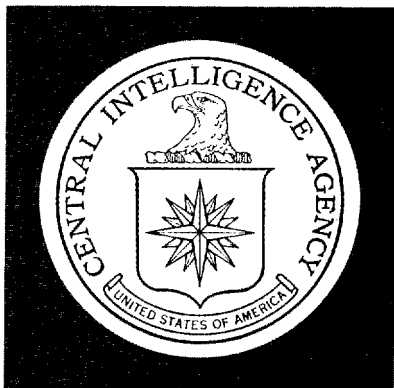


*copy*  
**Secret** *for Research Center*

25X1



DIRECTORATE OF  
INTELLIGENCE

# WEEKLY SUMMARY

State Dept. review completed.

**Secret**

**50**

9 May 1969  
No. 0369/69

**Page Denied**

C O N T E N T S

(Information as of noon EDT, 8 May 1969)

Far East

	<u>Page</u>
THE WEEK IN PERSPECTIVE	1
VIETNAM	2
Communist negotiators in Paris have offered a new ten-point program of conditions for talks with the South Vietnamese Government, an effort aimed in part at regaining the propaganda advantage from Saigon. In South Vietnam, meanwhile, military activity remained light, and President Thieu moved ahead with his progovernment confederation.	
THIRD TERM ISSUE DOMINATES SOUTH KOREAN POLITICS	6
Hard-line supporters of President Pak are stepping up their efforts to lift the constitutional ban on his running for a third term in 1971.	
CAMBODIA'S SIHANOUK CASTIGATES NORTH VIETNAM AND US	7
Prince Sihanouk apparently is entering another period of frenetic diplomatic activity, but this time North Vietnam is a target as well as the US.	
COMMUNIST CHINA EXPECTING MEDIOCRE HARVEST	8
Crop prospects this year probably are adding to Peking's reluctance to tamper with current agricultural policies. The tone of releases from the recent ninth party congress indicates that proposals to radicalize farm policy have been shelved.	

25X1

SECRET

SECRET

Europe

THE WEEK IN PERSPECTIVE	9
USSR'S INDUSTRIAL GROWTH LAGGED IN FIRST QUARTER Severe winter weather was largely responsible for the poor performance of Soviet industry during the first quarter of the year.	10
CZECHOSLOVAK LEADER HUSAK TRIES TO CONSOLIDATE HIS GRIP Party leader Husak last week alleged that his leadership had passed its initial tests and was now ready to review the country's myriad problems.	11
EAST GERMANY GAINS RECOGNITION FROM NON-COMMUNIST STATES East Germany's prolonged efforts to obtain diplomatic recognition from non-Communist states finally met with success on 30 April and 8 May, when Iraq and Cambodia, respectively, announced full recognition of Pankow.	13
POMPIDOU LEADING FRENCH PRESIDENTIAL RACE As the 13 May deadline for filing for the presidency approaches, French centrists are still searching for a man to carry their banner against the declared candidates of the left and right.	14



25X6

FRANCE MOVES TO CONTINUE EUROPEAN AIRBUS PROJECT Despite the UK's recent withdrawal, France and West Germany have decided to go ahead with the projected A-300 airbus--a 250-passenger, short-to-medium range aircraft primarily for European airlines.	16
--	----

Middle East - Africa

THE WEEK IN PERSPECTIVE	17
MIDDLE EAST SITUATION REMAINS ACTIVE Lebanon and Jordan continue to wrestle with problems brought on by Arab commando activities within their borders as shooting occurs daily along the Arab-Israeli cease-fire lines.	18

SECRET

SECRET

- SOVIET AID BENEFITING THE EGYPTIAN ECONOMY 19  
Soviet efforts to assist Egypt's economic development are paying off and, with the Aswan High Dam virtually completed, Moscow is now turning its attention to the Helwan iron and steel complex.
- GHANA'S POLITICIANS RETURN TO THE HUSTINGS 20  
Ghana's long-suppressed civilian politicians are feverishly organizing political parties in preparation for elections in September and the subsequent formation of a civilian government.

25X1

Western Hemisphere

- THE WEEK IN PERSPECTIVE 21
- PERU REMAINS ADAMANT ON IPC ISSUE 22  
No visible progress has been made toward agreement on compensation for the expropriated properties of the International Petroleum Company.
- CHILEAN CHRISTIAN DEMOCRATS TRY TO PAPER OVER SPLIT 23  
Supporters of President Frei won a narrow victory at a meeting of the Christian Democratic Party last week.
- BOLIVIAN POLITICAL TENSIONS SUBSIDE 24  
With the swearing-in of a new cabinet on 5 May, an uneasy truce has at least temporarily eased the political crisis caused by the death of President Rene Barrientos on 27 April.
- ECUADOR'S PRESIDENT THRIVING ON TROUBLES 25  
Problems with petroleum, bananas, finances, and politicians continue to complicate President Velasco Ibarra's efforts to govern Ecuador, but he seems to thrive on the challenge.

SECRET

SECRET

- PANAMA - COSTA RICA BORDER CONFLICT EASES 27  
A series of border incursions that had threatened to become a problem for the Organization of American States has subsided for the moment as both countries seek a solution through bilateral talks.
- DUVALIER INTENSIFIES ANTI-COMMUNIST CAMPAIGN IN HAITI 28  
President Duvalier's drastic actions may reflect his anxiety over current difficulties as well as a hope of inducing external assistance.

SECRET

**SECRET**

**FAR EAST**

Communist negotiators in Paris have offered a new ten-point program of conditions for talks with the Saigon government. The Communists have made these proposals, in part, to regain the propaganda initiative from Saigon. These statements come on the heels of policy deliberations in Hanoi attended by both the chief North Vietnamese negotiator in Paris and one of the important members of the Front delegation.

Communist forces in South Vietnam continue in the main to refit and resupply; there are now, however, indications that their "May Action Phase" will be limited in scope. Enemy planning at this stage appears to be directed at further attempts to cause a high level of allied casualties and heavy damage with as low a cost to the Communists as possible. Enemy action may intensify along these lines in June. Meanwhile, President Thieu appears to be having some success in forming his progovernment confederation, now to be called the National Social Democratic Front. A national convention of the new group is planned for late May.

Hard-line supporters of South Korea's President Pak are stepping up their efforts to lift the constitutional ban on his running for a third term in 1971. The unprecedented censure of a government minister last month appears to have given pro-amendment forces their opportunity to win Pak's support for more vigorous action at this time.

Cambodia's Prince Sihanouk apparently is entering another period of frenetic diplomatic activity but this time North Vietnam is a target as well as the US. Sihanouk is once again obsessed with the problem of protecting Cambodia's frontiers. In addition to rejecting the recent US border declaration, Sihanouk last week also made his most bitter and far-reaching verbal attack on the North Vietnamese. He even mentioned for the first time the possibility of severing diplomatic relations with Hanoi.

25X1

**SECRET**

SECRET

VIETNAM

Two important Communist negotiators returned to Paris with the Communist response to South Vietnam President Thieu's offer to talk directly with the Liberation Front. At the Paris meeting on 8 May Tran Buu Kiem offered a new ten-point program setting out Communist conditions for talks with the Saigon government.

This statement comes on the heels of important policy deliberations in Hanoi attended by both Le Duc Tho, chief North Vietnamese negotiator in Paris, and Mme. Nguyen Thi Binh, one of the important members of the Front delegation.

Most of the new ten points are an elaboration of earlier Liberation Front demands, but the scenario has been altered, and the Communists have gone on record as refusing to link North Vietnamese troop withdrawals with US withdrawals. They will discuss such problems only with the South Vietnamese, according to the new proposals. The Communists also hinted that they would be agreeable to a cease-fire before a coalition government was established, and that they intend to make extensive reparations demands on the US for damage in both North and South Vietnam.

Military Developments in South Vietnam

There are indications that the enemy's "May Action Phase" will be limited in scope. Enemy activity may be imminent in the western highlands, and along the outer fringes of South Vietnam's III Corps. The most significant enemy ground action this week took place in northern Tay Ninh Province, where an element of the North Vietnamese 1st Division stormed a US field position at a cost of more than 100 of the enemy killed and 29 captured.

Communist military activity so far this month reflects the usual recent pattern of refitting, regrouping, and reassessing. The present dispersal and low level of combat readiness of the bulk of the enemy's first-line combat units strongly suggests that there will be no country-wide May offensive



The majority of the enemy's combat troops could be prepared by June if Communist planners are aiming

SECRET



for a large-scale campaign. Chances are, however, that they will attempt a relatively low-cost, high political impact campaign, possibly in late June, designed to increase pressures in the US for concessions in order to hasten a settlement.

The Communists [redacted] had plans for attacks on the capital city during the spring offensive but they were unable to penetrate allied defenses. [redacted]

[redacted] the enemy still hopes to hit Saigon with main force units at some stage in the upcoming summer offensive. [redacted]

the continuing transport of rockets toward launching areas near the capital, suggesting that at a minimum the enemy may stage limited shellings of Saigon as they did during the spring campaign.

The Communists have several options open to them in planning their next campaign. These choices include attacks on provincial capitals and other populated areas, multidivisional attacks in the Demilitarized Zone area and against selected targets in III Corps, or the continuation of the strategy followed this spring with emphasis on bombardments of allied military positions. Although there could be any number of modifications or combination of these options, it would seem likely that any new country-wide offensive would com-

bine the relatively inexpensive tactic of widespread shellings with selected large-unit attacks on strategic military targets, particularly in the provinces ringing Saigon.

#### Political Developments In South Vietnam

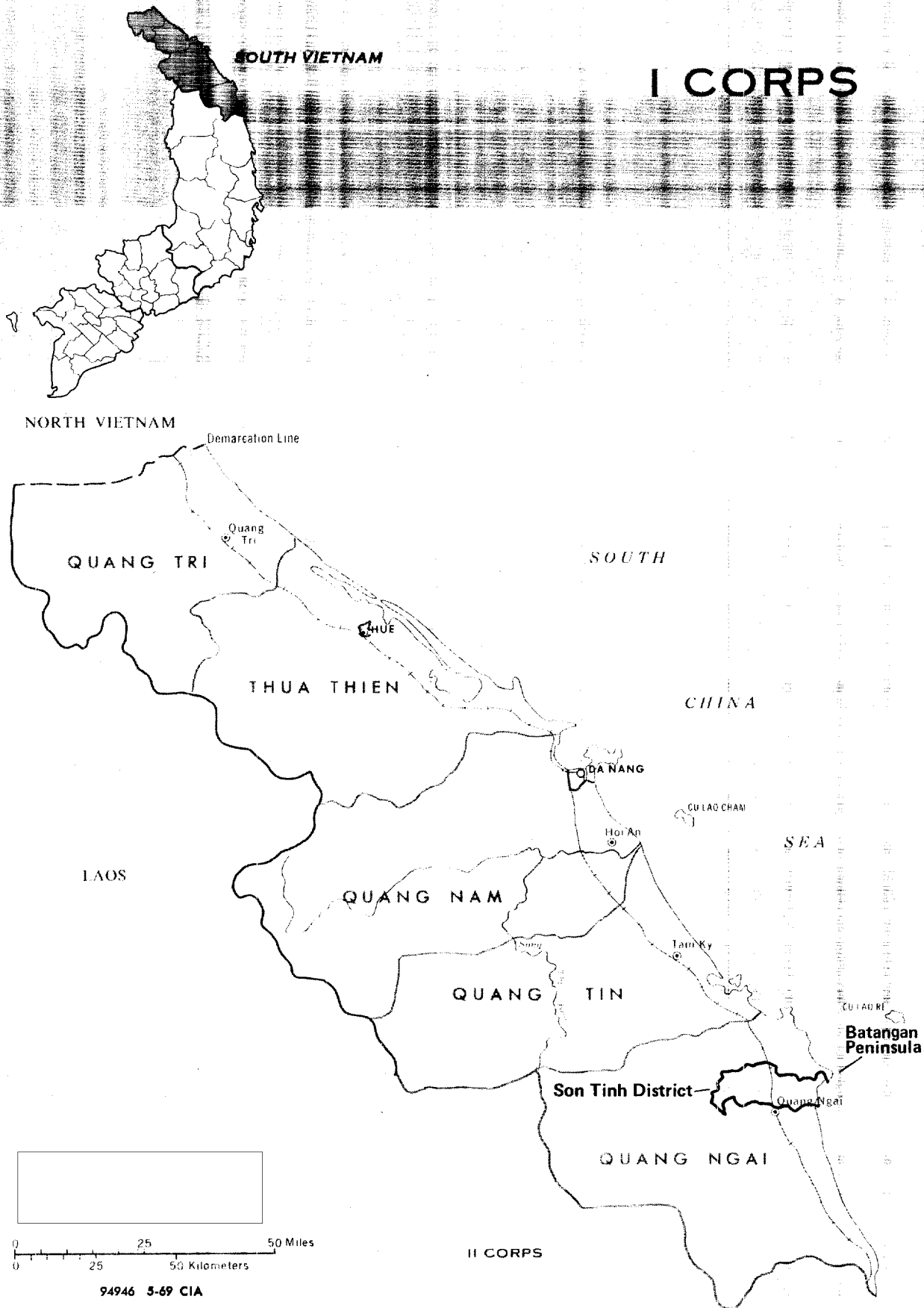
President Thieu and several political groups have reached agreement on a name for Thieu's progovernment confederation and on the composition of its presidency. 25X1

The new group will be called the National Social Democratic Front, and its first national convention is now scheduled for 25 May. Included in the initial grouping will be the Greater Solidarity Force, the Nhan Xa, the Revolutionary Dai Viets, the Hoa Hao Social Democrats, and the Lien Minh. A newly merged Vietnamese Nationalist Party faction may also join. 25X1

There are indications that presidential aide Nguyen Van Huong may be eliminated as an intermediary between Thieu and the component elements of the new organization. Huong is widely disliked and his role as intermediary in the predecessor organization, the Lien Minh, has caused many difficulties.

Meanwhile, Senator Tran Van Don, a prominent South Vietnamese

SECRET



25X1

SECRET

politician who has so far remained out of the negotiations on Thieu's confederation, has offered to support Thieu by revitalizing the Vietnamese veterans legion, in association with General Duong Van "Big" Minh. At the same time, however, Don has apparently kept his lines open to the enemy side. Don informed US Embassy officials in Saigon that the Communists had contacted him about possible cooperation with "Big" Minh in a coalition government to replace the present regime. He claimed that he had declined the Communist suggestion, at least for the time being, but also volunteered that such contacts are frequent and widespread.

These contacts represent Communist attempts to promote their "peace cabinet." The fact that a major figure such as Don has not ruled out participation in such a government almost certainly encourages the Communists to believe they are on the right track and can eventually undermine the Saigon political structure. Moreover, Don is probably right that many other South Vietnamese politicians have been contacted by the Communists. It seems likely that these politicians also are being only "moderately negative," as Don described himself, thereby giving further encouragement to the Communists.

The enemy also remains politically active in many districts and villages throughout the coun-

try despite the loss of many low-level cadre as a result of the government's pacification program. Assassinations, kidnappings, tax collections, recruitment, organization, and propaganda continue to demonstrate the enemy's presence in much of South Vietnam.

In I Corps' Thua Thien Province, for example, the Communists' most recent activity has been directed primarily toward rebuilding their badly damaged infrastructure. In the past few months, small groups of Viet Cong have become more active in the lowland districts, where enemy units have been concentrating on food collection.

In Quang Ngai Province, meanwhile, incidents of kidnaping have increased, suggesting the enemy needs additional laborers to haul his supplies. The Viet Cong also continue to resist the expansion of the government's presence into long-time enemy redoubts on the Batangan Peninsula. For example, 177 civilians who were taken from a government resettlement camp on the peninsula two weeks ago have been sent by the Communists to nearby Son Tinh District to re-establish themselves. Another attempt by the enemy to disperse the inhabitants of a second resettlement camp on Batangan, however, was thwarted by a government security force.

25X1

25X1

SECRET

SECRET

### THIRD TERM ISSUE DOMINATES SOUTH KOREAN POLITICS

Hard-line supporters of President Pak are stepping up their efforts to lift the constitutional ban on his running for a third term in 1971.

Hoping to complete the legislative process by year's end, proponents of a constitutional amendment are busy behind the scenes lining up the necessary two-thirds majority in the National Assembly.

The schedule of the pro-amendment forces calls for securing unanimous approval at the government party convention, tentatively set for June, and then completing legislative action before the assembly takes up the national budget in September.

The unprecedented censure last month of a government minister by the National Assembly appears to have given the pro-amendment forces their opportunity to win Pak's support for more vigorous action at this time. Angered by the assembly's rebuff--and aware that the censure motion had been engineered by anti-third term assemblymen of his own party--Pak called for a tightening of party discipline. Pak publicly expelled from the party

a handful of the ringleaders involved in the vote, while pro-amendment forces appear to have been privately encouraged to force their doubtful party colleagues into line.

In the present climate, the anti-third term group within the party would seem to have little room for maneuver. The recalcitrants for the most part are supporters of Kim Chong-pil, Pak's erstwhile alter ego and close relative by marriage. Kim, ambitious to become president but lacking the power as well as the apparent will to challenge Pak head on, had been tacitly encouraging opposition to a constitutional change in the hope that Pak would step aside in his favor in 1971. To avoid complications, he had been in semi-exile in Japan since late February.

When the full extent of Pak's anger over the censure motion became apparent, Kim returned to Seoul on 28 April in an apparent effort to rescue as many of his followers as possible. He has dutifully called on his "old colleagues and fellow countrymen" to give their absolute support to President Pak. Kim has avoided giving a clear endorsement of the constitutional amendment, however, and appears to be marking time as he reconsiders his tactics.

25X1

25X1

SECRET

SECRET

## CAMBODIA'S SIHANOUK CASTIGATES NORTH VIETNAM AND US

Prince Sihanouk apparently is entering another period of frenetic diplomatic activity, but this time North Vietnam is a target as well as the US.

Sihanouk's emotional press conference of 30 April indicates that in addition to having second thoughts about how rapidly he should move toward a rapprochement with the US, Sihanouk is once again obsessed with the larger problem of protecting Cambodia's frontiers. In rejecting the recent US border declaration, for example, Sihanouk said that American newspaper stories describing the general nature of the declaration indicated Washington had "reservations" that undermined its utility to Cambodia. Gaining recognition of Cambodia's borders has been one of Sihanouk's principal foreign policy objectives in recent years.

It is still too early to judge how serious Sihanouk is about the "rejection." He may merely be trying to exact some clarification of the US position that he can use to advantage with his neighbors and his domestic critics. At a minimum,

a show of obduracy presumably enables Sihanouk to demonstrate to Cambodian leftists, as well as the Vietnamese Communists, that he is still his own man.

Sihanouk also made his most bitter and far-reaching verbal attack on the North Vietnamese to date at the press conference. Describing the encroachments of Viet Cong and "Viet Minh" elements in northeast Cambodia as typical tactics of the Asian Communists, he even mentioned for the first time the possibility of severing diplomatic relations with Hanoi. Sihanouk referred obliquely to certain assistance which the Cambodian people and army have provided the Communists and which presumably may now be withdrawn.

The importance of these veiled threats will not be lost on the North Vietnamese, nor will Sihanouk's call for a widening of the Paris peace talks to include representatives of both Cambodia and Laos find any favor in Hanoi. The North Vietnamese have insisted that the issues of Laos and Cambodia must not be taken up at Paris.

25X1

\* \* \*

SECRET

SECRET

## COMMUNIST CHINA EXPECTING MEDIOCRE HARVEST

Mediocre crop prospects this year are probably adding to Peking's reluctance to tamper with current agricultural policies, which include some material incentives and relatively free scope for private plots. The ninth party congress last month dealt only tangentially with the economy, but the tone of releases from the congress indicates that proposals to radicalize farm policy have been shelved.

The early harvesting about to begin will likely bring in a grain crop slightly below average. Although conditions in the north have been generally good, cold and rainy weather in the south has necessitated successive replantings of rice and has delayed the next crop.

chemical fertilizers have not been reaching the communes on a regular basis.

Crop losses in the south will probably not be excessive, but they nevertheless increase the risk to Peking of implementing radical Maoist policies in the countryside. Without first building up a substantial food reserve, China cannot push farm programs that past experience has shown to result in significant losses in

production. Since late 1966, the Cultural Revolution has hampered farm production by lowering the quality of local leadership, reducing industrial support, and forcing the communes to accept about 20 million city dwellers as part of a massive resettlement campaign.

In compensation, however, the general breakdown in discipline during the Cultural Revolution has given peasants unparalleled opportunities to grow and market their own produce. Food consumption data from south China indicate that during the past two years the contribution of the private plots to the average diet--measured in calories--increased by about 15 percent.

During the recent congress, People's Daily circumspectly defended the continued existence of private plots; provincial newspapers, however, have been far less equivocal on this point. Reduction and perhaps abolition of the plots has been one of the goals of experimentation in rural areas throughout China since last autumn. These experiments may now be tapering off, judging by the decreasing number of references to them in letters from China.

25X1

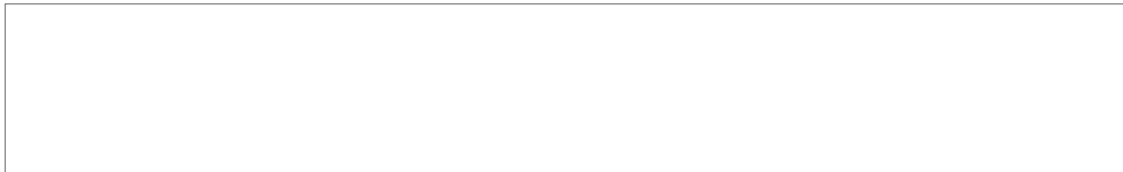
25X1

SECRET

**SECRET**

## EUROPE

In the campaign for the French presidential election on 1 June, Gaullist Georges Pompidou is leading a field of nine contenders, six of whom have no chance to win. At this point, a moderate Socialist and a Communist are Pompidou's strongest competitors, but a centrist may yet enter the race.



25X6

The Finns are circulating a memorandum to all European states, the US, and Canada, sounding them out on a European security conference. The Finns believe that consultations among governments concerned should be followed by a preparatory meeting and then by the conference itself. If the proposal is accepted, the Finns are ready to act as hosts.

Two of the top Soviet leaders are visiting Asia in May. Premier Kosygin in New Delhi this week for the funeral of Indian President Husain held substantive talks with Prime Minister Gandhi. China was probably high on their agenda, as it will be when President Podgorny visits North Korea and Mongolia later in the month. Podgorny's visit probably is aimed at demonstrating that Pyongyang has a friend in the Soviet Union despite Moscow's cautious conduct in the wake of the EC-121 shutdown.

After nearly two decades of effort, the East Germans finally won diplomatic recognition from a non-Communist nation when Iraq announced full recognition of Pankow. A week later, Cambodia also granted East Germany full diplomatic recognition. Syria and Sudan may soon follow suit.

Following an initial period of uneasy calm marked by protests and some demonstrations, Czechoslovak party leader Husak seems to believe that his regime has passed its initial tests at home and is now ready to launch a broad review of the country's many problems. His future plans and immediate next steps will probably be outlined at a central committee meeting reportedly set for next week.

25X1

**SECRET**

SECRET

USSR'S INDUSTRIAL GROWTH LAGGED IN FIRST QUARTER

According to Moscow, Soviet industrial production grew by only six percent during the first three months of 1969, the lowest growth rate during the first quarter in the 1960s. Analysis of monthly and sectoral data confirms the official explanation that the severe winter weather was largely to blame for the slowdown.

Civilian industrial production--determined by a recalculation of the official Soviet statistics to conform to Western definitions and to exclude military and space hardware--is estimated to have grown by only four percent. Total industrial output--including military and space hardware--is estimated to have grown at a somewhat higher rate than civilian production.

During January and February, production in all major sectors

of civilian industry except machinery stagnated or declined. There was a marked improvement in March but some sectors failed to recover completely, notably certain fuels, metals, and construction materials.

An improvement in urban diets is not likely before the 1969 harvests. Production in the food industry, which declined absolutely in January and February from the same period a year ago, showed moderate improvement in March. As a result, first quarter production of some major foods continued at about the same levels as during the first quarter of 1968. An absolute decline of 11 percent in meat output, however, in conjunction with winter herd losses in central Asia, dims considerably the prospect for a sizable increase in retail supplies of meat in the next few months.

The leadership has shown considerable concern over the unsatisfactory economic performance during the first months of this year. A meeting early in March of the Council of Ministers discussed the first quarter results and leveled criticism at various republics and ministries. Also, a number of recent press articles have stressed the need for greater effort to recover from the hard winter. The production lags in so many important industrial branches, however, will probably retard general economic growth for several months.

**Soviet Industrial Growth (Civilian)**  
**First Quarter - 1969**

*(Percentage change from corresponding period of previous year)*

	1963-65 (annual avg.)	1966	1967	1968	1969
First Quarter	--	7.1	8.6	6.5	4.1
Full Year	6.6	7.2	7.3	6.1	7.3* (plan)

\*Includes military and space

94944 5-69 CIA

25X1

25X1

SECRET



## CZECHOSLOVAK LEADER HUSAK TRIES TO CONSOLIDATE HIS GRIP

Party leader Husak last week alleged that his leadership had passed its initial tests and was now ready to review Czechoslovakia's myriad problems. He did not indicate that significant policy changes were imminent.

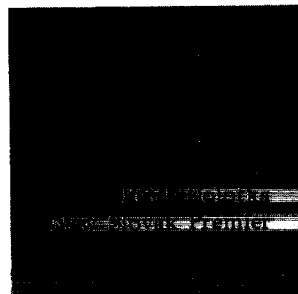
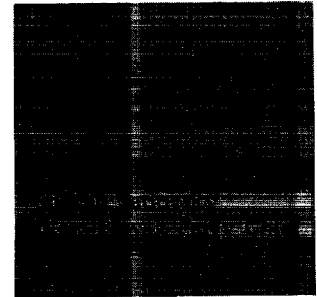
In an introspective assessment of his first two weeks in office, Husak claimed that his regime had won support on all levels of the party and had gained the confidence of the other Soviet bloc leaders as well. In fact, support for him on the local levels has been spotty. The East German press, moreover, was clearly distrustful of Husak, and a Hungarian diplomat described him as "unsuitable" in Budapest's eyes.

Husak also alluded to the success of elaborate security precautions in heading off civil disturbances on May Day. Despite Husak's seemingly strong grip on the internal situation, however, a nationwide roundup of several thousand potential dissidents was deemed necessary to preserve calm on 1 May. Even so, a significant demonstration broke out less than a week later in Plzen, where a crowd of about 5,000 protested the refusal of local party officials to celebrate the 25th anniversary of the US liberation of the city. Police authorities forcefully dispersed the crowd and

initiated legal action against the "criminal elements" alleged to be responsible.

Meanwhile, Husak presided over the installation of Stefan Sadvsky, up to now Slovak premier, as his successor in the post of first secretary of the Slovak Communist Party. At the same time, Peter Colotka, first deputy premier of the federal government, replaced Sadvsky as Slovak premier. Neither Sadvsky nor Colotka--who are liberal-moderates--are men of Husak's authoritarian bent, but Slovakia is well controlled by Husak's trusted colleagues.

The regime also tightened its grip on the news media. Probably



SECRET

SECRET

as a warning to other dissident editors, the party transferred responsibility for one of its regional newspapers from a progressive editor-in-chief to a group of 11 nonjournalist party members. In addition, the government banned the dissident students' weekly, Studentske Listy, in part because, as the voice of the uncompromising Czech students' organization, it refused to support subordination of that body to the Communist-run National Front.

Husak's policies thus far have been designed to cope with the problems raised by his election and to comply with Soviet insistence that the Czechoslovaks

assert the party's authority and calm the domestic situation. Now that he has achieved a measure of control over the media and the party's superstructure, he will probably assert himself at the working levels of the party and government, and will gradually deal with economic and social problems.

Husak may spell out his immediate plans during a central committee plenum sometime next week. He may also set the stage there for additional personnel changes, because he is likely to bring more of his supporters and other "realistic" individuals into federal party and government bodies.

25X1

\* \* \*

SECRET

SECRET

## EAST GERMANY GAINS RECOGNITION FROM NON-COMMUNIST STATES

East Germany's prolonged efforts to obtain diplomatic recognition from non-Communist states finally met with success on 30 April and 8 May when Iraq and Cambodia, respectively, announced full recognition of Pankow.

East German Foreign Minister Winzer led a party-state delegation to Baghdad on 6 May, presumably to formalize an agreement and to discuss exchanging ambassadors at an early date. Winzer probably will also use his visit to reaffirm GDR support for the cause of the Arab world.

Pankow's propaganda on Baghdad's decision has thus far been relatively low-key, but it clearly indicates that the East Germans will attempt to persuade other Arab states to follow suit. The GDR presumably will also step up efforts to obtain recognition from India, which recently upgraded its trade mission in East Berlin, and other third world countries.

There are indications that Syria also may soon recognize the GDR. Moreover, the Middle East news agency reported on 5 May that Sudan is also considering recognizing Pankow.

The Iraqi and Cambodian agreements to recognize Pankow probably

will have a significant impact on East-West German relations. The East Germans presumably believe that recognition twice in one week further justifies their hard-line policies toward Bonn and that there is no reason at this time to change those policies.

25X6

Bonn has warned that it will regard recognition as an "unfriendly act." It has few ways in which to retaliate against Baghdad, however, and apparently will direct its attentions to deterring other Arab states--which broke with West Germany in 1965 when Bonn recognized Israel--from following the Iraqi example. Bonn has more leverage in Cambodia, however, and may even threaten to break relations in an effort to get Sihanouk to change his mind.

25X1

SECRET

SECRET

## POMPIDOU LEADING FRENCH PRESIDENTIAL RACE

As the 13 May deadline for filing for the presidency approaches, French centrists are still searching for a man to carry their banner against the declared candidates of the left and right. In a race in which the left is heavily represented, three major contenders--Gaullist Georges Pompidou, moderate leftist Gaston Defferre, and Communist Jacques Duclos--will compete with six minor candidates. Pompidou is in a leading position, however, with Gaullists of all shades now united around him and with various centrists leaning in his direction.

By fielding a number of candidates, the left has shown a lack of cohesion that may be repaired before the second ballot. Although this disarray gives Pompidou a wide lead over any single leftist candidate on the first ballot, it does not ensure his election. On the second ballot--and no candidate is likely to receive the absolute majority necessary for a first-ballot victory--the left is almost certain to unite behind one candidate who could run a strong race against Pompidou.

The Communist Party, which decided reluctantly to run its own man when no other acceptable leftist candidate emerged, probably hopes to use its first ballot support to strike a bargain with the candidate who will oppose Pompidou on the second ballot. Communist voting strength in a nationwide presidential election has never been tested, but Duclos probably will be among the top three or four contenders.

Interim President Poher has still refused to declare his candidacy, but he told newsmen in mid-week that he "might be obliged" to be a candidate. Although some of the centrists as well as the center-left Radical Socialists are strongly urging Poher to run, other centrists are trying to convince him to stay out of the race so that they can more gracefully join the Pompidou bandwagon. One center leader, indicating that Pompidou would receive substantial support from center parliamentary deputies if Poher did not run, said that some centrists would support Pompidou in any event.

Many Socialists, despite their official endorsement of Defferre, apparently still are hoping that Poher will run in the belief that he is the only man who has a chance to defeat Pompidou. A last-minute resolution passed by the Socialist congress on 4 May gave the party the right subsequently to judge the "opportuneness" of Defferre's candidacy. Thus, if Poher does run, the party can switch its endorsement to him.

A poll released late this week showed that Poher would receive 35 percent of the vote against 42 percent for Pompidou, with the remainder being divided between Defferre, Duclos, and other candidates. The poll results may tip the balance in favor of a Poher candidacy and lead Defferre to withdraw in favor of the interim president.

25X1

SECRET

**Page Denied**

SECRET

## FRANCE MOVES TO CONTINUE EUROPEAN AIRBUS PROJECT

France and West Germany have decided to go ahead with the A-300 airbus project despite the withdrawal last month of the UK. Although some further modifications may be decided upon, the airbus as presently proposed is to be a 250-passenger, twin-engine, short-to-medium range aircraft primarily for European airlines. It is scheduled to enter service in the mid-1970s.

The French, by keeping the program alive, will continue to tie German interests to their own and to satisfy the stated French need for an airbus. France also views the project as one of the major programs to strengthen the European aircraft industry to compete with that of the US. The Germans are enthusiastic about the airbus project as it will afford them an opportunity to break into the commercial air transport market.

The cost-sharing formula for the project had been 37.5 percent for both France and Britain and 25 percent for Germany. France and Germany now are trying to interest other European countries--Italy, Belgium, the Netherlands, and possibly Sweden--in joining the project and splitting the British share. Involvement of additional countries in the project would also probably increase the airbus' sales potential.

After joining the consortium, the British concluded that there was no market for the A-300--at least, this was the reason the British gave for their withdrawal. The French have consistently maintained that firm orders would be difficult to secure so long as the consortium could not decide on specifications for the aircraft.

Despite UK disclaimers, the British withdrawal from the airbus program was probably also influenced by the fact that they have their own so-called airbus, the BAC-311. It reportedly would resemble the A-300 in many respects and the UK apparently does not believe that there is sufficient market for both aircraft. The French probably will not be deterred by the British effort, however, inasmuch as the UK has had only limited success in the commercial air transport market.

France also will be promoting its own short-to-medium range, twin-engine, 155-passenger Mercure, scheduled to become operational in 1972. The Italians have a 20 percent share in the Mercure, which gives the project something of a European flavor. This, coupled with continued German participation in the A-300, enhances French hopes for expanding the European position in the commercial air transport market presently dominated by the US.

25X1

SECRET

**SECRET**

**MIDDLE EAST - AFRICA**

The Middle East situation continues to simmer, with daily shooting incidents across the Arab-Israeli cease-fire lines. Lebanon is still without a cabinet, and clashes between the fedayeen and the army are increasing. The army has announced a crackdown on fedayeen groups in southern Lebanon—particularly the Syrian-backed Saiqah. King Husayn of Jordan is also trying to limit the terrorists' activities in Amman.

In the Nigerian civil war, federal forces have not undertaken any significant offensive activity since capturing Umuahia last month. The Biafrans have scored minor gains on the southern front and continue on the offensive there.

25X1

In Algeria, the long-postponed third congress of the General Union of Algerian Workers (UGTA) convened early this week after six months of careful preparation by the National Liberation Front. The congress is the final act of a government and party effort to subordinate the UGTA completely to the party, and is one more step toward consolidating Algeria's internal structure.

The death on 2 May of Indian President Husain dominated the news from South Asia. Selection of a candidate to succeed Husain, in elections that probably will be held in August, may put new strains on Congress Party unity. The funeral provided an opportunity for Mrs. Gandhi to meet with several high-ranking visitors. Conversations with Pakistani Air Marshal and Deputy Martial Law Administrator Nur Khan apparently were cordial and could presage new initiatives toward improved relations between the two countries.

25X1

In Calcutta, meanwhile, revolution-minded Communist extremists announced formation of a third Indian Communist party—this one dedicated to revolution in the countryside. Divisions among the extremists will tend to diffuse the threat, however, although the move may encourage new violence against the government of West Bengal, which is dominated by less militant Communist parties.

25X1

**SECRET**

SECRET

MIDDLE EAST SITUATION REMAINS ACTIVE

Lebanon and Jordan continue to wrestle with the problem of the Arab commandos, as shooting occurs daily along the Arab-Israeli cease-fire lines.

Lebanon remains without a cabinet, and clashes between the army and fedayeen groups are increasing in tempo and intensity. On 6 May, the Lebanese Army announced it would begin a crackdown on fedayeen groups in southern Lebanon, and it singled out Saiqah, the Syrian Government-backed terrorist group.

Elements of the Saiqah had attacked three different units of the army over the previous weekend, killing one soldier. The army said, therefore, that it was forced to take deterrent measures in order to provide for the safety of its own units and to maintain military morale. President Hilu, in a move probably aimed at winning domestic support, publicly stated that Lebanon would remain "loyal" to the Arab cause, but within a framework that recognized Lebanon's sovereignty.

In Jordan, King Husayn also has moved to exercise closer control over the fedayeen. Follow-

ing shooting incidents in Amman on 29 April, the King told fedayeen leaders that armed guerrillas would no longer be permitted to wander the streets of Amman and that their military bases within the city were to be closed. He added that, if necessary, the army would be brought into Amman in force to clean out the fedayeen.

Palestine Liberation Organization chairman Yasir Arafat, representing several major terrorist organizations, agreed to these demands, but the Popular Front for the Liberation of Palestine (PFLP) has not yet followed suit. Although the PFLP has been more actively antiregime than the other terrorist organizations, it does not by itself constitute a serious threat to the government. Meanwhile, firing across the Jordan-Israel border occurs almost daily.

Shooting incidents also continue to occur regularly along the Suez Canal, but there do not seem to have been any further Egyptian commando raids across that waterway during the past week. The Israeli raid into central Egypt last week apparently was not very successful in terms of physical damage.

25X1

SECRET



SECRET

SOVIET AID BENEFITING THE EGYPTIAN ECONOMY

Soviet efforts to aid Egypt's economic developments are showing positive results. This month will mark the virtual completion of the Aswan High Dam--the USSR's major aid project in the underdeveloped areas--which cost Moscow \$325 million in credits. Ceremonies recently were held inaugurating a new steel sheet rolling plant at the Helwan iron and steel complex. Helwan now is the USSR's principal project in Egypt, and Moscow has committed about \$160 million in credits to finance further expansion.

The Aswan Dam project, under construction since 1960, is estimated to have cost about \$750 million. Although 2,000 Soviet technicians were employed at the peak of construction in 1964, the number has gradually fallen to 250, most of whom are working on the power facilities and networks not scheduled for completion until mid-1970. Cairo's repayments on the Soviet credits began in 1964 and have reached more than \$50 million. In a speech last January to the National Assembly, Nasir said the High Dam is expected to increase national income by \$184 million this year. Few, if any, benefits have accrued thus far from the land reclamation program associated with the High Dam, however.

By the end of 1968, the Aswan power plant was producing 1,500 million kilowatts per hour. When full power capacity is reached next year, the potential annual output of electric energy throughout Egypt will be more than three times the amount generated in 1963. Soviet and Egyptian experts are presently investigating the feasibility of power-

intensive industrial projects such as an aluminum plant and a phosphoric combine.

The \$800 million complex at Helwan is projected to consume about 1 billion kilowatt-hours of High Dam electricity. If operated at full capacity when completed in 1976-77, Helwan will fill Egypt's total iron and steel requirements as well as provide a surplus for export.

Egypt's brightest hope at the moment lies in the development of its petroleum resources. The great strides made thus far in Egypt's oil production have been achieved primarily through the efforts of Western oil companies. Despite the loss of the Sinai fields, crude oil production reached an annual rate of over 10 million tons by the end of 1968 and may approach 15 million tons this year, which should permit Cairo to increase its foreign earnings from oil exports. Egypt's major producing field, El Morgan, remains vulnerable to Israeli harassment, however. Also, potential Western investors in Egypt's proposed \$145 million oil pipeline from the Red Sea to the Mediterranean apparently are having second thoughts about becoming involved as long as fighting continues along the Suez Canal.

The Soviet role in Egypt's petroleum development has been limited. Under a recent agreement, however, Soviet oil-prospecting operations in the western desert are to be accelerated. An aerial survey is under way, seismic work has started, and drilling is to begin this month.

25X1

SECRET

SECRET

GHANA'S POLITICIANS RETURN TO THE HUSTINGS

Ghana's long-suppressed civilian politicians are feverishly organizing political parties in preparation for elections in September and the subsequent formation of a civilian government. The ruling National Liberation Council (NLC) lifted its ban on political activity as of 1 May. The initial field probably will contain 20 or more parties, but these are likely to shake down to two or three major groups and a few die-hard independent factions after active campaigning gets under way.

The best organized group is Kofi Busia's Progress Party, the direct descendant of the chief opposition group during the Nkrumah era. Busia's party, which appeals strongly to traditional elements, has been organizing for over a year and has a clear jump on all the others. Busia appears to be the favorite of the NLC chairman, Brigadier Afrifa, but he is a colorless politician who has recently been deserted by several of his long-time associates.

A second major group is forming around Komla Gbedemah, a former finance minister and co-founder of Nkrumah's Convention Peoples Party (CPP), who broke with the ousted dictator in 1961. Gbedemah has powerful support, including that of the NLC's vice chairman, police chief John Harlley, a fellow Ewe tribesman. His party will have significant sup-

port in labor circles and is likely to attract many former CPP moderates. Gbedemah is tainted by his association with Nkrumah, however, and he has not yet been fully cleared by the current regime's investigators.

Although the NLC gives every indication of allowing the first free elections in Ghana since 1956, it is determined to head off quickly any elements suspected of favoring the restoration of a Nkrumah-type regime. All CPP leaders who held major party or government positions when Nkrumah was ousted in February 1966 are still banned from active political life. These people, however, will probably contribute to the violence that seems inevitable once the politicians begin active campaigning.

Meanwhile, the ouster from the NLC last month of its chairman, General Ankrah, for soliciting personal subsidies from foreign businessmen has been followed this week by the firing of NLC member Nunoo. Nunoo had publicly challenged the NLC's list of politicians who allegedly received handouts from Ankrah, probably because the list was dominated by his fellow Ga tribesmen. His removal does not seriously alter the power balance within the NLC, but it deals another blow to the public image of the junta and seems certain to heighten tribal tensions during the coming political campaign.

25X1

SECRET

**SECRET**

**WESTERN HEMISPHERE**

May Day passed quietly in Latin America this year. There were the usual labor demonstrations in most of the larger countries, but violence and anti-Americanism were held to a minimum.

The political crisis that developed in Bolivia following the death of President Barrientos has subsided for the moment. On 5 May, the country's two chief political figures, President Siles and armed forces commander in chief Ovando, worked out an agreement on the new cabinet, thereby avoiding a showdown at this time. In general, the new cabinet seems competent and perhaps somewhat more conservative than the one it replaced.

Mexico, Panama, and the Central American republics were preoccupied with preparations for the forthcoming visit of Governor Rockefeller. The first phase of the governor's discussions on US - Latin American relations will begin in Mexico City on 11 May and end in Panama City on 18 May. Panama's National Guard jailed a number of prominent Communists and student leaders on 5 May, partly as a security precaution for the governor's visit.

In Chile, pressure for some form of action against the US-based copper companies is increasing. Several weeks ago, a deputy from the left-wing "rebel" sector of President Frei's Christian Democratic Party called for nationalization of the Anaconda Copper Company on the grounds that it had been buying up mineral lands in the northern part of the country. Although the Frei administration has firmly backed the "Chileanization" agreements signed in 1967, which allow government participation in ownership and management of the companies, the party last week adopted a more extreme position that calls for "recovery of natural resources in accord with the national interest." This matter of action against the copper companies appears to be one on which much of the party, otherwise badly divided, can agree.

25X1

**SECRET**

SECRET

## PERU REMAINS ADAMANT ON IPC ISSUE

The Peruvian negotiating team that came to Washington two weeks ago for further talks on the expropriation of the International Petroleum Company (IPC) is preparing to return to Lima within the next few days, with no sign that any progress has been made in resolving the problem.

The Peruvian team was apparently given instructions to avoid getting into substantive negotiations on the matter of compensation for the expropriated US oil property.

25X1

The military government is still hopeful that the US will not apply economic sanctions but is beginning to face up to the probability that the sanctions will eventually be imposed.

The issue of compensation for the expropriated property centers on the government's claim that the IPC owes the state some \$690 million, far more than the value of the property. President Velasco apparently has no intention of altering his position on this matter and is now considering how to react when the economic sanctions are eventually imposed. The deadline for a decision on

IPC's administrative appeal of the debt is 5 August, although the Peruvians have suggested that this decision could still be appealed to the judiciary, which could forestall indefinitely a final disposition of the matter.

25X1

Present efforts to offset the economic impact of the sanctions include attempts to attract foreign investment from elsewhere in the world. Such efforts are currently under way with Japan, which has demonstrated a strong interest in mining concessions and might be persuaded to increase its already substantial investments in Peru. In addition, the Peruvian Government has announced that it is seeking a \$329 million loan from the USSR to finance an irrigation project in the Andes Mountains.

25X1

SECRET

SECRET

## CHILEAN CHRISTIAN DEMOCRATS TRY TO PAPER OVER SPLIT

Supporters of President Frei won a narrow victory at a meeting of the Christian Democratic Party (PDC) last week. The party elected a strong administration backer as its president and rebuffed a leftist move for a "popular unity" campaign with the Communists and the Socialists in the presidential election next year. Despite these gains, however, serious differences remain within the party.

The outgoing party president's charge that the result of the election was "obedient to US thinking" and the incoming president's harsh denial of the charge are symptomatic of these differences. Another symptom is the resignation from the party of Senator Gumucio, who has been described as the leftist conscience of the PDC. Gumucio's move may stimulate some other resignations by PDC leftists. It is also expected that a part of the PDC youth will leave the party.

The position adopted at last week's PDC convention avoids the extremes of the left-wing position. It takes into account, however a controversy recently raised over land acquisitions in the north by a US-owned mining company. A Christian Democratic deputy who usually supports President Frei has called for nationalization of the company so that the mineral lands do not fall into foreign hands. The Christian Democratic meeting called for "recovery of natural resources through a policy of Chileaniza-

tion or nationalization in accord with the national interest." This issue seems to be one of the few that draws support from all factions in the party.

Although the Frei administration drew up the current "Chileanization" agreements that give the government some share in the ownership and management of the US-owned copper companies, the party does not want to be left behind other parties of the right and the left that are urging further action against the companies. The issue of copper nationalization is certain to be an important one in the presidential campaign. Total value of the US-owned mining companies is about \$800 million.

Radomiro Tomic, long considered Frei's heir apparent, played a prominent role at the meeting, but at least for the time being he is not a likely candidate for the presidential nomination. He still refuses to run without support from the leftist parties, believing that the Christian Democrats alone cannot win in 1970 and not wishing to run a losing race. For their part, the Communists and the Socialists have steadfastly refused to support Tomic because of his association with the government and with the US, where he served for several years as Chilean ambassador.

The pro-Frei faction of the Christian Democrats has a number of presidential possibilities, but none so far has drawn much

SECRET

SECRET

public interest. Two senators-elect, Juan Hamilton and former minister of defense Juan de Dios Carmona, are dark horse possibilities. Frei's favorite at this point is former interior minister Bernardo Leighton. Foreign Minister Gabriel Valdes, well known

for playing all angles of a question and for his pro-European outlook, is now pushing for the nomination. He has made no secret of his contempt for the US. The party probably will nominate its candidates some time this summer. [redacted]

25X1

### BOLIVIAN POLITICAL TENSIONS SUBSIDE

With the swearing-in of a new cabinet on 5 May, the political crisis that followed the death of president Rene Barrientos on 27 April has subsided.

Some compromise appears to have been worked out between Luis Adolfo Siles Salinas, who as vice president constitutionally succeeded Barrientos, and the most likely challenger to his authority, armed forces commander in chief Alfredo Ovando. The new cabinet reflects such a compromise. It is generally competent, and perhaps more conservative than its predecessor. It includes two of Ovando's relatives, but none of the young technicians Barrientos had favored. The compromise must also have determined the amount of influence Ovando will have in the government between now and the presidential election in May 1970.

Last week, disaffection among the peasants had threatened to cause Siles' ouster within a week of his accession. This threat seems to have been overcome, for the time being at least, and some peasant groups, especially

those near La Paz, have declared their allegiance to Siles rather than Ovando. Peasant support was a mainstay of Barrientos' government.

With elections only a year away there is considerable support for adherence to the constitution, even among some opponents of President Siles. This sentiment and the failure of Ovando's supporters to generate widespread public demands for Siles' resignation may have convinced Ovando that his best course of action now is to wait for the elections, which he is almost sure to win.

In the meantime, Ovando will continue to exert pressure on Siles. [redacted]

25X1

[redacted] At best, there is an uneasy truce in Bolivian politics. [redacted]

25X1

SECRET

SECRET

## ECUADOR'S PRESIDENT THRIVING ON TROUBLES

Problems with petroleum, bananas, finances, and politicians continue to complicate President Velasco Ibarra's efforts to govern Ecuador, but he seems to thrive on the challenge.

President Velasco is convinced that exploitation of rich new oil finds made by Texaco-Gulf offers the quickest means of financing his social welfare policies. Despite this belief, however, his government refuses to compromise on several issues, especially the ownership of the costly pipeline needed to carry the oil to a Pacific port, which has led to an impasse. In addition, the third successive minister of industries to handle these petroleum negotiations announced this week that a mid-March agreement in principle was no more than an unsatisfactory "proposal" from Texaco-Gulf. He added that a draft agreement assuring the government of higher royalties, ownership of the pipeline, and a more extensive road network to the oilfields had been presented to the consortium.

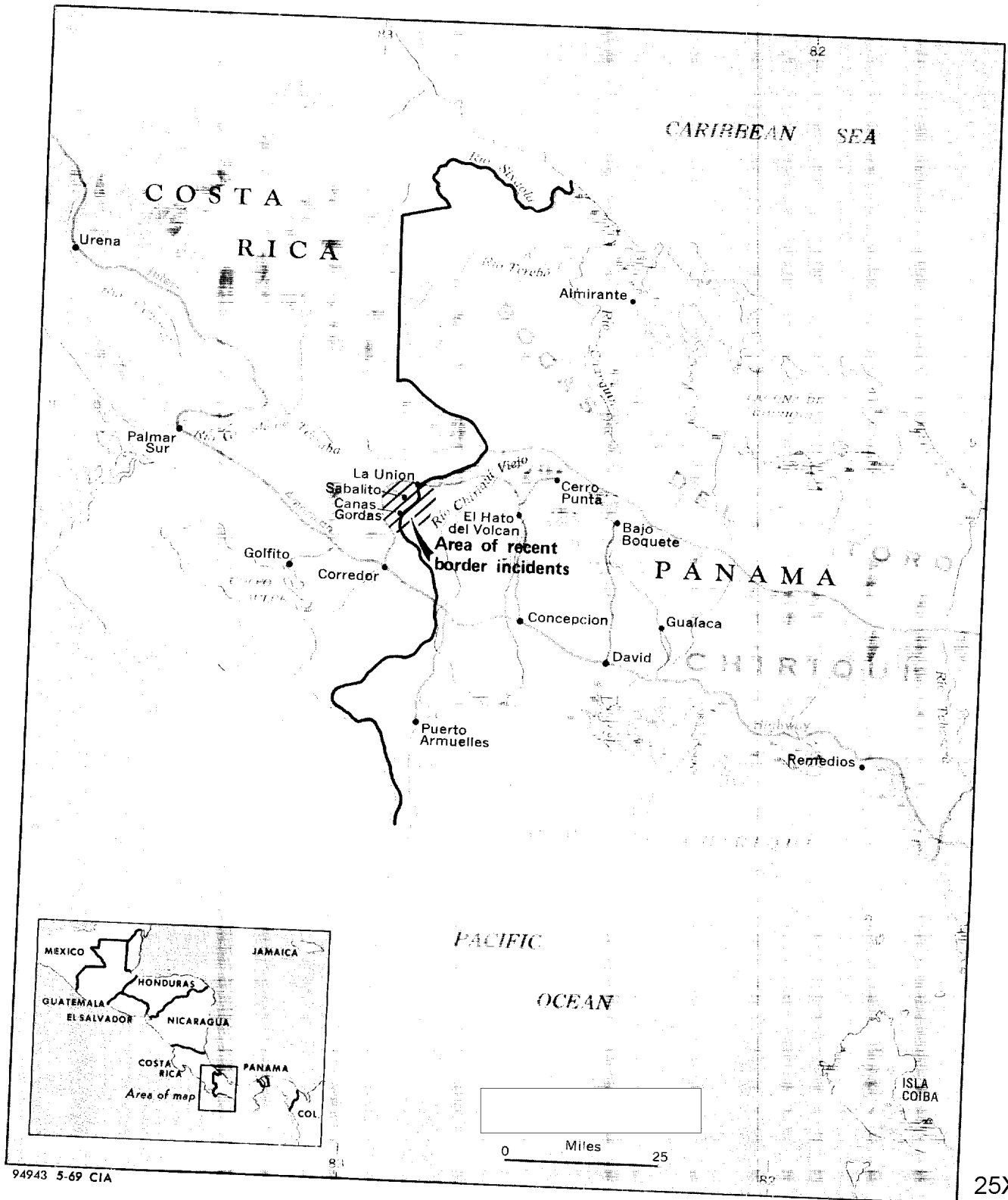
The defense minister was forced to resign on 29 April after 50 young engineering officers retired in protest over his apparent efforts to award his family firm the contract for building roads in the area of the oil discoveries. These charges, coming from some of Ecuador's best middle-grade officers, surfaced growing opposition within the military against the minister.

Meanwhile, January and February shipments of bananas, Ecuador's major export, were down nearly 30 percent from last year. In addition, cacao sales were off about 40 percent because of the USSR's failure to repeat last year's large purchase. Extended strikes as well as the effects of well-intentioned but self-defeating new government banana policies led some large shippers to threaten suspension or phaseout of their Ecuadorean operations. This situation has eased, but the basic problems remain unsolved. With a nearly empty treasury and the receipt of an underfinanced budget from Congress, the loss of banana receipts is particularly serious.

Despite demands for a special session to alleviate the banana problems, Congress adjourned on schedule last Saturday. Its accomplishments were almost nil, and irresponsible harangues, fistfights, and shootings did not enhance its image. There were no impeachment proceedings against cabinet members, as had been feared, but charges of smuggling, improper influence, and connivance with foreign nationals did force the resignations of several ministers on whom Velasco had relied heavily. He is beginning to have difficulty finding appropriate replacements for the frequent cabinet losses but apparently has lost no faith in his ability to help Ecuador in spite of itself.

25X1

SECRET



25X1



SECRET

## PANAMA - COSTA RICA BORDER CONFLICT EASES

A series of border incursions that had threatened to become a problem for the Organization of American States has subsided for the moment as Panama and Costa Rica seek a solution through bilateral talks.

Costa Rican charges that Panamanian security forces crossed the border on several occasions in pursuit of antijunta insurgents and clashed with the Costa Rican guard have given way to conciliatory efforts in Washington and Central America.

25X1

No further clashes have been reported in the border area since 30 April. The Panamanian foreign minister has assured Costa Rica that the guard was undertaking "careful measures" to avoid violation of the border. The unusually cordial response from Panama seems to indicate that civilian advisers have prevailed

upon guard commandant General Torrijos to take a less belligerent attitude.

Torrijos, who believes that Costa Rica has been unable or unwilling to control insurgent activity along the border, was reported earlier to be considering strong countermeasures, such as closing the border. The military regime has denied that the guard encroached on Costa Rican territory and has even suggested that insurgents dressed in guard uniforms were responsible for the clashes.

Meanwhile, Torrijos had a number of prominent Communist Party and student leaders arrested in order to forestall possible student disorders in Panama City. The country's largest secondary school and the national university are scheduled to reopen this month. Both institutions were centers of antigovernment agitation after the coup, and the roundup of potential troublemakers may be designed to prevent demonstrations during Governor Rockefeller's visit on 18 May.

25X1

\* \* \*

SECRET

SECRET

### DUVALIER INTENSIFIES ANTI-COMMUNIST CAMPAIGN IN HAITI

President Duvalier has enlarged the scope of his campaign to crush the small Communist movement in Haiti. This is partly an attempt to induce a resumption of external aid, but may also reflect a general sense of anxiety on his part.

Last week, the Haitian legislature passed an extremely repressive anti-Communist law that provides the death penalty for all manifestations of possible subversive activity. Also, the military has been expanding its operations against Communist groups throughout the country. Despite some increase in Communist terrorism during the past year, Duvalier may be overreacting, perhaps purposefully, to the recent merger of the two largest Communist groups in Haiti. While his security net has obviously caught some innocent people, several prominent Communists have also been arrested

Duvalier is also concerned over his difficulty in obtaining revenue for his government, and is appealing to the US and to international lending agencies to increase their financial assistance. Salaried employees often are denied their pay for months at a time because of the lack of funds, a problem that has become more acute during the past year. Last week, Duvalier decided to press tax claims in excess of a million dollars against three US firms in Haiti. These claims are based on laws that had not been applied previously and constitute an obvious extortionary move by the government.

Duvalier's efforts to obtain aid have been largely unsuccessful. Should conditions fail to improve, he may resort to other drastic action to dramatize Haiti's problems.

25X1

25X1

\* \* \*

SECRET

**Page Denied**

**Secret**

**Secret**