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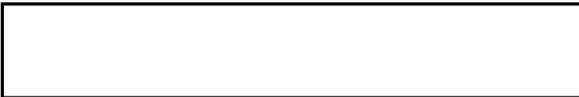
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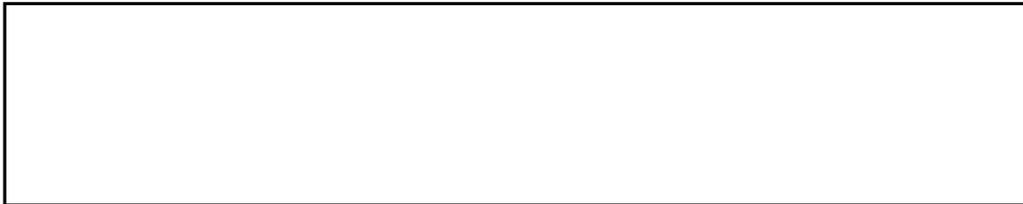
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SYRIA-IRAQ

After pursuing a largely one-sided quarrel with Iraq over the past two months, Syria abruptly announced yesterday it would release more Euphrates River water to Iraq as a "gesture of good will." A Syrian government spokesman said that, as a result of the mediation of Saudi Oil Minister Yamani, Syria now had hope a permanent agreement on sharing the river's water could be reached soon.

Iraq will be relieved by the Syrian gesture; the cutback in the flow of Euphrates water threatened the livelihood of thousands of Iraqi farmers. Baghdad, nevertheless, has refused to be provoked by Syrian harassment and propaganda, apparently believing that President Asad would drop the dispute once it had served his purposes.

Asad probably believes he has amply demonstrated that Syria can exert severe economic pressure on Baghdad at any time if the Iraqis try to meddle in Syrian internal affairs. Neither Iraqi political intrigue in Syria, nor Asad's antipathy for the Baghdad regime is expected to end as a result of this step. The release of the Euphrates water, however, should ease tensions, at least temporarily.

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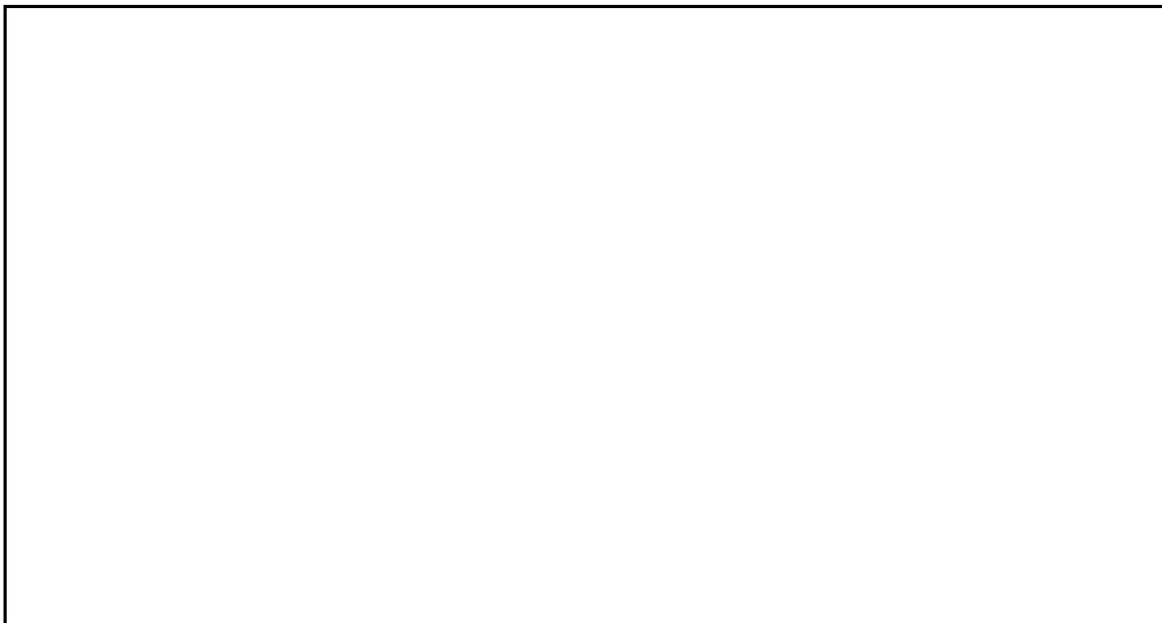
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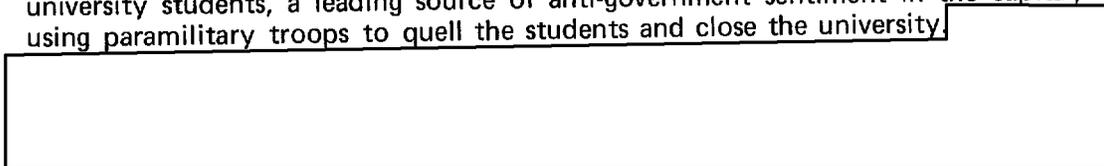
KENYA

President Kenyatta is reported to have forced the parliamentary committee that is investigating the murder of regime critic J. M. Kariuki to delete two names from its report. Committee members probably saw this deletion as the only way to avoid their arrest or the disbanding of parliament.

The report, released yesterday, criticizes the police for covering up the crime and planting false evidence. By implication, it also attacks the regime and is likely to keep alive popular dissatisfaction with Kenyatta. The report alleges that Colonel Ben Gethi, the commander of the paramilitary police and a mainstay of the regime, lured Kariuki into the hands of his murderers. According to the press, the names deleted at Kenyatta's insistence were those of a senior cabinet member and a high-ranking police official—in all likelihood Minister of State Mbiyu Koinange and Police Chief Bernard Hinga.

Kenyatta and his top associates, badly shaken at first by the hostile reaction to Kariuki's murder, have resumed a confident and combative manner. Throughout May, delegations of government and party officials met with Kenyatta to pledge loyalty and southern Kikuyu politicians—Kenyatta's main supporters—held rallies at which the President's critics were castigated. In late May, Kenyatta got tough with university students, a leading source of anti-government sentiment in the capital, using paramilitary troops to quell the students and close the university.

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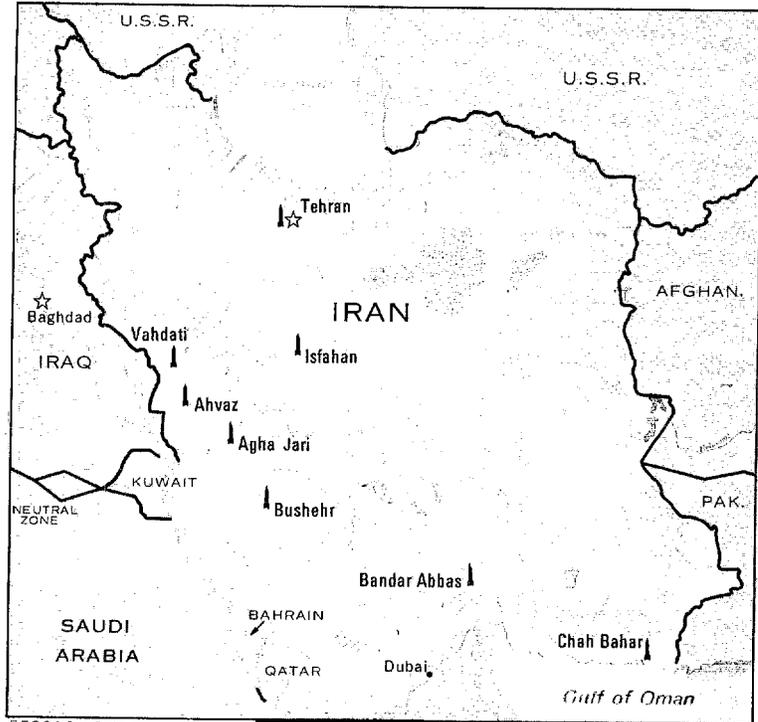
IRAN

Tehran is re-evaluating its plans for assigning the improved version of the Hawk surface-to-air missile which began arriving in Iran last December. Key military installations will continue to have highest priority, but more emphasis is being directed at protecting important industrial and petroleum sites. For example, although the capital area still is to receive the largest number of missiles, it will not get them before the Isfahan steel works and the Kharg Island petroleum facility receive theirs.

The Shah's overall air defense plan for the country is steadily falling behind schedule. Some 25 Hawk missile launchers have already been delivered under the purchase agreement with the US, but none is yet operational. The first site at the Vahdati air base probably will not be ready until late this summer—several months behind schedule. The battery scheduled for Vahdati successfully test-fired two Hawk missiles in May, the first firing by Iranian personnel.

Plans call for the missiles to be emplaced in eight locations by 1980, two more than originally planned. The two additional battalions will be assigned to the industrial center at Ahvaz and the port area at Bandar Abbas.

Planned Hawk Missile Sites



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LEBANON

The situation in Beirut reportedly is returning to normal. All roads are open, and the street fighting that paralyzed the city for two weeks has died down.

Prime Minister - designate Rashid Karami said yesterday that some progress was being made toward forming a new government, but he stressed that the restoration of calm is just as important. Lebanese security officers have cleared the streets of barricades, and the sporadic shooting that kept residents home on Monday has been halted after concerted efforts by security officials and politicians.

Karami's efforts to set up a cabinet of national unity are being continually blocked by leftists who demand that the right-wing Phalanges Party be excluded because of its part in the street fighting. Phalangist leader Pierre Jumayyil has rejected any suggestion that his party should be boycotted. After calling on President Franjyah, Karami said, "We have agreed on the plan to be followed in forming a government."

Karami's efforts to improve the security situation notwithstanding, incidents such as the killing of the commander of the National Liberal Party militia demonstrated that security conditions are still poor. Former president Shamun's supporters—who had not played a prominent role in the earlier hostilities—may now be drawn into the conflict, which threatens to assume sectarian overtones. This could have a polarizing effect on Christian and Muslim personalities who have sought to preserve their neutrality in order to exert a calming influence during the past two weeks. In this atmosphere, the rapid formation of a new cabinet in which all segments of the population have confidence is of particular importance

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LAOS

Prime Minister Souvanna Phouma and his Pathet Lao deputy, Phoumi Vongvichit, broke no new ground in separate conversations on June 2 and 3 with Assistant Secretary of State Habib.

Both Lao leaders reaffirmed the communist-dominated coalition government's desire to maintain "good" relations with the US. They also made a strong pitch for continued US assistance, but with the standard Pathet Lao caveat that such aid must be unconditional and given directly to the Lao government.

In his discussion with Habib, Phoumi essentially reiterated a line he had taken earlier with the US charge and acting AID director. He said that Laos was about to embark on a long-range economic development program and that US assistance would be welcome—particularly during the first two-year, "healing-the-wounds-of-war" phase. This is not the first time Phoumi has described American aid in the context of war reparations.

Phoumi said he would personally supervise negotiations on a new assistance agreement. He also indicated he did not "think" there would be any more "disorders" directed against Americans in Vientiane.

Meanwhile, Souvanna's lack of touch with reality and his acquiescence to Pathet Lao viewpoints were abundantly apparent in his discussion with Habib. He repeatedly emphasized that, in his view, "nothing had changed" in the Lao-American relationship. The Prime Minister blamed "excited young people" for the recent anti-American demonstrations in Vientiane, and argued that AID, not the US, was the prime target.

Souvanna also maintained that there had been no real change in Laos, merely an "evolution of attitudes." He said that in light of the "new situation," he had:

--"ordered" the two sides to collaborate;

--"ordered" Phoumi and acting Pathet Lao Defense Minister Khamouane Boupha to purge the Royal Lao Army of "undesirables" and to integrate the communist and non-communist armies;

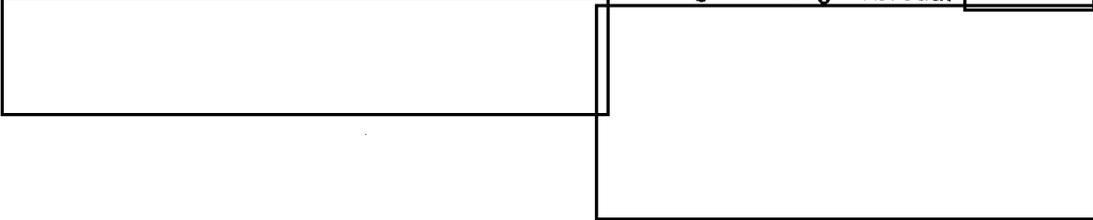
--"asked" Phoumi to staff the coalition administration with civilian officials from Sam Neua.

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The Pathet Lao, according to Souvanna, have no intention of taking over Laos—at least not for another “five or six years.” The Lao communists, he insisted, were “reasonable nationalists” not dictators, who respected the monarchy and who had never formed a separate government during their long years of isolation in Sam Neua.

Souvanna gave no hint of any intention to resign or to go abroad.



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THAILAND

Labor-management confrontations have intensified in Bangkok and labor leaders have threatened a general strike for today unless the government yields to their demands. Although the labor movement lacks sufficient strength to force a nationwide shutdown, selected strikes could cause serious problems.

Prime Minister Khukrit Pramot is personally leading government efforts to resolve the disputes. By appearing on television and directly involving himself in the mediations, Khukrit is following the precedent set last year by his predecessor. At that time, a similar approach, coupled with the enactment of stronger pro-labor laws and establishment of a nationwide minimum wage, enabled the government to resolve the crisis.

Continued inflation, with high prices unmatched by high wages, seems to be the main issue for discussion in future bargaining sessions. Labor unions have demanded the resignation of a tough senior police official and the disbanding of a security unit at a local hotel—the scene of disturbances last month. Government negotiators should have little difficulty in settling these issues.

Labor forces have traditionally worked closely with student groups. Together these groups represent a formidable force with potential nationwide impact. Historically, labor has desisted from using violence, and the current attitude of students indicates their preference for peaceful action. At this juncture, both organizations most likely are fearful of military intervention and reprisals against them and will not actively promote disorder.



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USSR

The Soviets are putting out the line that there has been a turn to the left in China's domestic politics. Their purpose evidently is to suggest to the US and others in the West that any improvement in relations with China will not be durable. The tougher line appears timed to counter whatever gain Chinese Deputy Premier Teng Hsiao-ping may have made during his visit to Western Europe last month and to raise doubts prior to President Ford's trip to Peking.

This message was conveyed forcefully by Mikhail Kapitsa, chief of the Soviet Foreign Ministry's Far East Division, [redacted]

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[redacted] Kapitsa asserted that Premier Chou En-lai's position had been weakened by the National People's Congress and that the "Shanghai" group, including Mao's wife Chiang Ching, had moved into dominant positions overseeing the party and the government. Kapitsa's deputy, Igor Rogachev, has made similar points about Chinese politics to a US diplomat in Moscow.

Kapitsa and Rogachev made these assertions as if they were beyond dispute; in fact, neither of the reputed leftists, Chiang Ching nor Yao Wen-van, has been appointed to the Politburo standing committee, nor is there any sign that leftists have gained control of it or of the party's control commission, as Kapitsa claimed. Moreover, the Soviets themselves have heretofore interpreted the National People's Congress as a victory for Chou and the moderates.

[redacted] the new predominance of the Shanghai group would lead to an intensification of the struggle against both the Soviet Union and the US. He did not speculate about what new policies China would follow, but he implied that there was a good possibility of tougher days ahead for Sino-Soviet relations.

Kapitsa raised the issue of the Soviet helicopter crew that has now been in Chinese hands for more than a year and about which the Soviets have said very little in the last six months. He argued disingenuously that Soviet authorities were under public pressure to do something about the crew and stated that the Chinese ambassador had been told Moscow may be compelled to retaliate. [redacted]

A similar motive lay behind Kapitsa's description of the developing situation in Southeast Asia. He said the Soviets wanted all countries in the region to strengthen their defense against "Chinese expansionism" and, for this reason, were now prepared to take a more favorable attitude toward the Association of Southeast Asian Nations.

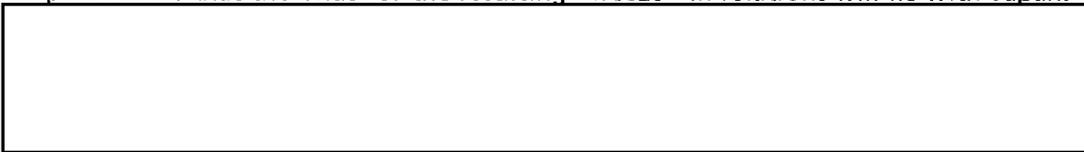
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Kapitsa described the outcome in Vietnam as a great defeat for China and by implication a corresponding victory for the USSR. He was less enthusiastic about Cambodia and even wept a few crocodile tears for the people of Phnom Penh. Without giving any specifics, Kapitsa professed to see factions within the Cambodian leadership and took care to describe the pro-Chinese faction as "savages" who were responsible for the excesses. This factional formulation provides a rationale for Moscow to seek ties with Cambodia even while condemning sotto voce the Cambodian leaders.

On Japan, Kapitsa asserted that should the Japanese accept the hegemony clause in a treaty with China, it would freeze Soviet-Japanese relations for a long time. He also linked the hegemony issue to the question of the Northern Territories, suggesting that the Soviets might show some flexibility if Tokyo resisted Chinese pressures. He obviously hopes that such assertions will get back to the Japanese and stiffen their resolve with China. Rogachev, has told a US diplomat that Moscow anticipates that, in the end, Tokyo will agree to the hegemony language. The implication is that the onus for the resulting "freeze" in relations will lie with Japan.



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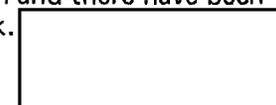
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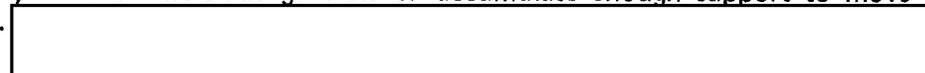
BURMA: Labor unrest in Rangoon is continuing, and the government apparently is ready to use force if necessary to prevent the situation from getting out of hand. Thus far, the protests have been peaceful, but work slowdowns to demand larger food rations and higher wages reportedly are spreading. There are rumors that a general strike is planned to commemorate the anniversary on Friday of last year's violent clash between troops and demonstrating workers. Government leaders are meeting to discuss the situation, and troops are said to have been sent to the sites of two of the slowdown strikes. The government apparently does not believe the problem is critical, but if the unrest becomes widespread, the army almost certainly will be able to quell any disorders. Despite rumors of an alliance between the workers and students, Rangoon University is calm and there have been no further reports of student disturbances during the past week.



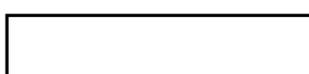
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DOMINICAN REPUBLIC: President Balaguer has given cabinet-level posts to two of the top military officers who resigned last month. General Enrique Perez y Perez was designated secretary of the interior and police, and Rear Admiral Emilio Jimenez was named secretary of foreign relations. As interior secretary, a post he has held twice before, General Perez will technically be the immediate superior of his archrival, General Neit Nivar, whose appointment as chief of the national police was the motive for Perez' resignation as army chief of staff on May 9. Balaguer's cabinet shifts are in line with his policy of balancing military contenders for influence against each other, seeming to favor first one and then the other. He is careful never to allow any of the ambitious generals to accumulate enough support to move against him.



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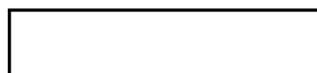
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ROMANIA: President Ceausescu will arrive in Brazil today and move on to Mexico on Saturday. At both stops he will push for increased economic cooperation and will seek support for Romania's bid for observer status at the meeting of nonaligned foreign ministers in Lima this August. Brazil resumed full diplomatic relations with Romania only last year and has already concluded a bilateral economic accord that provides for Romanian imports of Brazilian iron ore. Romania has heretofore had to depend largely on the USSR for its iron ore. Ceausescu's discussions in Mexico are expected to focus on President Echeverria's promotion of the UN charter on the economic rights and duties of states. Ceausescu is also a strong advocate of national control over exploitation of natural resources. He will probably offer the Mexicans technical aid in developing their rapidly expanding petroleum industry.



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