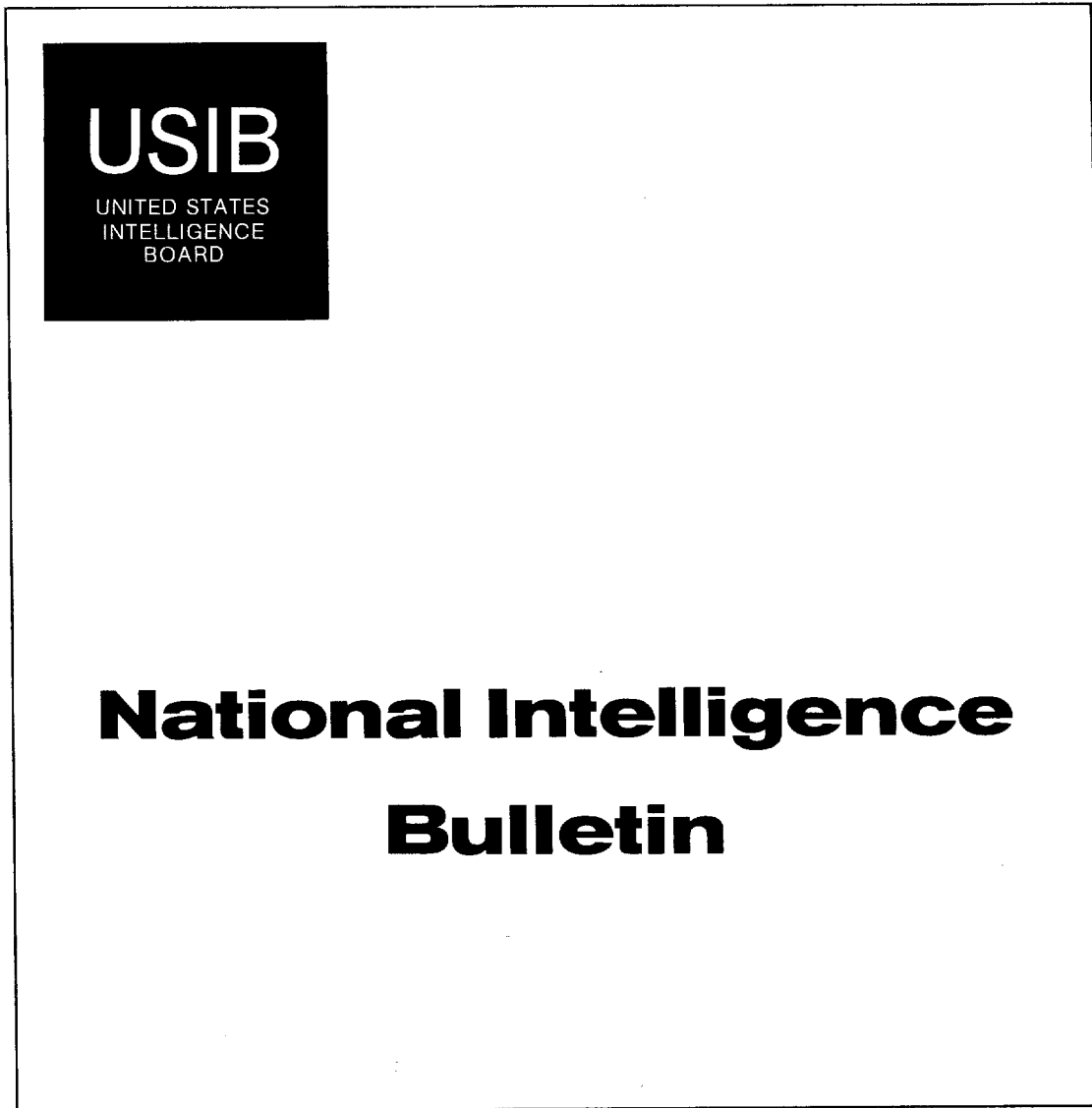


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CHINA

The flurry of news reports from Peking Thursday night that the health of Premier Chou En-lai had taken a dramatic turn for the worse has proved to be misleading. This speculation was fueled by press reports that several high-ranking Chinese officials were summoned away from a banquet hosted by the visiting US congressional delegation. Actually, the Chinese leaders in question--two Foreign Ministry officials who do not hold high positions in the party--had explained in advance that they would have to leave the banquet early.

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Last Wednesday, Chou missed Mao's meeting with the visiting Togolese President, the first time the Premier has failed to attend a meeting between Mao and a visiting head of state. However, there is no evidence at present that he has had another acute seizure of the sort that idled him earlier this summer.

Chinese media seem anxious not to alarm the populace about Chou's condition. The official party newspaper carried the Togolese President's wish for the Premier's speedy recovery and a toast to his health. Vice Premier Teng Hsiao-ping was careful to say he was hosting the Togolese visitor on Chou's behalf, a formulation used last spring when Chou first began to cut back on his activities, but abandoned over the summer. In the past few days, the media have carried a number of messages to foreign governments signed by Chou, an obvious effort to convey the impression that the Premier is still functioning.

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SOUTH KOREA - JAPAN

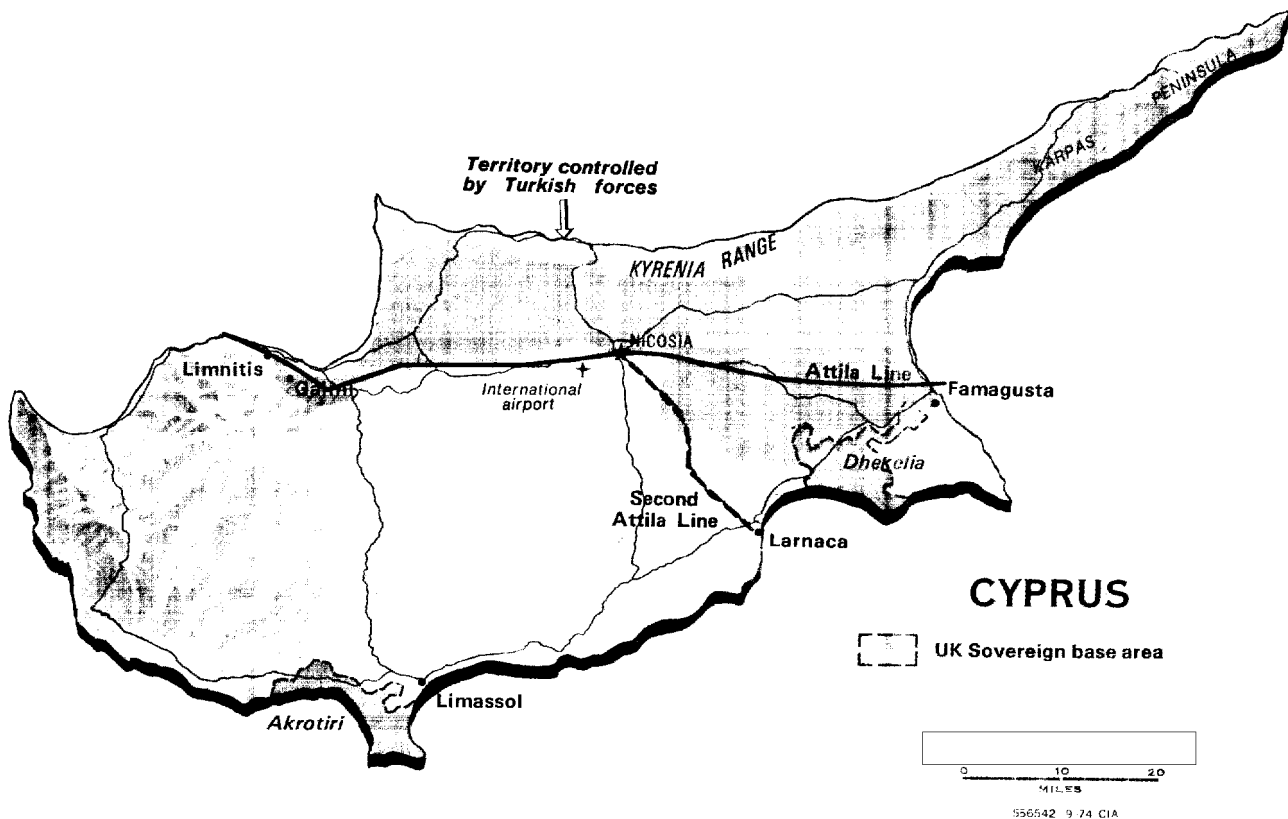
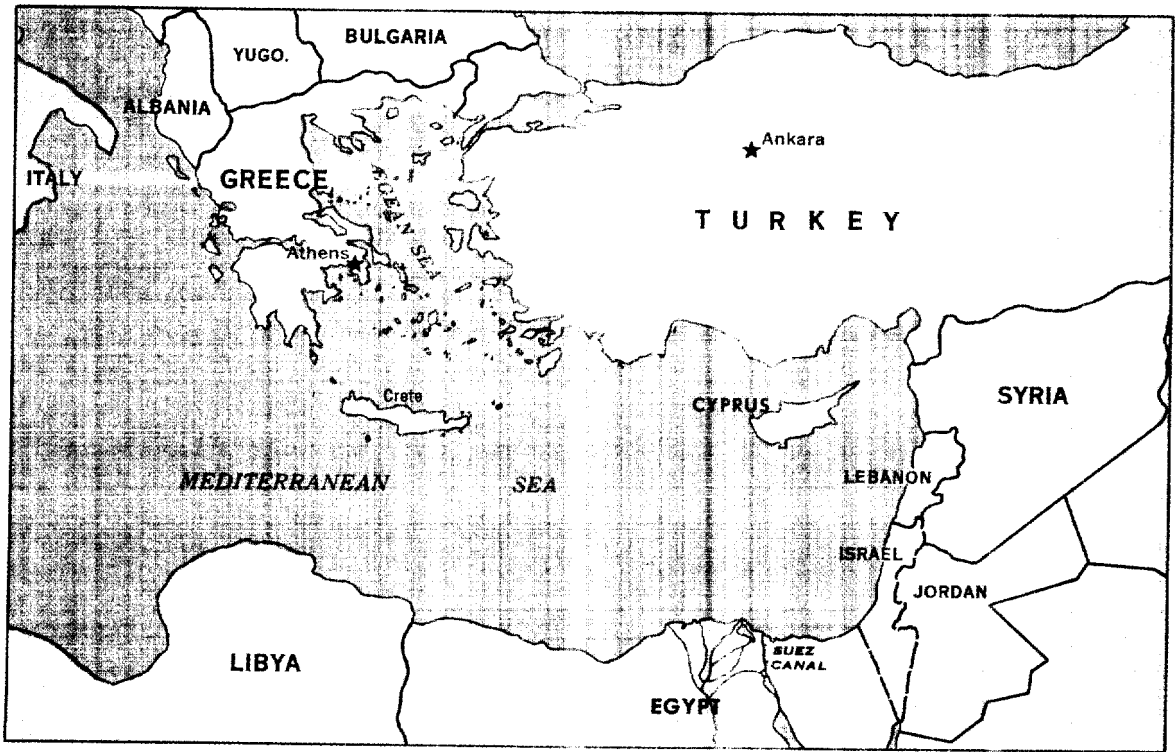
The government-sponsored raid yesterday morning on the Japanese embassy in Seoul by a group of South Korean youths and a large demonstration there early today--the latest features of a continuing anti-Japanese campaign by South Korea--were probably triggered by recent statements by Japanese Foreign Minister Kimura which were regarded as provocative by the South Koreans. These incidents are the most dramatic of a series of developments likely to intensify growing strains in relations between the two countries. There is a schedule of events--in Japan, in North Korea, and in the US as well--which seems likely to keep the tense relationship in the headlines for some time.

Foreign Minister Kimura's initial response to the August 15 attempt to assassinate President Pak was viewed in Seoul as unsympathetic. But over the past week, Kimura has become the focus of South Korean anger because of other statements which, in Seoul's view, cast doubt on Japan's commitment to the security of South Korea and, more important, on the continuing primacy of the South in Japan's policy toward the two Koreas.

Seoul is pressing hard for redress from Japan in the form of public statements and diplomatic actions, including policy expressions from Prime Minister Tanaka himself before he leaves, late next week, to visit Brazil, Mexico, and Canada and to confer briefly on September 21 with President Ford.

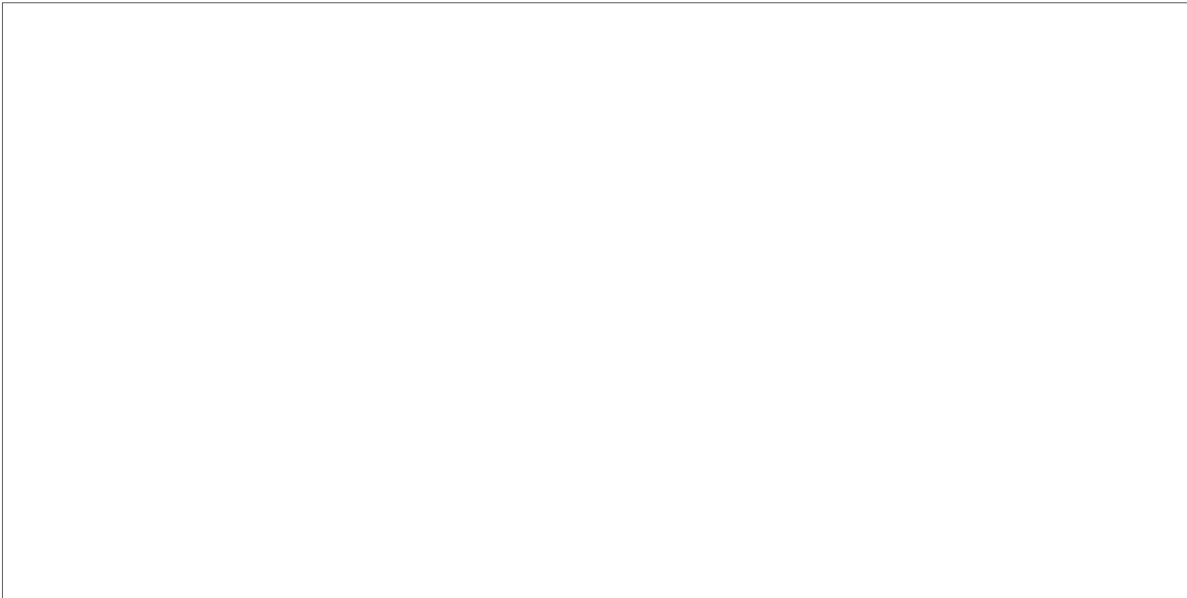
Other events will affect the situation, probably adversely. A Japanese Socialist Party delegation arrived in Pyongyang on September 5 and can be expected to provide, from that platform, loud support for the North Korean cause. There is also an anti-Pak campaign under way in Japan which is pointed toward a massive leftist rally in Tokyo on September 19. Problems in Japan will be compounded by the expected arrival there on October 2 of a high-level North Korean delegation to attend a meeting of the Inter-Parliamentary Union, the first time North Korea has participated in the work of that body.

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CYPRUS



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Clerides met yesterday with the Turkish Cypriot leader, Rauf Denktash, and the two set up arrangements for the relief of prisoners and detainees on both sides. Priority would be given to the sick and wounded, as well as those under 18 years of age and those over 50.

The two leaders also agreed to exchange lists of missing persons and make every effort to trace them. In compliance with the Geneva convention, they agreed to forward lists of prisoners and detainees to the International Red Cross.

According to the US embassy in Nicosia, senior UN officials are hopeful that Clerides and Denktash will begin to examine political questions after a couple of meetings on humanitarian and relief matters.

If representatives of Greece and Turkey can be brought into the talks at that stage, UN officials hope that it may be possible within a month to formulate the outlines of an overall solution which could then be ratified at a reconvened Geneva conference.

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The agreements on humanitarian problems came on the heels of a comprehensive survey of conditions on the island compiled by representatives of the Red Cross. The report concludes that the Turks have failed to meet even the minimum requirements of the Geneva convention.

It notes that the 20-25,000 Greek Cypriots in Turkish-controlled areas have almost no freedom of movement and lack food and medical attention. Most of the 35-40,000 Turkish Cypriots in the Greek side of the island were found to be leading reasonably normal lives.

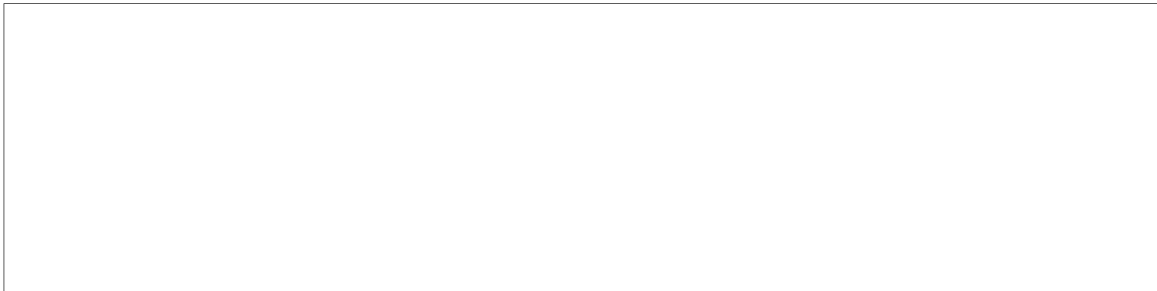
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ETHIOPIA

According to press reports, the government radio yesterday accused Emperor Haile Selassie of improperly diverting public funds for his own purposes and of funneling large sums of money to members of the aristocracy. Such charges would be the first accusations leveled directly against the Emperor by the military-controlled radio.



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The broadcasts are probably designed to diminish the Emperor's support in rural areas. Some members of the military committee may be apprehensive over the possibility of clashes between the Emperor's traditional rural supporters and those elements determined to deal harshly with him. It is also possible that the charges  may be designed to force the Emperor into exile in the near future.



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ALGERIA-LIBYA-EGYPT

Algeria may be planning to improve its relations with Libya in the near future in an effort to capitalize on the recent Libyan-Egyptian rift and cause difficulties for Cairo.

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Relations between the two neighbors have been especially poor since last January when Libyan President Qadhafi angered the Algerians by the surprise announcement of his ill-fated merger agreement with Tunisia.

Algerian President Boumediene is unhappy with Egyptian President Sadat's approach to Middle East peace negotiations, especially Egypt's agreement to allow Jordan, rather than the Palestinians, to negotiate for the return of the West Bank. Boumediene, who has long been a leading supporter of the Palestinians, fears such an approach may be part of a move to avoid establishment of a Palestinian homeland.

In a speech last month Boumediene asserted that Arab solidarity depended upon an honest agreement to help the Palestinians without "backstage tricks," an apparent reference to the Egyptian-Jordanian agreement last July. The Algerian President rejected a role for Jordan in the current Middle East talks and insisted that the Palestinian problem must be resolved by Egypt, Syria, the Palestinians, and Israel.

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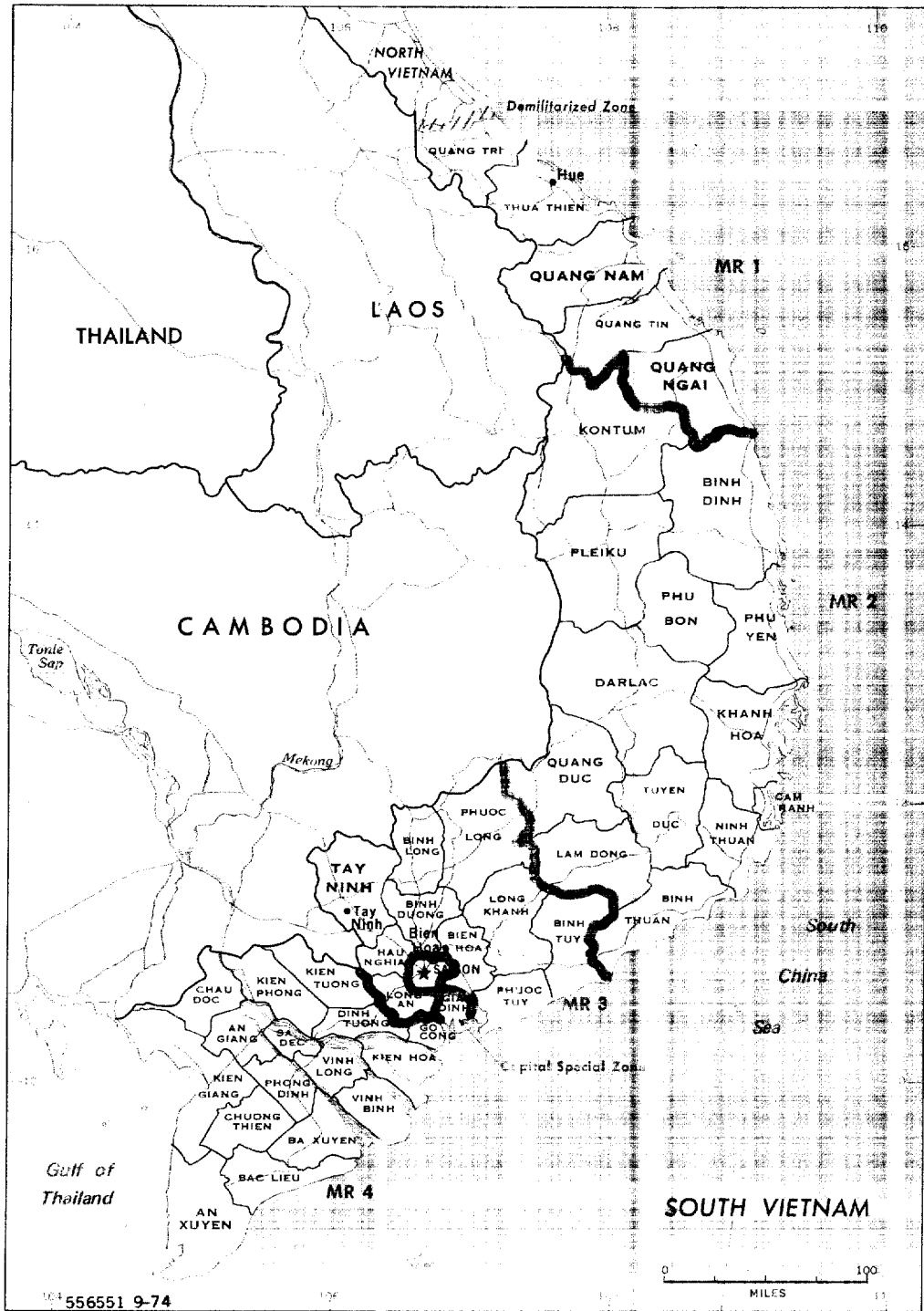
For his part, Qadhafi would almost certainly welcome an Algerian overture for improved bilateral relations.

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VIETNAM

Battlefield action has lessened throughout the country during the past few days, but substantial fighting probably still lies ahead.

The focus of present Communist attacks is still in the northern provinces where North Vietnamese troops are threatening government positions south of Hue; some outposts on high ground several miles south of the city have been lost. Although this area has been the scene of repeated and somewhat inconclusive combat since last spring,

the North Vietnamese may try to follow up their latest successes and make a major push toward Hue.

One of the purposes of the Communist attacks may have been to force just such a shift of government forces. The government units involved had been on operations designed to recover ground lost earlier to the enemy in Quang Nam and Quang Ngai. With their logistic position substantially improved since the cease-fire, the Communists are now apt to attempt such whipsaw efforts against the government with greater frequency and impact.

North and west of Saigon, a new round of Communist attacks is still expected in September. Government positions near Tay Ninh city and north of Bien Hoa city are likely targets.

The Communist strategy in the Tay Ninh area appears to be to gain new footholds relatively close to the city and along key logistic routes from Saigon. The Communists would then be in a position to harass these routes during their next military campaign and to bring substantial pressure on the relatively populous areas nearby.

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The weather still is a factor in determining both the level and the location of military action in Vietnam. Heavy rains are under way in the central highlands and will start next month along the northern coast. On the coast, this period initially favors the Communists because the cloudy conditions hamper government air operations but will not deter ground action until the rains increase. In the southern half of the country, where weather conditions will soon begin to favor air operations and troop movements, the government's capabilities should improve gradually.

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SOUTH KOREA

President Pak seems determined to counter Pyongyang's current naval superiority and achieve an eventual naval balance between the two countries. Thus far, his efforts have met with only limited success.

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Seoul has been actively seeking an anti-ship missile system for some time. South Korea's first choice, the US Harpoon system, which has a range in excess of 30 nautical miles, will not be available until 1977. Negotiations to purchase missiles from both France and Norway apparently became snagged when Seoul concluded it would not receive the missiles quickly enough. In July, a US firm contracted to supply the shorter range Standard missile as an interim system to be installed aboard four South Korean patrol boats. Test firing for the missile is not scheduled until next August.

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OAS

Latin American governments on both sides of the issue foresee the early removal of OAS sanctions against Cuba, probably at an inter-American foreign ministers meeting at Quito on November 11.

Even governments still hostile to the Castro regime have come to believe that a point has been reached where holding to the crumbling sanctions policy only furthers Castro's goal of destroying the OAS. Panama's recent resumption of relations with Cuba brought to seven the number of OAS members that now have diplomatic ties with Cuba. The sort of defiance of the Rio Treaty, under which the sanctions were imposed, has heightened concern for the continued integrity and clout of the OAS.

Widespread Latin sensitivity about outside interference in matters of national policy leaves the anti-Castro forces in a somewhat awkward position of obstructing sister republics that obviously want to open the door to Cuba.

Governmental changes in Washington, moreover, have added to the anxiety. Many are nervous that the US will alter its Cuban policy and leave the few dedicated anti-Castro governments diplomatically isolated.

The sponsors of a review of the sanctions policy have been careful to couch their rationale in terms of a changed world situation and a spirit of detente. They recognize a continuing difference of opinion within the OAS regarding the Cuban subversive threat. For this reason, as well as to avoid provoking Castro by holding his government up to judgment, they hope to sidestep any discussion of whether Havana is continuing to export revolution.

Using the coexistence argument, the sponsors are confident that they can, in the absence of a strong diplomatic counterattack, secure the necessary two-thirds vote of the 23 OAS members. They expect that a

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number of the governments that once constituted a blocking one third plus one (Bolivia, Brazil, Chile, Haiti, Nicaragua, Paraguay, Uruguay, and the US) will now decide to abstain.

The Castro regime can see no benefit to a reactivation of its suspended OAS membership and, despite Castro's stated interest in reconciliation with the US, the Cubans want no part of the OAS. They reject it as a tool of the US for suppressing Latin America and will continue to work toward its destruction. They would prefer to secure further diplomatic recognition in defiance of standing OAS sanctions so as to weaken the organization.

The debate and disposition of the Cuban case will affect the new dialogue between the US and Latin Americans--an exchange very much in the testing stage. Those governments advocating a new attitude toward Cuba would be gratified to see the US yield to their views; if the US maintained firm support of the sanctions, they would gravely doubt its flexibility on other issues.

The countries that have supported the sanctions along with the US, particularly Brazil and Chile, are more anxious to test US willingness to consult and would be slow to forgive a surprise US change of heart. A sense of betrayal would color their attitudes toward the US for a long while.

All Latin American governments would be pleased to have the OAS rid of the contentious sanctions problem so that other pending questions can be grappled with.

A number of political and economic questions remain unanswered: Is the OAS--particularly an OAS without Cuba--a useful instrument for inter-American cooperation? Are informal meetings of foreign ministers a more serviceable vehicle for dialogue? Do the Latin Americans need or want a separate council excluding the US?

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The foreign ministers of OAS states are set to meet in March 1975, and an OAS General Assembly is to follow. Next spring, too, a new secretary general of the OAS must be elected, a task which will help focus Latin American attention on what kind of future they would like for the inter-American system.

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UK-MBFR

British officials remain skeptical that there will be much progress when the force reduction talks resume in Vienna later this month. They also continue to advocate that the West make no concessions before the Soviet side does.

In a conversation with a US embassy official on September 4, Sir John Killick, a deputy undersecretary in the Foreign Office, stated that he takes a dim view of the prospects for progress in Vienna. Killick, whose views are shared by other Foreign Office officials, doubts that the Soviets will be more forthcoming in the negotiations until there is a "successful" conclusion to the Conference on Security and Cooperation in Europe.

Most Western participants at the Vienna talks agree that the Soviets have established a connection between the two sets of talks, and that Moscow will not offer concessions in Vienna until the security and cooperation talks in Geneva conclude with a summit-level meeting. Earlier this week, Moscow again called for a summit meeting before the end of this year.

Killick, like other British officials, suggested that the West should hold fast to its present position when the talks resume, and advocated that the West offer no concessions until the Soviets show a willingness to end the impasse in Vienna. He also made a strong plea that the US consult with the other Western participants if the US intends to offer new ideas to get the talks moving.

Killick gave the impression that London still wants joint US - British - West German talks concerning the nuclear aspects of MBFR. West German officials also desire another round of trilateral talks. The British and West Germans wish to discuss how and when the West should introduce the nuclear element into the talks, the weapons and delivery systems to be included, and the concessions the West should attempt to get from the East in return for offering to remove its nuclear weapons.

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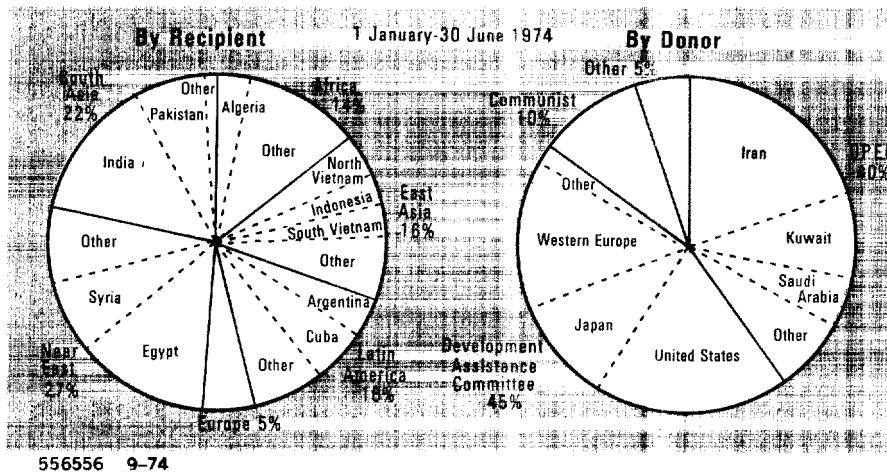
WEST GERMANY

Bonn is contending that economic and political factors prevent it from single-handedly covering the deficits of other EC members for an extended period. It feels strongly that international action is needed to cope with payments problems such as those confronting Italy.

With backing from Bonn, an EC-guaranteed loan to assist hard-pressed countries now appears possible, but the amount of the loan will fall far short of that needed to finance EC member countries' deficits. Finance Minister Apel thus sees no alternative to meeting each problem on a case-by-case basis, which means that Bonn is not ruling out future bilateral German credits to Italy or other EC countries with financial problems as a supplement to multilateral action.

To the extent that Bonn is willing to extend credits to deficit countries, it will do so partly out of concern that problems in other European countries are beginning to affect German exports, the only source of recent economic growth. Fear that Rome would impose further import restrictions affecting German goods may have been an additional factor in Chancellor Schmidt's favorable decision last week to lend Italy \$2 billion; the loan is secured by a portion of Rome's gold holdings. Bonn is in a strong financial position--\$35 billion in reserves and an expected \$11-billion current account surplus this year--to shore up demand for its exports by assisting other EC countries' economies. Finance Minister Apel nevertheless doubts that German credits will be adequate to meet the needs of Italy and possibly other EC members.

Estimated Bilateral Aid Pledged to Less Developed Countries



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OPEC

Major oil exporters are, for the first time, playing a major role in supplying economic aid to developing states. During the first half of 1974, members of the Organization of Petroleum Exporting Countries pledged \$5.4 billion of a total of \$13.4 billion in aid committed worldwide to the less developed countries.

Western nations and Japan remain the Third World's principal source of bilateral aid, but their new commitments of \$6.1 billion accounted for less than half the total.

Multilateral institutions, largely the World Bank and the International Development Association, have added at least \$2 billion to the \$13.4-billion figure.

Iran provided one half of the oil exporters' total. Its commitment of \$2.6 billion makes Iran a donor of equal rank with the US, although in some cases US aid is provided on easier terms. Kuwait and Saudi Arabia extended about \$1 billion and \$700 million, respectively.

Forty percent of the oil producers' aid was allocated to Egypt and Syria. Another 35 percent went to India and Pakistan.

The aid to Egypt and Syria was largely grants for war reconstruction and development. Aid to other states was largely for agriculture and industry. Only a small part, possibly as little as 5 percent, was to help the less developed countries cope with the high price of petroleum.

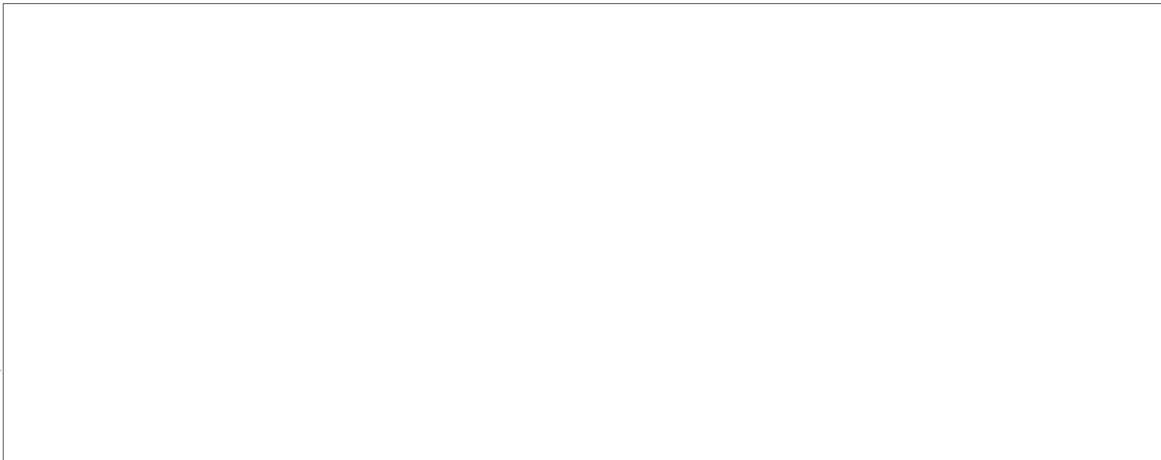
The enormous commitments of the oil producers provide opportunities for Western industrial sales of technical expertise, equipment, and institutional support. The size, geographic concentration, and emphasis on project aid of the oil exporters will almost certainly cause Western donors to re-examine the scope and magnitude of their aid programs.

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FOR THE RECORD



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Mozambique: An accord giving Mozambique a transitional government and early independence is scheduled to be formally signed early today in Zambia, according to press reports. Samora Machel, head of the Front for the Liberation of Mozambique, and Portuguese Foreign Minister Soares reportedly worked out the final details last night. The agreement is expected to provide for a transitional government to rule until next June, when Mozambique will become fully independent. Portugal is to appoint a high commissioner, and a prime minister will be named by the rebel front, which will hold two thirds of the cabinet posts in the new government. 

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