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DIRECTORATE OF
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WEEKLY SUMMARY

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(Information as of noon EST, 6 November 1969)

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FAR EAST

The Sino-Soviet talks that began in Peking on 20 October have still not produced even preliminary agreements. The Chinese are pressing hard for an accord on military disengagement in disputed areas along the border in order to avert further conflicts, whereas the Russians would like to concentrate on reaching a broader agreement on specific territorial differences. Both the Soviets and Chinese have noted the lack of progress in Peking, the Soviets commenting that they found the going difficult and the Chinese blaming the Soviets for wanting to negotiate from a position of strength. Nevertheless, neither Communist power seems to want the talks to fail.

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Disagreements over policy among the leadership in Hanoi surfaced again in a speech by party first secretary Le Duan that was distinctly defensive in tone. In a frank plea for party unity, Le Duan plaintively objected to a party policy that would force everybody to adhere to one person's opinion. He may have been referring to Truong Chinh, whose views on the war and domestic policy seem to have prevailed during the past year.

Communist military activity in South Vietnam was fairly widespread this week, particularly on 3 and 4 November. Especially hard hit were allied units north of Saigon along the Cambodian border. There are a number of indications that Hanoi may be planning increased military activity early next year. In Laos, Communist activity picked up slightly in the southern panhandle as the Communists put more pressure on government forces there. Activity in the north remained at a low level.

Final results of the Australian elections held on 25 October are in, and the government emerged with a majority of only seven. This represents a loss of 14 seats, which the opposition Labor Party picked up and more for a gain of 17 seats. The government coalition's poor showing, particularly that of Prime Minister Gorton's Liberal Party, has resulted in serious opposition to his erratic leadership. A strong bid to take his place will be made by two or three ranking figures at a Liberal caucus to be held on 7 November

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VIETNAM

Cracks in the Collective Facade

In North Vietnam, new evidence of policy differences within the leadership emerged in an "abridged" version of a speech by party first secretary Le Duan. In an unusually frank plea for party unity, Le Duan insisted that the principle of collective leadership requires discussion of opposing views. He complained that it was wrong for the party "to adopt the opinion of one person and force all others to follow it."

This is the first time since Ho Chi Minh's death that a speech by Le Duan has been publicized, and it is the first time in two years that his views about the war have been aired. By linking references to divergent views in the party with pleas for continued priority support for the war and caution in restoring socialist authority in the North, he left a strong impression that there are deep divisions in Hanoi over these matters. Moreover, what he said suggests that he is fighting an uphill battle on behalf of his views.

Firm conclusions about the relative position of the North Vietnamese leaders cannot be drawn from this speech alone, but it is the clearest indication to date that a struggle for control of the party has been under way. The

other main contestant probably is Truong Chinh, the next ranking member of the party politburo, who has spoken out authoritatively on two occasions since Ho's death, and whose views on the war and on domestic policy in North Vietnam seem to have carried the day during the past year. The defensive tone of Le Duan's recent remarks appear to cast him in the role of a dissenter on recent policy trends. The fact that Le Duan's views were broadcast, albeit abridged, suggests that he still retains considerable authority and that many policy and leadership questions may still be undecided.

Communist Activity Flares Up
in South Vietnam

Communist forces carried out their heaviest attacks since early September just hours before President Nixon's speech on 3 November, shelling more than 45 allied positions throughout the country.

Nearly half of the attacks occurred in the provinces around Saigon and the enemy also made four sharp ground attacks against US strongpoints in that region. Some 140 Communists were killed in the ground assaults and there were about 70 allied casualties. Overall, the action was less intense than in the surges of enemy activity during the summer. It appears likely that the Communists

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scheduled this flare-up to demonstrate their continued vitality at a time when attention in the US and elsewhere was focused on the President's Vietnam address.

The enemy also went into action this week in the southern highlands near the remote Bu Prang Special Forces Camp, launching a series of heavy shellings and ground probes that forced allied troops to withdraw from three outlying positions around the camp. The Communists have deployed the equivalent of a full division in the Bu Prang area this fall and they may intend to sustain pressure for a prolonged period.

The Communists have laid siege to remote allied outposts along South Vietnam's borders periodically throughout the war. These sieges, mounted from bases inside Laos and Cambodia, have in the past drawn allied strength into remote areas away from the population; they have also dramatized the enemy's continuing willingness to fight.

The Bu Prang actions and the widespread shellings this week may represent the opening of the enemy's winter-spring campaign. A wide variety of sources have indicated that the campaign would start this month on a relatively modest scale. The evidence continues to suggest that the Communists will stress shellings plus sapper and guerrilla tactics and limit the commitment of their regular troops at least in the

earliest stages of the winter-spring period. At the same time, however, reports of enemy troop indoctrinations reveal that the Communists are keeping some of their regular forces mentally prepared for more heavy fighting in the days ahead.

Opposition Leaders in Saigon Speak Out

Two of Saigon's most prominent political figures, Senator Tran Van Don and General Duong Van "Big" Minh, moved into the political limelight last week. Don, a leading critic of President Thieu's policies since last spring, suggested that South Vietnam adopt a neutralist foreign policy and engage in political competition with the Communists. The senator, predicting that domestic pressures would soon drive the US to reach an agreement with the Communists that could lead to a Communist take-over of South Vietnam, proposed that the country cease relying on the generosity of "foreign powers" and create a "third force" between the "pro-free world" elements and the Communists. This third force, he said, would "likely be the biggest and most popular" national force and would be able to end the war by defeating the Communists in political competition.

The popular Big Minh, who has stayed in the background since his return from exile last year, couched his proposals in more vague and general terms. He expressed his willingness to assist

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in promoting Vietnamese unity and in ending the war, and suggested holding a national convention to work toward establishing a "truly representative government." Although offering few details, Minh did assert that peace talks should be conducted only between Vietnamese. He also advised newsmen to observe his actions "in the days to come."

It is not clear to what extent the moves of Don and Minh were coordinated. Their remarks suggest that both men believe that President Thieu is likely to become weaker as the US withdraws more troops and that opportunities may open up for themselves. There have long been indications that Don aspires to be prime minister, preferably in a government headed by Minh. The two may have been encouraged to speak up at this time by the adverse public reaction to the government's recent decree increasing taxes on imports. In addition, Don and Minh may be genuinely concerned that the US, in its haste to disengage, might try to force South Vietnam to accept some coalition arrangement, and they may believe that it is time for the Vietnamese to try to work out their own political settlement.

Don and Minh probably do not expect to have any immediate impact on events, but they do have a substantial appeal among Buddhists and in the army. They may hope that well before the scheduled presidential elections in 1971 they will begin to appear to many South Vietnamese, as well as to the US and Hanoi, as a possible alternative leadership in Saigon that could end the war. In this case, they may be banking that events will force Thieu from office before the end of his constitutional term.

Thieu, meanwhile, strongly defended his new "austerity" tax decree in a speech of 31 October on the eve of National Day. The measure has provoked harsh criticism throughout the country, partly because it was followed by sharp price increases. Declaring that Vietnam's allies would not forever continue financial aid, Thieu called for greater economic as well as military self-sufficiency and threatened to resign if the new taxes were not allowed to go into effect. The government claims that most prices will go down again in the near future, following which public criticism is likely to subside. The decree has left a legacy of discontent in the National Assembly, however, and Thieu is likely to encounter considerable opposition to other parts of his legislative program.

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CHINESE AGRICULTURE HAS GOOD YEAR

Chinese food supplies appear sufficient for current needs and may even provide small amounts for reserves. The 1969 grain harvest, estimated at slightly less than 200 million tons, seems reasonably good. This will be the third successive year of adequate to very good harvests, during which period private plots also have prospered.

This modest success in the agricultural sector, aided by average or better weather conditions, has been in part fortuitous. During the years of the cultural revolution, Peking was too preoccupied to pay much attention to agriculture. A half-hearted move to reorganize the communes to enhance collectivism and abolish private plots had progressed only to the experimental stage by early 1969 and has since virtually died out. The breakdown of social and administrative controls during the cultural revolution, however, had the unintended effect of raising the incentive of peasants by allowing them to retain a larger share of the harvests.

The government at present appears willing to continue its moderate, pragmatic policies for agriculture of recent years. At the same time, it apparently considers that the countryside pos-

sesses resources that have not been fully exploited. Since the end of the ninth party congress last April, Peking has sought to step up grain exactions, by about five percent [redacted] 25X1

[redacted] In addition, an attempt is being made to pass on to the communes themselves most of the costs of continued agricultural development and improved rural welfare services. They are being told to build local factories to provide additional industrial support required by agriculture and to finance their own schools and medical programs. 25X1

The main function of the central government in ensuring adequate levels of food for consumption is to import sizable amounts of grain and chemical fertilizers. Grain imports in 1969 will total about 4.3 million tons. Imported grain serves not only to reduce transport problems encountered in feeding the cities but it also has been used in the past to augment central food reserves. Chemical fertilizer imports in 1969 may exceed four million tons, roughly matching domestic output. Purchases of chemical fertilizer are likely to continue because using fertilizer to produce food is more economical than buying grain directly. [redacted] 25X1

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EUROPE

The Soviet Embassy has informed the US that Deputy Foreign Minister Vladimir Semenov will head the delegation during at least the preliminary stage of the strategic arms limitations talks beginning in Helsinki on 17 November. Although First Deputy Foreign Minister Kuznetsov, who is still negotiating with the Chinese in Peking, has been formally designated as chief of the mission, a Soviet Embassy official did not exclude the possibility that Semenov might remain in charge if "it worked out well." Semenov has conducted the bilateral talks with the US regarding a settlement in the Middle East.

NATO deputy foreign ministers convened in Brussels on 5 November in the wake of a renewed call by the Warsaw Pact for an early European security conference. The Allies are likely to respond that they can accept the idea of such a conference only on the basis of thorough preparation, concentration on the major issues, and participation by the North American members of the Alliance.

The Chinese representation question is scheduled to come to a vote early next week in the UN General Assembly. Barring an unforeseen development, for instance, diplomatic recognition of Peking being granted by a major country such as Canada or Italy, the voting pattern should approximate that of 1968, and Taiwan will retain its seat.

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UN DISARMAMENT DEBATE DUE NEXT WEEK

The annual debate on disarmament issues in the UN General Assembly's political and security committee should begin late next week. The US-USSR draft treaty limiting the use of the seabeds for military purposes and various proposals to control chemical and biological warfare (CBW) agents are expected to be the primary topics.

Prospects for the seabeds treaty improved in late October when the Soviets agreed at the last minute to revisions of the draft. The revisions--including the deletion of a provision that the superpowers could veto amendments to the treaty--are designed to increase the draft's acceptability to the nonnuclear states. The other members of the Geneva disarmament conference welcomed the new draft before adjourning for the year, but some indicated they would offer further revisions. Canada and Brazil are certain to press for co-participation rights for a coastal state in any observations of treaty compliance off its shores.

Although the Soviets have not energetically followed up Foreign Minister Gromyko's proposal for UN action on Moscow's draft CBW convention, they hope that this subject will receive priority consideration during the debate. The Soviet draft would ban the de-

velopment, production, and stockpiling of CBW agents and require parties to the convention to destroy existing stocks or divert them to peaceful uses. A number of countries may also offer resolutions that would in effect have the General Assembly interpret the Geneva Protocol of 1925 as prohibiting the use of CBW agents, including tear gas, in war. The US has repeatedly reminded proponents of such proposals that these moves might complicate US ratification of the protocol--an issue now under consideration. A compromise may be worked out to permit the referral of the various CBW resolutions to the Geneva disarmament conference for further consideration.

There remains considerable feeling in New York that the Geneva talks have been an ineffective medium dominated by the co-chairmen. This sentiment is reflected in concern over the short time allotted for the disarmament debate. The general receptivity of the other Geneva participants to the revised seabeds draft, however, is likely to deflect criticism that the superpowers are attempting to ram an inadequate treaty through the UN. The announcement of the forthcoming talks on strategic arms limitations may also serve to lessen criticism.

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YUGOSLAV RAPPROCHEMENT WITH WARSAW PACT MEMBERS STALLS

Recent criticism of Warsaw Pact countries in the Yugoslav press points up Belgrade's frustration over its failure to normalize relations with Moscow's allies. The Yugoslavs thought they had an agreement with the USSR not to dramatize their differences in the press and that this agreement would be emulated by the other states in the Warsaw Pact.

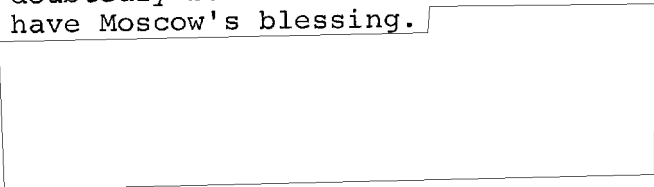
Belgrade's disappointment on this score is showing. The Yugoslav party journal, Kommunist, noted on 30 October that the Polish press was presenting Yugoslavia's economic reform "with an inclination for a malicious presentation of its results." The Yugoslav news agency, Tanyug, complained the same day about an article in the Prague party daily, Rude Pravo, that compared current events in Yugoslavia with last year's chaotic situation in Czechoslovakia.

Sofia upset the Yugoslavs by placing unusual emphasis on the celebration of the 25th anniversary of the Bulgarian Army's "liberation" of Serbian and Macedonian cities while discounting the role the Yugoslav Army played in these victories. The Yugoslavs view this as a Bulgarian ploy to justify claims to Yugoslav territory. On its side, the Yugoslav military

journal, Narodna Armiya, is serializing successes of its counter-intelligence against Bulgarian spy nets.

Belgrade was also disturbed by publication in the West German press on 26 September of East German party documents severely criticizing the Yugoslavs for ideological, economic, and other sins against Marxism-Leninism. Under pressure from Belgrade, the East Germans a month later stated that the documents were counterfeit, but both countries know they are authentic.

Although Yugoslavia and the USSR have not exchanged polemics for several months, the truce may be short-lived. The Yugoslavs undoubtedly believe all these actions have Moscow's blessing.



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On the other side of the coin, Belgrade's relations with Romania remain good, although Bucharest tacitly disapproves of Yugoslavia's liberal internal policies. Yugoslavia has also had some success in easing tensions with Hungary, but Moscow probably will not allow a genuine reconciliation.

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EURATOM IMPASSE LEAVES FUTURE IN DOUBT

The Council of Ministers of the European Community (EC) on 1 November passed its second self-imposed deadline of the year without agreement on a new research

program and budget for the European Atomic Energy Community (EURATOM). This leaves the future of the organization--originally designed to help provide the EC with

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a powerful industry for the peaceful uses of atomic energy--in grave doubt.

During its first ten years, EURATOM operated on a "pluriannual" basis--approving research programs and budgets to cover several years. By 1967, however, national differences had sapped its common strength, and since then the members have been able to agree for only one year at a time. These short-term measures limited EURATOM's participation in primarily national projects and created difficulties for the operation of its research centers.

A new pluriannual research and training program proposed by the EC Commission last spring was designed to restore some of EURATOM's lost momentum. The program was to cover a five-year period, to have a budget of \$392 million, and for the first time to involve EURATOM in nonnuclear as well as nuclear activities. A substantial portion of the budget was to be devoted to "complementary" or "special" programs in which all member countries would not have to participate.

By 1 July, the original deadline set for adopting the Commission's proposal, the EC Council had not been able to agree. As the second deadline approached, Dutch Economics Minister De Block traveled to member state capitals to try to bring about a compromise. When the Council met on 28 October, however, it decided to postpone a decision not only on the Commission's proposal, but also on De Block's suggested compromise.

The main obstacle to agreement on this new pluriannual program--and indeed the main obstacle to the development of EURATOM throughout its history--has been the national interests of its members. At the present time, France, the Community member least in need of EURATOM, is opposed to any meaningful new program. The French do not think EURATOM should involve itself in nonnuclear activities. They consider even the compromise budget figure proposed by De Block--\$154 million--too high.

Whether these differing national interests can be reconciled will become clearer in the next few weeks. The Commission hopes that the future of EURATOM will be one of the topics at the European summit in The Hague on 17-18 November. After that, the Council will meet to attempt to agree to a research program and a budget before the end of the year. Meanwhile, the Community's permanent representatives will be trying to work out new compromise formulas.

The long-term future of EURATOM, however, will most likely depend on other Community developments. Success in achieving greater integration in the Community in technical and scientific fields could help preserve EURATOM. On the other hand, should Britain, West Germany, and the Netherlands conclude the gas centrifuge agreement, which would be outside EURATOM's framework, the result could be a weakening of that organization, especially if there is a long delay before the British achieve Community membership. 25X1

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TECHNOCRATS DOMINATE NEW SPANISH CABINET

In the sweeping cabinet changes made last week, the largest since 1957, Franco gave the leading role to forward-looking technocrats who will stress economic and social progress as well as closer ties with Western Europe.

While the Generalissimo has continued the representation of the military and the National Movement (Falange), he has given the largest number of portfolios to a group of economic specialists associated with the Roman Catholic lay organization, Opus Dei. Although Opus Dei is suspected by many Spaniards of wanting to take over the government, its leaders stress that its purpose is to promote the use of Christian principles in the daily activities of its members.

The leader of the Opus Dei group of specialists is Minister for Economic Planning Lopez Rodo, who appears to have emerged as the chief policy maker and has the support of Vice President Carrero Blanco, the principal government figure after Franco. Although only two other cabinet members belong to Opus Dei, the fact that several of the new appointees are close associates of Lopez Rodo has led to a general belief that Opus Dei will dominate the cabinet.

The predominance of the Lopez Rodo faction indicates further emphasis on modernization and liberalization of the economy. This move is not likely to lead to a

corresponding political liberalization any time soon, and certainly not as long as Franco is in power. The business orientation of the cabinet may well bring it into conflict with labor, especially if the government stands firm against wage increases. Although the government's labor organization was given representation in the cabinet through a newly created position, the minister is a businessman.

In foreign affairs, the new cabinet will promote closer ties with Western Europe, but the antipathy of European liberals to the present regime will prohibit membership in the European Community and NATO at least until after Franco is gone. Lopez Bravo, the new minister of foreign affairs, enjoys good relations with the British and is likely to de-emphasize the Gibraltar issue as part of the program to improve relations with Europe. His sophisticated personality and broad economic background are expected to smooth the pending negotiations on the future of the US joint bases in Spain, but the actual impact of his appointment on the substance of the agreement cannot be predicted at present.

Military representation in the cabinet has been continued through the appointment of three high-ranking officers as new ministers of the three armed services. They are known to be pro-US and should reinvigorate the professional military leadership.

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MIDDLE EAST - AFRICA

Fighting that continues to flare periodically along most of the cease-fire lines in the Middle East was highlighted this week by a number of Egyptian commando raids across the Suez Canal and by Israeli retaliatory air attacks. Lebanon has been relatively peaceful, but the details of the tentative accord reached in Cairo between the government and fedayeen representatives must still be worked out. Further disturbances remain a constant danger. In the UN, this session's principal debate on the Middle East will probably be kicked off next week when the UN Relief and Works Agency comes up for discussion.

Somalia's Revolutionary Council has finally announced its membership—20 army and five police officers—and has appointed a 14-member cabinet. Army commander Siad remains as president of the council, and the other members are middle-level officers of diverse background and experience. The cabinet consists mostly of young, educated civilians not politically involved in previous governments.

In South Asia, the long drawn out struggle for control of India's ruling Congress Party gained momentum last week. Prime Minister Gandhi seems determined to wrest the party organization from the old-guard leaders, who are fighting back strongly. The two sides are almost evenly balanced, but a meaningful compromise seems unlikely, and the Congress Party faces the most serious test of its unity since independence. In East Pakistan, meanwhile, Urdu-speaking refugees from India clashed violently with native Bengalis. The handling of the violence, which subsequently produced a serious confrontation between predominantly West Pakistani military officers and East Pakistani civilian government officials, further aggravated regional tensions.

Prospects continue dim for the Nigerian peace initiative being pushed by Haile Selassie as head of an Organization of African Unity committee. Biafran leader Ojukwu has again publicly rejected any such mediation while the OAU still officially supports "one Nigeria." Ojukwu also continues to insist on a cease-fire prior to substantive talks. In the civil war, additional Biafran air attacks on oil facilities in the Mid-West State have increased the general nervousness of the oil companies.

President Mobutu of Congo (Kinshasa) is in Belgium on an official visit intended to dramatize the gradual restoration of cordial relations since the troubles of 1967, when a mutiny of white mercenaries resulted in Congolese attacks on Belgian residents and a sharp reduction in Belgian technical assistance.

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LEBANON REACHES TENTATIVE ACCORD WITH FEDAYEEN

Lebanon has been relatively peaceful this past week as a result of the cease-fire with the fedayeen that went into effect on 2 November. There have been occasional outbursts of gunfire in scattered locales, but the agreement has not been officially violated. One discordant note was the sabotaging--for the second time in less than a week--of Tapline in southern Lebanon.

25X1 The danger of further disturbances continues, however. The Palestinian refugee camps are reported to harbor many armed fedayeen. For its part, the Lebanese Army has decided to increase its manpower

Although the fedayeen have inferred that they have been granted operational "freedom of action" within Lebanon, the details of the tentative accord reached in Cairo between the Lebanese and the fedayeen delegations remains secret. Apparently, however, it was an agreement on broad principles only. The Lebanese Government and the fedayeen representatives are to meet soon in

Beirut to work out the details. There may be even further delays in arriving at a comprehensive agreement because the negotiations in Cairo included only the Palestine Liberation Organization and Fatah, and agreement with other fedayeen organizations must still be reached.

The Soviets probably have emerged from the Lebanese crisis with an enhanced image among the Arabs and with new friends in Beirut. Moscow played an active role in trying to calm the situation, both by urging restraint on the Syrians and by throwing full support behind the mediation efforts in Cairo. The Soviets have also exploited the crisis for its propaganda value, taking full credit for preventing an alleged threat of US intervention. In addition, they have tried to strengthen their reputation as the protector of the Arabs' right to settle their own affairs. Nevertheless, Moscow was genuinely concerned that the crisis might get out of hand and is almost certainly relieved that the talks in Cairo were successful in lessening tension--even if only temporarily.

FACTIONAL STRIFE WRACKS INDIA'S CONGRESS PARTY

The long drawn out struggle for control of the ruling Congress Party gained momentum last weekend. Prime Minister Gandhi is now determined to wrest the party organization from the old-guard leaders, who appear equally set on retaining their hegemony.

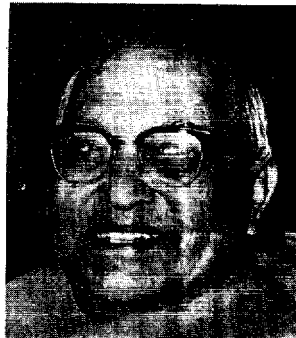
Mrs. Gandhi, emboldened by her successful political maneuvering against the party "barons" last summer, has now decided to press for a more complete victory. In October, she accused old-line Congress Party president Nijalingappa of "illegally" trying to unseat

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Prime Minister Gandhi



Congress Party President
Nijalingappa

one of her supporters on the party's powerful working committee. This gave her an excuse to petition party leaders for support in holding early elections to select a new party president. When the petition results were made public this week, Mrs. Gandhi claimed that she had gained the backing of a majority of the members in the party's governing body--the All India Congress Committee.

Nijalingappa fought back by ruling that the petition was "out of order," and by dropping more of her supporters from the working committee. He then invited her to show cause why party disciplinary action should not be taken against her, and warned of the possible expulsion of all those who attend the general party meeting she has called for 22 November to elect a new president. Moreover, Nijalingappa's group is threatening to use its strength to deprive Mrs. Gandhi's government of its 23-seat majority at the next session of Parliament, now set for 17 November.

Mrs. Gandhi shows no sign of backing down and appears, in fact,

to be forcing Congress members to take sides for a showdown that could lead to the long-heralded formal split within Congress ranks. She can use her tactical advantage as prime minister to postpone the next parliamentary session until February. Meanwhile, she is continuing to weed out cabinet members not fully committed to her, and her supporters have set up their own office in New Delhi, separate from the regular party organization.

Neither Mrs. Gandhi nor Nijalingappa has shown any willingness to compromise, but the situation remains extremely fluid. An important consideration is the fact that neither side is eager to divide the party formally and thus endanger Congress' one-party rule--the major source of political stability in India. In case the party does split and new elections are called, it is unlikely that either faction would emerge with a majority in parliament. Mrs. Gandhi may nevertheless be willing to chance early elections. She has been attempting to cast the current struggle in ideological terms designed to enhance her appeal to the electorate as the embattled champion of popular socialist ideals.

At the moment, the two camps seem almost evenly balanced, and even a compromise would only give them time to regroup for a future contest. The ill feeling engendered by the present struggle makes reconciliation extremely difficult and presents the Congress Party with the most serious test of its unity since independence.

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GREEK REGIME WEATHERS NEW OPPOSITION EFFORT

Former Premier Karamanlis, self-exiled in Paris since 1965, has not been able to generate any support for his call a month ago for an overthrow of the present Greek regime.

After a silence of over two years, the former premier probably issued the statement--widely interpreted at the time as an open invitation to the armed forces to revolt--under pressure from his supporters. These followers, ranging from ex-politicians in self-exile to cashiered and retired officers in Greece, have been urging him to return to an active political role.

Initially, according to the US Embassy, Karamanlis' statement "electrified" opposition elements, who probably hoped for some immediate sign of action against the regime. Subsequently, however, opposition leaders in Greece and abroad became much more cautious in their support.

The regime apparently does not consider that Karamanlis poses any serious threat as a potential opposition leader.

All in all, the former premier appears to have played his cards too soon to stimulate and lead an effective opposition move against the Greek Government. The net result, therefore, has been to demonstrate once again the current lack of any real alternative to the present regime.

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NEW ULTRARIGHTIST PARTY IN SOUTH AFRICAN ELECTION RACE

The formation of a new ultra-conservative political party in South Africa has complicated the outlook for the parliamentary elections set for next April, although as of now the ruling National Party remains the heavy favorite.

The new party, Herstigte Nasionale Party (Afrikaans for Refounded National Party), was formed last month at a congress of far-right political elements. Its leadership, headed by Dr. Albert Hertzog, includes the parliamentarians who were ousted from the National Party in early October for disagreeing with Prime Minister Vorster's policies. The new party, which espouses Afrikaner culture and values, adopted a platform calling for more vigorous implementation of apartheid, less aid to the South African blacks, curtailment of contacts with black African states, and literacy in Afrikaans as a requirement for immigrants seeking South African citizenship.

When Prime Minister Vorster announced plans in mid-September to hold national elections a year earlier than scheduled, the position of his National Party seemed unassailable. Its organization was good, its funds were ample, and the threat from the opposition United Party was minimal. Most observers predicted then that the National Party would increase its parliamentary majority, and some claimed the election would bring South Africa to the brink of one-party rule.

Since the open break, however, South African politicians and pollsters have grown more cautious in assessing the political landscape.

Even so, the new party faces serious problems. It lacks dynamic leadership, and has only six months to get organized before the elections. Although it may win no more than three or four seats in parliament, it could be more representative of rank-and-file Afrikaner attitudes than its national strength indicates. The unknown factor is how many conservative Afrikaners feel deeply enough about the current issues to vote against the National Party.

Ironically, while South Africa's opposition parties have been anxiously waiting for a major split in the National Party, it now seems that recent developments might work against them. Many United Party regulars may decide to support Vorster in his fight against the far-right wing.

Vorster has cultivated English-speaking South Africans, who form the backbone of the United Party, and other political moderates in an effort to project the image of a reasonable, pragmatic leader. The votes he picks up among these elements could compensate for those he will lose to the new party. On balance, therefore, the National Party could emerge about where it is now--with a simple majority of the popular vote and an overwhelming majority of the seats in parliament.

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WESTERN HEMISPHERE

President Nixon's Latin American policy speech on 31 October was received favorably by most Latin officials. Others, however, want to reserve judgment until they see how the new policy is to be implemented. As was expected, leftist extremists have expressed dissatisfaction, and Cuba has condemned the President's pronouncements.

Brazilian terrorists were dealt a setback on 4 November when dissident Communist Carlos Marighella was killed by police in Sao Paulo. Marighella's death will undoubtedly result, temporarily at least, in a serious loss of morale and prestige for the entire Communist-dissident-terrorist movement in Brazil. The terrorists can be expected to regroup, however, and Marighella's supporters may be spurred into staging some spectacular action.

Student violence in Caracas was ended when the military occupied the campus of Central University. Most Venezuelans approved this rare military action because they had become increasingly alarmed over the prolonged unrest. The students, who are only temporarily cowed, can be expected to become restive again. Meanwhile, in eastern Venezuela, renewed contact between the army and insurgents has resulted in the death of at least two soldiers.

In other South American developments, military equipment purchases in Europe continue to be a subject of interest. According to the latest information, the recently announced Chile - United Kingdom arms deal includes two submarines and two frigates.

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Central American foreign ministers will meet this weekend in Costa Rica in an effort to resolve the El Salvador - Honduras dispute. Persuading Honduras to open its section of the Pan-American highway to Salvadoran traffic will be high on the agenda. Any willingness on the part of El Salvador to compromise with Honduras may have been undermined, however, by the factionalism within the government party that led this week to the election of a new opposition-supported congressional leadership.

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BRAZILIAN DISSIDENT COMMUNIST LEADER KILLED

The death of dissident Communist leader Carlos Marighella on 4 November will be a severe blow to Brazil's extreme leftists. His lieutenants and many other extremist leaders remain at large, however, and may accelerate their activities to counter the blow to their morale.

The death of Marighella was the result of a lengthy investigation by a joint force of civil and military security agencies in Sao Paulo. Over the past few months they have arrested several members of Marighella's terrorist organization--the National Liberation Action (ALN)--and members of similar groups that had ties with him. Interrogation of these individuals enabled the security forces to arrest 23 members of his support apparatus early this month.

Marighella developed a reputation as an extremely effective leader during his long career in the pro-Moscow Brazilian Communist Party and after he left that organization in late 1967 because of his advocacy of violent methods and his sympathy for Fidel Castro. Marighella subsequently started his own organization based on small, fairly independent groups. His followers carried out bank

robberies, attacks on security and military installations, airliner highjackings, and kidnappings. His chief lieutenant, Joaquin Camara Ferreira, had a major role in the abduction of US Ambassador Elbrick last September.

Security officials are encouraged by the elimination of Marighella, and hope to destroy his forces completely. The small size of the groups and their compartmentation will make this a difficult task, however, as many high-level extremists such as Camara Ferreira and renegade army Captain Carlos Lamarca remain at large to continue his work. They now might attempt some spectacular operation both as a reprisal and as a bid to restore badly damaged morale.

The confirmation that leftist clergymen were deeply involved in Marighella's operations could worsen the already tense relations between the military and the church. Zealous officers may press for thorough investigation of liberal priests whom they suspect of sympathizing with the subversives, and the Catholic hierarchy might interpret this as an attack on the church itself.

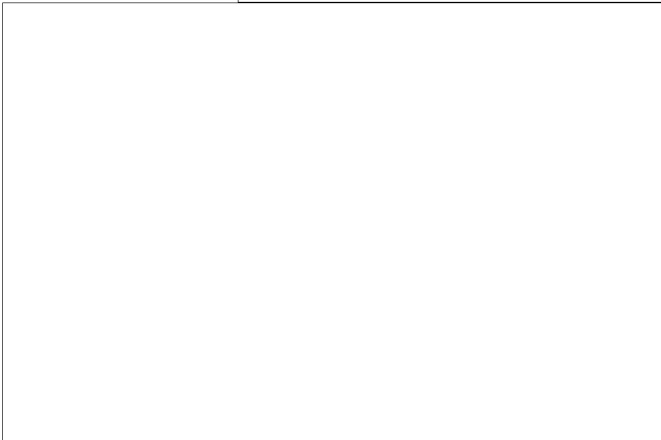
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PERU MOVES TOWARD AGREEMENT WITH FOREIGN INVESTORS

The announcements last week that the US-owned Southern Peru Copper Company (SPCC) will make a large mining investment in Peru and that the government has reached an agreement with the International Telephone and Telegraph Company (ITT) were received with elation by the public and the parties to the negotiations as well. The actual signing of the contract with SPCC, however, apparently has been delayed by serious disagreements in the cabinet.

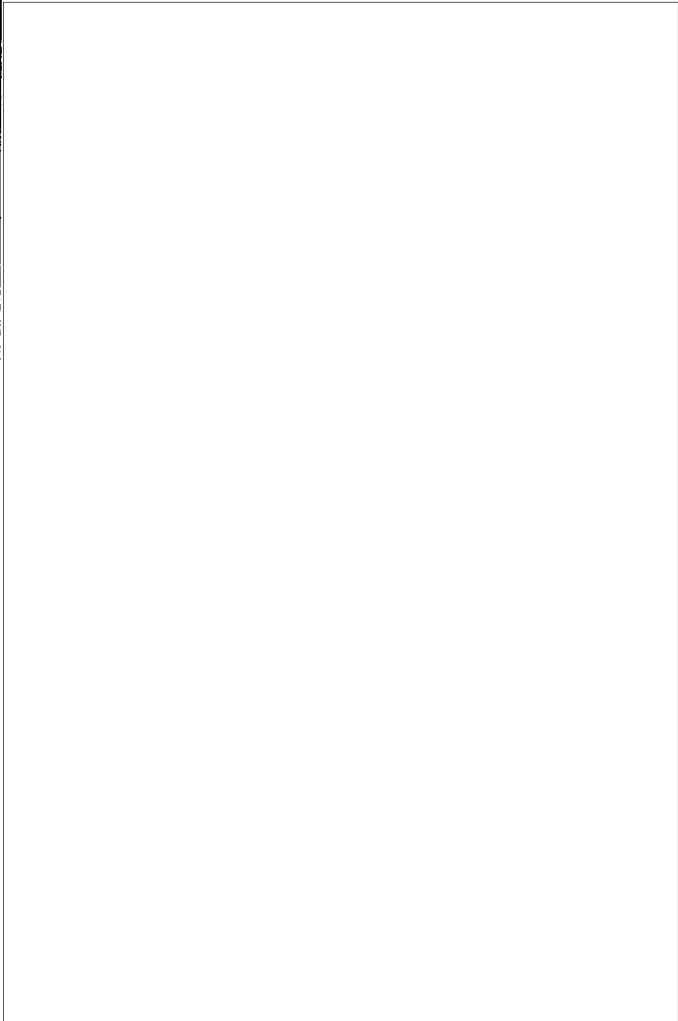
On 28 October the government announced that the SPCC will invest up to \$500 million over the next five years.



The delay in getting final cabinet approval and in signing the contract could indicate that Velasco may be forced to try to press the company for additional concessions in order to placate the radicals in his government.

The agreement with ITT calls for the company to receive \$16.4 million for its shares in PERUTELCO and to reinvest at least \$8.2 million in a new hotel in Lima. The agreement was well received by the

public and is being hailed as proof that the International Petroleum Company's problems with the military government were unique and that other foreign investors will have no serious difficulties with the government. The contract with ITT, however, is not scheduled to be signed until 22 December, allowing ample time for opponents to try to embarrass the government over the terms of the contract and perhaps force a reconsideration.



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MILITARY AND POLITICAL CHANGES IN CHILE

The shock waves from last month's army uprising are still being felt in the political arena as well as among the armed forces.

The uprising may have helped trigger the early announcement of the presidential candidacies of Christian Democrat Radomiro Tomic and ex-president Jorge Alessandri, a conservative independent. Alessandri had been avoiding a commitment to run in next September's election while he tested the political currents, but public regard for him seemed to be growing. Both candidates have thus effectively squelched rumors that they might not run.

Meanwhile, the Communist and Socialist parties continue to disagree publicly over the real nature of General Roberto Viaux's revolt while they squabble privately over the program of the leftist-Marxist unity front for the presidential election. Several leaders of the Socialist Party, which is more revolutionary and extremist than the Communist Party, are not happy with their own candidate, Salvador Allende, despite Allende's strong admiration for Fidel Castro. The Communists favor Allende because he is a proven vote-getter and because they feel they can influence him.

Allende, who has run for the presidency and lost three times, reportedly has some support in

the still restless Chilean military. General Rene Schneider, who was elevated to the position of army commander after the Viaux revolt, told the US Army attaché on 2 November that he believes Allende will win the election next year, and that he would not oppose an Allende government.

Schneider believes, however, that the army would not accept as president Jacques Chonchol, a radical agrarian reform expert who is a possible alternative to Allende as candidate of the unified leftist front. Chonchol, a United Nations agrarian reform adviser in Cuba from 1959 to 1961, recently broke with the Christian Democrats after serving as director of President Frei's agrarian reform program for nearly five years. In this role, Chonchol was widely blamed for political agitation among peasants whose attempts at take-overs of private lands to force agrarian reform sometimes involved confrontations with army troops.

Air force officers this week forced the replacement of their top commanders and there are other indications that the traditionally apolitical stance of the Chilean armed forces is being changed by the belief that those who do not play the political game in Chile lose prestige and influence.

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VENEZUELAN PRESIDENT FACES GROWING UNREST

Student demonstrations, labor unrest, and a stalemated congress pose the most serious challenge to President Caldera's authority since his inauguration last March.

In an attempt to quell three days of violent demonstrations at the Central University in Caracas, Caldera on 31 October ordered troops and armored vehicles onto the "autonomous" university's grounds. The protests erupted over the death of a student in government custody and quickly spread to other universities throughout the country. Sporadic violence is still continuing in some cities.

Although the government had contingency plans to enter the university in case of disturbances, Caldera was reluctant to do this for fear it might unite nonradical students and extremists in defense of traditional university "autonomy."

Although Caldera's decision won the plaudits of influential sectors of the business community, it has not stilled criticism of his handling of the whole situation. There is a general feeling that the government's permissiveness toward leftists and students caused the demonstration and that the new administration is not resolute enough in dealing with extremists.

The administration may be forced to take firmer action if the nationwide teacher's strike now under way attracts the support of violence-prone students and workers. The 56,000 teachers who struck during the height of the university disorders are demanding a substantial wage increase and other bonuses, which the government claims it cannot afford. The public is generally sympathetic towards the teachers who have not had a general pay raise in 11 years, and there are recurrent reports that university students as well as petroleum workers and the chauffeurs' union may stage sympathy strikes.

Widespread student disorders could also erupt if the opposition Democratic Action Party secures administration support for its plan to amend the law that governs the country's autonomous national universities. The changes would limit university autonomy and limit student representation on university governing councils. The government will be under heavy pressure to support the proposals, but faces violent opposition from its leftist-dominated youth wing and extremist parties in Congress.

At the same time, the administration's social and economic program has been stalemated because of its minority position in both houses of Congress and because the President has refused to bargain with the opposition. Caldera's aloof style seems to be a major factor in the impasse.

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The US Embassy reports that the President's popular support has declined markedly since March. The buoyant feeling of self-assurance and confidence in the permanence of Venezuela's democratic institutions that was evident in March has ebbed, and

there are recurrent rumors of plotting by the military and some opposition party leaders. A continuation of the downward trend could spark further talk of moves to find some nondemocratic alternative. [redacted]

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FINANCIAL PROBLEMS TROUBLE ECUADOR

A growing financial crisis exposed by the government's inability to meet its current operating expenses is gnawing away at public confidence in the Velasco government.

Sagging export earnings, an archaic fiscal system, and unrealistic budgets for 1969 and 1970 are pushing the administration toward an economic crunch that it may not have the political strength to survive. Student protests, which got off to a noisy start in October, are adding to the public's growing concern that the Velasco administration is not able to cope with the country's numerous problems.

The most pressing financial problem is how to raise \$12.5 million to cover current government debts and expenses. The government has tried to raise the cash by selling bonds abroad and to oil companies in Ecuador, but it has not been successful because of the low interest rates.

Further financing by credit from the Central Bank--in effect, printing more money--is a possibility, but this would only add to the country's serious inflationary problems and make the administration's situation more acute next fiscal year. The most talked about solution is an emergency budget financed through new and increased taxes and by tapping the revenues of the numerous autonomous government agencies.

Should a special session of Congress not approve an emergency budget as appears likely, President Velasco might be forced to assume extraordinary powers. Velasco's opponents and at least part of the populace would dub him a dictator if he did this, however, and the political viability of his administration would be severely tested. Velasco is aware of the dangers involved in such a move, and he probably would do it only as a last-ditch resort. [redacted]

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CASTRO'S PROBLEMS AND THE CUBAN SUGAR HARVEST

There are indications that Fidel Castro is running into problems in his grandiose scheme to produce ten million tons of sugar in the 1970 harvest. He has steadfastly refused to scale down this unrealistic goal, but his speech on 29 October suggests that he has some doubts about Cuba's ability to achieve it.

According to Fidel, the ten million ton target, which was set several years ago and has been played up heavily ever since, is within reach and can even be surpassed if all the cane presently earmarked for cutting is harvested and processed. He warned, however, that the "carelessness, negligence, and lack of discipline" that had plagued past harvests cannot be repeated. He placed the burden of responsibility for a good harvest on the "workers and leadership cadres," thereby relieving himself and his administration of any blame if it fails.



Fidel in the Cane Fields

The problem of worker absenteeism in particular seemed to irritate Castro. Five days after his speech the radio announced that more than 3,300 "committees to fight worker absenteeism" had been formed in Havana Province. The other provinces presumably will follow suit. To illustrate the seriousness of this problem, one labor union official has complained that in May, June, and July in Camaguey Province alone only 65 percent of the agricultural workers showed up even though the average work day was only six hours.

Another key feature of Castro's speech was his continued adherence to moral rather than material incentives as a means of increasing production. He maintained that "the socialist society cannot resort to the procedures of the capitalists," and he insisted that appeals to an individual's sense of honor and dignity would produce better results than an offer of money.

The matter of moral versus material incentives, which remained controversial until the former was made a basic tenet of revolutionary doctrine in late 1966, apparently has again become an important issue among some intellectuals. Members of the faculty and student body of the School of Humanities of the University of Havana--usually considered a stronghold of pro-Castro sentiment--openly challenged Fidel's thesis recently, and in doing drew a wrathful blast from the Communist Party's organizing

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secretary, Armando Hart. In September, Hart accused the dissenters, particularly those in the Department of Philosophy, of being guilty of "individualism" and cautioned them against thinking they were wiser in revolutionary theory than Fidel. He rejected any suggestion of the superiority of material incentives and reminded them that "academic freedom" was subject to party discipline.

These early straws in the wind are an inauspicious begin-

ning for a harvest that is so dependent on the attitude of the Cuban workers. Without a gigantic effort by the masses, the goal of ten million tons will not be achieved even under otherwise optimum conditions. The evidence suggests the harvest may already be in serious trouble and may not even break the existing record of 7.2 million tons produced in 1952. [redacted]

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SURINAM'S PROSPECTS FOR STABILITY IMPROVE

By winning 19 of the 39 seats in the elections on 24 October, the United Hindu Party (VHP) has emerged as the strongest political force in Surinam's unicameral legislature. Its victory also ended nearly a decade of Creole (Negro) political domination.

The Governor has asked Jager-nath Lachmon, the leader of the VHP, to form a government and he is trying to establish a coalition with the National Progressive Party, the second largest Creole Party in the country. The two parties, by virtue of their two thirds majority in the legislature, will be able to enact constitutional changes. They are not expected to press for early independence from the Netherlands, however, and they will probably downgrade the issue and emphasize economic development instead.

Selection of the next prime minister could be of critical importance for Surinam. Lachmon has no interest in the post, and he may not even accept a ministry.

About 35 percent of the population is Creole, and they might react strongly--perhaps violently--to the selection of a Hindu or other non-Creole as prime minister. In order to avoid trouble, Lachmon's party reportedly plans to have a Creole head the government.

The new government will face a somewhat subdued opposition in former Minister-President Pengel's National Party of Surinam, which retained only 11 of its 17 seats. Pengel has stated that he will not accept a seat in the Staten (legislature). Edward Bruma's extreme leftist Nationalistic Republic Party captured its first and only seat in the Staten. Both parties espouse immediate independence and are potential troublemakers.

The relatively calm atmosphere of the election and the strength of the probable coalition partners, however, point to improved prospects for political stability, barring unforeseen racial or labor outbursts. [redacted]

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