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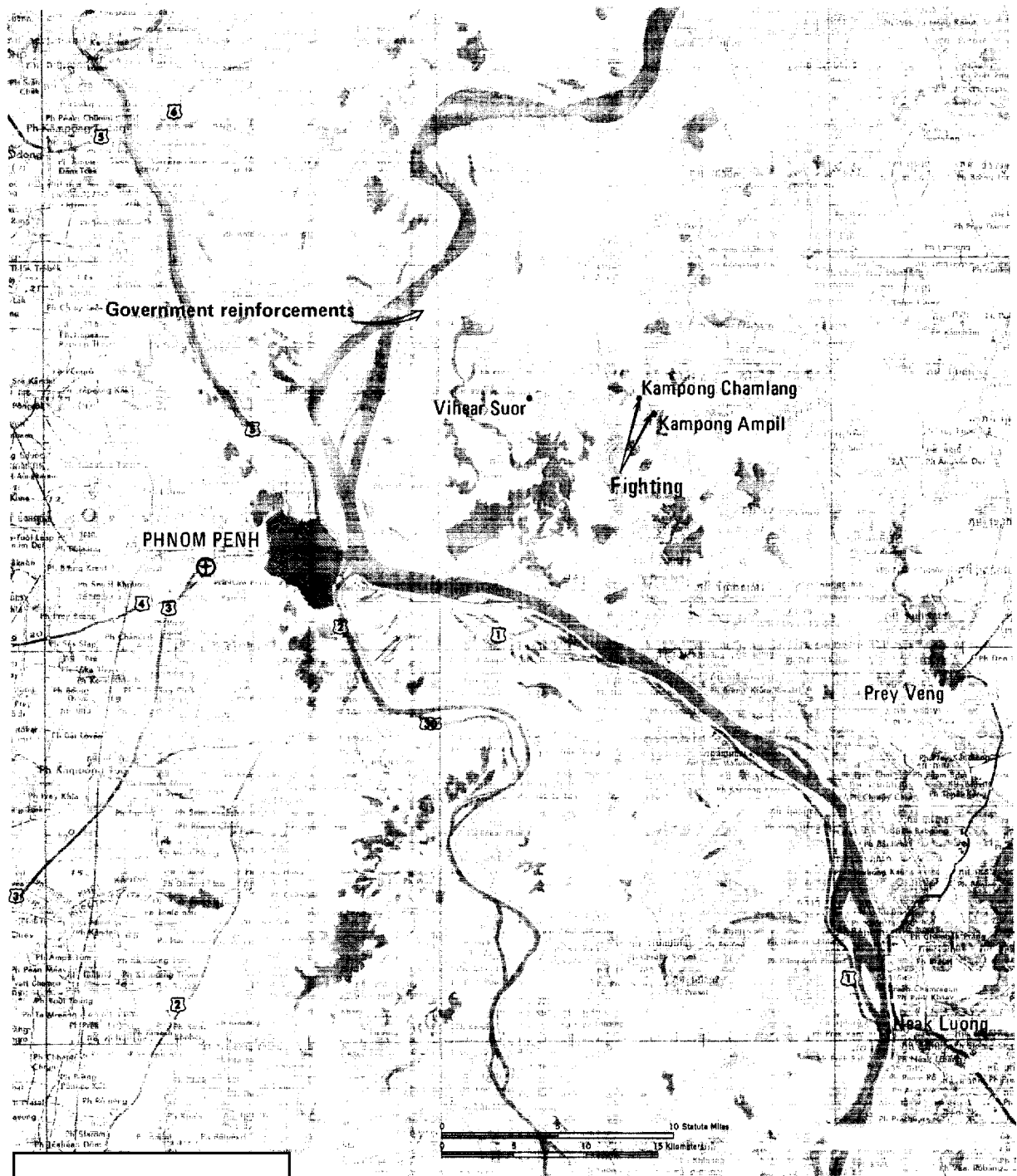
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Phnom Penh Area



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CAMBODIA: The Communists are continuing to threaten government positions near Phnom Penh.

During the past few days, enemy forces have carried out several sharp mortar and ground attacks on Cambodian positions some 10 to 15 miles northeast of the capital east of the Mekong River. Government troops, including several elite Khmer Krom units currently engaged in clearing operations in this area, have managed to hold their ground. Two battalions of government reinforcements from Phnom Penh are slowly making their way toward the embattled positions and other reinforcements apparently will be sent shortly. The government is also waiting for the South Vietnamese to reply to a request for assistance.

Cumulative casualty reports indicate that thus far 20 Cambodians have been killed and another 200 wounded. The Communists reportedly have suffered heavy losses from air strikes. The Communist attacks are the sharpest actions since early April, when the enemy struck hard at government units along Route 4.

The Communists' objectives in the current actions are not yet clear. It is possible that they are trying to provide a screen for an infiltration route from the north that conceivably could be opened once the area between the Mekong River and Prey Veng town becomes inundated. This is the closest to the capital any major Vietnamese Communist forces are known to have been since the war began, but it is too early to determine whether these developments are related to any impending action near the capital itself.



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BRAZIL: The government apparently has begun enforcing the fishing provisions of its 200-mile territorial seas claim.

According to US fishing industry sources, on 1 June Brazilian officials boarded a US shrimp boat operating 60 miles off the coast and warned the crew to leave the area or face a penalty of five years in prison. Foreign Minister Gibson recently stated that strong public opinion in favor of the 200-mile claim, issued in March 1970, obliged the government to enforce firmly the fishing regulations starting on 1 June. He said that Brazil was ready to discuss with other countries the possibility of giving their boats permission to work in specified areas within the 200-mile limit, but that the claim of sovereignty itself was not negotiable.

The fishing provisions, published by the Medici government in April 1971, divide the claimed area into two zones. The first extends 100 miles out from the coast, and the second covers the remaining 100 miles. Only Brazilian ships or foreign ships leased to firms with a majority Brazilian interest can operate within the first zone. Other nations' ships that pay a registration fee and an operation tax will be allowed to fish in the outer zone. One regulation, however, totally bans foreign firms from fishing for crustaceans--mainly shrimp and lobster--as part of Brazil's claim to all resources on the ocean floor. This regulation apparently is designed to force firms to join with Brazilian companies if they want to continue operating in the area.

Approximately 250-500 foreign boats, of which about half are US-owned, usually work in the rich beds off Brazil's northern coast. Some of the owners claim that Brazil's regulations will make it impossible for them to remain, and that this in turn will adversely affect the economies of Caribbean countries such as Surinam and Trinidad and

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Tobago, in which the ships are based and processing plants are located. Some governments already have indicated to the Medici administration that they desire to initiate bilateral negotiations on the fishing problem.



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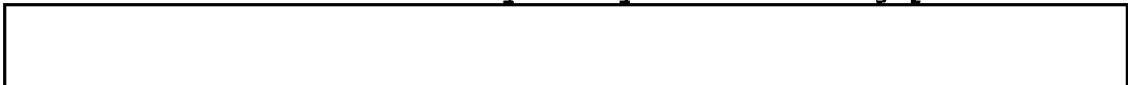
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CHILE-USSR: A Soviet delegation led by a vice minister of nonferrous metallurgy has arrived in Santiago to help resolve technical problems at the large Chilean copper mines.

Although copper production shortfalls have been a major concern of the government, a Chilean official said that the Soviet delegation had not come because of an emergency. He announced that it would provide technical assistance to "expand and rationalize" copper production, charging that the technology and administration made available by the US copper companies was inferior.

The official also mentioned a Soviet-Chilean "agreement in principle" to exchange small delegations of high-level mining specialists. Under this accord, the Soviet group would help to complete designs for equipment to be used in converting the workshop at the El Teniente mining complex into a production center of spare parts and equipment for all the large Chilean copper mines. The government recently appointed overseers at El Teniente, which is partially owned by the Kennecott Company.

The text of the economic agreements signed with the USSR last week states that the unused \$15-million credit to Chile for machinery and equipment was raised to \$55 million. This amount is in addition to \$42 million for industrial development projects, also extended in 1967 and previously unused. Part of this project assistance will be utilized to build a lubricants plant and a housing construction combine as well as for a feasibility study of a fishing port.



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JORDAN: King Husayn, accusing the fedayeen of trying to establish their own independent state, is threatening to take further moves against them.

The King may intend to continue the operations against fedayeen positions--both in northwest Jordan and in Amman--began last weekend. Yesterday, he ordered Prime Minister Tal to take "bold, decisive, and tough action" against the "handful" of "professional criminals and conspirators" who he claims are exploiting the commando movement to disguise their "treasonable" activity. By directing his criticism against a small number of "traitors" rather than against the commandos as a whole, the King presumably hopes to avoid charges that he is out to liquidate the fedayeen movement.

As of yesterday, the fighting that began last weekend had all but died down. Fedayeen radio-broadcasts indicate that some fighting broke out in the north on the evening of 1 June and was still continuing yesterday, but Amman itself is apparently quiet.



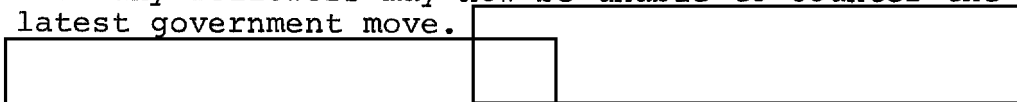
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MALAGASY REPUBLIC: President Tsiranana has arrested Vice President Andre Resampa on charges of plotting against the government.

Tsiranana has accused Resampa of conniving with a foreign government that has "colossal economic potential." The President did not name the government, but he made it clear that he was referring to the US. Earlier this year, the emotional Tsiranana seemed to believe that Resampa was not only benefiting financially from a commercial project backed in part by private US interests, but that the business possibly was being used as a cover to smuggle arms to Resampa and his followers.

The arrest marks the latest step in the political decline of Resampa, Tsiranana's one-time heir-apparent, who fell into disfavor early this year when the President became convinced of his disloyalty. Tsiranana has gradually stripped away much of Resampa's authority in the government and in the ruling Social Democratic Party. Resampa appeared to have accepted his past downgrading quietly, and his many followers may now be unable to counter the latest government move.



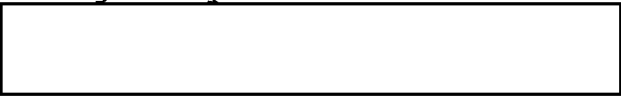
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USSR: Soviet intentions to ensure a substantial level of grain production this year are indicated by the reissuance of a party/state decree authorizing the use of additional manpower and vehicles for the harvest.

Although this year's crops are generally off to a good start, the intent of the decree is to bolster efforts on the part of those responsible for the harvest. A similar decree was first issued following the hard winter of 1969 and reissued last year.

The effective period of the decree has been lengthened to June-September, in contrast to the June-August period covered in prior decrees. This longer period encompasses the harvesting season more completely. There also may be high-level concern about the late spring this year, which is expected to delay the harvest. Although it is early, the harvesting season may be more difficult than last year. The temporary diversion of resources to agriculture probably will not greatly hinder other sectors of the economy.



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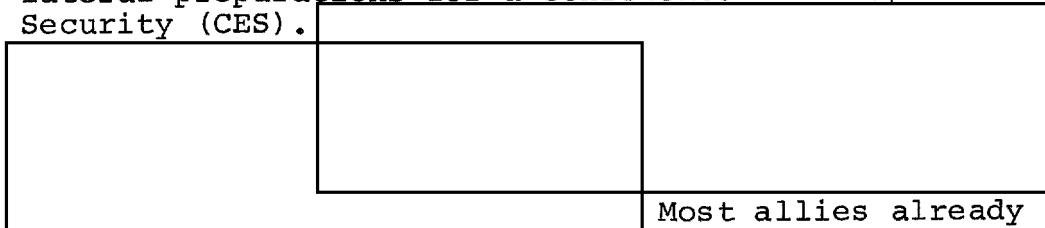
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NATO: The foreign ministers, in meetings today and tomorrow, will have to narrow substantial differences among them on how to deal with the current Soviet posture on East-West questions.

The allies realize that they will have to react favorably to the recent Soviet overtures on mutual and balanced force reductions (MBFR). Canada has been urging as forthcoming a response as possible, but the US proposal for an early meeting of the allied deputy foreign ministers to discuss NATO's approach has met with a mixed European reaction. The West Germans apparently will support the US proposal; the Italians and the Dutch, however, have misgivings about US "haste" in following up the recent Soviet suggestions.

The Italians say that they and other allies, particularly the French, are worried that unless NATO is very cautious, domestic pressures in the US and in Europe combined with the appearance of progress in SALT and the Berlin talks could force the West into multilateral MBFR talks before it was ready. The European allies are also apparently concerned that the current trend of the force reductions dialogue could lead to largely bilateral negotiations between Washington and Moscow.

The allies probably will reaffirm their desire for a Berlin agreement prior to joining in multilateral preparations for a Conference on European Security (CES).



Most allies already favor dropping the requirement agreed to last December for progress in "other ongoing talks" prior to CES preparations.

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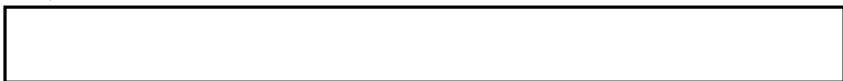
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However these issues are handled in Lisbon, the impact of the Soviet overtures and domestic pressures in the US appear to have jarred some of the allies into consideration of how Europe would get along with a reduced American presence. The ministerial, therefore, may be a more general review of the state of the alliance than had earlier seemed likely.



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ITALY: Parliamentary discussions on a housing reform bill have strained relations among the government parties at a time when off-year elections are imminent.

The Christian Democrats generally favor the bill, but have been unable to maintain party discipline. Similarly, some Social Democrats oppose the measure. These two parties, as well as the Socialists who favor the bill, however, appear determined to avoid a government crisis over the issue when the bill goes to the Senate for final approval after the elections of 13 June.

Meanwhile, faced with widespread economic difficulties, the government has passed an emergency bill to aid housing. The emergency legislation includes several less controversial provisions from the housing reform bill such as interest rate subsidies for private housing mortgages. The bill also provides simplified authorization and expenditure procedures for construction of new schools, hospitals, and other public works.

Investment in construction, particularly in residential housing, declined last year, and the slump continued in the first five months of 1971. The construction recession, which already has some secondary effects on related industries, is particularly worrisome at present because industrial output growth in general has been slack.



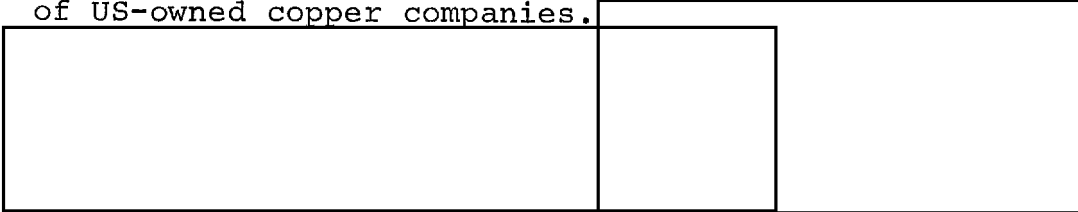
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NOTES

CHILE-BELGIUM: Chile apparently is negotiating the transfer to Belgium of all Chilean foreign currency holdings abroad. The bulk of Chile's foreign currency holdings traditionally has been deposited in US banks. Chile may be planning to move its reserves because it fears a possible confrontation over the impending complete nationalization of US-owned copper companies.



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COLOMBIA: The resignation of the 12 civilian cabinet members--representing all ministries except defense--is the culmination of profound divisions in the National Front's Liberal and Conservative parties. Under the Front system, the Liberals and Conservatives alternate in the presidency and divide between themselves 12 of the 13 cabinet posts. The parties' divisions leave Conservative President Misael Pastrana with four major political currents to choose from in constituting a new cabinet, rather than the usual two. He is likely to resort to some kind of stopgap cabinet, however, until after the Conservative Party convention in November.



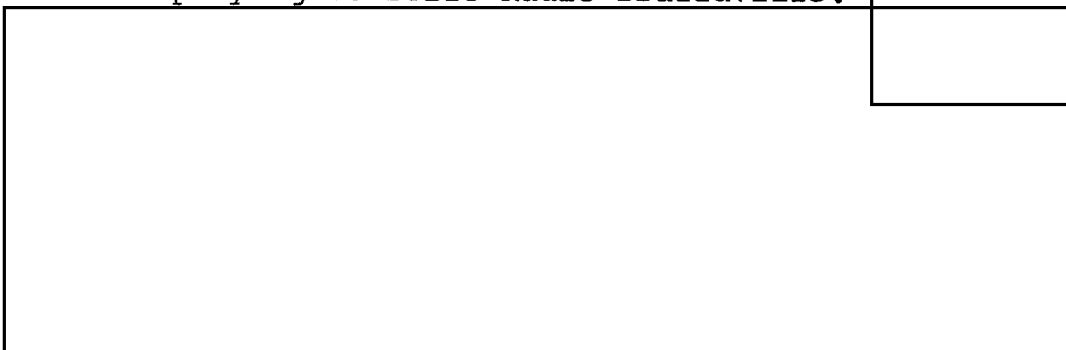
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CONGO (BRAZZAVILLE): Tension is running high again in the capital following President Ngouabi's thwarting of an apparent coup attempt by a group of paracommandos last week. Troops loyal to Ngouabi reportedly intercepted the paracommandos as they were deploying to seize Radio Brazzaville.



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TUNISIA: President Bourguiba, who has been under medical treatment in Switzerland since early this year, has informed Prime Minister Nourira that he will return to Tunisia on 19 June. His doctors apparently consented to his return on the condition that he avoid overexertion. It remains to be seen, however, whether Bourguiba will in fact remain aloof from routine governmental decisions, although he continues to express confidence in Nourira's stewardship. The President's return may presage some changes within the government and may also accelerate the jockeying for position within the ruling Destourian Socialist Party in anticipation of a party congress set for October.



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