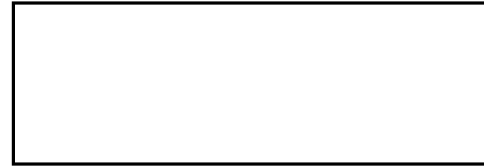
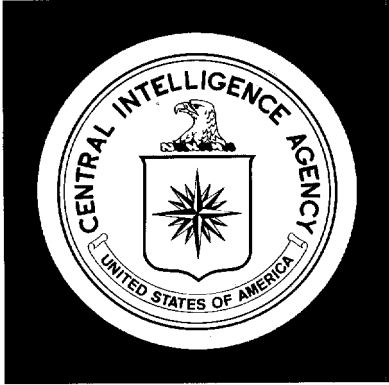


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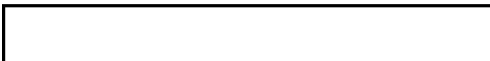
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CHINA: Preparations may be under way to convene a major party leadership meeting to settle important personnel and policy issues stemming from the Lin Piao incident.

25X1 [redacted] a plenary session of the party central committee will be held this fall to adopt a new party constitution--the present constitution names Lin as vice-chairman of the party and Mao's successor--and to fill high-level government and military posts. Top positions in the military hierarchy have been vacant since the crisis of last September and personnel appointments in the government apparatus have not yet been completed. Presumably, the party meeting would also take up the question of restaffing the decimated Politburo and of naming replacements for purged and deceased Central Committee members.

Taken together, these issues seem important enough to require a national party congress, which includes delegates from all over the country and not just members of the Central Committee. Although there are tentative indications that the selection of delegates may be under way in some areas, it would be difficult to complete the process in time to hold a congress this fall. It is possible, however, that a full session of the Central Committee will pave the way for a later party congress.

It is likely that a major party meeting would be followed by a National People's Congress (NPC). The NPC--in theory the highest organ of state government but actually a forum for ratifying party decisions--would probably be convened to put its stamp of approval on the policies agreed upon at the party meeting. Several reports indicate that delegates to an NPC are now being chosen, and that it is to open before the end of the year.

Progress on a host of issues has been virtually stalemated by the regime's apparent inability to reach a consensus on personnel policy, the future political role of the army, and the many problems related to the succession question. In recent weeks,

however, following a series of leadership meetings which ended in late June, the regime has shown signs of growing confidence. The full-scale celebration of Army Day--the first major holiday since Lin's downfall to be observed in customary fashion--the regime's explanation to the outside world of the events surrounding the leadership crisis last September, and the rehabilitation of a number of controversial figures all suggest that the leadership is moving more confidently. It seems safe to assume that all contentious issues were not resolved in June, however, and that the strains of the past year will persist into meetings that may occur this fall and winter.

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[REDACTED]

CHILE: President Allende is alarmed at the growing disunity within his governing coalition.

The immediate cause for concern is an incident at the Lo Hermida shantytown outside Santiago, where police killed a resident who was resisting the entry of the law officers. This seemingly minor incident has assumed great importance because Allende has repeatedly promised that under his regime no worker would be killed for political activity. Allende spent several hours talking with spokesmen for the residents and visited the slum. Two top civilian police officials have been suspended from their posts, and the policemen involved may be prosecuted for murder.

Allende's reaction to this incident has widened the already deep split within the Popular Unity coalition. Contrary to their usual stance, the Communists support the police, claiming the government must be firm against political extremists. Socialists and minor parties are split on the issue, with the more radical Socialists backing Allende on restraining the police despite their doubts about the president's future intentions. Allende has tried to restore unity by blaming violence on right-wing provocations, and he is clandestinely aiding attempts by the moderate Socialist faction to regain formal control of the party.

Underlying the political disunity is a deep concern for the state of the economy. [REDACTED] [REDACTED] the Communists believe that the economy may be in worse condition than portrayed by the opposition press, and they fear that the problem will become more severe by November. Some consideration reportedly is being given by Allende to an appeal to the International Monetary Fund for a \$200-million loan; it is doubtful he could get the full amount. The Communists claim to be the only members of the coalition with the skill and

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willingness to tighten their belts, and are pushing for more control over economic decisions. If the Communists are able to increase their participation in formulating economic policy, it could add to the resentment of the radical members of the coalition toward the Communists' more moderate stance, and lead to further disunity.

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NOTE

PORTUGAL: Prime Minister Caetano is being forced to drop progressive technocrats in a forthcoming cabinet shake-up, [REDACTED]

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[REDACTED] This turnabout reportedly is the result of Caetano's earlier low-key efforts to seek the presidency. His bid angered military leaders, who declared that the office was reserved for one of their own and insisted that Admiral Thomaz be re-elected. Caetano acquiesced in this. As a further reminder of their power, the conservatives evidently decided to force the ouster of most of the progressives brought into the cabinet by Caetano. With their departure, Caetano's efforts to modernize the economy will be slowed considerably, and his freedom to act in other fields may be reduced. [REDACTED]

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