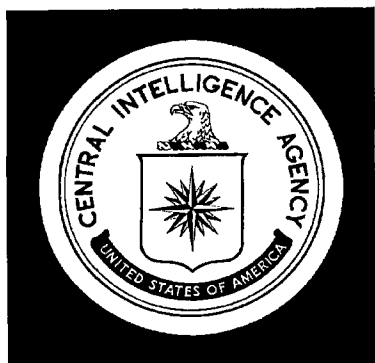
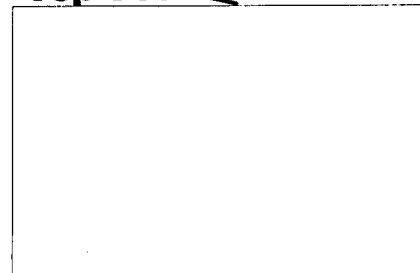


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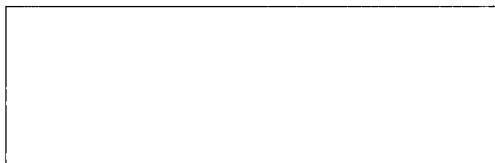
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VIETNAM: Military action on 13 June was again heaviest in the delta, where enemy shellings and skirmishes continue in scattered areas. Elements of the South Vietnamese 7th Division that were earlier airlifted to an area in Cambodia just across the Kien Tuong Province border and behind enemy forces have been in heavy contact with Communist troops, probably elements of the Viet Cong 5th Division.

Just to the south of Kien Tuong Province, the Communists have been attempting to gain control of the extensive canal network and river system in Kien Phong Province to assist their infiltration of men and materiel into the delta. Since the current offensive, the South Vietnamese Navy has lost over 40 patrol boats in Kien Phong alone, and only two such craft remain for operation on a 15-mile stretch of the Mekong River between the patrol bases at Tan Chau and Cao Lanh towns.

In the northern provinces, there have been light and scattered shelling attacks on government outposts but no significant clashes. At least one South Vietnamese Marine battalion has crossed the My Chanh River into Quang Tri Province in an apparent operation into enemy territory. Another marine battalion, which participated in last week's three-day foray into Quang Tri, has remained more than a mile north of the My Chanh defensive line, but has reported no contact during the past week.

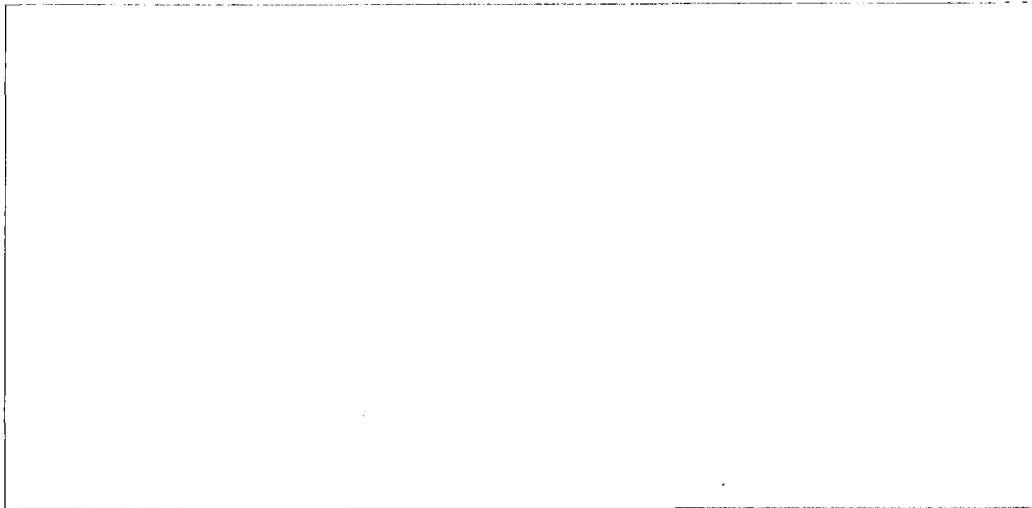
Government forces are continuing to clear troops from bunkers in the northern and western sections of An Loc. Approximately 1,000 South Vietnamese reinforcements were airlifted to the southern edge of the town on 13 June, and more are to be flown in today.

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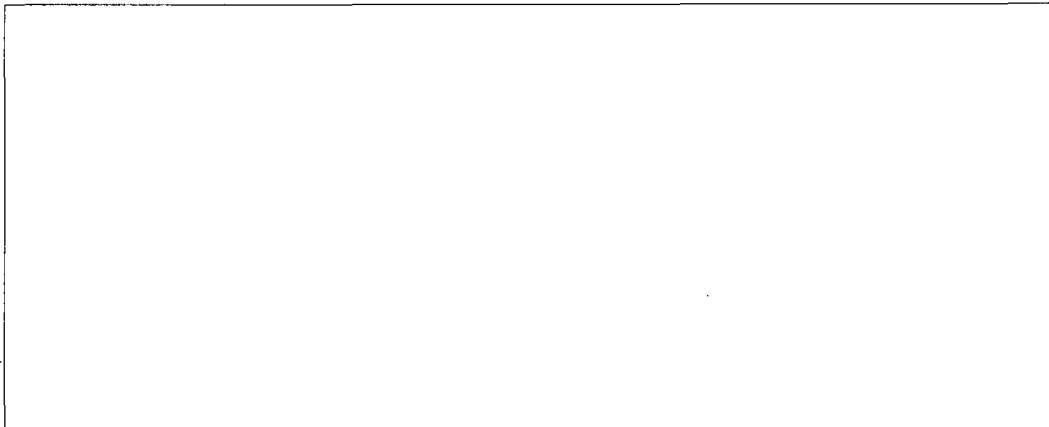
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In North Vietnam, the need to ensure adequate discipline and effective work performance from the populace under the stress of the bombing and the US psychological warfare campaign is apparently causing the regime concern. Writing in the May edition of the party's journal, North Vietnam's secret police chief has called for an expansion of the public security apparatus and has explicitly criticized "guiding echelons" of the party and government for failing to maintain order. The article follows several other indications in Hanoi propaganda that the regime has instituted a security crackdown. A similar effort was undertaken at the outset of the US bombing campaign in 1965 and 1966.



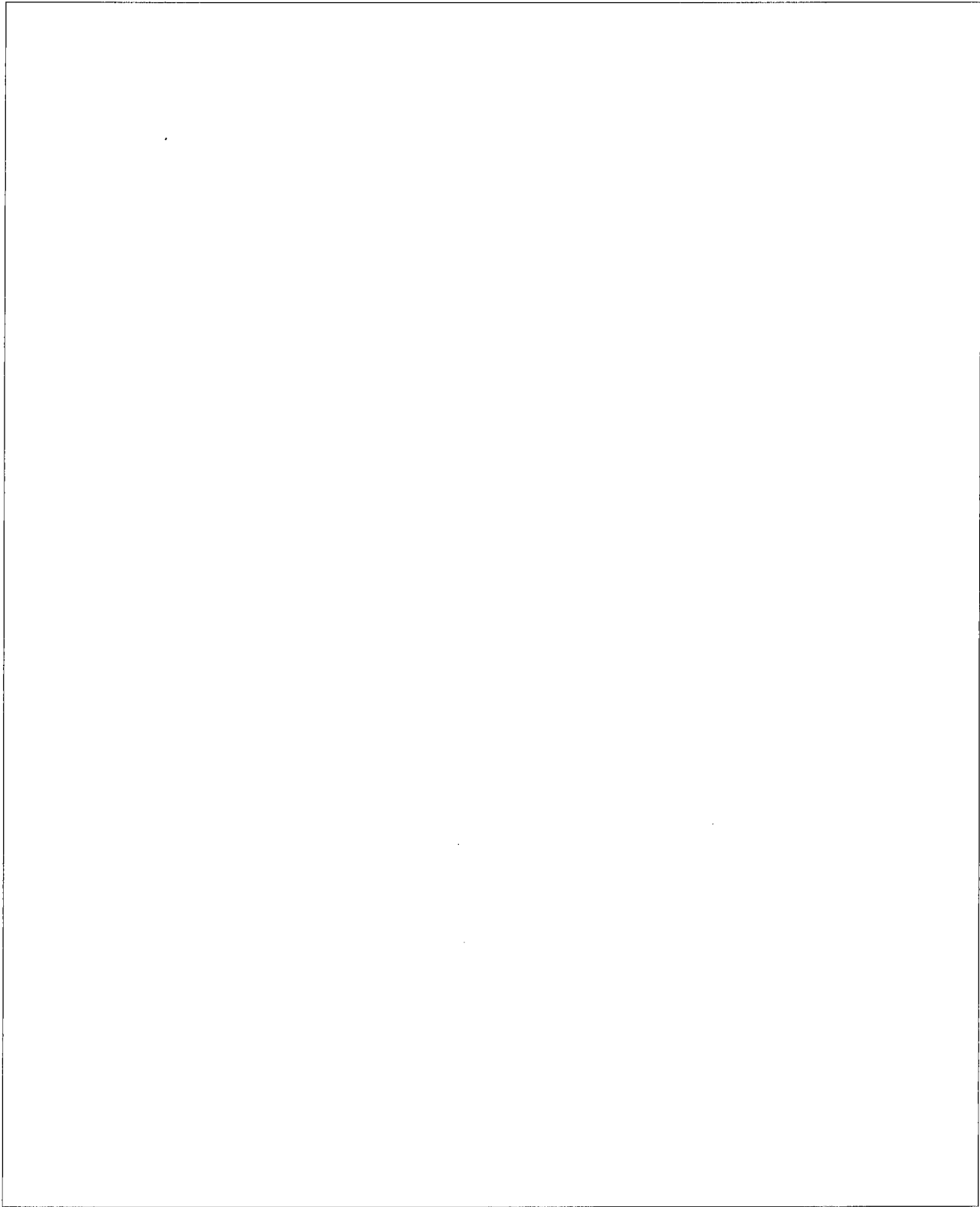
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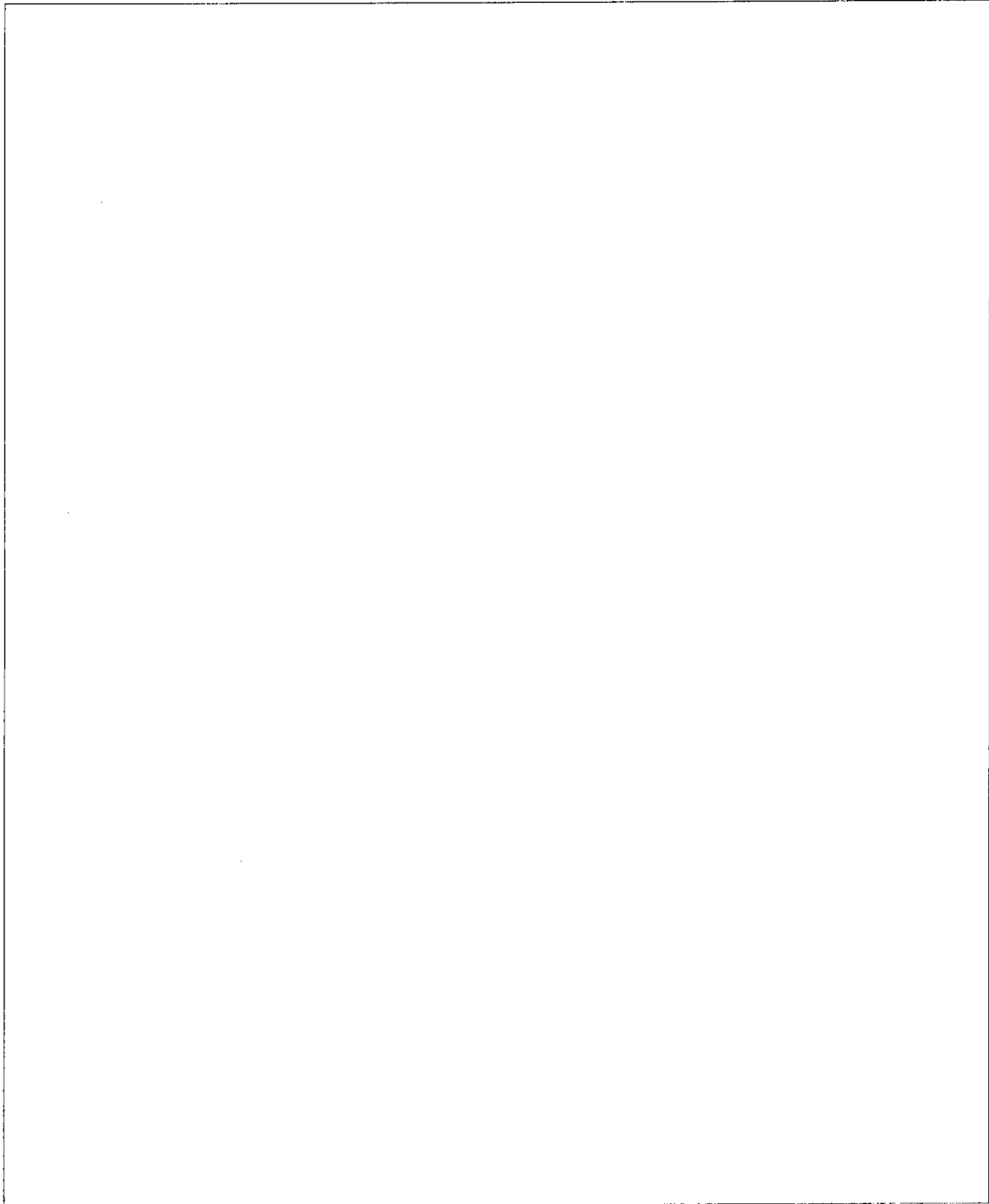
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MEXICO-US: While solutions to bilateral issues are the principal goals of President Echeverria's visit to Washington this week, he probably hopes to advance his aspiration to be recognized as a champion of the developing nations.

Echeverria will probably trade on the goodwill carefully built with the US to give a frank exposition of his thesis on the responsibilities of rich nations toward poorer ones. Over the past several months, he has attempted to establish himself as a leading representative of the less developed countries. He has leveled criticism at the great powers, blaming them for many of the troubles of the underdeveloped world. He has advanced a "charter of economic rights and duties" for developing nations, and wants to use this as a weapon to attack the inequalities and injustices that most of the poor nations feel are part of their economic relations with industrialized countries. Because of Mexico's economic dependence on its northern neighbor, Echeverria's criticism has been aimed mainly at the US.

Last week, Echeverria indicated that Mexico will assume a greater role in world affairs in the coming years. His recent trips to Japan, Peru, and Chile are examples of this. He put his US visit in the same context, stating that Mexico will be inflexible in defending its rights and those of the underdeveloped world. His statements are intended to reassure his public that Mexican interests will be pushed in all international and bilateral discussions

All this indicates that Echeverria will probably be more outspoken in the US than were his immediate predecessors.

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SOUTH KOREA: Seoul's desire to shed its rigid anti-Communist reputation in the changing political climate in Asia will be especially evident at the three-day ministerial meeting of the Asian and Pacific Council (ASPAC), which opened in Seoul today.

The South Koreans are making no bones about their intention to use the meeting to press for a face lifting of the organization's cold-war image. President Pak Chong-hui, in his opening address, stressed the importance of turning ASPAC into a basically non-political, non-military organization that pursues economic, social and cultural cooperation and is open to other nations in the region.

The council was formed in 1966 with the strong backing of South Korea, which hoped the organization would become a political counterweight to Communism in Asia and a vehicle for increasing Seoul's influence in Asian affairs. It has remained a political consultative group, however, largely because the diversity of its membership has made agreement on important issues difficult to achieve. The other members are Japan, Nationalist China, South Vietnam, Thailand, Malaysia, the Philippines, Australia, and New Zealand.

South Korea's efforts to alter the nature of ASPAC reflects deep-rooted concern about Seoul's own political future. The South Koreans are worried about their possible isolation as other nations in the region seek to improve relations with Peking. Seoul is particularly anxious to avoid being cast in a role similar to that of Nationalist China and has, in fact, moved to dissociate itself from Taipei by withdrawing from regional economic groupings to which both have belonged. By focusing on regionalism with a non-political cast, the South Koreans hope to strengthen their ties with the rest of the region in order to avoid diplomatic isolation and to develop a position that will permit contact with Peking. Toward this end, President Pak will also call for closer cooperation between ASPAC and other regional groupings, including ASEAN.

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Seoul's appeal for a reorientation of ASPAC will probably be welcomed by most of the membership, with the exception of Nationalist China. It may not be feasible, however, to turn the loose political grouping the council has represented into a real force for regional cooperation. Most of the other members do not seem to have a very high opinion of the organization's utility. Malaysia has already registered its reservations about continued membership in view of the participation of Taipei and will not send a special representative to the ministerial meeting. (CONFIDENTIAL)

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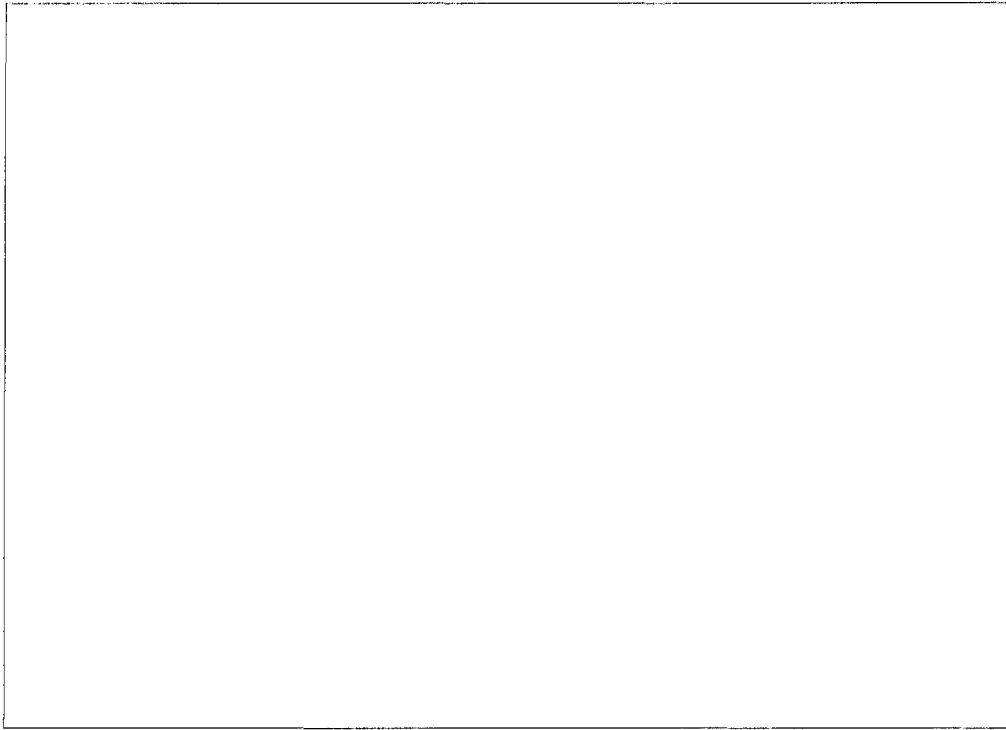
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PANAMA: Serious negotiations are under way to head off expropriation of the US-owned power and light company.

In meetings with top Panamanian officials, the president of Boise Cascade tentatively has agreed to conditions for ending Panama's temporary take-over of the Boise Cascade subsidiary. The company will comply with all Panamanian public utility laws, pay its fuel bill, and place stock certificates in escrow to guarantee an adequate investment program. In turn, negotiations will resume on a new contract with the government to define the rate of expansion required and the rate of profit to be permitted the company.

In private conversations with the US ambassador, the company official stressed his desire to reach an agreement. He denied rumors that Boise Cascade wishes to sell its Panamanian holdings, claimed that government intervention on 31 May had come as a complete surprise, and admitted that his company may have attempted to put too much pressure on the Torrijos government.

Panamanian President Lakas has continued to emphasize that he understands the serious repercussions that expropriation would have and that he wants to avoid such a move. Boise Cascade's new approach may undo some of the damage caused by the insensitivity of its local management. At this point, chances for a mutually satisfactory settlement appear good. (CONFIDENTIAL NO FOREIGN DISSEM)

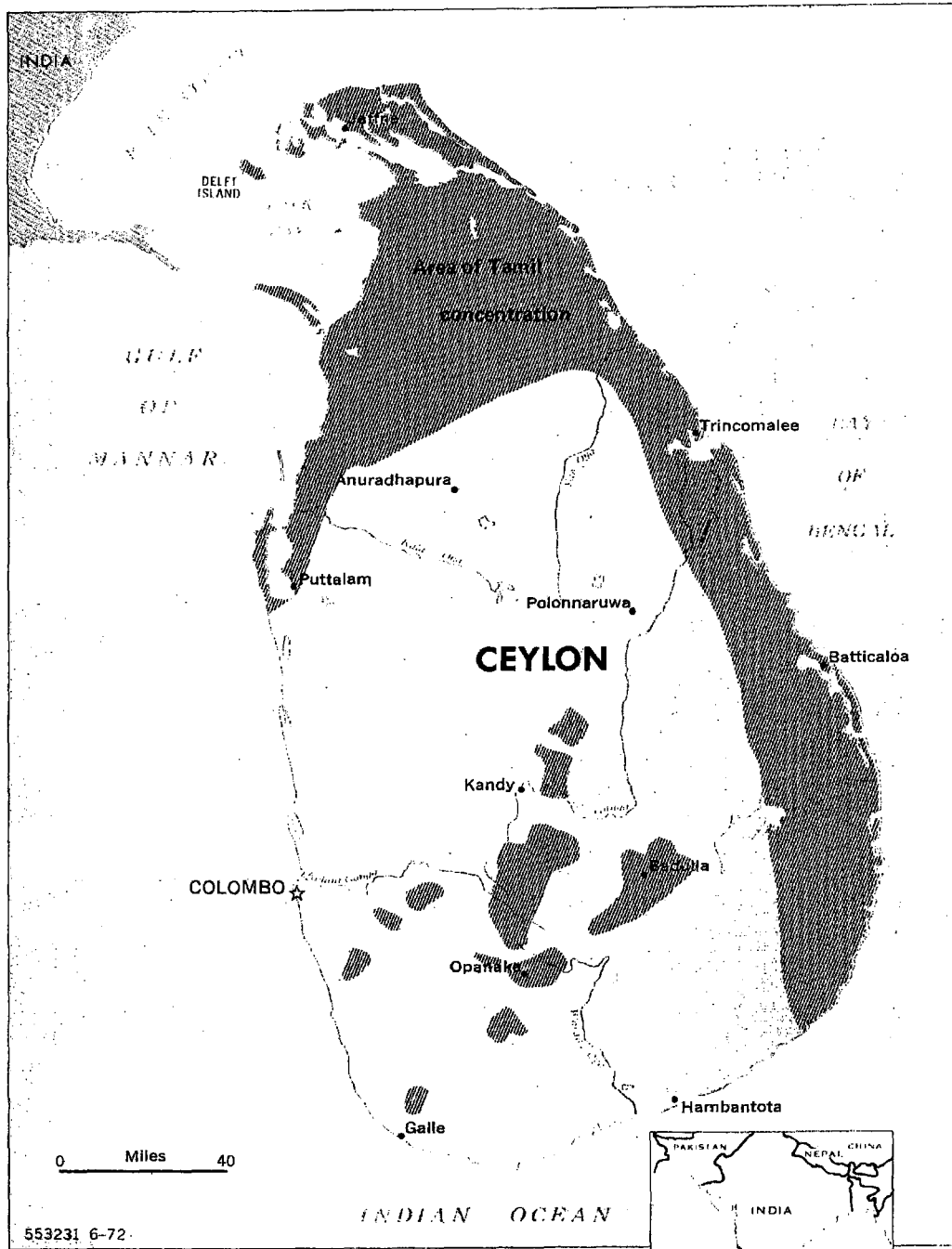
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CEYLON: The government is trying to prevent an expansion of protests by the Tamil minority against the new constitution.

Although most of the protest activities have been non-violent, Tamil student militants have assaulted and seriously injured several Tamil politicians who support the constitution. Colombo has responded by sending army reinforcements and imposing a full-scale police alert in the predominantly Tamil northern and eastern regions of the country. It also has banned all political meetings and demonstrations in the area and reportedly has imposed a nighttime curfew in the city of Jaffna. Additionally, the authorities are trying to meet some Tamil complaints by promising that the Tamil language will be used in court proceedings in the north and east and by attempting to prove that university admissions have not been weighted against Tamils.

Ceylon's over-all economic decline also has played a part in generating Tamil discontent, however. Many Tamils probably sympathize with the militants, although few have actively endorsed their violent tactics. The government apparently hopes that by taking firm action now it can prevent the current unrest from reaching the proportions of the widespread violence that marked Tamil protests in the late 1950s and early 1960s. (CONFIDENTIAL)

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INDIA: Some US firms are complaining that Indian officials are deliberately obstructing their operations.

These firms contend that the Indian Government has adopted a policy of contracting for US imports only if the goods or services cannot be obtained elsewhere. They also contend that Indian officials are less cooperative with American firms than with other foreign firms in resolving day-to-day problems, and that minor government officials are harassing American firms as a matter of unspoken but officially sanctioned policy. Senior Indian officials, however, continue to assure the US Embassy of an "equal treatment policy."

Although New Delhi has not issued new regulations that discriminate against US trade, antagonism toward the US over the suspension of aid during the Indo-Pakistani war last December still persists. New Delhi's attitude has apparently hardened because the suspension has continued while other Western countries have maintained their aid. Senior Indian officials are hesitant to make any decisions that may be construed as pro-American by their superiors or by members of Parliament. Strained relations are more apparent in New Delhi, however, than in other Indian commercial cities. Some state governments continue to seek American investments and know-how. (CONFIDENTIAL NO FOREIGN DISSEM)

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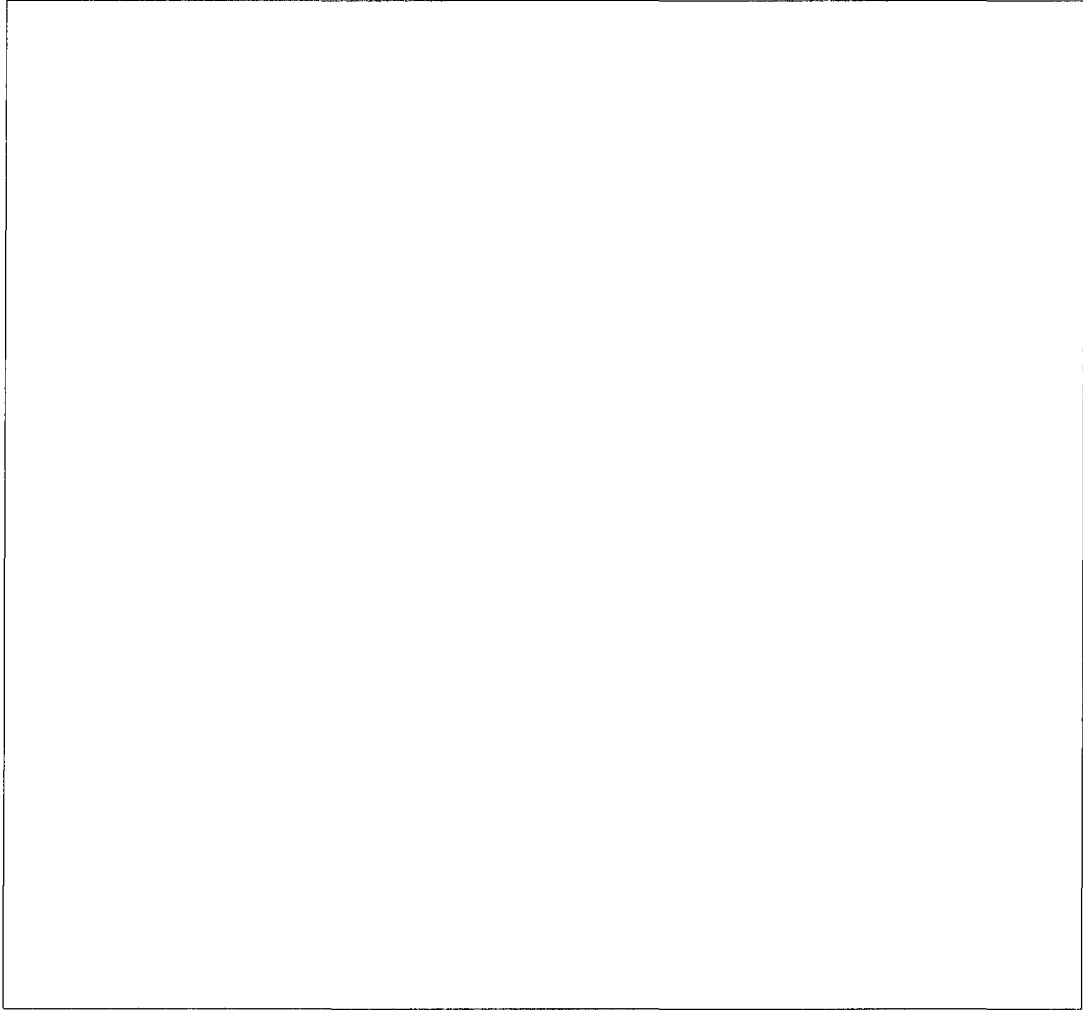
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BANGLADESH: Peking has offered to buy some \$12-15 million of jute from Dacca. This is the first official contact between the two countries since the Indo-Pakistani war precipitated a break of all ties between China and East Bengal, and it is being viewed by the press as a possible prelude to Chinese diplomatic recognition. In view of China's close ties with Pakistan, however, Peking probably will defer any political moves, at least until after the upcoming summit talks between its Pakistani allies and India. In any event, the Chinese probably will withhold a decision on diplomatic recognition until after Pakistan recognizes the Mujib government. Until last December, Peking was a large purchaser of jute from Dacca. (CONFIDENTIAL)

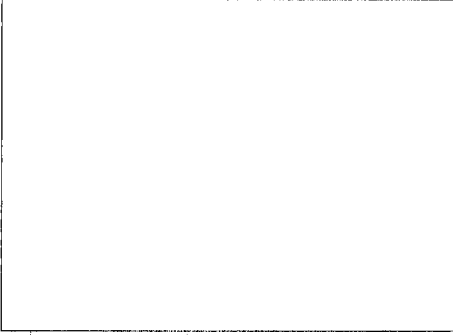
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