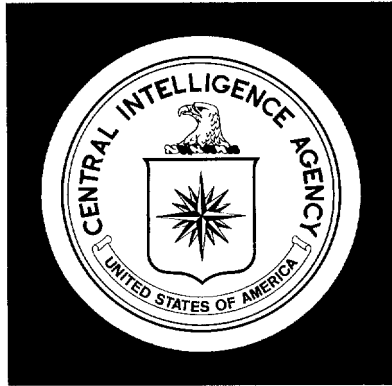


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CHILE: The armed forces, in well-organized and well-coordinated attacks, ousted the Allende government yesterday. Military determination was evident in the bombing of the presidential palace soon after Allende defied the ultimatum to resign. The junta is taking precautions not to be blamed for Allende's death, the cause of which is still unconfirmed, and is arranging for a private family burial in his native Valparaiso today.

The three services and the national police quickly took over communications, utilities, and other centers of control. A series of firm, reassuring public announcements reveal careful planning to restore calm quickly. Military raids on factories held by armed workers deterred any strong leftist reaction.

There was extensive sniper fire against troops during the attack on the palace. Reports of fighting in slum areas indicate that some Allende supporters do not intend to give up without a fight. Administration supporters were apparently taken by surprise, however, and may lie low until chances for retaliation are better. Claims that key Allende backers are dead could arouse their followers,

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The three military members of the junta only recently assumed command of their respective services, replacing chiefs ousted for various reasons. They are all respected and experienced leaders. The acting police chief, who is the fourth member, has much closer relationships with the military than most top carabinero officers.

The presidency of the junta reportedly will rotate among the three armed service chiefs, who will govern for the present with advice from civilians. The junta leaders' first order of business is to restore public and economic order out of a

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chaotic situation. They have declared Congress in recess. The junta reportedly has well-developed plans for some political reforms. These reflect closer ties with the business and professional guild leaders responsible for recent shutdowns than with opposition political party leaders.

The only strong reaction thus far from other Latin American countries is the Castro government's charge that its embassy and a Cuban ship leaving Valparaiso were attacked by the Chilean military. The junta has announced that it would break relations with Havana.

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WEST GERMANY - USSR: West German and Soviet officials reportedly intend to begin discussions later this month on how to interpret the Quadripartite Agreement on Berlin.

West German Special Minister Egon Bahr on 6 September restated Bonn's contention that progress in the deadlocked negotiations with several East European states depends on reaching an understanding with Moscow on the Berlin agreement. Bonn's negotiations to establish diplomatic relations with Czechoslovakia, Hungary, and Bulgaria are stalled over the issue of whether West Germany can represent the interests of West Berlin institutions. A Soviet representative in effect admitted to the West Germans that Moscow has instructed the East Europeans not to give in on this issue.

Bahr stated that he will begin negotiations with Soviet Ambassador Falin, when the latter returns to Bonn later this month. A senior Foreign Office official said last week that Foreign Minister Scheel might also discuss the Berlin issue with Foreign Minister Gromyko at the UN General Assembly.

Soviet officials, including Deputy Foreign Minister Kuznetsov, reportedly had suggested to West German representatives earlier that the scope of the bilateral negotiations be broadened to include other problems that are vexing Soviet - West German relations. It is possible that the Soviets may only wish to use the meetings to complain about alleged West German violations of the Quadripartite Agreement. If they are willing to discuss implementation of the agreement with Bonn directly, however, this would signal a change in Soviet tactics. Moscow previously has been reluctant to discuss Berlin-related matters with Bonn officials, on grounds that Berlin is a political entity independent of West Germany.

(continued)

The revelation of Bonn's plans by Bahr and the Foreign Office representative is in part an attempt to pressure the Western Allies to intervene with Moscow. Earlier requests by the Foreign Office that the Allies approach Moscow were turned down as premature. Bahr last week bluntly remarked that since the Allies are not willing to talk to Moscow, he will do so himself.

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INTERNATIONAL TRADE: The "Nixon Round" of multilateral trade talks begins today in Tokyo. At the conclusion of the ministerial meeting, a trade negotiation committee will be established to organize the negotiations, which will probably last about two years.

Two major problems remain to be resolved: the nature of the link between trade and monetary reform, and treatment of the developing countries, including the special needs of the least developed among them. The EC, especially France, wants progress in trade negotiations to be contingent upon parallel progress in the negotiations on monetary reform. The US is pressing for earlier progress on trade reform. The Japanese are actively attempting to reconcile EC and US views, but a compromise may not occur until late in the meeting.

The developing countries are attempting to present a united front seeking more favorable treatment, but differences between them are substantial and have widened in recent weeks. The major conflict concerns Latin American opposition to an African proposal for special treatment for the least developed of the developing countries. Most developing countries, although concerned that their interests will not be adequately advanced, support the thrust of the draft declaration. Some of the more militant will, however, press for changes in the declaration to have it more fully reflect developing country aspirations.

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NONALIGNED CONFERENCE: The Fourth Summit Conference of Nonaligned Nations served primarily as a forum for airing the resentment and grievances of the poor and weak countries against the rich and strong. The assembled nonaligned leaders failed to agree on a clearly defined new role for nonalignment or to set up a permanent secretariat to make their collective views heard more effectively by the great powers. Nevertheless, the Algiers meeting did focus international attention for a time on numerous third-world concerns that will come up again at the UN and other international gatherings.

With representatives of more than 70 countries in attendance, including 52 heads of state or government, the Algiers meeting was the largest of the four summits held since 1961. Prince Sihanouk's delegation and one from the Provisional Revolutionary Government of South Vietnam were seated as full members. The conference was extended for one day to allow all the delegates and observers who wished to speak a chance to air their views.

The 20 resolutions and two declarations adopted in Algiers largely repeated the work of previous summits. The Middle East resolution was watered down, but it did call upon nonaligned states to work on measures for a comprehensive boycott of Israel. In addition to belaboring the US on Israel and Indochina, the nonaligned delegates supported independence for Puerto Rico and the Panamanian claim of sovereignty over the Canal Zone.

The Algiers conference provided losses as well as gains for some leaders. In blasting the US, Fidel Castro denounced as divisive counterrevolutionaries those who argue that the "imperialism" of the USSR equals that of the US. Libyan President Qadhafi walked out during the speech and later castigated Castro as aligned. Prince Sihanouk also challenged Castro's description of the USSR as a friend of the nonaligned. In the end, Castro recouped some of his losses by breaking relations with Israel.

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The USSR lost some ground among the nonaligned nations because of Castro's overdone tribute and because of the heavy-handed tactics revealed by the publication of a letter Moscow sent Algerian President Boumedienne on the eve of the conference. Most of the delegates appeared to lump the USSR along with the US as rich, powerful, and menacing. By remaining quiet and unobtrusive, the Chinese and their views about big-power hegemony gained ground.

Algerian leaders are probably satisfied with the results of the conference, which launched Boumedienne as a nonaligned leader. He will appear before the UN General Assembly this fall to present the conference resolutions. Although disappointed by the failure to form a permanent secretariat, the Algerians will make the most of the 15-member coordinating committee to establish Algiers as the non-aligned capital until the next summit in Sri Lanka in 1976.

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JAPAN-USSR: Prime Minister Tanaka has signaled that he will adopt a tough negotiating position during his visit to Moscow early next month. The Tokyo press quotes him as warning the Soviets that progress must be made on the Northern Territories issue if the summit is to be a success and economic pacts are to be signed.

The Prime Minister's tough stand may be intended in part to prod the USSR to be more forthcoming in the current negotiations on an agenda for Tanaka's visit. The Soviets have so far refused to agree that Brezhnev will even discuss the Northern Territories.

Soviet occupation of four islands north of Hokkaido since the closing days of World War II is bitterly resented by the Japanese. The Northern Territories question has been especially prickly since the US returned Okinawa in 1972, and the government has kept the issue constantly before the Japanese public. Tanaka's suggestion that he might return from Moscow "empty handed" prepares domestic opinion in advance for what might, in any event, have been an unsuccessful effort at summitry.

Tanaka's position also probably reflects some Japanese disenchantment with the prospects for Japanese participation in Siberian economic development opportunities. After months of on-again off-again discussions on building a pipeline for the Tyumen oil project, a Soviet Foreign Trade official recently told Japanese officials only 25 million tons of oil would be available per year, not 40 million tons as the Japanese had expected.

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THAILAND: A major reshuffle in the leadership of the armed forces has further strengthened the position of General Krit Sivara, who has replaced Field Marshal Praphat as army commander in chief.

Until now, Praphat has been reluctant to turn over direct command of the army, especially since he and Krit have never been particularly close. The top Thai leader, Prime Minister Thanom, probably prevailed upon Praphat to change his mind. Thanom and Praphat apparently agreed that Krit has sufficient seasoning to handle the greater responsibilities that go with the army command and that, as a loyal member of the original 1957 coup group, he is suited to take over this politically sensitive job.

The major casualty is Thanom's politically ambitious son, Colonel Narong.

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it is unlikely that he will take any overt action against Krit.

A number of loose ends remain to be sorted out. Prime Minister Thanom may step down from the largely honorific position as supreme commander in favor of Praphat. Thanom and Praphat, however, evidently will retain their positions as prime minister and deputy prime minister, respectively. Krit's promotion also opens up more room at the top, which should ease the growing unrest among senior officers for advancement.

Krit's rise is a tentative step toward solving the nettlesome problem of political succession in a country that lacks the constitutional framework for an orderly transfer of power. Thanom and Praphat may believe that Narong, in his late thirties, is ill-prepared to assume the leadership should need for a successor arise in the next few years. While it is far from a foregone conclusion that Krit is the designated heir-apparent to the Thanom-Praphat regime, he is now clearly the front runner.

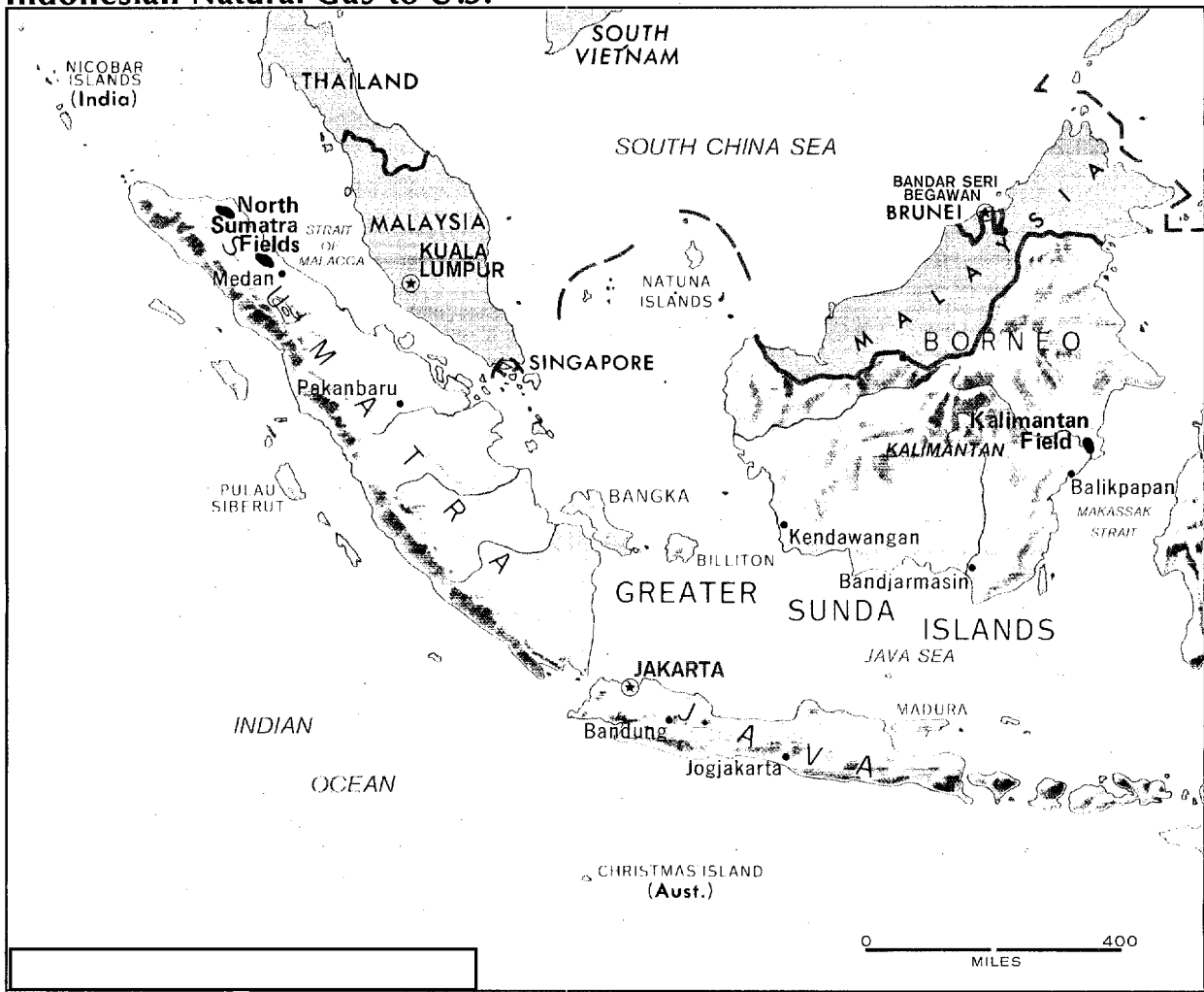
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Indonesian Natural Gas to U.S.



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INDONESIA: Pertamina, the state-owned oil and gas company, has contracted to provide liquefied natural gas to a US utility over a 20-year period. Deliveries to Pacific Lighting Corporation are scheduled to start in 1978 at a rate of 180 million cubic feet per day, increasing to 550 million cubic feet per day by 1980.

The Pacific contract will add over \$100 million annually to Indonesia's export earnings beginning in 1980. To supply the gas, Indonesia plans to construct liquefaction facilities at fields in Kalimantan and North Sumatra at a cost of at least \$700 million. Pacific will draw all of its Indonesian supplies from the latter facility.

Prior to the signing of this contract, Japanese interests had been attempting to acquire rights to the entire output from both fields. Tokyo will now have to settle for only a little more than half. Japanese purchases would add at least \$100 million more a year to Indonesian export earnings beginning in 1980.

With proven reserves and firm sales agreements, Pertamina foresees little difficulty in raising capital for construction of the facilities. The US Export-Import Bank has approved a preliminary commitment for a loan to finance a portion of the North Sumatra facility. Japan will probably extend credit to finance the remainder of this plant and the entire Kalimantan plant.

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WEST GERMANY: In a wide-ranging discussion with US Ambassador Hillenbrand last Monday, Bonn's Finance Ministry State Secretary Poehl outlined Bonn's position in the upcoming meeting in Nairobi on international monetary reform.

Pointing to the sharp increases in German reserves that have accompanied past currency crises, Poehl reiterated Bonn's opposition to a system whereby pressure, such as a penalty on excess reserves, would automatically be applied to countries reporting large surpluses. He stressed that penalties against such countries should be considered on an individual basis by an international group. Poehl also stated that Germany feels "very strongly" that the new system should allow countries to decide for themselves to float their currencies when necessary. Criticizing the format of the ministerial meeting as unwieldy, Poehl suggested that a drafting group of five or six be formed after the Nairobi meeting.

Poehl also expressed the fear that political pressures could force the UK and Italy to rejoin the joint float in the "not too distant future"--a move which would make the float far less stable. French insistence on the UK's re-entry as a prerequisite for EC regional aid payments could lead London to make such a decision. Bonn remains unwilling to provide the monetary support necessary to defend the pound.

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INDIA: After purchasing about 1.8 million tons of wheat and sorghum during June and July from the US and Argentina, the Indians have directed their recent efforts to other markets. Last week, the Indians approached Australia for 1 million tons of wheat "as soon as possible." No agreement has been reached. The Australians, hesitant to commit wheat exports at this time, cannot in any event deliver before February. Canada reportedly has agreed to sell up to 1 million tons of wheat, but only 250,000 tons will arrive before India's major rice harvest in November. Current stocks and scheduled imports will allow India to squeeze through the pre-harvest period. Imports after this time will be used to rebuild the government's drought-depleted stocks.

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FOR THE RECORD*

USSR: Soviet jamming of VOA, BBC, and Deutsche Welle radiobroadcasts in Russian ceased on 10 and 11 September. Jamming of VOA broadcasts in Ukrainian, Georgian, Armenian, and Uzbek reportedly also stopped. Radio Liberty and Radio Free Europe are apparently still being jammed. This interruption is the first since the Soviets reinstituted jamming of foreign broadcasts at the time of the invasion of Czechoslovakia. This action may be intended to reduce foreign pressures on the USSR on the eve of the resumption next week of CSCE talks, which will consider freer movement of ideas, and in the face of protests in support of dissidents Sakharov and Solzhenitsyn.

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Ecuador: Quito reportedly is considering an increase in the tax reference price of oil from the present \$3.60 to \$5.00 a barrel. This higher price is in line with the selling price of Ecuador's royalty petroleum in a recent deal between Quito and a Swiss firm.

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Afghanistan-USSR: President Daud's brother and confidant, Naim Khan, arrived in the Soviet Union on 10 September. Afghan officials state that he expects to see Brezhnev and Kosygin, but the purpose of the sudden trip remains a matter of speculation in Kabul.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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