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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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DIA review
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State Dept. review
completed

Navy review
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C O N T E N T S

(Information as of noon EDT, 21 August 1969)

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NATO countries generally are cautious about the latest Warsaw Pact proposal for a European security conference, but some of them may be warming to the idea.



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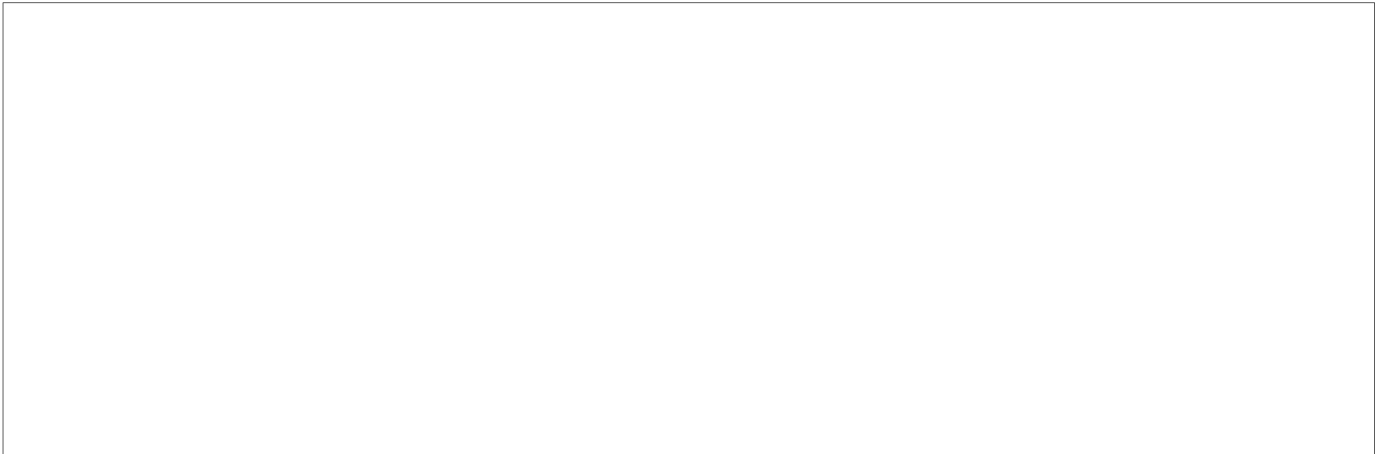
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East German spokesmen are again serving notice both to their allies and the West that Pankow will not voluntarily change its hard-line policies toward Bonn.



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In Lebanon, President Hilu may end his opposition to fedayeen operations. Meanwhile, if the East Ghor Canal is not repaired soon, Jordan will suffer extensive long-range economic losses.

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President Kaunda now has a freer hand for working toward development goals, but he has yet to attack more intractable obstacles to economic progress.

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Manifestations of unrest growing out of economic difficulties and from strong personal, regional, and ideological rivalries have culminated recently in the arrest of a number of dissident army officers.

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The party has agreed on Radomiro Tomic as its candidate in the presidential election in 1970, but the drafting of the campaign program is likely to produce bitter infighting.

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El Salvador has begun to show an interest in the restoration of diplomatic and commercial relations, but the anti-Salvadoran, anti-US mood in Honduras has not abated.

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The importance attached to recently announced internal programs in North Vietnam, such as tightening agricultural controls, reinforces earlier indications that Hanoi has been focusing a major share of its attention this year on domestic affairs. This is aimed in part, at facilitating the long-term struggle in the South.

These efforts are consistent with those long advocated by Defense Minister Giap. He has favored long-term guerrilla war in the South while preserving and strengthening the position of the Communist Party in the North. In this connection, Hanoi has been trying to improve military recruiting and to raise the quality of local military forces, which have supplied the bulk of the North Vietnamese troops infiltrated into the South.

President Thieu's caution in selecting a new cabinet, meanwhile, has aggravated the mood of uncertainty in Saigon.

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Peking is making little headway in implementing its latest directive calling for an end to factional violence. Central authorities have been attempting to end hostilities in some localities by negotiation, and have offered to appoint a number of factional leaders to local governing bodies. Much of the disunity in the provinces that has beset the regime since the ninth party congress last April stems from the factional leaders' dissatisfaction with the provincial power structure that was confirmed by the congress.

The South Korean Government is preparing to ram through legislation to curb opponents of the pending third-term amendment. Government party strategists intend to hold to their timetable to bring the amendment to a vote in the National Assembly on 13 September and to submit it to a national referendum in early October.

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VIETNAM

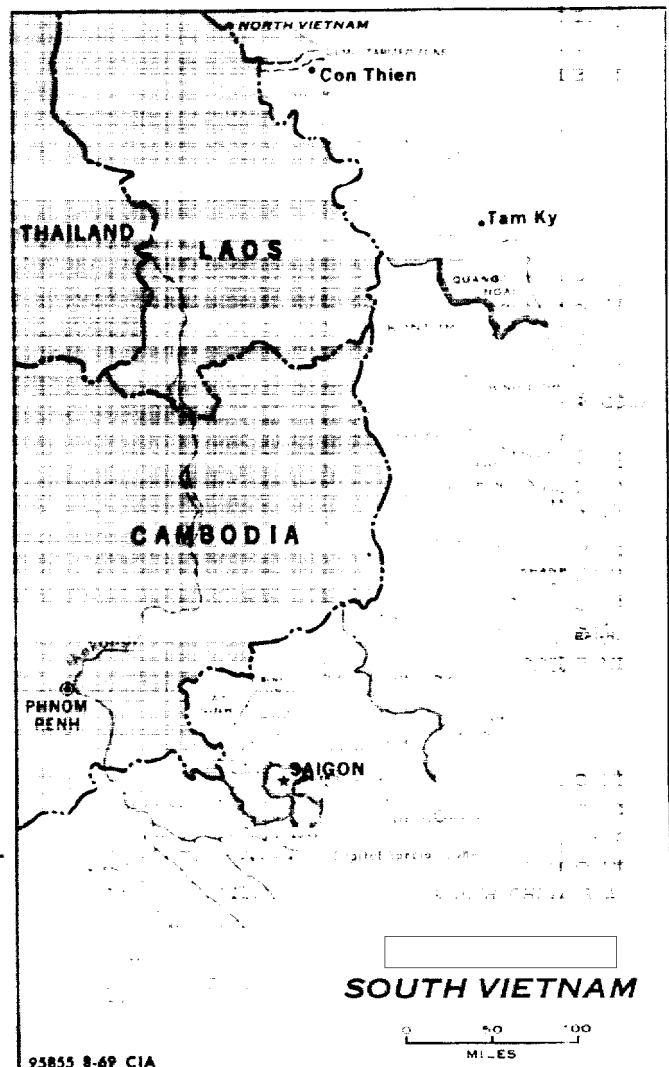
Recently announced domestic programs in North Vietnam reinforce earlier indications that throughout much of 1969 the regime has been preoccupied with putting its house in order, in part so that the long-term struggle in South Vietnam can be carried on.

A series of agricultural reform measures, the latest of which was made public in early August, has been implemented this year. The reforms are aimed at restoring the prewar authority of the collective, cracking down on individual profiteering, and arresting the growth of non-socialist economic practices, which have been running rampant.

The regime has also stepped up pressure on local officials to improve military recruiting and to raise the quality of local military forces. Defense Minister Giap has spoken on this problem twice this summer. Recently available translations of North Vietnamese press articles suggest that there has been a sharp decline in the quality of local military units, which provide the reserve for the regular army.

This problem almost certainly results from the extremely heavy troop infiltration to South Vietnam between late 1967 and early this year. Part of the reason for the drastic cutback in infiltration this spring may have been to enable local authorities to rebuild their military units.

Both the decisions on agriculture and the emphasis on local military organization reflect the kind of program recommended in a long report made by politburo member Truong Chinh last summer. The acceptance of most of Chinh's recommendations, probably after much debate, suggests that he has moved into a powerful position in the North Vietnamese leadership.



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Similarly, General Giap's current prominence and his espousal of a line complementary to Chinh's, strongly suggest that these two men have stood together through high-level policy deliberations this year. Their views on how to proceed seem to have carried the day. In essence, Giap and Chinh argue that the war in the South could be pursued more effectively through greater reliance on the kind of long-term guerrilla warfare they both have favored for years, and that the party must pay more attention to preserving and strengthening its position in North Vietnam.

South Vietnam Political
Developments

The lack of tangible progress toward forming a new South Vietnamese cabinet one month after the pending government reorganization was first announced is aggravating the mood of uncertainty in Saigon. President Thieu by proceeding with his typical caution in consulting candidates for various cabinet posts, has provided grist for rumors of serious political friction within his government and laid himself open to new charges of indecisiveness.

Thieu still has made no official statement on whether or not he is keeping Tran Van Huong in the prime ministership. Although the two were officially

reported in agreement after their 13 August talks on broadening the cabinet base, no statement was issued after a lengthy meeting they held on 19 August, in which Deputy Prime Minister Khiem and, briefly, Vice President Ky also participated. The silence could indicate that differences over the reorganization are again placing Huong's retention in doubt.

Leaders of the President's own National Social Democratic Front continue to call for Huong's ouster. On 15 August, after a presidential communiqué had hinted that Huong might remain in office, the front issued a statement reiterating its demand that Huong be replaced. It also denied reports that front members had agreed to participate in a cabinet headed by Huong. Thieu has subsequently met with leaders of the front, but the outcome is not yet clear.

Leaders of Thieu's front may be further antagonized by the President's decision not to give them a direct role in the leadership of the progovernment legislative organization now being formed in the National Assembly. According to presidential legislative assistant Nguyen Cao Thang, the organization will consist of a loose union of existing legislative blocs designed to coalesce eventually into a single, unified bloc.

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The leader of the progovernment union apparently will be Senator Dang Van Sung, head of the previously independent Upper House Social Democratic Bloc. Sung, who reportedly hopes to neutralize pressure for Prime Minister Huong's ouster, had expressed optimism that a majority of the legislators in each house of the Assembly would line up behind the government. It remains questionable however, whether a majority can be mustered, especially in the Lower House where the prime minister has been bitterly attacked in recent weeks.

Military Developments in
South Vietnam

Enemy military activity has generally tapered off following the rash of attacks on 11 and 12 August that introduced the Communists' so-called "autumn campaign."

[redacted] Northern III Corps, Southern I Corps and the Demilitarized Zone area appear to be the most likely areas for intensified action.

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The most significant fighting last weekend occurred in the provinces north of Saigon as the enemy probed allied field positions and base camps in Tay Ninh and Binh Long provinces.

Heavy fighting developed in southern I Corps early this week between US forces and elements of the North Vietnamese 2nd Division. Nearly 200 enemy troops were killed in a series of battles west of Tam Ky. Elements of the 2nd Division probably were also involved in an ambush of US soldiers in southern Quang Ngai Province. In mid-week, South Vietnamese forces successfully engaged North Vietnamese units near Con Thien. Enemy losses were heavy, but the allies sustained relatively light casualties.

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The anniversary of the Soviet invasion of Czechoslovakia is the highlight of events in Europe this week. In Prague, a zealous security apparatus has mercilessly dispersed the milling crowds that have gathered to show their disgust over the event. Waterhoses, truncheons, and tear gas have been used freely despite the largely passive nature of the demonstrations. Party leader Husak is not out of the woods yet, and, in view of the suppressive tactics used by the police, more violent reactions from the crowds are possible.

Moscow seems to be eager to avoid unnecessary trouble in Czechoslovakia. Soviet occupation troops have remained out of urban areas to avoid provocation, and Moscow's press coverage of the situation has been in low key. Czechoslovakia's other "allied" neighbors have also been circumspect in their coverage, but the anniversary obviously is making them all nervous.

Yugoslavia and Romania are continuing their policy of frequent high-level personal contacts. Romanian Foreign Minister Manescu visited Belgrade for wide-ranging talks with his counterpart, and Premier Ribicic is leading the Yugoslav delegation to the Romanian National Day celebration on 23 August. According to rumors, Tito will visit Bucharest next month.

Modest changes at the ministerial level of the Romanian Government this week brought to the fore more known supporters of party and state chief Ceausescu. These moves reflected shifts in the party apparatus and criticism voiced at the 10th party congress, which concluded on 12 August.

Soviet propaganda on last week's border clash with the Chinese is still below the emotional level reached following the Ussuri clashes in March. The Soviets, however, are voicing their determination to deal vigorously with any future "provocations." This theme was also stressed in a private document sent to the Australian Communist Party on 13 August.

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DEMONSTRATIONS MARK ANNIVERSARY OF CZECHOSLOVAK INVASION

The Husak leadership has maintained effective domestic control during the first anniversary of the Soviet invasion. The Czechoslovak population has appeared more curious and passive than incensed, and those demonstrations that did develop were dispersed by the ubiquitous security forces.

Large, unorganized and initially passive crowds gathered in Prague's Wenceslaus Square on 19 August. Security units dispersed them without violence, but the police encountered some resistance the next day, the eve of the anniversary, with the result that two were killed and 320 arrested. Thousands of individuals filtered into the square on 21 August, but initial reports indicated that there had been no significant outbreak of violence. Most Czechoslovaks apparently decided to mark the occasion peaceably rather than resort to civil unrest.

The Husak regime still is not out of the woods, however, and there could be more demonstrations this weekend when the students and workers are idle. The police thus far have been overzealous in breaking up the crowds, and a gross miscalculation by the authorities--such as brutal police suppression of non-violent demonstrators--might

spark a major incident that could cause a chain reaction throughout the country.

Despite the inevitability of some demonstrations during the anniversary, there is no evidence

that additional Soviet troops were moved into Czechoslovakia or that rumored Warsaw Pact exercises within the CSSR are under way. Some Soviet troops may have moved closer to the cities to handle any disturbances that Czechoslovak security forces could not contain. Moreover, Western attachés in Hungary reported sighting 60 Soviet tanks near the Czechoslovak-Hungarian border on 18 August, probably as part of preparations for contingencies in Czechoslovakia.

Moscow is as anxious as Prague that the week pass with a minimum of unrest. On 21 August the Soviet press agency summarized the Czechoslovak Government's claim that the two fatalities on the previous day were caused by "hooligans." This was the first reference to the demonstrations in the Soviet press, which gave no indication of their extent.

The Soviets are well aware of the international repercussions of a repetition of last August,

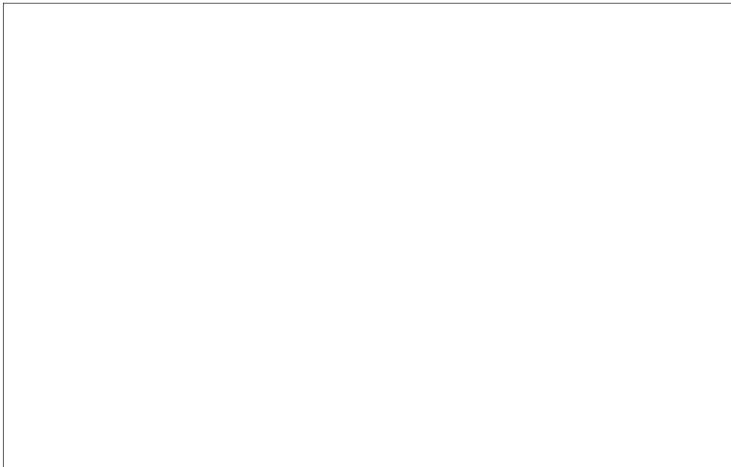
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and this probably accounts to a large extent for their playing down the situation in Czechoslovakia. Moscow's failure to endorse Husak's leadership, on the other hand, suggests that the Russians do not intend to ease the pressure on him. Soviet media have made it clear that Moscow believes the struggle against "antisocialist" elements in Czechoslovakia is only beginning.



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SOVIETS PREPARE FOR MAJOR MANEUVERS IN MEDITERRANEAN

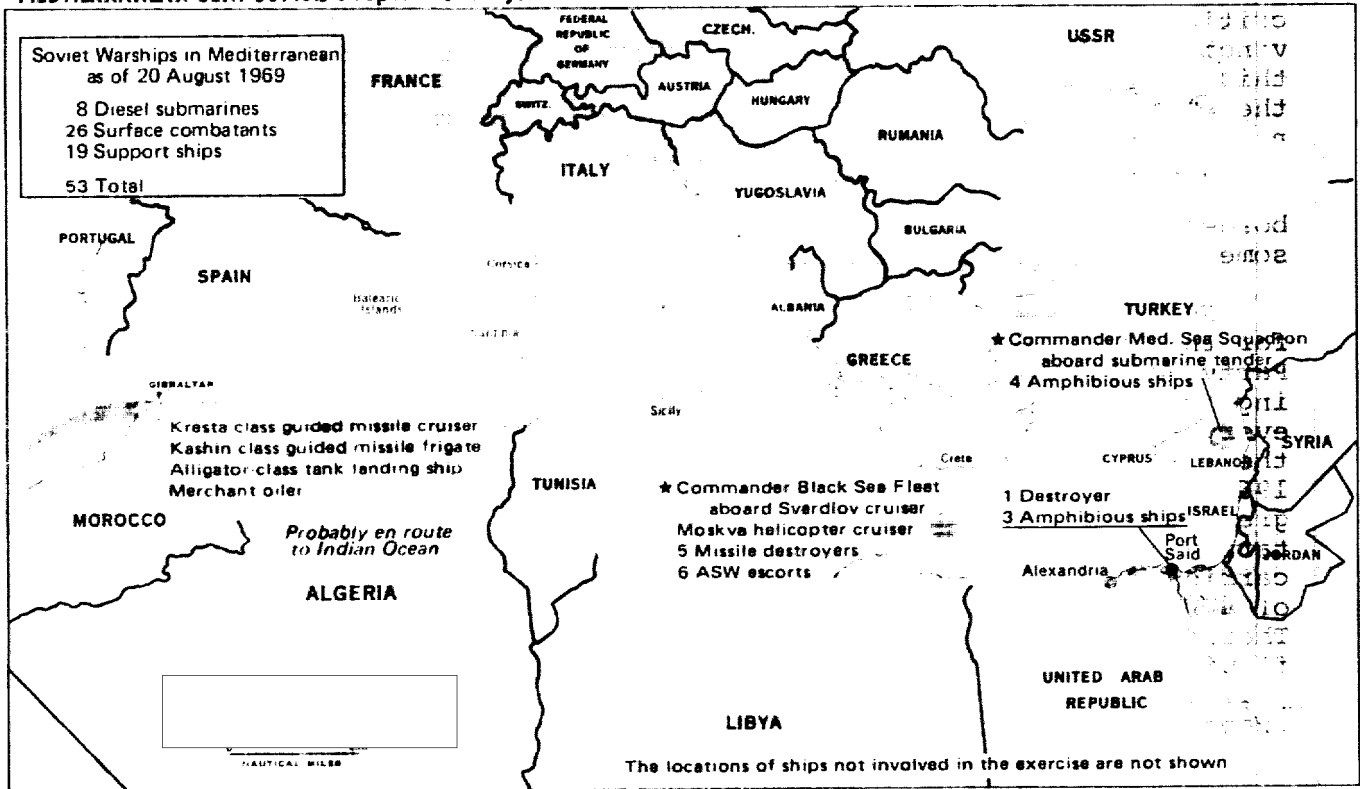
A Soviet naval force of some 53 ships that has gathered in the Mediterranean probably will participate in a major naval exercise in the eastern Mediterranean over the next few weeks.

Among the warships are the helicopter cruiser Moskva, which is making its third Mediterranean deployment; seven amphibious ships; and eight diesel submarines. The Moskva and the anti-submarine warfare (ASW) escorts operating with it are conducting ASW training with some of the

eight submarines south of Crete. Soviet ASW patrol aircraft based in Egypt are supporting this activity.

The amphibious ships that recently entered the Mediterranean are concentrated east of Cyprus. These ships may join three landing ships now in Port Said and Egyptian units in an amphibious landing on the Egyptian coast west of Alexandria. The commander of the Soviet Black Sea Fleet, who is aboard one of the missile cruisers, probably

MEDITERRANEAN SEA: Soviets Prepare for Major Naval Exercise



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will observe the ASW and amphibious training.

A group of four ships that left the Black Sea a week ago and passed through the Mediterranean into the Atlantic on 19 August probably is headed for the Indian Ocean. Among this group are a Kresta-class guided missile

cruiser and an Alligator-class landing ship; these would be the first of their class to operate in the Indian Ocean. Other ships that may be headed for the Indian Ocean are an F-class diesel submarine in the Pacific and a submarine tender from the Baltic Fleet.

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POLITICAL MANEUVERING INCREASES IN THE USSR

The political pace in the USSR has picked up in the last few months with the demotion or criticism of several high provincial party leaders. Although this activity probably reflects the start of maneuvering as the next party congress approaches, concern with critical areas along the troubled Sino-Soviet border may also be involved in some instances.

No date has yet been set for the 24th Party Congress. Party statutes call for the holding of a congress not less than every four years, however, and the last one convened in March 1966. Election at the next congress to the politburo, secretariat, and central committee carries with it some assurance of a four-year term in office. Therefore, the months preceding it will be a crucial period for political factions hoping to change the balance of power

within the top leadership. There has been remarkably little turnover at the central committee level under the present leadership, and some shake-up of this echelon may well be in the making.

In the past few months, four regional party chiefs on the central committee have been demoted to posts that will not entitle them to be re-elected at the next congress. The demotion of the party boss of Primorye Kray in the Soviet Far East was clearly aimed at strengthening the party leadership in a critical section of the Sino-Soviet border. The most important shift in terms of its potential repercussions in party affairs was the demotion of the Azerbaydzhan Republic party chief on 14 July. The elevation of the republic's KGB chief to replace him was an unprecedented move reflecting a vote of no confidence for the republic leadership move and an

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implicit admission of a serious breakdown in the traditional system of party control.

The republic's new first secretary, Geydar Aliyev, in a highly critical maiden speech on 5 August, held that such a breakdown in party leadership was at the root of the republic's many problems. He charged that because of widespread nepotism and discrimination against non-native cadres (read Russian), "hostile violations of party and state discipline" were tolerated that threatened to bring the economy of the republic to a standstill. Suspicions have probably been aroused in Moscow that a similar situation may have developed in other non-Russian republics during the post-Khrushchev period of relatively lax central party control.

Also in mid-July three powerful regional party chiefs--all candidate members of the politburo--were forced publicly to respond to charges of shortcomings in their bailiwicks. This criticism seemed to be prompted by opponents who were probing for political vulnerabilities. Kunayev, one of the targets, is party boss of Kazakhstan, the scene of the most recent border clash with the Chinese. Kunayev appears to be a

Brezhnev protégé, and any change in his standing will be a significant gauge of Brezhnev's political strength. The other two, Rashidov of Uzbekistan and Mzhavanadze of Georgia, have less identifiable connections in Moscow, although Mzhavanadze's orthodox views suggest that he is at least in spirit an ally of the General Secretary.

At the moment, Mzhavanadze seems to be in the most serious trouble, facing the perennial charge of local corruption. An article in Pravda on 2 August by the second secretary of the Georgian party, Rodionov, followed Mzhavanadze's admission of responsibility, and seemed to carry the campaign one step further. Rodionov, the Russian watchdog in the Georgian party, appeared to imply in his article on collective leadership that his boss did not welcome criticism and attempted to suppress the charges.

Elite party readers of Pravda will almost certainly weigh Rodionov's remarks on the limits to the authority of a party first secretary against Brezhnev's own performance. Those who lean to a critical view of Brezhnev's exercise of collegiality will find nourishing fare.

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EUROPEAN SECURITY CONFERENCE PROSPECTS

The NATO allies generally are maintaining a reserved position with respect to the Budapest Appeal of last spring for a European security conference, but there are signs that some members may be warming to the idea.

All of the NATO countries are professing the need for caution in accepting this proposal--issued on 17 March 1969--for a meeting of all European states. Many view the appeal as an ill-concealed Soviet bid to refurbish its image in the wake of the invasion of Czechoslovakia last August. Few, if any, believe that significant results would come from such a conference.

For these reasons the allies decided last April--at the NATO ministerial meetings held in Washington--to withhold their response to the appeal, pending an examination in the North Atlantic Council of the prospects for fruitful negotiations between East and West. Most of the member governments still believe there is little likelihood that a productive conference is possible in the foreseeable future.

The Germans, for example, see no sign that the Communists intend to modify their hard line on the status of Berlin or on German reunification. Similarly, the Dutch contend that the motive of the Warsaw Pact nations in calling for the conference is to get an agreement solidifying the status quo in Europe.

In the past few weeks, however, a willingness to take a more positive view of the Warsaw Pact proposal has emerged in some NATO capitals. This shift is in part the result of a number of recent events that some members believe could improve the climate for meaningful discussions between the East and West.

Among these are the German proposals to the Soviets early last month for mutual declarations on the renunciation of force; Gromyko's speech of 10 July suggesting Four Power talks on Berlin; the Finnish Government's offer of Helsinki as the conference site; the President's recent visit to Romania; and the favorable prospects for strategic arms limitation talks between the US and the Soviet Union.

Those who are urging serious consideration of the Budapest appeal point out that its language is more acceptable than that of the previous proposals for such a conference issued by the Warsaw Pact in 1966 and 1967. Moreover, these capitals believe that the present tensions in Sino-Soviet relations may induce Moscow to exhibit greater flexibility with respect to European questions.

Among the allies, France has perhaps been the most active in exploring the possibilities for the conference. The French report that they have contacted all the Warsaw Pact countries on this question and intend to pursue the matter further on a bilateral basis.

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France has suggested that negotiations could begin on economic and technical subjects and proceed to more important political and military problems if the situation warranted. There are

indications that widespread public support for such a conference might develop in several NATO countries.

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EAST GERMANS REITERATE HARD LINE TOWARD BONN

East German spokesmen are again serving notice both to their allies and the West that Pankow will not voluntarily change its hard-line policies toward Bonn.

In a contrived interview on 13 August, Foreign Minister Winzer reflected his regime's negative attitude toward a recent allied proposal that Moscow use its influence to get Pankow to meet with the West Germans to discuss intra-German transportation, postal, and communications issues. Winzer ambiguously noted that the East Germans are "aware of through whom" Bonn is attempting to penetrate East Germany via "technical and organizational questions." He added that the East Germans will not open their borders to "old or new Nazis." These remarks were probably directed more to Moscow than to the West.

Taking up the question of East - West German talks, Winzer emphasized the standard East German position that negotiations between the two Germanies would be possible if Bonn accepted a draft treaty proposed by Pankow in 1967 as a basis for negotiations. He also stated that any agreements reached must be sanctioned by international law--that is, Bonn must recognize East Germany as a sovereign state.

Winzer also scored Bonn for allegedly attempting to prevent or delay a European security conference, urged the speedy convening of such a conference, and emphasized that all states must participate as equals. In discussing the background of the latest proposal for a conference--the appeal issued last March at the Warsaw Pact summit meeting in Budapest--Winzer distorted some of its language and ignored certain aspects of the appeal that the East Germans regard with distaste.

Winzer's remarks, statements by other East German officials, and recent newspaper articles all suggest that Pankow anticipates or is already under pressure from its allies, particularly Moscow, to be more accommodating on East - West German issues. As in the past, the East Germans may fear that the USSR and their other allies will not fully support Pankow's position in dealing with the West. Winzer may have intended to remind Moscow of its commitments to the East Germans when he cited a portion of the joint Soviet - East German statement issued in July that the two sides would rebuff any attempts against their "independence and sovereignty" and the inviolability of their borders.

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MIDDLE EAST - AFRICA

There was heavy fighting this week in the Suez Canal area. Following Egyptian artillery shelling early in the week, Israel struck Egyptian positions twice with jets. Fighting along the Jordanian front was at a fairly low level, and there were no major incidents along the Lebanese and Syrian fronts.

A fire in East Jerusalem early Thursday morning damaged the interior of the al-Aqsa mosque, an ancient and revered Muslim shrine. The cause of the fire is unknown at this time, but the incident could have important repercussions throughout the Arab and Islamic world. Cairo Radio has already accused Israel of starting the fire.

In India, Prime Minister Gandhi won a clear victory over old-guard Congress Party bosses with the election of V. V. Giri as president. Tension was high in the ruling party on the eve of the vote count, but Mrs. Gandhi and her antagonists may try to avoid another test of strength in the immediate future. At any rate, political activity will probably taper off temporarily with the end of the current session of parliament on 30 August.

In a surprise move this week, Pakistani President Yahya Khan appointed Air Marshal Nur Khan and Vice Admiral S. M. Ahsan governors of West and East Pakistan, respectively. The two men are expected to relinquish their military commands soon and to assume their new positions early in September. Ahsan said he has a broad presidential mandate to return the provincial government to civilian rule rapidly, and he hopes to persuade Nur Khan to follow suit.

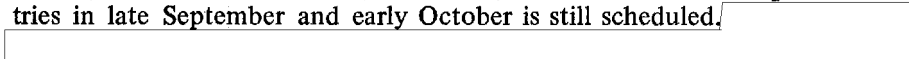
In the Nigerian civil war, Biafra has generally held its own in heavy fighting.



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In Ghana, the constituent assembly was called back into session this week to reconsider the military police junta's proposal that the new civilian regime be headed by a corporate presidency composed of three junta members. Acceptance of the proposal appears to be the junta's price for ensuring the return to civilian rule this fall.

Tanzanian President Julius Nyerere has apparently dropped plans to address the UN General Assembly this fall, ruling out a stopover in Washington. Nyerere's visit to Canada, the USSR, and several West European countries in late September and early October is still scheduled.



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ARAB STATES - ISRAEL ROUNDUP

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nese complaint against Israel, that it would not accept responsibility for the actions of Palestinians resident in its territory. The raid on Mount Hermon on 11 August has made it difficult for the Christians, who so far have provided the political support for Hilu's go-slow position, to continue opposing Muslim demands for greater hostility against Israel without appearing to be pro-Israeli.

If this trend in the government and among the people continues, it will be almost impossible for Hilu to maintain opposition to fedayeen terrorist activities, and Lebanon will become increasingly involved in Israeli-Arab incidents.

* * * *

Jordan's East Ghor Canal, damaged by an Israeli air strike on 10 August, remains unrepaired. The canal provides vital water for land along the east bank of the Jordan River. This area in the past provided about 40 percent of Jordan's total east bank agricultural production. Although some water continues to flow, it is not sufficient for all crops.

If the canal is not repaired within two weeks, there will be a great long-term investment loss of banana trees and some loss of citrus trees as well. In addition, if the damage is not repaired by late fall, further losses will be incurred because of the lack of water to irrigate vegetable seedlings, which must be planted in the fall.

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After more than four months of administration by a caretaker cabinet, Lebanon's lingering political crisis may be ended by President Hilu. Hilu is apparently moving closer to accepting the fedayeen's demand that they be allowed to operate on Lebanese territory without government restrictions.

Lebanon told the UN Security Council, during debate on the Leba-

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ZAMBIAN GOVERNMENT ASSUMES GREATER ECONOMIC ROLE

President Kaunda's economic reform package announced last week is a logical second step in a year-and-a-half program to assume government direction of all major economic development. Kaunda probably can keep economic disruption to politically tolerable limits, but he has not taken adequate steps to overcome more intractable obstacles to long-range development.

Kaunda has three principal development goals: rapid Zambianization of the labor force now dominated by white expatriates and Asians; development of heavy industry; and self-sufficiency in food crops and higher rural living standards. Zambia's progress to date has not satisfied the President, who has resorted to a variety of measures, most dramatically the reform program, to speed implementation.

Kaunda's first package announced in April 1968 called for a government controlling interest in most major foreign firms. He exempted the two giants of Zambia's vital copper industry, but ordered them not to send out of the country more than half their net profits. He also imposed license restrictions designed to force the Asian community from its dominance in retail trade and rural small business.

After a year-long shakedown period in which the government sought to minimize economic disruption, Kaunda was ready for the second round. A referendum in June, which eliminated constitutional obstacles to basic change, set the

stage for last week's announcement. The President "requested" the copper companies to sell controlling interest to the government, and announced that company mining rights held in perpetuity would be replaced by 25-year leases. He did, however, eliminate the 50-percent profit restriction. Kaunda also announced the "establishment," under government aegis, of several heavy industrial projects. Most of these projects, however, such as an iron and steel complex, have not been fully studied, and some may be quietly shelved.

Zambia's economy has been dominated by private foreign interests, which have been the major target of reform. Kaunda has come to believe private enterprise is excessively geared to profits and insufficiently attuned to national development.

More stubborn obstacles to development, however, are a lack of skilled manpower, inflation, and undisciplined labor; Kaunda's attempts to deal with the latter two in his latest reform package probably are inadequate. Rapid Zambianization and increasing government control over the economy have already discouraged recruitment of skilled personnel from abroad. Rising development expenditures will probably defeat anti-inflationary wage and price freezes and new taxes. His ban on strikes and references to new roles for a government-guided trade union movement, moreover, do not get at the crux of labor problems--wildcat strikes and lack of discipline.

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UNREST GROWING IN MALI

Problems are mounting for the military junta that overthrew radical President Modibo Keita last year. Signs of growing unrest stemming from the country's serious economic difficulties and from strong personal, regional, and ideological rivalries were capped by the arrest last week of a number of dissident army officers.

During the nine months that the Military Committee of National Liberation has been in power, Mali's economic situation has continued to deteriorate. Although increased aid from France earlier this year gave the new regime a respite from its most pressing budgetary problems, the country has remained in the economic doldrums, saddled with large foreign debts and inefficient state enterprises.

Although the regime has made some moves in the direction of a freer economy, so far it has not dismantled Keita's socialist structure to the extent promised by its initial policy statements. The junta's failure to move more rapidly, notably against the more marginal state enterprises, has stemmed in part from resistance from entrenched bureaucrats with a vested interest in Keita's policies.

Weaknesses within the junta itself have also contributed to the regime's immobility. The politically inexperienced young officers in the military committee have tended to be mainly con-

cerned with advancing personal and regional interests. Moreover, friction developed early between the junta's two key members, President Traore and Captain Diakite, the provisional government head. Their differences include a serious split over policy, with Diakite reportedly favoring a more rapid and complete break with socialism.

Faced with rising domestic pressures, the regime convened some 1,400 functionaries in Bamako last month to provide an outlet for the expression of grievances. Although the conference was held behind closed doors, it obviously developed into a free-swinging debate in which sharp ideological differences and much criticism of the military regime were aired. Traore ended the conference with a promise not to tie Mali to any "political option," but rather to restore economic order through a mixture of private, state, and joint enterprises.

So far the government has kept publicly silent about the arrest of the officers; both the numbers involved and their motivation are unclear. There is reason to suspect that at least some of those detained were supporters of Keita, although it may well be that any plotting they engaged in sprang more from frustrated personal ambitions or regional jealousies than from ideological considerations.

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SECRET**WESTERN HEMISPHERE**

Guyana's occupation of a Surinam airstrip located in an area that is in dispute between the two countries was the most dramatic event in Latin America this week.

Guyana's Prime Minister Burnham claims that domestic pressure to protect his country's territorial integrity and sovereignty from Venezuela and Surinam forced him to seize the airstrip. Guyana's dispute with Surinam has encouraged Venezuelan "hawks" to press their country's claim to a large part of western Guyana. On 20 August the Venezuelan foreign minister charged Guyana with "provocations and war-like actions" in boosting its defense forces in the area and warned that Venezuela may abandon its "peaceful attitude."

Bolivian politics began to heat up again this week with a report that armed forces commander in chief General Ovando will resign in the near future to run in the presidential election next May. The armed forces reportedly are willing to let Ovando take the presidency constitutionally rather than oust President Siles by force.

Nine Haitian priests, accused of collaborating with the Communists, have been expelled by President Duvalier. Most of the priests are known to have had contacts with extreme leftist groups. There has been no reaction from church leaders so far.

A strike has paralyzed dock and rail activities at two Costa Rican ports. The government is deeply concerned over the potential economic loss and possible violence if a settlement is not reached soon. The ports have been plagued by labor problems during the past year as unions, some Communist-led, have become bolder. Civil guard and treasury police are on alert and the government may intervene.

A conference on fishing problems attended by Chile, Ecuador, Peru, and the United States adjourned last week and will reopen before the end of the year. Little progress was made on the problems of US fishing rights within the 200-mile limit claimed by the Latin American countries, although methods of regulation and US tariffs on fish imports were the topics of considerable discussion.

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CHILEAN CHRISTIAN DEMOCRATS NOMINATE CANDIDATE

The national committee of the Christian Democratic Party (PDC) last weekend nominated Radomiro Tomic, former ambassador to the US, as the party's candidate for the presidential election to be held in September 1970. Although his nomination had been expected, decisions on the party platform apparently remained unresolved until the last minute. A compromise finally was arranged between the Tomic forces and supporters of President Eduardo Frei, who want to make sure Frei's administration is not repudiated by the PDC candidate.

Tomic in general favors faster action on economic nationalization and social reform. He also advocates electoral cooperation with the Communists and Socialists, but these parties have rebuffed his overtures.

Tomic's speech after his nomination was relatively mild. He seemed to accept President Frei's policy on copper by indicating that if the PDC wins next year it will "continue" the process of recovering basic resources by completing the nationalization of all copper production "if the national interest so requires." Earlier he had criticized the recent nationalization agreement with a large US copper company as being "too slow." Tomic also said that the party's program for the campaign would be decided only after consultation with the membership.

The national committee meeting was the shortest in recent his-



Radomiro Tomic

tory and produced few of the expected fireworks. The new party council is a compromise between Tomic and Frei forces. A Tomic man is now party president and the former president, a Frei backer, is first vice president. There have been some charges that this shift was a prearranged "deal," and the leftist parties are portraying the result as a Frei victory and a step toward "continuism."

Basic differences within the party remain, both as to the direction the government should take and the speed with which it should move. The fight over the party platform promises to be bitter. As party candidate, however, Tomic will have an advantage over the Frei group. Party workers will be eager to be on his side in the event of his election.

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PERUVIAN ECONOMY SHOWS SIGNS OF IMPROVEMENT

The Peruvian economy is displaying evidence of growing financial strength. This has been underscored by increased interest from foreign investors and a good foreign trade performance. More aid from the international Monetary Fund (IMF) and some debt relief from creditors will further ease the foreign payments position.

The IMF appears ready to permit Peru to draw the remaining \$35 million of its \$75 million standby loan agreement signed in 1968, and to participate as a neutral broker in rescheduling Peru's foreign debt service payments for the 1970-75 period. Peru's European, Japanese, and US creditors have been invited to a rescheduling conference in Lima in October, which, if successful, could reduce Peru's payment's requirements during the next five years by some \$200-300 million.

Prices for Peru's major exports have continued at record highs. During the first six months of 1969 exports exceeded imports by a record \$142 million, adding some \$35 million to its reserves. Moreover, the regime's anti-inflation policy enjoys continued success--prices in the Lima-Callao area increased only 4.3 percent during the past 12 months.

Efforts to accommodate foreign investors may also stimulate an upswing in investment. In

early August, the government, in conjunction with the IMF, removed the remaining bottlenecks on profit remittances and established a schedule for future remittances. At the same time the regime further signaled its eagerness to do business with foreign investors

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These actions appear to have whetted the interest of foreign investors.

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The Japanese are displaying increased interest in Peru; a group of Nippon Mining Company technicians arrived in Lima in early August to study the possibilities of mineral exploitation in the Arequipa region of southern Peru.

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Moreover, the major US companies that have dominated Peruvian mining soon may announce some new projects. The major

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justification for holding back on such investments has been Peru's restrictions on profit remittances.

If improved business confidence leads to a sustained rise in investment, Peru's rate of economic growth could show a significant upturn in late 1969 or early 1970. This growing

confidence could be disrupted if the government were to announce further economic measures of a drastic or revolutionary nature. President Velasco, however, has indicated that he does not intend to introduce any new reforms soon, but rather to concentrate on implementing those such as agrarian reform already in effect. [REDACTED]

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PROBLEMS BETWEEN EL SALVADOR AND HONDURAS CONTINUE

El Salvador has begun to show an interest in the restoration of diplomatic and commercial relations, but the anti-Salvadoran, anti-US mood in Honduras has not abated.

The Salvadoran Government has been allowing matters to return to normal, and President Sanchez is taking a more conciliatory line toward Honduras. The 30-day state of siege has expired, the majority of reservists called to duty during the crisis have been demobilized, and gasoline rationing has ended. In addition, boasting about the victory over Honduras is giving way to stress on the need for normalizing relations. The government has released over 200 civilian prisoners of war, and Sanchez has agreed to a mutual withdrawal of troops from one particularly troubled section of the border. He has also indicated that he favors a pullback in other areas where

opposing troops are in close confrontation.

Honduras, however, continues apprehensive about another Salvadoran attack and concerned over the shortage of arms and ammunition. The US continues to be criticized for its failure to aid Honduras, and rumors of US arms sales to El Salvador have contributed to the rising anti-US sentiment. The most vocal expression of this sentiment occurred on 19 August when over 2,000 students carrying anti-OAS and anti-US signs marched on the US Embassy, where they caused some minor damage.

Honduran news media have also given wide coverage to alleged atrocities and destruction by Salvadoran troops during the occupation. The trade unions have continued their efforts to secure

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dismissal of all Salvadoran employees, and the campaign to expel all undocumented Salvadorans is still under way. The Honduran Government has done little to encourage a more conciliatory attitude toward Salvadoran residents and appears unwilling to swim against the tide of public opinion. The President and the minister of economy have rejected OAS calls for restoration of consular relations and easing of trade restrictions

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This attitude is not passing unnoticed in El Salvador. Continued reports of mistreatment of Salvadorans are likely to force the government back to a hard-line policy. Indeed, the Salvadoran chief of staff has already stated that, if Honduran provocation continues, "we will be forced to attack Honduras and resolve the problem directly."

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