

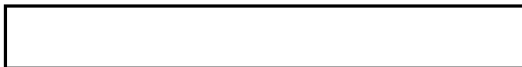
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1 July 1974



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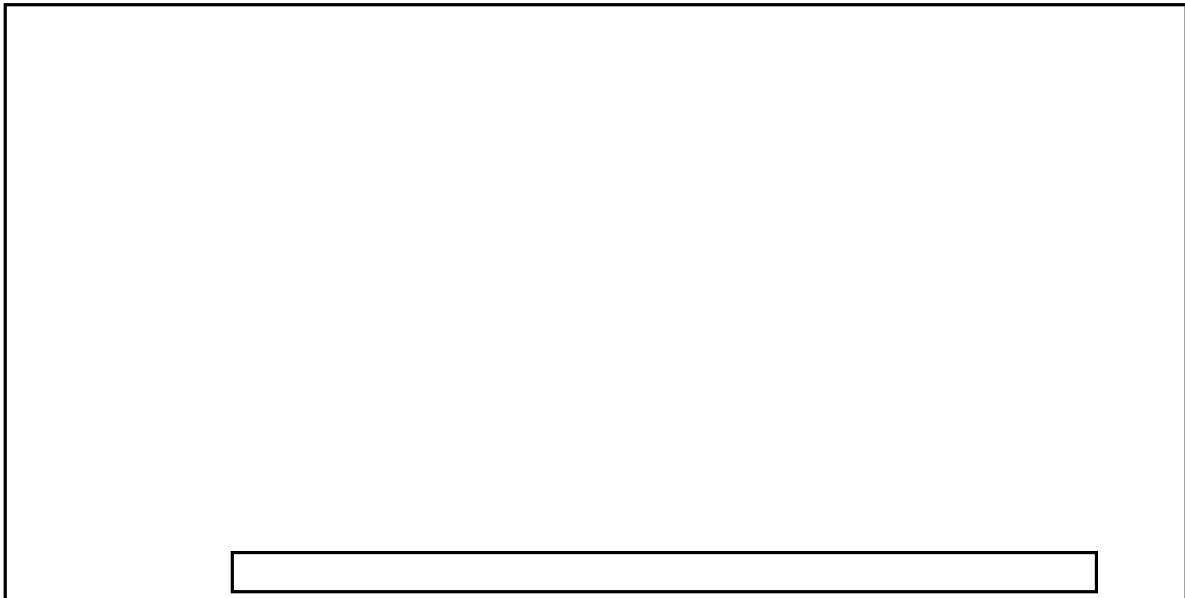
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CHINA

For the first time in three years, Peking has issued an official policy statement to mark today's anniversary of the founding of the Chinese Communist Party. An editorial in People's Daily used the occasion to make a strong bid for firm party leadership of the current anti-Confucius campaign.

Although the editorial acknowledged that some officials in the party will be criticized by others and may have to criticize themselves during the campaign, it stated that this activity "does not in any way imply that party leadership may be weakened." The editorial forecasts no early end to the campaign, directing the whole party to make "tremendous" efforts to sustain it.

The editorial also urged party officials to give guidance to those outside the party who support "certain wrong ideas." This may be a reference to the criticism of some party officials that has been appearing in political wall posters in Peking and in the provinces. Most of the posters have been written by ordinary factory workers or others who are not party members.



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ETHIOPIA

Military elements that support political and economic change are making a determined effort to consolidate their control and end the maneuvering for power by their conservative opponents.

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Late Saturday, military units in Addis Ababa, supported by the police and other security forces, began arresting the highest ranking members of the nobility.

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The Emperor is unlikely to be able to stave off this latest move and will suffer a further erosion of his already circumscribed power.

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A special committee made up of representatives of all military and security forces in Addis Ababa is coordinating the armed forces' activities in the capital. The military has complete control of the city, and police patrols are reported heavy. The committee seems to have the support of important military commands in other parts of the country, although these areas appear to remain quiet.

The committee yesterday issued a communiqué saying that those arrested had attempted to obstruct the smooth functioning of the cabinet. Despite this indication of support, the cabinet's authority and prestige have been

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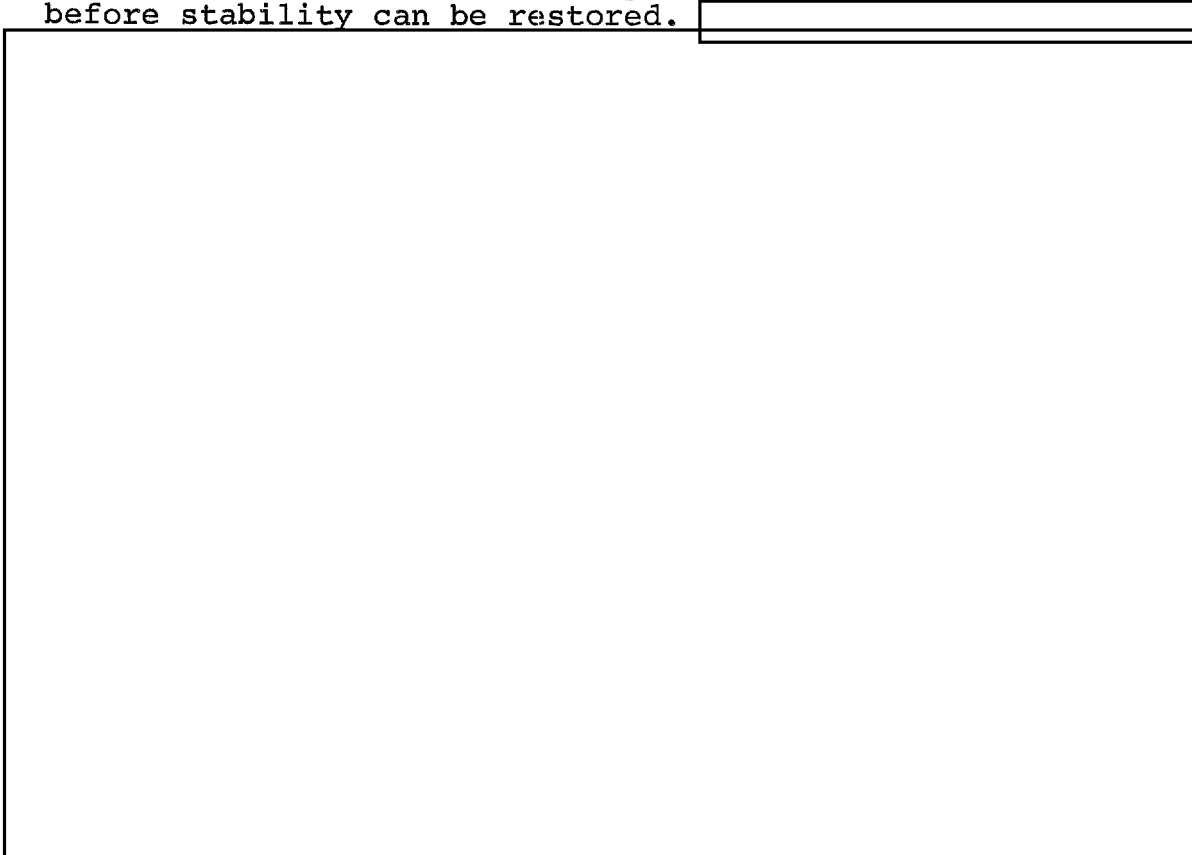
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seriously undermined, and the military probably would welcome the voluntary resignation of many of the ministers. The military moderates, even if they are successful in isolating the conservatives, will have to overcome divisions and indiscipline in their own ranks before stability can be restored.

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ARGENTINA

Military and political leaders are supporting the temporary succession of Mrs. Peron as chief of state during the illness of her husband. Nevertheless, if Peron dies or is incapacitated for a long time, the armed forces may be forced to play a more active role in order to maintain public order.

Mrs. Peron has already expressed reluctance to assume full presidential responsibilities. She lacks a political base of her own and appears to recognize her lack of experience and inability to cope with the country's grave problems. If Peron dies, she will probably soon step aside in favor of Senate President Jose Allende, her constitutional successor.

Military chiefs will be reluctant to exercise greater authority as long as the country remains calm because they recognize their unpopularity. Even though the Peronist left has become increasingly alienated from the party leadership, it is divided and aware of its political weaknesses. It too will probably maintain a low profile as long as Peron is alive.

The groups that are most likely to take advantage of current circumstances are the extremist People's Revolutionary Army, Peronist labor leaders, and right-wing figures who are close to the Perons.

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Meanwhile, late medical bulletins indicate that there has been no substantial change in Peron's condition.

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LAOS

A major battle is shaping up in the new coalition government over Communist demands for recognition of the Viet Cong's Provisional Revolutionary Government. The outcome will be an important test of Prime Minister Souvanna's willingness and ability to preserve Lao neutrality.

Apparently under strong pressure from Hanoi, the Lao Communists are pushing the cabinet to recognize the Provisional Revolutionary Government. At last week's heated cabinet debate on this issue, Pathet Lao Deputy Prime Minister Phoumi Vongvichit said that the coalition might collapse if the non-Communist ministers failed to join their Communist colleagues on the question.

Souvanna's legal adviser has interpreted Phoumi's statement as a threat that the Pathet Lao might withdraw from the coalition, and he claims the Prime Minister shares this view. Although such a move by the Communists seems most unlikely, Souvanna nonetheless is known to be deeply disturbed over the divisive and deleterious effect the recognition issue is having on the coalition.

Given the Prime Minister's strong desire to preserve harmony, he may deem it necessary to make at least some gesture toward the Provisional Revolutionary Government.

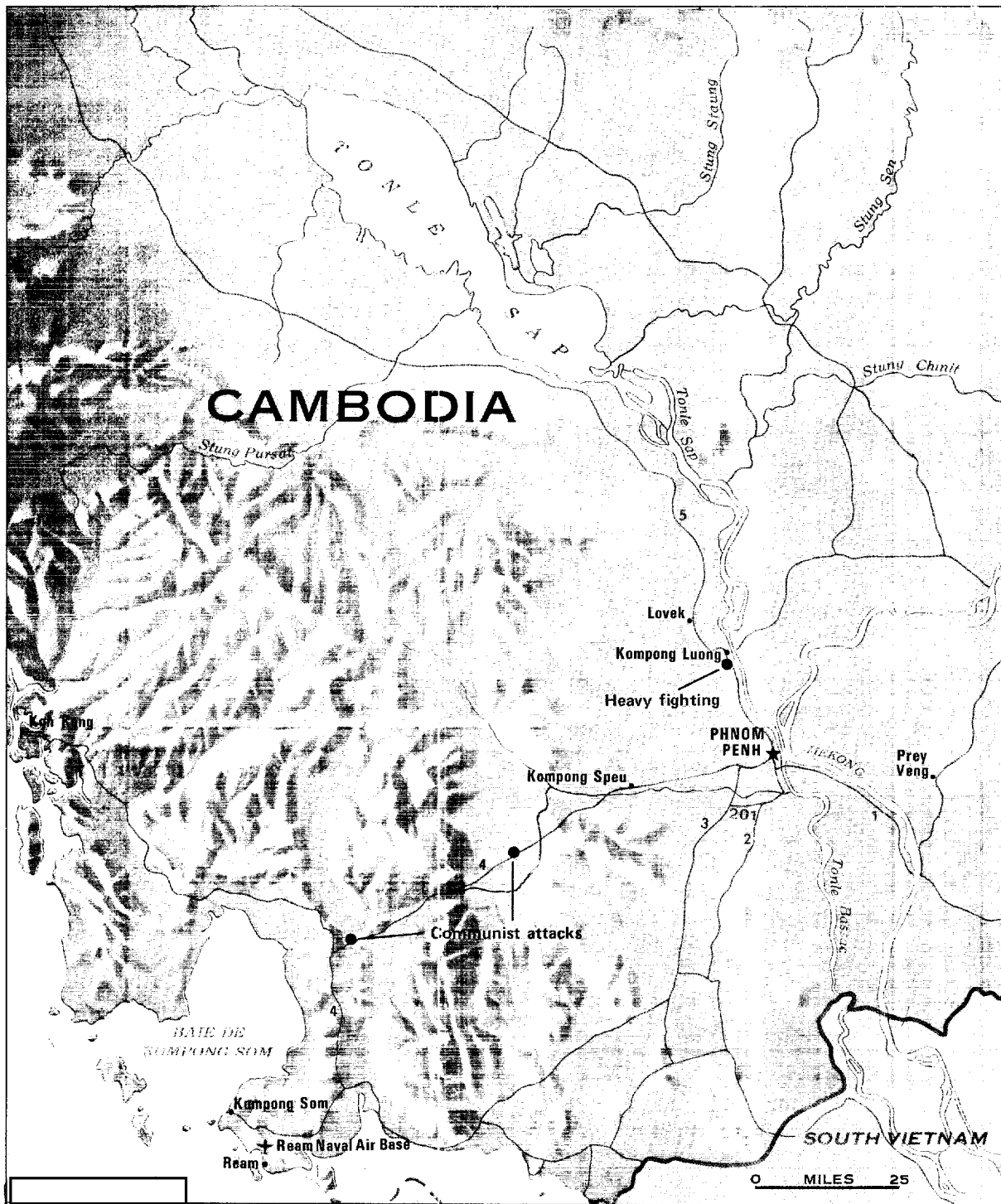
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Souvanna, however, may have considerable difficulty selling any compromise formula to non-Communist cabinet members.

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CAMBODIA

Government forces northwest of Phnom Penh on Route 5 continue to perform well.

Elements of the Cambodian army over the weekend reportedly inflicted heavy casualties on several Khmer Communist units near the town of Kompong Luong. Government troops are now trying to clear the remaining insurgent interdiction point on Route 5 between Kompong Luong and Phnom Penh. Farther north, Communist pressure against the government base at Lovek has subsided after several days of ground attacks and shellings against Lovek's northern and southern defenses.

Communist attacks against the remote provincial capital of Koh Kong on the southwestern coast have also fallen off. The arrival of reinforcements from the seaport of Kompong Som and some timely air and naval support have helped to stabilize the situation at the town of Koh Kong, which came under attack last week.

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Elsewhere in the southwest, the Communists are keeping up their harassing attacks against two government garrisons on Route 4 west of Kompong Speu City.

Military action in the immediate Phnom Penh area remains light. The Communists heavily shelled a Mekong River resupply convoy en route to the capital from South Vietnam on June 29, but only one of the convoy's 19 vessels sustained any serious damage.

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CANADA

The election on July 8 is likely to produce another minority administration that could be led by either of Canada's two major parties.

Seven weeks of hard-hitting campaigning has not produced any decisive trends. Inflation has been the main campaign issue. The cost of living rose 9.1 percent in 1973, and the latest figures show it running at an annual rate of 13 percent this year.

Progressive Conservative leader Robert Stanfield has proposed an income and price freeze to be followed by a more lasting program to combat inflation. Stanfield's proposals, vigorously attacked by the other parties, have received little support from the public. Prime Minister Trudeau has stressed measures to increase corporate taxes and protect hard-pressed consumers from the worst effects of inflation. The New Democrats, the de facto junior partner in the last government, have espoused variations of Trudeau's promises and have added a proposal to establish a two-price system--domestic and international--for basic commodities produced in Canada.

Recent nationwide opinion polls showing Trudeau's Liberals edging ahead are misleading because they incorporate the very heavy majority Liberals always receive in Quebec. The electoral overkill in Quebec, therefore, is not as important as winning individual parliamentary contests, which are expected to be close in many areas of the country. In the key province of Ontario, Liberals, Tories, and New Democrats each claim that their private polling shows them doing well. About one third of Ontario's 88 parliamentary seats were won by less than 2,000 votes in 1972, and there will be many close three-way battles this year. Party leaders will spend much of the remaining week of campaigning in Ontario in hopes of tipping the balance in these races.

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The nationalist-minded New Democrats have a good chance of holding the parliamentary balance of power again. In the last parliament, they kept the minority Trudeau administration afloat by informally participating in the government--an arrangement that freed them from the principle of collective responsibility, which inhibits public criticism of government policies by government members. Recently, however, party leader David Lewis stated that he did not expect new elections for several years no matter what party headed a minority government. He may be hinting that the New Democrats would be prepared to join a formal coalition if an acceptable deal on policies and cabinet posts can be made.

Canadian-US relations surfaced on the margins of the campaign recently when the US threatened to take retaliatory action against Canadian farm exports to the US unless Ottawa resumes importing US beef. This issue has been receiving heavy--and sometimes emotional--media coverage. Trudeau and Agriculture Minister Whelan have reacted sharply in an obvious attempt to head off potential opposition charges of knuckling under to the US.

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VENEZUELA

Venezuela has decided, effective today, to increase tax reference prices by 5 percent. An increase in these prices, which are used to calculate oil company taxes, will mean higher prices for the consumer. The move is more significant for its defiance of OPEC than for the increased revenue it will bring to Caracas.

Oil ministry officials indicated last week that tax rates also would be raised. No increase has yet been announced; the Petroleum Intelligence Weekly, a reliable oil journal, expects a 10- to 15-percent increase.

OPEC members decided in the ministerial conference in Quito last month to freeze prices through September and to increase royalties by about 10 cents per barrel. Venezuela, unhappy with that decision, favored higher posted prices to compensate for inflation in the industrialized nations and favored higher tax rates on the oil companies to offset alleged excess profits.

Venezuela's price increase will add about 40 cents per barrel, 30 cents above the OPEC increase. At the current export rate, the government would gain only an additional \$200 million in revenue during the second half of 1974; Caracas' total oil revenues are expected to exceed \$9 billion this year.

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