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WEEKLY SUMMARY

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FAR EAST

Vietnam: *A Time for Soul Searching*

25X1 Despite mounting evidence that some of their leaders are unhappy over the way the war is going, the Communists apparently intend to pursue the same tactics they have employed for the past two years, at least through next spring.

COSVN issued a directive in mid-October outlining the tasks for this winter and spring in South Vietnam: the Communists are to strengthen the party's political and paramilitary apparatus, step up guerrilla warfare, and destroy the allied pacification effort. They are to avoid costly, large-scale engagements but are to keep up smaller attacks.

25X1 The directive similarly suggests that an all-out Communist effort in Cambodia is unlikely for the time being. Conquering Cambodia would serve no purpose because the Cambodian Communists are presently too weak to administer the country. Nonetheless, the directive indicates that half the main-force units in the COSVN area (which includes Cambodia as well as lower South Vietnam) are to be committed in Cambodia.

25X1 One reason for this conservative approach seems to be the Communists' belief that their own key facilities are threatened. COSVN says, for instance, that the allies will launch an offensive against Communist supply lines in the Laos-Cambodia-Vietnam triborder area that will be larger than last spring's move into Cambodia. [redacted] breaking up this attack is one of COSVN's priority tasks.

25X1 An underlying tone of pessimism has long been evident in Communist documents and to a lesser extent in propaganda. The COSVN directive provides further evidence that the Communists see little chance for a quick victory in either South Vietnam or Cambodia. Moreover, [redacted]

[redacted] provided an additional index of the degree to which the war is weighing on Communist officials in the north.

[redacted] the editor of the party daily, who is also an alternate member of the central committee, was unusually gloomy in discussing the war [redacted]

[redacted] He claimed that Vietnamization was a shrewd adaptation of the Maoist doctrine of protracted war and was sapping North Vietnam's energy and morale. He also expostulated on the problems Hanoi faces in opposing US power—especially moving supplies to the front—and admitted that the war was not going as well as the Communists claim publicly. Even allowing for some editorializing [redacted] this kind of unburdening [redacted] is quite rare from a North Vietnamese of such high standing.

How to Fight the War: One View or Many?

The field commander of Communist forces in the South—a general officer whose nom de guerre is Tran Nam Trung—also is not pleased with the way things are going and has urged a different approach to the war. In an article broadcast by Viet Cong radio and published in the Hanoi press, he calls for large-unit, quasi-conventional military operations of the kind that Hanoi pursued in the mid-60s—a theme that has since been muted as the Communists have adopted lower profile tactics.

Trung argues that large-unit pressure—particularly the 1968 Tet offensive—was instrumental in starting the US on the path of disengagement, and that similar pressure is needed again if the Communists are to end the war successfully. He seems to say that the time is ripening to accelerate big-unit warfare while maintaining guerrilla and subversive action, both because

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allied ranks have been thinned by the widened war and US withdrawals, and because the Communists have gained new allies in Laos and Cambodia. Unlike other recent military commentaries, Trung's article does not dwell on the need to preserve and strengthen local assets as the necessary precondition for a gradual return to large-scale combat. It argues, instead, that increased military action will improve both the climate for recruitment and for political and guerrilla activity.

Trung's article could signal the start of an intensified Communist drive some time soon in Cambodia, where most of the large Communist units are now campaigning. On the other hand, because the article is cast largely in terms of the situation in South Vietnam, it may mean that Hanoi has decided it must make a greater effort there if the allied position is to be reversed. Before the Communists could step up the war in the South, however, they would need several months to a year to re-establish their supply and base systems and to move more troops and supplies down from the North.

Another possibility is that Trung's article represents the start of a renewed debate over the best way to carry on the war at its present stage. Similar disagreements often have been reflected in the Communist press in the past, notably in the mid-60s when the issues were how many North Vietnamese troops should be committed and how they should be used. If the Trung article does signal a high-level debate of this kind, it may not necessarily represent the prevailing view in Hanoi, and more conservative articles about how the war should be fought may appear in the press before long.

Storm Before the Calm

Enemy military activity continued to accelerate up to the beginning of the Christmas

cease-fire period, but the enemy will probably abide by its self-imposed, three-day cease-fire. Although most Communist actions were small scale, they included shellings and large-caliber rocket attacks on Saigon and Da Nang. Ground clashes also multiplied during the week, but many were the result of allied field operations in which Communist casualties were high compared with allied losses.

Terrorism picked up significantly in Saigon, especially the bombing of allied billets. The Viet Cong Liberation Radio broadcast an appeal last week to "step up combat activities," citing alleged US "crimes in the north" and the Qui Nhon incident. It appears that the Communists might have advanced the dates for these attacks in an attempt to compound the unrest caused by student arson and other protest activities. The attacks on US vehicles and personnel by Honda-mounted gasoline bombers have tapered off, however, following an appeal by Saigon Student Union chairman Mam to "show goodwill" and a stern warning by General Minh, the Capital Military District commander.

The Communists began their cease-fire period at noon on 23 December (Washington time) and the 24-hour allied truce will begin early on 24 December (Washington time). Following past practice, the Communists probably will use the cease-fire to resupply and reposition their forces within South Vietnam.

Communist		
Begins	Saigon	Washington
Ends	Dec. 24-0100	Dec. 23-1200
	Dec. 27-0100	Dec. 26-1200
Allied		
Begins	Dec. 24-1800	Dec. 24-0500
Ends	Dec. 25-1800	Dec. 25-0500

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Politicking in Earnest

The primary contenders for next year's presidential race in South Vietnam continue to maneuver for support. President Thieu is pushing legislation that will restrict the number of candidates and probably give him a better chance of winning a plurality. The idea of a runoff election between the top two candidates apparently has been dropped, which will spare Thieu the prospect of facing various opposition groups united behind one candidate. In line with Thieu's plan to marshal the government bureaucracy behind his campaign, Colonel Be, head of the National Training Center at Vung Tau, has begun to organize some of the thousands of village development cadre graduated by the center to work in the provinces for Thieu's re-election.

Thieu's principal challenger, Big Minh, continues to express confidence about his chances.

Minh believes that he will draw support from Military Region (MR) 1 and 2, from the southern Catholics, and from middle- and junior-grade officers. Several province chiefs in MR 1 and 2 have indicated that Minh can expect support there, and his credentials as a southerner should stand him in good stead in the delta. The support of the An Quang Buddhists will be crucial to Minh's chances, but they have withheld any commitment to his candidacy so far, although they generally are sympathetic to his views.

Vice President Ky also is preparing to toss his hat into the presidential ring but has held back a formal announcement. Ky claims to have received pledges of support from some moderate Buddhists, and from young military officers. Nevertheless, he has implied that he will run for vice president, probably with Thieu, if he concludes that his presidential chances are poor.

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Laos: The War Slows

The government's month-long operation against the Communist logistics base at Ban Ban continues to make slow progress. Since 27 November, the more than 2,100 irregulars have succeeded in establishing positions about ten miles north and from three to six miles south of Ban Ban and have gained control of the airstrip at San Tiau. The forces have harassed North Vietnamese and Pathet Lao units in the area and have ambushed trucks on Route 61.

So far, however, they have been unable to generate sustained drives toward the Ban Ban

valley, through which flows the bulk of supplies for Communist units in the Plaine des Jarres. Progress has been slowed by bad weather—limiting effective air support—and by sporadic skirmishing with enemy units.

Elsewhere fighting has been confined largely to probes and harassing actions, although Communist forces around Ban Na in the north and the Bolovens Plateau in the south continue to plan attacks aimed at driving government forces from those areas.

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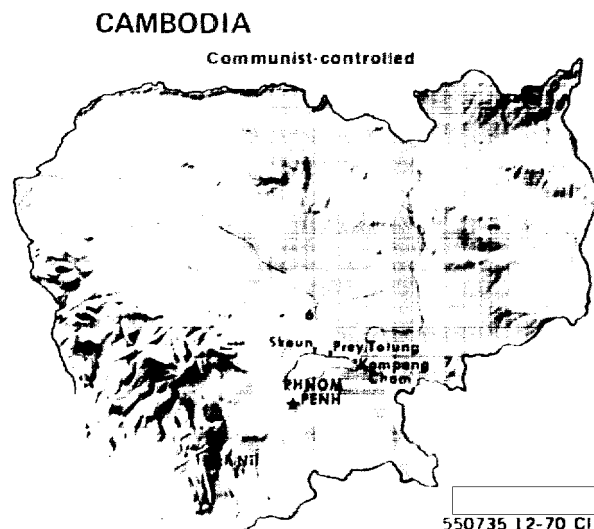
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Cambodia: *Clearing the Roads*

Cambodian and South Vietnamese (ARVN) forces have succeeded in reopening Route 7 between Skoun and Kompong Cham, but large numbers of Communist troops still pose a threat in the area. The three ARVN battalions have now turned to clearing secondary roads north of Route 7 and government troops have remained to protect the roadway. The Communists so far have avoided any significant contact with the South Vietnamese units, although they have launched a number of harassing attacks against government positions along Route 7. There have been unconfirmed reports that large numbers of enemy troops are located just south of Prey Totung—the scene of bitter fighting last week—as well as other reports indicating that enemy troops are moving westward across the Mekong River southwest of Kompong Cham city. So far, the battle for control of Route 7 has resulted in heavy casualties on both sides, extensive damage to the highway, and the almost total destruction of Prey Totung.

The fighting in the Kompong Cham area apparently has also cost the government an important political casualty. National Assembly president In Tam has resigned as governor of Kompong Cham Province following meetings with Prime Minister Lon Nol that preceded the deployment of ARVN troops west of Kompong Cham city. If Tam's resignation does not take effect until after the ARVN operation is terminated, he may either withdraw it or Lon Nol may reconsider accepting it.

Why In Tam quit is not clear, although the circumstances of his resignation suggest that he may have been unhappy about the government's inability to do more to assist Kompong Cham. Politically ambitious, In Tam may see some advantage in divorcing himself from Lon Nol's military policies or at least in staking out a position independent of Phnom Penh. In any case, his resignation is the first of a top-rank government leader and could be a sign that the war pressures are beginning to cause some cracks in the facade of unity that has prevailed since Sihanouk's ouster.



Elsewhere, government forces have made no progress in dislodging the Communists from the Pich Nil Pass area or in breaking their hold on Route 4. Enemy harassing attacks and sapper raids against government positions and bridges all along Route 4 have kept the Cambodian Army on the defensive and occupied with repairing the damage. That major highway, which connects Phnom Penh with Cambodia's main seaport, remains closed, and the capital's rapidly falling fuel stocks have led to an informal rationing of gasoline and cooking fuel for civilian use. Efforts to supply Phnom Penh with petroleum products from South Vietnam have not yet gotten under way but, once in operation, as much as three quarters of the country's needs can be shipped in from neighboring Vietnam.

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Okinawa: Riots Inflame Japanese Nationalism

Popular reaction in Japan to the recent rioting in Okinawa has been highly emotional and critical of the US, reflecting the growing Japanese national feeling and impatience for the end of US rule in 1972.

The violence against US military personnel and property, touched off by an automobile accident in which an Okinawan was injured, sparked a wave of criticism both in Japan and Okinawa against the Japanese Government for "permitting the US administration to disregard basic human rights" on Okinawa. The Japanese opposition parties are demanding that judicial authority in Okinawa be transferred to Japan before reversion takes place in 1972.

Prime Minister Sato immediately appealed for calm, urging the avoidance of any action that might interfere with the smooth process of reversion. Foreign Minister Aichi expressed the hope that the US would reflect on the problems leading up to this "unleashing of emotions." Privately, he inquired whether the US might be able to shift at least some criminal jurisdiction to the Okinawan authorities prior to reversion.

Okinawan bitterness has been building up in recent weeks as the result of a number of in-

cidents, including the acquittal of a US serviceman accused of the hit-and-run killing of an Okinawan woman, and continuing delays in the removal of chemical weapons from Okinawa. Reaction to these issues is taking on disturbing racial overtones, and further incidents involving US military personnel could well provoke more serious disturbances.

In this period of transition from US to Japanese administrative control, the Okinawans are prey to strong and often conflicting emotions. Not a few are apprehensive over their economic future under Japanese rule, expecting to be treated by Tokyo as poor country cousins. Conversely, despite these anxieties and the fact that the US military presence provides a major source of local income, many Okinawans are concerned that the islands are to remain a military strongpoint. They are susceptible to opposition charges that the US, in connivance with Tokyo, intends to maintain nuclear and chemical weapons on Okinawa even after reversion. In this interim period, therefore, Japanese leftists may find Okinawa an unusually attractive area in which to escalate local grievances into larger issues against the interests of both the Sato government and the US.

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South Korea: New Team Forming

The recent top-level government changes in Seoul are designed to strengthen President Pak Chong-hui's hand in the national elections next year and are not indicative of any major policy shifts. Incoming Prime Minister Paek Tu-chin is an experienced political functionary who served the Rhee regime in a variety of top jobs, including that of prime minister. Like his predecessor, who steps down to run for the National Assembly,

Paek is a northerner with no political base in the south and will be completely dependent on President Pak. The other major change is the selection of one-time chief presidential secretary Yi Hu-rak to head South Korea's Central Intelligence Agency. Yi is politically shrewd and close to President Pak. His appointment is indicative of the President's heavy dependence on the security apparatus in the upcoming elections.

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Other shifts are expected. The ministers of Home Affairs and Transportation have tendered their resignations in assuming traditional "moral responsibility" for the loss of some 300 lives when a ferry boat capsized on 15 December. Pak has also received the pro-forma resignations of leaders of his Democratic Republican Party. Likely changes include the restoration of Pak's controversial former number-two man, Kim

Chong-pil, to a position of influence in the party. Kim's own presidential ambitions almost brought him into open conflict with the President last year when Pak pushed through a constitutional change permitting him to run for a third term in 1971. His restoration to presidential favor will enable Pak to use Kim's considerable political talents during the coming elections.

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PHILIPPINES-USSR: The Marcos administration is giving active consideration to opening diplomatic ties with the Soviet Union, but an early move does not appear to be in the offing. The Soviets have indicated their readiness for this step, and influential members of Marcos' administration are advocating such ties as a means of encouraging Soviet economic assistance. Although

growing numbers of Filipinos consider the traditional policy of avoiding Communist states outmoded, this group—however vocal—represents only a relatively small proportion of the populace. Marcos is likely to move cautiously as he may feel it necessary first to develop a national consensus that relations are desirable.

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COMMUNIST CHINA - USSR: The Tass announcement on 19 December of the adjourning of the annual Sino-Soviet river navigation talks, in session since July, has left unclear whether any agreement was reached beyond a decision to reconvene next year. The talks, which normally deal with technical matters relating to use of the Far Eastern border rivers, were reportedly prolonged by the interjection of the territorial dispute, particularly the question of ownership of certain islands. In 1969, when the talks resumed after a year's hiatus, the sessions lasted only a few weeks before an agreement was signed. It is possi-

ble that a technical agreement on some navigational matters had been reached in line with recent mutual efforts to prevent fundamental differences from interfering with normal state-to-state relations, but the border rivers normally freeze at this time, making any agreement for 1970 academic. Peking and Moscow have failed, however, to make progress toward resolution of the more basic issues discussed in the Peking political talks, which apparently have been in recess since 5 December when the two top Soviet diplomats returned to Moscow.

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EUROPE

Gomulka Era Ends in Poland

Fourteen years of rule by Communist party chief Wladyslaw Gomulka ended on 20 December after a week of bloody rioting and nationwide worker disaffection. The central committee entrusted power to Edward Gierek, the tough and efficient party administrator of Silesia, Poland's industrial heartland. The new leader shows signs of striving for a more responsible, pragmatic style of government, greater communication between the rulers and the ruled, and in the short run, relief of the economic grievances that sparked the riots.

Order seems to have been restored in all the riot-torn areas by midweek, although local disputes over immediate economic issues, go-slow strikes, and popular tension persisted in some urban areas including Szczecin, where a curfew was still in effect. The government on 22 December rescinded the harsh emergency decree issued last week. No Soviet military involvement was noted at anytime during the disturbances.

The population as a whole seems to have accepted calmly the party leadership changes and for the moment appears prepared to give Gierek a chance to bring about those improvements that had so long eluded the Gomulka regime. Warsaw officially announced that Gomulka himself was gravely ill and would be hospitalized for an extended period.

New Directions

In his speech to the nation shortly after the announcement of the leadership changes, Gierek was critical of the ill-timed and ill-conceived economic steps taken by his predecessor, promised to remove the badly thought out conceptions in economic policy, and indicated sympathy with the people's problems. He announced that the politburo would soon seek to improve the lot of

those hardest hit by the price rises in fuels and essential foodstuffs, the immediate cause of the crisis.

Although Gierek thus promised relief, which in the short term could include steps backward from incipient economic reforms, he gave no sign that the price changes would be rescinded or that the reforms would be abandoned. In a speech to the parliament session on 23 December he promised only that today's prices would be frozen for two years. For the immediate future, Gierek's success in maintaining the thrust of the reforms while remedying their immediate impact on the working class will determine his ability to restore order in the country and to stabilize his hold over the party leadership.

Gierek made no allusions to outside incitement or other causes for the disturbances, a sign of realism that could augur well for the future.



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Instead he promised to consult with the lower echelons of the party and the "working class" before taking further steps. His appeal for support from all strata of the population probably was a breath of fresh air to most Poles, whose most frequently articulated grievance was the isolation of the Gomulka regime's policymaking from popular desires. Because the party's channels of communications are either nonexistent or atrophied at present, however, this promise will be hard to keep.

Unlike 1956 when a popular upheaval brought Gomulka to power, the seven days that have just shaken Poland were neither a result of hunger nor of Stalinist terror. They were caused rather by mounting popular resentment over the inattention given by an inept and autocratic leadership to domestic bread-and-butter issues, in part because of its preoccupation with foreign policy. Gierek's first and major tasks will be to change the regime's modus operandi, to re-establish a dialogue with the workers, and to seek immediate economic remedies. To succeed he needs the support and confidence of both the party apparatus and the people. In this regard, the regime has already indicated that it intends to seek an accommodation with Poland's powerful Roman Catholic Church. For the moment, Gierek's greatest asset appears to be his realization that without popular support any new policies he may introduce will founder.

The New Team

The new leadership is clearly worker oriented. The shades of opinion represented in the top bodies seem to constitute a deliberate attempt to achieve a regime of "national unity" and a "collective leadership."

The new hierarchy is a mixture of age and youth, but on balance the new team is younger, better educated, and probably more modern and realistic in outlook. Thus, the leaders are likely to work well with Gierek, who, unlike Gomulka, is traveled, approachable, speaks several Western

languages, and reportedly is at ease in the presence of Westerners. The "rationalizers," who had entered the upper-middle levels of the regime as the price for Gomulka's continued leadership following the party crisis of 1968, have now assumed a balancing role on the politburo.

Although Gierek has taken over leadership at a time when Poland's chronic factional warfare has all but disappeared, his task is the more difficult because of the immediate circumstances of his rise to power. Among the outstanding intra-party questions is his ability to work with the newly promoted, hard-line politburo member, Moczar. During the 1968 struggle Gierek seemed to sympathize with many of Moczar's nationalist and quasi-populist views, but he could not associate himself with Moczar's demagogic methods. In the end he closed ranks with Gomulka to check Moczar's ambitions. Whatever compromise has now been struck between them, neither is likely to forget the past.

Other problems are represented by such Gomulka carryovers as trade union boss Loga-Sowinski, and former premier Cyrankiewicz. Moving rapidly to bring the government into line with the new party hierarchy, a special parliamentary session on 23 December appointed hard-headed economist and former deputy premier Piotr Jaroszewicz to replace the durable Cyrankiewicz, who moved up to the largely ceremonial post of head of state vacated by retiring Marshal Marian Spychalski. For the time being many other ministerial portfolios are likely to remain unchanged for the sake of continuity; initial changes are likely to focus on the economic sector.

Foreign Policy

Gierek is likely to focus such attention as he can on consolidation of his credentials in the Soviet orbit. He has already gone on record to stress both personal and national loyalty to the Soviet Union. Both Moscow and the Polish people understand that Warsaw's relationship with the

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USSR and the bloc has not changed. Moscow's chief interest in the upheaval has been the restoration of political tranquility. Moscow's low military posture presumably reflected its fear of sparking a violent anti-Soviet reaction from the nationalistic Poles. In line with this approach, Moscow has offered strong backing for Gierek. Within hours of Gierek's appointment, Brezhnev

addressed a warm personal message of congratulations, greeting Gierek as a "sincere friend of the Soviet Union" and a "convinced Communist and internationalist."

A Polish diplomat in Moscow has indicated that Gierek and the Soviet leaders may meet soon. The Pole added that Moscow was gratified

POLITBURO		
12 Members		
OLD		NEW
†Wladyslaw Gomulka		
Jozef Cyrankiewicz		Jozef Cyrankiewicz
Edward Gierek		Edward Gierek
†Boleslaw Jaszczuk		
		‡Piotr Jaroszewicz
Stefan Jedrychowski		Stefan Jedrychowski
†Zenon Kliszko		
		■Edward Babiuch
Stanislaw Kociolek		Stanislaw Kociolek
Wladyslaw Kruczek		Wladyslaw Kruczek
Ignacy Loga-Sowinski		Ignacy Loga-Sowinski
†Marian Spychalski		
		‡Mieczyslaw Moczar
†Ryszard Strzelecki		
		‡Stefan Olszowski
Jozef Tejchma		Jozef Tejchma
		‡Jan Szydlak

CANDIDATE POLITBURO	
4 Members	
Mieczyslaw Jagielski	Mieczyslaw Jagielski
‡Piotr Jaroszewicz	
‡Mieczyslaw Moczar	
‡Jan Szydlak	
	■Henryk Jablonski
	■Wojciech Jaruzelski
	■Jozef Kepa

Changes in Polish Party Leadership

† Ousted ‡ Promoted ■ New Man in Leadership

SECRETARIAT		
9 Members		
OLD		NEW
†Wladyslaw Gomulka		
†Boleslaw Jaszczuk		
†Zenon Kliszko		
		Edward Gierek
		■Edward Babiuch
		■Kazimierz Barcikowski
Mieczyslaw Moczar		Mieczyslaw Moczar
Stefan Olszowski		Stefan Olszowski
Artur Starewicz		Artur Starewicz
†Ryszard Strzelecki		
		Stanislaw Kociolek
Jan Szydlak		Jan Szydlak
Jozef Tejchma		Jozef Tejchma

Why did it come to this disaster? How and why have such sharp social conflicts arisen?...It is the duty of the party and government leadership to give the party and the nation a full answer to these questions. It will be a difficult and self-critical answer, but it will be clear and true.... The iron rule of our economic policy and our policy in general must always be to count with reality, to consult broadly with the working class and intelligentsia, to respect the principle of collective decision making and democracy in the life of the party.... We appeal to workers, to the intelligentsia, to men of science, to all milieus, for co-participation in the solution of these problems. We shall create political and organizational conditions for such cooperation, observing the norms of socialist democracy in all fields of life.

— Edward Gierek, 20 December 1970

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that the demonstrations in Poland generally did not have an anti-Soviet cast, and that Soviet leaders had in fact reacted with "wise and friendly concern."

Relations with the West, especially with West Germany, probably will be held in abeyance but not ignored. Too much was achieved by Gomulka to be reversed or kept in limbo for long.

Gierek's first statement on this subject was brief and cautious, but he made it clear that the road toward "normalization" of relations with Bonn would not be abandoned. Gierek never mentioned the United States in his speech, and his policies toward it are unlikely to change in the immediate future, if only because any decisions in this area will have to yield priority to more pressing domestic problems. [REDACTED]

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EAST GERMANY - BERLIN: The East Germans ended 72 hours of harassment of highway traffic between West Berlin and West Germany the morning after the meeting of West German Social Democratic leaders in the former capital on 21 December. The threat of further disruptions exists, however, between now and next March, when the West Berlin elections are scheduled. There will be great pressure on Federal Republic politicians to visit the city prior to the elections.

Chancellor Brandt is scheduled to arrive there on 23 December, and President Heinemann is planning a visit in late January. The Soviets and East Germans allowed the visits made by these two officials earlier this month to pass with nothing more than token press criticism. Other, more demonstrative displays of West German political activity in West Berlin, however, can be expected to evoke a strong, Soviet-backed reaction from Pankow. [REDACTED]

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Bonn's Economic Ostpolitik Pushes Forward

Signature on 17 December of the West German - Czechoslovak long-term trade and economic cooperation agreement completes Bonn's program of reaching or renewing such pacts with all countries of Eastern Europe except Albania. This sets the stage for negotiating a new agreement with the USSR to replace the one that expired in 1963. Although trade between Bonn and Moscow has continued to grow in the absence of a formal agreement, a new pact could foster even further increases in trade.

Bonn's leading role in East-West trade reflects aggressive German sales techniques, the

Communist demand for West German goods, and the appeal of certain items such as specialized steels. West Germany accounts for roughly 25 percent of Eastern Europe's and about one eighth of the USSR's trade with the developed West. The Soviets have not noticeably favored Bonn in buying goods embodying advanced technology, however, despite German statements that Moscow avidly wants such German products.

During the first half of this year West German exports to Communist countries, excluding Yugoslavia, rose to \$1,072 million, an increase of 28 percent. Imports rose 24 percent to \$770

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million. Bonn's burgeoning export surplus with the Communist world grew by almost 40 percent over the first six months of last year. The share of the Communist countries in Bonn's over-all trade, however, remained at a stable five-to-six percent.

Bonn's trade with Hungary and Poland increased most dramatically, growing by more than half and over one third, respectively; turnover with Romania and Czechoslovakia rose by only slightly lesser rates. East Germany continues to be Bonn's major Communist trading partner, however, enjoying a special status whereby exchanges between the two are not considered international trade. This trade is therefore duty free and exempt from the Common Market restrictions that govern the dealings of Bonn, as well as those of its chief competitors, with other nonmember countries.

Bonn's various economic relations with the USSR are currently highlighted by Moscow's courting of West German truck manufacturers to participate in building the Kama River truck plant. This project, which the Ford Motor Company backed off from, is so extensive that the Soviets hope to put together a consortium of West European companies in which the West Germans would play a major role. German manufacturers, however, have been reluctant to become overcommitted, probably with Fiat's trying experience in building the Togliatti automobile plant in mind.

West Germany is working with the Soviets to establish joint air service and to implement the

exchange of scientists agreed to last September. There is also some indication that Moscow may open a bank in West Germany to facilitate the growing economic ties between the two countries. The largest single Soviet - West German contract, signed last February, involves the shipment of large-diameter pipe and equipment to the USSR with repayment to be made largely from the earnings of the sale of natural gas in West Germany.

Bonn is well ahead of its West European competitors in its economic negotiations with Yugoslavia. Belgrade has finally agreed to let a West German firm transfer profits into foreign exchange and to recover its entire investment in a proposed joint venture with a Yugoslav enterprise. In return, Bonn will extend its regular investment guarantee to the German firm, which further enhances the likelihood of a successful deal.

If extended broadly across the spectrum of present and prospective West German - Yugoslav economic relations, these developments should further strengthen Bonn's already strong commercial position in Yugoslavia. Furthermore, as West German - Yugoslav economic ties have tended to presage Bonn's economic policies toward the rest of Eastern Europe in the past, these developments suggest even closer economic ties with the area in the future.

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UN: The annual change in the composition of the Security Council on 1 January should produce a Council somewhat more favorable to Western interests. NATO allies Italy and Belgium replace Spain and neutralist Finland. Spain has tended to be sympathetic to Arab representations to the Council. In addition to changes mentioned above, Argentina takes over from Colombia,

Japan from Nepal, and Somalia from Zambia. There is a chance that Taiwan's credentials will be challenged at the first meeting of the new Council, something that has not occurred since 1968. The US mission at the UN hopes to garner enough votes to block formal consideration of that matter.

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NETHERLANDS: Prime Minister De Jong's four-party coalition last week avoided a government crisis by agreeing to another compromise in its anti-inflation program. Opposition by the labor federations and the labor wings of the coalition parties forced the government to abandon plans for a six-month wage freeze and to accept instead limited pay hikes. Although union leaders

support the compromise, rank-and-file members could still precipitate the government's collapse this winter if they repeat last August's wildcat strikes. The De Jong coalition's term expires next spring in any event, and the issue of inflation, certain to dominate the electoral campaign, will be the number-one problem of the next government.

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EC Impasse On Monetary Union

In failing to agree last week on a plan for implementing economic and monetary union, the European Community (EC) demonstrated its difficulty in compromising on political and institutional issues fundamental to its future development. The monetary union, which the Six are agreed should be established in stages over the next ten years, would require member states to relinquish to the Community much of their authority over economic policies. The first stage—including a narrowing of exchange-rate margins among currencies of the Six and greater cooperation on budgetary policies—is in itself largely noncontroversial. The lengthy Council debate last week found the French unable to agree with the EC Commission and the other member states on what kind of institutions should govern the ultimate phases of monetary union and how much power these institutions should have.

Some quarters in Brussels feel that the plan under consideration tried to settle too much too quickly. Specifically, they believe it was a mistake to take advantage of Paris' hope for monetary union to press for an early French commitment to a supranational organization. The Five, however, have made it clear that they require such a commitment now. West Germany has been particularly insistent on institutional arrangements

that would provide a safeguard against excessively inflationary policies, the major costs of which Bonn would most likely have to bear. Moreover, Brandt's government is eager to demonstrate that its Ostpolitik has not engendered any diminution of its support for an institutionally strong Community.

Bonn believes that existing Community machinery will not suffice to administer the full monetary union. The French, on the other hand, maintain that it is too early to know what changes, if any, will be needed. Behind this dispute lies the question whether majority voting—whose present disuse in the Council Paris would presumably like to maintain—should govern economic policy decisions. Also at issue between France and the Five are how independent and centralized a Community central banking system should be and how much power the European Parliament should have in relation to the proposed economic and monetary union.

Sources in Brussels believe that as much as six months may be needed to prepare a compromise acceptable to France and the Five. In the meantime, the Dutch are apparently promoting talk of a package deal involving monetary union and UK accession. Such linkage seems

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improbable, however, since it could seriously slow the enlargement negotiations. Despite tough French bargaining in the negotiations with Britain, Paris presumably does not want to be charged with delaying those negotiations by tying

them to outside issues. A package deal might also serve to escalate the present controversy, which is being played down by all parties despite the clear setback presented by the failure to agree on monetary union.

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MIDDLE EAST - AFRICA

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Lebanon: *Internal Security Organization Reined In*

The new administration of President Franjiyah and Prime Minister Salam is working on its promise to get the army out of politics. If it succeeds, a major force in Lebanese political life will have been eliminated.

After General Shihab—the hero of the civil war in 1958 and the commander of the armed forces—was elected president in 1958, he reorganized the security forces and gave the main responsibility for intelligence to the army's G-2, which he staffed with officers loyal to him. Since then, it has constantly meddled in domestic politics, especially at election time, by bribing and threatening candidates and voters. Even after the election of President Hilu in 1964, the army continued to be omnipresent in politics, despite Hilu's half-hearted attempt to curb its power.

Criticism of army interference in politics grew steadily and was probably a principal reason for the election of Franjiyah in 1970. Franjiyah won by one vote in the presidential election in the Chamber of Deputies with the support of those—on both the right and the left—who were most vehemently opposed to Shihab and the army. In his first policy statement, Prime Minister Salam emphasized the need to get the army out of politics and to improve its capabilities to defend the country's borders. Thus, effective 15 December, 18 G-2 officers were transferred, some of them to embassies abroad—presumably to en-

sure that they would not attempt to reinstate themselves through a coup.

the Chamber passed a bill canceling all military jurisdiction over press censorship cases and guaranteeing the right of a defendant in a military investigation to have his attorney present.

These measures, when combined with the licensing of previously outlawed political parties by leftist Interior Minister Jumblatt in the last days of the Hilu administration, could result in increased dissident activity against the government

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SECRET**Jordan: *A White Christmas for the Fedayeen?***

The first snow of winter fell on the hills of northern Jordan last week, leaving the fedayeen commandos who had been expelled from Jarash out in the cold.

By the terms of the Cairo and Amman agreements that brought an end to the September fighting, the fedayeen were to have moved their military units out of the towns and into the hills and valleys facing their putative enemy, the Israelis. If the logic of this move was unarguable, the realities were something less than palatable; most of the fedayeen in Jordan have grown accustomed to urban quarters and suburban camps.

It is questionable whether the Jarash-based fedayeen have actually used the 15-day respite granted them by the Arab truce commission and the army to build hillside shelters. This should have been done long since, but few if any of the commandos appear to have taken seriously the idea that they should henceforth live the life of the military camp. The Jordan Army was to have spent the time since September refurbishing some of its own camps in the Jordan valley for fedayeen habitation, but the only fedayeen known to be enjoying army hospitality are those captured in September and carried off to desert prisons.

Faced with army pressure against their traditional strongholds in Amman and the northern cities, with an increasingly hostile attitude among Bedouin and perhaps even Palestinian villagers, and with the harsh realities of winter in the open, many of the commandos appear to have gone north for the winter, despite the unsettled political climate in Syria. In October, there was a general exodus of guerrilla fighters from Jordan as those summoned from Lebanon, Syria, and elsewhere for the September confrontation straggled homeward. Since then, buses and trucks bearing Arabs in camouflage fatigues have been observed passing through Ramtha toward Dera at least several days a week. What happens to these paramilitary refugees on the Syrian side of the border is a matter for conjecture, but the prospects are apparently more pleasing than those from the Gilead hills, from where—on a very clear day—you can see as far as Armageddon.

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UNRWA's Position Remains Precarious

The chronic financial problems of the UN Relief and Works Agency (UNRWA), which provides welfare services to the Palestinian refugees of the Middle East, have not been alleviated by recent developments. In fact, it now appears that UNRWA may not be able to survive the coming year without a substantial alteration of its functions in the refugee camps.

As a partial result of continuing allegations of fedayeen utilization of the camps, the annual UNRWA pledging conference at the General Assembly earlier this month produced only a lukewarm response—about \$6 million less than the agency's budgetary projections for 1971. The subsequent report of the nine-nation working group created to study the situation gives little hope for a quick resolution of the fiscal crisis. Some observers believe that contributions from other UN agencies could fund UNRWA functions, but these agencies face strains on their own budgets. Arab UN delegates have stressed the "devastating repercussions" specifically associated with any curtailment of UNRWA's education program, which could drive up to 50,000 Palestinian teenagers into an even more active role in the fedayeen movement.

Representatives of UNRWA generally have not accepted US suggestions that they relinquish

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some of their duties to the host governments in order to lower both costs and the agency's liability for fedayeen actions. The specific hope that Jordan would seek to take over some of UNRWA's functions may also be dimming. A Jordanian official has told the US that the present stability in his country is too fragile to permit any new moves putting additional strains on Jordan's finances.

Meanwhile, Israel has not yet decided whether to take over certain UNRWA operations in the territories it occupied in the 1967 war. Israeli public opinion favors an end to UNRWA's presence, but the government appears inclined to move more slowly, noting that a rapid take-over would surely evoke an Arab outcry. [REDACTED]

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EGYPT-USSR: Discussions in Moscow between Soviet leaders and the Egyptian delegation led by Vice President Ali Sabri are expected to concentrate on political contingency plans for the immediate future. UN special representative Jarring is scheduled to submit his report on the status of his mission to the Security Council before 5 January, and the cease-fire extension expires on 5 February. Both of these dates will require Cairo to make some tough decisions, which it will want to discuss with its Moscow mentors. Early press coverage of the visit, which is to last until sometime after Christmas, has contained only the usual pledges of friendship

while emphasizing the necessity of solving the Middle East impasse by implementation of the UN Security Council resolution of 1967.

Military and economic matters are also being discussed by other members of the Egyptian delegation. According to the semiofficial Egyptian newspaper *al-Ahram*, Minister of Industry Sidqi was to review Egypt's economic development plans with his Soviet counterpart, while Minister of War Fawzi was to meet Defense Minister Grechko for a discussion of the general military situation. [REDACTED]

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Libya: *The Politics of Islam*

Revolutionary Command Council Chairman Qadhafi may move to form a "progressive" Islamic bloc in an attempt to undermine the position of the conservative Arab regimes.

The Libyan press gave extensive coverage to the first "conference for the propagation of Islam," held in Tripoli from 12 to 16 December and attended by Muslim scholars from a wide variety of nations. The "unofficial" conference issued a final communiqué calling for the formation of a permanent Islamic organization to be

based in Libya, and for the establishment of a fund for the propagation of the faith, to be financed by contributions from member governments and "Islamic peoples."

The possibility of a radical Islamic organization based in Libya threatens Saudi King Faysal's long-standing campaign to establish an Islamic secretariat under conservative auspices. It may also be an attempt by Qadhafi to assume Nasir's influence among the black Islamic peoples of northern and western Africa. Libya has the resources to fund such an Islamic organization and

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25X6 Qadhafi may well contemplate some connection between the new organization in Tripoli and the proposed "progressive" quadripartite alliance of Egypt, Sudan, Syria, and Libya.

Qadhafi's dabbling in progressive Islamic politics coincides with a strident Libyan campaign against Jordan's King Husayn, launched on 9 December, suggesting that a political as well as a religious drive to isolate the conservative Arab regimes may be in progress. The visit of Algerian Prime Minister Boumediene to Libya in late December could give such an anticonservative campaign more momentum. There have been rumors that Algeria will endorse the quadripartite alliance in principle, and Libya's moves to enhance its Islamic image may be designed to impress the ascetic Algerian leader.

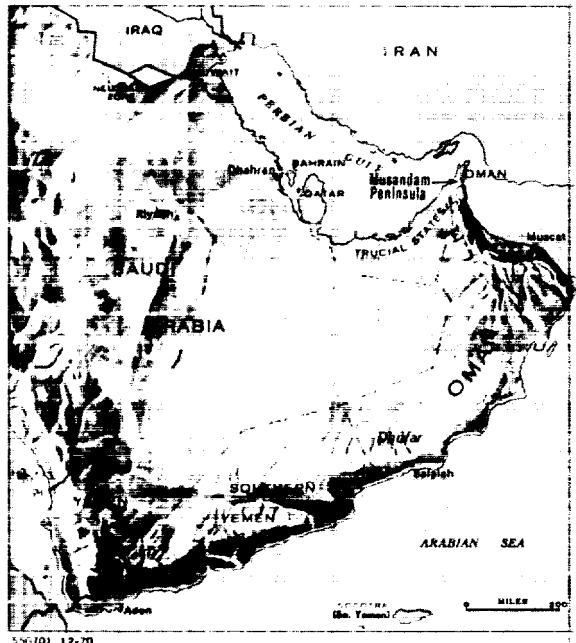
The Tripoli conference also provided Qadhafi with some domestic advantage, by picturing the current regime as devoutly Muslim in contrast with the morally corrupt government of former King Idris.

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Persian Gulf: *Simmering Subversion*

With the stabilizing influence of the British presence on the wane over the past year, the Persian Gulf sheikhdoms have experienced an increase in subversive groups and a step-up in radical ideological agitation. This trend represents the chief threat to the stability and independence of these states, which are still unable to arrive at any formula for federation. The subversive groups themselves, however, face major difficulties, primarily a need to attract outside support and somehow to meld native nationalism with foreign ideologies.

For generations, crude nationalistic groups have sought some form of autonomy, if not independence, from the traditional autocratic control of the various rulers. They have been assisted—or exploited—haphazardly at various times by Egypt and Iraq, as well as by neighboring Saudi Arabia and more recently by Southern Yemen. Until lately these efforts had done little more than



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irritate the traditional regimes, which were buffered by security organizations officered and equipped by the British.

Recently, however, the discovery of oil and the success of the Palestinian resistance movement have given impetus to the formation of nationalist organizations. The proximity of the radical regime in Aden has facilitated contacts with foreign supporters, and other radical states in the Arab world are once again aking note of the Persian Gulf.

Domestic and foreign agitators alike have responded by promoting a bewildering array of organizations that sometimes overlap and often duplicate each other. Some of these are almost literally paper organizations, but two are relatively important: PFLOAG (Popular Front for the Liberation of Oman and the Arabian Gulf) and FLEAP (Front for the Liberation of the Eastern Arabian Peninsula).

The first is an umbrella organization that has tried to shelter an assortment of smaller groups, many sponsored by Iraqi or Syrian Baathists. Its chief area of operations has been in Oman and the

Trucial States, where it has carried on sporadic sabotage and guerrilla attacks against oil and military installations. A split may now be developing, however, between the ideologically oriented leaders and the hard-core native nationalists, which could negate the effects of foreign money and arms.

The other group, FLEAP, has a known membership of over 200 in Bahrain, where the group was just recently uncovered. Although FLEAP has taken Syrian money, it does not appear to have close ties with Damascus. Primarily a group of frustrated local Baathis, it had been fairly successful until recently in building a secure cell system under the noses of the police, and its discovery came as a rude shock to security officials.

The strong individualism that separates the regimes in this area is also reflected in the subversive organizations, and has inhibited cooperation among the many disparate groups. So far, foreign attempts to unite them by furnishing arms and expertise have 25X1 failed, largely because the attendant effort to inject a foreign ideology into local causes has added yet another issue for argument. [REDACTED]

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GUINEA: President Toure's fears of further Portuguese attacks continue unabated, although there is no independent evidence to substantiate them. Guinean security forces remain on alert, ex-servicemen have been recalled to duty, and local party authorities have been directed to rally popular support and to prepare lists of "suspect foreign and local elements." A German national, whom the Guineans allege is the local chief of West German intelligence, has been arrested and charged with complicity in the recent attacks, and Conakry has asked for the recall of the West German ambassador. Toure has again appealed to the United Nations,

charging that troops are massing in Portuguese Guinea and in Senegal to attack a number of widely separated Guinean towns. The President also has almost certainly talked over his fears with friendly African and Communist countries.

Toure's agitation could be inspired by exaggerated and imaginative confessions extracted from prisoners captured in the recent attacks or from suspects subsequently rounded up inside Guinea. If that is the case, additional arrests and interrogations will probably produce further reports of impending invasion and lead to continuing tension in Conakry. [REDACTED]

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SECRET**Cyprus: Makarios Sees Rightist Opposition Growing**

President Makarios is again voicing suspicion that his rightist political enemies in the Greek Cypriot community have begun a campaign to discredit and weaken him. He sees this as part of a larger plot, supported by "hard-liners" in the Greek Government, to force him eventually to agree to "an imposed solution" to the Cyprus problem, presumably to be worked out between Greece and Turkey.

Despite their statements to the contrary, Nicosia and Athens have never returned to the cordial relations of the period before the crisis of late 1967. Relations have grown cooler still since last March, when several Greek officers stationed on Cyprus were widely believed to be key figures in an attempted assassination of Makarios.

Rightist Greek-Cypriot opposition to Makarios centers around the conviction that he has reneged on his promise to promote the cause of union with Greece (enosis). This has led, within the past year, to both open and clandestine antiregime acts by strong supporters of enosis. A secret, ultraconservative group known as the National Front was accused of much of this, and Makarios has tried in various ways to neutralize the group in recent months.

Makarios now claims to see a threat from within the island's largest political party, the moderately conservative Unity Party (UP), which holds the largest bloc of seats (15) in the 35-member House of Representatives. A large faction of the UP is made up of followers of the late pro-enosis fighter Polycarpus Georkatzis, for

whose murder last March they hold Makarios at least partly responsible.

This group, if it makes common cause with the National Front and other anti-Makarios elements, could constitute a larger domestic political threat to Makarios than he has yet faced. Backing from Athens would make the anti-Makarios movement still more formidable.

In the past, when threatened by dissidence within his own community, Makarios has usually raised the specter of Turkish irredentism. This tactic invariably leads to renewed tension between the two communities and has several times evoked strong reactions from Turkey, but it has also succeeded in reuniting all the Greek Cypriot factions behind Makarios.

Given the present strain in his relations with Athens, Makarios may hesitate to gamble on its support again in any renewal of a confrontation with Turkey. He may thus seek to neutralize his right-of-center opposition by drawing closer, or seeming to, to the Communist Party of Cyprus (ADEK) and to the party of his leftist personal physician, Dr. Lyssarides. ADEK scored a surprising success in last July's parliamentary election, seating all of its nine candidates and ensuring the election of Lyssarides and one of his followers by throwing support to them. Were Makarios to shift to the left, however, it might provoke rather than intimidate his rightist opponents—and perhaps Athens—into more decisive moves against him.

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India: Prospects for Early Elections

In recent weeks, speculation has been increasing in Indian political and press circles that Prime Minister Gandhi may dissolve the lower house of Parliament and schedule elections for early 1971, although the current five-year term does not expire until February 1972.

From Mrs. Gandhi's standpoint, there are strong arguments both for and against early elections. She currently is highly popular because of her public image as a strong-willed progressive, a reputation fostered by recent popular measures such as her nationalization of a number of private

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banks and her effort to terminate the payments and privileges granted to former rulers of princely states. Other considerations favoring early elections include the possibility that the present string of four consecutive good annual harvests could be broken in the fall of 1971; the danger of worsening inflation and unemployment during the coming year; the belief of some observers that an absolute majority for Mrs. Gandhi's Ruling Congress Party—it now holds 225 out of 522 lower house seats—may be within reach; and the fragmentation and unattractive public image from which much of her opposition is presently suffering. Moreover, holding elections at a time other than during the February 1972 state legislative elections would focus attention on the national issues on which Mrs. Gandhi's popularity is based rather than on local issues and personalities.

On the other hand, Uttar Pradesh, India's most populous state, is presently controlled by an opposition coalition that could utilize state machinery in an election campaign. Mrs. Gandhi may wish to defer elections in the hope that this

situation can first be reversed. She may also hope that during 1971 she can strengthen her party's uncertain position in the populous northern states of West Bengal and Bihar. Furthermore, Mrs. Gandhi's party at present is organizationally weak in most of the country at the state and especially at the local level. A final factor weighing against early elections would be the desire of many party members to postpone the personal expense and uncertainty of electioneering as long as possible.

Influential senior advisers to the prime minister are ranged on both sides of the election question, and it is very possible that she has not yet made up her mind. If she does decide in favor of interim elections, she will want to preserve the advantage of surprise until the last moment. The prospects for early elections will decrease somewhat if an announcement has not been made by mid-January—after that, it would be difficult to elect a Parliament in time to promulgate a new national budget by 31 March, when the present one expires.

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WESTERN HEMISPHERE

Chile: *Copper Nationalization and Agrarian Disturbances*

With the fanfare of a mass rally on 21 December, President Allende signed and sent to Congress the constitutional amendment to permit the nationalization of all mining properties. All contracts, under which the companies have already turned over portions up to 51 percent of ownership to the Chilean Government, are nullified. Chile reserves the right to revise the agreements made with third-party creditors, such as the Export-Import Bank, and future payments to them will be deducted from the companies' compensation. All US mining enterprises are affected except possibly one small mine not yet in production.

Allende's proposal calls for compensation in cash over 30 years at three-percent interest, unless the companies accept another form of payment. Because it calls for payment based on book value after deductions for "excessive profits," mine depletion, and other penalties, it is doubtful much compensation will be offered.

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Pending government take-over the companies must continue their operations and expansion projects. They

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also must maintain spare parts and supplies under penalty of the suspension of compensation.

The Chilean Copper Corporation has sent a representative to Europe to confer with the International Council of Copper Exporting Countries in hopes of working out a plan to stabilize copper prices. The effort is not likely to succeed. Meanwhile, Kennecott's El Teniente Mine is suffering from a cash squeeze that may make it impossible to meet the next payroll. Of the 400 top technicians and managers at Teniente, 90 have resigned.

The major opposition, the National and Christian Democratic parties, favors the nationalization, and the bill will pass soon despite the fact that neither of the parties considers a constitutional amendment necessary. Allende has threatened to send the proposal to the people in a plebiscite if Congress fails to act promptly. There may be some opposition to provisions that make the amendment applicable to any enterprise that the government deems "of pre-eminent importance to the economy of Chile."

At the rally Monday evening, Allende also set up a national peasants' council to assist the government in implementing more agrarian reform. He paid tribute to young people setting off for a summer of volunteer work helping and training the poor in rural areas, a practice that has

become a focus of attention in recent weeks. Seizures of agricultural lands by peasants have stepped up sharply, and the government and its supporters have mounted a strong campaign charging that landowners are importing weapons and conspiring to overthrow Allende.

Government and opposition political forces accuse each other—probably with justification—of fomenting the increasing difficulties in the countryside. In addition, the confrontations divide groups supporting the government. There are many Radical Party members among the landowners who find their lands invaded, sometimes by groups led by Socialists and members of the Movement of the Revolutionary Left (MIR). Landowners have protested against the breakdown of the rule of law, but their protests—and a direct appeal to Allende—have been met only by assurances of more rapid legal agrarian reform and by a flurry of farm expropriations.

Most of the Chilean press continues to be a major element in support of the Allende government, both directly and indirectly. MIR leaders use the leftist tabloid *Clarín* to spread specific conspiracy charges.

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HAITI: Recent rumors of President Duvalier's incapacitating illness were exaggerated, judging from his activities on 19 December. In the morning, accompanied by his son Jean Claude and a large group of military officers and civilian officials, Duvalier met two of his daughters at the airport. In the afternoon, again accompanied by his son, Duvalier addressed naval officers and men at Bizoton naval base where the three Coast

Guard cutters that took part in the coup attempt of 24-25 April had arrived earlier in the day. The ships were earlier welcomed by large crowds and "tens of thousands" of militiamen, according to the press.

Public appearances by Duvalier are rare. Those of 19 December would seem calculated to show that his control is as firm as ever.

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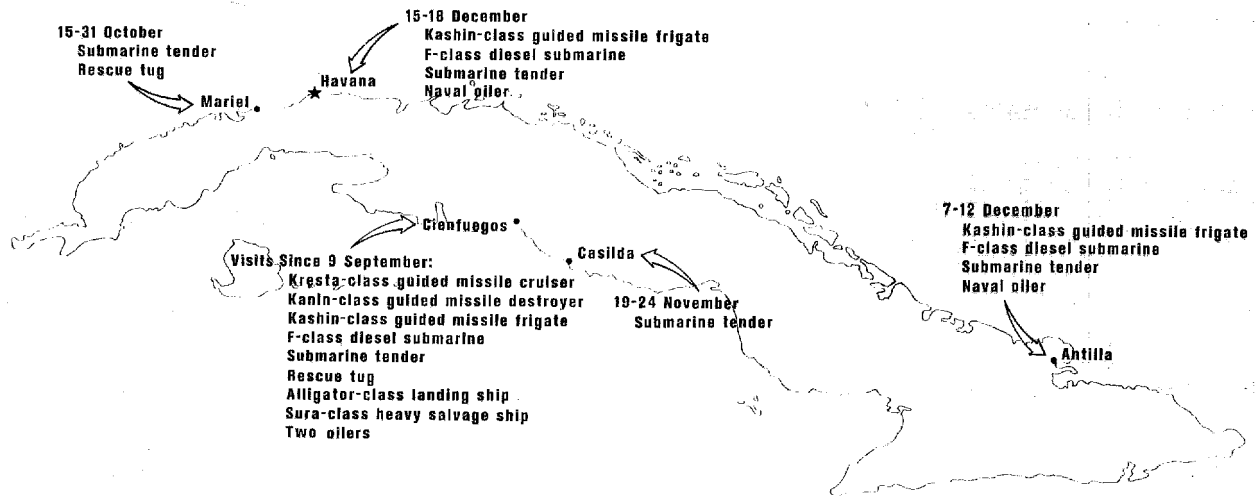
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USSR-Cuba: Soviet naval units continue their round of naval visits to Cuban ports. A guided-missile frigate, a submarine tender, an F-class diesel submarine, and a naval oiler arrived in Cienfuegos last Monday. These units have also visited Antilla and Havana in the past two weeks. A Soviet rescue

tug and two nuclear submarine support barges are also in Cienfuegos. A second F-class submarine believed to be in the area has not been sighted recently. During the past four months, nine Soviet naval units and one merchant tanker have participated in visits to five Cuban ports. [REDACTED]

Recent Cuban Port Visits by Soviet Naval Units

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PERU: The increasing militancy of the Communist-controlled General Confederation of Peruvian Workers (CGTP) may cause new labor problems. During the past year, the government has given in to Communist labor demands as part of its policy of weakening the rival Confederation of Peruvian Workers (CTP).

representative of the workers. The CGTP said it "fully supports" the actions of unions that are trying to force government recognition. In a related move, members of the CGTP-affiliated miners' and metallurgical workers' union threatened to strike, partially for the purpose of demanding immediate legal recognition of the CGTP. The government refused to accept notice of the strike, however, but granted some of the miners' other demands. The government's unwillingness to force a direct confrontation with labor is likely to encourage the Communist-led unions to continue to press the administration for legal recognition of the CGTP and for the satisfaction of other specific labor demands. [REDACTED]

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Venezuela: Communist Party Splits

The Communist Party of Venezuela (PCV) has suffered the most serious split in its history. The break occurred, after many months of squabbling, on the issue of the degree to which the party was to submit to Soviet authority. The dissident group, or left wing, maintains that the PCV is unduly subservient to Moscow and that Venezuelan Communists must adopt a more nationalistic posture.

If our generation of Venezuelan Communists wants to be something more than just a group of propagandists and harbingers of socialism, rather than the builders of a new society, they have to face—and win—the challenge of breaking the Stalinist mold.

Teodoro Petkoff, dissident leader

Moreover, the dissidents have charged that the party suffers an ideological softness that permits it to coexist with the Venezuelan national system rather than confronting it to prepare for the revolution.

On 14 December five of the 15 members of the political bureau, 20 of the 51 members of the central committee, the entire central committee

of the Communist Youth, and several regional leaders quit the party.

The dissidents have sufficiently strong leadership and a large enough base to form a viable party, their announced intention. The orthodox, or right wing, of the PCV will keep the six party members who are in the Venezuelan legislature, the financial and moral backing of the Soviet Union, and the name and legal position of the party. *Pravda* on 17 December reported the split as though the dissidents had been expelled by the right wing and inflated the number of central committee members who remained loyal to the Moscow line. *Pravda* further commented that the PCV is confident it can overcome the present crisis.

The dissidents, as a nationalistic, Marxist group, will face stiff competition on the Venezuelan political scene, for example, from the Democratic Action Party and the People's Electoral Movement. Given, however, the organizational and forensic ability of the group's leaders, they may be able to pump new life into Venezuela's moribund revolutionary movement.

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Honduras: New Political Structure Proposed

President Lopez' call on 8 December for a unity candidate to represent the country's two major parties in the March general elections has added a new and unexpected dimension to the growing electoral drama. This astute political move has greatly increased the President's room for maneuver and has raised serious dilemmas for the opposition.

Under the plan, which has labor and business support, the ruling Nationalist Party and the opposition Liberal Party would share executive and judicial posts and split the congressional seats. The joint presidential candidate, as yet unnamed, would be selected from the ranks of those who are not legally ineligible to run and who have not been active in politics. The candidate would also

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have to be acceptable to the army, the labor movement, private business, and the two parties.

The Liberals, who seem confident that they would win the presidency if the government did not resort to fraud, reportedly prefer to go ahead with normal elections. They reject, moreover, the idea of a nonpolitical unity candidate. Nevertheless, they have agreed to carry on a dialogue with President Lopez and appear ready to accept an arrangement that would set up a Colombia-style system under which first the Liberals and then the Nationalists would hold the presidency. The Liberals want their presidential standard-bearer, Jorge Bueso Arias, to become the unity candidate.

Lopez may believe that he possesses both the proverbial carrot and the stick and be unwilling therefore to accede to the full array of Liberal demands. He is likely to play upon the Liberals' fears that if they do not accept his proposal he will either stage a coup or rig elections against them. On the other hand, he probably expects that after seven lean years the relatively generous

political bounty he is offering them will be too tempting to turn down.

Both Lopez and the Liberals are currently testing the political winds. If the Liberals can mobilize sufficient popular support, Lopez may be relatively accommodating in the choice of a unity candidate and content himself with "retiring" to the military. More likely, however, he will stress the need for a nonpolitical candidate and hope thereby to set the stage for the nomination of one of his cronies so that he could retain control from behind the scenes. The possibility cannot be ruled out, however, that if an impasse results, Lopez might plead the lack of a suitable candidate and arrogate the position to himself.



President Lopez

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Brazil: Prisoners to be Exchanged for Diplomat

The government apparently is now prepared to release prisoners in order to secure the safe return of the Swiss ambassador. This decision was reached after the abductors dropped their other demands.

On Monday, the presidential press office released to newspapers a note acknowledging receipt of a list of 70 prisoners whose release was demanded by the kidnapers. The authorities, recognizing the note as authentic because it was signed by Ambassador Bucher, are prepared to send abroad all individuals on the list except for 19 who were either involved in murder or kid-

napping, sentenced to long prison terms, could not be identified, did not wish to leave Brazil, or are not presently in custody. The most prominent figure on the list is Jean-Marc van der Weid, president of the clandestine National Students Union. Jean-Marc, who claims joint Brazilian-Swiss citizenship, has been held in an isolated naval prison, and his followers assert he has been brutally tortured. Also included is a girl who claims Brazilian and US citizenship, who was charged with being implicated in a plot to kidnap the US consul general in Recife. Chile, Mexico, and Algeria have agreed to accept prisoners.

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Central America: *Common Market Confrontation Likely in January*

Year-long efforts to repair the damage to the Central American Common Market that resulted from the war between El Salvador and Honduras in July 1969 came unglued this month when El Salvador refused to sign a proposed modus operandi.

The modus operandi was designed to meet Honduran complaints that it was not benefiting enough from Market membership. It provided for a coordinated agricultural policy to encourage national product specialization and to stabilize agricultural prices. It also called for negotiation of new protocols on the establishment of regional industries, and it authorized the creation of a \$120-million development fund. Although all five member states had already agreed in principle to the modus operandi, at the last minute El Salvador reversed direction and blocked the accord.

El Salvador objected primarily to a common industrial policy provision and to the creation of a development fund that appeared to favor

Honduras. Although a number of political and economic arguments were marshaled to justify the sudden change of heart, the most plausible explanation is the unwillingness of the government to make economic concessions to Honduras without gaining anything in return. El Salvador has benefited very substantially from the Market as presently structured and, unlike Nicaragua and Honduras, has little incentive to change the status quo. On the other hand, El Salvador wants Honduras to end its closure of the Pan American highway and to release blocked Salvadoran accounts.

Nicaraguan President Somoza is pushing for a special mid-January meeting of the five Central American foreign ministers in an effort to rescue the modus operandi. Attempting to put pressure on the Salvadorans, Nicaragua, Costa Rica, and Honduras have threatened to leave the Market and resort to bilateral trade agreements. Such tactics, however, may not be enough to break the impasse. It will probably require significant

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concessions to gain Salvadoran cooperation, and this could necessitate extensive horse trading among the five member states. Instead of a subtle reshaping of the modus operandi, a completely revised agreement may be necessary. This would

be beyond the capability of a single meeting at the foreign minister level, and it could require months of additional negotiations that would compound the already mounting frustrations of Central American leaders. [REDACTED]

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Soviet Economic Relations with Western Latin America Improving

Moscow's low-profile policy toward Latin America (excluding Cuba) may be achieving some modest economic gains, particularly along the western coast in Bolivia, Chile, and Peru. During the past six months the USSR has enjoyed slowly growing economic ties with these countries. Furthermore, as the relative stagnation in Moscow's economic relations with the rest of the continent testifies, this improvement is largely the result of Latin initiatives, to which the Soviets have responded.

In Peru, the Soviets have recovered some of their standing that had suffered during their ill-starred relief effort following the earthquake last May. A \$30-million credit for agricultural machinery and other heavy equipment was extended in August on the typically favorable terms—repayment over ten years, partially in local products, at low interest rates—granted Latin America by Moscow. A comparable credit has also been discussed to help develop Lima's fishing industry, but interest in an extensive irrigation project, which the Soviets studied earlier, may have lapsed.

Moscow apparently is content to pursue a low-key policy toward the Allende government in Chile, probably realizing that this is the least costly as well as the most effective way to develop better relations in the long run. Thus far only dormant Soviet trade credits totaling \$55 million extended in 1967 has been reactivated.

The Soviets extended a \$27.5-million credit to Bolivia in August to cover the purchase of mining and metallurgical machinery, and a few

Soviet technicians probably will soon be involved in the study and development of the country's tin industry. This credit, together with the one to Peru, is the first economic aid extended by the USSR to Latin America in almost two years. Most Soviet aid allocated to the continent in the 1960s—largely to Argentina, Brazil, Uruguay, and Chile—remains unused.

In addition, cutting across the three Latin American countries of current Soviet interest are the encouraging prospects for sales of Soviet civil aircraft and the possibility of extending southward Moscow's current air service to Havana. Peru is negotiating a \$45-million package deal including IL-62 jet aircraft, spare parts, technicians, and instructors. The Soviets also are trying to work out arrangements to fly from Havana to Santiago via Lima. Colombia has already granted overflight rights to the USSR, and a civil air agreement several deals can be successfully concluded, Moscow may feel justified in establishing an aircraft maintenance center on the continent to forestall the poor servicing reputation the Soviets have in other underdeveloped countries.

Soviet - Latin American trade relations continue to be unimportant in economic terms for both the USSR and the countries concerned. The Latin Americans exchange basically agricultural products for Soviet machinery, equipment, and vehicles. A factor tending to limit expansion of this trade is the customary trade imbalance, which the USSR has to settle in hard currency that it would prefer to spend elsewhere. [REDACTED]

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