Secret

DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

Nº 040

23 June 1971

Approved For Release 2003/08/08 : CIA-RDP79T00975A019300100001-6

No. 0149/71
23 June 1971

Central Intelligence Bulletin

CONTENTS

NATO: The allies are showing uneasiness over bilateral US-Soviet talks on two subjects.

Italy has expressed what may be a broad concern among the allies that their interests be taken into account in the upcoming bilateral US-Soviet talks on incidents at sea. Rome has indicated that it would have preferred a NATO debate of the question before the talks were announced, but now hopes for such a discussion as soon as possible.

The allies have similar worries about the dialogue on mutual and balanced force reductions (MBFR). Suspicions among the allies that the US-Soviet dialogue on MBFR is limiting allied influence could increase support for selecting an emissary to represent the alliance in MBFR explorations even before the meeting of the NATO deputy foreign ministers planned for this fall. A number of allies may now also intensify their bilateral contacts with the East on MBFR. 25X1

MALTA: The new government of Prime Minister Dom Mintoff is displaying a tougher attitude toward the West in its handling of the visits of foreign naval vessels.

Prior to his victory in the elections earlier this month, Mintoff indicated that he would work for closer relations with Libya as well as other Arab countries of the Mediterranean. On 17 June the British high commissioner was informed that units of the Libyan Navy would visit Malta this week. He replied that the UK had "no objection," but Mintoff later sent word that there was no question of British approval; Malta was simply informing the British. The high commissioner then sent a note pointing out that London had the right to approve or disapprove such visits under the UK-Malta defense agreement. Mintoff has notified the British that he wants to begin renegotiation of the defense agreement right away.

A Maltese official informed the US Embassy in Valetta yesterday that notes requesting approval of visits to Malta by US ships during the summer months are in Mintoff's office. The official recommended that the ambassador call on Mintoff soon and "be able to say something positive." He said Mintoff had made it clear in the election campaign that those using Malta must pay, and in the official's view this applied to fleet visits. Although Mintoff has granted permission for two ship visits scheduled for June, the decision cannot be read as an augury for his attitude toward other major naval visits because the June visits had already been approved by the previous government.

The official repeated an earlier proposal that Malta be given substantial Sixth Fleet maintenance and repair work at the drydocks, and commented that such an offer would certainly be a "positive element." 25X1

BOLIVIA: The nation remains tense as a government-declared state of emergency enters its second day.

Late Monday, Interior Minister Gallardo again denounced plotting by ex-military and "rightist" civilian opposition groups; the security forces remain on alert. The opposition groups, however, are still unsure of their readiness to act, and reportedly anticipated that the government would take precautions against a coup attempt yesterday when the extreme left's unofficial legislature--the popular assembly--was scheduled to meet. Some middle-ranking officers and peasants, who wanted to move against President Torres, were apparently persuaded to delay action to await the completion of a coordinated coup plan.

Torres is evidently continuing his efforts to secure the support of labor and student groups by establishing an identity of interests between the extreme left and his regime against the "rightist" conspiracy. This may buy time for Torres, but the forces threatening the precarious political balance persist, and the situation remains unstable.

25X1

25X1

Approved For Release 2003/08/08 : CIA-RDP79T00975A019300100001-6

CEYLON: The government is exploiting the current emergency to extend control over the press.

A recent government notice requires submission to a censor of any news story covering cabinet proceedings and actions or any matter "considered or alleged to be considered by any minister or any ministry." The notice also requires the censor's approval of any article on such subjects as the activities of proscribed organizations, government investigations of the insurgent movement, and military and police dispositions.

Shortly after the insurgency erupted in early April, the government banned nine small, Maoist publications and imposed censorship on all newspaper editorials. Many papers, including those affiliated with Prime Minister Bandaranaike's Trotskyite and Communist coalition partners, found none-too-subtle ways of protesting this earlier censorship. Presumably nearly all of the Ceylonese press will be unhappy with the new regulations, which could in practice be extremely restrictive. Almost every government proposal can come before the cabinet.

Although Mrs. Bandaranaike can claim that the insurgency requires this increasingly stringent control of the press, she probably views the current situation as an opportunity to hobble some old enemies. During her previous administration in 1964, she backed a bill providing for the take-over of a moderately conservative chain of newspapers which had been very critical of her administration. The bill touched off a vigorous reaction from the press and contributed to her subsequent fall when several of the more moderate members of her coalition deserted her over the press bill in particular and increasing leftist influence on her government in general.

25X1

INDIA: The Western aid consortium that met last week in Paris concluded that India would require $1.2 billion in developmental aid for the fiscal year that began in April, compared with $816 million committed last year. Aid to support Pakistani refugees is not included and is to be handled separately.

In recent years India's debt servicing obligations have increased sharply, net aid has declined, and New Delhi has drawn down about $700 million of previously pledged foreign aid, leaving a current aid balance of $2.3 billion committed but unused. Simultaneously, however, New Delhi has repaid all of its obligations to the International Monetary Fund and since the mid-1960s has almost doubled its foreign exchange reserves, which are now over $1 billion.

The 13-nation consortium commended India for its generally satisfactory economic performance in 1970, but made several recommendations for increasing the growth of industrial production. These included further relaxing protective domestic controls and greatly liberalizing imports. The consortium members stressed India's need for increased foreign aid, emphasizing their opinion that New Delhi's greatly improved foreign exchange position had been bought at the expense of economic growth. Most members, however, expressed concern about the extent to which controls on domestic and international business had distorted the economy, restrained production, and clouded investment outlook. [redacted] 25X1

25X1

CENTRAL AMERICA: The Central American Common Market, already in serious disarray because of Honduras' unwillingness to participate, is encountering further difficulties.

Costa Rica is deeply concerned over the heavy influx of Guatemalan and Salvadoran goods that previously went to Honduras. The government has complained of unfair competition and has taken protective measures that contravene the Common Market's free trade provisions. In turn, Guatemala and El Salvador have retaliated against imports from Costa Rica.

In addition, the Costa Rican establishment of a dual exchange rate to counteract balance-of-payments difficulties will strain Common Market ties. For the second time in four years, there is an official rate for certain "essential imports" and a higher, free rate for other transactions. On an earlier occasion, Costa Rica included all goods from its Common Market partners in the "essential import" list, but has not done so this time.

This latest problem highlights the growing schism between Guatemala and El Salvador--the two countries that have particularly benefited from economic integration--and the economically weaker Costa Rica, Nicaragua, and Honduras. Renewed negotiations on restructuring the Common Market to meet the needs of the weaker three are likely, but any such agreement will be difficult to reach.

25X1

25X1

NOTES

PAKISTAN: The Western aid consortium has put off any decision on new economic assistance until prospects for a settlement between the East and West wings improve. Preliminary reporting on President Yahya Khan's plan for the return of civilian government in East Pakistan suggests it will be far less forthcoming than desired by either the Bengalis or many Western aid donors. Furthermore, announcement of that plan apparently has been postponed until next week. Despite their reluctance to extend new aid at this time, consortium members stress that they will provide humanitarian assistance under UN auspices for East Pakistan. 25X1

* * * *

GUYANA: Prime Minister Burnham reportedly has chosen 15 July as "vesting day"--the date on which the government formally assumes control of the Canadian-owned Demerara Bauxite Company (DEMBA)--but the nationalized company will face serious problems. DEMBA has gradually reduced its operating stockpile in anticipation of vesting day, and all but a few of the expatriate staff have left the country. In addition, the government has been experiencing difficulty in securing markets for the bauxite as well as loans to meet operating expenses. 25X1

25X1

(continued)

NIGERIA: A new decree being drafted by the government may have serious implications for foreign investment in Nigeria. According to an official press release, the government has decided to reserve 26 types of commercial enterprise including retail trade, printing, bottling, radio and TV assembly, and garment manufacturing, exclusively for indigenous businessmen. In addition, foreign businessmen are to be banned from entering industries that have fixed capital under $560,000 and less than 40 percent ownership by Nigerians. The new policy, in keeping with current thinking among many middle-level and senior civil servants that foreign companies play too great a role in the Nigerian economy, may foreshadow further restrictions.

25X1

25X1