter before the President's visit. The European countries have managed to establish joint policies and effective institutions on few matters other than trade; they still lack an identity of view with regard to Europe's future relationship to the US.

France, in particular, fears that a trans-Atlantic dialogue risks US meddling in European decision-making processes and the dilution of European unity. Paris opposes an early EC debate on the Atlantic Charter suggestion, in part because it would inhibit Pompidou in speaking freely about the question when he meets with President Nixon.

Few Europeans deny that political, military, and economic issues are interrelated. They worry, however, that the commitment to Europe's defense renewed in Dr. Kissinger's address may mask demands for concessions in economic areas. Even the Germans share British reservations about burdening negotiations in one area with problems belonging to another.

Europeans are also puzzled by:

- how the new approach will affect existing institutions that are already exploring one or another of the problems cited in Dr. Kissinger's address;
- how specific a new Atlantic Charter ought to be; and
- how the US proposed to bring in Japan.

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LAOS: In their initial negotiating sessions, ranking Pathet Lao and government representatives have made no headway toward the implementation of the Lao peace agreement.

Senior Lao Communist envoy Phoumi Vongvichit, who last week returned from lengthy consultations in Sam Neua, reportedly again presented several demands which had stalled earlier talks. The delay in reaching agreement may be a result of North Vietnam's ideas as to the proper timing. Based on his discussions with Phoumi, Souvanna's trusted negotiator Pheng Phongsavan has the impression that Hanoi is still linking movement in the negotiations to progress on the resolution of cease-fire problems in Vietnam and on movement toward a solution in Cambodia.

Souvanna and Pheng Phongsavan have now taken personal charge of the negotiations and if the green light is received from Hanoi, agreement could be reached quickly. Talks leading to the February Laos agreement appeared similarly stalled until Souvanna in [] discussions with the Communists worked out an agreement which he presented as a fait accompli to his cabinet. In typical fashion, the Prime Minister seems prepared once again to reach a compromise settlement with little regard for the views of the right wing of his government.

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NORTH VIETNAM: The enthusiasm displayed by a number of Western countries and Japan only a few months ago for postwar aid to North Vietnam has all but evaporated. Hanoi has actually received only small amounts of aid, and most of that has been for humanitarian purposes.

The Japanese, who were among the most eager to improve economic and political ties with Hanoi, exemplify this more cautious approach. They have sent a mission to Hanoi recently which agreed only to working level talks on establishing diplomatic relations. Tokyo has a sizable economic involvement in South Vietnam that it does not intend to jeopardize by making unnecessary political concessions to the North.

Like most of the European Community countries, Tokyo is waiting until Hanoi and Washington have made some decisions on aid, and the prospect for peace seems more solid. To date, Sweden is the only non-Communist country committed to substantial economic aid to the North--\$100 million, of which \$45 million is for a paper plant.

Aid from Communist countries thus far remains the major foreign contribution to North Vietnam's economy. Routine trade agreements have been concluded and there is every indication that North Vietnam's requests are being met by both Peking and Moscow.

Although it presumably would like to diversify its aid in order to lessen this dependence, Hanoi apparently has a lot to learn about aid negotiations in the non-Communist world. The North Vietnamese have tended to present potential donors with sweeping proposals, often without the needed back-up information, despite their eagerness for such aid. North Vietnam also insists that it must control all aid projects. Moreover, if the Japanese experience is any guide, the North Vietnamese reconstruction effort has been severely hampered by bureaucratic delays and inertia.

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CHILE: A new wave of strikes may give Allende more trouble than the continuing political party warfare and persistent disorders in the streets.

The most serious strike is at the huge El Teniente copper complex. Now completing its second week, it has already cost Chile millions of dollars in critically needed foreign exchange, and negotiations are stalled. Other strikes are being planned by transportation, petroleum, and government workers.

The Christian Democrats are taking an increasingly stiff stance toward the government; they boycotted the officially backed trade union confederation's May Day celebration. They are now focusing on the labor situation and probably will encourage future strikes.



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LEBANON: Other Arabs are attempting to mediate the crisis between government forces and the fedayeen. Fighting intensified late yesterday when Lebanese aircraft were called into action near Beirut, and the Lebanese Army engaged Palestinian elements in southeastern Lebanon for the first time. The government claims that 1,000 Palestinian troops moved into Lebanon from Syria yesterday, a development that generated a call for US assistance from Lebanese officials.

Most clashes had diminished by midnight, Lebanese time, but the threat of heavy fighting remains, particularly in the southeast where Lebanese forces are spread thin. Fatah leader Yasir Arafat has called for a cease-fire, but his appeals have been ignored by more aggressive fedayeen units. Arafat, probably fearing his own position would be endangered in an all-out showdown with the government, is apparently searching for a negotiated settlement. Even if he were successful, some fedayeen might well continue to fight. The killing of two fedayeen military leaders yesterday may strengthen their resolve to do so. The government too is maintaining a hard stand, and yesterday President Franjiyah stated that Lebanon would not tolerate any Palestinian army of occupation.

Possible Syrian involvement is particularly worrisome for Beirut.

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[Redacted] Palestinian broadcasts from Damascus yesterday became more strident.

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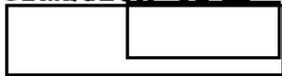
Cairo is probably anxious to end the confrontation in Lebanon, which distracts from its own efforts to

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Draw attention to the need for a general Arab-Israeli settlement. Other Arab mediators, the secretary-general of the Arab League, Mahmud Riad, and a representative of Iraqi President Bakr, are due in Beirut today to help resolve the crisis.

The uncertain situation has generated a flurry of political maneuvering in Lebanon; yesterday, the newly appointed prime minister, Amin Hafiz, announced his intention to resign. He apparently is still considering the move, but if he were to step down, President Franjyah would be faced with the additional difficult task of finding a successor. Franjyah is reportedly contemplating the formation of a military government to replace Hafiz.



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EUROPEAN COMMUNITIES: The EC Council has reached an agreement on farm prices for the coming year, but only after one of the most difficult, confused, and bitter meetings in EC experience. The fact that an agreement was reached at all is apparently due largely to fear that a deadlock would paralyze not only the common agricultural policy, but other EC activities as well. The very modest increase in most grain support prices will improve the prospects for US exports of grain. No agreement was reached on a number of other key issues, however, which probably helped strengthen sentiment within the EC for a thorough review of the community's common agricultural policy. [REDACTED]

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THE NETHERLANDS: The center-left government that Dutch politicians finally have patched together after a five-month hiatus probably will not last long and is unlikely to initiate any major changes. Barring last-minute hitches, the new government will be installed next week. The cabinet will have the full support of the Labor Party, with its own leader Den Uyl as prime minister, but the arrangement will test the cooperation of the religious parties. The unsteadiness of the government will prevent the leftist parties from getting very far with their proposals for cutting defense expenditures and bringing on social reforms. [REDACTED]

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Brazil-Paraguay Hydroelectric Power Plant Agreement



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BRAZIL-PARAGUAY: Brasilia and Asuncion have agreed to build the world's largest hydroelectric power plant, despite objections from Argentina. Buenos Aires fears that the Itaipu complex, as currently planned, could jeopardize the dams it plans to build on the lower Parana River. The controversy has reduced relations between Brazil and Argentina to the lowest point in some years. As part of the plant agreement, Brazil has offered Paraguay improved outlets for its exports, and Brazil will purchase nearly all of Paraguay's half of Itaipu's power. This would probably make Paraguay the world's largest exporter of electric energy.

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