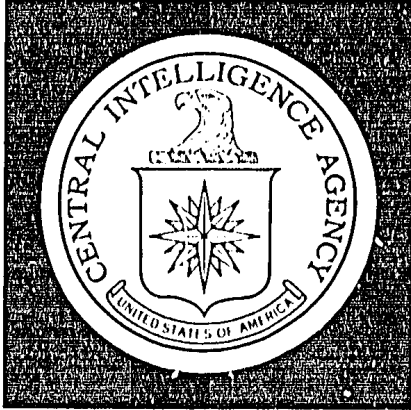


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JORDAN-UN: Jordan has called for an urgent meeting of the Security Council--which may convene today--to discuss Israeli activity in Jerusalem.

Amman now has a draft that is acceptable to the US. The Japanese delegate, this month's Council president, is thinking of scheduling the meeting for this afternoon. The Japanese hope to limit debate to the subject of Jerusalem by having Jordan's resolution adopted by consensus at the outset and by restricting each delegate's remarks to an explanation of his country's vote or to a statement by nonmembers, especially those Arab states concerned.

Despite these tactics, discussion may well stray into the entire Middle East problem; some Arab states may attempt to obtain a stronger resolution. The Egyptians, for example, may be planning to raise other subjects as well. In addition, the Syrians are miffed at Jordan's failure to consult them in advance and may be less than fully cooperative, but probably would follow Egypt's line. The Israelis, for their part, will do all in their power to encourage centrifugal tendencies among the Arabs. (SECRET)

INTERNATIONAL MONETARY DEVELOPMENTS: The EC finance ministers agreed yesterday on a set of recommendations for international monetary reform for tomorrow's Group of Ten meeting in London.

The recommendations appear close to suggestions made last week by the EC Commission. They include a return to fixed parities, although with greater margins of flexibility; a devaluation of the dollar as part of general currency realignment and a significant revaluation of the Japanese yen. They also call for a greater role for Special Drawing Rights in the creation of new international reserves.

The Six decided to stand pat for now on maintaining their present national exchange-rate schemes. The French finance minister claimed that present arrangements have proven workable. It remains to be seen how long the Six can proceed without resolving their internal differences before pressures resulting from disruption of Community economic life incline them toward compromise. The Commission on Friday had sent a private letter to government heads of member states warning of the dangerous consequences of continued divergent national policies in response to US economic measures. The Commission clearly is hoping that a strengthened Community will emerge out of the current situation.

* * * *

The General Agreement on Tariffs and Trade (GATT) Council will consider on Thursday a working party report which notes that the US surcharge "was inappropriate," despite a serious balance-of-payments problem. The report includes the conclusions of a supporting IMF study, which found that, although "the import surcharge does not go beyond the extent necessary to stop a serious deterioration of the US balance-of-payments position," changes in exchange rates are a preferred means for achieving balance in international payments. GATT contracting parties are unlikely in the foreseeable future to exercise their right to retaliate by withdrawing equivalent tariff concessions. (CONFIDENTIAL)

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URUGUAY: President Pacheco has assigned the military the primary responsibility for combating terrorism in the wake of the Tupamaros' major prison break last week.

The presidential order appears to place the country in a state of semimartial law. Military leaders reportedly believe that they will not be impeded by constitutional restrictions in dealing with the Tupamaros, who heretofore have operated with relative freedom. The military apparently expects they will be permitted to conduct search and seizures without warrants and circumvent legal procedures in investigations and interrogations. Captured terrorists will apparently be tried by military courts and imprisoned under military guard not subject to civil penal regulations.

The Pacheco government asserts that these measures are being taken to assure that the national elections can be held as scheduled in November. If the military operates extralegally, however, it will give substance to the Tupamaros' charge that government repression will make the elections meaningless. A recent Tupamaro communiqué announced support for the leftist Frente Amplio in the coming elections, but claimed that the elections would be a fraud under the present conditions of press censorship and repression of individual liberties.

Success in recapturing the escaped terrorists and frustrating Tupamaro activities will bolster the law-and-order presidential candidates, including the incumbent Pacheco. Failure, or even limited success, will strengthen those--principally the Frente Amplio--who criticize the repression and ineptness of the Pacheco administration. (CONFIDENTIAL)

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CHILE: President Allende and other top government officials may face a need to place unpopular restraints on consumer demand for agricultural products in the coming year.

The US Embassy estimates that dislocations and uncertainties caused by government policies will bring at least a ten-percent drop in agricultural output and may result in even higher import requirements than now planned. Because declining foreign exchange reserves will limit Chile's ability to increase imports sufficiently, food shortages may become more widespread.

Agriculture Minister Jacques Chonchol, a key leader in agrarian reform under both the Frei and Allende administrations, contends that output will be normal and that the sharp rise in agricultural import requirements to some \$250-300 million annually is due to increased consumption among lower income groups. Other government spokesmen have been more candid about the production problems being encountered on both newly expropriated farms and those still in private hands. They appear willing, however, to pay this price for sweeping agricultural change. Recent official statements point to an acceleration in the pace of land reform; they indicate that all large farms will be expropriated by mid-1972. (CONFIDENTIAL)

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