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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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FAR EAST

Vietnam: *A Larger Challenge in the Air?**Hanoi Boosts Air Defenses in the South*

Hanoi apparently intends to go on challenging US aerial reconnaissance and other flights over the North. This is evident both in Hanoi's tough talk about US reconnaissance and in the continuing buildup of air defenses in southern North Vietnam.

Hanoi's media have given wide play to sharp official reactions to Washington's protest about an aircraft shot down last Friday over the North. The Foreign Ministry and North Vietnam's delegation at the Paris talks denied the existence of an "understanding" that allows the US to fly reconnaissance missions over North Vietnam. The North Vietnamese scored the flights as banditry and blatant violations of sovereignty and asserted that they would continue to be fired on.

The stiff reaction likely is prompted in part by genuine concern that the US will retaliate in force as, for example, was done last May. Hanoi charged, for instance, that the flights and Washington's statements show that the US is paving the way for such a move. The Communists' principal concern is that heavily congested supply areas in North Vietnam and infiltration routes into Laos pose tempting targets, especially if Hanoi intends to intensify ground operations in South Vietnam, Cambodia, or the Lao panhandle.

"Big" Minh Puts a Big Hat in the Ring

Leading opposition figure, Duong Van "Big" Minh, has indicated in a press interview that he plans to run for president next fall. This will spark intensified political maneuvering among other government opponents. He is reportedly now assembling a campaign staff and making plans for the contest. Minh, a retired general, still retains considerable popularity because of his role

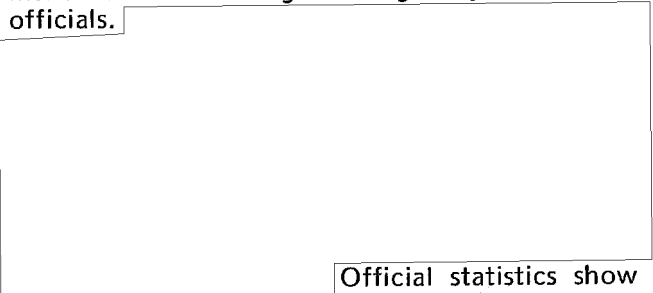
in the overthrow of the Diem regime in 1963, and he is sure to be considered President Thieu's strongest opponent.

Minh's chances will improve substantially if the An Quang Buddhists support him. They made a strong showing in the recent Upper House elections and are sympathetic to him, but An Quang leaders indicated that they are going to play their cards carefully, and have not yet decided whom to support in the presidential election.

The Buddhists are preparing to follow up their success in the Senate by backing candidates in next year's Lower House contests. An Quang leaders are looking for suitable candidates and setting up an organization to run the campaign. They will seek to win about 45 to 50 seats in the 137-member Lower House—a power base which, coupled with Senator Mau's group in the Senate, would provide the An Quang with an effective political voice.

Hard Look at Population Control

President Thieu's recent public claim that 97 percent of the population is now under government control is being challenged by some local officials.



Official statistics show 1,500 permanent residents in this resettlement area, when in fact, there are only 100. Reports from the delta reflect similar instances of distorted reporting and have cited examples of

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security ratings arbitrarily raised to meet government pacification goals.

Although pacification statistics gathered for the Hamlet Evaluation System (HES) are often quoted by high-level officials (and were probably the basis for Thieu's claim), they must be viewed with considerable reserve [redacted]

[redacted] contributions to the HES are often distorted—either through ignorance of the enemy's covert apparatus and its capabilities, or through deliberate deception by local officials under pressure to show progress.

Many observers believe that the government's goal of 100-percent pacification by the end of October 1971 is unrealistic in any case, that efforts to meet it are resulting in very superficial control, and that this will help the Communists to continue their covert operations. Rapid and often spectacular progress was made against the soft fringes of the Communist organization in late 1968 and 1969, and the government has tried to maintain that momentum. However, lasting progress against the hard core of an enemy that has been entrenched in the society for a generation will be difficult and slow.

Although the pacification figures are often overstated, the program itself has definitely damaged the enemy in recent years and remains a priority target for Communist operations. Captured documents have continually indicated concern that Communist control over the population has been slipping. In some areas the Viet Cong are using a system similar to HES to measure their own control over the people. Documents captured recently in Quang Ngai Province in Military Region I showed the enemy's statistics for the province to be roughly compatible with the HES figures, although the Communists judged a greater percentage of the population to be living under their control or in "contested" areas. However, like their government counterparts, Viet Cong

officials have been known to fudge reporting in their favor in order to meet established goals.

Thieu Limits ARVN Role in Cambodia

President Thieu has ordered Military Region (MR) 3 commander Do Cao Tri not to move his forces any deeper into Cambodia at this time. Thieu's decision apparently was precipitated by Tri's request to aid Cambodian troops near beleaguered Kompong Cham city. Tri says that the Cambodians withdrew their artillery from the area to support operations farther west, and seriously weakened the town's defenses. He had preferred to keep South Vietnamese troops and artillery within easy reach of Kompong Cham in the event the Communists attempt to seize it.

Tri's plan was submitted through the Joint General Staff (JGS) because it called for operations well beyond the 12-mile limit that Thieu has established to define the zone in which JGS and MR commanders can operate freely. Thieu's rejection may result in greater restrictions on all South Vietnamese ground forces to the area generally east of the Mekong River. Thieu apparently is concerned that some of Tri's ambitious plans could overextend South Vietnamese forces. One observer recently commented that Tri would chase the Communists as far west as Thailand if the choice were left up to him.

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cache of artillery shells ever found in the Indochina war. This find, which totaled more than 250 tons, will encourage the South Vietnamese to organize other shallow penetrations into Cambodia to seek out new stockpiles of enemy supplies and equipment.

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Early this week, South Vietnamese forces did kick off a two-pronged sweep operation into northeastern Cambodia and uncovered the largest

Laos: *Break in the Log Jam?*

There is some evidence that the government and the Pathet Lao have found their way around the procedural impasse that has been holding up the peace talks. Prime Minister Souvanna Phouma and Lao Communist special envoy Souk Vongsak met on 16 November/

Communists given their own assessment of where things now stand. It is possible that no real compromise has been reached, but that the government and the Communists have agreed—implicitly, if not explicitly—to move on to Khang Khay with each side sticking to its own line concerning the title under which each negotiator is operating.

The Situation Around the Plaine des Jarres

The only official account of this meeting, however—a Lao Government communique issued on 16 November—did not explicitly state that an agreement had been reached. It only reports that the two sides exchanged views on an “eventual meeting” and mentions the government’s standing offer to intercede with the International Control Commission to provide safe transportation for the Communist delegation to the negotiating site.

Military activity in Laos remained on a relatively low level during the week, although North Vietnamese units continued to challenge government control of recently won positions southwest of the Plaine des Jarres.

The communique did refer to the designated government spokesman at the talks as representing Souvanna as head of government, rather than as “prince.” Government officials are stating privately that the Communists capitulated on this key issue—the status of Souvanna’s negotiator—which was blocking progress toward the talks. It may be, however, that as on previous occasions, eager government officials are misconstruing the Communist position.

So far the Communist dry season campaign in the north has been confined to a step-by-step effort to reduce the government’s presence around the Plaine. The enemy’s deliberate but limited actions in this area to date may be the result of a reassessment of the balance of forces. Although the government has increased its strength in manpower in the region, there is some evidence that the North Vietnamese are experiencing at least temporary shortages of both troops and supplies.

The communique on 16 November was not subscribed to by the Pathet Lao, nor have the

There is still no indication that the Communists intend to augment their forces significantly in the Plaine des Jarres area.

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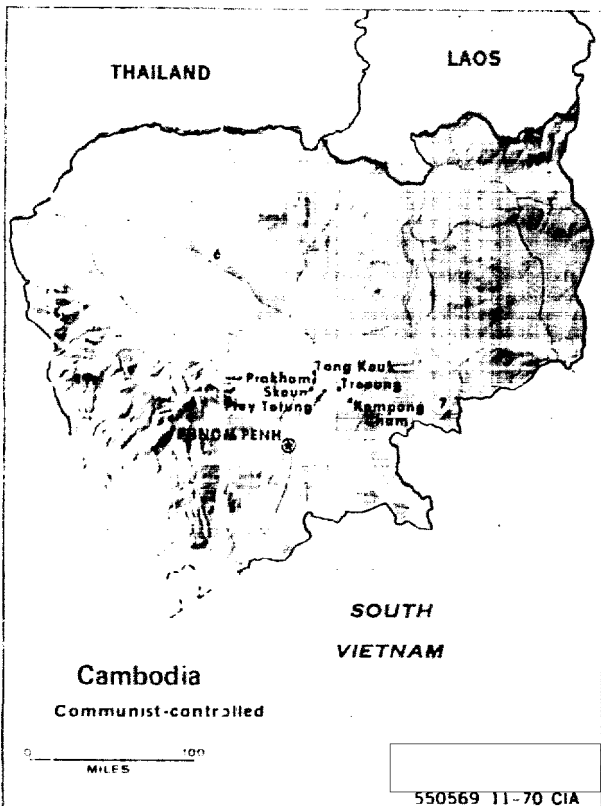
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Cambodia: *Where the Action Is*

Significant Communist military activity continued to be centered in Kompong Cham Province, as enemy forces kept up their harassing attacks on government positions in and near Kompong Cham city and along Routes 6 and 7. In addition, there was some evidence that the Communists were simultaneously and successfully carrying out political organizational activities in certain sections of the province.

Sporadic enemy mortar and rocket fire on some sections of Kompong Cham city was ineffectual, but similar harassment of the city's airfield forced its closure, at least temporarily.

[Redacted]



[Redacted]

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[Redacted]

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Elsewhere in the province, several battalions of government reinforcements from Phnom Penh ran into some stiff Communist resistance when they tried to reopen stretches of Route 7 between Skoun and Kompong Cham.

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On Route 6, the Communists have steadily harassed elements of the government's "Chenla" operation along that highway, particularly around Tang Kouk and Prakham, causing some fairly heavy Cambodian casualties. Phnom Penh, however, apparently still does not anticipate any major Communist military moves against this government column.

On the political front, there was new evidence that Sihanouk's position within his own camp may be slipping.

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[Redacted] leftist and Communist "ministers" in his government-in-exile have assumed virtual control over that body because they are able to outvote the deposed prince and his few loyal adherents.

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PHILIPPINES: President Marcos' call on 13 November for immediate renegotiation of US military base rights was timed to calm domestic criticism, resulting from Manila's agreement with the US position in a widely publicized jurisdictional dispute involving an offense by a US serviceman. Although Marcos made renegotiation a campaign promise in his bid for re-election a year ago, earlier indications were that he did not intend to raise the subject until at least mid-1971. The

Philippines has long sought renegotiation of the bases agreement to secure clear US acknowledgment of Philippine sovereignty over the bases. Now, the government plans to try to get jurisdiction over all offenses by American servicemen, the return of large segments of base land, and greater control over base operations. These intentions suggest that the pending discussions will be difficult.

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North Korea: *Kim Tightens the Reins*

The sweeping changes in North Korea's top leadership announced at the closing session of the fifth Party Congress on 13 November reflect the progressive narrowing of the coterie surrounding Premier Kim Il-song. Half of the regular members of the powerful politburo were dropped, while six of the 13 candidate members were advanced to full membership. In addition, three former candidate members were dropped and none were added. This is the third major shake-up in recent years and appears to be a continuation of the changes that began with the military purge of late 1968.

authority. In his keynote address to the congress on 2 November, Kim strongly criticized the performance of party cadres, particularly among the military. It is evident from Kim's subsequent denunciation of the military leaders purged in 1968 that their ouster was ordered to halt the drift of the army away from his control.

Kim also implicitly warned of the danger of adhering to one or another of the power centers in the Communist world. At this time, this concern seems primarily directed against Moscow. In his speech, Kim dwelt on "revisionism" in the party and also indirectly criticized the Soviets for minimizing the threat of revived militarism in Japan.

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Among the changes announced, the most notable are the elevation of men with close personal ties to Kim and the purge of others with less clear-cut loyalties. Dropped from the politburo are such long-time stalwarts as ex-foreign minister Nam Il and one-time defense minister Kim Kwang-hyop. By way of contrast, two members of Kim Il-song's family, a younger brother and a relative by marriage, were elevated to full membership.

Underlying these latest changes is Kim's continuing preoccupation with possible threats to his

A basic tenet of Kim's policy is the need for North Korea to hew to a zealously guarded independent line. Nevertheless, within this context, recent developments seem to have drawn Pyongyang and Peking somewhat closer together again. The revival of a more flexible Chinese foreign policy, permitting the subordination of policies openly at odds between the two, has enabled them jointly to embrace themes of parallel interest such as the revival of Japanese militarism and US "imperialist aggression in Asia."

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JAPAN-OKINAWA: Sunday's elections for Okinawa's first postwar representatives to the Japanese Diet turned out as expected. Prime Minister Sato's conservative party picked up three of the seven seats; the others were scattered among the leftist parties. Japan's opposition parties are portraying the results as a popular rebuke to the government, but in fact the Okinawans do not as yet identify closely with mainland politics. There

was considerable partisan campaigning by mainland political leaders, but with no clearly defined impact on the results. The winners seem to have been selected more for their personal appeal than for their ideological orientation. The new representatives will take their seats in the Japanese Diet later this month. They will have only non-voting observer rights until Okinawan reversion in 1972. [REDACTED]

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EUROPE

USSR-BERLIN: *Four Power Talks Still Deadlocked*

The tenth round of four power talks on Berlin again failed to produce any appreciable progress toward a settlement, despite an eight-hour meeting of ambassadorial advisers on 13 November, an informal luncheon between Soviet and US representatives the next day, and a five and a half hour ambassadorial meeting on 16 November.

The latest round took place under a cloud, because of the shooting on 7 November of a Soviet guard at the Russian war memorial in West Berlin. Although the Soviets kept their public reaction in low key, they seized upon the incident in the four power talks as justification for their demand that alleged right wing and neo-Nazi organizations and groups be banned from Berlin.

Despite this misadventure, more crucial substantive issues continued to be at the heart of the

deadlock. Both the advisers' meeting and the ambassadorial session bogged down over the crucial issue of access and the problem of defining the roles of the East and West Germans in working out specific arrangements.

The Soviet tactics at the sessions suggest that they are marking time, presumably in the expectation that the Western allies will be under some pressure to accept bilateral talks between Bonn and Pankow, even without agreement on detailed four power guidelines.

Despite the lack of progress, it was agreed that the ambassadors meet in formal session on 23 November, with the meeting again preceded by a gathering of advisers three days before. The unusually short interval between meetings was decided upon in order to compensate for scheduling conflicts that will force a break in the talks next month. [REDACTED]

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Polish - West German Accord Concluded

The good-will treaty initialed in Warsaw on 18 November is being hailed by both governments as a step transcending bilateral relations and giving new impetus to detente in Central Europe as a whole.

The treaty's main point, Bonn's de facto acceptance of the loss of the Oder-Neisse territories to Poland, remains an emotionally charged issue in West Germany, and could yet pose significant problems during the process of ratification by the Bundestag. The border formula in the treaty reflects a compromise whereby the Poles backed off from insistence on outright "recognition," while the Germans agreed to consider the "established" border inviolable and renounced future territorial claims.

Another central issue, the relationship of the treaty to Allied rights and responsibilities for Germany as a whole, also yielded to compromise. Article four of the treaty reaffirms the validity of earlier treaties concluded by both sides; the specific matter of continuing Allied rights in Germany is explicitly covered by a separate West German note. It is intended that this note will be acknowledged by the Allies and accepted by the Poles before the formal signing of the treaty.

A business-like atmosphere dominated all six rounds of talks held since the initiation of the negotiations in February. Both sides showed flexibility, understood what was negotiable and what was not, and were cognizant of each other's domestic political requirements. They have also moved ahead to improve cultural and scientific ties, and to establish de facto consular relations through an expansion of the functions of the existing trade missions. A long-term economic

agreement, initialed in June and signed last month, has helped to improve the political atmosphere. The conclusion of the Soviet - West German pact generated decisive impetus for a Warsaw-Bonn accord, although the Poles admittedly would have preferred to have been alone, or at least first, in obtaining Bonn's acceptance of the Oder-Neisse border.

The text agreed to by the two foreign ministers in Warsaw last week consists of a preamble and five articles, dealing respectively with the border, renunciation of force, future development of mutual relations, validity of earlier treaties, and provisions for ratification. It is virtually identical to the draft drawn up during working level talks in October. This suggests that other related issues dominated the marathon negotiations in Warsaw earlier this month.

These issues probably included the separate West German - Allied note, "humanitarian" questions concerning future emigration of ethnic Germans from Poland and, possibly, a trade-off between Chancellor Brandt's visit to Warsaw to sign the treaty in December and a Polish commitment to an earlier establishment of diplomatic relations than Warsaw had envisaged. It is unlikely, however, that the Poles significantly departed from their position that diplomatic ties can ensue only after the post-treaty process of "normalization" of relations is under way.

West German critics of Brandt's policies will find much fault with the new agreement, such as its statement that the present border is "established," and its failure to include in the treaty text a specific Polish commitment on the ethnic Germans. At the moment, however, the

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opposition has been put somewhat off stride by the results of the Hessian state election of 8 November, and by public disclosure of its efforts to win over a coalition deputy by offering him a contract and assured re-election. The government's real case for the treaty lies not in any of

its specifics, but in the hope that this and other agreements will open doors for West Germany in Eastern Europe and lead to the isolation of the hard liners in Pankow. The eventual establishment of diplomatic relations with Warsaw would be a major step in this direction, and a significant defeat for Ulbricht. [REDACTED]

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Soviet Labor Shortage May Dampen Economic Growth

Soviet economists have become increasingly concerned that the current manpower shortage will continue and will curb economic growth. Recent Western estimates confirm that the Soviet labor force probably will grow at a slower pace during the 1970s than during the 1960s. Moreover, the changing structure of the labor force may make it a less effective vehicle for economic growth.

The Soviet press began to complain of a general, nationwide manpower shortage in 1967. In that year only three fourths of the plan for additional workers in state enterprises was met and, as a result, planners reduced the manpower goals for the current five-year plan (1966-70). Recent articles suggest that there was no easing of the tight labor market during 1969-70. The Soviets attribute the shortage to a variety of factors, including a low rate of growth in labor productivity, a decline in rural-urban migration, longer periods of education and an excessive concentration of industry in large cities.

The USSR's labor force probably will grow by an average annual rate of no more than 1.6 percent during the 1970s compared with an increase of 1.7 percent a year between 1960 and 1970. Growth could be considerably lower if the present high percentage of the population in the

labor force is not maintained. More relevant to economic growth, the nonagricultural labor force is expected to grow at an average annual rate of only 2.8 percent during the 1970s compared with 3.5 percent during the 1960s.

Western economists generally agree that abundant labor is a prerequisite for high rates of economic growth. The Soviet Union suffers not only from a labor shortage, but also from a shift from industrial to service occupations by workers who are entering the labor force. Because of lower productivity, the contribution to economic growth of an additional worker in the service sector has traditionally been less than that of an additional worker employed in industry. Moreover, the rate of growth of educational attainment of the labor force is falling at a time when the need for skilled labor is increasing.

The Soviets could compensate for the labor shortage by using their labor force more efficiently. The Soviet labor force is 50 percent larger than that of the US but is able to produce only about one half the amount of goods and services of its US counterpart. Past efforts to improve efficiency and to save labor through administrative reforms and improved incentives, however, have been largely unsuccessful. [REDACTED]

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USSR: *Prominent Intellectuals Pressure Regime*

Two outstanding representatives of the liberal Soviet intelligentsia, Andrey Sakharov and Mstislav Rostropovich, recently issued critical statements that the regime will find difficult either to ignore or answer.

In a provocative move, Sakharov—a noted physicist—and two colleagues announced formation of the Committee for Human Rights. The stated purpose of the new organization is to publicize Soviet and international documents on human rights and help the state “create and apply” guarantees for them. Although the document expresses “satisfaction with the successes” of Soviet law since the death of Stalin, the committee nonetheless will offer “constructive criticism” on the application of Soviet laws, implying that it will try to hold the regime accountable for violations of civil liberties.

As the logical follow-up to two previous statements, this document also reflects Sakharov’s preference for working within the system. It also borders on illegality, however. Members of political parties, government officials and militant dissidents are excluded from membership on the committee. Although the exclusion of dissidents is in accord with the committee’s desire to work within the law, the exclusion of members of the Communist Party, the only legal political party in the USSR, seems to conflict with the constitution. This states that the Communist Party is the “leading core” of all organizations of working people, both government and nongovernment.

Rostropovich, in his first public “protest,” has come to the defense of Aleksandr Solzhenitsyn, who has been attacked by Soviet media since he was designated to receive the Nobel Prize for Literature. In his unpublished letter to leading

Soviet newspapers, including *Pravda* and *Izvestia*, the cellist questioned the right of “absolutely incompetent” people to discredit Soviet art. Recalling the Pasternak affair and similar cases from the Stalin years, he asked if it is not time “to approach cautiously the crushing of talented people” and stop treating the Nobel Prize alternately as a “dirty political game” or “just recognition” depending on the political views of the winner. Rostropovich ended his letter by defending the right of every man to think independently and to express his opinions freely.

Although the statements by Sakharov and Rostropovich reflect the recurrent demands of dissidents for intellectual freedom and observance of human rights in the Soviet Union, they are important because of the stature of the authors. This will add to the impact of their statements and increase the embarrassment of the regime at a time when it is wrestling with the problem of Solzhenitsyn and the Nobel Prize.

The complexity of dealing with outspoken scientists is reflected by the regime’s lack of a consistent policy toward them. Zhores Medvedev, a biologist, was released from a psychiatric institute after protests from leading scientists while similar protests did not prevent the regime from exiling Revolt I. Pimenov, a prominent Leningrad mathematician. Although Sakharov has openly criticized the regime since 1968, he has apparently not suffered any serious consequences. Recent articles and a Central Committee decree, however, have criticized the ideological attitudes of scientists at important scientific institutes and suggest that a somewhat harder line may be followed in the future. In the case of Rostropovich, the regime will be forced to decide whether to stop the foreign tours of this outstanding cultural ambassador.

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USSR-ITALY: Soviet Foreign Minister Gromyko for three days of a one week business-pleasure visit to Italy, held intensive political consultations with senior Italian officials, as well as the Pope. Although advocating intensified political consultations between Rome and Moscow, Gromyko and his Italian interlocutors trod lightly on bilateral issues and focused on larger international problems. Of particular interest to the Italians were the discussions on the European com-

munities and mutual force reductions. Gromyko indicated that the Soviets would neither actively oppose nor facilitate the European communities. On force reductions, he rejected simultaneous movement toward talks on this subject and on a conference on European security (CES), and reiterated Moscow's line that force reductions should be discussed in a body to be established at a CES.

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MIDDLE EAST - AFRICA

Israel: *Dayan Calls For New Cease-fire Agreement*

Minister of Defense Moshe Dayan has spoken out again in the vein of his suggestions in early November that Israel might now have to compromise its demands to obtain an end to the war. On 17 November, he called for a wholly new cease-fire agreement—to be reached through the intermediacy of the US.

day before, regarding Israel's price for renewing peace talks. Mrs. Meir told the Knesset that "no arrangement" had so far been suggested that could justify a return to the Jarring talks and that Israel could not simply ignore the Egyptian-Soviet violation. Mrs. Meir did not call for a total roll-back of the missiles, and in fact expressed doubt that Israel's demands would be met "in their entirety." She did, however, indicate that Israel would need some form of rectification—from Egypt and apparently also from the US—before it would return to the talks.

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In the wake of Mrs. Meir's statement, the Israeli press sees the government as realizing it can get little, if any, rectification from Egypt, and is looking primarily to the US to create the "reasonable conditions" that would permit Israel's return to the talks. Among these conditions, the press suggests: longer term economic and arms commitments, solid support of Israel vis-a-vis the Soviet Union, and some relief of what is viewed as Washington's overly hard line on permitting territorial changes in Israel's favor.

It is not known whether Dayan is talking wholly on his own, but this appears doubtful. He may be getting some encouragement—on a trial balloon basis—from several members of the Israeli

Dayan's new proposal follows Prime Minister Golda Meir's somewhat tougher statement the

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cabinet, including Mrs. Meir. The Israelis might hope to find out what they would obtain in exchange for some concessions, possibly looking to a settlement in line with what Dayan termed somewhat "less than peace." The Dayan proposal

may well reflect a growing Israeli weariness with the fighting, and a recognition that the situation has been drastically changed by the Soviet intervention in Egypt. [REDACTED]

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Middle East: *Fedayeen to Form a United Front*

The principal fedayeen groups were scheduled to meet in Amman on 20 November to seek a formula under which their political and military organizations could merge into a single "Palestine Liberation Front." This latest attempt to impose a measure of control upon the more unpredictable organizations was officially announced by the fedayeen central committee at the beginning of the week, confirming earlier indications that the principal groups were moving in this direction. There have been debates within a number of organizations in recent weeks over the question of accepting a greater degree of direction in military matters from Fatah, the largest of the groups. The fedayeen realize, however, that the September confrontation with King Husayn seriously weakened their position and that some previously unpalatable moves might have to be taken to prevent them from being picked off piecemeal by the Jordanian regime.

Leaders of the Popular Front for the Liberation of Palestine (PFLP), for example, have been divided over the problem of maintaining their organizational identity within a front dominated by Fatah. [REDACTED]

[REDACTED]

The Amman issue of the newspaper *Fatah* on 15 November contained some indications of what the new front's position and role might be. The newspaper suggests that the Palestine National Council and the fedayeen central committee should remain in existence within such a front, but that a new political office should be created to exercise day-to-day authority over fedayeen activities. The newspaper further volunteers a plan whereby all the military personnel of the various organizations would be placed under a single command that would finance, supply, arm, and train all troops.

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If the principal fedayeen groups do accept Fatah's leadership, it would be an important victory for the relatively moderate organization, which has pushed for a national front as the best means to exercise control over the individual organizations. The durability of any merger, however, would remain questionable. Most of the fedayeen leaders are going along with the move only for the short-term interests of their groups. If they see there is a real danger of losing their organizational identity, they may decide, as they have before, to opt out of the front or simply ignore its authority. [REDACTED]

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Syria: New Leader Takes Control

Damascus has had little to say about events in the country this past week, but Defense Minister Asad and his military supporters appear to have pushed aside the civilian leadership of the Baath party.

In his power move, Asad has established a provisional regional command to head the party structure until a national congress can set up permanent new party machinery. With himself as temporary secretary general of the party, Asad has appointed a political unknown and former head of the Syrian Teachers Syndicate, Ahmad al-Khatib, as chief of state. He has also placed a dozen of his close supporters with him in the provisional party command.

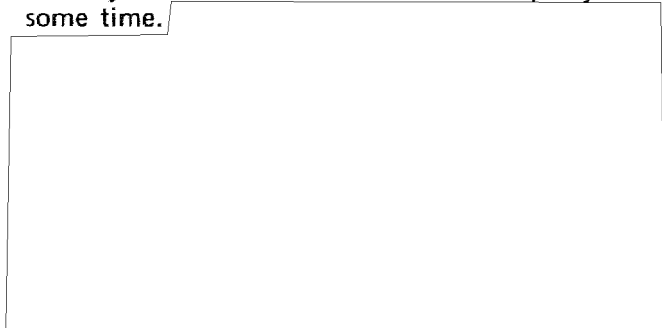
The new Syrian leader apparently moved first on 13 November, but initially was cautious in asserting his control and did not announce the new party setup until mid-week. The exact status of the ousted civilian leaders, including Chief of State Atasi and Salah Jadid, the deputy secretary general of the Syrian Baath party, is not known, but they and others were reportedly scheduled to be exiled to other Arab countries.

The new government's one public statement included a list of pledges that the provisional leadership would recommend to the permanent party command. Among these were promises for new popular reforms, plans for wider cooperation with the other Arab states, and a reaffirmation of Syrian support for the Palestinian and other progressive Arab movements. Also set forth were

restatements of Syria's close attachment to the socialist states—particularly the USSR, and of its support for increased efforts to win the struggle with Israel.

It would appear from this statement that the most likely change in direction in national policy is a move toward warmer relations with fellow Arabs. Particularly since the 1967 Arab-Israeli war, the Syrians have been politically isolated even within the Arab world. A sharp change in attitude toward the West is not expected.

Myriad problems have existed between the military and civilian factions of the party for some time.



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The full story of last week's events in the Syrian capital is not yet known, nor is the political maneuvering among the opposing elements over. The history of the Baathists since their party's rise to prominence in Syria in 1963 suggests that intraparty squabbling will persist, generating continued political instability in the country.



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JORDAN: A series of shooting incidents during the past week again endangered the tenuous truce between the fedayeen and Jordanian authorities. The casualties were the most severe since the crisis in October. Most of the clashes took place in northern Jordan, where the fedayeen have continued to maintain a strong presence in the towns. Amman Radio reported that on 16 November alone the fighting in Irbid and Jarash resulted in 12 dead and 71 wounded. Several of the incidents apparently erupted on the streets as the result of

individual behavior, possibly a reflection of the cockiness that some fedayeen exhibit in their home areas. In any case, there are strong indications that neither fedayeen leaders nor security authorities were responsible for the outbreaks. In fact, the fedayeen leadership seems to have taken measures not only to assist the Arab observer team in damping down the fire fights but also to treat the incidents in a relatively restrained manner in news handouts. [REDACTED]

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Egypt: *New Cabinet Augurs Little Change*

The cabinet shifts announced in Cairo this week do not appear to portend any major policy changes.

The majority of the former cabinet members either retained their previous posts or were merely shifted to other ministries. Some new ministers were brought in, but they appear to be noncontroversial technicians. The more important portfolios, such as foreign affairs, war, and interior, remained in the same hands.

The influence of Interior Minister Sharawi Jumah has apparently been strengthened by his appointment to one of the four newly recreated deputy premier slots. His appointment to this post is not likely to be viewed with favor by Egypt's students, who have previously reacted vociferously to his heavy-handed repression as interior minister. Foreign Minister Mahmud

Riad's prestige has also been enhanced by his appointment as a deputy premier.

The changes probably stem from a desire to eliminate personal frictions among Egypt's new leaders and the members of the cabinet. Some changes may have also been made to emphasize the new regime's purported interest in social services and consumer affairs.

According to the semiofficial *al-Ahram*, each deputy premier has been assigned over-all responsibility for a number of specific ministries; the arrangement did not include those categorized as "sovereign," such as war or foreign affairs, which come directly under the presidency. The creation of a new layer of coordination responsibility at the deputy premier level, however, may engender bureaucratic problems that will require some time to work out. [REDACTED]

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South Africa: *Increased Emphasis on Bantustan Policy*

South Africa is placing increased emphasis on developing, as part of its apartheid policy, African tribal homelands (bantustans). The government has expended great effort over the last two years to erect administrative structures in these areas and the minister of Bantu administration last week announced that the second of them, Tswanaland, will soon be granted parliamentary self-government, probably early next year. Some leaders of the ruling Nationalist Party have also begun to make noises about creating "independent" bantustans.

The Afrikaner-controlled government believes that its bantustan policy, when fully implemented, will solve South Africa's racial problems. The government says it plans ultimately to set up about 15 bantustans for the country's 13 million blacks, granting them limited autonomy at first and full independence later. The Transkei is the only territory that now has any control over its own affairs. Since 1963, it has had a constitution and a parliamentary form of government as well as a flag, anthem, and official language. The powers of the Transkei's territorial government, however, are extremely circumscribed and it is totally dependent on South Africa not only for development funds but for most of its income, which comes from migrant blacks who work in the white-run economy.

Few, if any, of the homelands actually have any chance of becoming economically self-sup-

porting, and the development funds that the government plans to spend are minimal when compared with the needs. The bantustan policy, moreover, envisions the almost impossible task of moving more than four million urban Africans to these areas. To help accomplish this, the government is trying to persuade South African companies to locate new industries near the homelands and away from white urban areas. It also is cutting back on urban social services for blacks and is trying to encourage South Africa's two million Coloreds and half-million Indians to take over urban jobs now held by Africans.

Although implementation of these policies is at best a distant goal, Prime Minister Vorster stated in September and again this week that he is willing to begin now to negotiate the independence of any bantustan that asks for it. He was probably speaking for foreign edification, but the possibility that South Africa might grant some limited form of independence to one or two bantustans cannot be ruled out. Although this would probably amount to little more than a paper transfer of sovereignty, it could have the possible benefits to South Africa of defusing some of the criticism directed at its racial policy from abroad and of reassuring Nationalist supporters at home that, however slowly, separate development is moving ahead.

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MOROCCO: The opposition coalition, the National Front, is continuing to exploit the issue of "US bases" to embarrass the government. Early this week, it issued a communiqué calling for immediate "evacuation" of American military personnel from the communications complex operated under an informal agreement with the King. The communiqué asserted that use of the facilities to support US military forces, particu-

larly the Sixth Fleet, "negates solidarity with the Arab and Palestinian people." The fact that the authorities have permitted the Front to publish what amounts to a serious condemnation of the regime could indicate, however, that King Hassan believes he can exploit the issue with respect to US assistance.

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Colombia: *Dissension in the Opposition*

The return to political activity of opposition leader General Rojas Pinilla may paper over the splits within his National Popular Alliance (ANAPO). Rojas Pinilla has not participated in political activity since he became seriously ill after the April election. His decision to return to party affairs may have been hastened by the recent leftist trend in the movement.

ANAPO's most divisive member is Senator Ignacio Vives, a dissident Liberal who gained notoriety last year when he falsely charged members of President Lleras' cabinet and family of influence peddling. Vives, who himself was guilty of influence peddling, subsequently joined ANAPO and was re-elected to the senate last April. A member of ANAPO's National Command, he would like to move the party to the left. This also seems to be the desire of the party's national director, Senator Maria Eugenia Rojas de Moreno, the General's daughter. Younger party members want to move the party to the left in order to broaden its political appeal, but General Rojas is against this.

The General talked with Vives on 5 November, and shortly thereafter Vives and 28 ANAPO legislators issued a statement declaring their loyalty to Rojas. The statement was a signal that, even though he is restive, Vives is not yet ready to break with Rojas and form a new movement.

In a radiobroadcast on 8 November, General Rojas said he would brook no challenge to his

authority and warned that anyone who fomented divisions would be expelled from the party. Moreover, Rojas stated that ANAPO had already adopted a "Colombian socialist" orientation and that the "revolution" needed in Colombia would not be accomplished through foreign ideologies "whether Marxist, Cuban, or Chinese."

General Rojas made these statements to allay the fears of leaders of the National Patriotic Action (PATRIANAL), an organization of retired military and police personnel who support ANAPO.

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Rojas seems to have stemmed the tide temporarily. ANAPO has no real ideological base, and much of its strength depends on his health and his ability to keep his followers united. The ANAPO leaders are upset because Vives was not expelled; they view him as a threat to the party's stability. Vives is believed to have a substantial following, he is ambitious, and he will not hesitate to attempt to divide ANAPO if it serves his purpose.

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Guyana: *Labor Problems Plague the Burnham Government*

Serious unrest in the sugar industry as well as in other important labor fields poses significant problems for Prime Minister Burnham in his efforts to gain greater governmental control over the economy. Facing the prospect of continuing unrest, the government is moving to enact tough labor legislation that would provide for compulsory arbitration and give the minister of labor wide powers to force settlements.

The nation's vital sugar industry this week was brought to a virtual standstill by work stoppages for the second time this fall. The Sugar Producers Association now fears that sugar production for 1970 will be seriously affected by the labor unrest. The latest walkout was precipitated by worker dissatisfaction over a recent wage increase awarded by a government arbitration tribunal. In addition, a jurisdictional dispute between the Communist-dominated Guyana Agricultural Workers' Union (GAWU), which is seeking government recognition as the sole representative of the sugar workers, and the Manpower Citizens Association (MPCA), the recognized bargaining agent for the sugar workers, remains unresolved.

The government's recent award to the sugar workers, less than expected, has complicated the government's efforts to bring a lasting peace to the sugar industry. Moreover, it has also led bauxite mine workers to press successfully for the creation of a new tribunal to consider their grievances. Workers in other industries may follow suit.

Burnham's labor problems are further complicated by racial divisions. The bulk of the agricultural workers are East Indians, and the mine workers are black. Earlier this year a strike at the Mackenzie bauxite complex showed the strong influence of Guyana's major Black Power group. Although the role of the African Society for

Cultural Relations with Independent Africa in the labor dispute is unclear, it is a factor that the government must take into consideration in future mine labor disputes.

Jagan and his Progressive People's Party, which launched the jurisdictional dispute in the sugar industry last September in an effort to discredit and ultimately to topple the Burnham government, also has attempted to disrupt the rice industry. Jagan has exhorted the rice farmers, a majority of whom are East Indian and sympathetic to him, to plant only what they need and not to produce excess for sale to the government. In this instance the government so far has been able to maintain the upper hand in the rice industry without resorting to strong-arm tactics.

The government's vulnerability to labor agitation was dramatically demonstrated earlier this month when the Waterfront Workers, who belong to Prime Minister Burnham's Guyana Labor Union (GLU), persisted in a work slowdown, despite assurances of equitable treatment by the Ministry of Labor. Efforts by government officials and Burnham himself to gain their cooperation failed, and "scabs" and security forces were called in to unload the ships.

In dealing with future labor problems, the government apparently intends to attempt to persuade strikers to resume work, and if this fails, to break the strike by force. The government apparently has also decided to assume a permanent role as mediator between sugar producers and workers, substituting itself for the MPCA agents and hoping to fend off a growing GAWU influence with the workers. This attitude has already established a number of precedents that are likely to plague Burnham's government for some time to come.

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Burnham also is seeking a legislative solution to control the continual labor unrest. The controversial government-drafted trade disputes bill provides for compulsory arbitration and gives the minister of labor wide powers to force settlements. The government has delayed legislative

action because of strong opposition from all segments of labor, but clearly intends to enact the bill. Labor is expected to react very strongly to the bill's passage and will be susceptible to exploitation by the PPP, which is still in a position to try again to disrupt the economy. [REDACTED] 25X1

Guatemala: *State of Siege Declared*

President Arana resorted to emergency powers last week in an effort to cripple the left-wing terrorists. Unless the security forces can deal the subversives a heavy blow, however, repercussions are likely to be serious.

The 30-day state of siege imposed on 13 November is the most drastic Guatemala has experienced. House-to-house searches, road-checks, a strict curfew, and other stringent security measures have lowered the incidence of terrorist acts at least temporarily. One guerrilla leader reportedly was killed and another wounded, but there is no indication that the terrorist organizations have been hurt. The Rebel Armed Forces a few days ago flouted its continuing ability to act by ambushing three police agents, including the notorious torture-executioner, "Zacaton"—who survived the attack.

Long-range political reverberations might follow, particularly as a result of the arrest of well-known personalities, most of them members of the opposition Revolutionary Party and including former high-level government officials. These detentions are in line with reports that the administration was determined to move rapidly against suspected "intellectual authors of subversion" as well as terrorists.

The President told the US ambassador recently of his extreme reluctance to declare a state

of siege and of his determination not to let the situation degenerate into wanton killing. Arana elaborated on this resolve in an address to several hundred military men, explaining that although many of his supporters expect him to solve the country's problems as he had those of Zacapa, where as zone commander he conducted a successful counterterrorist campaign in 1966-67, his responsibilities were different now. Arana said he did not want to see blood spilled again as it had been there, and implored his military colleagues to be patient and to support his effort to handle the internal security problem within the constitution.

The government's edginess over its internal problems nearly led it into a serious foreign relations problem. The Guatemalan air force, mistaking Salvadoran shrimp poachers for an invasion force, attacked the fishing fleet, sank four boats, killed two fishermen, and wounded fifteen. President Arana's personal expression of grief to Salvadoran President Sanchez helped both sides play down the incident. The Guatemalan military has appeared increasingly concerned about border security and the continual over-reaction to reports of smuggling might yet compound the insurgency problem with an international one. [REDACTED] 25X1

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Mexico: *Political Prisoner Issue Is Heating Up*

The political prisoner issue may be the first political headache for President-elect Luis Echeverria after his inauguration on 1 December.

Strong reaction has developed against the stiff sentences dealt out last week to a group of prisoners arrested after the 1968 student disturbances. National university rector Gonzalez Casanova and Cuernavaca's Bishop Mendez Arceo are among cultural leaders calling for amnesty. A prominent student leader claims that the general feeling of hostility against the government has united all student groups and that protest activities are planned. The Communist-dominated Mexican Organization for the Liberation of Political Prisoners (OMELEPPO) has decided to go all out in an effort to embarrass the government during the inauguration period, when the government's sensitivity to charges of repression will be heightened by the presence of hundreds of foreign dignitaries. Although tight security will most likely prevent large or lengthy protest demonstrations, hard-line agitators will try to create an incident by provoking the security forces into overreacting.

The government had hoped to minimize attention on the sentencing by scheduling the proceedings for the day Echeverria was expected to meet President Nixon. The postponement of the US visit, however, torpedoed the plan. In August, prisoners and spectators had repeatedly interrupted the trial in Chicago-seven style and forced a delay in sentencing. The courtroom chaos that developed caused the trial to be put off until November, and probably contributed to the severity of the final judgment.

The growing bitterness over the government's handling of the prisoners and other dis-

senters could serve to revitalize the damaged and divided extreme left. The government has managed to keep potential troublemakers off balance by floating false rumors of leniency toward the prisoners, of impending amnesty, and of penal reform. The ostensible acquiescence to broad demands for revision of the penal code by Diaz Ordaz, for example, resulted in tighter rather than liberalized internal security laws.

Earlier signs suggested that the Diaz Ordaz government would show clemency in its last days, and although amnesty could be granted following sentencing, Diaz Ordaz apparently will leave the choice of toughness or generosity to the incoming administration. Although there is no united opposition to concern the new president, the question of political prisoners has proven the most durable issue left over from the 1968 student movement. The issue, moreover, has attracted support from diverse sectors. OMELEPPO originally was organized with significant support of church groups and other non-Communist adherents.

Communist efforts to harass the incoming government will be helped by the leadership ability of Valentin Campa and Demetrio Vallejo, who were released from jail in July after 11 years imprisonment. These two union leaders organized the disruptive strikes that were the first political challenge to the new president. There has been a spate of "new" leftist parties and organizations in formation over the past year. None showed any obvious promise, partly because of the lack of a commanding "personality." Campa or Vallejo have the prestige of long-time "political prisoners" and are "heroes" who might be able to revitalize revolutionary groups.

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URUGUAY: Serious personnel losses have not crippled the Tupamaro guerrilla organization, which last week successfully engineered the largest bank robbery in the country's history. In a well coordinated operation, the Tupamaros struck the country's most important bank, kidnaped three bank officials to gain entrance to the vaults and escaped with more than \$1.5 million in jewelry and cash.

In keeping with the Robin Hood image that the organization had carefully tried to cultivate prior to this summer's murder of a US public safety adviser, the Tupamaros have offered to

return all individual pieces of jewelry valued at less than \$200. The group's audacity has been further underscored by its recent warning to Supreme Court members not to approve the government's pending request to try terrorists under military justice. The legal basis for the government's case is shaky, and the guerrillas apparently hope that a decision against the government could be used most effectively in their propaganda. The Tupamaros continue to demand that the news media publish their political manifesto in exchange for one of the two kidnap victims they have held for more than three months.

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Chile

Salvador Allende, since becoming President slightly over two weeks ago, has placed Marxists and Castroites in most of the controlling positions at all levels of his government. At the same time he has skillfully assuaged many of the fears of the majority of Chileans who voted against him.

Allende has also extended the Marxists' control to most of the crucial official economic posts. For example, the directors of such offices as the agricultural trade and price control agencies, the national railways, and the state bank all served as advisers to Fidel Castro for periods ranging up to seven years. Where a non-Marxist Popular Unity (UP) coalition member was given the top job—the vital national development corporation, for example—decision-making posts at the second level have gone to men committed to the idea of a Cuban or Soviet state. The already pervasive role played by the government in Chile's economic life gives these officials power far beyond that indicated by their job titles.

Allende has granted a year's asylum to exiled pro-Castro Bolivian guerrillas and has amnestied

members of the extreme leftist Movement of the Revolutionary Left (MIR) who had been indicted or imprisoned on grounds of violating the Law of Internal Security. He has also disbanded the riot control squads of the national police and he plans to set up an internal security organization with counterespionage responsibilities, similar to Castro's Committees for the Defense of the Revolution. According to his press secretary, a former head of the Cuban news service in Santiago, the military intelligence services will provide the resources for the new organization and its primary source of information will be the local UP committees. These were organized, chiefly by the Communist Party, during the electoral campaign and now total some 14,000 groups in communities and factories.

Although few Latin American governments have criticized Chile's re-establishment of diplomatic relations with Cuba last week, there may be more reaction to plans of the state-owned airline to add a stop in Havana to its Santiago-US route. Other plans reportedly call for a European flight, with stops in Havana and Prague. Efforts to

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expand ties with Cuba include the trip to Havana next week by the head of the conservative farm-owners' association to explore ways to bring next year's trade up to some \$30 million—three times the level planned by the Frei government.

In another move to broaden economic ties with Communist countries, Allende opened commercial relations with North Korea on 16 November. Part of the delegation from Pyongyang to his inauguration will remain to set up a trade mission that can serve as the forerunner of diplomatic relations. On 17 November the Chilean Government announced its withdrawal from the UN Committee on the Unification and Rehabilitation of Korea (UNCURK).

The president has been provided with favorable publicity by the Chilean media, which are 90 percent controlled by the UP. In addition to this created aura of public approbation, Allende has managed to convince most Chilean interest groups that he values their role even as he expands and

consolidates Marxist control. An important manifestation of this sales job was the initial quiescence of the labor unions. The restraint apparently reflects the Socialist and Communist domination of most unions, although copper workers at one of the largest mines are now demanding a 70-percent increase in pay and benefits.

Labor is a possible source of continuing problems to the government. Anti-Allende Christian Democrats and the MIR are supporting slum-dwellers' seizures of property and housing units in Santiago. This is a major problem for the government and a source of embarrassment to the Communist Party.

Such efforts will be blunted quickly by the government, either by its crash housing program or other action to fulfill campaign promises of immediate impact on the poor and unemployed, but Allende may have to take police action to enforce the law. One popular measure has been a ten-percent reduction in the price of men's clothes.

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ARGENTINA: The third successful general strike in 33 days has failed to win additional concessions for labor from the Levingston government. This strike, like those in October, effectively brought Argentine industry and commerce to a standstill. Well-organized police action contained disorders in two interior cities as well as unrelated student violence in Tucuman.

The General Confederation of Labor is considering additional strikes, but the government

has given evidence that it will not change its policies under pressure. The government has already announced some increase in the minimum wage and has promised collective bargaining by April. Labor's political goal—specifically to achieve a voice in government policy formulation—is not likely to be granted. Should activist labor leaders push the government too far, a tough response, such as a government take-over of hard-line unions, could be expected.

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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Ceylon: Trouble Looms

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Ceylon: Trouble Looms

Prime Minister Sirimavo Bandaranaike's coalition government has reached an important stage, vital not only for its own success and unity but possibly also for the continuation of democracy in Ceylon. In its first six months the regime acted primarily to solidify its socialist image, largely through leftist-oriented foreign policy initiatives; the government now must face up to several difficult domestic problems. The initial euphoria in the public's acceptance of the coalition, following its sweeping victory last May over the moderate government of Dudley Senanayake, has started to wane. Mrs. Bandaranaike has not been able to roll back the high cost of living nor to alter the high unemployment rate. Many Ceylonese, whose unrealistic expectations of rapid economic progress were fed by the coalition's rhetoric before and immediately after the

election, could succumb to the propaganda of a potentially dangerous "new left" revolutionary element. Pressure from this or other potential sources could prod Mrs. Bandaranaike into risking ill-advised repressive measures in order to retain control.

A Leftist Turn in Foreign Policy

A strong tide of victory carried Mrs. Bandaranaike's United Left Front—composed of her own nationalist, left-of-center Sri Lanka Freedom Party (SLFP), the Trotskyite Lanka Sama Samaja Party (LSSP), and the Ceylon Communist Party/Moscow (CCP/M)—to power last May. As the defeated United National Party (UNP) and its allies retreated into temporary obscurity, numerous glowing press reports proclaimed that the nation's difficulties would finally be solved.

The new government sustained popular interest during its early days by a series of foreign policy moves designed to heighten its socialist image. Full diplomatic recognition was granted to

East Germany in June, and later to North Korea, North Vietnam, and finally to the Provisional Revolutionary Government of South Vietnam. Ceylon also suspended relations with Israel, gave notice that the US Peace Corps agreement would be terminated in October, and asked the Asia Foundation to leave.

From Mrs. Bandaranaike's point of view, such measures were ideally suited to launch her new government. In addition to creating an impression of rapid, decisive action, they apparently enabled her to fulfill promises made earlier to her coalition allies in return for their electoral support. During the pre-election planning stage as well as throughout most of the campaign, it had seemed that the contest would be close, with

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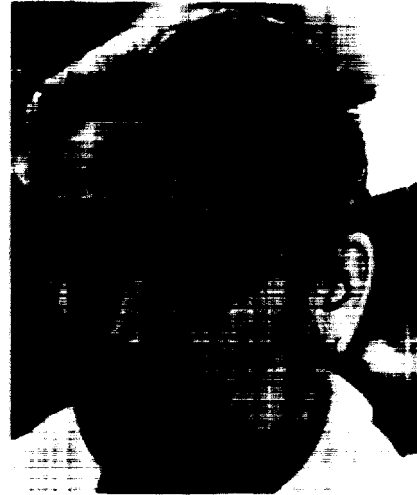
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Senanayake's UNP holding a slight lead. Mrs. Bandaranaike presumably calculated that she would need the assistance of the Trotskyites and the Communists and was willing to pay the price. At first analysis, it would appear that the new prime minister, whose own party won 91 of the 151 elective seats in the House of Representatives—the largest majority ever enjoyed by a single party in Ceylon—could have dispensed with her campaign partners, whose combined 25 seats might be considered of marginal value.

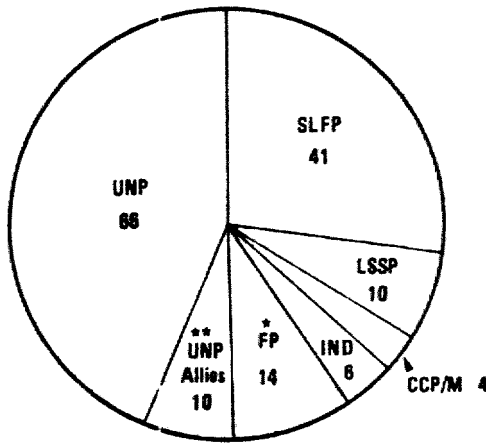
ment. After the 1970 elections she probably reasoned that retention of the SLFP left wing necessitated continued cooperation with the LSSP and the CCP/M. Three members of the LSSP and the

Mrs. Bandaranaike, however, evidently concluded that her position was not solid enough to enable her to dismiss her allies. Her own party is not homogeneous, but a miniature coalition embracing a large body of moderates and a strong leftist wing. Mrs. Bandaranaike's previous government had fallen in late 1964 because of party defections, when a number of conservative SLFP representatives bolted the party because of Mrs. Bandaranaike's effort to take over the country's largest independent newspaper chain and because of the growing leftist influence in her govern-

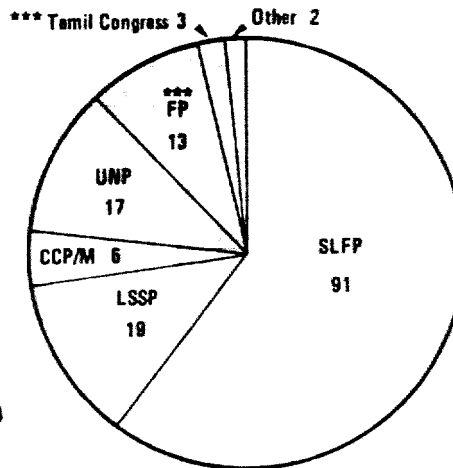


Prime Minister Bandaranaike

Seats Won in House of Representatives in 1965 and 1970 Elections



March 1965



May 1970

151 Elective Seats (After elections 6 additional members are appointed to represent groups not otherwise represented.)

*** Both Tamil Congress and Federal Party claim to be functioning as "independent" opposition parties

* Federal Party was an ally of the UNP until late 1968.

** Sri Lanka Freedom Socialist Party - 5 (By the 1970 elections, this party had merged into the UNP.)
Tamil Congress - 3
Others - 2

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UNP = United National Party
FP = Federal Party
SLFP = Sri Lanka Freedom Party
LSSP = Lanka Sama Samaja Party
CCP/M = Ceylon Communist Party/Moscow
IND = Independent

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secretary general of the CCP/M received cabinet portfolios in the new government, and the foreign policy pledges were quickly redeemed.

The prime minister apparently hoped that Ceylon's chances of obtaining increased aid from Communist sources would be improved by these initiatives and gambled that any adverse reaction



T. B. Ilangaratne

from Western nations would be limited. Her strategy has had some success. Relations with Communist China warmed, and after a hiatus of over four years, a new Chinese ambassador to Ceylon was named in early June. In August, a Chinese technical team arrived in Colombo to resume assistance in the construction of the Bandaranaike Memorial International Conference Hall. This project, a memorial to Mrs. Bandaranaike's husband, who was assassinated in 1959, had been agreed on initially in 1964, but was shelved after the UNP won in 1965.

More substantial Communist aid followed the visits of several Ceylonese delegations to China and North Korea in August and September. Trade Minister T. B. Ilangaratne, probably the most prominent leftist among the SLFP cabinet ministers, obtained an interest-free loan of about

US \$8.9 million, repayable over a 10-year period, to cover the cost of importing 100,000 tons of rice, in addition to the 200,000 tons of rice initially ordered from China for 1970. This constituted the first Chinese credit to Ceylon since 1964. Through that year, Ceylon had received from China a total of about US \$48 million, chiefly for project assistance. In addition to this new loan, China reportedly offered further assistance for the purchase of subsidiary foodstuffs as well as project aid for a survey of Ceylon's resources and the development of its fishing industry. Ilangaratne's delegation then negotiated various trade agreements and protocols on economic cooperation and commodity exchange with North Korea. Ilangaratne, moreover, in late October, led a delegation to Moscow and East Germany and signed various trade and economic agreements.

Meanwhile, Ceylon's traditional Western aid donors appear to have accepted, some of them reluctantly, the nation's leftward turn. West Germany resented the recognition of Pankow and emphasized it by refusing to fulfill 1970 aid pledges and by advising the Ceylonese to work out with German banks credit arrangements for commodities already ordered on commercial terms as a private rather than a government matter. Canada, England, and Japan, however, have signed or are negotiating agreements to fulfill their aid pledges. Australia is implementing its pledge.

The US in late September signed a new PL-480 agreement with Ceylon, providing US \$14 million in long-term credit for wheat flour purchase.

In order to assure US good will, Mrs. Bandaranaike took some steps to make her foreign policy moves less unpalatable. She eschewed the harshly anti-US phrasings that typically appeared in Ceylon's foreign policy pronouncements during her previous term in office. Announcements of

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the recognition of Communist regimes appeared a week or so after the effective dates and were published matter-of-factly in the press. Termination of the Peace Corps and Asia Foundation programs was handled by the Ceylonese Government diplomatically and without rancor.

An unexpected irritant developed in August, however, when LSSP leader and Finance Minister N. M. Perera charged publicly that the CIA was backing a so-called "Che Guevarist" revolutionary movement on the island, and the trade minister



N. M. Perera

followed up with two strong attacks on US foreign policies. After several protests by US officials, members of the Ceylonese Government issued new statements apparently intended to retract or at least blunt the allegations. Perera himself, possibly at the urging of Mrs. Bandaranaike, privately expressed regret to the US ambassador, claiming his charges were caused by his misunderstanding of the CIA's role within the US Government.

In her efforts to avoid alienating the US, Mrs. Bandaranaike has been backed if not pushed by Home Minister Felix Bandaranaike, a relative and an influential leader among cabinet moder-

ates. In early August he reportedly headed a small delegation that expressed concern to the prime minister over what they viewed as an excessively leftist bias in Ceylon's foreign policy. This criticism and possibly subsequent advice from Felix Bandaranaike—probably the only friend at court the US has in Ceylon—may have had some impact. At the recent nonaligned conference in Lusaka, Mrs. Bandaranaike held herself to a relatively moderate role, refraining, for example, from a move for seating a Sihanouk delegation. Furthermore, the new Ceylonese ambassador to the US has made considerable effort to explain his government's actions as being prompted by pragmatic political and economic motives and has hinted that the worst—from Washington's point of view—is over. If Ceylon's foreign policy does indeed assume a more even keel, pragmatic considerations of a different order will have been involved—the Ceylonese Government's recognition of its pressing need for continued US economic aid.

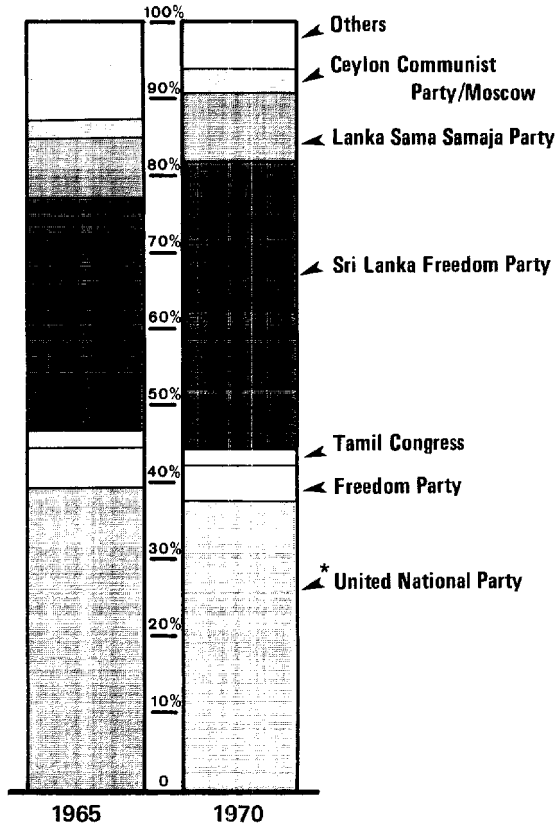
The New Government and the Domestic Scene

This continued need for foreign aid reflects the troubles brewing domestically. For over a decade the economy has been faltering, with unemployment high, the cost of living rising, and foreign exchange reserves dwindling. Mrs. Bandaranaike, whose policies during her prior administration aggravated the slump, aroused expectations during the campaign that her coalition would be able to put the economy on an upward curve and provide jobs for all.

Some warnings, however, were voiced early after the election in order to counter the initial enthusiasm. In early June, the finance minister announced that the nation was near bankruptcy, predictably laying the blame on the previous UNP government. A "save the nation" drive materialized, and for several weeks the press carried a steady diet of pictures of individuals handing government officials checks representing part of their earnings or collections taken up to meet the emergency. This campaign, however, served more as a

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Percentage of Popular Votes in
1965 and 1970 Elections



*Despite only a slight decline in its popular vote between 1965 and 1970, the United National Party's strength in the House of Representatives dropped considerably (see other chart) because of an electoral system weighed heavily in favor of the rural areas, which the Sri Lanka Freedom Party and its allies captured.

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temporary morale booster than an effective means of staving off economic disaster.

Other actions helped to divert popular attention from the harsh financial outlook. Plans are under way to change the local government system. In late July, the House of Representatives passed a resolution empowering itself to act as a constituent assembly to draft a new constitution. Although this implemented another campaign promise, the widely publicized opening of the constituent assembly served also as a temporary diversion while the government searched for a way out of the deepening economic problems.

Occasional press stories have divulged alleged details of the new constitution, possibly for the purpose of buoying up sagging public interest or serving as trial balloons for controversial issues, but complete details are not yet available. The new document will evidently make Ceylon a republic and establish a unicameral legislature. Mrs. Bandaranaike has indicated that there has been no final decision regarding Ceylon's continued membership in the Commonwealth. There is strong sentiment among some left-wing government leaders for leaving, but other strong economic reasons for remaining.

Ceylon's senate is still dominated by the opposition UNP because of a staggered senate election process. It is normally a rubber stamp for the house, but in August it sounded its own death knell when it vetoed a poorly written house constitutional amendment designed to save a cousin of the prime minister from being disqualified from his seat. Inasmuch as work on the new constitution has apparently bogged down, the house passed a bill in late October to abolish the senate, but this will evidently be defeated by the senate, thereby preventing the bill from becoming law for six months. The new constitution reportedly will specify a six-year term for the national assembly, in effect giving the present house as well as the Bandaranaike government the possibility of almost seven years in office.

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Workers loosening soil in rice paddies

The one government measure that initially was most appealing to the people was the implementation on 26 September of the coalition's promise to double the weekly rice ration. Under the new system each ration card holder (most of the island's 12.5 million people) will receive one two-pound "measure" of rice per week free, as during the Senanayake administration and an additional measure for which he must pay about US \$0.12. To operate the new ration program, the government has had to increase rice imports. In addition to the extra 100,000 tons from China,

Ceylon has obtained about 140,000 tons over its earlier purchases for 1970 from Burma, plus 10,000 tons from Pakistan.

To provide for the expanded rice ration, the government will also have to buy up a considerably larger portion of the domestic crop than it has been. The government will become the sole buyer of unmilled rice in March 1971 and, in preparation, has launched a crash program to increase its milling and storage facilities. Legislation will reportedly be introduced, whereby private truck and tractor owners would be compelled to lend their equipment 30 days each year—for which they supposedly will be paid a reasonable compensation—in an effort to lower production costs for small farmers. A large number of rice mills will also be taken over by the government to enable it to enlarge the capacity of its processing facilities.

So far it is uncertain how well the government will succeed in filling the double rice ration over a sustained period of time without adding seriously to the strains of an already overburdened economy. The situation may be alleviated somewhat by the world rice surplus, which could allow Ceylon to arrange favorable credit terms to ease its balance of payments. A hint of governmental awareness that even the present system could be too heavy a financial drain on the government's budget came in mid-October when Trade Minister Ilangaratne appealed to the Ceylonese to surrender their rice coupons or to refrain from buying their full ration of four pounds a week "as an act of benevolence to future generations." Many Ceylonese are indeed not buying the second measure, but not from altruistic motivation. They had expected a return to the system in effect during Mrs. Bandaranaike's former administration, whereby two measures of rice were sold for about US \$0.04 each. The quality of rice supplied under the present double ration is apparently poor, and the Ceylonese prefer to buy a better quality at a higher price on the market. The initial public enthusiasm for the new ration has lessened.

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The government will probably be reluctant, however, to do away with the new rice ration although it may alter it somehow, because it has little else to show for nearly half a year in office. It is unlikely that the average Ceylonese is excited over the prospects of a new constitution, and even when it is promulgated and a republic proclaimed, Mrs. Bandaranaike can expect only limited political benefit.

The Deepening Economic Crisis

Ceylon has had chronic trade deficits. For over a decade the prices of Ceylon's principal exports—tea, rubber, and coconut—have been falling, while the prices of its imports have been rising. In 1969, for example, prices on the London market for tea, the nation's largest exchange earner, dropped 10 percent and Ceylon's trade deficit increased sharply from US \$61 million in 1968 to about US \$113 million in 1969.

In an effort to reduce the trade deficit, the Bandaranaike government has enacted a new restrictive licensing procedure that has sharply reduced imports of both consumer goods and goods needed for industrial production. As a result, prices of consumer goods on the domestic market have risen markedly. The government's Consumers' Price Index has shown a dramatic rise from 114.8 in 1967 to 130.5 at the end of 1969 and to 138.7 in September (1952=100). The Bandaranaike government has already put several items under price controls, and Trade Minister Ilangaratne recently announced that at the beginning of 1971 all consumer goods would fall under such controls.

A lack of supplies has caused factories to reduce production, intensifying Ceylon's high unemployment problem. Over 12 percent of the labor force is unemployed. Among them are at least 10,000 university graduates, unable to find suitable jobs and prevented from doing physical labor because of the stratification of Ceylonese society. Presumably most of the unemployed

voted for Mrs. Bandaranaike's coalition last May and looked to her government to provide jobs.

The government is aware of the magnitude of its problems, and it appears equally aware of the growing discontent. Mrs. Bandaranaike has appealed for patience and time, and other officials have protested against charges that nothing is being done, pointing usually to the convening of the constituent assembly and to the increased rice ration as proof that the government is moving forward. That there is little else to point to is not entirely the fault of the present administration. Ceylon's economy is fundamentally agricultural.

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There is more room for government management in the export trade, but the import of most essential commodities is already a state monopoly. Although the coalition had promised during the campaign to nationalize the banking system (only a handful of foreign-owned banks would be affected because most banks were nationalized in Mrs. Bandaranaike's former term),

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In late October Finance Minister Perera introduced a bill in parliament that would enable the government to take over any business employing more than 100 workers. Defending the bill against sharp reaction from Ceylonese businessmen, government officials have stated that the bill's powers would be used only in extreme cases to eliminate uneconomical industrial enterprises and to help the government deal with businesses that refuse to comply with government policy. Whatever the bill's outcome, the private sector's apprehension over government intentions is likely to have an adverse effect on industrial production. If passed, the bill could be used by Marxist elements in the government as a means for rapid nationalization of some industries.

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The new budget, announced at the end of October and billed as a step toward completing the socialist transformation of the economy, contains some austere measures. A "one-shot" capital levy on individual wealth above US \$33,000 is called for. Persons with an annual income over US \$1,000 must deposit a portion of their income, ranging from 2 to 20 percent, with the government at 5 percent interest, and companies must deposit a flat percentage of their income. Although such measures may appeal to the less



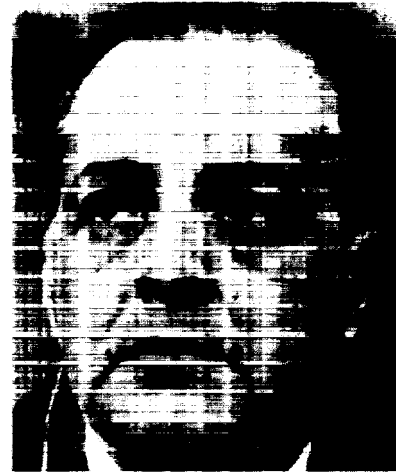
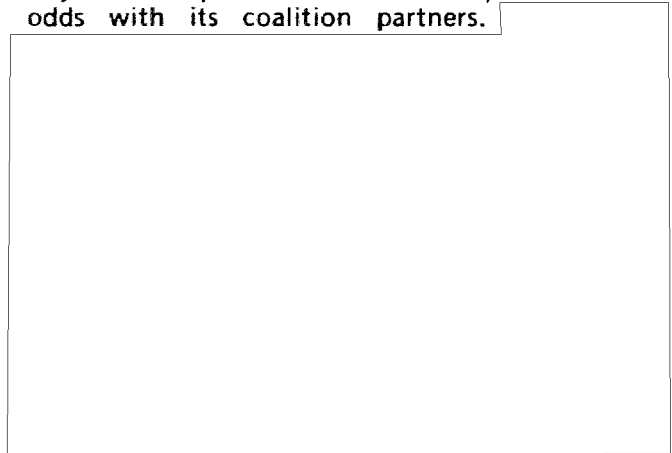
Ceylonese trying to exchange old 50 and 100 rupee notes after announcement of demonitization.

affluent Ceylonese and provide some additional source of government revenue, they will probably discourage investment and further slow the economy. Even people with lower incomes may be hit by increased excise taxes and by a demonitization plan for 50- and 100-rupee notes. By this plan, individuals who have hoarded such notes—and most probably avoided paying taxes on them—may exchange 100 rupees of the old notes for new ones. The excess is to be deposited for at least a brief period in banks, enabling the government to tax previously hoarded sums which had escaped scrutiny.

*Political Problems Within and Without
the Coalition*

Mrs. Bandaranaike faces more than economic problems. The three-party coalition is potentially explosive. The partners are united more by expediency than by ideology, and strains are already apparent. One area of friction is the trade union field where LSSP organizations have attempted to increase their strength, provoking her own SLFP to take countermeasures. One SLFP union has campaigned openly against an LSSP union leader who was appointed chairman of the Ceylon Transport Board. The CCP/M is also at odds with its coalition partners.

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[redacted] In late August Mrs. Bandaranaike found it necessary to issue a public appeal for unity. As long as both the LSSP and the CCP/M continue to need the SLFP more than Mrs. Bandaranaike's party needs them, however, the two junior partners will probably take care not to break up the coalition.

In addition to preserving unity, Mrs. Bandaranaike faces the problem of maintaining her own leadership. In the early days of her administration she took steps further to strengthen her control. Supervision of the public service was transferred from the Ministry of Finance, under the care of LSSP leader Perera, to the Home Affairs Ministry, headed by Felix Bandaranaike. Presumably this would make it more difficult for the LSSP to infiltrate effectively into the government apparatus. Two other LSSP leaders were given posts—those dealing with transportation and the plantation industries—that could bring them into direct conflict with some of the powerful trade unions controlled by their party. With the LSSP leaders hopefully given enough to keep them either in hot water or out of mischief and with the smaller CCP/M probably viewed as less of a threat, Mrs. Bandaranaike may have believed that she had effectively forestalled immediate challenges to her leadership. Although there has been the usual postelection changeover among police, military, and public service personnel, there is no firm evidence that enough members of the far left have attained positions of sufficient importance to enable them to exert a disproportionate influence over policy.

Although there may be no direct challenges in the near future, Mrs. Bandaranaike eventually may feel compelled to adopt more radical policies in order to protect her position. Her continued failure to alleviate Ceylon's problems could lead or stimulate the left wing of the SLFP to join with the LSSP and the Communists in demanding more radical moves. Mrs. Bandaranaike is also aware of a developing "new left" revolutionary element, composed of a number of apparently disunited organizations whose members are edu-

cated unemployed youths and whose leaders are generally former members of either the pro-Moscow or pro-Peking Communist parties. The government is clearly concerned, and a special police unit has been assigned to monitor the new left groups. Several arrests have been made, but usually the police have been able to prove little.

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Another potential source of agitation is the island's large (about 22 percent) Tamil minority, divided almost equally between the "Ceylon Tamils," whose ancestors have lived on the island for generations and who have full voting rights,

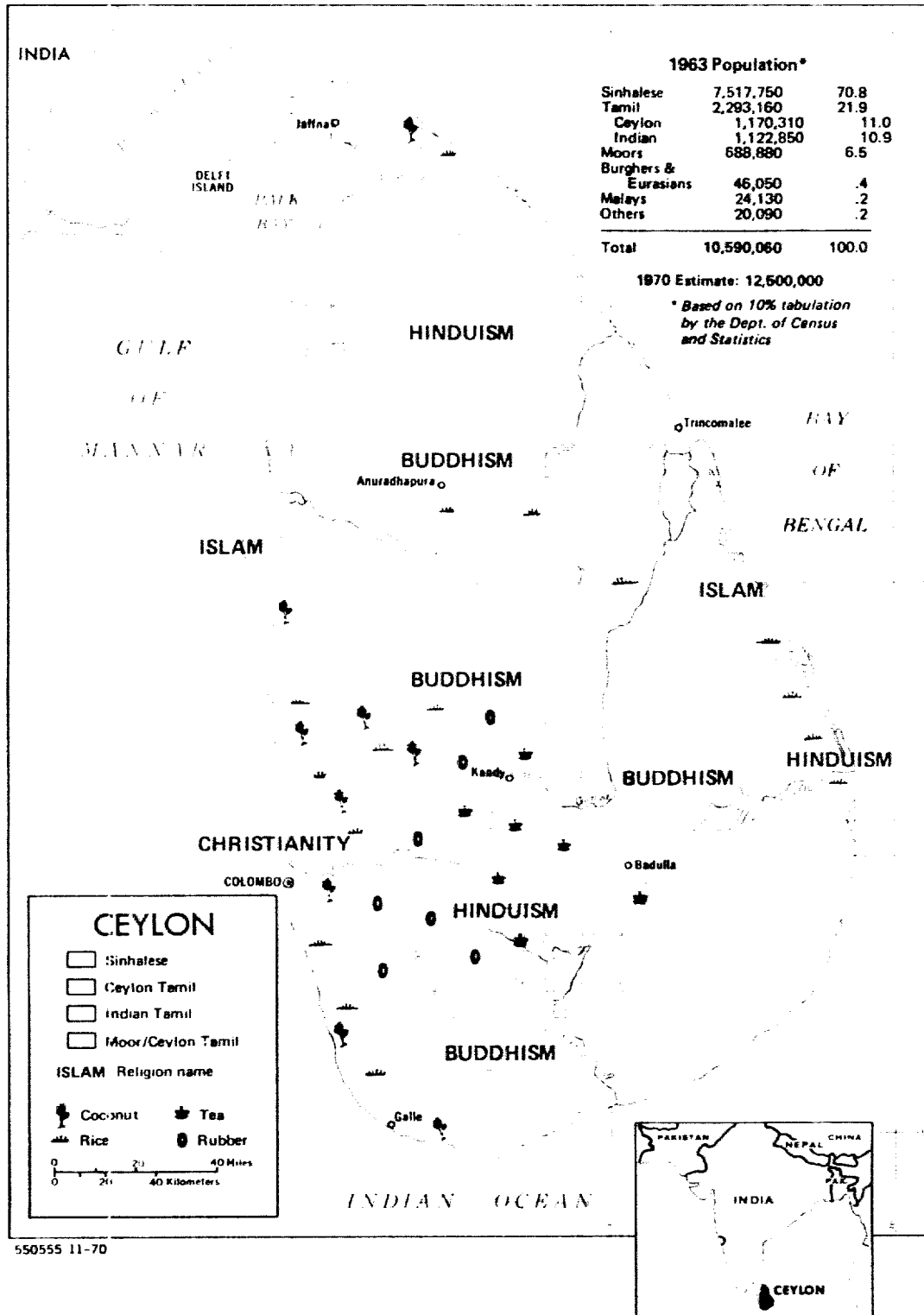


Indian Tamils Sorting Tea

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and the mostly disenfranchised "Indian Tamils," whose forebears were brought over from southern India in the second half of the 19th century to work on plantations. The Tamils remember that the earlier Bandaranaike administrations fanned existing anti-Tamil sentiment among the majority Sinhalese, causing occasional violence. The Ceylonese Tamils might begin agitating should the new constitution appear to discriminate against them, and the Indian Tamils, the work force for the important plantation industries, could cripple the economy should they launch a strike.

From whatever direction, there is a clear possibility of serious trouble for the new government. The people appear tired of slogans and impatient for tangible economic progress. There is a notable, relatively moderate element within the government, and Mrs. Bandaranaike herself is probably not a radical leftist. The possibility of strong leftist pressure from within or without the government, however, might prompt her to advocate more extreme solutions. Increased government control could lead eventually to creation of a more authoritarian form of government. [REDACTED]

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