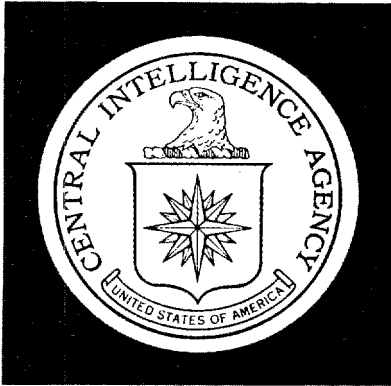


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DIRECTORATE OF
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WEEKLY SUMMARY

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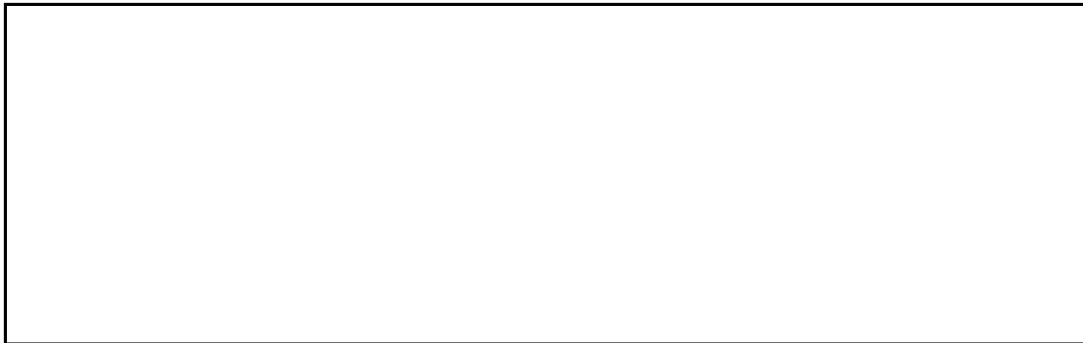
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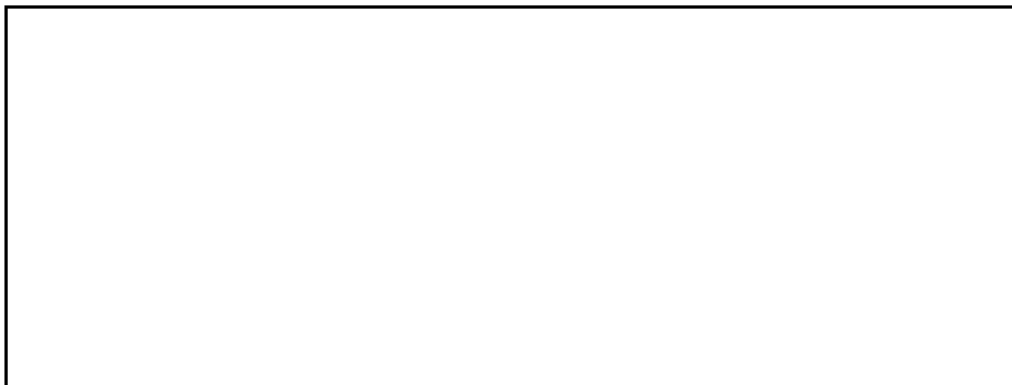
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FAR EAST

The first phase of the Communist spring offensive in South Vietnam apparently has ended. Military activity last week returned to the pre - 23 February level, featuring sporadic shellings of allied positions and some urban centers. This lull, however, probably is only a pause while Communist forces prepare for the next round. Signs are beginning to appear that the Communists are trying to use this offensive to counter recent government gains in the pacification program. The primarily political aims underlying Communist tactics were also evident in the attempted assassination of Prime Minister Huong and in the renewed rocket attacks on Saigon. The Communists clearly are seeking to undermine and demoralize the Saigon government and to stimulate US - South Vietnamese differences over the proper allied response to these provocations.

In Laos, the Communists' capture of the key government guerrilla base and airstrip at Na Khang broke a two-month lull in the northeast and raised the prospect of a serious deterioration in the government's position throughout northern Laos. The Communists are now moving against the remaining government bases in the northeast in an apparent drive to eliminate a government presence in areas nominally under Pathet Lao control since the 1962 Laos settlement. In south Laos, the Communists have intensified pressure along the western edge of the Bolovens Plateau but heavy air strikes have prevented a new North Vietnamese assault in the three-month-old siege of Thateng.

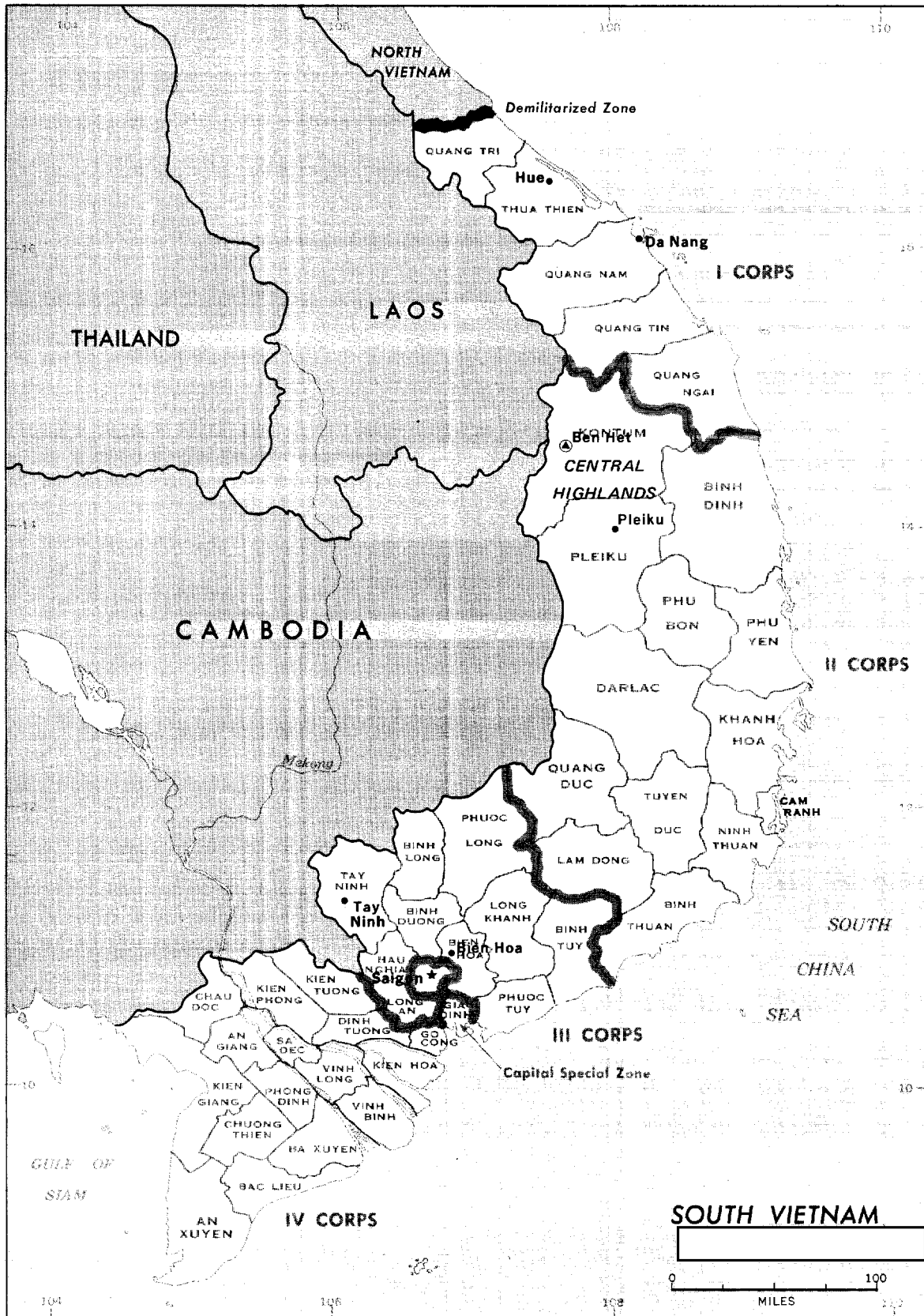
The Chinese Communists have seized upon the 2 March clash on the Ussuri River frontier to stage country-wide demonstrations denouncing a wide range of Soviet policies and calling for the overthrow of the new "new tsars" in Moscow. Tightly organized and controlled demonstrations at the Soviet Embassy in Peking are continuing. The Chinese leaders almost certainly regard this new outburst of anti-Soviet chauvinism as a highly effective backdrop for their impending ninth party congress. [REDACTED]

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VIETNAM

The over-all level of Communist attacks tapered off during the week from the high-point reached during the first few days of the current offensive. The enemy continued to shell allied positions and urban centers, however, and Communist ground forces in battalion strength or better struck several allied positions.

Hardest hit by enemy ground forces were two US Marine fire-support bases just south of the Demilitarized Zone (DMZ), and a US infantry company that lost more than forty men in an engagement in the central highlands. For only the second time in the war, Communist tanks were used in South Vietnam when an enemy force unsuccessfully attacked the Ben Het Special Forces camp in the highlands. The enemy was also unsuccessful in an attempted assault on the Bien Hoa Air Base, which was repulsed with heavy Communist casualties.

The civilian populace was subjected to several attacks from Communist forces during the past few days. Saigon was hit on 3 March and again on 6 March by rocket fire, causing a large number of civilian casualties. These attacks clearly are acts of defiance designed to produce more pressures on the US and to create divisions among the allies. Sev-

eral other urban centers, including Da Nang, Pleiku, and Tay Ninh, were periodically hit with harassing rocket and mortar fire. Hue remains unscathed thus far in the current offensive.

The heaviest civilian casualties occurred when two villages in the highlands were overrun by Communist forces. In one, more than 70 inhabitants were killed by Communists. In the second, no casualty figures have been reported as yet but Communist forces are entrenched in the village and a portion of it was set on fire.

To tie in with their military offensive, the Communists now appear to have begun a selective terrorist campaign against government leaders. The enemy probably sees the elimination or intimidation of key officials as an important element in a coordinated effort to undermine the South Vietnamese Government. Prime Minister Huong was the target of an assassination attempt on 5 March, the day after a prominent Saigon educator was shot to death. Other attacks may soon follow as the Communists attempt to shake the government. Numerous recently captured documents and prisoners testify to the Communists' intent to stage a series of terrorist attacks in conjunction with the main force military action.

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Enemy Activity in the
Countryside

Initial reports from the South Vietnamese countryside suggested that the Communists had not made any significant effort to attack government pacification teams. In the last several days, however, there is some indication, especially in II Corps, that the Communists may be stepping up their campaign, particularly by seeking out and killing government cadre at the village level. Although Communist attempts to eliminate the government presence in the countryside are less dramatic than assassinations of ranking Saigon officials, the cumulative effect could be far-reaching in the long-term competition for control of the rural population. Before the current Communist campaign runs its course, the enemy

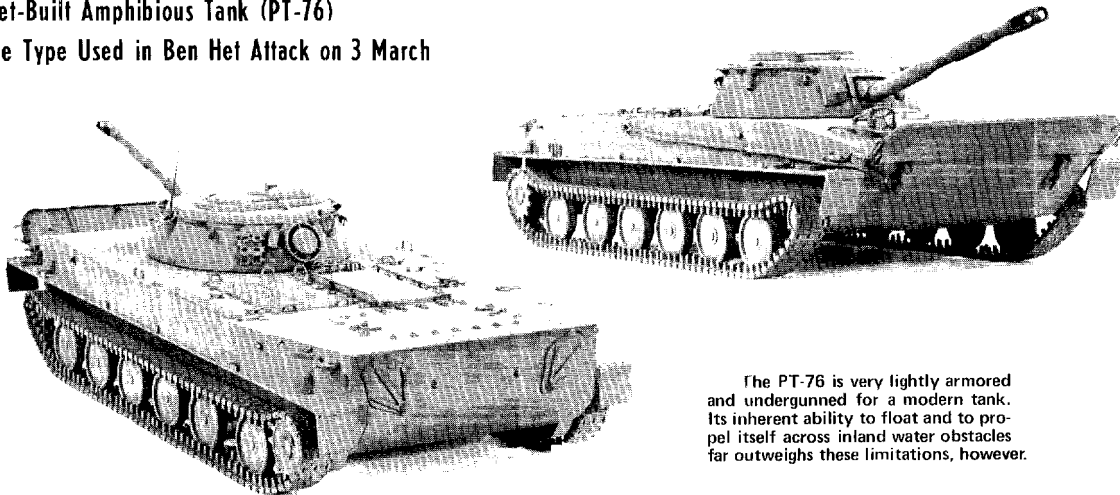
will probably make a substantial effort to counter recent government gains in this area.

The lack of significant enemy activity in the countryside is reflected in current local elections now in progress in South Vietnam. The first of four successive Sunday elections for local officials was successfully completed on 2 March. Voter turnout was unusually heavy, with candidates running for council seats in 92 villages and for administrative offices in 189 hamlets. Communist harassment was minimal and apparently ineffective.

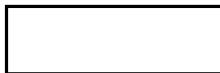
Casualties Show Campaign
Differences

Preliminary data on casualties for the first week of the

**Soviet-Built Amphibious Tank (PT-76)
of the Type Used in Ben Het Attack on 3 March**



The PT-76 is very lightly armored and undergunned for a modern tank. Its inherent ability to float and to propel itself across inland water obstacles far outweighs these limitations, however.



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current offensive underscore some of the differences between this campaign and the major enemy offensives of last year. By concentrating on stand-off mortar and rocket barrages and generally limited ground attacks, the Communists have succeeded in inflicting roughly the same number of casualties on allied forces as during the first week of last year's Tet action while taking less than half as many casualties themselves. This year, however, enemy forces have accomplished far less in terms of disrupting South Vietnam's urban centers, where they suffered a great number of their losses last year. Civilian casualties as a result of enemy action are thus far much lower than at Tet 1968, further demonstrating the relatively low level of Communist attacks on urban centers.

Most evidence indicates that the relative lull in fighting is merely a pause while the enemy prepares for another round of of-

fensive activity, probably within the next few days. The Communists can strike with little warning at several key areas of the country, particularly in III Corps.

Reports continue to indicate that the Communists still plan to mount at least a limited attack against Saigon or its environs.

Political Developments

In Paris, meanwhile, the Communists continue to mark time, presumably in part to await the effect that their current offensive may have on the allies. North Vietnam's chief negotiator, Le Duc Tho, remains in Hanoi and as yet there is no indication of when he will return to Paris. Vice President Ky left Paris for Saigon on 6 March. He apparently intends to commute frequently between the two cities in order to keep in touch with political developments in South Vietnam.

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CHINESE ECONOMY HAMPERED BY MAOIST PROGRAMS

Official pronouncements on the eve of the ninth party congress suggest that a debate is under way among Chinese leaders over broad issues affecting the economy. There is a note of realism in the discussions of management in industry, but Maoist experimentation continues in the agricultural sector. Under these circumstances, the outlook for economic growth is highly uncertain.

Provincial and metropolitan newspapers are elaborating upon a call first made in a People's Daily editorial on 21 February for unified planning, diligence, and frugality; lenient treatment of politically suspect managers and technicians also was urged. In the Chinese context, this constitutes a "pragmatic" line in direct contrast to the revolutionary attitudes simultaneously espoused by People's Daily. This latter approach has severely disrupted management and production on several occasions during the Cultural Revolution.

Industrial production improved somewhat during the last half of 1968. According to Peking, output during this period "increased by a big margin" over the first six months of the year. Nevertheless, it is doubtful that total 1968 industrial output reached the pre - Cultural Revolution level of 1966. Output of electric power, chemical fertilizer, cement, coal, and trucks, for example, is believed still below 1966 levels despite some gains last year.

A dramatic improvement in industrial performance is unlikely as long as the government continues to emphasize radical political and social reforms. While most factories are operating in more or less orderly fashion, political programs are drawing away substantial numbers of workers to supervise Red Guards at schools and universities. Managers and technicians also are being removed from their posts on the ideological ground that they require special political reform because they are "nonlaborers."

Political priority also is apparent in agricultural policy. Food production is still the most fundamental economic activity in China, so that Peking must weigh the effects of each policy change on output. Experiments with changes in methods of remunerating peasants nevertheless continue, including such policies as giving political standing equal weight with work performed in determining pay, and reducing the size of private plots.

Peasants are further burdened by being forced to provide for millions of urban dwellers transferred to rural areas as "surplus population" or candidates for reform through labor, programs that will tend to undermine peasant incentives during 1969. Agricultural prospects otherwise would be fairly good because chemical fertilizer supplies are building up from revived domestic production and from imports that arrived too late for use on crops last year.

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SOVIET-JAPANESE ECONOMIC COOPERATION CONTINUES

Conclusion of an agreement calling for some increase in trade this year and the first export of Japanese machinery for a Siberian development project attest to the continuing economic relations between the USSR and Japan.

The trade agreement calls for a modest increase in total trade this year to \$700 million. Although the agreement calls for balanced trade, Japan's negotiators voiced considerable concern over their recurring import surpluses resulting from Soviet failure to buy sufficient Japanese goods. Last year, Soviet sales in Japan exceeded purchases by about \$280 million.

This situation stems from the nature of trade between the two. Japanese businessmen, who find the USSR a convenient source of many raw materials, continue to expand purchases of lumber, metallic ores, and coal to meet the needs of their rapidly growing industry. On the other hand, the Soviet Union is not a large importer of the type of machinery and consumer goods that the Japanese specialize in exporting.

In response to Tokyo's concern, Moscow again this year has indicated it would import a large number of ships and several complete plants, but this goal probably will not be achieved. The USSR also has allowed Japan, its leading trading partner in the developed free world, the largest business representation of any non-Communist country in Moscow--

eight permanent offices representing 13 firms.

The agreement also provides for Japan to export machinery for the development of Siberian timber resources as part of the first barter deal involving development of northern Siberia. Japan is to supply \$133 million worth of plant and equipment in return for about \$163 million worth of Soviet lumber over the next five years. In addition, Japan will export \$30 million worth of consumer goods.

Permanent committees continue to study other plans to develop copper, coal, and oil resources in Siberia, but little outside the timber deal has materialized because of disagreements over financing and the kinds of goods to be exchanged. One possible deal, recently revised, involves the development of natural gas on Sakhalin Island. Under the new plan, natural gas would be sent to Japan via pipeline; this is believed to be less costly than shipment in liquified form in tankers, as called for in the previous proposal. The firms studying this alternative believe that 2.5 billion cubic yards of gas eventually could be delivered to Japan annually.

Despite continuing economic ties, serious political problems remain between the two countries. Fundamental disagreements center on the USSR's retention of four islands north of Japan seized at the end of World War II, the US-Japan security treaty, and Japanese membership in what Moscow considers pro-Western regional groupings such as the Asian Development Bank and the Asian Pacific Council.

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COMMUNIST MILITARY ACTION PICKS UP IN LAOS

The Communists' capture of the key guerrilla base a Na Khang breaks a two-month military lull in northern Laos, while in the south the enemy is once again turning on the heat.

On 1 March a two-battalion North Vietnamese force inflicted heavy casualties while overrunning the most important government guerrilla base that remained in the northeast. Although a number of enemy units had been sighted moving toward the base's defensive perimeter during the

previous two days, the government forces apparently were surprised by the determined attack. The base's defenses had been weakened last month when guerrilla forces were withdrawn to counter enemy threats to the south.

The capture of Na Khang is another major step in the Communists' long-standing effort to eliminate the government's presence in areas nominally under Pathet Lao control since the 1962 settlement. It is not likely that heavily outnumbered government defenders can hold the remaining isolated outposts in Samneua and northern Xieng Khouang Province should the enemy push the current offensive.

In the south, meanwhile, there are fresh signs of increasing enemy activity along the western edge of the Bolovens Plateau. In recent days, enemy forces have attacked local defenders in the Khong Sedone area, and there have been [redacted]

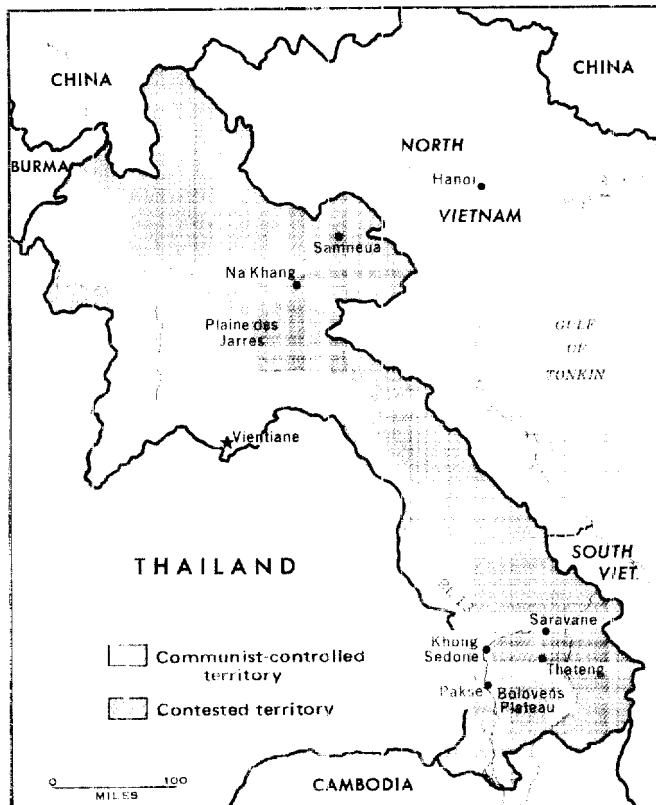
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[redacted] reports of enemy foraging among villages astride Route 13 near Pakse.

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This Communist effort may be designed to force the government to bolster its thinly stretched forces in the Mekong Valley by withdrawing troops committed to the defense of Thateng. Heavy air strikes have prevented dug-in North Vietnamese from launching new ground assaults in the three-month-old struggle for that base.

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EUROPE

The passing of the latest Berlin "crisis" left some unanswered questions about Soviet - East German relations and the clear impression that Moscow managed the situation with the larger issue of East-West relations firmly in mind. A poorly coordinated Communist effort to strike a deal with Bonn that would have shifted the West German presidential election from Berlin continued right up to election eve and suggests there were at least tactical differences between Moscow and Pankow.

From the beginning, however, the Soviets set limits on the amount of harassment that would be allowed and carefully controlled those activities that affected the Western Allies. Almost overlooked was the election itself, in which the Social Democratic Party candidate, Gustav Heinemann, won a narrow victory that may have a pronounced impact on interparty relationships in Bonn and on the West German parliamentary election next September.

Meanwhile, the USSR and its Eastern European neighbors were still trying to work out a common line on several intrabloc problems concerning the organization and functions of the Warsaw Pact and CEMA. The most pressing issue seemed to be the degree of Moscow's control and use of these organizations in applying the principle of "limited sovereignty" in Eastern Europe.

While the Soviets seem less than satisfied with Czechoslovak progress toward "normalization," the Czechoslovak press for the most part remained outspoken, the trade union congress was demanding a lessening of party control, and Czechoslovak writers were boycotting a meeting of Soviet and Eastern European writers in Budapest. In an outspoken speech, Dubcek himself promised to continue the fight against those who want to recreate the "intolerant atmosphere" that existed before January 1968.

The Yugoslavs were busy preparing for their ninth party congress, which will open early next week. The major emphasis will be on bringing new blood into the party and into policy-making positions, but Tito will stay on. Neither the Russians nor certain of their hard-line allies are expected to attend.

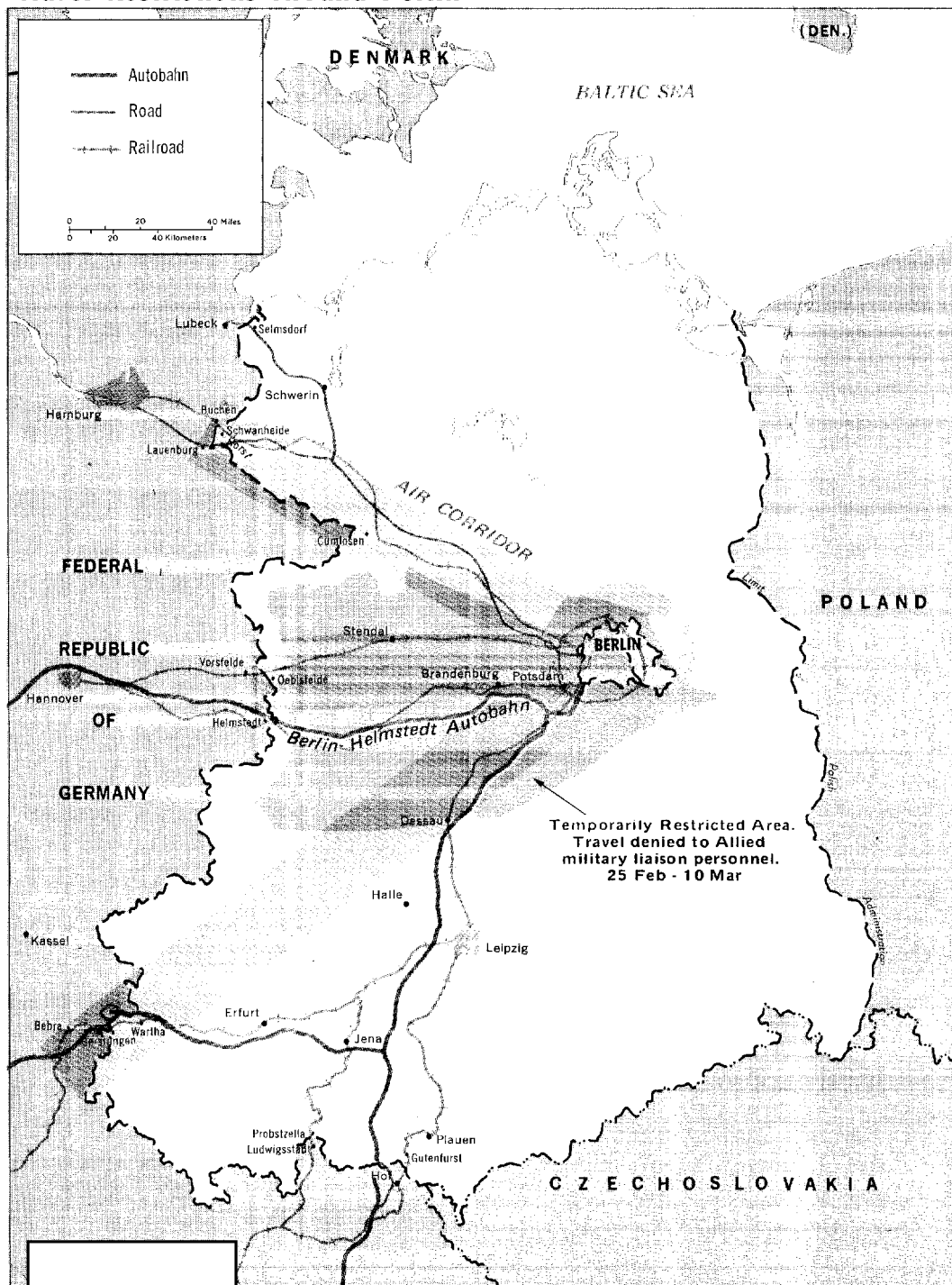
In France, labor, management, and the government were engaged in reviewing the accords reached after the troubles last spring. Labor's demands for increased wages and benefits far exceeded the government's offer. Whether the rank and file will quietly settle for less remains to be seen. Meanwhile, the price of gold rose to new highs.

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Travel Restrictions Around Berlin



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BERLIN ELECTION HELD WITH LIMITED HARASSMENT

The West German presidential election took place in Berlin on 5 March as scheduled and was subjected only to limited harassment conducted under careful Soviet control. Even at the eleventh hour, however, the Communists evidently thought that some chance remained for a change of venue.

Moscow on 2 March again urged Bonn, as it had on 23 February, to bargain with East Germany (GDR). The East Germans, apparently less eager to deal the issue away, marked time until the afternoon of 4 March, when West German electors already had assembled in Berlin. The GDR then sweetened its earlier proposal of Easter passes only by offering to consider an extended agreement covering other holidays, but only if the election first were moved from Berlin. The East Germans scarcely could have been surprised that the bid was rejected, and in all of this there was the hint that Moscow and its ally were not entirely of one mind.

During the week, Moscow's hand was much in evidence throughout a series of sporadic autobahn closures. The Soviets manned the checkpoints when allied military convoys were affected, attributed delays to exercise-related troop movements, and in some cases told the convoy commander exactly when the closure would end.

West German travelers occasionally experienced long waits,

but were processed expeditiously if they were en route to East Germany's Leipzig fair, open from 2-11 March. The rights of the Western Allies and their access to Berlin were not challenged. Communist harassment during the election was not as severe as in 1965, when exercises within the air corridors, sonic booms, and "buzzing" over Berlin were directed against a plenary session of the West German Bundestag.

Having failed to get West Germany to change the election site, the Communist objective became one of intimidating Bonn so that it would desist from future efforts to strengthen political ties with West Berlin. Moscow clearly kept an eye to its other interests, however, including the possibility of exploring areas of agreement with the new US administration.

At the same time, Moscow left open the possibility that harassment of West German access would continue after the elections. On 28 February, it raised another and separate issue by charging that Bonn is using Berlin for illegal

According to Georgiy Sannikov, Soviet second secretary in East Berlin:

Within the next six months, the East Germans will gradually restrict the transport of industrial goods on the highways, right down to the buttons on Bundeswehr uniforms...

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military purposes. No systematic application of tighter controls over West German traffic has yet begun, but a Soviet Embassy official in East Berlin has warned that in the next six months the GDR would be allowed to curb further the flow of industrial goods manufactured in the city. He said Moscow had approved an East

German plan that the USSR then answer Bonn's objections with a suggestion that Bonn negotiate with the GDR. The Russian diplomat added that Moscow has been too preoccupied with prospective arms talks, the Middle East, and Vietnam to "work out the intricacies of inter-German tactics."

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BORDER CLASH PUBLICITY POINTS UP SINO-SOVIET ANTAGONISM

The clash between Soviet and Chinese armed border units on the Ussuri River on 2 March may have been the most serious of the past two decades. Both sides have admitted casualties. Moscow charged that 200 Chinese troops were involved and that the Soviet border-post commander was among those killed. According to Peking, the Russians used armored cars and tanks.

In the public exchanges following the encounter, Moscow and Peking both acknowledged that armed incidents on the border have not been uncommon in recent years. The ownership of various islands in the shifting Amur and Ussuri rivers has long been a matter of contention and indications of incidents along the two rivers have cropped up periodically.

The increased tension over the border issue for the past several months is an extension of the bitter propaganda battle that Moscow and Peking have waged since the Soviet invasion

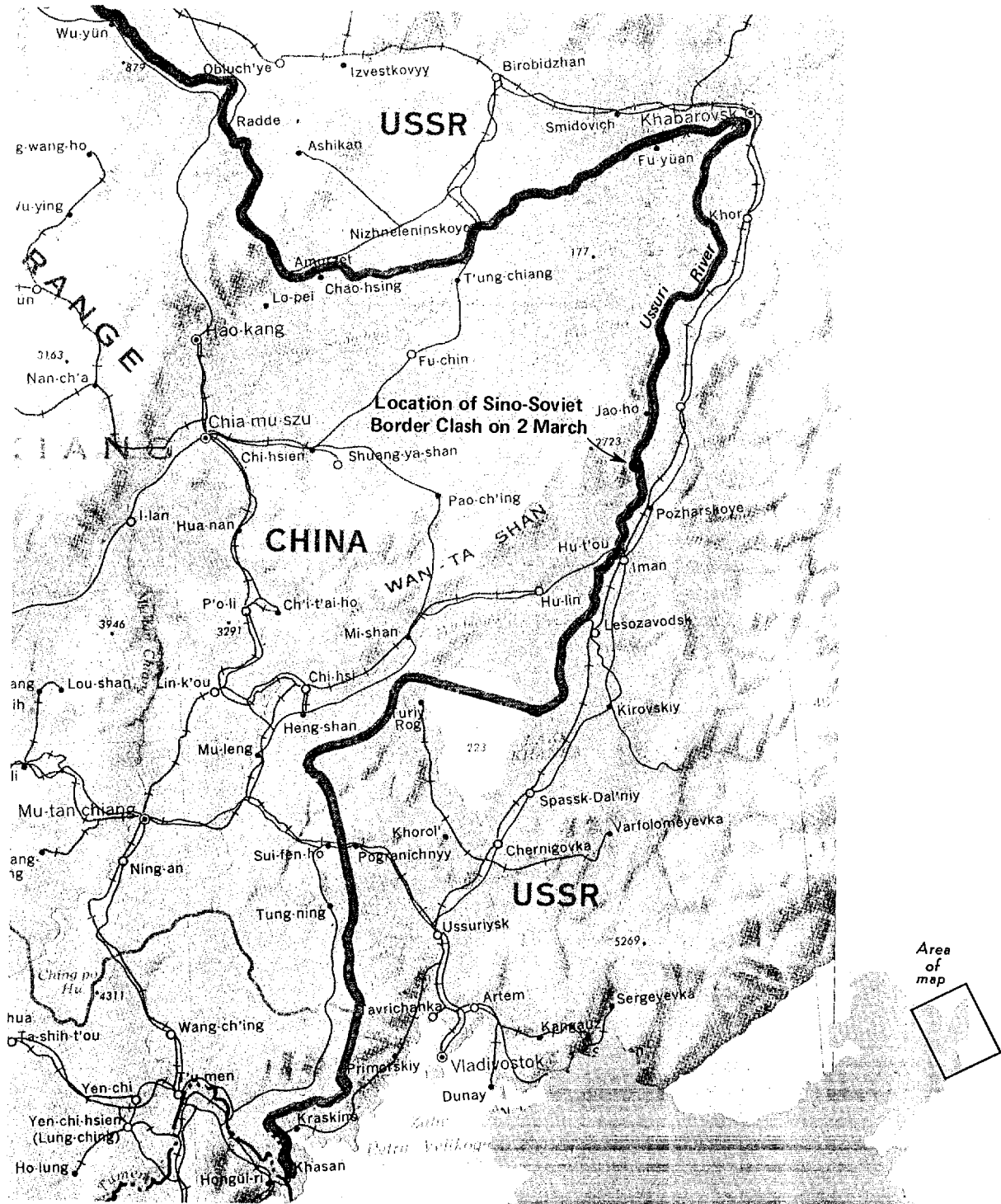
of Czechoslovakia. In September, Peking publicly protested for the first time the overflight of its border territory by Soviet reconnaissance aircraft and called attention to the Soviet military build-up adjacent to China. The Chinese charges were mainly timed to exploit Soviet embarrassment in Czechoslovakia, but probably stemmed also from heightened uneasiness along the border. Peking had not publicized previous protests of overflights and the military build-up had been going on since 1965 with little public Chinese comment.

Further evidence of border tension was contained in several charges by Peking in December accusing the Russians of border provocations. The magnitude of the incident on 2 March may account for the haste with which Moscow, contrary to usual practice, acted in publicizing it.

Peking probably interprets Moscow's publicizing the clash

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as propaganda aimed at further blackening China's image. In countering the initial Soviet protest, the Chinese strongly emphasized that the disputed island had always been Chinese territory, "even according to the unequal Sino-Russian treaty of 1860," and stressed the "restraint" of Chinese border guards during the incident. Pointing to the continuing Russian build-up along the frontier, a joint People's Daily - Liberation Army Daily editorial charged that the Soviet leadership, "greedier than the Tsars," had further territorial ambitions in China. The editorial brought into sharp focus Peking's claim that large

parts of Siberia are rightfully Chinese, lost in unequal treaties to the Tsars. This issue, especially sensitive to Moscow, last flared into open debate in 1964.

The willingness of each side to air sensitive border issues is evidence of the territorial and national security antagonisms that have often been concealed beneath ideological rhetoric. With the Soviets preparing for the approaching world conference of Communist parties and the Chinese for their ninth party congress, the two sides may well continue exploiting this emotional issue.

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CZECHOSLOVAKS STILL HAVING PROBLEMS WITH "NORMALIZATION"

The Dubcek leadership continues to have problems at home amid signs that the Soviets are less than satisfied with the slow progress toward "normalization."

Defense Minister Dzur's week-long familiarization visit to the Soviet Union lacked tangible results. On his return, however, Dzur hinted that Czechoslovakia might strengthen its armed forces as an earnest of its intention to improve relations with the USSR and others in the Warsaw Pact.

Last week, Czechoslovak party secretary for mass media Josef Kempny went to Moscow and Soviet politburo member Pelshe arrived in Prague. Kempny's visit could result in new restrictions on Prague's still outspoken press, radio, and television. Pelshe can be expected to argue the need for strong party discipline.

The Czechoslovak trade union congress, which opened on 4 March, is expected to call for a broadening of the restricted, post-invasion version of last spring's reform program. This would be a clear warning to Czechoslovak leaders that further concessions to the Soviets at the expense of domestic reforms will be resisted. In his opening speech, trade union chief Polacek said that the trade unions would support the Communist Party, but emphasized that they would play a more independent role rather than shrink to "second-class status" solely to satisfy

party policy. The Dubcek leadership faces the danger that the trade unions might try to usurp the party's role as defender of the nations' rights and liberties.

The dissident Czechoslovak writers' union refused to send a delegation to a meeting of Soviet bloc writers that opened on 5 March in Budapest. The Czechoslovak writers want an apology from their Soviet counterparts for their attacks on a Czechoslovak writers' union president now in exile.

The government has activated a civilian-dominated State Defense Council in an effort to increase its control over the defense apparatus. Dubcek, who will head the nine-member council, probably will try to use it to curb the influence of pro-Soviet elements in the Ministry of Defense--whether successfully or not remains to be seen. Since the invasion, a number of pro-Soviet military officers have been installed in key positions and--with the assistance of Russian advisers--are said to be seeking control of the ministry.

In addition, progressive journalists have warned that it is an "open secret" that the hard liners have made considerable inroads in the secret police, and that the progressives in the Interior Ministry are now on the defensive. The conservatives, moreover, reportedly have also made substantial inroads into the People's Militia, the paramilitary force of the Czechoslovak Communist Party.

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FRENCH TACTICAL NUCLEAR CAPABILITY DEVELOPS SLOWLY

President de Gaulle continues to emphasize the strategic nuclear components of the Force de Dissuasion and to disclaim interest in a tactical nuclear capability for France. As a consequence, development of tactical weapons and a tactical nuclear missile is moving at a slow pace. Aircraft delivery systems for tactical nuclear weapons are progressing well, however, partly because the aircraft are needed for other roles. Budgetary restrictions and political constraints probably will not permit development of a tactical nuclear capability for the air force prior to 1971, and for the army until somewhat later.

When France withdrew from the integrated NATO commands in 1966, it lost its tactical and air defense nuclear capability. Nike missile units in the air force returned all equipment to US control, and Honest John Missile battalions in the army no longer have access to nuclear warheads. For the present, France's only operational nuclear weapons are those held by the Mirage IV strategic bomber force.

Some Mirage III-E fighter-bombers already have been modified for--and French pilots trained in--the delivery of tactical nuclear weapons. The Super Mirage F-1 also may be used to carry nuclear weapons. Now in preproduction stage, it is scheduled to become operational in 1970. The Franco-British Jaguar

fighter-bomber, scheduled to enter service in 1972, is another nuclear-capable aircraft. The second model began flight tests last month at Istres, France, and seven Jaguars are scheduled to fly before the end of 1969.

For some years, the French Army has been developing a short-range surface-to-surface ballistic missile--the Pluton--designed to carry a nuclear warhead about 65 miles. This program has received only minimal government support, however, and the missile probably will not achieve scheduled operational status in 1972.

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Although government support remains lukewarm, the French Army looks on the system as the only means by which it can obtain nuclear weapons and play a meaningful role in the French defense posture.

Despite De Gaulle's position, Defense Minister Messmer and General Fourquet, chairman of the Joint Chiefs of Staff, continue to talk favorably about a tactical nuclear response capability for France. Messmer has at least tacitly supported such a capability, and Fourquet recently expressed again his longstanding concern over what he considers the general deterioration of France's conventional forces and their lack of a tactical nuclear capability.

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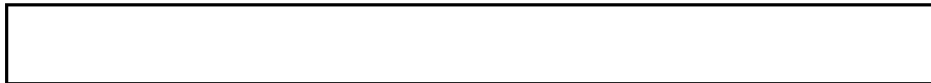
MIDDLE EAST - AFRICA



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Israel's former foreign minister Golda Meir, 71, is a shoo-in to succeed Eshkol as prime minister. Her rival, the popular Moshe Dayan, simply did not control the political levers of power necessary to gain the premiership.

It looks as if the next trouble spot in the Arab-Israeli conflict will be along the Suez Canal, where Egyptian sniping is taking its toll among the Israelis.



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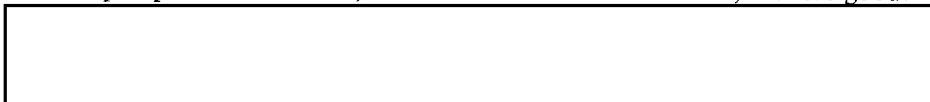
There is still a large gap between the Shah of Iran's demands for oil revenue and the planned production level of the Western oil consortium. The annual negotiations, scheduled to begin on 10 March, could be even stickier than usual this year.

Pakistani President Ayub is preparing to resume talks with the opposition Monday amid a rash of strikes and the re-emergence of regionalist agitation in West Pakistan.

A new rift apparently has developed in Tunisian-Algerian relations which diminishes hopes for harmony in the Maghreb. Algerian Foreign Minister Bouteflika will not make the official visit to Tunisia scheduled for this month. The Algerian Government had expected the visit would complement recent gestures of solidarity among Algeria, Morocco, and Libya.

Ghana's military government has released the two Soviet trawlers and their crews detained since last October, but the captains must stay long enough to testify before a government commission. The receipt of a strongly worded protest from Soviet President Podgorny and the ostentatious presence of four armed Soviet ships probably contributed to the Ghanaian leaders' decision.

Equatorial Guinea's already shaky government apparently is badly divided over how to deal with the current crisis in its relations with Spain, and its prospects for survival, even if a settlement is reached, are not good.



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ISRAELI SUCCESSION STRUGGLE APPARENTLY POSTPONED

The old guard managers of Israel's ruling Labor Party, aiming to retain control of the party and to block Minister of Defense Dayan from succeeding the late prime minister Eshkol, have decided on one of their own, former foreign minister Golda Meir, as interim prime minister until the next elections. Mrs. Meir's candidacy is designed to postpone a slashing party struggle now, and to give the old guard--led by Secretary General Pinhas Sapir, himself a potential successor--time to deal with the ambitions for party leadership of two Israeli-born military heroes, Acting Prime Minister Yigal Allon and Dayan.

As the majority party, the Labor Party determines who will be Israel's leaders. It is in the firm control of the old guard, the now-aging Zionists of Eastern European origin who led Israel to independence and have held the reins of leadership since 1948. They know they cannot blunt forever the demands of the younger Israeli-born "sabras"--as represented by Allon and Dayan--for a turnover of leadership, but they are intent on retaining control as long as they can.

The old guard's current tactic is to stress the necessity for national unity and the avoidance of a divisive and unseemly party struggle. All the real contestants have apparently agreed to await another day--until the parliamentary election campaign.

Sapir, the principal old guard tactician, is subordinating his personal ambitions in pushing Mrs. Meir's candidacy. Allon is unusually silent and may well have been led to believe that he will have party backing to succeed Mrs. Meir.

Dayan, the most formidable contender because of his immense national popularity, has made no serious bid, either. Apparently to keep the record straight for the future, he and his RAFI faction supporters have stated they will support no other candidate and are abstaining on the vote for Mrs. Meir. Dayan recognizes that the Labor Party is the only path to power, and has apparently decided to bide his time.

Mrs. Meir will be 71 in May and is not in robust health. She has had extended periods of ill health, but probably will be physically able to hold office until the elections, when, as she has already indicated, she does not plan to run again. From now to then--the fall elections may be advanced--the struggle for leadership of the party will continue, if muted. Unless Dayan decides to make a real play in the Knesset over Mrs. Meir's confirmation--and he would have to take the unlikely course of bolting the party now--the flash point may well come when the party meets in convention (previously set for June) to decide the ranking of party leaders on the voting lists.

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EQUATORIAL GUINEA'S RELATIONS WITH SPAIN DETERIORATE

President Macias' angry attack last week on Spanish activities in Equatorial Guinea has inflamed local tensions, started an exodus of Spanish residents, and seriously strained Guinea's relations with Spain, from which it gained independence last October. The stability of this small African state remains uncertain.

Macias' outburst culminated several weeks of emotional diatribes against alleged Spanish intentions toward his country that generated increased anti-Spanish sentiment among the Guineans. The President had deplored Spain's failure to provide substantial aid, blaming local Spanish officials for not adequately presenting his views to their government. He also condemned the "colonial" attitudes of Spanish residents.

In mid-February, the President focused his attack on the visible symbol of Spanish presence, the Spanish flag, and on 23 February ordered national guard troops to remove the flag from a Spanish consular office. In an acrid confrontation with the Spanish ambassador, Macias then declared the ambassador persona non grata and is said to have requested that all Spanish nationals leave the country.

With panic spreading rapidly among the resident Spaniards, local Spanish authorities briefly deployed police units based in

Equatorial Guinea under an agreed interim arrangement to guard their embassy and other strategic facilities. Macias reacted by complaining to the UN about Spanish violation of Guinean sovereignty, requesting the urgent dispatch of a peacekeeping force. In telegrams to General Franco, Macias demanded the immediate withdrawal of all Spanish forces as well as the removal of the ambassador and a consul. He has apparently not pressed for the departure of all Spanish nationals, however.

Madrid's official reaction has been cautious. The government has recalled its ambassador and dispatched an ambassadorial-level trouble-shooter as an interim chargé. Spanish officials have quietly conferred with more moderate members of the Guinean government, and apparently hope to negotiate a resolution of the conflict. Madrid has promised to withdraw its forces when the security of its citizens is assured. Meanwhile, it is facilitating the orderly evacuation of those Spanish nationals who wish to leave.

For the present, tensions remain high and emergency measures, including a curfew that at least temporarily closed down Red Cross relief flights to Biafra, continue in effect. Newly armed and jittery Guinean national guardsmen patrol the capital, and bands of youthful militia armed with

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machetes and confiscated Spanish handguns have appeared in the country's other major city. Either of these groups could spark a further chain of events that neither side could control. The already shaky Macias government apparently is badly divided over how to deal with the crisis, and the prospects for its survival,

even if a settlement is reached, are not good. Spanish evacuation from Guinea, if completed, is likely to cause a serious deterioration of the Guinean economy and could prompt either the local security forces or one of Macias' many political rivals to seize power. [REDACTED]

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STUDENT DISCONTENT STIRS UNREST IN ETHIOPIA

This week's student demonstrations in Addis Ababa failed to get off the ground, but did bring into focus evidence of serious discontent within Ethiopia.

The demonstrations by university students, long among the most vocal of Haile Selassie's critics, came at a time when the central government was grappling with serious internal problems. Over the past several months, government fiscal mismanagement--exacerbated by the rising costs of combating unrest and insurgency in Gojam, Bale, and Eritrea provinces--brought the country to the brink of economic crisis. The government seemed incapable of actions commensurate with the severity of its problems. Except for a cabinet reshuffle in mid-February and the adoption of stringent austerity measures, the Emperor remained unwilling to initiate any significant measures to modernize the economy--which might also have the effect of stimulating future social or political changes.

As a result, grumbling against the government by stu-

dents, teachers, civil servants, and others of the educated elite has become more open than usual. There was also evidence of discontent within the armed forces over pay and other grievances. Some degree of anxiety even became evident among the general public as word of the government's difficulties leaked out. Against this background, an unusually tense atmosphere developed in Addis Ababa during the past two weeks as it became apparent that student demonstrations were imminent. There was apprehension among some government and military leaders that serious student riots on the scale of those reached in past years might require military intervention, with unforeseeable consequences for the government.

Prompt and firm action by the security forces, including the arrest of some ringleaders, prevented the students from getting out of hand, and the threat of any immediate crisis appears to have subsided. The underlying causes of the discontent remain, however, and will continue to simmer until changes are made or another crisis erupts. [REDACTED]

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TANZANIA'S MILITARY NOW ALMOST WHOLLY DEPENDENT ON PEKING

President Nyerere's decision to terminate Canadian military assistance marks the end of his efforts to find a balanced, non-aligned approach to military development. It leaves Peking with a dominant role in all branches of Tanzania's expanding security forces and a strong base from which to increase its influence in the southern African liberation movements.

Nyerere informed Ottawa last month that its military training programs with both the army and the army's air transport wing will not be renewed in 1970. Following the mutiny of his British-trained army in 1964, Nyerere had sought to avoid dependence on any single major power, and had asked Canada to reorganize and train the army. He obtained new arms from Australia, the USSR, and Communist China.

Although the 86-man Canadian mission has done a superb job, Tanzania has in the interim become deeply involved in the African liberation struggle, and Nyerere has had to reassess his position as fear of Portuguese retaliation became more acute. The Tanzanians are suspicious of Canada's NATO ties with Portugal and now find it both inadvisable and embarrassing to have white Western advisers in their command structure. They are also impatient over Canadian reluctance to approve Tanzanian acquisition of sophisticated weapons.

Unable to procure modern arms from Western nations or to pay the

market price for Soviet equipment, the Tanzanians have turned increasingly to China for materiel and specialized training, which they can get free or on easy terms. Chinese aid has so far included enough small arms for 20,000 men, as well as trucks, antiaircraft guns, medium tanks, engineering equipment, patrol boats, and landing craft; construction of an arms repair facility and an \$8 million police training school; and weapons training for 9,500 police and many of the civil militia being regrouped in "socialist defense" villages along the Mozambique border. With the cooperation of the Tanzanian Army, Peking has also given arms and training to the Mozambique guerrillas.

Tanzania is now expanding its army to 10,000 men, a 30-percent increase, and is establishing a separate navy and air force. Known Chinese commitments to this program include construction of a \$1.5 million army barracks complex, a factory to produce small-arms ammunition and mines, and a radar station. Chinese aid to the navy under a \$10 million agreement will include more patrol boats and the construction of a navy base at Dar es Salaam. In addition, Peking will probably provide an air defense system including jet fighters.

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The Tanzanians have also asked Peking to provide aid and advisers to the expanding National Service, a paramilitary youth corps formerly run by Israeli advisers. Current Soviet military aid is limited to a small training mission on Zanzibar Island and the provision of arms to liberation groups. Moscow offered an elaborate air defense system last year in response to a Tanzanian request but it was turned down as being far too expensive.

Not the least of Peking's advantages are the militant politicians in Tanzania's Defense Ministry who consistently overrule the cautious British-trained armed forces commander and seem able to convince Nyerere that there is less risk in accepting Chinese aid than in becoming too dependent on some Western country, such as Canada. The Chinese may also have made the provision of more sophisticated weaponry contingent upon Canadian withdrawal.

WAR STALEMATE PUSHING NIGERIANS TOWARD MOSCOW

Fighting has tapered off somewhat in Nigeria's civil war, now in its 21st month and still stalemated.

Federal forces, still unable to launch their planned "final offensive," have regained some territory lost to the Biafrans recently along the southern front, but have not been able to break through to the federal units cut off in the town of Owerri, which controls access to the Biafran heartland from the south.

On the northern front, the secessionists have not yet been able to re-establish a secure link with their stranded brigade northeast of the Niger River town of Onitsha. This brigade controls one of the most important Biafran food-producing areas, and the secessionists are making a determined effort to open a corridor to the isolated unit.

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[Redacted] Gowon, who has been obtaining the major portion of Nigeria's arms from the UK and from the open arms market, probably would prefer to continue to do so, but the federal forces' inability to achieve a military victory is apparently forcing him to turn more and more to Moscow.

On 5 March, four Soviet naval ships arrived in Lagos, having cruised in West African waters since visiting Guinea in mid-February. This was the first such visit to Nigeria and probably reflects the willingness of Nigerian leaders to expand military contacts with the USSR.

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WESTERN HEMISPHERE

The congressional elections in Chile and plans for future elections in several other countries dominated the news from Latin America this week.

Panama's military junta has officially decreed the "extinction" of all political parties pending revision of the electoral code governing formation of new parties. Figurehead junta leaders Pinilla and Urrutia say that the move is intended to ensure that no one "gets advantage" in the elections promised—but not guaranteed—for early 1970.

President Balaguer of the Dominican Republic has hinted that he may run for re-election in May 1970. There is no constitutional prohibition against a second term, but the subject of extended one-man rule is a hot public issue, stirring memories of Trujillo's hated 31-year dictatorship.

The ruling Revolutionary Party in Guatemala has selected Finance Minister Fuentes to replace former defense minister Chinchilla as its new standard bearer for the presidential elections in March 1970. Fuentes has been involved in party affairs for many years, but is still not a particularly strong contender.

A bitter and vindictive political campaign for the general elections in Costa Rica next February is already beginning to take shape. The two leading presidential candidates at this point are former presidents Mario Echandi and Jose Figueres.

In other political developments, Peru's military government has tentatively decided that if the US asks it to return the destroyer USS Isherwood because of the recent fishing boat incident, all five US ships on loan will be sent back and probably replaced by ships purchased from the United Kingdom. Peru now has two destroyers and three smaller craft on loan from the US, but only the Isherwood could be subject to US legislation requiring the recall of ships on loan to a country that seizes US fishing boats.

The Dutch governor of Surinam has appointed Arthur J. May, a retired diplomat, to head a caretaker government following last month's resignation of long-time minister-president Johan Pengel. May is a good administrator and at least initially is expected to have support for his triple task of putting Surinam's financial house in order, dissolving parliament, and preparing the country for new elections.

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CRACKS APPEAR IN PERUVIAN GOVERNMENT SOLIDARITY

The two cabinet resignations last weekend mark the first break in the unified front projected by Peru's military government to cover up dissension among top military leaders.

The event that prompted the resignation of General Valdivia, the finance minister, and General Maldonado, the development minister, was the formation of a committee to investigate charges that certain members of the military government had been remiss in protecting Peruvian rights by allowing the International Petroleum Company (IPC) to take several million dollars out of the country in the period following the expropriation last October.

In his letter of resignation, General Valdivia cited his disapproval of the make-up of the investigating committee and his resentment of the fact that he had not been consulted about its formation. In fact, his position in the government had been tenuous for some time because of his general espousal of moderate policies and his special efforts to convince other government leaders of the serious consequences of not resolving the dispute with the US over IPC. His successor, General Francisco Morales-Bermudez, will bring many of the same views to the office, but Valdivia's loss will be felt by those moderates in the government who oppose the more radical policies of President Velasco.

Minister of Development Maldonado gave similar reasons in his letter of resignation but he was obviously becoming in-

creasingly bitter because his advice was being ignored by the President. His ministry was the one that should have been instrumental in the making of policies regarding the IPC, but Velasco relied much more heavily on his civilian advisers in petroleum matters.

This so-called "kitchen cabinet" of Velasco's has come to have increasing influence in the government in the past few months, particularly in matters concerning the IPC dispute. Velasco's advisers are all ultranationalistic, with the majority of them coming from the left of the political spectrum. Augusto Zimmerman, chief editor of the nationalistic and influential El Comercio, and Alberto Ruiz Eldredge, a well-known leftist lawyer known to have had ties to Communist front groups, appear to be Velasco's chief advisers. President Velasco seems to be attracted primarily by their ultranationalism, knowledge of petroleum affairs, and anti-IPC outlook.

The cabinet changes do not seriously alter the balance of power between the so-called moderates and radicals within the government, although the new development minister, General Jorge Fernandez Maldonado, is more anti-IPC and pro-Velasco than was his predecessor. The possible further loss of key members of the central bank and the state petroleum company, however, could deprive the government of needed expertise and of realistic advice on the serious consequences of some of its current policies.

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VENEZUELA INAUGURATES FIRST CHRISTIAN DEMOCRAT PRESIDENT

Rafael Caldera, Venezuela's first Christian Democratic president, will be inaugurated on 11 March in an atmosphere of economic and political stability.

In view of his razor-thin plurality, the 52-year-old Caldera is unlikely to embark upon any major social or economic reform programs early in his five-year term. Rather, he will concentrate on broadening support for his administration and enacting noncontroversial parts of his party program.

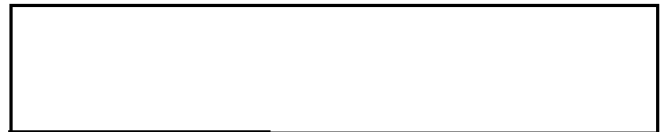
Caldera realizes that he must tread carefully in his dealings with a congress that will be dominated by his political opponents. Leaders of the former governing Democratic Action Party have already served notice they oppose any change in petroleum policy or, for that matter, any other major policies formulated in the past ten years under Democratic Action administrations.

Caldera's cabinet will probably be noncontroversial, with emphasis upon technical expertise rather than party affiliation. It is expected, however, that Perez La Salvia, Lorenzo Fernandez, and Luis Alberto Machado, three of Caldera's close advisers within the party, will



President RAFAEL CALDERA

receive important positions in the new government. 25X1



Although extremists are capable of sporadic acts to demonstrate their presence, they lack the capability and, indeed, the unity to disrupt the country's political stability. 25X1



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BRAZILIAN GOVERNMENT DECREES REGULATORY MEASURES

The Costa e Silva government continues to issue Institutional Acts (IA) regulating political development and codifying the principles of the 1964 revolution. Two new acts were promulgated last week--one dealing with the election process, the other with agrarian reform.

On 26 February, the President decreed IA 7, which in effect precludes elections under any circumstances for some time to come. It suspends all elections in which only part of a government body is elected and gives the President sole power to call new elections. The act also forbids many of the practices by which unscrupulous state legislators enriched themselves at public expense.

Initially, IA 7 will affect mainly local administrations; the federal government will have the power to appoint interventors whenever municipal offices become vacant. If the act is still in effect in November 1970, however, it will eliminate the elections for one third of the federal senate which are scheduled at that time.

On 27 February, the President issued IA 8, which streamlines agrarian reform expropriation machinery. Complementary laws establish agrarian reform associations to function as work-

ers' cooperatives and set out the ground rules for expropriation--abandoned land, irrigation projects, or areas of "grave social tension." Landowners undoubtedly are exerting pressures to have this act modified, but if the government decides to implement such measures, it will have taken a major step toward the type of social reform demanded by its liberal critics.

Students also came in for a share of government attention. Schools reopen this month, and Costa e Silva has decreed stiff penalties for any professors, teachers, or students who engage in demonstrations or other political agitation. "Guilty" teachers will be prohibited from teaching for five years, students will be expelled and barred from entering any school for three years, and foreign students will be deported. This will probably quell student enthusiasm for taking to the streets, but it is likely to drive top-flight students and teachers abroad and have an adverse effect on attempts to reform the outmoded educational system.

There is no sign that the government and its military backers are nearing the end of their campaign to clean up Brazil and root out "subversion." Continued purges and restrictions seem likely for some time to come.

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CHILEAN CONGRESSIONAL ELECTIONS SHOW RIGHTIST SENTIMENT

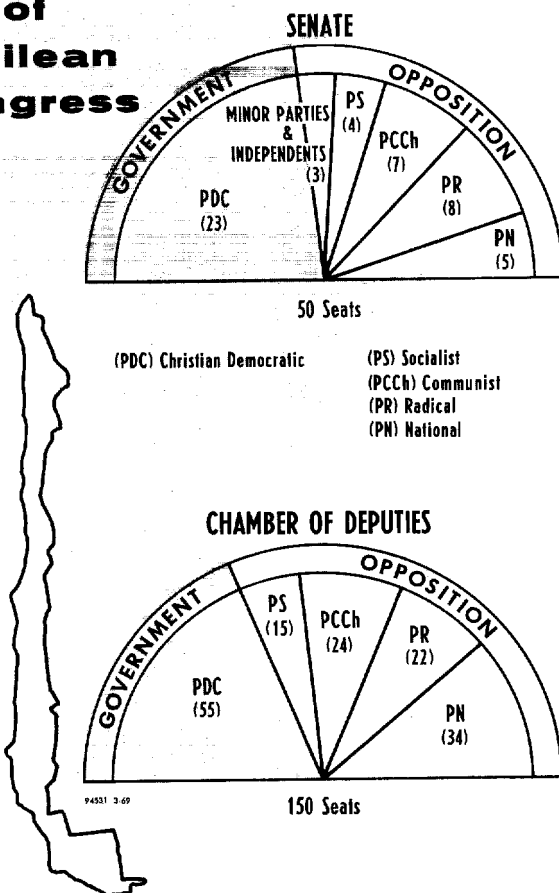
The results of the congressional elections in Chile on 2 March indicate that the political right, far from being a political corpse, has returned to importance with new vigor. The conservative National Party, formed in 1966 from two older parties, cut deeply into the support of President Frei's Christian Democratic Party (PDC) to win 20 percent of the vote. The PDC is still Chile's largest party, with about 30 percent of the vote, but its image of a strong center-left party offering revolution without violence has been badly damaged.

The composition of the new Congress will cause problems for any further reforms attempted by President Frei during his remaining year and a half in office. His party lost its majority in the Chamber of Deputies and now holds only 55 of 150 seats. In the Senate, although the PDC won 13 seats for a total of 23, it is still three seats short of control. Some battles may be won by combining forces with either the National Party or the Communist Party, but such agreements are likely only on a case-by-case basis.

The leftist parties together received about 30 percent of the vote. The Communists emerged solidly in third place with al-

most 16 percent but did not do as well as they had hoped. The Socialists overcame the defection of a splinter group and received just over 12 percent. Pro-Castro Socialist Salvador Allende was the largest vote-getter in his senatorial district and is in a strong position to obtain the presidential nomination next year, for the third time, of the

Composition of Chilean Congress



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Communist-Socialist Popular Action Front.

The Radical Party, which for many years has been the "swing" party in Chile, lost ground,

frustrating the leftist leadership's hope for a strong showing that would encourage the Communists and Socialists to support a Radical for the presidency in 1970. [REDACTED]

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NICARAGUA THREATENS CENTRAL AMERICAN COMMON MARKET

Nicaragua's recent efforts to solve its financial problems and speed the pace of regional integration could set off a spiral of retaliatory actions that would gravely threaten the future of the Central American Common Market.

On 28 February, Nicaraguan President Somoza announced the immediate imposition of taxes on certain imports from all other Common Market countries. Somoza's primary motivation was to raise badly needed government revenue, but he was also interested in putting pressure on his Common Market partners to ratify, deposit, and implement key integration agreements.

Somoza's latest move, the first major infraction of Common Market agreements in the organization's eight-year history, fell like a bombshell at the informal meeting of Common Market ministers of economy in Guatemala City on 1 March, and was later described by Costa Rican President

Trejos as the group's gravest crisis. In response, El Salvador, Honduras, and Costa Rica promised some action on controversial protocols, but all three joined with Guatemala in warning that unless the tax was suspended immediately they would levy a countertax that would in effect suspend Nicaragua from the Common Market.

Somoza appears to have little intention of backing down or settling for mere promises of action. Although he hopes his present action will be enough to generate movement on the protocols so that the maximum benefits of regional integration can be won, he is prepared to contend with any retaliatory steps taken by his Common Market partners and may even escalate with further measures to gain his objective. In the long run, however, he may be prepared to withdraw his support of the integration movement if action is blocked by domestic political considerations in the other countries. [REDACTED]

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