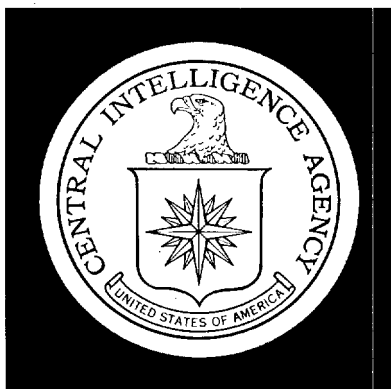


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State Department review completed

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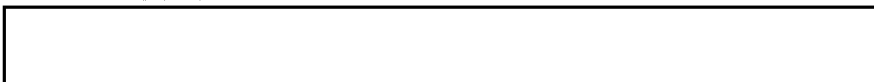
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POLAND: Shipyard workers reportedly are striking again in Gdansk.

The US Embassy reports information from a high official of the Polish ocean lines that as of yesterday the departure of vessels from Gdansk was being delayed because of "a lack of workers." This tends to confirm the strike which the Swedish press claims began on Tuesday, but there has been no mention of it in Polish media. The strikers are said to be demanding that workers arrested in the December riots be released, and that Gierek come to Gdansk for personal discussions with them.

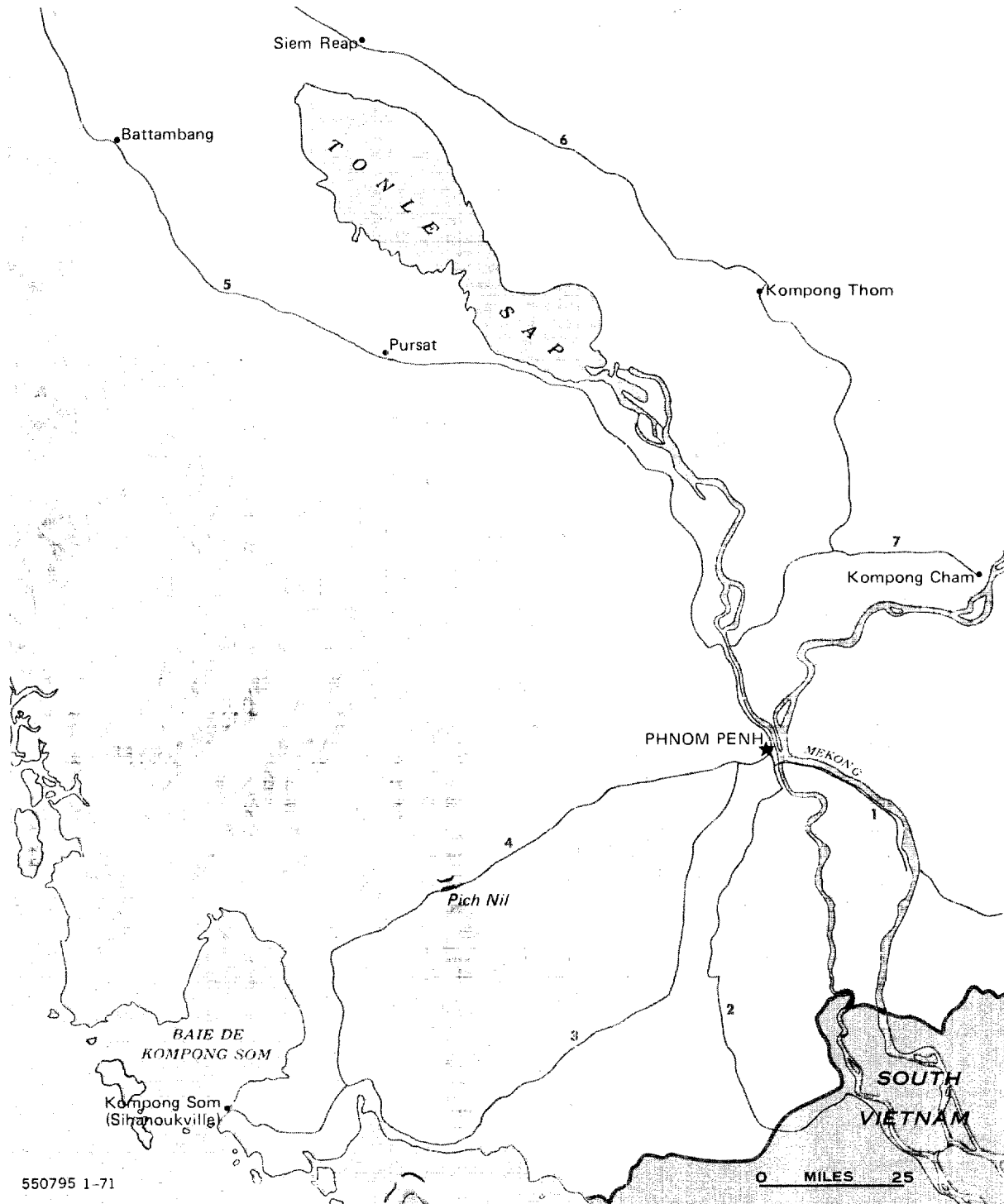
Gierek will find it difficult to refuse to go to Gdansk because he has placed so much emphasis on re-establishing communications, lost by the Gomulka regime, between the workers and the party. There is no indication how Gierek will handle the demand for releasing prisoners.

The new strike apparently has not yet affected plans for a forthcoming central committee plenum to analyze the causes of the December disorders. On Wednesday local party meetings were held throughout the country in preparation for the plenum. These meetings centered on restoration of the "Leninist norms of party life," which the departed leaders are being accused of ignoring. Although this serious charge is clearly aimed at Gomulka, he has not been attacked by name and the theme has not been carried beyond Gierek's original criticism of the former leaders for a wide range of economic and political failings.

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## CAMBODIA



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CAMBODIA: Petroleum stocks in Phnom Penh are dwindling rapidly.

Supplies of fuel oil and kerosene, used primarily for civilian consumption, are close to depletion. According to the US Embassy, Prime Minister Lon Nol will apply restrictions on the use of petroleum products to ensure the continued operation of electric generating plants and other essential facilities, which may otherwise be forced to shut down before the end of the month if resupplies are not forthcoming. Military stocks contain a two-week supply of aviation gas and about one month's supply of gasoline for vehicles.

The shortage has been brought about by the closure since late November of Route 4, the highway between Phnom Penh and Cambodia's only oil refinery and deep-water seaport, and by the recent enemy ambushes of petroleum barges and a tanker on the Mekong River.

The major oil companies have been making emergency riverine deliveries from Saigon to Phnom Penh since mid-December. It remains to be seen, however, whether crews and ship owners can be persuaded to risk further runs up the river in view of recent heavy Communist attacks.

Steps are under consideration to increase air support for future river convoys and to mount intensified Cambodian - South Vietnamese ground operations to control river banks between Phnom Penh and the South Vietnam border. Overland resupply efforts from South Vietnam via Route 1 are also contemplated. It is not likely, however, that adequate amounts can be moved in the near future, given the shortage of tanker trucks and the continuing security problem along the road. These and other contingency plans should be able to meet Phnom Penh's essential needs, but the shortages will make the war more immediately felt in the capital.

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FRANCE-ALGERIA: Negotiations on oil and other economic problems are at an impasse and could break down completely.

Talks between Paris and Algiers, aimed primarily at revising their 1965 petroleum accord but also at resolving other economic problems, have been going on intermittently since late 1969. According to French Foreign Ministry officials, Algeria in late December rejected a major French offer on petroleum prices and control of production. The offer would have given Algeria one third (approximately ten million tons) of the current annual petroleum production of French companies, bringing the share of Algeria's national oil company SONATRACH to 50 percent of annual production. In addition, France offered to increase the reference price per barrel of oil and to cede the Hassi R'mel gas field to SONATRACH along with French shares in associated pipelines.

Algeria's objective is to gain greater control over petroleum production not only to maximize revenues but also to increase the prestige of the Boumediene regime. Its tough position has caused Quai officials for the first time to envisage the possibility of a breakdown in the talks with the consequent danger of a rupture in the over-all relationship. They believe Paris can make no further concessions. Influential Gaullist elements, on the other hand, are pushing the line that the talks have "every chance of succeeding."

A breakdown could damage both sides. More than half of Algeria's foreign trade is with France, and Paris provides technical, educational, and financial aid. For Pompidou, a collapse would severely undermine his Mediterranean policy. He sees Algeria as an important political link to the Arab world.

The talks, now in recess, resume on 18 January in Paris. France's position at that time is expected to depend on a personal review of the matter by Pompidou.

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MALAYSIA: West Malaysia's worst flooding in 40 years may have affected about half of the rice crop.

Most of West Malaysia has been hit by more than six days of continuous rains. Transportation and communications facilities have been affected and Kuala Lumpur has experienced power shortages. Rains have subsided in the capital city, but another storm is predicted to hit the southernmost states shortly.

Ricelands were hit in the early part of the harvesting season. Damage estimates are not yet available, but any loss would be a setback to the government's aim of rice self-sufficiency. The rubber areas, however, are not believed to have been damaged.

Kuala Lumpur has reacted quickly to cope with the emergency. The US, UK, and Singapore have provided relief supplies and are assisting in their distribution.

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CEYLON: The Ceylonese Government, concerned by increasing major-power activities in the Indian Ocean, may call for neutralization of the area.

The over-all tone of an official Ceylonese memorandum prepared for next week's Commonwealth meeting is relatively moderate and even-handed. It takes note of the increasing presence of Soviet and US naval ships in the Indian Ocean and of the greater utilization of island and mainland support facilities. The memorandum then warns that this will make the area a "security satellite" of the major powers and will intensify cold war politics in an area already subject to colonial, racial, and economic tension.

The paper advocates that no nation should be allowed to monopolize naval power in the Indian Ocean and that the area should be made a "peace zone." The memorandum urges that the Commonwealth lead the way in developing peaceful change and cooperation among the states of the Indian Ocean region.

Ceylonese concern over the strategic use of the Indian Ocean does not stem from a simple anti-Western bias. At least some Ceylonese officials are aware of growing Soviet activity in the area. They fear that measures such as the recently announced plan for a US communications facility at Diego Garcia will prompt the USSR to increase further its presence in the region.

Prime Minister Bandaranaike will probably support any resolution at the Commonwealth conference calling for the exclusion of "foreign" forces from the Indian Ocean. She might even introduce such a resolution, if only to refurbish her image in non-aligned circles and to deflect domestic attention from Ceylon's growing economic problems.

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CHILE: President Allende has reviewed his government's accomplishments during its first two months.

Before a rally in Valparaiso on 5 January he belabored the Supreme Court for reversing a lower court decision that stripped a conservative senator of congressional immunity with respect to charges connected with the murder of General Schneider last October. He also contrasted the bank robbers he had amnestied with those who allegedly steal from banks by more subtle means. Allende was alluding to Christian Democratic legislators who borrowed heavily from state banks to finance political campaigns.

The President also attacked two of the remaining anti-Marxist political commentators, adding that he will seek to have the professional journalism association police and discipline reporters. In another move toward radicalization of the news media, Regis Debray was named to Allende's press office. Debray was released by Bolivia last month after nearly four years in prison for involvement with Che Guevara's guerrillas.

In talking about foreign affairs, Allende reaffirmed his intention to remain in the Organization of American States. He also said that Chile will import 120,000 tons of sugar from Cuba, paying in agricultural and industrial products. Imports of this magnitude would displace supplies from other members of the Latin America Free Trade Area.

The same day Foreign Minister Almeyda told a press conference that consular relations would be established with East Germany in late January or early February as a preliminary to full diplomatic representation. He added that Chile was interested in diplomatic ties with North Vietnam but said that this would have a lower priority. The Chilean Government announced on 6 January that the \$42 million in Soviet credits unused in the four years since they became available will be drawn on to build a fishing port, probably at Valparaiso.

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HONDURAS: The two major political parties have agreed on a proposal that would partially implement President Lopez' plan for a "government of national unity."

The governing Nationalist Party and the opposition Liberal Party have agreed to divide congressional seats, cabinet posts, and judicial positions equally, but have balked at supporting one nonpolitical person for the presidency. Both parties have named presidential candidates and expect to hold elections in March as scheduled.

The Liberals have chosen as their standard bearer Jorge Bueso Arias, an experienced politician and former cabinet officer. In a last-minute decision before the adjournment of their nominating convention, the Nationalists chose Ramon Ernesto Cruz, a scholarly but aging and lackluster lawyer who headed the Nationalist Party ticket in 1963 when Lopez staged a coup.

The fact that the Nationalists have nominated a candidate may indicate that Lopez is willing to accept a modification of his original plan to support a unity candidate. If, however, this proves unacceptable to Lopez and the military establishment, a coup is a strong possibility.

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JORDAN: Fedayeen leaders have committed themselves to eliminating militant troublemakers from a stronghold in Amman. Continuing armed provocations by uncontrollable fedayeen elements in this eastern sector--near the US ambassador's residence--resulted in three dead and nine wounded on 6 January. Cease-fire supervisor Ladgham, just before his final departure from Jordan, had a stormy session with fedayeen leaders about these maverick terrorists, who may be non-Palestinian Arabs. If the fedayeen leaders fail, the army will have another opportunity to lean hard on the armed commandos remaining in the capital, and may take even harsher measures in the absence of Ladgham and most of his observers.

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EGYPT-US: The government will seek a three-year moratorium on its overdue debt to the US unless Washington is willing to supply \$70 to \$100 million annually in new Commodity Credit Corporation loans. These would not only offset interest and principal repayments on Egypt's existing debt to the US over the next eight years, but would provide Egypt with at least \$40 million annually to defray the cost of wheat and other commodity imports. Such an arrangement would contrast sharply with other Egyptian debt agreements with Western countries, which generally provide only enough new credit to cover repayments on past debts.

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HAITI: President Duvalier's son Jean-Claude has been publicly identified as Duvalier's chosen successor. On 6 January a public letter of fealty to father and son signed by ranking military officers affirmed Duvalier's right to choose his successor and to modify the constitution as he sees fit. The armed forces pledged to crush any opposition to the President's decision. Duvalier's intentions are becoming clearer, but unless the young and feckless Jean-Claude reveals some unsuspected strengths and consolidates reliable support, his chances of fulfilling his father's ambitions are dim.

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