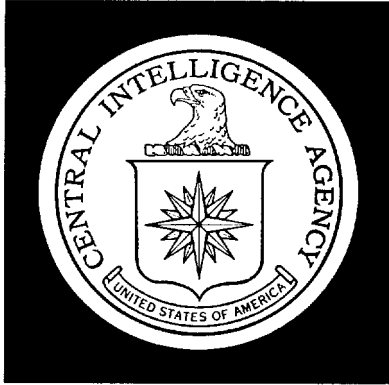


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Dept. review completed

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31 October 1969
No. 0394/69

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(Information as of noon EST, 30 October 1969)

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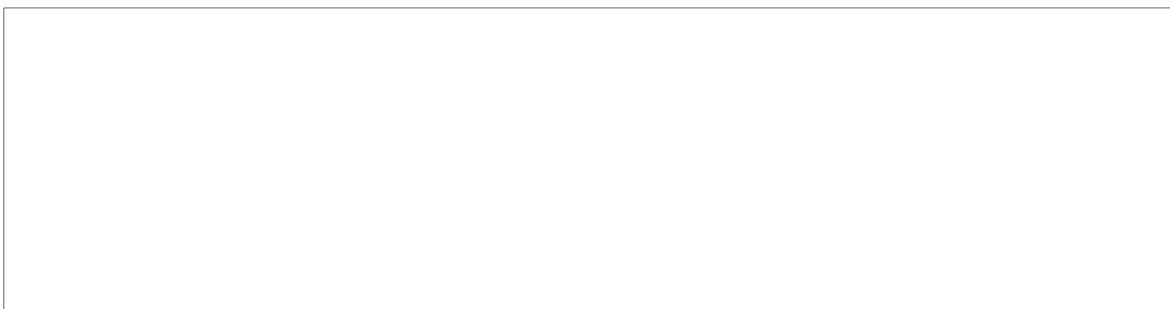
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FAR EAST

North Vietnamese Premier Pham Van Dong's success in garnering new political support for Hanoi during his recent month-long travels results, in part, from Peking's decision to resume an active diplomatic role in Asia. China's bitter dispute with the USSR has heightened concern in Peking over Moscow's active policies in Asia and accelerated moves toward improving ties with North Korea as well as North Vietnam. These circumstances were probably at work when the Chinese and Vietnamese Communists issued their communiqués. The Chinese showed a marked reduction in their hostility toward the Paris talks and for the first time openly endorsed the Vietnamese Communists' long-standing position that the unconditional withdrawal of all US troops must be the crux of any settlement.

The Chinese road-building program in Laos is moving ahead again. In little more than two weeks, Chinese engineers opened some eight miles of road in northwest Laos, thus strengthening Communist capabilities for supporting Pathet Lao and North Vietnamese operations. [REDACTED]

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Within China, little progress has been made toward rebuilding the shattered party apparatus in the six months since the Chinese Communist Party's congress of "unity." Propaganda drives aimed at goading provincial authorities into action have not been followed by the necessary official guidelines that would ensure effective implementation. The central authorities still appear at odds on how to go about reaching their announced goal of party rebuilding, and their halting efforts so far have only added to political tensions at the local level.

In South Vietnam it appears that a major test of the "Vietnamization" process may be shaping up in the delta region. The enemy's renewed interest in the rich and populous delta also reflects a probable decision to try to build up a broader base within the population. The Communists apparently believe the need to control a greater proportion of the people will be critical either in the event of prolonged war or of some kind of cease-fire. [REDACTED]

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VIETNAM

North Vietnamese Premier Pham Van Dong's month-long diplomatic foray through China, the Soviet Union, and East Germany has garnered new political and material support for Hanoi. Dong's most important political gains appeared to have been scored in Peking. During his stay there, Chinese statements indicated a reduction in their hostility toward the Paris talks and a marked improvement in Sino-Vietnamese relations, a long sought North Vietnamese goal. (See the item on Sino-Vietnamese relations in this issue.) In Moscow, Dong received strong assurances of continued Soviet backing for Hanoi's course. Neither the communiqués nor statements made during the premier's trip disclose anything significant about Hanoi's intentions in the war or at the Paris talks.

Dong and his principal traveling partner, economic affairs expert Le Thanh Nghi, concluded several aid agreements for 1970. Some of these point toward Soviet and East European participation in North Vietnam's reconstruction to which the North Vietnamese are giving more and more attention. Nghi remained in Eastern Europe and is negotiating similar pacts with some of Hanoi's other allies.

Military Developments in South Vietnam

A brief flare-up of enemy shellings and ground probes took

place in the central highlands this past week and government forces fought several sharp engagements in the Mekong Delta. These actions, however, are an exception to the general pattern of reduced military activity that has held since early September.

[REDACTED] most enemy units now are engaged primarily in political indoctrination meetings and refitting in preparation for the "winter-spring" campaign which may start in mid-November. Heavy attacks could come earlier near the remote Bu Prang and Duc Lap outposts in southern II Corps. Several North Vietnamese regiments have been holding positions near those camps for the past few weeks.

There also is more evidence of new enemy forces in the Mekong Delta. Initially, North Vietnamese reinforcements were sent to the delta to shore up the region's Viet Cong units which were badly battered in 1968. Now that major US units have withdrawn from the delta, however, the North Vietnamese face only South Vietnamese infantry and may be preparing a major test of the "Vietnamization" process. The shift of large enemy units from the remote, sparsely populated provinces in northwest III Corps to the rich and populous delta represents, in addition, a new emphasis on

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the struggle for control of the population.

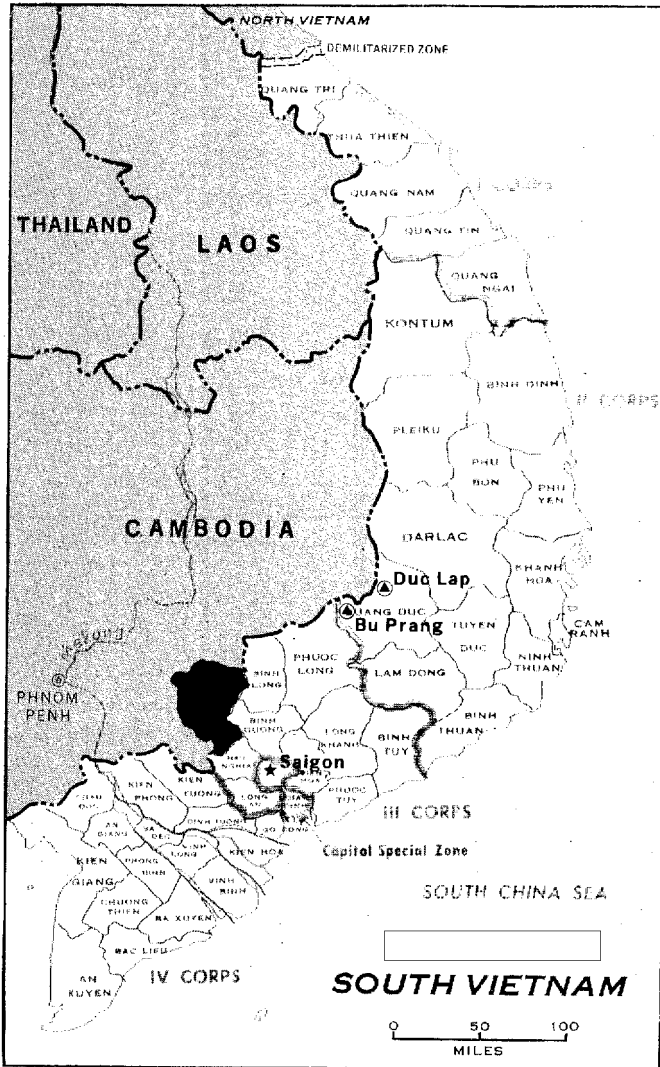
This emphasis on population control has also been noted in coastal I and II Corps, where some main force units have been broken up to operate with local guerrillas in order to establish contact with the people. Other units have been ordered to attack

small allied security and pacification forces in the countryside during the coming winter-spring period. The Communists apparently believe that the need to regain a broader population base is critical, either in the event of prolonged war or of some kind of cease-fire arrangement.

[redacted] enemy units in several areas of the country are being exhorted to prepare for more heavy fighting in the next few months.

[redacted] the North Vietnamese 3rd Division has been ordered to prepare for an offensive that will require large-scale attacks early next year.

[redacted] the Communists are girding for a new offensive in which enemy forces will first concentrate on striking at the allied pacification program, and later try to occupy areas vacated by US forces.



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Political Developments

President Thieu's political difficulties were compounded this week by the withdrawal of one of the six parties making up his National Social Democratic Front and by the adverse reaction of the National Assembly to new government austerity taxes.

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Thieu's congenitally weak political front had been particularly inactive and unproductive since early September when its leaders failed to get any significant posts in the reshuffled cabinet. President Thieu has slighted his front almost since its inception and he currently seems more interested in rehabilitating former elements of the Diem regime's elitist Can Lao party. In these circumstances, the small, Hoa Hao-based Social Democratic Party (Dan Xa) apparently became exasperated, and pulled out, claiming that the front serves no useful purpose.



Suspicion apparently is growing in Saigon that Thieu is purposely letting his front drift and may even have trapped its member parties into a position in which

they have only limited room for independent political maneuver.

Meanwhile, the National Assembly has reacted strongly to the government's imposition of greatly increased "austerity" taxes on gasoline and other imported consumer goods. The Upper House has passed two resolutions attacking the decree, one charging that the executive has usurped legislative prerogative and the other expressing concern regarding the incorrect implementation of the austerity taxes. The Lower House also passed two motions, one asking the Supreme Court to rule on the decree's constitutionality and the other calling on the government to rescind the tax increases. Efforts to organize a progovernment voting bloc in the National Assembly, already foundering, will probably suffer a further setback as a result of this latest legislative-executive imbroglio.



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CHINA REVIEWS ITS VIETNAM POLICY

China, as part of an effort to relieve its self-imposed isolation in Asia and assume a more active and influential diplomatic role, is improving its relations with North Vietnam.

Peking's cold treatment of Hanoi after the start of the Paris talks in mid-1968 severely strained Sino-Vietnamese relations and left China alone in its implacable and heavy-handed opposition to a negotiated settlement. In recent months, however, movement away from this unprofitable position has been accelerated by China's bitter dispute with Moscow. Peking has become increasingly concerned over its weak diplomatic position in Asia vis-a-vis the USSR and currently is seeking to repair its ties with North Korea as well as North Vietnam. Moreover, Peking's decision to enter border negotiations with the Russians has made its overt opposition to Hanoi's negotiating strategy even more untenable and Peking accordingly has been moving to a more flexible line.

In two joint communiqués issued during an extensive round of Sino-Vietnamese discussions recently concluded in Peking, the Chinese for the first time officially endorsed the Vietnamese Communists' long-standing position that the unconditional withdrawal of all US troops must be the crux of any settlement. In contrast to Peking's former silence on the talks themselves, the communiqués also convey Chinese acknowledgment, if not approval, of the Vietnamese Communists' ten-point peace plan.

Peking's new approach contains some ambiguities, however. In a

speech at a banquet on 23 October for visiting North Vietnamese Premier Pham Van Dong and his delegation, Premier Chou En-lai omitted the standard Chinese call for the Vietnamese to persevere until complete victory is achieved. Instead, he expressed the belief that the Vietnamese would overcome all difficulties along their "road of advance"--a formulation that could sanction various military and political moves by Hanoi.

The joint communiqués, however, clearly reveal continuing differences of emphasis between the two, with the Vietnamese reiterating the correctness of their fight-talk strategy and the Chinese stressing "protracted struggle." It appears that Peking has implicitly become the champion of the Vietnamese Communists' maximum demands in Paris without committing itself to the talks perse or to any lesser terms the Vietnamese might be tempted to accept.

Meanwhile, the Chinese are using their justification for the current Sino-Soviet border talks as rationalization for their new approach to Vietnam. For example, one recent Chinese local broadcast stated that Peking's "dual revolutionary tactics" of negotiating while resisting Soviet aggression can be applied "by all revolutionary people." Although this line has yet to be authoritatively proclaimed by Peking, a number of provincial broadcasts have supported it by invoking a 1945 article by Mao justifying tactical negotiations during a period of "protracted struggle."

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PEKING'S PARTY BUILDING EFFORTS HIT SNAGS

The Chinese Communists have made little progress toward reaching the goal announced at their ninth party congress of rebuilding their shattered party apparatus. They have made several propaganda drives, the most recent within the past two weeks, aimed at goading provincial authorities into action, but the necessary official guidelines appear to be missing or are so vague as to be ineffective. Thus, six months after the congress of "unity," the central authorities appear still at odds on how to implement party building, and their halting efforts to date have only added to existing tensions among political rivals at the local level.

Earlier this month, the authoritative People's Daily reiterated a long-standing call for "open-door party consolidation," a practice whereby the "revolutionary masses"--a euphemism for the partially discredited Red Guards--are allowed a voice in determining the fitness of prospective candidates for party membership. By insisting that the party organization cannot be rebuilt without open-door consolidation, the People's Daily article probably intended to warn relatively conservative local and regional authorities not to engage in the wholesale restoration of old party cadres to positions they held prior to the Cultural Revolution. Mao and his more radical colleagues within the Peking leadership remain committed to this disruptive principle but it is presumably opposed by many old-line

civilian bureaucrats, and probably a good number of military administrators as well.

Several provincial radio-broadcasts over the past two weeks have alleged that party building in their areas is picking up, but most have complained that recalcitrant factionalists are hampering the process. These complaints were echoed in this month's issue of the theoretical journal Red Flag, which noted ruefully that there is still factionalism in the revolutionary committees--the administrative units at the provincial level and below that are supposed to provide the core of leadership for the new party machinery. The journal scored leaders of the revolutionary committees for failing to quell factional infighting, yet shied away from telling them precisely what steps they should take to end the quarreling. Instead, it retreated behind a fog of pious exhortations that they must study the thought of Mao and thus find a way out of their difficulties.

There have been other signs in recent weeks that Peking may have temporarily decided to abandon some of its efforts to work out accommodations between contending forces in many faction-ridden revolutionary committees. The failure of the top leaders of Shansi and Kweichow provinces to appear for the National Day celebrations on 1 October, for

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example, suggests that the political situation in those areas is in flux. In some other long-troubled provinces, local leaders appeared unaccompanied by their major political rivals, suggesting that Peking has been unable to work out compromise solutions and has simply opted for supporting whichever forces appear to be ascendant, regardless of the consequences for future stability in those localities.

Nevertheless, many provincial governments remain an uneasy coalition of political opponents who can be expected to carry their quarrels into the party building arena. Meanwhile, none has succeeded in forming a formal party committee and reconstruction at lower levels proceeds at a snail's pace. Only a few party branches have been formed and these are mostly in communes and factories.

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PHILIPPINE PRESIDENTIAL RACE ENTERS FINAL WEEKS

President Marcos now appears to be pulling away in his race to become the first Philippine president elected to a second term.

For a time in September, opposition candidate Senator Sergio Osmena of the Liberal Party threatened to make it a close contest. His calm demeanor and reasoned speeches had enabled him to cut into Marcos' early commanding lead. Continuing party factionalism and financial difficulties have halted the momentum of his campaign, however, and it seems unlikely that he can call forth the needed last minute surge needed to beat Marcos.

With less than two weeks remaining before the voting on 11 November, Marcos has picked up important independent backing. The evangelistic Iglesia ni Cristo sect announced last week that it would support him. This politically disciplined group, which has a reputation for picking winners, promises to deliver 300,000 votes to Marcos; its backing could create a bandwagon effect for the incumbent president.

[redacted] the election campaign has been low in violence. Intense press scrutiny and unprecedented, vigorous monitoring by the presidentially appointed commissioner on elections apparently have caused both parties to hold back on traditional strong-arm tactics. The campaign has typically centered on name-calling and charges of corruption, but this has little impact on the politically cynical electorate. Some voter intimidation is still possible, however, since Marcos is still shaken by Osmena's early showing and he can be expected to take any steps he believes necessary to ensure his victory.

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Relations with the US rose to unusual prominence in the campaign. Following a public outcry over a US military court's acquittal of a US serviceman who had killed a Filipino, both candidates felt obliged to compete with one another in promising to gain clear acknowledgement from the US of Philippine sovereignty

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over the bases and US personnel stationed in the country.

The Philippine electoral system allows the voter to ballot separately for the top two offices, and Nationalista President Marcos could find that his vice president is Liberal Senator Genaro

Magsaysay. Vice President Fernando Lopez has attracted favorable attention by projecting a self-effacing image, but Magsaysay, younger brother of the anti-25X1 Huk hero president of the 1950s, does have the important backing of the Iglesia ni Cristo. [redacted]

MORE CHINESE ROAD BUILDING IN LAOS

[redacted]
Chinese engineers have opened some eight miles of road southwest of Muong Sai to limited truck traffic.

[redacted]
The resumption of construction on a major bridge near Muong La, northeast of Muong Sai, suggests that the Chinese also intend to link up this new road with Route 19 at Muong Khoua. [redacted]

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On the military front, government guerrillas are pushing into the few remaining enemy strongholds north of the Plaine des Jarres. Although these operations have not netted the government a significant amount of new territory, they have uncovered arms and supply caches. 25X1
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Attempts by Communist forces to secure their supply lines into the Nong Pet area so far have been in vain, although in the past week government guerrillas overlooking Communist supply trails have come under increasing enemy pressure. 25X1

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EUROPE

The Soviet Union and the US agreed to open talks on strategic arms limitations in Helsinki on 17 November. They also presented a revised seabeds treaty to the Geneva disarmament conference, which closes for the year on 31 October. Other participants at the conference seem to be favorable to the treaty, which now goes to the UN General Assembly.

Moscow dashed the hopes of the visiting Czechoslovak leaders for a big loan and some concession on troop withdrawal by providing little else than a strong endorsement of party chief Husak.



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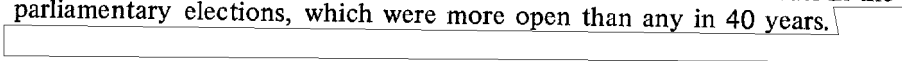
Initial reaction from the Communist governments to which Chancellor Brandt made overtures was noncommittal and cautious. East Germany did not even publish Brandt's offer to negotiate with it. The Poles and Soviets have indicated they will wait to see if actions follow words.

The Warsaw Pact powers convened a meeting of foreign ministers in Prague on 30 October to draw up a common platform on European security. The objective seems to be to take the initiative away from the forthcoming NATO ministerial meetings and focus the attention of the Western allies on Communist proposals.

The Council of the European Communities decided this week on measures to soften the impact of the revaluation of the mark on German agriculture. The measures—extensions of the present import levies for six weeks and subsequent "deficiency payments" to the German farmers—will probably not weaken the Common Agricultural Policy as much as the steps taken after the French devaluation.

The Council's failure to reach agreement on a new budget and research program for EURATOM leaves that organization in a weakened condition. Further efforts will be made to achieve a compromise, but a decision will not be made until after the summit meeting in The Hague on 17-18 November.

There was an unusual amount of political activity in Iberia this week. Franco made sweeping changes in the Spanish cabinet, giving the preponderant role to technocrats favoring modernization and ties to Europe. New approaches to Europe will still be hindered by the dislike of Franco. In Portugal, the Caetano government's National Union won all the seats in the parliamentary elections, which were more open than any in 40 years.



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EAST AND WEST CONSIDER EUROPEAN SECURITY

Members of the Warsaw Pact and NATO are moving on the subject of European security, but with quite different approaches. The Warsaw Pact foreign ministers were scheduled to begin two days of consultations in Prague on 30 October, which may result in a statement of subjects to be discussed at a European Security Conference (ESC). The NATO deputy foreign ministers will meet in Brussels on 5 November to consider East-West issues.

Moscow probably senses a need to carry forward the momentum for ESC that was generated by the Warsaw Pact's Budapest appeal last March and by Finland's call for a conference last May. The Soviets also want to take advantage of the improved political climate in Bonn following Brandt's ascendancy and of the recent support for ESC expressed in Moscow by French Foreign Minister Schumann.

The Soviet approach to an ESC is to avoid controversial East-West issues, such as Germany and Berlin. Moscow would like to have the Prague meeting propose broad subjects, like nonrecourse to force, regional disarmament, and European economic, cultural, and scientific cooperation. If the Soviets can limit the scope of ESC to broad international political principles and wide-spectrum European cooperation, they will not have to sacrifice any control over the activities and ambitions of the other Warsaw Pact members. Most East European countries, however, see prospects for greater independence from Soviet restrictions, since Moscow itself is pushing detente to achieve a conference.

The statement that emerges from the Warsaw Pact is likely to eschew

polemics about West Germany. Some hint of a more benign attitude was contained in Brezhnev's declaration on European security on 27 October, which expressed the hope that West Germany will prove to be realistic about the existence of two Germanies--a fundamental policy objective for Moscow toward which a conference may help pave the way.

The possibility of a renewed Warsaw Pact appeal for an ESC may complicate the question of how the West--specifically NATO--will respond. Since last July the senior political advisers of the Alliance have been working to develop a major list of issues for possible future negotiation with the East, and to prepare for the long-term eventuality of an ESC.

A draft of this list has been completed and will be reviewed by the deputy foreign ministers in Brussels. At the moment, the NATO approach is intended to focus on hard issues, including even arms control, force reductions, and improving the present status of Germany and Berlin, but leaving the broader issues of a European "settlement" for the more distant future. Such a deliberate and sustained effort may be difficult for the Allies to maintain if a renewed Warsaw Pact initiative arouses governmental and public opinion in the West in favor of the earlier and less meaningful ESC the Communists appear to be seeking.

Already there are signs that a few NATO members might be impatient with the coordinated Alliance approach and try to accommodate a Communist bid in the interests of East-West detente. The majority of

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members appear to think that the next NATO foreign ministers meeting, to be held in December, must at least be more forthcoming than the last,

when it was decided to avoid any direct response to the Budapest appeal for an ESC. [REDACTED]

USSR BECOMING MORE ACTIVE AT THE UN

There have been several indications recently--particularly Moscow's display of interest in peacekeeping operations--that the USSR is prepared to look more favorably on the UN as an instrument for securing its foreign policy objectives.

Before the start of the General Assembly the USSR showed considerable interest in getting an agreement on organizing and financing UN peacekeeping forces. There have been numerous private exchanges in New York between Soviet and US representatives to this end. Major differences remain unresolved, but there has been progress in formulating guidelines for observer missions.

The Soviets are seeking mainly to assure themselves an equal voice with the US and a high degree of control over all aspects of peacekeeping operations. Moscow wants to keep the key decisions on peacekeeping in the Security Council where it has veto power, and shows no interest in coping with the considerable financial deficits of previous operations. Nevertheless, the Soviet interest in peacekeeping forces appears to reflect a growing Soviet appreciation for the UN's role in

stabilizing local conflicts. Moscow has recognized, for example, that a UN force might be involved in a settlement in the Middle East.

The interest in peacekeeping also suggests that the Soviet exhortation to the General Assembly to strengthen international security was not only a propaganda ploy. Soviet representative to the UN Yakov Malik urged adoption of guarantees for implementing Security Council decisions, particularly those involving peacekeeping missions.

Moscow's expressed concern with the problems of the UN coincides with its recent willingness to cooperate more openly with the US on various problems. At one time the Soviets had been inclined to avoid public displays of cooperation, preferring to use the UN forum to embarrass their great power rival on such issues as Vietnam, foreign bases, and chemical and biological warfare. Malik has been downplaying these subjects in his speeches, however, and Gromyko seconded the US statement that an era of negotiation must replace an era of confrontation. [REDACTED]

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MOSCOW AFFIRMS CONFIDENCE IN CZECHOSLOVAK LEADER

Czechoslovakia's top leaders returned from Moscow on 28 October with a strong verbal endorsement of party first secretary Husak, but apparently little else. The joint statement, issued at the conclusion of the eight-day visit, indicated that the Soviets do not intend to abandon the carrot-and-stick tactics that have been so effective in Czechoslovakia.

The only really tangible results of the bilateral talks were an agreement to expand trade and economic cooperation and to sign a new treaty of friendship and mutual assistance next May. No substantial economic aid to Czechoslovakia, however, appears to have been provided. The Soviets again agreed to increase shipments of raw materials to exceed existing contracts and to step up the bilateral exchange of industrial products and scientific and technical information. The USSR also intends to "assist" Czechoslovakia in purchasing some scarce items in foreign markets, most likely from Communist countries. These stop-gap measures are not sufficient to help Czechoslovakia overcome its current economic difficulties.

The red carpet treatment accorded the Czechoslovaks, and Brezhnev's glowing endorsement of Husak, however, suggest that the Soviets consider Husak to be the man they can work with in Prague. Moscow's imprimatur on Husak's leadership will give him some leverage in his own efforts to strengthen his posi-

tion despite continuing pressures by archconservatives seeking to usurp his powers.

Furthermore, Brezhnev's allusion to the "legitimate aspirations" of the Dubcek leadership in January 1968 may mean that Husak will be allowed to reintroduce some limited reforms once party controls and supremacy are restored. At the same time, the Soviets have announced an intention to increase their contacts on all levels with Czechoslovak political, military, economic, and cultural organizations. This will keep Moscow informed and may tend to discourage Czechoslovak initiatives for reform.

Husak and his associates went to Moscow expecting significant rewards for the authoritarian controls they have reimposed. They must be profoundly disappointed that the Soviets though expressing satisfaction with the trend of events in Prague, did not respond to their requests for a substantial hard currency loan and a statement on the eventual withdrawal of Soviet occupation troops. Moscow has probably shelved these requests, for the present.

Both the Soviets and Husak have noted, moreover, that "normalization" has not yet been achieved. This portends new domestic restrictions and further purges in Czechoslovak party, government, and mass organizations in the immediate future.

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THE NPT IS AT THE CROSSROADS

The outlook for the nuclear nonproliferation treaty (NPT), which was opened for signature on 1 July 1968, may be improving. Forty-three ratifications, including those of the three cosponsors--the US, UK, and Soviet Union--are required to bring the treaty into force. So far, only 21 countries, including one cosponsor, the UK, have ratified. Nevertheless, action by four or five key nations in the next few months might get the treaty over the hump.

The cosponsors have been encouraging signature of the treaty, since this step creates the probability of later ratification. The new West German Government is giving a high priority to signature.

Sweden, one of the leading "near-nuclear" states, hopes to ratify the treaty in the next few months.

The Soviet Union took a step toward ratification in August when the foreign affairs commission of the Supreme Soviet recommended that the Presidium take favorable action. While Moscow is also concerned about the positions of India, Israel, and Japan, recent statements of First Deputy Foreign Minister Kuznetsov and Ambassador Dobrynin have again made it clear that Soviet ratification awaits only West Germany's signature. It is not unlikely that the Presidium will act when Bonn signs.

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SOVIETS WRESTLE WITH LABOR FORCE PROBLEMS

Soviet authorities have displayed a nagging desire to use labor more efficiently. A decree to reduce administrative expenditures has been issued jointly by the party and the government, but it lacks incentives that would ensure its observance. Earlier, the party approved a labor redistribution experiment embodying sufficient incentives but did not order its general adoption.

The latest decree, published on 24 October orders a 1.7 billion ruble reduction in administrative spending in 1970. Administrative staffs are to be reorganized and reduced, staff procedures are to be revamped to make greater use of modern business machines, and excessive business trips and conferences are to be eliminated. Government bodies and economic officials at all levels are charged with finding new, more useful jobs for employees who are relieved of administrative duties.

Despite long-standing central authority over economic administration, apparent overstaffing has been endemic to the economy. Periodic campaigns to reduce administrative staffs have failed to lower the percentage of the industrial labor force in this type of work. Moreover, the new decree does not specify either rewards for those who observe it or penalties for those who do not. Efforts to make greater use of business machines will be impeded by the chronic shortage of such equipment.

Earlier this month, the CPSU Central Committee formally approved the controversial Shchekino experiment that is being conducted in a handful of enterprises but stopped short of ordering its adoption elsewhere. In this experiment management is given monetary incentives to economize on labor; any workers deemed to be unnecessary are dismissed. The Shchekino experiment contrasts sharply with the decree on administrative expenses by its embodiment of what seem to be effective economic incentives. It has, however, become involved in debate between proponents and opponents of more enterprise freedom and greater use of monetary incentives. An official of the government body overseeing the experiment has publicly expressed reservations about its general adoption.

There have been many other indications that authorities see a need to expand and redistribute the labor force. Less than a week before the decree on administrative spending was published, the USSR Council of Ministers issued a decree aimed at increasing the employment of persons who have been pensioned for reasons of health or age and the employment of women. The press has highlighted shortages of workers in certain locations and in various skill categories and has urged housewives to enter the job market. Managers have been exhorted to pare their labor

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requirements by adopting a set of procedures labeled "scientific organization of labor." Articles have been published alleging that labor resources are under-utilized in the smaller cities and in individual plants in all regions.

Since 1967, labor exchanges or employment agencies have been established in a number of cities to facilitate the matching of workers and jobs.

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USSR Aid Program in Algeria Moves Slowly

The Soviets are gradually implementing their large aid program in Algeria, but the newly established Algerian-Soviet commission for economic, scientific, and technical cooperation apparently will provide little impetus. The first meeting, which was attended by the highest official in Moscow's economic aid program abroad, produced only a draft agreement on scientific and technical cooperation and an aide-memoire on the results of the technical committee's discussions.

Sketchy press reports have stated, however, that the USSR agreed to continue to send Algeria more petroleum, mining, and agricultural technicians, as well as experts to speed the completion of the Annaba steel mill, which is behind schedule. At present there are 2,000 Soviet economic technicians in Algeria, half of whom are working in these areas. In addition, the commission discussed, but did not conclude, a trade protocol for 1970. As in previous negotiations, the Soviets proved to be hard bargainers and stirred up Algerian resentment.

Throughout 1969, announcements were made on various aspects of economic cooperation but little implementation was observed. In January, a contract was signed calling for the Soviets to oversee the building of irrigation projects in Algeria. By early October these projects still were only in the blueprint stage. The USSR also agreed to send equipment for oil drilling, geophysical research, and seismic studies which Algeria would pay for with mineral exports. A jointly financed petroleum research center is to be set up before the end of 1969. An Oil and Gas Institute, established in 1964 and equipped by the Soviets, currently has a student body of 1,000.

Meetings between the two have been held repeatedly to facilitate the implementation of the aid program. Still, by December 1968, Algeria had drawn only about \$24 million out of about a total of \$228 million in credit for industrial projects extended in 1963-64. In 1968, in an attempt to improve its relations with Algeria, the USSR agreed to purchase Algerian wine and petroleum.

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MIDDLE EAST - AFRICA

The Lebanese crisis continued to dominate the Middle East scene this week. Despite a few violent outbursts, the Lebanese Government and the fedayeen and their supporters appear to be shifting from military confrontation to attempting a political solution through negotiations in Cairo, with the Soviets apparently trying to cool the situation. The two sides appear as far apart as ever on the issue of fedayeen freedom of operation in Lebanon, but President Hili's decision to send his army commander in chief to Cairo probably portends eventual Lebanese capitulation.



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The Turkish political scene remains quiet as the new parliament prepares to convene tomorrow. Prime Minister Demirel, who retained his majority control of the Assembly in recent elections, is expected to make extensive changes in his cabinet but few in domestic or foreign policies.

In India, regional problems, some with communal overtones, are dogging Prime Minister Gandhi as she prepares to face her Congress Party opponents at a weekend meeting of the organization's governing Working Committee. Nevertheless, she stands a good chance of emerging from the meeting in a stronger position because the old-guard "bosses" are divided. Mrs. Gandhi is in no mood to offer them more than a face-saving compromise.

Federal Nigerian forces are preparing for another "final offensive," but it does not appear imminent. The Biafrans, who have been expecting such a move, can probably prevent any early major gains. Emperor Haile Selassie's latest peace initiative is still alive, but there are no signs that negotiations will soon materialize.



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Security authorities in Congo (Kinshasa) and Angola apparently are proceeding with a joint program for repatriating former Katangan gendarmes who took refuge in Angola after their abortive mutiny in 1967. In Burundi, President Micombero's position has been seriously weakened. His policy of tribal reconciliation is under heavy fire from extremists who claim that the exposure of alleged coup plotting by the major tribe proves that the President's policy is a failure.

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LEBANESE CRISIS CONTINUES TO DOMINATE MIDDLE EAST SCENE

Although there were some violent outbursts in the Lebanese crisis this past week, the government and the fedayeen with their supporters, shifted from military confrontation to attempting a political solution through negotiations. A Lebanese military delegation led by army Commander in Chief Bustani arrived in Cairo on Wednesday and began discussions with Egyptian officials led by President Nasir, who finally agreed to act as a mediator. Fedayeen leaders headed by Yasir Arafat are expected to arrive shortly to take part in the negotiations.

The fedayeen have already stated their basic demands--freedom to establish bases and to operate freely in Lebanon--which Lebanese President Hilu has long opposed. With the two sides so diametrically opposed it is possible that the current negotiations may break down before anything is achieved. Nevertheless, President Hilu's decision first to send a negotiating team to Egypt and secondly to have it led by General Bustani probably portends his eventual capitulation to fedayeen demands.

Moscow's support for an Arab-arranged settlement is probably prompted both by its desire to avoid a wider conflict and to reap the maximum propaganda advantage. The Soviets presumably believe that their intercession with Syria will be favorably received by the Lebanese Government. Although the Soviets would like to see Lebanon cooperate more closely with the radical Arab states and the fedayeen, it almost certainly does not want the Beirut government toppled by the guerrillas--a development which would have unforeseeable and possibly dangerous consequences.

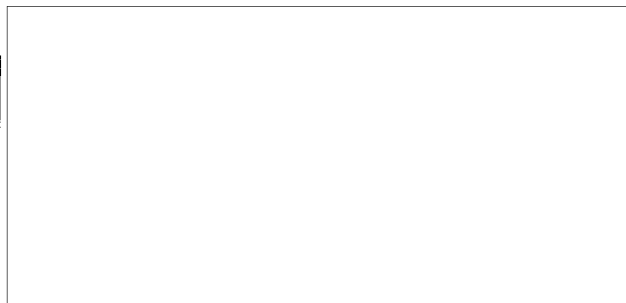
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Southern Yemen-US: Southern Yemen abruptly broke diplomatic relations with the US on 24 October and gave the US mission in Aden 48 hours to leave the country. The recent delivery of US aircraft to Israel, the propaganda furor over US citizens serving in the Israeli Army, and the emotions generated by the Lebanese crisis were probably all factors influencing the radical regime's sudden decision. Southern Yemen's relations with the US have been chilly for some time, and the latest move was probably advocated by Foreign Minister Al-Baydh, who is known to be strongly anti-US.

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SOMALIA'S REVOLUTIONARY COUNCIL OFF TO CAUTIOUS START

Life has returned to normal throughout Somalia--renamed the Democratic Republic of Somalia--and Somalis in general apparently have accepted the bloodless military coup of 21 October. Civil servants are on the job and essential government services are being carried out. Regional revolutionary councils are being established throughout the country to administer local affairs. Former prime minister Egal and his ministers are under detention, but the regime is uncertain about what to do with them.

Despite its initial "leftist" statements, the Revolutionary Council is feeling its way along and its tone has become more moderate. The council seems anxious to continue the traditional stance of past Somali governments by maintaining a careful balance in foreign relations. Clear efforts have been made to reassure the diplomatic community in Mogadiscio of the government's desire for cooperation and continued economic assistance.

Spokesmen have emphasized that the coup was mounted purely for internal political reasons. Nevertheless, Ethiopia and Kenya are highly suspicious because of the Somali Army's record of past support to dissidents in the two

neighboring countries. Both Addis Ababa and Nairobi are maintaining a wait-and-see position, however, and have avoided taking any provocative action along their borders, although the Kenyans have moved additional security forces to the area.

The council still has not disclosed its membership. All reports so far agree that army officers predominate and are likely to continue doing so. Although army commander, General Siad, chairman of the council, has stated that civilians would be included, there is no firm evidence as to what politicians, if any, have cast their lot with the junta. This delay could be the result of maneuvering to include individuals acceptable to major tribal groups and regions, but could also signal the development of major problems within the leadership.

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INSTABILITY MOUNTS IN TWO COMMUNIST-RUN INDIAN STATES

India's two Communist-dominated states, Kerala and West Bengal, face increasing problems which threaten the viability of their governments. In one state, Kerala, pressures building for several weeks have already led to the collapse of the governing coalition.

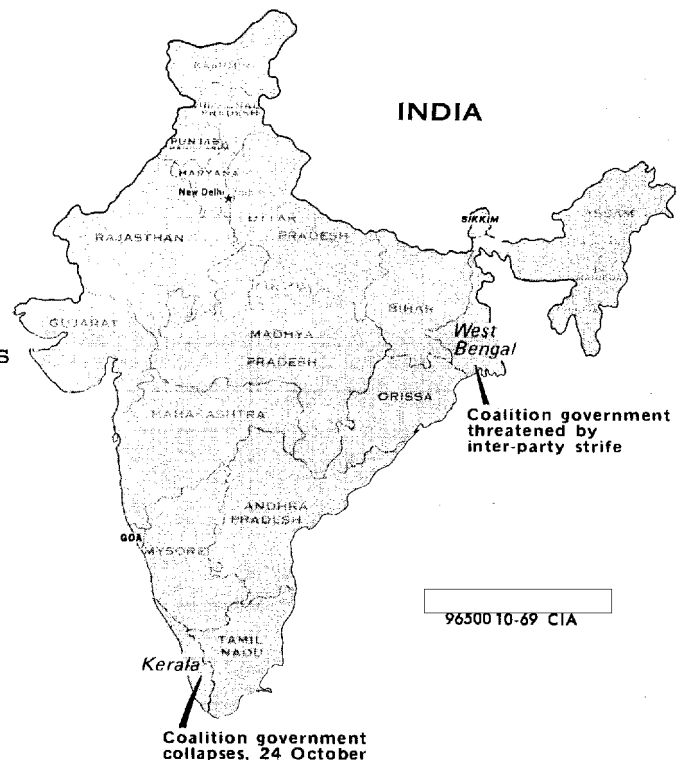
Both states have been headed by coalitions in which the far left Communist Party/Marxist was dominant, but the coalitions also contained less radical members, including the pro-Moscow Communist Party of India. In both states trouble started over opposition to the Marxists' high-handed attempts to extend their power at the expense of their coalition partners.

In Kerala, Marxist Chief Minister Nambudiripad was finally forced to resign last week when dissatisfied parties within his coalition joined the opposition in demanding a probe of corruption charges. The anti-Nambudiripad forces have little in common, however, and their chances of forming a lasting alternative government are slim. Nambudiripad's party is still the largest in the state assembly, and he has been asked to stay on as caretaker until a new government is formed.

The anti-Marxist parties in the West Bengal coalition are concerned with the increasing breakdown of law and order in their state. Violent clashes,

often caused by tensions between Marxist and non-Marxist labor and rural groups, continue unabated. The dissatisfied coalition partners are in no better position to take control of the government, however, than are their counterparts in Kerala. Rather than topple the coalition they would prefer to force concessions from the Marxists.

Options are narrowing, however, as the law-and-order situation deteriorates and the warring coalition partners become increasingly unable to govern. As in



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Kerala, West Bengal's Soviet-oriented Communist Party eventually may join ranks with other discontented groups in the coalition to bring down the government.

A prolonged period of tension and instability appears likely. New Delhi is reluctant to step in and impose central

government rule for fear of further alienating the states from the Congress Party, which has become a minority group in both Kerala and West Bengal. The central government could be forced to act, however, if violence increases significantly and fragmentation brings the state governments to a standstill.

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MORE TRIBAL TROUBLES IN KENYA

Kenyan tribal tensions rose violently to the surface during the past week. President Kenyatta, who was making a tour of predominantly Luo areas in an effort to restore that tribe's faith in his Kikuyu-dominated government, was stoned and jeered by the crowds. His tough security troops opened fire; 11 Luo were killed and nearly 80 wounded.

Kenyatta blamed the disturbances on the leaders of the predominantly Luo opposition party, the Kenya People's Union (KPU). KPU president, Oginga Odinga, a long-time nationalist who is partially Communist financed, was placed under house arrest as was the party vice president. The six remaining KPU members of parliament were jailed. Finally on Wednesday the government banned the KPU.

Although the government presented no proof that KPU leaders had instigated the rioting, Odinga could easily have done so. The Luo have been unhappy with Ken-

yatta and his government since the assassination of their fellow tribesman Tom Mboya in July, which they believe was plotted by the Kikuyu leadership.

The banning of the KPU makes Kenya a one-party state and also leaves the Luo, Kenya's second largest tribe, without real political representation. With Kenya a one-party state, Kenyatta's Kenya Africa National Union (KANU) will automatically win all the seats in Kenya's first general election, which will probably be held within the next two months. The elections will, therefore, be meaningful only if the primary elections to select KANU candidates are conducted honestly.

Meanwhile, spontaneous incidents of violence are always possible in the atmosphere of increased tribal tension. The only incident since the disturbances occurred in Moscow, where about 50 Kenyan students, apparently Luos, ransacked the Kenyan Embassy and roughed up the ambassador.

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POLITICAL TURMOIL AGAIN THREATENS IN CONGO (BRAZZAVILLE)

Brazzaville's radical-leftist regime faces rising tensions that threaten to plunge the country into a new round of political turmoil. Army strong man Ngouabi, an opportunistic ex-paratrooper who named himself president last December, is likely to find it increasingly difficult to balance the country's numerous and mutually antagonistic factions.

Ngouabi, without previous political experience or known ideological moorings, gained control of Brazzaville's chaotic political scene 14 months ago during the political crisis that toppled President Massamba-Debat. Working from a power base in the army's paratroop battalion, Ngouabi strengthened his position through an early alliance with extreme leftists.

The alliance with the left has been uneasy, however. The regime was denounced as reactionary during recent meetings of the official youth and student organizations [redacted]

In a recent radio address, Ngouabi angrily defended his Marxist credentials and lashed out at those who claim to be more Marxist than others. He moved this week to mollify leftist pressures, however, by nationalizing rail and port facilities formerly owned jointly by Congo,

Gabon, Central African Republic, and Chad.

The regime has also had to contend with a wave of strikes by workers who are increasingly discontent with the meager benefits of the "revolution." A recent strike by civil servants over high-level corruption [redacted]

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[redacted] forced the removal of the finance minister and brought a pledge from Ngouabi to produce a comprehensive justification of government spending. Recently he dissolved the governing body of the national labor federation on charges that it was fomenting strikes for the purpose of discrediting the government.

Relatively moderate factions also remain active, although they are somewhat submerged by the torrent of Marxist rhetoric that characterizes Congolese politics. A measure of their continuing influence is that the greater part of the economy remains in private hands, despite the regime's noisy proclamations about its adherence to "scientific socialism."

Ngouabi has thus far been able to ward off a full-scale crisis by juggling factions, jailing outright opponents, and threatening massive repression. He is increasingly given to shrill, emotional, and sometimes defensive outbursts that reflect the conflicting pressures on him. These pressures could soon explode, particularly if Ngouabi follows through on his promise to call a national

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congress of the single political party before the end of the year, which would surface all the divisions that beset the country. Any attempt to postpone the con-

gress would give disgruntled elements one more rallying point for attacks against Ngouabi's beleaguered regime.

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ZAMBIA SETTLES COPPER NATIONALIZATION

The Zambian Government has reached agreements in principle on the nationalization of two foreign copper companies. The offers are subject to the approval of the Zambian cabinet and the shareholders of the companies.

The US-controlled Roan Selection Trust (RST) and the South African-controlled Anglo American Corporation accepted Zambia's offer of compensation based on full book value. RST received additional concessions, however, because its book value is about one-third less than that of Anglo American, even though both companies produce about the same amount of copper and have similar profits.

The concessions included an eight-year repayment period rather than the 12-year period applicable to Anglo American and repatriation of profits blocked in Zambia during the past two years because of restrictions on remitting foreign exchange abroad. Although RST originally opposed compensation based on book value, these concessions actually will enable shareholders of RST to receive higher payments than before nationalization. Moreover, when

compensation is completed, shareholders should receive payments approximating pre-nationalization levels.

To ensure operating efficiency, both companies were given management contracts to run the mines as well as the right to hire personnel and purchase equipment.

Zambia will at first gain little economic advantage from the nationalizations. If the government holds to the terms of the settlement, it initially will receive less foreign exchange than it did before nationalization. The government also is bound by the agreement to make compensation payments regardless of profit levels. Thus, a severe decline in prices would adversely affect its ability to pay.

Zambia, however, hopes to induce new foreign investment to expand production by offering mining concessions that the government confiscated from the present two mining groups. Moreover, if the agreements prove financially burdensome, the government probably will consider pressing the companies to renegotiate the agreement.

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WESTERN HEMISPHERE

Restlessness persists in Chile following last week's army revolt. A major shake-up in army commands has forced into retirement not only General Roberto Viaux, the leader of the uprising, but some other generals who remained loyal to the government despite their sympathy for Viaux's demands.

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[redacted] The government, generally regarded as weakened by the revolt, may not come up with the promised pay raises until the first of the year. Meanwhile, it is publicizing new military purchases in England in an effort to boost its stock in the armed forces.

In Bolivia, military discontent is growing over the increasing influence of the radical civilians in the cabinet. Foreign Minister General Ruiz has told the US ambassador that he and his colleagues oppose the efforts of civilian cabinet officers to cause strains in Bolivia's relations with the US. He added that the military would not tolerate being used in this manner any longer.

Meanwhile, the government has been forced to shut down the oil pipeline to Arica, Chile, and close at least two of the oil fields that were expropriated from Gulf Oil. Petroleum storage facilities in Arica are filled to capacity, and at present there are no markets or transportation available for Bolivian crude. Gulf Oil says it will not resume shipment and refinement of Bolivian oil until some agreement has been made for compensation of its expropriated property in Bolivia.

In other South American developments, Brazilian President Medici and Vice President Rademaker Grunewald took office on 30 October. Student disturbances erupted in Ecuador and Venezuela.

Hopes for a resolution of the dispute between El Salvador and Honduras are rapidly fading. Top Honduran officials have indicated that their government will not obey an OAS resolution passed this week calling for opening the border to Salvadoran transit trade. They object to the companion resolution calling for settlement of the border dispute because it does not commit El Salvador to a firm timetable for negotiations.

In Cuba, Fidel Castro launched the all-important 1970 sugar harvest with a highly emotional speech on 27 October. As in earlier talks, he committed Cuba to an unparalleled 10-million ton harvest and placed the honor of the revolution at stake in attaining the goal. Castro stated that though there is sufficient cane to produce 10 million tons, success will depend on the output of the worker in cutting and milling it. His obvious misgivings over the capacity of the Cubans to work efficiently was reflected in his frequent allusions to the critical manpower problems that must be overcome.

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NEW EFFORTS TO SETTLE EL SALVADOR-HONDURAS DISPUTE FAIL

The OAS-sponsored negotiations that have been under way in Washington since early October have not resulted in a rapprochement between El Salvador and Honduras. On 27 October the organization adopted a series of resolutions dealing with the major issues, but the inability of the disputants to agree on key points dampens any hope for a quick solution of the problem.

The major Salvadoran demand has been for an immediate end to Honduras' obstruction of its trade with Nicaragua and Costa Rica. The Hondurans, however will not open their section of the Pan American Highway to Salvadoran traffic unless El Salvador first agrees to settle the long-standing border dispute. The Hondurans have complained that the OAS resolution on the border problem did not commit El Salvador to a firm timetable for negotiation and, therefore, they will not comply with the resolution calling upon them to reopen the highway.

Honduran frustration over the lack of US and OAS pressure on El Salvador to begin immediate border talks last weekend resulted in demonstrations against the US Embassy in Tegucigalpa, the consulate in San Pedro

Sula, and the offices of the OAS mission in the capital. Student, labor, and other groups have vowed to defy the OAS and to block the opening of the border to Salvadoran trade unless there is a clear quid pro quo.

Salvadoran satisfaction with OAS efforts has borne an almost inverse relationship to Honduran discontent. The Salvadorans consider the resolutions to be somewhat of a diplomatic victory and they are prepared to give the OAS additional time to gain Honduran compliance on the highway issue. If some progress is not made within the next couple of weeks, however, the government may decide to take unilateral steps to end Honduran economic strangulation.

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BRAZIL'S NEW ADMINISTRATION TAKES OFFICE

President Emilio Medici and Vice President Rademaker Grunewald took office on 30 October after being "elected" by a joint session of congress five days earlier.

The voting was strictly along party lines. Members of the progovernment National Renewal alliance voted for them, while approximately 75 legislators of the opposition Brazilian Democratic Movement (MDB) attended the session but did not cast ballots. MDB spokesmen claim that their attendance was a demonstration of the party's desire to cooperate with Medici's professed intention to move the country back toward democracy. Their abstention from voting was described as a symbol of solidarity with the many MDB legislators who have been purged by the government and as a protest against the government's failure to permit direct elections.

The mood of congress appears to be one of subdued tension. The legislators are pleased that they will have some role in governing the country, but are worried that any sign of opposition to the government or to the military could result in the permanent closing of congress.

Most legislators consider Medici a competent administrator and a man of personal integrity. They also believe that his lack of political debt to any single military faction for his election will give him a freer hand to govern than his predecessor. At the same time, the congressmen point out that the new President has had only limited contact with politicians and doubt that he has the personality or desire to work actively to give his administration greater popular appeal. The majority do not appear very hopeful that he will lead Brazil back to democratic institutions or that he will open up the political system very widely.



President Medici



Vice President Rademaker

If Medici does favor even limited liberalization, he will have to work hard to overcome the repressive image of the interim triumvirate and the Costa e Silva government. The waves of political purges, the recent strong authoritarian amendments to the 1967 constitution, the widespread arrests in the campaign to curb terrorism, and the frequently heavy-handed press censorship will make it very difficult for the new administration to attain broad public support.

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DISSATISFACTION WITH BOLIVIAN GOVERNMENT GROWS

Dissatisfaction is growing in the military over the radical policies of the Ovando government and the increasing influence of the civilian radicals in the cabinet. In addition the economic restrictions announced this week may lead to popular discontent, particularly among miners, who apparently will not get the wage increase Ovando promised them.

General Cesar Ruiz, the foreign minister, recently told the US ambassador that he and his colleagues oppose efforts by civilian cabinet officials to cause strains in Bolivia's relations with the US and that the military would not tolerate being used by the civilians any longer. Further evidence of military disenchantment comes from Cochabamba where middle-grade officers have openly expressed their dissatisfaction with the nationalization of Gulf Oil Company and are calling for the dismissal of the leader of the civilian radicals in the government, Minister of Mines Quiroga.

Quiroga, however, has built a considerable popular following with his demagogic oratory and extremely nationalistic and anti-US position on most important issues. An attempt to remove him at this time would cause serious trouble for Ovando. The President

apparently has agreed that Quiroga should no longer be responsible for dealings with the Gulf Oil Company and reportedly will handle future negotiations himself. Quiroga will not be easily silenced, however, and if Ovando tries to isolate him, Quiroga would be likely to take his case directly to the public, as he did with his demands that Gulf be nationalized.

Public enthusiasm for the Ovando government and its nationalistic policies may be dampened by the austerity program announced this week. The program, designed in part to maintain the current exchange rate for the peso, includes reductions in public expenditures, foreign exchange restrictions, new tax measures, and "temporary" wage and price controls. The run on Bolivian currency following the nationalization of Gulf brought the country's economic problems into focus, but they had been building for a long time. The public's initial reaction to the program has been favorable, reflecting a willingness to make sacrifices in the face of "threats" to Bolivia's sovereignty. The wage freeze is likely to stir up resentment before long, however, particularly among the miners who were promised a prompt wage increase by Ovando when he seized power.

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ECUADOREAN PRESIDENT MAY ASSUME DICTATORIAL POWER

After 14 months in office, President Jose Maria Velasco finds himself in a situation that in three past administrations has signaled his ouster.

As in the past, Velasco's charisma and public support have again been corroded by the responsibilities of trying to rule Ecuador. He is being pushed by his advisers and by the actions of his opponents to take strong measures to curb student violence and resolve the country's serious fiscal situation.

Student disorders have plagued Guayaquil since mid-October, and similar violence is now spreading to other cities. Smoldering student resentment over the lack of educational facilities and over the government's inability to come to grips with the country's economic and fiscal problems erupted into open defiance when the President, in a heavy-handed fashion, closed a high school after the students insulted him. Radical student agitators were thus handed an issue that has broad student appeal and are exploiting it to the full. Last week at least two students were killed, and there is the possibility that security forces, armed with a presidential mandate not to let disorders get out of hand, will have a major clash with students. In the face of criticism and threatening chaos, the government announced this week that the school could reopen.

Ecuador's chronically bad budget situation and serious de-

terioration of its balance of payments this year have reached a point where the repercussions are endangering the political viability of the Velasco regime. Attempts by the government to secure foreign loans for budget support have come to naught, and although exports are rising they are still far below last year's level.

Velasco has received little fiscal support from the legislature, which passed a budget for 1970 in which expenditures have no relationship to revenue-raising capabilities. The President has also had only minimal success in wresting control from the myriad autonomous agencies that hamstringing his efforts to control revenue collection and expenditures. The cabinet, especially the ministers of defense and government, have persuasively recommended that Velasco assume extraordinary powers to resolve the economic crisis. The defense minister has warned that hungry soldiers, whose salaries are now three months in arrears will not tolerate existing conditions much longer.

Memories of the military junta's political difficulties from 1963 to 1966 remain painful to leaders of the armed forces, and it is expected that they will continue supporting Velasco, at least for the time being. If Velasco loses what public support he now has by over-reacting to or doing nothing about the current unrest, the military may overcome its reluctance to assume power.

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DOMINICAN POLITICS MARKING TIME IN VIOLENT FASHION

The Dominican presidential campaign is under way with fitful, violent starts, but campaigning in earnest still awaits President Balaguer's decision on whether he will seek re-election next May.

The recent upsurge of politically motivated violence was punctuated by a shooting fracas on 19 October between police and sympathizers of the Dominican Revolutionary Party (PRD), the country's major opposition party. Party Secretary-General Pena Gomez was among those who narrowly escaped injury. One security officer was killed during the fray, and police, who claimed they were attacked first, made several hundred arrests. Later that week the government's Reformist Party headquarters in the capital reportedly was machine-gunned, possibly in retaliation for the PRD incident. The government's temporary ban on further PRD political rallies, announced on 28 October, could also stir a violent reaction from radicals.

Political terrorism has not been limited to PRD supporters. Earlier this month, a Reformist mayor and his brother were murdered by unknown assailants posing as military officers. In late September, former General Wessin y Wessin, leader of the far right Democratic Quisqueyan Party, was so enraged at the killing of one of his followers that he vowed

Balaguer would not be allowed to gain re-election. Such intermittent though persistent violence has been a disturbing facet of the early stages of the presidential race and may foretell more civilian-police clashes on an even larger scale when politicking intensifies.

The campaign itself has been distinguished only by a plethora of lesser "candidacies," mainly because Balaguer is reluctant to announce his decision on running again. Although there have been sporadic attempts to force the President's hand--Vice President and presidential hopeful Augusto Lora offered to withdraw from the race if Balaguer would do the same--most major parties are simply delaying their party conventions. Even the Social Christians, the only major party to nominate a candidate, will hold another convention early next year before deciding whether "condition" will allow the party to participate in elections.

Balaguer's supporters are stumping hard for his renomination, but he shows no sign of announcing his decision before the first of the year. Assuming the President runs again, his tactic of withholding a formal announcement of his candidacy until the last possible moment will deny his foes valuable time in which to mobilize antire-election opposition.

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