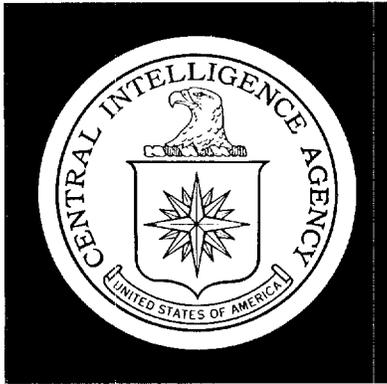


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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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State Department review completed

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COMMUNIST CHINA: Peking's cautious New Year's Day pronouncement, if anything, tended to downplay progress over the past few months in party and governmental reconstruction and in the international arena.

The joint People's Daily - Red Flag - Liberation Army Journal editorial on 31 December was remarkable for its failure to cite even the recent formation of the regime's first provincial party committee since the Cultural Revolution. Although party building at the higher administrative levels also seems to be picking up momentum in several other provinces, Peking still appears to feel little cause for self-congratulation over the pace of the program that reputedly has been its first order of domestic business for the past year and a half.

The editorial reiterated calls for unity and organizational discipline first issued at the Ninth Party Congress in April 1969, thus attesting to the complexity of personnel and policy issues which have been plaguing the party-building process from the beginning. Significantly, the editorial appealed to senior cadres in the party to follow Mao's revolutionary line "still better"--an indication of the high degree of frustration in Peking over the difficulty high-ranking civilian and army leaders are having in resolving the political squabbling that still hampers effective administration in many locales.

Even though the regime has announced important ministerial appointments in recent months, the editorial still is vague on the timing of the National People's Congress--which is expected to serve as a forum for unveiling the central government apparatus and the regime's new five-year plan. Regarding the latter, however, the editorial struck a more positive note in formally announcing that 1971 will be the

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first year of the Fourth Five-Year Plan. Nevertheless, predictions for the economy were even more modest than last year, and no claims were made that the current planning process will generate another "great leap forward." Although specifics on the Five-Year Plan are lacking, its keynote apparently will be pragmatism.

The editorial's stock-taking of improvements in Peking's international position in the past year is surprisingly limited and China's diplomatic achievements, such as Canadian and Italian recognition and the favorable UN vote, are pointedly ignored. Instead, Mao's statement on 20 May that revolution is the sign of the times is resurrected, highlighted by the new themes of Latin American seabed claims and Guinea's defense against invasion. Both have parallels in China's own situation vis-a-vis the US and USSR. Predictably, Peking's favorite betes noires--US and Soviet collusion and Japanese militarism--are also paraded. As in last year's editorial, Moscow's revisionist policies are described as bankrupt, and this time around the Chinese seize on recent events in Poland to illustrate the "deep crisis" in Eastern Europe. In contrast to last year, however, personal invective against Soviet leaders is omitted.



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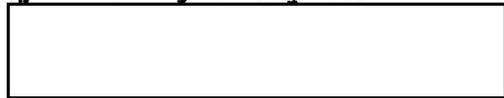
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VENEZUELA: Venezuela appears to be considering a change in its Cuba policy.

The secretary general of the governing COPEI party said at a press conference this week that the Organization of American States should allow governments to re-establish relations with Cuba if they are interested in doing so. This could be done, he said, now that "Castro has changed his conduct with regards to the interference in the internal affairs of other countries." He added that recognition did not imply approval of a system of government.

In addition, Venezuela reportedly has asked Trinidad's Prime Minister Williams to explore the possibility of a rapprochement with Cuba, saying that Venezuela would follow Trinidad's lead. This overture evidently was made some time ago and there are no indications that the Williams government is prepared to act on it.

These actions, which may amount to no more than a trial balloon, suggest that Venezuela may be interested in the eventual incorporation of Cuba into the inter-American system. Caracas would have to move cautiously because it was largely responsible for the OAS decision in 1963 to isolate Cuba. Because of its earlier strong opposition to Castro, any change in Venezuela's policy would greatly influence other Latin countries.



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USSR-NATO-US: The USSR has made an official demarche attacking the outcome of the December NATO ministerial meeting and alleging US obstruction of efforts toward detente in Europe.

The Soviet document, delivered by Ambassador Dobrynin on 28 December, concentrates its fire on the "linkage" which the NATO communiqué established between a Berlin settlement and movement toward realization of Moscow's proposal for a conference on European security (CES). It takes particular exception, on principle, to attempts to tie the convening of a CES to other negotiations, including those "not even related to Europe." The note stresses Moscow's endorsement of the Finnish proposal for a multilateral preparatory meeting of ambassadors in Helsinki, and charges that attempts to establish a Berlin settlement as a precondition for a CES are meant only to impede movement toward a conference.

The Russian demarche alleges that further progress in the Berlin talks is dependent on a change in the Western position, and insists that "an answer is due from the Western powers" to the proposals presented by the Soviets at the last four-power meeting. This is essentially similar to the position the Soviets have long taken privately with Bonn and more recently in the press, arguing that Western--and specifically US--inflexibility is responsible for the stalemate in the talks.

The charge of US hostility and opposition toward detente in Europe reverberates throughout the note. Moscow charges the US with using the Berlin talks to "complicate" movement toward a CES and with attempts to "impede the process of improvement of the political situation" in Europe.

The general tone of the demarche seems to reflect a degree of genuine concern that Washington regards a CES and other East-West negotiations in

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Europe as a threat to its political interest on the continent, and consequently will try to torpedo them. The document also serves Moscow's immediate tactical interests in the Berlin talks by adding to the pressures for Western concessions.

The West Germans received a similar demarche on 28 December, and presumably other signatories of the NATO communiqué have already been, or will soon be, on the receiving end of similar notes. Moscow can be expected to adjust the language of these notes to try to play on differing approaches to a CES among the NATO powers and to further its efforts to undercut the US position in Europe.



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LIBYA-ALGERIA: Libyan President Qadhafi appears to have experienced a personal defeat during Algerian Premier Boumediene's state visit, which ended on 30 December. The Libyans had hoped to enlist Algerian support for the nascent quadripartite federation-- Libya, Egypt, Sudan, and Syria--and to obtain a more than rhetorical commitment by Boumediene to the "Qadhafi Plan," which calls for a "battle of destiny" against Israel. The final communiqué committed Algeria to neither the federation nor the "Qadhafi Plan" and stressed primarily the value of bilateral cooperation. This setback is unlikely to deter Qadhafi in his drive to establish himself as a principal Arab leader.



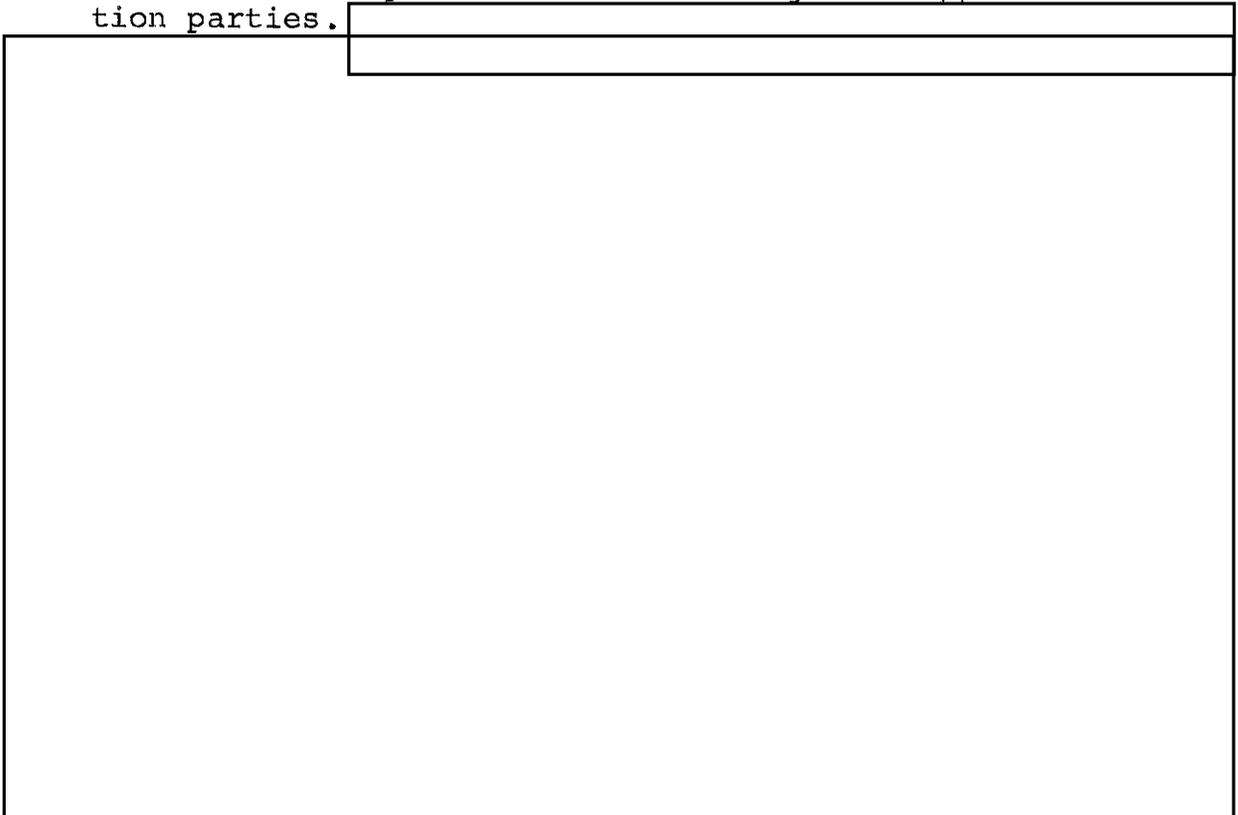
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INDIA: Prime Minister Gandhi has told a press conference that her Ruling Congress Party will form no countrywide electoral alliances with other parties; it plans to run candidates for all 520 lower house seats being contested in the forthcoming elections. Although her remarks are not encouraging to the pro-Soviet Communist Party of India, which has been working for some kind of formal electoral collaboration with her party, they do not preclude ad hoc cooperation in individual contests. Spokesmen for the right-of-center Opposition Congress Party have indicated that they will seek cooperative electoral arrangements with other rightist opposition parties.

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POLAND: Cardinal Wyszyinski issued a firm, positive New Year's response to the new government's initiative for improved church-state relations. The Cardinal's declaration, read in churches throughout Poland, roughly parallels the regime's own proposals for an improvement in the life of Polish citizens, but goes beyond earlier church statements by listing specific areas where improvement is needed. Wyszyinski's move indicates he welcomes a church-state accommodation. The contents of his declaration, however, clearly show his intent to probe the limits of regime willingness to improve relations with the church.

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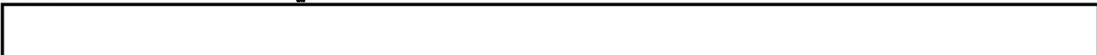
CHILE: Allende has announced that he would soon send to congress a draft bill to nationalize all private banks. Inspectors will be appointed to run each bank, and the government is offering to buy quickly all of the stock in the banks, paying individual stockholders for the first \$600 immediately in redeemable bonds and the remainder over two to 15 years. The takeover of foreign branch banks will be subject to special negotiation. Allende also promised a new credit policy that would redistribute credit to the lower classes and lower interest rates. In the election campaign and afterwards, he frequently pledged to nationalize the banking system.

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BRAZIL: The abductors of the Swiss ambassador have submitted a new list of 70 prisoners they want to exchange for the envoy. The list contains 24 names as substitutes for persons the government had refused to release because they were serving long prison terms, had participated in kidnappings or other serious crimes, had declared they did not want to be exiled, or were not in custody. The authorities will examine the new list and inform the terrorists within the next few days whether it is acceptable. The officials are likely to refuse to free some of the individuals on the new list because they are serving prison sentences, thus furthering the government's prime objective of gaining time to locate the diplomat and his captors before completing an exchange.



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ANDEAN COMMON MARKET: Representatives of this five-country regional economic grouping have reconciled their differences on the draft code governing foreign investment, which now must be approved by their governments. They have agreed that foreign companies already established in member countries can retain majority control of their enterprises but would not be accorded preferential tariff treatment within the common market. Foreign-owned companies established after mid-1971, however, would have to offer 51 percent of their stock for sale to common market nationals in Colombia, Peru, and Chile within 15 years, and within 20 years in Bolivia and Ecuador. Independent observers of the group's recent deliberations in Lima fear that the restrictive code could sharply reduce future foreign investment in the common market.



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