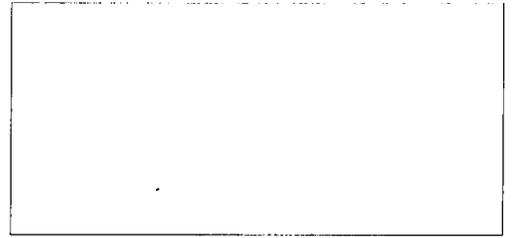


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NORTH VIETNAM: Hanoi has poured cold water on any notion that there is an easy way for the US to obtain the release of American prisoners.

Xuan Thuy, North Vietnam's chief delegate in Paris, told Chalmers Roberts of the Washington Post that the Communists might be willing to separate their military and political demands, and thus not insist on the removal of the present Saigon government as part of the price for American prisoners. But he made clear that simply setting a date for the withdrawal of US forces would not bring about their release. Thuy indicated that prisoners would not be set free until the US was committed not just to the withdrawal of US troops from Vietnam, but to pulling out all American military personnel from Indochina--including advisers and other noncombatants--and ceasing all American military operations against the Communists; he implied strongly that military aid to the South Vietnamese Government would have to end too.

Hanoi is well aware that if these actions were carried out before a settlement of the war, the present anti-Communist government in Saigon could not survive very long. Hanoi also knows that the US is not likely to agree to these extreme demands, and therefore Communist spokesmen often try to blur them in order to encourage critics of US policy who argue that setting a troop withdrawal date is a way to get back American prisoners.

But the Thuy interview indicates that Hanoi still holds to the view that American involvement in Vietnam can end only by the US throwing in the towel, or by bringing about political changes in Saigon through negotiations. Moreover, it suggests that Hanoi is not likely to alter soon its basic position on prisoners even for propaganda effect. Thuy made clear once again that the Communists insist the prisoner question is a postwar issue that can only be settled after the US agrees--either by negotiation or by ending support for the present Saigon government--to resolve the main issue of political power in South Vietnam to Hanoi's satisfaction.

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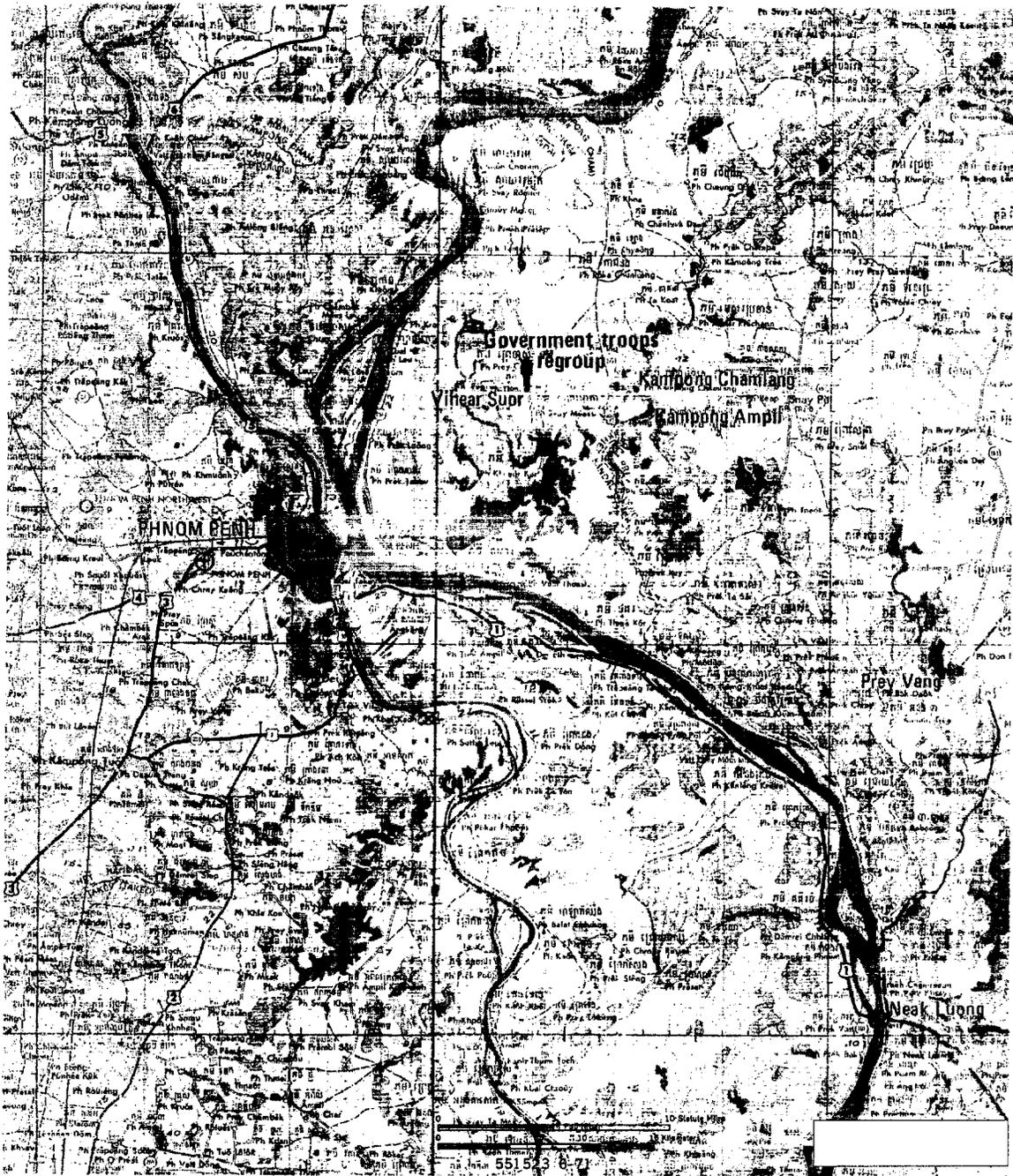
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Phnom Penh Area



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CAMBODIA: Government forces northeast of Phnom Penh are regrouping following the setback dealt them by the Communists two days ago.

Most of the Khmer Krom troops that were heavily attacked by the enemy on Tuesday between Vihear Suor and Kampong Chamlang were able to fight their way back to their staging base at Vihear Suor. A military spokesman has told the press in Phnom Penh that, once these forces are reassembled, they will make another attempt to drive through to hard-pressed government positions at Kampong Chamlang and Kampong Ampil, whose battered defenders apparently are badly in need of medical assistance.

It is unlikely that the government will be able to resume the offensive, however, until fresh reinforcements and supplies are dispatched to Vihear Suor. The commander of the Khmer Krom units on the northeastern battlefield told the US defense attaché on 9 June, for example, that he is unable to retake the initiative now because his troops are low on ammunition and in need of replacements. He stated that his units suffered 26 killed and 126 wounded in the fighting on 8 June, a total substantially lower than initial reports indicated. Over-all losses of his troops in the current campaign total 50 killed and 246 wounded. Despite these casualties, the commander said his men's morale was still high because they killed at least 85 of the enemy in the encounter of 8 June.

The attaché also reports that a low-level Vietnamese Communist prisoner captured by the Khmer Krom has told his interrogators that he was assigned to a regiment of the Communist 9th Division, which he claimed has an over-all strength of 3,000. He also claimed that his unit had moved out of the Chup plantation area in order to capture Kampong Chamlang and Kampong Ampil. Although the prisoner did not disclose why the Communists wanted to take these positions, he alleged that his unit would eventually attack Phnom Penh.

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FRANCE-BERLIN: Paris continues to edge toward a more independent line in the Berlin negotiations.

In the first explicit statement to this effect, the two French diplomats involved in the Berlin talks recently said that the three Western allies should no longer follow the custom of agreeing on a common position prior to negotiating sessions with the Soviets. They argued that the Berlin talks have now entered a new phase, and that each Western ambassador should be free to negotiate directly with Soviet Ambassador Abrasimov. In addition, one of the diplomats stated that rather than meeting at specific intervals the ambassadors should move toward continuous sessions.

Whether these statements represent new French policy or are a trial balloon, they are in keeping with the recent thrust of French European policy. This appears to be aimed at regaining the initiative for Paris in the dialogue with Moscow by taking positions out in front of the Western allies on a variety of issues. The most recent example was the attempt by France at the Lisbon NATO ministerial meeting last week to modify the allied position that a successful outcome of the Berlin talks should be a precondition for multilateral preparations for a Conference on European Security.

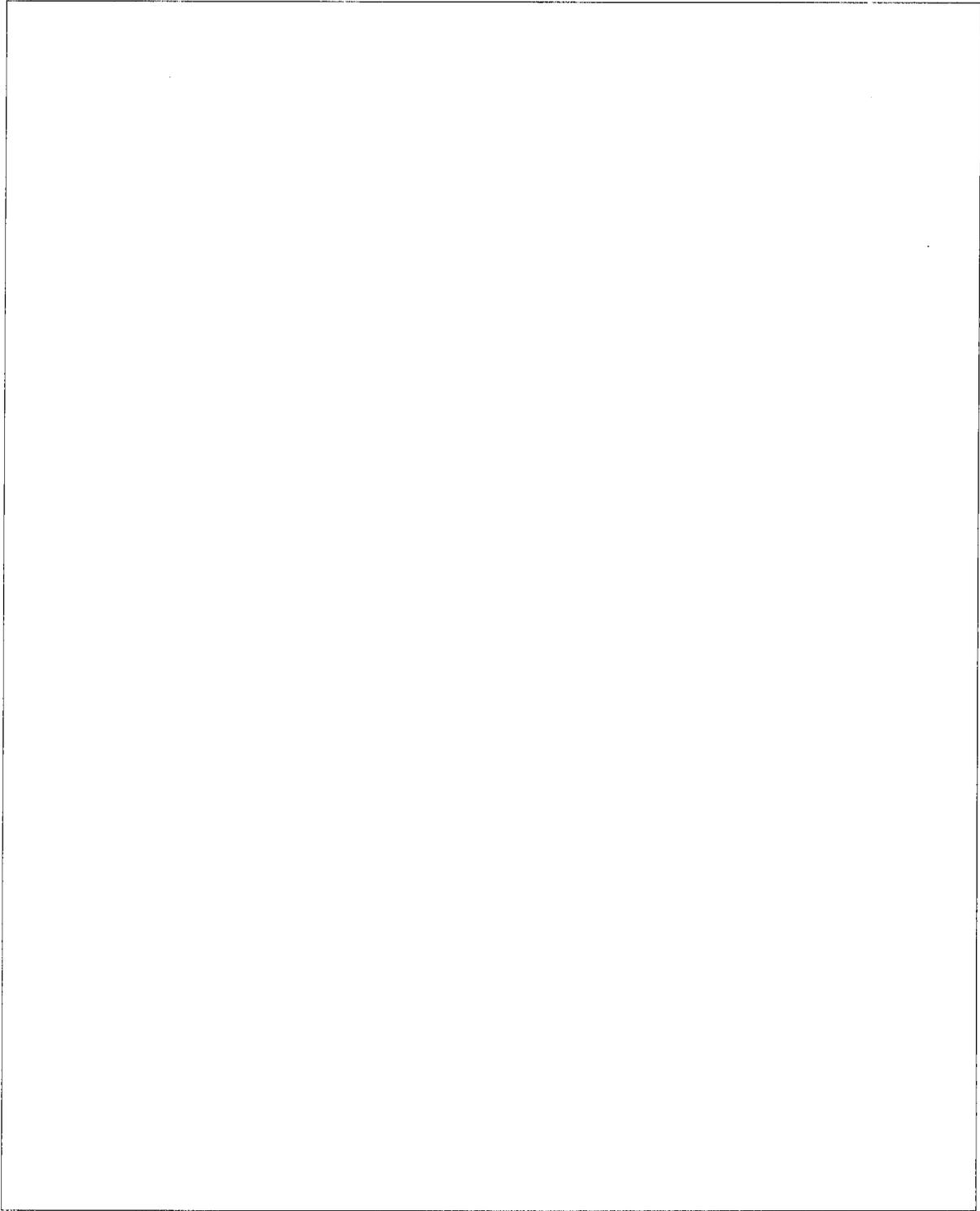
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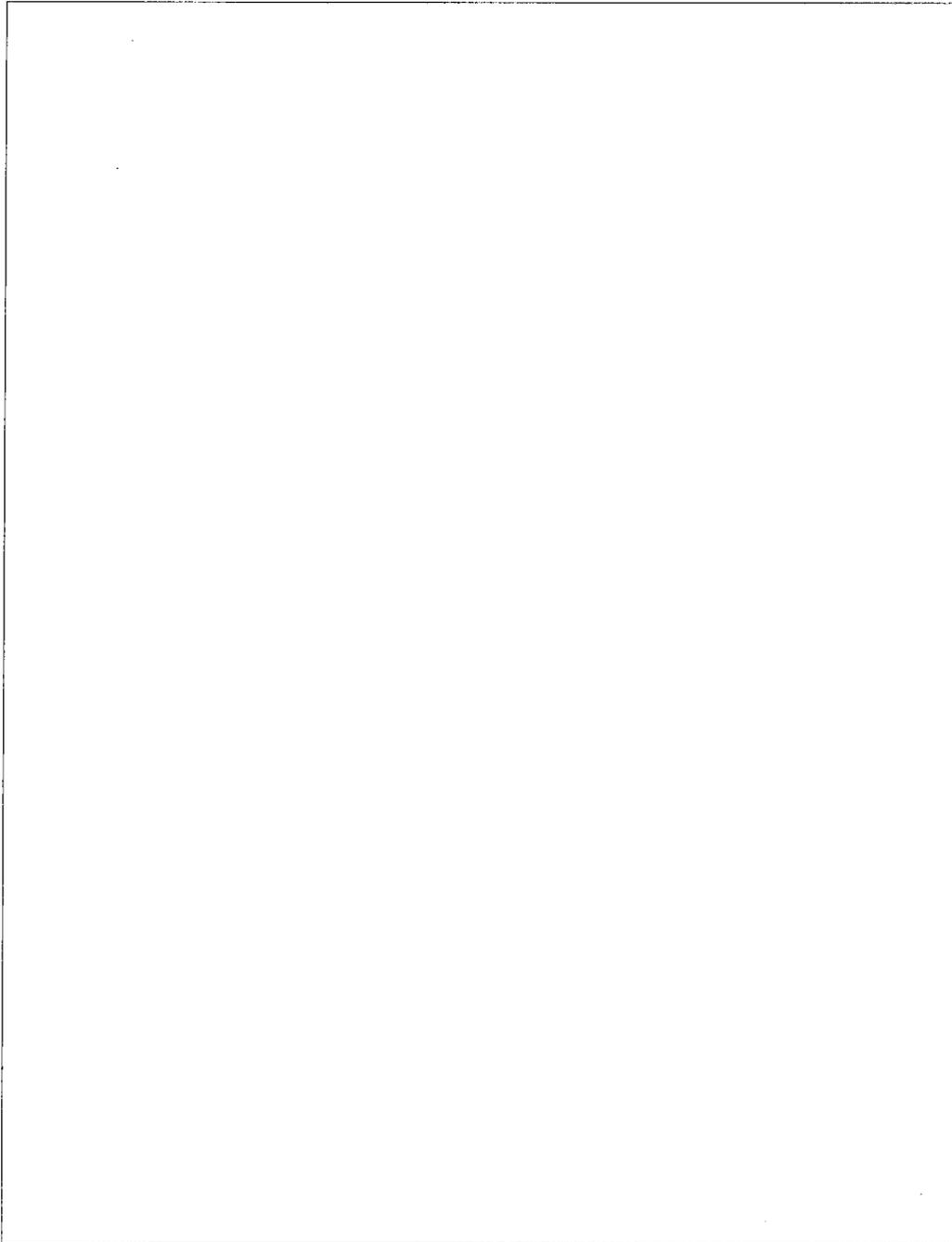
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EUROPEAN COMMUNITIES - UK: The good progress that was made Monday on Britain's bid for EC membership augurs well for final agreement by mid-summer at the latest.

The UK and the Six, at their latest session in Luxembourg, resolved the question of the future role of sterling, which at one point seemed a threat to the success of the negotiations. The British agreed that the overseas sterling balances should be stabilized and eventually reduced, and that sterling's role as a reserve currency should be adjusted so that London will be able to take full part in the EC's movement toward economic and monetary union.

The community decision to accept this British declaration marks a concession by the French, who had earlier insisted on spelling out specific arrangements for reducing sterling balances. London, on its part, made a concession to Paris by agreeing that UK compliance with EC directives on capital movements will be settled in the accession talks.

The problem of Commonwealth sugar was also solved. Britain affirmed acceptance of the agreement reached with the Six last month and formally presented the communiqué issued after its recent meeting with Commonwealth producers. The Six did not object to this communiqué even though it was a somewhat more specific commitment to the producers than the EC and the UK had previously formulated.

Of the remaining big issues, the application of the EC's fisheries policy--a highly sensitive issue for the UK and the other candidates for membership--was discussed briefly and then referred to the EC Commission. The Commission will make recommendations on this question in time for consideration by the Six prior to the next ministerial negotiating session on 22-23 June.

There was no discussion of New Zealand butter or community financing, but the Six, in talks among themselves, appeared to be moving toward common positions on both problems. The French, for example,

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conceded for the first time that guarantees for New Zealand butter could be extended for a year or two after the initial five-year transition period. These remaining questions undoubtedly will require further bargaining among the Six and with the British; no important political differences, however, remain to be resolved.

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YUGOSLAVIA-USSR: Belgrade has publicly charged Moscow with encouraging anti-Yugoslav emigre activity in the Soviet Union.

The Yugoslav decision to publicize the "resolute protest" lodged with the Soviet ambassador in Belgrade is the first acknowledged move against Soviet anti-Yugoslav activity in recent years. In the past, Belgrade has hinted at alleged Soviet complicity with Yugoslav emigres, but shied away from taking open countermeasures. This time, however, Yugoslav press reports from Moscow of a series of lectures there by emigres attacking Belgrade's policies and Tito personally apparently prompted stronger action.

Yugoslavia's get-tough attitude also appears linked to the fact that its negotiations with the USSR on a reciprocal information exchange agreement are stalled. Belgrade is particularly angered over the amount of money and time the Soviets spend distributing propaganda in Yugoslavia. Similar Yugoslav efforts in the Soviet Union are closely restricted. Belgrade argues that its side of the story is being suppressed in the USSR.

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POLAND-USSR: Soviet Premier Kosygin and Polish Premier Jaroszewicz on Tuesday signed agreements for increased economic cooperation.

The agreements provide for increased trade above the levels specified in the 1972-1975 agreement as well as for delivery of Soviet industrial plants, additional mutual technical assistance, and cooperation in electronic computer technology. TASS announced that discussions also were held on additional cooperation in machine-building, consumer goods manufacture, and joint development of production of raw materials and fuel.

Although not announced by TASS, the new agreements may include provisions for Polish repayment of the Soviet credit extended in February and Soviet assistance for some of Poland's long-term investments under revised economic plans extending through 1975. The Poles have scheduled a central committee plenum later this month to consider the revised economic plans.

The accords reflect Moscow's desire to enhance the political stability of the new Polish regime by helping it solve its long-term economic problems. Although not specifically mentioned, measures to assist the regime in keeping its promises to workers for improved living standards apparently were covered during the talks. [REDACTED]

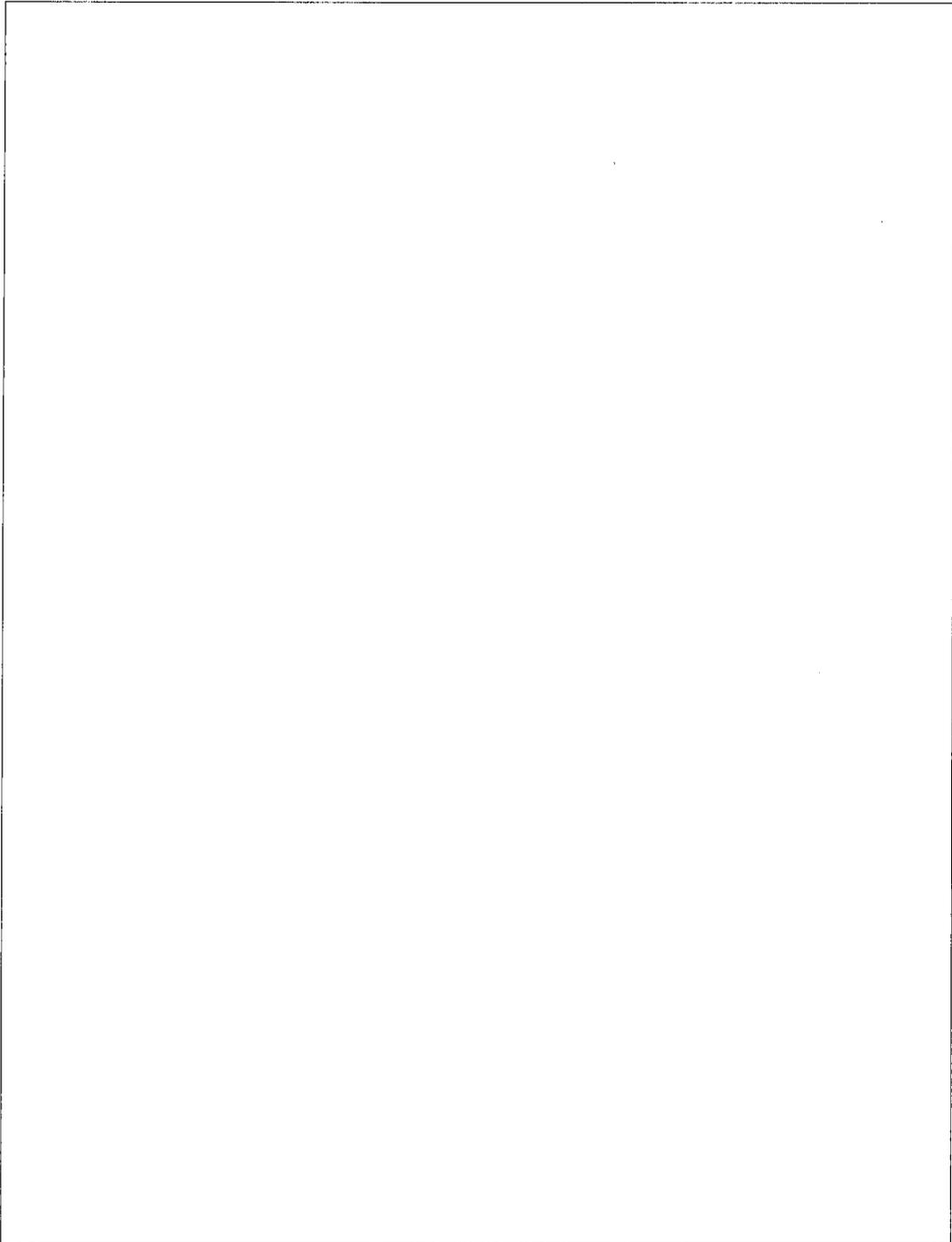
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AFGHANISTAN: The newly appointed prime minister, Dr. Abdul Zahir, will probably face growing popular discontent over serious economic problems.

Named by King Mohammad Zahir Shah on Tuesday, Dr. Zahir replaces Nur Ahmad Etemadi, who resigned on 16 May. The rest of the new cabinet has not yet been announced. Zahir, a 61-year-old US-educated physician, is a close friend of the King and has held a variety of high government and diplomatic posts. A member of Kabul's Westernized elite, he is a supporter of Afghanistan's domestic program of gradual modernization and its international posture of nonalignment.

Afghanistan is currently suffering from a serious drought, food shortages, and rising food prices. These issues gave rise to several recent protest demonstrations in Kabul by disgruntled students, peasants, and rural religious leaders (mullahs). The protestors claimed, with considerable justification, that the Etemadi government was vacillating and ineffective in dealing with the country's problems. Moreover, many students believe that Dr. Zahir is unsympathetic to them, and they may demonstrate against his appointment during the next few days.

Dr. Zahir, as a generally respected leader and former president of Parliament's lower house, should have somewhat better relations with Afghanistan's obstreperous Parliament than did his predecessor. However, if the new government fails to get adequate parliamentary cooperation and does not show some sign of being able to ease the economic crisis, unrest will probably increase and the King--who remains the dominant force in the country--may begin to feel tempted to suspend his seven-year-old experiment in parliamentary government and revert to a more authoritarian approach.

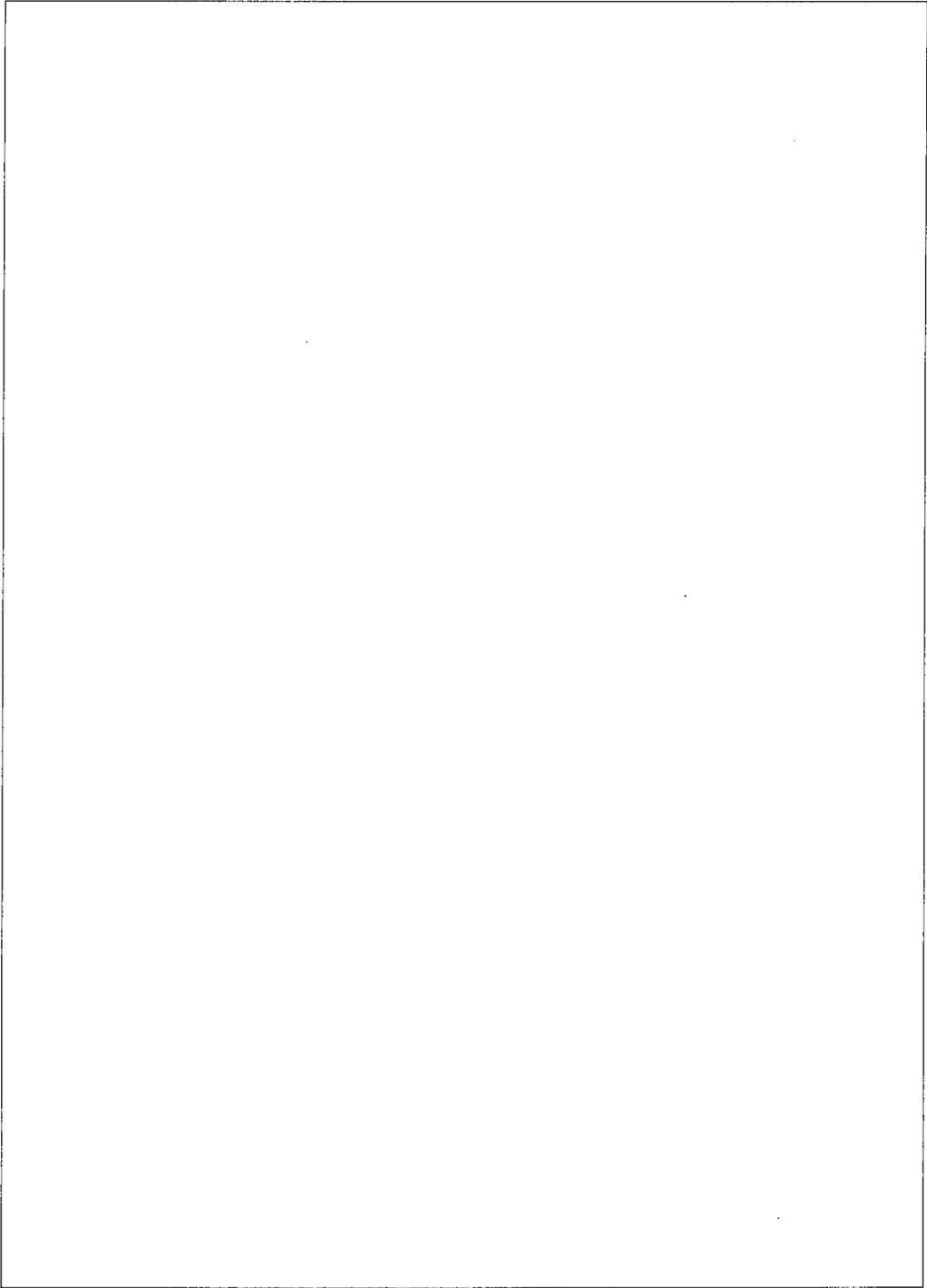
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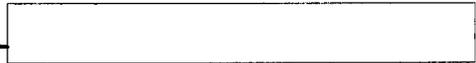


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EUROPEAN COMMUNITIES: The EC Commission has informed US Ambassador Schaetzel that the communities are prepared to take steps to ease several specific trade problems which have been a source of irritation to US-EC relations for several years. The proposed measures would give US citrus improved access to the EC market during certain times of the year, reduce EC and US competitive subsidization of some exports to third country markets, and commit the EC to consult in the event its tobacco policy increases community production to the detriment of US exports. The Commission offer--long-delayed by conflicting interest among the member states and the division of authority within the community over trade policy--is intended to be a token of good faith that will lead to negotiations on more general trade problems once the talks with Britain are successfully completed. [REDACTED]

(continued)

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PHILIPPINES: Proposed US sugar legislation has received wide but restrained publicity in the Manila press, although some officials are trying to use it to rally nationalist sentiment. The press has been reporting a ten-percent cut in the Philippine quota beginning next year, which the sugar industry claims will result in foreign exchange losses of some \$30 million. Actually the country has for many years been unable to meet its existing quota, although it expects to do so this year, partially by borrowing from next year's crop. The proposed quota reduction would require the Philippines to restrict exports to the US to roughly the level of 1970 when shipments fell about 150,000 tons short of the country's present quota. [REDACTED]

CONGO (KINSHASA): President Mobutu is going through with his announced decision to induct into the army all Congolese students at Louvanium University, following antigovernment demonstrations last weekend. [REDACTED] on 7 June Mobutu said that the university was closed and students would soon be dispersed among army units far from Kinshasa. [REDACTED] some 850 of over 3,000 Congolese students were already en route to their units, and that the inductees would serve a special two-year tour. [REDACTED]

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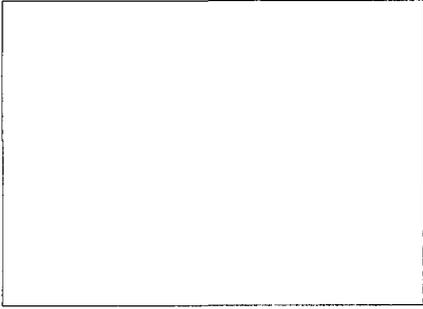
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