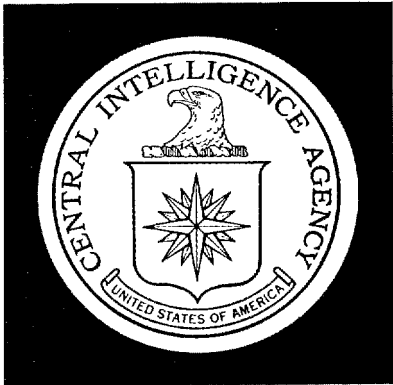


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DIRECTORATE OF  
INTELLIGENCE

# WEEKLY SUMMARY

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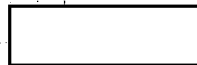
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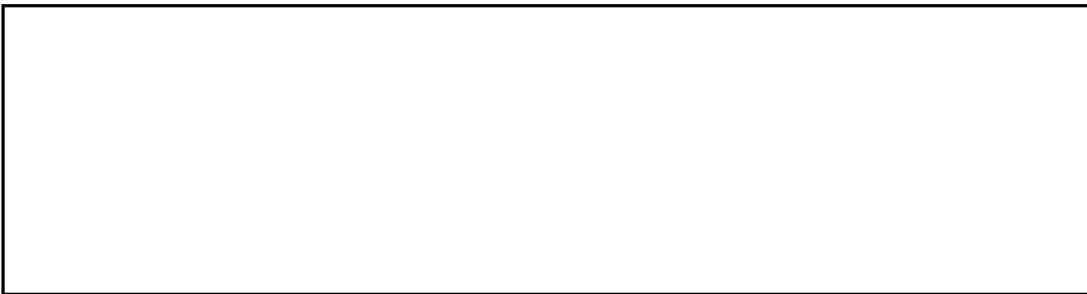
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The relative if uneasy political calm imposed by the Balaguer administration during the past two and a half years is showing signs of deterioration. In recent weeks, a variety of problems have provided the opposition with handy political cudgels with which to generate unrest.

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FAR EAST

Communist-initiated military activity in South Vietnam dropped this week to its lowest level in the six weeks since the spring offensive began. The enemy is apparently regrouping and refitting; captured documents and prisoners indicate that the Communists plan to prolong their offensive at least through April, and possibly beyond.

The Communists in Paris have turned aside but have not rejected outright President Thieu's offer to talk privately with the Liberation Front. They apparently intend to continue their waiting game until they detect some sign that the allies are prepared to grant the Front some significant political status. In Saigon, most public and press reaction to Thieu's offer has been cautiously favorable. The hawks in the National Assembly have, however, been highly critical.

The long-postponed ninth congress of the Chinese Communist Party opened on 1 April. Although slated to mark the end of the Cultural Revolution and the political conflict that accompanied it, the congress is more likely to paper over differences than to resolve them. Details of the proceedings have not yet been made public.

Government guerrilla troops in northeastern Laos, in conjunction with current air strikes, have made some early headway in an offensive designed to forestall what Lao military leaders believe is an imminent Communist assault on government headquarters in the Plaine des Jarres area. Successful continuation of the government offensive could do much to repair the shattered morale of government forces in the area, but it could also trigger a sharp reaction from the Communists.

Increased attention given to Laos by the Soviet Union in recent weeks appears aimed at demonstrating Soviet willingness to serve as an intermediary between the warring factions. Moscow has not, however, wavered in its support for the Pathet Lao and Hanoi. The Soviets continue to use their position as co-chairman of the Geneva Convention on Laos largely to disseminate Communist propaganda.

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VIETNAM

Communist-initiated military action in many parts of South Vietnam declined this week to the lowest level since the current offensive began six weeks ago.

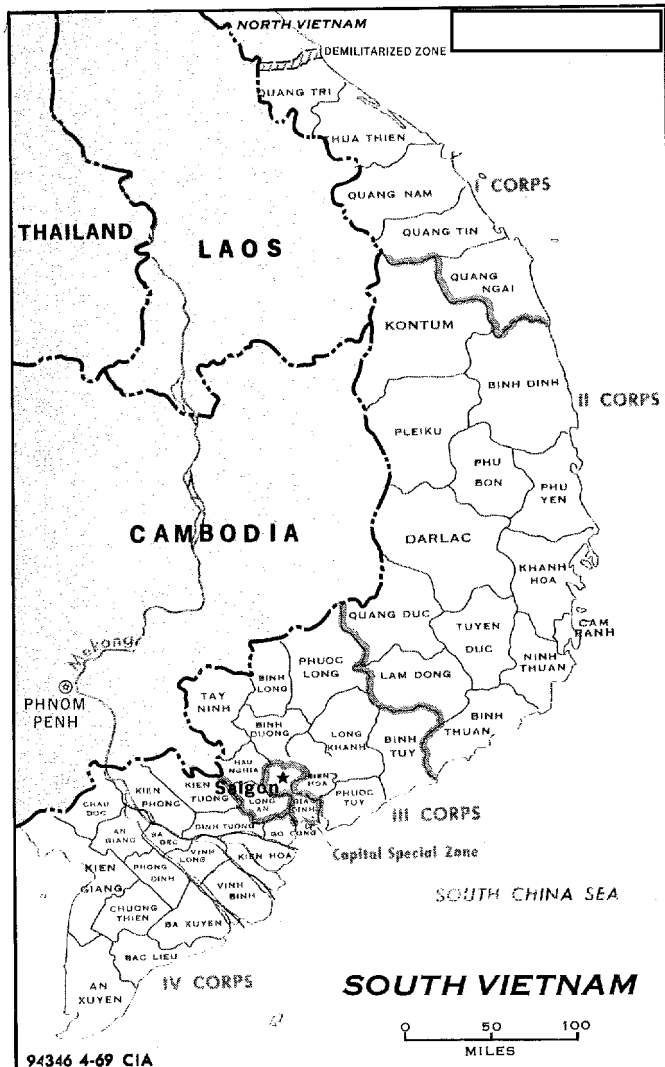
Although the level of fighting has been reduced in some of the northern provinces, the large Communist forces in III Corps as well as units in the delta remain in forward staging areas.

Allied forces, meanwhile, continue to challenge enemy moves. During the weekend of 29-30 March a number of clashes occurred in the provinces surrounding Saigon, resulting in fairly heavy Communist losses. Except for a single abortive rocket attack and scattered incidents of terrorism, however, Saigon remained free of enemy activity, as did the other major cities of the country.

Despite the recent pullback of some main force units, captured documents, prisoners and other evidence indicate that the enemy still hopes to prolong the current offensive at least through April, and possibly beyond. Accordingly, sporadic shellings, combined with limited ground probes, may continue over the near term.

Reaction to Thieu's "Private-talks" Offer

In Paris, the Communists continued their waiting game this week by turning aside President Thieu's offer to talk privately with the Liberation Front. Although obviously hopeful that either Washington or Saigon will



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eventually make a significant move to get the Paris talks off dead center, President Thieu's offer was not what they were looking for. Thieu clearly scored a public relations success and his offer may have caught the Communists off guard. Their propaganda response, delivered over Liberation Radio and at the regular Paris session, was an awkward attempt to denigrate the offer without rejecting it.

The Liberation Front will probably continue to stand off from any direct talks with Saigon until the Communists see some sign that the allies are prepared to grant the Front some significant political status. In their reply to Thieu's offer, the Communists insisted that it was the substance of the discussions which was important, not the format, and ever since the four-way talks began in January they have been demanding a broad discussion of political issues in South Vietnam. Until they get some insights into allied demands for a political settlement they probably will refuse to tackle either military problems or to engage in serious private dialogues.

Most of the South Vietnamese public and press reaction to President Thieu's announcement has been cautiously favorable. Privately, however, several leading politicians sympathetic to the government have expressed concern that the President was going too far too fast.

Many politicians accept the announcement as another demon-

stration of Saigon's serious intentions to work for a peace settlement. Several left-wing critics of the government, including some militant Buddhists, have apparently been at least temporarily disarmed by the President's "forward step."

The Saigon press, following a government warning against unfavorable comment, has played up the positive aspects of the announcement, although most editorials stop short of endorsing it. Several papers have, however, suggested that US pressure led to Thieu's statement.

Strong negative reaction to the idea of secret talks has been registered by the hawks in the National Assembly. Northern Catholics and Revolutionary Dai Viets have attacked the statement as a "shameful defeat," charging Foreign Minister Thanh with making "unilateral concession after concession," and claiming that the government's policy at the Paris talks has "failed completely."

These same critics privately point out that Thieu made a serious mistake in agreeing to secret talks while at a press conference of foreign newsmen, because it made it appear that he was responding to foreign, that is, US, pressure. The chairman of the Upper House said that sitting down with the Front comes close to recognizing it. Other politicians fear the statement could lead to a change in the government's standard position that only individuals, not the Front itself, may be

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accepted into the political life of South Vietnam. Even Prime Minister Huong reportedly believes that the announcement represents too great a concession to the Communists and that Thieu took the step under American pressure.

Thieu's proposal carries far-reaching implications for the South Vietnamese, and such initiatives generally lead to political ferment and maneuvering behind the scenes. Rumors of unlikely alliances among var-

ious ambitious political leaders are already beginning, as political opportunists look for ways to exploit any uncertainties created by the President's announcement. In addition, some South Vietnamese division commanders believe that the comment will create morale problems in the armed forces and will probably lead to an increase in the desertion rate, although a new troop indoctrination program explaining the issue has been ordered. [REDACTED]

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### THAI INSURGENTS ATTEMPTING TO REVIVE MOVEMENT

Insurgent leaders in northeastern Thailand have made a major reappraisal of their strategy in an attempt to regain lost momentum.

The Communists in the northeast have long been aware of their weaknesses. Hampered by serious morale and supply problems, and faced with increasingly effective government security operations, they have been on the defensive for nearly two years. They have taken some remedial steps to conserve their strength such as splitting up guerrilla bands into smaller groups, encouraging unreliable insurgents to defect, and removing ineffective leaders.

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The Communists are under no illusions of being able to regain their previous momentum soon. Nevertheless, there are signs, including sporadic insurgent incidents in some previously unaffected areas, and the first reported distribution of uniforms, that some of their plans are being implemented. [REDACTED]

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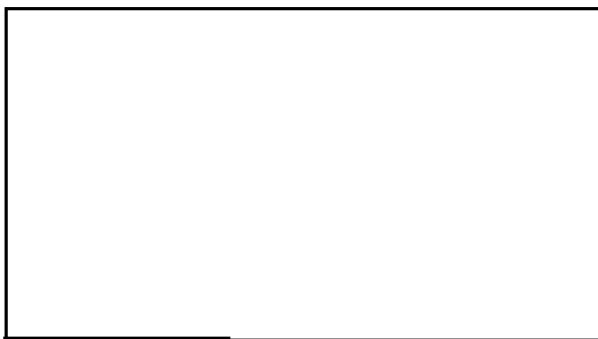
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## SOVIETS MORE ACTIVE IN LAOS

The Soviets have been giving increased attention to Laos in the past several months. Some of their activity appears aimed at demonstrating Soviet willingness to serve as an intermediary between the warring factions, but Moscow has not wavered in its support for the Pathet Lao and Hanoi.

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25X1 [redacted] A commentary in Izvestia on 22 March called for flexibility on both sides.

The Soviets, however, have made no use of their position as co-chairman of the Geneva Convention on Laos. They continue to use that position largely for the dissemination of Communist propaganda. They have also given full support to Communist efforts to obtain a halt in US bombing of the "liberated areas." Moscow's strongest effort in this direction was contained in a statement by Foreign Minister

Gromyko on 28 January which laid all Laotian ills to US intervention and claimed that a cessation of US activity "would help attain the speediest political solutions." Subsequent Soviet commentary has pursued a similar line.

Moscow's renewed attention to Laos probably is motivated by several growing concerns. One is the danger that the Communists' current dry season offensive could provoke a stiff US reaction or that a sharp deterioration in the Laotian situation could have an adverse effect on the Paris talks. Moscow doubtless is also concerned over the significant Chinese presence in northern Laos which became public early this year. The Soviet ambassador's visit to Samneua doubtless included an effort to appraise the extent of the Chinese presence.

In any case, Moscow constantly exercises great care not to jeopardize its favorable relationship with Hanoi by getting out of step over the Laotian question, and will continue to support North Vietnam's interests. Deference to Hanoi, which has a primary stake in Laos, is doubtless the principal reason for Moscow's refusal to act constructively in its co-chairman role. [redacted]

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## LAO GOVERNMENT WIDENS OFFENSIVE IN NORTHEAST

Government guerrilla troops, in conjunction with the current air strikes, have made some early headway in their offensive in the northeast.

The ground portion of the operation, designed to forestall a major Communist push south of the Plaine des Jarres that Lao military leaders still believe is imminent, has so far resulted in the capture of two strategic positions near Route 4, an important Communist supply route east of the Plaine. The position at Ban Pha is a government base that had fallen to the enemy in February; the other is located on Phou Khe Mountain, from which the guerrillas could place artillery fire on Route 4. In addition, north of the Plaine government forces moved back into Phu Cum, an important refugee center. The Communists offered little resistance to the assaults.

Lao military leaders believe that recent enemy activity north of the Plaine des Jarres is a prelude to an assault against the neutralist headquarters at Muong Soui and Meo leader Vang Pao's headquarters at Sam Thong. The Communists, in turn, are aware that the morale of the

government forces is low and have been attempting to clear Meo guerrillas from areas they have long considered "liberated."

The Communists' longer range objectives are not clear. Communist forces positioned on the Plaine have long had the capability of taking Muong Soui, which is poorly defended, whenever they choose. The Communists may be preparing for a significant push into government-held areas, but so far their actions in the northeast have not been significantly different from operations in this area over the past five years.

If the government's offensive continues to go well, it may do much to repair the shattered morale of the government forces in the northeast. There is a possibility, however, that the Communists may react sharply to the threat to their rear areas that the intensive aerial campaign and ground attacks near the Plaine have presented. A sharp rebuff to the government forces there could lead to an eventual collapse of the government's presence in Samneua and Xieng Khouang provinces.

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## CHINESE PARTY CONGRESS OPENS AMID SIGNS OF BICKERING

The long-postponed ninth party congress opened in Peking on 1 April with much fanfare. The formal agenda for the meeting includes a discussion of a "political report" delivered by Mao's heir, Lin Piao, adoption of a new party constitution, and election of a new party central committee. Mao himself made what was described as an "extremely important speech" at the opening session of the congress, but details have not been made public--a standard practice in recent years.

The published name list of the presidium of the Congress--a temporary body of 176 members--indicates little except that all top leaders were present in their same order observed since last fall, and that chairmen of all provincial committees attended. Chou En-lai was named secretary general of the presidium, which underscores his importance in the central leadership and may strengthen his ability to influence the proceedings.

According to advance billing, the congress is slated to mark the end of the Cultural Revolution and the political conflict that accompanied it. The congress is, however, more likely to paper over differences on a wide range of issues than to resolve them. Top provincial and central regime leaders have been meeting in Peking since about 8 March, presumably in an attempt to reach agreement prior to the congress on a number of divisive questions involving personnel and policy matters. Moreover, a muffled debate on a number of key policy issues has

continued in the press, and factional fighting in a number of chronic trouble spots has persisted in recent weeks. This suggests that the top regime leaders have not yet been able to resolve their differences and raises the possibility that debate on a number of issues may spill over into the congress itself.

Recent editorials in People's Daily and Shanghai's Wen Hui Pao suggest that moderate elements in Peking have recently been urging prudence in carrying out Maoist "reforms" in agriculture and education. These are probably typical rather than exclusive areas of dispute. A People's Daily editorial on 22 March called on all peasants to raise pigs--the chief cash crop in China--privately as well as on collective land, adding that "we should be prudent on the new questions concerning policy, especially those related to ownership." This language is unprecedented in recent months. Fear of a widespread reduction in private plots (on which most pigs are raised) has caused a good deal of unrest this winter, and more pragmatic voices in the leadership have apparently felt that such fears must be allayed.

Also on 22 March, Wen Hui Pao noted that recent "revolutionary" developments in education did not preclude the fact that the student "should take learning as his main task." Although clothed in the usual Maoist rhetoric, the editorial was clearly defensive in tone, suggesting that radical policies in this area are being vigorously

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questioned on the grounds that they will do more harm than good.

Neither editorial indicates that present policies are to be abandoned, but it appears that in some areas they may be tempered to meet moderate objections. Perhaps the greatest significance in these developments is that relatively

moderate voices have been able to make themselves heard on the eve of the congress. The drive to radicalize the countryside and the educational field took on new life after last October's central committee plenum, the last formal meeting of top regime leaders prior to the congress. It appears that decisions taken at that time are still

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being questioned and both sides are prepared to press the issue at the congress.

Persistent factional fighting in several areas of China further suggests that some regional and provincial leaders, who are expected to be confirmed in office at the congress, have still not consolidated their authority. The situation is particularly severe in western China, where several areas continue to be disrupted by deep splits in the governing military establishment and continued agitation by still active Red Guard organizations.

In Szechwan Province, the rivalry between radical civilians and conservative military leaders on the revolutionary committee was apparently behind an upsurge in factional fighting there last month.

There were also renewed signs of violence last month in eastern

China. Serious fighting was reported to have broken out in late February and early March in the long-troubled Wenchou port area of southern Chekiang, and heavy armed clashes in mid-March on offshore islands in northeastern Chekiang resulted in some flights of civilian refugees to the mainland.

Although most regions of eastern China have appeared for some time to have been stabilized under military governments, it is possible that in some provinces the military establishment itself is split, as it is in many western provinces. In some areas--Fukien is an example--Red Guard organizations are known to be still active despite last summer's crackdown. Presumably these groups are backed and protected by important figures at higher levels, including Peking itself. The continued factional problems that arise from this situation are certain to be discussed at the congress.

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### SINO-SOVIET BORDER REMAINS QUIET FOR SECOND WEEK

No new fighting has been reported over the disputed Ussuri River island on the Sino-Soviet border for more than two weeks. A Pravda article on 28 March charged the Chinese with shelling the island but gave no date. The article also charged that the Chinese were building fortifications on their side of the river; both sides remain on the alert for further trouble.

On 29 March, Moscow handed the Chinese Embassy a lengthy statement on the border issue recommending a continuation of the 1964 border talks. The statement conceded nothing, however, either on Chinese responsibility for the earlier incidents, or on Soviet jurisdiction over the disputed territory. In publicizing the statement and bringing it to the attention of Western governments in what appears

to be another round of diplomatic demarches, Moscow could scarcely have expected a positive Chinese response and, on 30 March, a Chinese spokesman denounced the statement as "calumnious and false." There has been no official comment from Peking, but it will almost certainly be negative.

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article in Pravda on 28 March, however, called attention again to the fact that the island will soon be flooded by the spring thaw, suggesting that Moscow does not expect the situation to worsen. The Chinese press and radio have all but dropped the subject. [REDACTED] 25X1

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**EUROPE**

The Czechoslovak leadership, as a consequence of widespread and violent anti-Soviet demonstrations last weekend, finds itself embroiled in its worst crisis since the invasion last summer. If the leadership bows to intense Soviet pressure for the immediate imposition of a variety of repressive measures, a storm of protest, particularly by students and workers, is likely to arise. The government appears to be temporizing, but there is no certainty that Moscow is in a mood to accept further Czechoslovak procrastination.

Even as the Soviets moved against the liberal policies and political figures of Czechoslovakia, however, they were keeping a close eye on their large neighbor to the East. The Soviet party's theoretical journal published a strongly worded compendium of China's foreign and domestic sins which concluded by accusing Peking of opening "a second front" against the Communist countries. Soviet diplomats, meanwhile, continued to seek out ways to reinforce Moscow's version of events on the border and to depict the USSR as a reasonable but resolute defender of its national territory.

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Two Warsaw Pact exercises were held this week. [redacted]

[redacted] Moscow announced concurrently that exercises involving Bulgarian, Rumanian, and Soviet staff elements were held in Bulgaria from 25 March to 1 April under the direction of Marshal Yakubovsky, the pact's commander in chief. The evidence for this Balkan exercise is scanty, suggesting it was minimal.

Prime Minister Wilson returned from Nigeria insisting that he had not gone there as a mediator. His main objective may have been to get the Nigerians to curtail the bombing of Biafra, but in this he was disappointed. Wilson now believes that the Nigerian problem is in the lap of the Organization of African Unity.

The nuclear have-nots at the Geneva Disarmament Conference are becoming more impatient at the lack of progress. Led by Sweden and Mexico, they have expressed disappointment that the US and USSR seem more interested in seabed arms control than in a comprehensive nuclear test ban or in strategic arms limitation talks. [redacted]

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## CZECHOSLOVAKS MOVE TO SUPPRESS ANTI-SOVIET DISSIDENCE

Widespread anti-Soviet demonstrations last weekend seriously complicated relations between Prague and Moscow and led the Dubcek leadership to impose new restrictions in an effort to prevent further anti-Russian outbursts.

On 28 and 29 March, there were acts of violence against Soviet installations, equipment, and personnel in ten cities, and lesser incidents elsewhere. Soviet defense minister Grechko and deputy foreign minister Semenov arrived in Prague on 31 March to look into the situation and to give meaning to Soviet diplomatic protests. They reportedly met with the Czechoslovak party presidium on 1 April. Moscow is said to have bluntly warned that Soviet troops will be prepared to put down similar disturbances should they occur in the future.

Under Soviet pressure, the presidium gave broad authority to the interior ministry to arrest those who allegedly organized the anti-Soviet disturbances. This is a concession to the USSR, which refuses to accept Prague's view that the demonstrations were spontaneous.

The presidium also stated that henceforth it will take ac-

tion against any who imperil Prague's alliance with Moscow. The statement criticized the anti-party conduct of certain central committee members, including presidium member Josef Smrkovsky, the only remaining progressive in the party leadership. This move appears to be an initial response to Soviet insistence that the party, government, and mass media be purged of antiparty dissidents.

In addition, the presidium decided to crack down on the maverick press for "arousing...anti-Soviet hysteria." It suspended the party central committee weekly Politika and threatened actions against other publications that have been circumventing censorship regulations. On 2 April, the government press chief announced the press would be subjected to pre-censorship, but he did not spell out the details of this new restriction.

The Dubcek leadership's new crackdown--its most dramatic response to civil disturbances since the invasion--is nevertheless a minimal reaction. It will, however, probably provoke the trade unionists and students, who regard Smrkovsky as the symbol of their hopes. Another crisis could develop if the police make wholesale arrests of those who took part in the demonstrations.

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## PROGRESS SLOW ON SOVIET COMPUTER NETWORK

The USSR continues work on a nationwide computer network, with much of the system still under development. The Soviets continue to experience serious difficulties in meeting the key requirements for the successful operation of such a network: a large stock of specially designed hardware and software and techniques for joining the computers, skilled technical and service personnel, an efficient information collection system and a well-organized administrative apparatus.

A decree of March 1966 stipulated that a unified network of computer centers to facilitate planning would be started during the current five-year plan period (1966-70). When completed, the network will operate on three levels: the main computer bank in Moscow, 50 to 80 regional or republic centers, and 4,000 installations at the local level.

The three-tiered network will necessitate mass production of specially designed computers and related hardware. The main computer center in Moscow has been completed, but only a small number of the regional and local installations have been constructed and adequately equipped. For example, mass production of the "Ryad" series of computers--the basic unit of the network--will not begin before 1970.

The high-speed, high capacity data transmission system nec-

essary to connect the three levels of the computer network is still in the research and development stage. At present, the Soviets are transmitting digital data by telegraph and postal facilities, which are slow and cumbersome for handling large quantities of information. Also the failure to develop good peripheral equipment such as magnetic discs and tape units has forced the USSR to import some of this equipment from the West.

Although the Soviets have been developing a specific computer language for economic problems since 1963, much remains to be done before it can be used extensively in the network. For the present the USSR plans to rely heavily on imported software, which will make some development expenses in the USSR unnecessary. Large amounts of time and money still will be needed to master and adapt these techniques.

A serious shortage of skilled programmers and service personnel also hinders efforts to expand the Soviet computer network. In addition, domestic computer manufacturers are just beginning to accept responsibility for installing and servicing their equipment.

The several methods of reporting and collating statistics now in practice must be standardized for computer use. Although

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work on a commodity classifier, which categorizes about 16 million products, is almost complete, other classifiers remain to be developed, such as ones for economic sectors, occupations, organizations, enterprises, and geographical regions.

The most serious administrative problem in the formation of

the computer network is the current fight between Gosplan and the Central Statistical Administration for ultimate control of the network. At a lower level, the failure of conservative economists and factory managers to cooperate fully in the use of computers in enterprise reporting and administration has slowed work in certain critical areas.

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### WEST GERMAN NAVY INCREASING ITS NATO CAPABILITY

Bonn is making tangible progress toward increasing its NATO capabilities. The West Germans have recently begun a naval armament program for which \$450 million has already been authorized. By the mid-1970s, this program will substantially improve their capabilities to fulfill the assigned NATO mission of assisting in the control of the western Baltic Sea, supporting the left flank of NATO forces in Central Europe, and keeping open the sea lines of communication across the North Sea.

The Lutjens, West Germany's first guided missile destroyer, entered operational service last month. Two other destroyers are being fitted out in the US and will be commissioned in the near future. The destroyers, which cost more than \$50 million each, are equipped with a development of the US Tartar missile system for both surface-to-surface and surface-to-air roles.

In January, the Bundestag Budget Committee approved the funding of four guided missile frigates and 12 improved coastal submarines. The frigates are to join the fleet in 1974 as replacements for the obsolescent US Fletcher-class destroyers. Each frigate will cost between \$45 and \$50 million. Armament will consist of one Tartar missile launcher with 40 missiles, four 76-mm. cannons, and four torpedo tubes for antisubmarine warfare and surface targets.

The 12 new submarines will be upgraded versions of the 350-ton coastal subs recently completed for the German Navy. Each will cost about \$7.5 million and delivery to the fleet should begin sometime in 1971. In addition, the navy has requested four guided missile corvettes and ten guided missile fast patrol boats.

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## EUROPEAN STATES REACT TO WARSAW PACT SECURITY APPEAL

The bland document signed on 17 March by Warsaw Pact members in Budapest clearly satisfied none of its signers except Rumania, but it did whet some interest in Western Europe.

Since the meeting the Warsaw Pact powers have reinterpreted the document, in terms of long-held national positions which had been submerged enough to permit drafting of a consensus text. The Soviets even published their own altered version of the appeal.

The implied conditions for a European security conference were vague, but would lead to a formal acceptance of the status quo in East Germany and West Berlin. This was the minimum East Germany could accept. Its press did not support the appeal until the end of March. By then, Pan-kow had refocused on old demands: diplomatic recognition, and the need to thwart Bonn's allegedly aggressive intentions. During the pause in propaganda private East German feelers were put out to the West Germans for ministerial talks on bilateral issues.

The Poles interpreted the appeal as a signal to resume political discussions with West Germany. In addition, they are refurbishing earlier proposals to get discussions started among a few European states as well as more grandiose regional schemes.

Hungary has had the task of formally presenting the European security conference proposal to

Western governments and in the United Nations, and is typically sticking to the text. The Czechoslovaks have had little time to become involved, but party leader Dubcek endorsed the appeal, noting that there was much to gain for the West Germans if they improved their relations with Eastern Europe.

The Bulgarians have offered blanket support, dusted off their old Balkan zone-of-peace plan, but have not stopped their interference in Yugoslav Macedonia. The Rumanians have taken the proposal a step beyond the text, endorsing detente, but not on a basis which would perpetuate Eastern and Western European blocs. Of all the Eastern Europeans, only the Rumanians seem to recognize a role for the US in Europe. The Yugoslavs are skeptical that anything will come of the appeal, and the Albanians see it as a Soviet-American plot against the Chinese.

Western European response to the Budapest declaration is coming into focus in NATO, as the Alliance prepares for its 20th anniversary ministerial meeting. The country representatives at NATO headquarters have drafted language with alternative formulations for the ministers, leaving to them the decision on whether to view the Budapest declaration as primarily a tactical device or as something worthy of serious exploration. Most of the Alliance foreign ministers, and especially Nenni of Italy, Harmel of Belgium, and Luns of the Netherlands, appear anxious for an exchange of views.

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## WEST GERMANY TO INCREASE TRADE WITH COMMUNIST COUNTRIES

West Germany is moving rapidly to implement its recent decision to raise quotas on imports from Eastern Europe and the USSR. Bonn also is seeking to improve its position as one of Communist China's major trading partners in the free world.

Minister of Economics Schiller has characterized the decision to increase import quotas as part of a diversified program to counteract inflationary pressures and reduce the still excessive foreign trade surplus. Bonn's action permits a one-third increase in the import quotas for Soviet and East European industrial products, with the exception of certain items such as iron, steel, coal, cotton and heavy heating oil. Increased quotas for certain petroleum products have already been assigned to Poland, Rumania, Czechoslovakia and the USSR.

Bonn estimates that its decision will permit the East European states to increase their exports to Germany by \$132 million from last year's level of \$670 million. The new figure includes \$47 million in expanded quota ceilings already granted during negotiations over trade this year with Rumania, Poland, Hungary, Czechoslovakia and Bulgaria. These quota increases are equal to 20 percent of West Germany's imports from these five countries last year.

Despite Bonn's action, the increased West German quotas may not result in a substantial rise in imports because many East European products cannot compete effectively in Western markets. The federal cabinet has not yet decided if similar quota increases will be granted to East Germany.

Bonn also is seeking to improve its relatively large trade with Communist China. Last year, West Germany ranked third among Peking's trading partners in the free world--after Japan and Hong Kong--with total trade of \$260 million. German exports to China, however, declined by some \$30 million in 1968, reflecting a drop in exports of iron and steel products as well as the completion of deliveries of machinery and equipment for whole plants that had been ordered several years ago.

Bonn clearly wants to maintain its strong position in the China market despite the occasional difficulties created by Peking, such as the harassment and imprisonment of several German technicians. The Chinese reportedly made discreet inquiries for additional free world plants at the Canton Trade Fair last fall. Bonn probably hopes that negotiations broken off in 1966 for a large steel mill complex valued at from \$125 million to \$175 million may be resumed eventually.

Last year, Bonn's trade with all Communist nations reached a record high of \$3.2 billion or seven percent of total West German trade. Despite a sizable increase in imports from the Communist countries, Bonn nevertheless registered a surplus of \$470 million in its trade with these countries. As a number of East European countries are now heavily indebted to West Germany, growth of this trade will depend on Bonn's further willingness to increase its imports or to grant substantial new credits.

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**SECRET****MIDDLE EAST - AFRICA**

Four-Power talks aimed at a Middle East settlement have begun in New York. There are wide differences between the participants on several key points, and Israel has publicly announced that it will not accept any recommendations which endanger its vital interests. The talks follow on the heels of a Security Council condemnation of Israel for an air attack near As-Salt, Jordan on 26 March. The four powers split on the vote, with the Soviet Union and France voting for condemnation, and the United States and Britain abstaining.

Israel, meanwhile, indicated it would continue its policy of "active defense"—hitting the fedayeen before being hit—and warned of a possible strike against Iraqi forces in Jordan. In Syria, the perennial infighting between competing factions in the Baath party was temporarily papered over by giving each about an equal share in the party leadership.

Iran is deploying forces along its Shatt al-Arab River border with Iraq, apparently in response to Iraq's attempts to enforce its rights in the waters that separate the two countries. Iraq is reportedly reinforcing in the area, but major hostilities are not expected. Iran, meanwhile, broke relations with Lebanon over the latter's refusal to extradite the former chief of Iran's intelligence service.

The forced resignation on 2 April of General Joseph Ankrah as head of Ghana's ruling National Liberation Council will undermine public confidence in the military regime. Ankrah was caught extorting money for political purposes. His successor, the young and mercurial Brigadier Akwasi Afrifa, could disturb council unity without which an orderly transfer to a civilian government is unlikely.

The visit of Soviet President Podgorny to Algeria from 26 March to 1 April made the anticipated splash, but the Moroccan Government has played Podgorny's trip to Morocco—1 to 6 April—in very low key. In Senegal, a strike by lycee students lost momentum as holiday recess approached. Labor leaders, acting as mediators, have been unable to negotiate a settlement of student grievances, and further agitation could occur when classes resume on 14 April.

A cabinet shuffle in Nepal resulted in the resignation of Prime Minister S. B. Thapa, who had been made the scapegoat for government failings. He has been replaced by former Deputy Prime Minister K. N. Bista. [REDACTED]

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## PAKISTAN'S YAHYA KHAN CONSOLIDATES POWER

The new military regime continues to consolidate its position through a series of concessions and a willingness to repress any opposition.

General Yahya Khan, the Chief Martial Law Administrator, assumed the presidency on 31 March, ostensibly to permit him to perform certain necessary functions under Pakistani and international law. Although the move may be a sincere effort to facilitate the carrying out of his duties, many will regard it as confirmation of Yahya's personal ambitions. Yahya has formed a military council--his three deputy administrators--to help run the country. On the international front, he has assured all nations that he intends no change in Pakistan's foreign policy.

The conciliatory gestures being made by the ten-day-old regime are probably intended to convince the people that the administration will be fair as well as firm. A new series of regulations has kicked off a promised campaign against bureaucratic corruption--a major cause of resentment under Ayub Khan.

Schools in both wings of the country have been reopened for the first time in months. Food shipments have been rushed to East Pakistan where distribution in rural areas appears to be returning to normal. The private sector has been directed to honor all pay increases forced by labor in recent months, regardless of the methods used to extract them. On 30 March, re-

strictions were temporarily relaxed throughout the nation to permit public observance of a traditional Muslim day of mourning.

Although the regime is avoiding the excessive show of power which characterized Ayub's iron-fisted take-over in 1958, martial law regulations are being strictly enforced. Yahya has apparently told his officers that violations will not be tolerated and that violators are to be shot on the spot if they ignore a warning. Official figures list six persons killed and more than 80 arrested since martial law was imposed last week.

There is no indication that major political figures--who remain invisible and inaudible--are among those detained. Since punishments can be extremely severe, most people are assiduously avoiding provocation. The drab fare in newspapers across the country indicates that censorship--although not officially ordered--is once again in effect.

Pakistanis--East and West--are quiescent, and life for the time being appears normal. Nevertheless, most East Pakistanis are convinced that the military took over in order to keep West Pakistan dominant and East Pakistan in line by force. Martial law is a severe setback to their drive for regional autonomy, and its imposition has almost certainly strengthened the hand of extremists who in time may succeed in stirring up active resistance to the government.

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## ISRAEL PURSUING TOUGH MILITARY AND DIPLOMATIC LINE

As Four-Power talks on the Middle East open at the United Nations, Israel seems to be pursuing an unrelenting hard line militarily vis-a-vis the fedayeen and diplomatically regarding a peace settlement. Tel Aviv has initiated what it calls a military policy of "active defense"--to hit before being hit--and has issued another denunciation of the Four-Power talks.

The pattern of Israeli air attacks on fedayeen bases in Jordan over the past two weeks indicates that they are pursuing this policy of "active defense." Minister of Defense Dayan said Israel would hit the guerrillas with land and air attacks "before they cross the border and before they reach the supermarket." The objective is apparently to keep the Arab guerrillas on the move, to interfere with training, to break morale, and to discourage terrorist activity generally. Jordan went to the UN Security Council last week to ask for condemnation of an Israeli air strike near As-Salt in which they claimed 18 civilians were killed and 25 wounded. The Israelis insisted it was a fedayeen meeting place and that as many as 15 terrorists were among the injured. Israeli leaders also hinted that they intended to follow this active policy even if it did disturb some members of the Security Council.

Tel Aviv also continued to follow a tough line toward the

upcoming Four-Power talks. In a communiqué issued following a cabinet meeting on 30 March, Israel announced that it "entirely opposes" the convening of the talks. The main Israeli theme is that powers outside the region cannot decide the fate of the Middle East states, and that Israel and the Arab states should be permitted to work out their own settlement through direct negotiations. Israel, moreover, cannot accept any Four-Power recommendations which are not agreed on by the parties concerned.

The central problem for Israel in the convening of the Four-Power talks is that it believes the cards are "stacked" against it, that the Soviet Union and France are clearly pro-Arab, and that Israel's one Big Power friend--the United States--will in the process of the talks agree to concessions detrimental to Israel.

Meanwhile, there were some signs of possible internal political trouble in Israel itself. The ever-unpredictable Dayan was expressing doubt whether he would remain in or break with the ruling Labor Party. It is not clear whether popular Dayan has really made up his mind to leave or not, or whether he was issuing a warning. If he does leave, Israel faces some domestic political turmoil amidst its increasing troubles abroad.

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## FEDERAL NIGERIAN FORCES GO ON THE ATTACK

Federal units have launched attacks in several areas of the civil war, scoring some minor inroads into secessionist-held territory. British Prime Minister Wilson's visit of 27-31 March to Nigeria seems to have strengthened federal leaders' confidence in the UK's continued support for their side. Despite an attempt by Wilson to meet with Biafran leader Ojukwu, the visit led to no peace initiatives.

The long-stationary federal 1st Division, in a move probably timed to coincide with Wilson's visit and presumably as part of the long-heralded federal "final offensive," has attacked south from Okigwi and southwest from Afikpo. It seems unlikely, however, that the attacks will lead to any major gains in the near future.

On the southern front, the 3rd Division, which had been losing ground to the Biafrans steadily since early February, has launched strong counterattacks, but the Biafrans have apparently contained these attacks. The 3rd's main objective is probably to relieve the federal brigade which has been under siege in Owerri for several weeks. The federal 2nd Division early

last week attempted to move south-east from Onitsha, but met stiff Biafran resistance and has apparently postponed further offensive activity for the time being.

The Biafrans' ability to hold off sustained federal attacks will depend mainly on the supply of arms to the secessionists.

Prime Minister Wilson apparently reassured federal leaders that he intends no change in the British policy of supplying arms to Nigeria, which has of late come under increasing domestic criticism in the UK. Lagos, for its part, apparently did no more than reiterate its willingness to negotiate a settlement of the war within the context of one Nigeria and renew its guarantee that the Ibos will not be treated as second-class citizens in a future Nigeria.

Wilson tried to arrange a meeting with Ojukwu. Wilson and Ojukwu were unable to agree on a meeting place, however, and although both leaders appeared to see the propaganda value in offering to meet, neither seemed really anxious for a meeting to take place. [REDACTED]

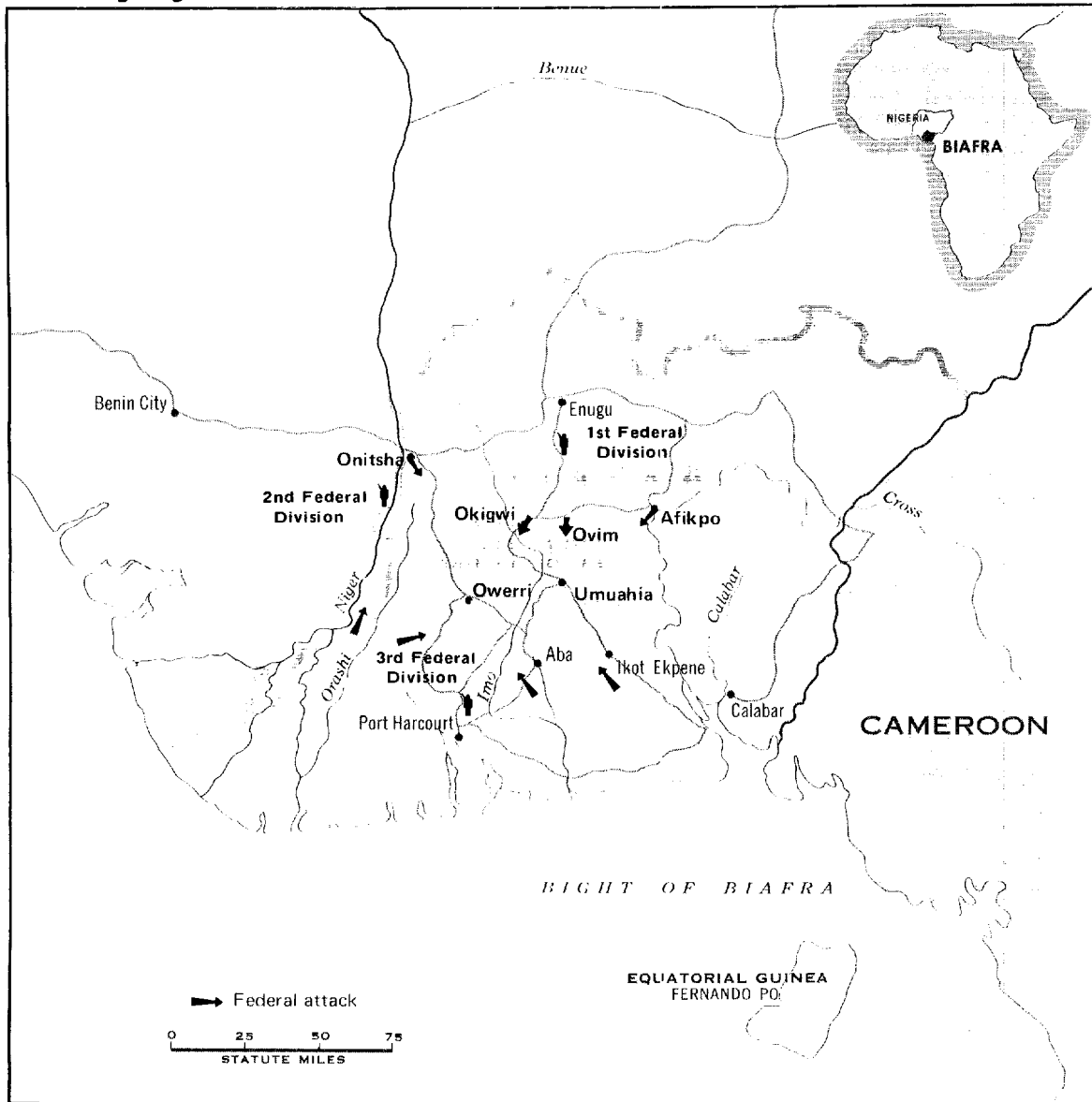
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### Attacking Nigerian Forces Score Minor Gains



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**WESTERN HEMISPHERE**

Peruvian President Velasco continues in his public speeches to appear optimistic that his government will be able to negotiate a settlement of the International Petroleum Company issue before the 9 April deadline. There is no evidence, however, that a breakthrough is near, and some real progress must be made soon if suspension of Peru's aid and sugar quota is to be avoided. Velasco still boasts that the US will not invoke the Hickenlooper sanctions.

Britain and Anguilla have signed a truce that apparently ends the immediate crisis in the tiny occupied island, but other Caribbean leaders will probably continue to try to influence future events. Last week, for example, Prime Minister Shearer of Jamaica made an unsuccessful attempt to persuade Prime Minister Burnham of Guyana that "independent Commonwealth countries" should help find a solution to Anguilla's problems.

Prime Minister Shearer, meanwhile, continues to have his troubles at home trying to keep the crime rate under control. Several foreign embassies have instituted special security measures to protect their personnel, and the US Embassy reports that the general atmosphere in the Kingston area ranges from jitters to fear at all socioeconomic levels.

The Special Committee for Latin American Economic Coordination (CECLA) began its "expert-level" meeting in Santiago, Chile on 31 March. CECLA is an exclusively Latin American organization which in essence is a caucus for coordinating Latin America's economic, commercial, and monetary positions for international conferences, particularly those at which the industrialized nations are in attendance. The present meeting developed from the desire of the Organization of American States to formulate a common position on trade and development. Originally, a ministerial-level meeting was scheduled for March, but that meeting has been postponed until the outcome of the Peru - US negotiations over the International Petroleum Company is known. This preliminary meeting will last until 8 April and will prepare an agenda for the higher level meeting which will probably take place in mid-May.

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## NO EVIDENCE OF IMPROVEMENT IN PERUVIAN SITUATION

President Velasco continues to appear optimistic in his public statements on the prospects of a settlement of the International Petroleum Company (IPC) issue, but there is no evidence that a breakthrough is near in the talks with special US emissary Irwin.

In a press conference on 31 March, Velasco said that "the conversations with Mr. Irwin are favorable...developing peacefully in a climate of harmony" and that he believes the Hickenlooper Amendment will not be applied. Peruvian Government officials, however, show no sign of backing down from their hard line on IPC and some real progress must be made if the suspension of Peru's aid and sugar quota on 9 April is to be avoided.

President Velasco used the same press conference to deny rumors that the government is about to arrest and exile leaders of the APRA party. He also rejected charges that Communists had infiltrated the military government. He said that the stories linking his personal advisers to various extremist or Communist organizations were simply part of a propaganda campaign against the government by IPC and APRA.

The evidence, though still sketchy, does tend to justify concern about the role of some of the President's civilian advisers--despite Velasco's de-

nials. The one clear common denominator among these men is their strong nationalist posture on the IPC issue. Several of them have been closely linked with leftist extremist groups in the past. Velasco apparently relies on these men as competent legal experts and has brought some of them into his talks with the US emissary.

The President also said that the government reorganization, which created four new ministries and abolished two others effective 1 April, did not signal discord in the armed forces. He said that General Montagne would continue to serve as both prime minister and minister of war, thus squelching the widespread rumors that Montagne, who was suspected of plotting Velasco's overthrow, would be forced to give up one of his posts or perhaps would be transferred abroad.

The President's announcement that no action was being taken against APRA leaders and that Montagne would remain in his job may represent a minor victory for moderate forces in the government.

Presi-  
dent Velasco, however, remains in a very strong position, and some restrictive action against APRA may be taken in the near future.

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## VENEZUELA LEGALIZES THE COMMUNIST PARTY

President Caldera is presenting his legalization of the Venezuelan Communist Party as a logical extension of steps initiated by his predecessor, but his decision was probably based on an expectation of political gains in a number of areas.

He may, for example, believe that at least some aspects of his minority government's program will now have support from left-wing groups represented in Congress. He may expect that the party's promise of an end to guerrilla activities in return for restoration of the constitutional guarantees withdrawn in 1962 will have a divisive effect on other extremist opposition groups. There are also reports that Caldera views the reduction of the guerrilla problem as an indirect means of lessening the military's role and its ability to influence government actions.

Military reaction so far has been that legalization will have little effect on Communist activities. The party's guerrilla efforts have been minimal, and it has been operating freely through its political front, the Union for Advancement, for more than a year. In any case, the end of guerrilla problems is not yet in sight. The decree does not affect the outlawed Movement of the Revolutionary Left (MIR)

or the Communist dissident Armed Forces of National Liberation (FALN), both of which have active guerrilla bands. Although both groups may be splintered between proponents of continued armed struggle and those who would accept a conditional amnesty, neither seems likely to accept the terms the government would demand.

The MIR has already issued a list of conditions that must be met before it will even agree to talk with the government. For example, it wants elimination of the Armed Forces Intelligence Service, all counterinsurgency ranger battalions, theaters of operations, and the Joint Operations Center set up to coordinate counterinsurgency activities. The FALN is expected to reject outright any government plans that would require it to disband its guerrilla force.

The major criticism of Caldera's action has come from conservatives in the business community and in the opposition Democratic Action party, who claim that he is moving too fast and does not realize the basic difference between allowing rehabilitated Communist leaders to function through a political front and pardoning the whole movement through legalization of the party.

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## OUTLOOK FOR CUBAN FOREIGN TRADE BRIGHTENS

The value of Cuba's foreign trade will increase appreciably this year, primarily because of expanded trade with the free world. Most of the expected increase will reflect higher earnings from sugar exports. Trade with Communist countries, which accounts for nearly 80 percent of Cuba's total trade, is likely to rise only slightly.

The world market price for sugar has nearly doubled since the re-establishment of export controls under the International Sugar Agreement late last year. In addition, the volume of Cuba's sugar exports to the West probably will increase this year. Although the 1969 harvest apparently will not be much larger than last year's, the anticipated early start on the 1970 harvest should provide additional sugar for export in the final months of 1969.

The prospect of continued strength in the world sugar market also will tend to improve Cuba's credit position in the West. The probability of increased Cuban sugar production after 1969 and the recent easing of the strain in Havana's relations with Moscow should further help Cuba's credit standing. Even with its improved credit position, however, Cuba may wish to slow the rate of new debt accumulation.

Cuba's debt to free world creditors currently is fairly

large and the cost of carrying it is rising. At the end of 1968 Cuba probably owed free world banks and suppliers more than \$200 million compared with total exports to the free world in that year of about \$130 million.

Increased exports and possibly additional credits in turn will enable Cuba to increase its imports from the free world during 1969. In the past, Cuba has shown a preference for Western goods and has tended to increase its purchases from free world countries when its hard currency income would allow such a move. Free world goods are frequently better suited to Cuba's requirements than those obtainable from the Communist countries, and in the case of machinery and equipment, are often lower in price.

Havana probably believes that it can count on continued Soviet credits because of the USSR's political commitment to Cuba. There is little chance that Cuba will ever have to repay these credits. Havana, however, is concerned about protecting its credit reputation in the West. This good standing depends on Cuba's holding its indebtedness in a reasonable relation to export earnings and in meeting its repayment obligations. For the most part Western aid consists of commercial credits, largely from the UK, France and Spain. [REDACTED]

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## UNREST SURFACING IN DOMINICAN REPUBLIC

The relative if uneasy political calm imposed by the Balaguer administration during the past two and a half years is showing signs of deterioration. In recent weeks, a variety of problems have provided the opposition with handy political cudgels with which to generate unrest.

Student agitation in support of demands for an increase in the government-controlled budget of the Autonomous University of Santo Domingo has continued since the opening of the school year on 20 January. The disturbances have resulted in one student death. Although the police have kept the nearly daily university demonstrations from spilling over into the downtown area and have generally minimized violence, Balaguer has reportedly stated that he is ready to close the university if further provocations occur.

On the political front, the President's announcement on 27 February that he might run again in 1970 has prompted widespread criticism and talk of a coordinated anti-re-election campaign. Re-election is a divisive issue even in Balaguer's own Reformist Party, where supporters of Vice President Lora have begun a draft movement. While the Constitution does not prohibit a second term, the specter of "continuismo"--extended one-man rule reminiscent of the deposed tyrant Trujillo--

is already a hotly debated subject.

A rise in what appears to be a series of politically motivated killings by the extreme left and by the police has added to the uneasiness. The opposition has capitalized on the unexplained murders to publicize charges of the government's Trujillo-type rule.

Balaguer's often summary treatment of his opponents and the issues they raise--typified by the closing of the major opposition party's radio program on 13 March--adds a further strain. The administration, for instance, has largely brushed aside clerical charges of its inattention to campesino problems, although one of the country's six bishops and a large number of priests have publicly attacked the lack of progress.

The Communists, especially the Dominican Popular Movement (MPD), are attempting to exploit the unrest.

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