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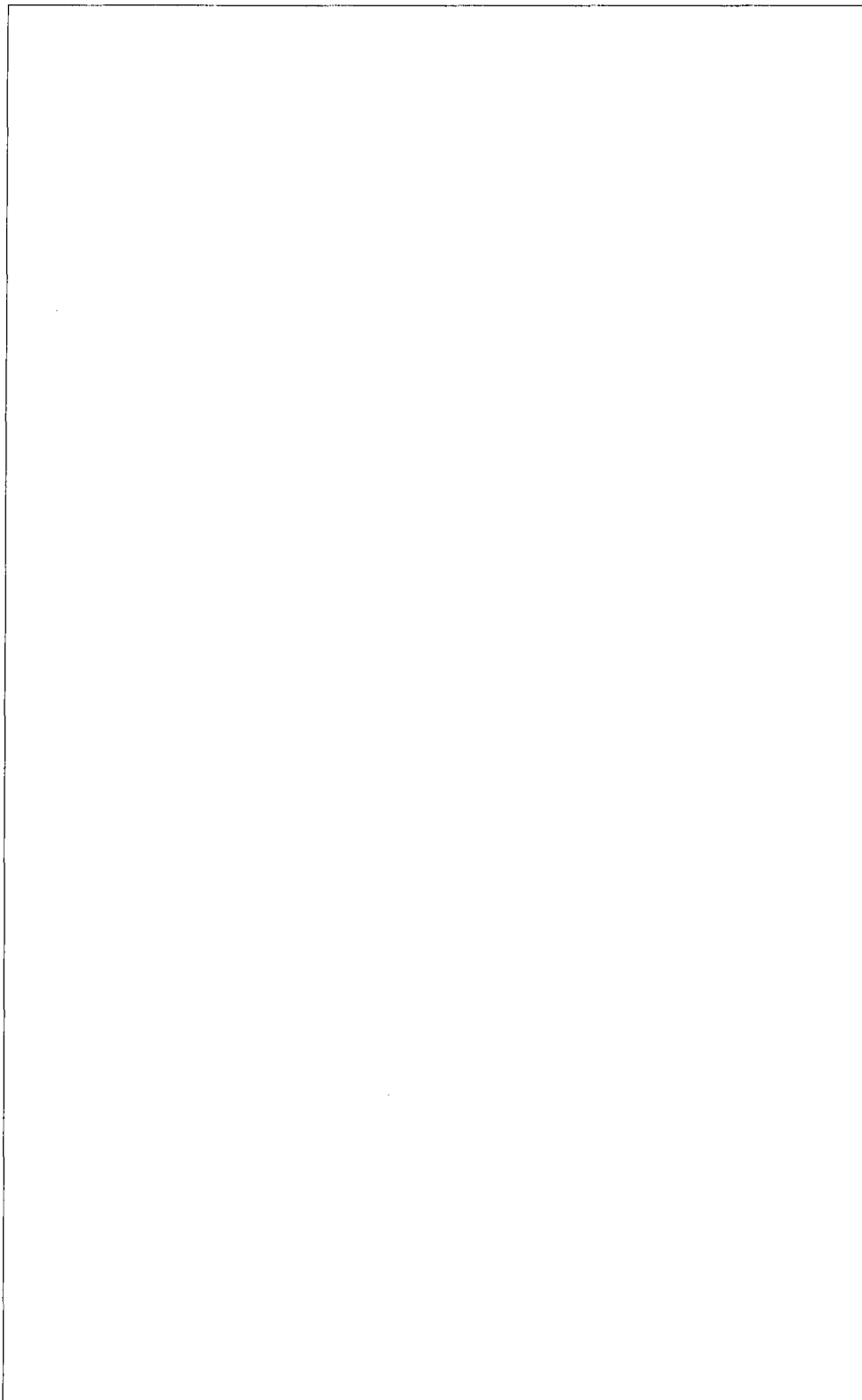


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[ USSR-US: Soviet party leader Brezhnev has tied yet another string to the bow of arms control proposals he presented on 30 March at the Soviet party congress.

According to a TASS summary of his speech yesterday in Moscow, Brezhnev intimated that the USSR would welcome discussions aimed at restraining great power naval deployments "at the other end of the world, away from native coasts." He professed Moscow's readiness to "solve" this problem by making an "equal bargain," and offered to discuss any proposals.

Brezhnev's comments seem aimed, in part, at maintaining the momentum of Moscow's "peace offensive" with yet another gesture to be portrayed as a new Russian initiative aimed at reducing East-West tension. The remarks also reflect Soviet sensitivity to accusations that Moscow's increasing naval activity points to expansionist aims, and Brezhnev tried to turn these charges back onto the US. He alluded to US naval deployments in the Mediterranean--"hard by the Soviet Union"--and in the Far East, and he complained that, although the US contends these are "normal and natural," the US has launched a propaganda campaign against Soviet naval activity "in the Mediterranean, the Indian Ocean, and other seas."

Although Moscow has a clear interest in seizing the public initiative, in suggesting naval restraint, and in trying to put the US on the defensive, the Soviets are probably motivated by more than a mere tactical desire to engage in grandstanding. The Soviets had earlier probed, in more guarded fashion, US willingness to consider limiting great power competition in the Indian Ocean, and this may be the area of primary concern to them. In a conversation with Secretary Rogers on 26 March, Soviet Ambassador Dobrynin asked "informally" for US reaction to the idea of a "declaration" to the effect that the Indian Ocean should be "free of military bases and fleet concentrations." (That the issue was a topical ]

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(one in Moscow was confirmed just four days later when Brezhnev, in his congress speech, made a point of criticizing "imperialists" who allegedly search for signs of a Soviet threat "in the depths of the Indian Ocean.")

The Soviets are doubtless aware of press speculation that the US, having reviewed the situation in the Indian Ocean, may propose some kind of regional arms control arrangement. Brezhnev's remarks yesterday may have been timed in part to pre-empt and upstage any such US initiative, and at the same time to increase pressures against possible US plans to strengthen its naval presence in the area.

Moscow seems particularly sensitive to the possibility that the US might be considering deploying ballistic missile submarines on regular patrol in the Indian Ocean, and appears determined to do its best to prevent this. In view of Moscow's genuine concern on this score, Brezhnev's unusually explicit suggestion that an "equal bargain" might be struck is particularly intriguing. The Soviet leaders may possibly wish to float the idea of some kind of trade-off, whereby the USSR would undertake to exercise some restraint with respect to Soviet naval activity close to US shores in return for limitations on US deployments in the Indian Ocean.

The Soviet leader's speech came two days after the US responded positively, through diplomatic channels, to a Soviet suggestion last fall that a US delegation come to Moscow to discuss ways of preventing untoward incidents at sea. The Soviets may see advantage in fostering the impression that Brezhnev's words and the US move are related, that the initiative is predominantly Moscow's, and that ensuing US-Soviet discussions may deal with more far-reaching concerns, in addition to the more limited business of incidents at sea. Moreover, the Soviets probably anticipate that Washington's allies, who have just been informed of the planned talks, may see in Brezhnev's overture some reason for doubt that they are being kept fully informed.

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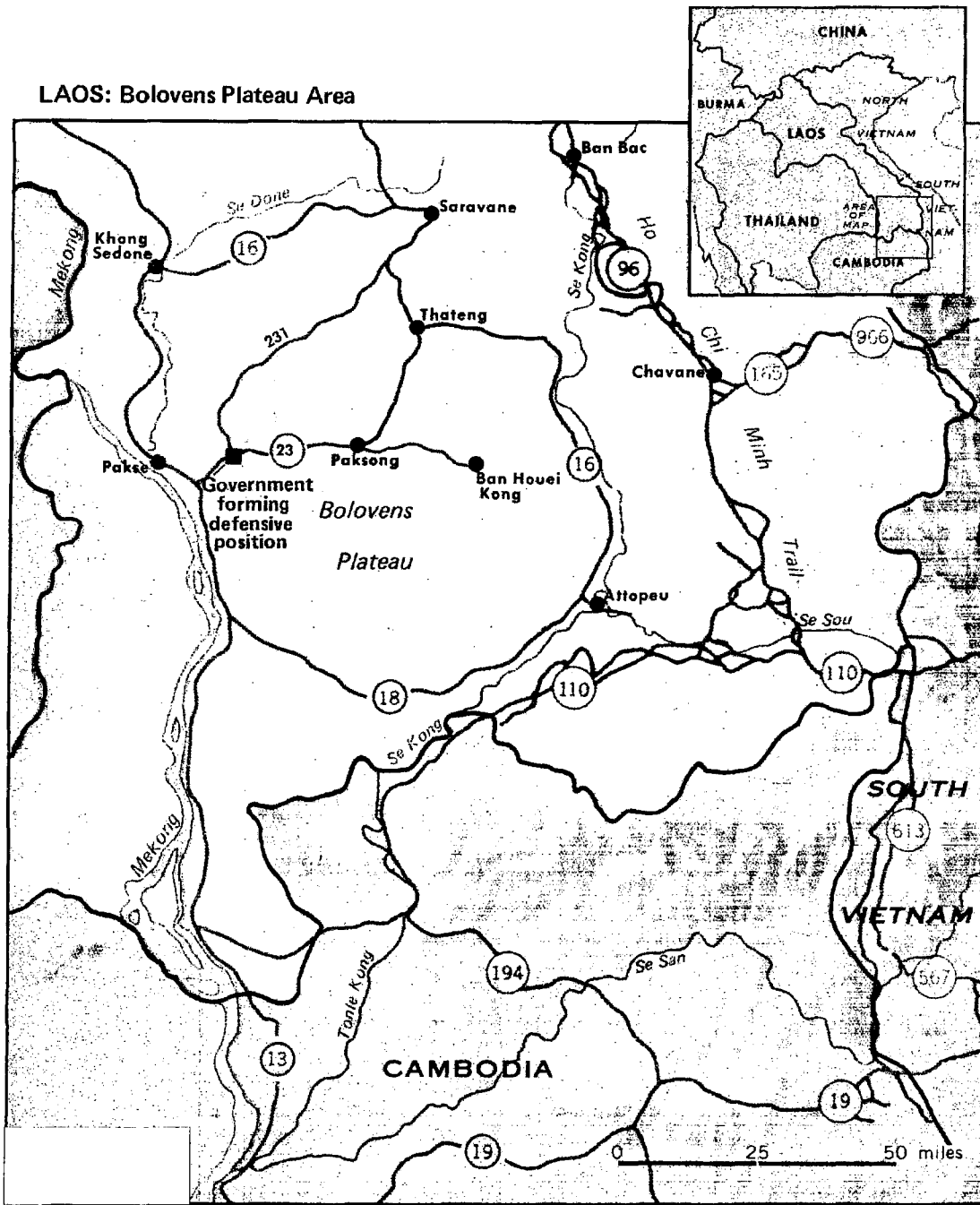
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LAOS: Bolovens Plateau Area



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LAOS: The North Vietnamese are continuing to batter elements of a government task force on the western edge of the Bolovens Plateau, but government air strikes have eased the situation somewhat.

Yesterday morning, North Vietnamese Army units supported by four tanks overran the Lao Army task force command post, capturing three 105-mm. artillery pieces. Four government battalions that had been in positions to the east of the command post were scattered and apparently suffered heavy casualties. By noon on 11 June the most forward army position along Route 23 was about 15 miles east of Pakse. It was manned by one irregular company, which reportedly was encircled and under attack. Tactical air support for the task force, previously limited by bad weather, relieved some of the pressure on government units later in the day. Air strikes reportedly caused substantial North Vietnamese casualties and damaged at least two tanks.

The government is trying to form new defensive positions along Route 23 and at the junction of Routes 23 and 231, just west of the plateau. Two regular army battalions and two battalions of irregulars have been brought in as reinforcements and to try to locate and relieve the cut-off units. Elements of these dispersed units were beginning to filter back to friendly positions, but no estimate of casualties is yet available.

These government units constitute all of the mobile reserve force in Military Region 4. They could probably slow any North Vietnamese advance westward off the Bolovens Plateau, if indeed the North Vietnamese are tempted by the ease with which they have scattered the government's forces to move in that direction. Before the current government operation, however, the North Vietnamese had seemed content to consolidate their recent gains on the Bolovens.

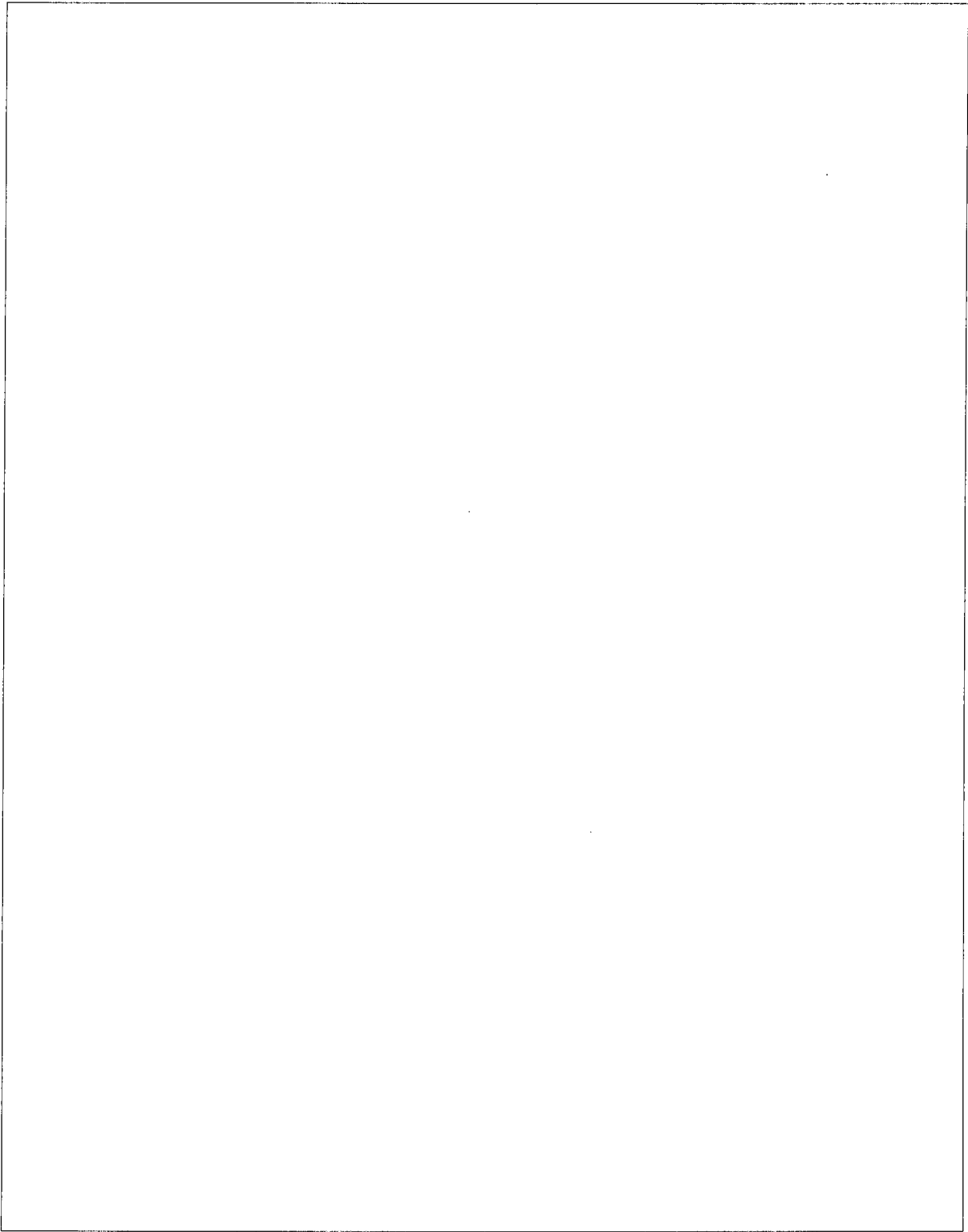
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CAMBODIA: The Communists have inflicted reverses on government forces south of Phnom Penh, while keeping the pressure on government positions northeast of the capital.

In a series of coordinated attacks on 10 June, the enemy attacked Cambodian Army (FANK) units at Srang and Slap Leng, some 25 to 30 miles southwest of Phnom Penh. The FANK battalion defending Srang was forced to withdraw temporarily to Tram Khnar, on Route 3, but subsequently reoccupied the town without meeting any serious opposition. The situation at Slap Leng is confused, but at last report the three FANK battalions in that village apparently had retreated to the north. Although no confirmed casualty figures are as yet available, initial reports indicate that government losses total 40 killed, 41 wounded, and almost 600 missing.

It is possible that the Communists may now move against FANK forces trying to clear a section of nearby Route 3. Those forces reportedly have been weakened recently by large-scale desertions, plus the withdrawal of several battalions to reinforce positions northeast of Phnom Penh.

In the latter area, the government still has its hands full of Communists. The enemy made three attacks against Kompong Ampil on 11 June, but the two FANK battalions there managed to stand their ground. The Communists also harassed FANK forces at Kompong Chamlang, Vihear Suor, and Prek Tameak. No casualties have as yet been reported.

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The Cambodians apparently are planning to send several battalions assigned to the Mekong Defense Command up the river to help relieve enemy pressure on Kompong Chamlang and Kompong Ampil. In addition, two or three battalions are to make a diversionary move south from the Tang Kouk area on Route 6 toward the Mekong. These tactics evidently were dictated, at least in part, by Saigon's refusal of a government request for South Vietnamese troops to carry out a diversionary operation in the northeast.

The operation reportedly is being conducted under the orders of Lon Nol, who appears to be taking personal command of the campaign to dislodge the Communists in the northeastern sector of the Phnom Penh military region. It is not clear how hard or long the prime minister is now working, but he apparently has cut short his convalescence in Kompong Som. There has been fear that even a partial resumption of his duties could lead to another stroke.

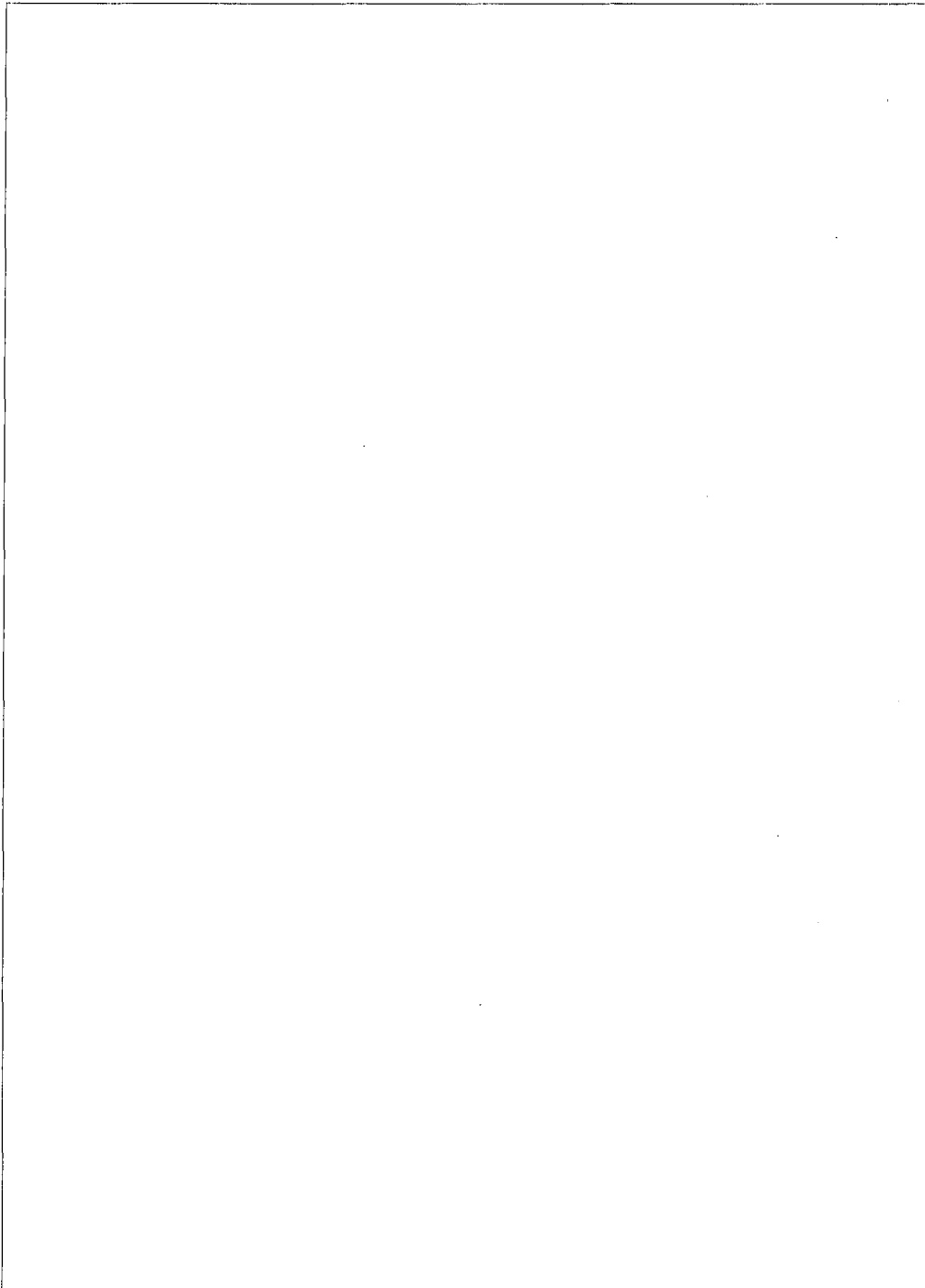
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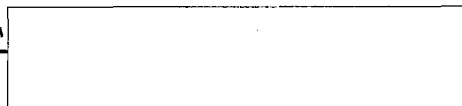


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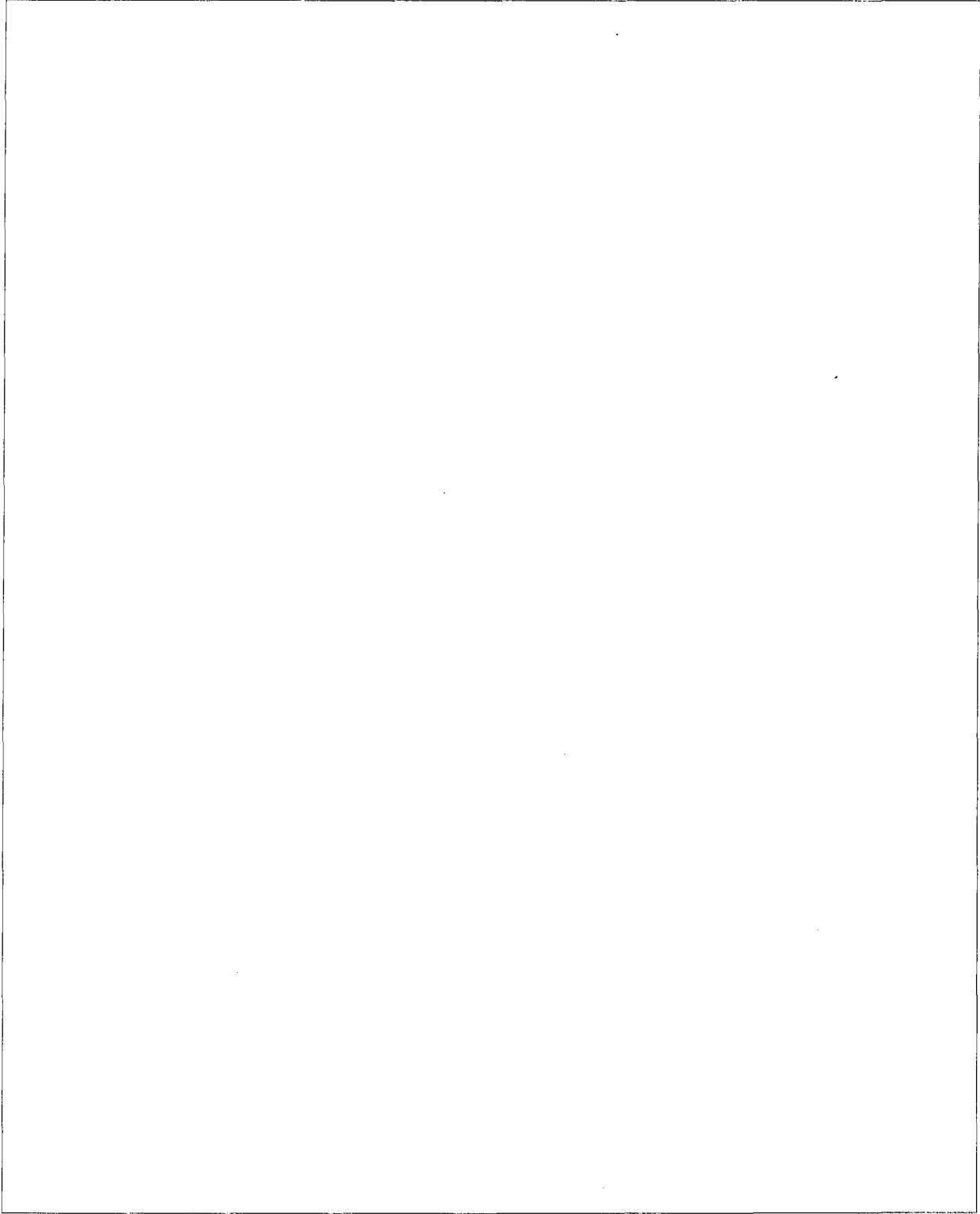
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INDIA-PAKISTAN: The East Pakistan government's call on 10 June for all refugees to return is unlikely to have a major impact on the situation in the near future.

The Pakistani press claimed the government plans to put six refugee reception centers into operation today. Limited numbers of refugees may return but more will continue to enter India. As many as 1,000 refugees may have recrossed the border into East Pakistan, motivated by fear of cholera and starvation in the overcrowded camps as well as by the local Indian population's growing hostility.

New refugees are still entering India at the rate of 60,000 to 100,000 a day, and now total nearly six million. Many are reluctant to leave the overcrowded camps in the border areas, but New Delhi is nevertheless making arrangements to disperse two-and-a-half million refugees to "temporary" homes in five more remote and less congested states. Radical Communists, anxious to discredit the government, are already working to exploit tension in the Calcutta area refugee centers. Cholera is now under control in most of the camps; the chances that the epidemic will continue to decline are improving in part because the local strain is less virulent than that found in other parts of the world.

International relief efforts, which the Indians have characterized as "sluggish," are beginning to pick up. Foreign Minister Swaran Singh, now on a foreign tour, has expressed satisfaction with his talks thus far with leaders in Moscow and Bonn about the refugee crisis. The Indians estimate that they can provide shelter for the refugees for the next six months, but the situation will be potentially explosive for at least that long.

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USSR-INDIA-PAKISTAN: The USSR has again spoken out critically about West Pakistan's handling of the situation in the East wing.

In two recent statements, the Soviets express their concern about the "grave situation" resulting from the flow of millions of East Pakistani refugees into India. A joint communiqué issued at the end of Indian Foreign Minister Singh's visit to the USSR and an election speech by Premier Kosygin on 9 June call for prompt measures to stop the flow of refugees and urge that proper conditions be created without delay so that they can return home safely.

On 3 April, the Soviets made public a letter from President Podgorny to Pakistani President Yahya that was strongly critical of Yahya's resort to force in East Pakistan. Until the most recent statements, however, Moscow had confined itself to behind-the-scenes efforts to moderate Indian and Pakistani actions.

The USSR's decision to speak out again reflects its concern that the situation is deteriorating rapidly. The Soviets probably hope that their public criticism of Pakistani policy will put further pressure on Yahya to move rapidly toward some form of accommodation with the East wing. More importantly, however, the Soviets are probably concerned that India might follow through on its threats to take drastic action if the international community is not sufficiently responsive to its pleas for aid in coping with the refugees. Plans are already far advanced for the delivery of the initial Soviet aid contribution of 50,000 tons of rice and 100 million doses of smallpox vaccine. The Soviets have also sent four planes to help the Indians transport the refugees away from the volatile frontier areas.

The latest criticism of Pakistani policy is likely to do some short-term harm to the USSR's position in Pakistan. The Soviets recognize this, however, and are trying to keep the damage to a minimum by carrying on bilateral relations on a business-as-usual basis. For example, Moscow swiftly announced a replacement for its retiring ambassador in Islamabad and continues to work steadily on its \$200-million steel mill project.

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PAKISTAN: The recall of the two highest denomination notes from circulation, although certain to result in a windfall to the government from tax penalties and invalidation of illegal holdings, is causing some economic dislocations in the meantime.

The 100- and 500-rupee notes demonetized account for nearly 60 percent of the total value of currency outstanding. Commercial activities are reported to be at a near standstill in West Pakistan because all stock exchanges and most bazaars are closed and many people do not have enough legal currency to meet their daily needs. Banks until yesterday were open only to accept the recalled notes. Reimbursement for small holdings will take at least three to seven days, but it could take months for those tendering large amounts for exchange.

The effects of the demonetization in East Pakistan have not yet been reported. In neighboring Afghanistan, merchants and money changers are frantically seeking ways to convert their holdings of Pakistani notes.

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CEYLON-USSR: Soviet advisers sent to Ceylon in April to train Ceylonese personnel on the use and maintenance of Soviet-supplied military equipment are on their way home.

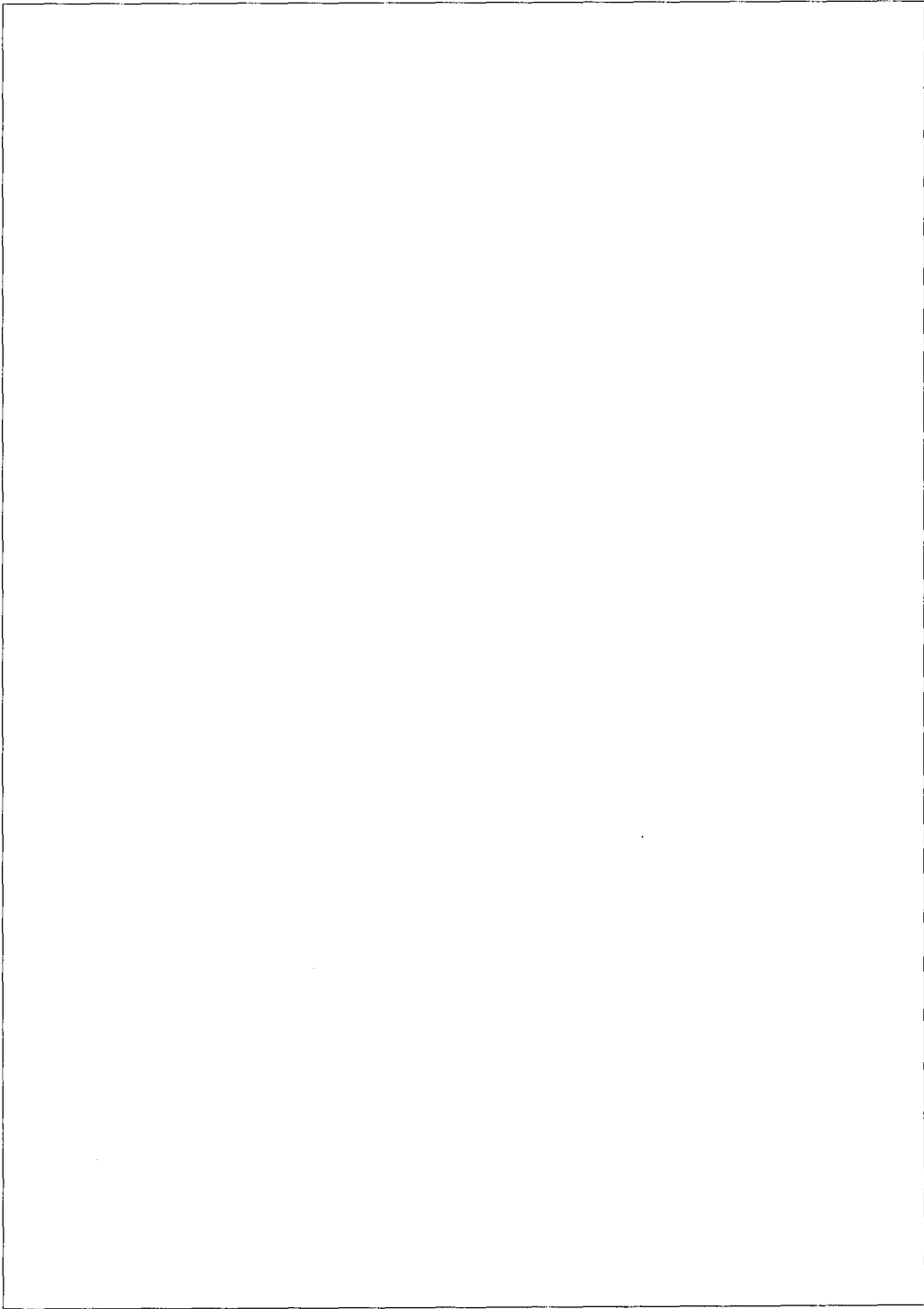
According to the US defense attaché in Colombo, all but one of the Soviet helicopter pilots and maintenance personnel have departed Ceylon and all the MIG pilots and technicians will leave in about two weeks. About 65 Soviet advisers and technicians were sent to assemble and test the equipment--five MIG-17s, one MIG-15 trainer, and two KA-26 helicopters--and to train Ceylonese Air Force personnel.

The departure of Soviet personnel may reflect the completion of the conversion training program. Ceylon has about ten pilots qualified to fly the British jet Provost trainer and at least some of these pilots were trained to fly the MIG-17s.

The Soviets probably are leaving at Ceylonese request. Prime Minister Bandaranaike undoubtedly opposes a continued Soviet presence and reportedly has asked them to leave within two weeks. Moreover, most of the people sent by other countries to help Ceylon in quelling the insurgency have departed.

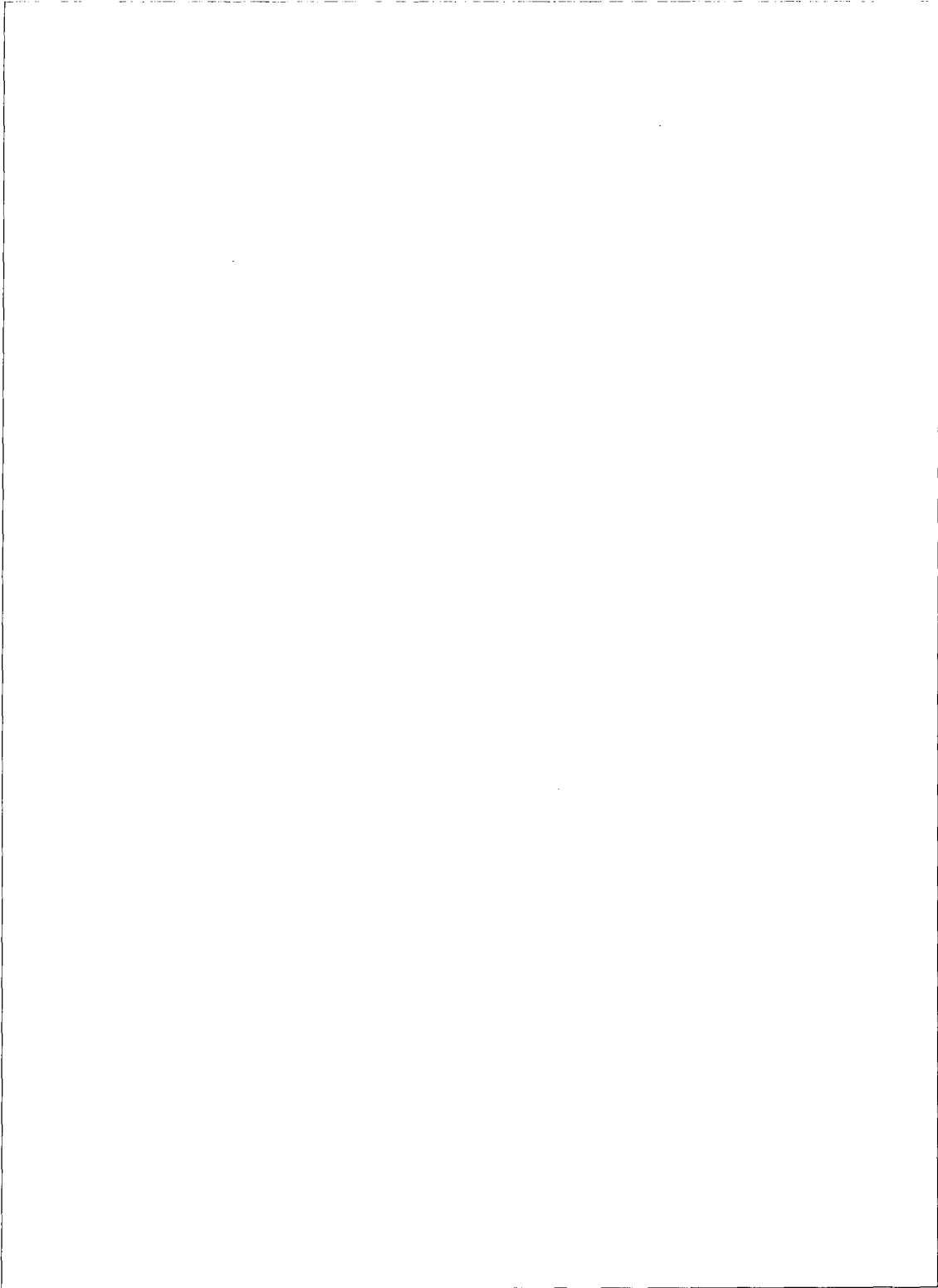
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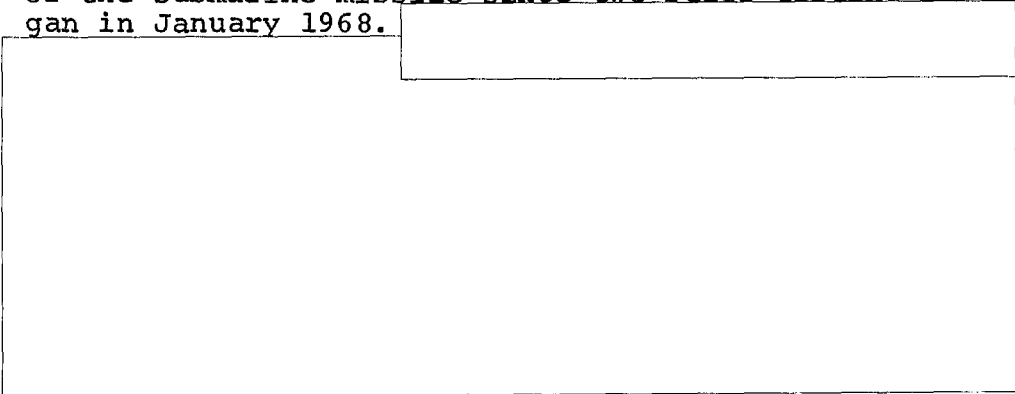


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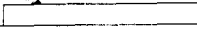
FRANCE: The submarine-launched ballistic missile system evidently will be operational within the next few months.

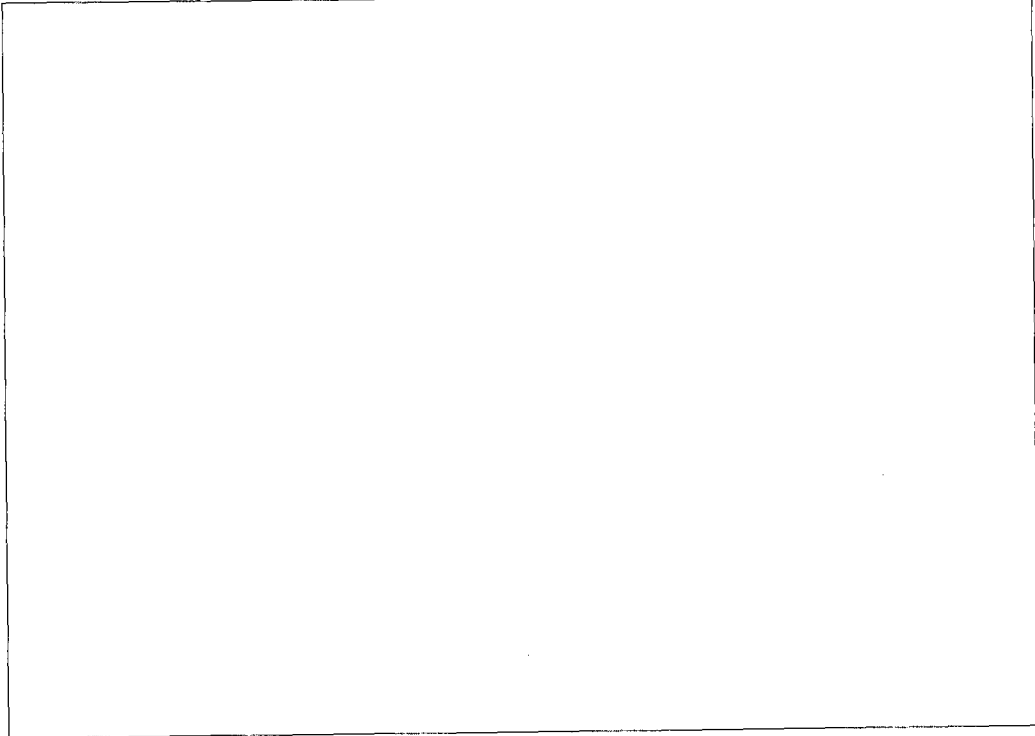
According to French press reports, the Gymnote experimental submarine--which has been the test platform for underwater launches of the missiles since November 1968--completed its test program in early May and will undergo a major overhaul at Cherbourg until late next year. In addition, the Redoutable, the first of a planned fleet of five nuclear powered ballistic-missile submarines, reportedly began its operational missile testing program with a successful submerged launch on 29 May. The Redoutable is expected to become operational as soon as the current series of missile firings is completed.

The French have conducted about 20 test firings of the submarine missile since two-stage testing began in January 1968.

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BRAZIL: A potentially serious incident could result from the arming of US fishermen operating within waters claimed by Brazil. The captains of US shrimp trawlers working inside the 200-mile limit, angered by very low-altitude overflights by Brazilian aircraft, have asked a trawler coming from Georgetown, Guyana to bring them arms. The owner of the boat says that guns were put on the trawler without his knowledge and that it has already departed for Brazilian waters. So far Brazil has only warned foreign boats fishing within the 200-mile zone to leave, but the navy has instructions to take "appropriate action" against any violating boat if it encounters resistance. 



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MALTA: The outcome of this weekend's parliamentary elections may affect Malta's attitude toward the use of its port and air facilities by NATO countries under the UK-Maltese defense and financial agreements which expire in 1974. The opposition Labor Party of Dom Mintoff is less receptive to a Western alignment than the Nationalist party of Prime Minister Borg-Olivier, although Mintoff's earlier stated goal of "positive neutrality" has been blurred in the hard-fought campaign. Mintoff, who lately has been emphasizing the need for "adequate" compensation for use of any facility, may clarify his position after indications as to who won the elections are available on 16 or 17 June. The election will be very close, although informed observers in Malta at this time give a slight edge to Mintoff's party.

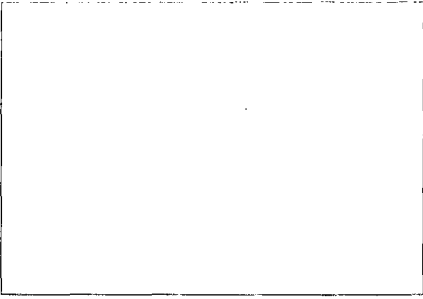
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