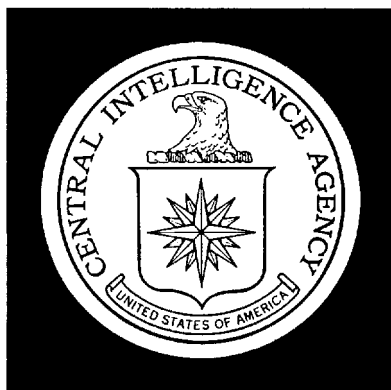
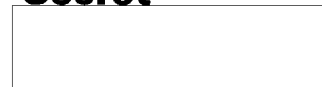


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DIRECTORATE OF
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WEEKLY SUMMARY

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SECRET**FAR EAST****Cambodia: *The War in the West***

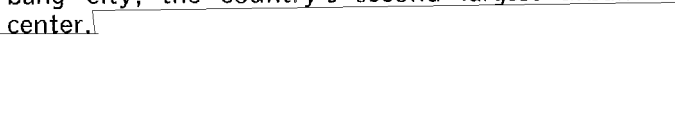
Significant Communist military activity continues to be concentrated in a number of provinces in the western half of the country. Enemy attacks and ambushes along Route 4 in Kampot and Koh Kong provinces have thwarted a two-pronged Cambodian Army operation aimed at reopening that highway, and increased Communist military pressure has also been reported in Battambang and Oddar Meanchey provinces.

The long-delayed government push to clear Route 4 and re-establish Phnom Penh's overland access to the seaport of Kompong Som bogged down quickly when the Communists routed three Cambodian battalions north of Veal Renh. These forces were moving to link up with three other nearby battalions in order to sweep east along Route 4 toward the enemy-held Pich Nil pass. Six additional Cambodian battalions are headed southwest along the highway toward the pass from the Sre Khlong area. This latter force advanced unopposed to within ten miles of the pass before they stopped, apparently because the government battalions southwest of Pich Nil had been halted by Communist action.

The reopening of Route 4 may ultimately depend on the intervention of South Vietnamese Army (ARVN) troops, which Phnom Penh has already requested. The odds for a positive response from Saigon may be enhanced by the failure of the latest Cambodian effort, and by South Vietnamese concern over the serious economic consequences facing Phnom Penh as a result of the highway's closure.

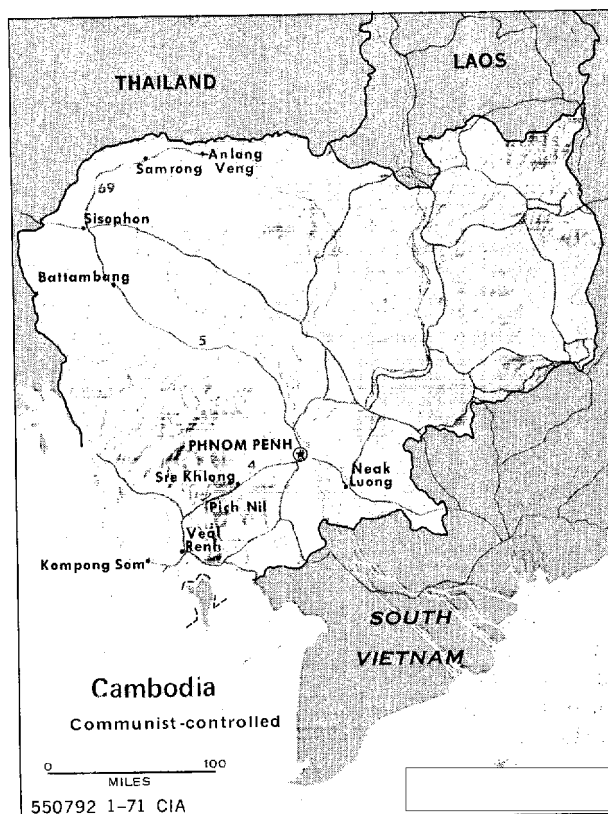
The pressure was increased on Phnom Penh's life lines by a Communist attack which turned back a Mekong River convoy carrying gasoline from Saigon to Phnom Penh. Two barges, a tanker, and a tugboat were sunk and several Cambodian sailors were killed in three attacks on the convoy near Neak Luong. This is the most serious incident on the Mekong since the fighting began.

In Battambang, enemy elements recently captured a village and a bridge on Route 5, less than ten miles south of the crossroads town of Sisophon. This marked the first time the Communists have cut the western land access to Battambang city, the country's second largest urban center.



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Farther north, Communist forces have moved to within 15 miles of Samrong, the poorly defended and inadequately supported capital of remote Oddar Meanchey Province. The enemy



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push toward Samrong began several weeks ago when a small government garrison was overrun at Anlong Veng on Route 69. As the Communists moved west along the road they subsequently captured several other lightly defended government positions. The threat of Thai intervention may preclude a Communist effort to take Samrong, however. Oddar Meanchey is impoverished in both population and resources, and its loss would not be a major setback to the government—which already has virtually written it off.

Stopping the Presses

On the political side, the regime appears to have made one of its rare domestic missteps when

it instituted press censorship. Predictably, this move provoked a flurry of criticism by several of Phnom Penh's newspapers. Two of the capital's six dailies have been shut down for failing to comply with the decree, and three others have in turn suspended publication to protest the closures.

Some democratic-minded youths and intellectuals are likely to view the imposition of even a limited form of censorship as a step back toward Sihanouk's dictatorial ways. Additionally, the issue has evidently reinforced their belief that Lon Nol is increasingly the victim of bad advice from his close associates.

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Vietnam: Communist Combat Plans

The Communists are planning increased military activity for mid-January, before the Tet holidays,

Several units in Military Region 3 near Saigon are also preparing for combat.

enemy units in Phuoc Long Province were preparing for attacks on secure hamlets on 15-16 January while major roads northwest of Saigon have been targeted.

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Other enemy units in the highlands, including the North Vietnamese 66th Infantry and 40th Artillery main force regiments, are preparing for offensive action.

It is expected that if the Communists manage to launch these planned attacks they could be somewhat greater in scope than those immediately preceding the Christmas holiday, but still limited to shellings, isolated ground probes, and increased terrorism and harassment.

Presidential Politics

Resistance is developing in the Senate against the election bill now up for consideration. The bill, which passed the Lower House in late December, would restrict the number of candidates for next fall's presidential election to those who can muster substantial sponsorship in the assembly or among the provincial councils. The

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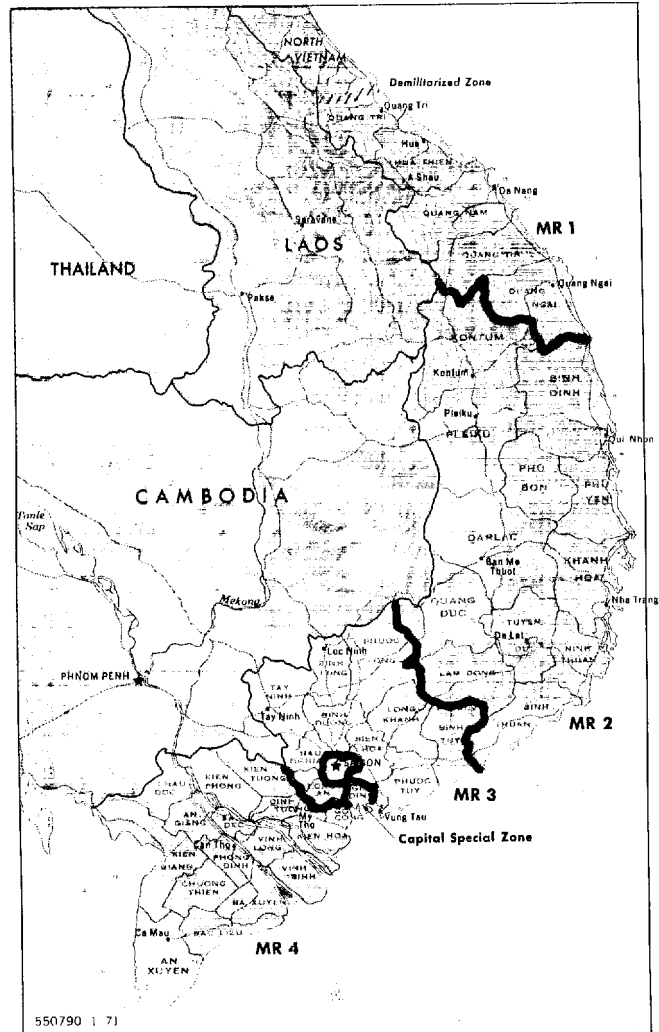
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two leading contenders, President Thieu and General Duong Van Minh, will easily command sufficient backing, but any dark horse would be hard pressed to find the required 40 assembly or 100 provincial council sponsors.

The bill has Thieu's backing and may reflect his belief that he can utilize the government bureaucracy to his advantage. Many National Assemblymen, because they will be forced to commit themselves to a candidate before their own re-election campaigns, may hesitate to risk the loss of government support by opposing Thieu. A number of opposition assemblymen have criticized the bill, however, and the Senate may attempt to modify it. Even the *Saigon Post*—usually sympathetic to the government—has taken an editorial stand against it. The *Post* points out that an "outsider" not blessed by those already in office would be virtually excluded from legal political competition.

Thieu's support of the bill could backfire against him. As a candidate for re-election, he might be expected to try to divide and conquer the opposition, relying on the power of his office and government machinery to marshal sufficient support to beat a divided opposition. This bill, however, will tend to limit the number of candidates who may run against him, and it could actually serve to unite the great majority of opposition elements behind a single opposition candidate, such as Big Minh, thereby hurting Thieu's chances.

Minh, meantime, appeared at an An Quang Buddhist peace ceremony in Saigon on 3 January and dressed up his image as a peace candidate UNCLAS releasing several doves from the stage. Minh's presence strengthens indications that the An Quang will back his candidacy, although so far it has not made a formal commitment to anyone.



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Communist China: *Putting Together the Party Puzzle*

Despite a host of unresolved problems, Peking apparently is trying again to force the pace of its prolonged campaign to reconstruct the shattered Communist Party apparatus. Late last month, the regime approved in rapid succession the formation of four provincial party committees—the most important party organs to be established since the central committee was reconstituted at the Ninth Party Congress in April 1969. Since the congress, considerable attention has been devoted to rebuilding the party from the lowest administrative units upward. Peking, however, evidently has grown impatient with the uneven progress of this politically troublesome task and seems anxious to demonstrate more visible results in advance of the party's 50th anniversary this summer. The process could be considerably shortened because it appears that in all but a few long-troubled areas, the incumbent provincial government leaders will simply be confirmed as the local party chiefs.

Predictably, the top positions in the first four provincial party committees—in Hunan, Kwangtung, Kiangsu, and Kiangsi Provinces—are heavily staffed by military officers supplemented by veteran civilian party officials. Few, if any, leading posts appear to be held by militant young activists—the “fresh blood” Mao Tse-tung had ordered to be infused into the party structure following the Cultural Revolution. The current trend toward militarization of the party apparatus is likely to hold true as the provincial level rebuilding process unfolds elsewhere. Local media in recent months, for example, have increasingly been identifying military officers as ranking members of the so-called provincial party core groups—the precursors of the remaining party committees that eventually are to be formed.

This by no means forecasts a near exclusion of civilians from important secretarial posts. Nevertheless, in contrast to much of the pre-Cultural Revolution period, when the civilian provincial party hierarchy formed interlocking directorates controlling corresponding government, armed forces, and mass organization units, the pivotal overseer roles will now be played to a greater degree by army men. Such convergent lines of authority, for example, are symbolized in the case of politburo member Hsu Shih-yu, who now has added the post of Kiangsu party first secretary to his existing roles as head of the provincial government and commander of a major military region.

Although Peking's latest party building drive may speed up the tempo, its end result is still likely to be largely a cosmetic exercise having little immediate impact on the myriad political problems that have been hampering effective local administration. There has been ample evidence at the lower levels, for example, that the mere establishment of party committees does not guarantee the ability of party officials to consolidate their authority. Moreover, military dominance in itself is not a panacea for political disputes. The conflicts and tensions both among and between army and civilian cadres that have pervaded so many administrative units are likely to be carried over into the party arena as well. Finally, Peking's persistent admonitions to senior cadre to follow Mao's revolutionary line “still better” attest not only to nagging frustration with the performance of many ranking civil and military authorities, but also to the serious limitations on the regime's ability to affect the actions of local officials who regard the party building process as an opportunity to compete for additional power and influence.

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Communist China Brings in a Record Grain Crop

Peking's claim that the 1970 grain harvest "exceeded all previous records" is plausible. Since the mid-1960s, China has been reaping the payoff from a combination of gradual but steadily increasing injections of modern inputs to agriculture and a backtracking from extreme collective measures which had dampened peasant incentives. By 1964, grain output had recovered from the disaster years following the collapse of the Great Leap Forward of 1959-61, and generally has been on an upward trend since. The 1970 grain harvest appears to be on the order of 215-220 million tons compared with the previous high in 1967 of 210-215 million tons.

The agricultural successes of recent years have eased Peking's immediate economic pressures. Total food production has probably been at least commensurate with population growth for several years. The good harvests of recent years have also, by Peking's own statements, enabled the state, the provinces, and the communes to build up food stocks.

Chinese leaders apparently intend to continue pragmatic agricultural policies. During the fourth five-year period (1971-75), incentives will evidently still be centered on private plots—which the new 1970 state constitution legitimizes—and on payment according to work performed. Agricultural investment will continue to emphasize

irrigation and chemical fertilizers, the two most beneficial measures applied so far. In addition, the regime hopes that the recently revamped rural educational structure will turn out peasants who are better able to use technology becoming available.

Nevertheless, Chinese agriculture still requires support from abroad. The Chinese show no signs of changing the policy decision made in the late 1960s to rely on imported chemical fertilizers instead of expanding domestic production by constructing large, modern plants. More than half of the three million tons of chemical fertilizer measured by nutrient content used in 1970 came from Western Europe and Japan.

The necessity to import grain may be diminishing, however. For some years, domestic food production has appeared to be adequate for current needs, but the Chinese maintained imports at some five million tons annually. By earmarking most of this amount to coastal provinces with grain deficits, internal transport movements were reduced. Some of the grain might have gone to augmenting stocks. Peking now claims that some of the northern provinces became self sufficient in grain during 1970, even though it is not yet certain that this state can be maintained if weather in subsequent years deteriorates.

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South Korea: *President Pak Is Taking No Chances*

Responding to the unexpectedly energetic challenge being mounted by his major opponent in the presidential election this spring, President Pak Chong-hui has come up with the machinery for a hard-hitting campaign of his own. Following on the mid-December cabinet shake-up, Pak late last month overhauled the leadership of his Democratic Republican Party to bring in unquestioned—if somewhat controversial—talent.

In a move to harness this talent and yet maintain balance among competing factions, Pak as party president created a triumvirate of special advisers. Prominent in this new lineup is Kim Chong-pil, Pak's former number-two man, whose ill-concealed ambitions for the presidency in 1969 led to a temporary cooling between the two. The other members of the trio of advisers are Yun Chi-yong, leader of the party's anti - Kim

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Chong-pil faction, and Chong Il-kwon, the previous premier and a well-liked neutral.

To box in Kim Chong-pil even more, Pak chose for most of the other party posts men considered unsympathetic toward Kim. The latter, although obviously displeased with these arrangements, apparently is resigned to working within the system while keeping a calculating eye on the future.

Rounding out the Democratic Republican Party's refurbished apparatus for the election, a new 15-man Party Affairs Committee has been formed, whose members are responsible for bringing in the vote in individual provinces or special city areas. As in the case of recent cabinet appointments, careful attention to the relative political strengths of the various regions is reflected in the makeup of this important committee.

Evident in all the recent administrative shifts made by President Pak is an overriding consideration for fashioning a high-powered election team, even at the expense of possible liabilities. A major case in point is the naming last month of Yi Hu-rak as director of the ubiquitous South Korean Central Intelligence Agency. Yi, Pak's long-time confidant and former private secretary, had been eased into an ambassadorial post about a year ago as part of an effort by the President to convince a generally skeptical public that he was serious about rooting out corruption in government. At this juncture, however, Pak apparently has decided that Yi's political talents outweigh his bad public image. It seems abundantly clear that despite his own good record and all the advantages of the government apparatus, President Pak intends to take no chances of being upset by the brash but attractive candidate of the opposition New Democratic Party, Kim Tae-chung. [redacted]

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USSR - Communist China: *Familiar Themes at Year's End*

The renewal of Sino-Soviet polemics, coupled with the collapse on 19 December of the river navigation talks, put the recent signs of improvement in state-to-state relations in perspective and demonstrate that, despite these signs, there has been little real progress in resolving the more intractable problems that divide the USSR and China. The polemical exchange, which was the first full-dress one since the war of words over the West German treaty last fall, centered on alleged Soviet intervention in the recent Polish crisis.

[redacted] the talks had failed to make progress because the two sides approached them in a fundamentally different manner. According to the Soviets, the Chinese proposed a series of navigation "formulas" that would have undermined Moscow's position in the broader political talks in Peking. One of these "formulas" almost certainly included insistence on the main navigation channel as the river boundaries, a principle disputed by the USSR despite its general acceptance in international law.

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Moscow's original announcement on the ending of the navigation talks had sought to imply that some kind of agreement had been reached. Peking, however, flatly denied this a few days later, and [redacted]

The Soviets have hinted that these developments may delay the return to Peking of Ambassador Tolstikov and chief border talks negotiator Ilichev from their current sojourn in Moscow. [redacted]

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New Soviet Push on European Security

Moscow closed out the year by moving with a flurry of diplomatic demarches and public statements to revive its long-stymied project for a conference on European security (CES). Washington and other NATO capitals were the recipients of Soviet demarches—formally in reply to the December NATO ministerial communiqué—during the week of 28 December. On 2 January, Premier Kosygin publicly joined in with an appeal for quick progress toward a CES in an interview with Japanese newsmen.

The moves put an end to a long period of relative inactivity on the subject of CES. Moscow had launched no initiatives of its own since last June, when it co-sponsored a Warsaw Pact memorandum that expanded the proposed agenda for a CES to include the creation of a permanent body to deal with European security matters, including—so it was hinted—talks on mutual balanced force reductions (MBFR). The Soviets doubtless had a hand, however, in the formulation of a Finnish proposal made late in November to move to the stage of multilateral preparations for a CES by convening a meeting in Helsinki. The USSR promptly endorsed the Finnish proposal, and Moscow's recent demarches included attempts to get movement on it.

The new round of Soviet statements also was aimed at countering Western efforts to link further movement on CES to progress in other areas. The demarche delivered to the US last week took particular exception to the "linkage" the December NATO ministerial established between a Berlin settlement and progress toward a CES, charging that this is meant only to impede movement toward a conference. It held that progress in the Berlin talks is now dependent on a change in the Western position, and insisted that an "answer is due" to the proposals submitted by the Soviets at the last four-power meeting. It took general

exception to attempts to tie a CES to other negotiations.

A significant aspect of the Soviet approach to European security has been an effort to differentiate between the US and the West Europeans. In the note to Washington, Moscow openly charged the US with using the Berlin talks to "complicate" movement toward a CES and with attempts to "impede the process of improvement of the political situation" in Europe. The same charge in the past has been made privately and frequently in Bonn and other European capitals, and presumably will continue to be made for political effect. It may reflect a degree of genuine concern that Washington regards a CES and other East-West negotiations in Europe as a threat to its political interests on the continent, and consequently will try to torpedo them. Moscow's interest in these negotiations is at least in part based on the hope that they will precipitate a reduction of the US role and influence in Europe.

Apparently the same basic themes were sounded in the demarches made to other NATO powers. In another recent approach to the West Germans, however, the Soviets strongly criticized the European Communities (EC), claiming that Bonn's support for an alleged "third bloc" in Europe was incompatible with its Ostpolitik. The charge underscores Soviet concern about the EC and Moscow's hope that a CES can be used to slow West European integration.

The Allies are not likely to break ranks openly because of the renewed Soviet pressures for a CES this soon after the NATO ministerial. Bonn, for example, now seems anxious to secure as many gains as possible before embarking on a CES.

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In the long run, however, it may be more difficult to maintain a common NATO front.

Paris, for example, has already shifted to a position favorable to CES preparations. Other Allies will resist adding any more specific preconditions to CES preparations. Even an initial show of Western solidarity therefore will not deter Moscow from further efforts to prompt immediate movement toward a CES and to spark and exploit differences among the Western powers.

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Brezhnev Usurps Collective New Year's Greetings

Party leader Brezhnev, by his greeting to the Soviet people on New Year's Eve, executed a brazen publicity coup in capturing this traditionally collective platform. Although he has not silenced other leaders nor apparently mastered the policy debates among them, Brezhnev's latest success in advancing his public role indicates growing strength as the March party congress approaches.

Other leaders, especially in recent months, have also sought public exposure. Indeed, Brezhnev shared attention at the turn of the year with Premier Kosygin, whose interview with a Japanese newspaper on 1 January was reported by the Soviet domestic radio and press. In granting the interview, however, the premier followed a customary, although not invariable, practice.

In the past, even under Khrushchev, the New Year's greeting consisted of an impersonal message signed by the party central committee, the Supreme Soviet, and the Council of Ministers, and read over the air by an announcer. This year Brezhnev read the greetings on radio and television, and his picture accompanied their publication in the press. Although the message remained a short pro forma affair, *Pravda* has cited this "Brezhnev speech" in editorial comment and has reported foreign and domestic reaction to it.

Kosygin stuck close to established official positions in his comments on world affairs to the Japanese paper. The interview did provide an occasion for him to reaffirm Soviet support for SALT, which was reported by the domestic news media. On the other hand, the very limited information he offered to the Japanese on the next five-year plan was largely expunged from Soviet domestic reports.

During the past year Brezhnev has assiduously exploited his position to heighten his public prominence. For this he has found many appropriate occasions: the Lenin centenary celebration, republic anniversaries, and travels about the country. His New Year's effort, in its break with precedent, matches his address in June to the Council of Ministers, a body with which he has no official standing.

This and other signs suggest that on basic issues, such as the five-year plan which must be adopted by the party congress, no one leader or group of leaders has yet been able to work its will. Continued politicking is betrayed by unusual inconsistency in references to the record grain and cotton harvests of last year and the propaganda—unsupported by official plans—on the subject of consumer welfare.

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Czechoslovakia: *Stage Set For Economic Changes*

The Husak regime last week, in an important step toward bringing the economy under control, transferred to the federal government much of the economic authority granted by Alexander Dubcek to the regional Czech and Slovak administrations. The new system probably will be modified in the course of the next five-year plan, but for now it provides the regime with the institutional basis for formulating its own economic reforms.

One of the regime's most important goals is the more efficient use of the country's critical resources. Two new federal ministries—the Ministry for Fuels and Power and the Ministry for Metallurgy and Engineering—were established, replacing similar regional organizations. Existing federal "committees," including those for industry, transportation, and investment, were restructured into federal ministries with added powers. The committees were originally designed to give the Slovaks parity with the Czechs in economic matters. A Federal Office for Prices was established to unify financial and budgetary planning, and a central People's Control Commission set up to investigate local management practices.

Although these changes clear an important bureaucratic hurdle, government leaders are still having major difficulties drawing up specific economic programs. In his speech to a party central committee plenum last month, Premier Strougal

indicated that the long-awaited five-year plan would not be completed before next spring. In spite of his efforts to dress up the economic achievements during his government's tenure, Strougal indicated that major problems still exist, notably in the areas of investment planning, labor allocation and foreign trade. Recurring warnings by Strougal and other regime spokesmen of lingering "revisionism" suggest that today's economic planners are having trouble integrating into their own programs usable portions of the discarded reforms proposed under Dubcek. Their difficulties appear to be largely political, however, rather than economic.

The political consequences of the government reorganization could well cause additional problems in economic planning. The Slovaks, who achieved economic and political autonomy in 1968, are not likely to be pleased or taken in by government assurances that the federal principle remains "unchanged." Nor is the regime's effort to soften the blow by including Slovak administrators in the new federal bodies likely to alleviate Slovak fears of being resubordinated to Prague. The fact that regional security organs were brought under federal control at the same time as the economic bodies suggests that the regime intends to intimidate potentially disgruntled economic administrators into cooperating without question.

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Yugoslavia: *Assembly Asserts Authority on Economic Issue*

Yugoslavia's eclectic political system is showing new vitality as it comes to grips with the government's pending economic stabilization program. A heated debate in two houses of the National Assembly on 29 December saw some hitherto unheard of parliamentary maneuvering,

and as a result the government compromised on its proposed "wage freeze."

At issue was the proposal of the Federal Executive Council (FEC) to limit personal income growth this year to 11 percent above the 1970

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level. The overwhelming majority of delegates, however, refused to support the measure, labeling it "repressive" and "incompatible" with self-management. The FEC hastily withdrew its proposal, substituting instead a bill which would limit income growth only through April 1971. This was passed.

The wage limitation is described by Premier Ribicic as the "last restrictive law" of the economic stabilization program and is timed to expire when each republic's law on income distribution comes into effect next spring. Low income groups are exempted from the restriction.

An 11 percent growth limitation over four months is not restrictive. The measure, however, is important because it suggests that the government finally may be listening to the advice of economists who long have stressed the strong impact of wage increases on inflation.

The wage limitation aroused the rare wrath of the trade union delegates in parliament. The unions throughout 1970 had sought to dispel the impression that they are "transmission belts" for party policy, and for some time have been pressing for better living conditions and higher wages for workers. Consequently, the Yugoslav Confederation of Trade Unions wasted little time in

defending the workers and denouncing the wage restriction. During the debate in the economic chamber, trade union secretary Marijan Rozic personally and vigorously argued against the bill as originally proposed.

The "wage freeze" represents a reversal of previously announced government policy. Earlier, the regime emphatically denied wage controls were under consideration. Moreover, a second policy shift also may be in the offing; recent statements by both President Tito and Premier Ribicic indicate that devaluation of the dinar will take place in 1971. The key question is timing.

The assembly action undoubtedly was in part a reaction to the recent workers' riots in Poland. It also was the second time in the last two months that the Yugoslav parliament seemed to be acting in an independent and unexpected fashion. (In an unparalleled move in mid-November, a vice premier resigned in a policy fight about proposed devaluation of the dinar.) Such unorthodox activity in Communist Yugoslavia is apparently just the beginning of the political fireworks expected between now and next spring as Belgrade continues to unfold both its economic stabilization program and government reforms.

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POLAND: The new Polish leadership team obtained formal approval from Soviet leaders on 5 January. A press statement following a day-long meeting in Moscow between Brezhnev and Kosygin and Polish party leader Edward Gierek and Premier Piotr Jaroszewicz affirmed their "complete unity of views," including the matter of improving relations with West Germany. Economic affairs also were probably discussed, but no new developments were reported. Meanwhile, in Warsaw, the regime continued to try to win the

confidence of workers by promising to introduce more flexibility into Gomulka's recently adopted system of material incentives, and by increasing family allowances, raising the earnings and pensions of the lowest income groups, and promising more consumer goods and housing in 1971. A party plenum is reportedly planned sometime in January to analyze in detail the causes and political ramifications of the "December events."

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Finland: *Government Crisis Ended*

A month-long government crisis ended on the eve of the new year when the Communists allowed key parts of President Kekkonen's economic stabilization program to become law.

The government's difficulties had been created by the prolonged jockeying between the liberal leadership of the Communist Party and its conservative opposition for advantage not only within the party but within the recently reunified trade-union movement. The conservatives sought to increase their political appeal by advocating extreme wage demands and a policy of no compromise with the other members of the center-left government coalition. Fearing the success of this tactic and the threat of either a split in the party or a take-over by the conservatives, the liberal leadership temporarily abandoned the "responsible" image it had cultivated in recent years and adopted the opposition's line. As a result, negotiations between the government, employers, and trade unions on a new economic stabilization agreement reached an impasse, and in late November President Kekkonen finally intervened to

stave off the collapse of the talks and a subsequent wave of strikes.

Kekkonen's compromise economic stabilization proposal was accepted in early December by all parties except the Communists. Their continued resistance prompted government leaders to threaten their expulsion from the coalition. After several weeks of bargaining, an agreement was reached in mid-December allowing the Communists to vote in parliament against minor parts of the compromise, provided they did not block its essential elements.

Still unresolved, however, is the continued Communist resistance to the Kekkonen program within the trade-union movement. Several Communist-led unions have already rejected the compromise, vowing to strike if their demands are not met. In order to influence unions still wavering, employers have been sweetening their contract offers, which, while technically within the Kekkonen framework, actually approach the terms originally demanded by the trade-union leadership.

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MIDDLE EAST - AFRICA

France-Algeria: *An Impasse in Negotiations*

Algiers' rejection in late December of major French offers on petroleum prices and control of production has brought bilateral negotiations on oil and other problems to at least a temporary impasse. French Foreign Ministry officials for the first time envisaged the possibility of a breakdown in the talks, with the consequent danger of a rupture in the over-all relationship. Quai Director for Algerian Affairs Paoli speculated that the entire matter would be reviewed by Pompidou before the fifth session of talks begins

in Paris on 18 January and that presidential control over the negotiating process might tighten considerably.

According to the respected French daily *Le Figaro*, whose account Paoli described as "reasonable," France offered to turn over to Algeria one third (or approximately ten million tons) of the current annual petroleum production of French companies in Algeria. Although this offer would bring the share of Algeria's national oil company

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Sonatrach to 50 percent of total production, the Algerians apparently are insisting on majority control over all producing companies, in addition to more substantial fiscal benefits.

Paoli does not believe Paris could go any further toward meeting Algeria's desire. Bettering the current offer, in Paoli's view, would entail a fundamental change in the entire negotiating process. Some French newspapers already are claiming that the French offer represents excessive concessions to the Algerians at the expense of French companies and consumers.

According to Paoli, domestic pressures will be one element in determining the stand Pom-

pidou will take, although his strong position and his massive parliamentary majority give him considerable freedom. Most observers believe both countries have a great deal to lose if negotiations collapsed and particularly if a break in relations followed. Such a course would deal a sharp blow to Pompidou's Mediterranean policy, because Algeria has long been considered a vital link between France and the rest of the Arab world.

France's hurried evacuation in late December of Bou Sfer—its last military base in Algeria—nearly seven years ahead of schedule apparently did little to placate the Algerians. It seems probable that Paris hoped to influence the talks favorably by a gesture of flexibility. [REDACTED]

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Egyptians Wrap Up Military and Economic Affairs in Moscow

The Egyptian delegation led by Vice President Sabri obtained pledges of continuing Soviet economic and military assistance during its recent visit to Moscow. [REDACTED]

[REDACTED] No change in the direction or scale of military assistance is expected to result from the visit.

Record amounts of military equipment arrived in Egypt during 1970. In addition to the SA-3 air defense system, which remains largely under Soviet control, and the accompanying Soviet troop commitment, Egypt also received electronic countermeasure equipment. The recent appointment of the senior air defense officer as chief Soviet military adviser to Egypt underscores the area in which the USSR probably will continue to concentrate its efforts.

Although Egypt received fewer high-performance fighter aircraft from the USSR last year than in 1969, the effect on its inventory was offset by a reduction in combat losses. Cairo also received a record number of MI-8 helicopters, presumably rocket-equipped. These have improved heliborne capabilities and keep before the Israelis the specter of Egyptian cross-canal operations.

The only new economic aid offered during the visit provides for Soviet technical assistance to expand military-related industrial production. Cairo's ability to expand significantly its war-related industries is limited, however, by its small resource base and the lack of sophistication of its existing capital goods industry. Moreover, qualified technicians for industry are in short supply because they are increasingly being employed in the military sphere.

Egyptian Industry Minister Sidqi announced a schedule for further economic talks over the

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next six months that probably will lead to a 1971 trade agreement being signed in March and a long-term economic cooperation agreement being concluded in June. Although additional economic aid projects also were discussed during the visit, more than \$300 million in economic credits extended in 1964 have yet to be drawn. Several

economic development projects, such as the expansion of the Helwan Iron and Steel Plant and oil prospecting in the Western Desert, are still far from completion. In addition, the Aswan High Dam has encountered numerous problems that are likely to require additional Soviet assistance to correct. [REDACTED]

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Jordan Again Offers Carrot to the Palestinians

Premier Wasfi Tal used a mandatory appearance before parliament on 2 January to indicate a new emphasis in the Jordanian Government's policy toward its internal problems. In his speech Tal took advantage of the current lull in fighting with the fedayeen to acknowledge both army valor and the "justice" of the Palestinians' efforts to regain their rights. In foreign affairs he lauded the proposed union of Egypt, Sudan, Libya, and Syria and he urged increased Arab unity. The main theme, however, was that the government now wants to offer something more than the simple hard line that bedouin army leaders have taken. The prime minister sought to reassure the Palestinians that the buildup of the army is aimed at defending the country and fighting the battle for the liberation of Arab lands, with the implication that the Palestinians have little to fear if they will support this buildup rather than impede it.

Tal's carrot is an ambitious government reform program—which he will spell out at a later date—in the fields of education, health, roads, water, utilities, insurance, and employment. It is difficult to judge the workability of these pledges; Jordan is hardly in a financial position to embark upon a major program of social reform. However, Tal's speech once again emphasizes the fact that he has continued throughout his short term to

underline the principles of accommodation and national unity for Jordan despite his past reputation as a tough politician who takes a very hard line with dissidents.

An intelligent, well-educated man as well as a practical politician with a long-standing interest in improving government efficiency, Tal is aware that military elimination of the fedayeen would probably create more problems than it would solve, particularly among Jordan's Palestinian population. During the present weakness of the fedayeen, the premier is obviously seeking to bring them into the fold, and his efforts are to some extent being supplemented by the Arab peace teams still operating in Jordan.

So far Tal has had some success. Parliament gave him an overwhelming vote of confidence, and the fedayeen's chief newspaper applauded large parts of his speech, while noting some slippage between his words and his deeds. Perhaps the chief immediate danger to his program lies in the army, which continues to bear down hard on the fedayeen at every opportunity. Tal's problems with the army may be alleviated somewhat when many of the units are engaged in extensive training programs with new arms in areas remote from Palestinian concentrations. [REDACTED]

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Arab States - Israel: *Jarring Talks Resume*

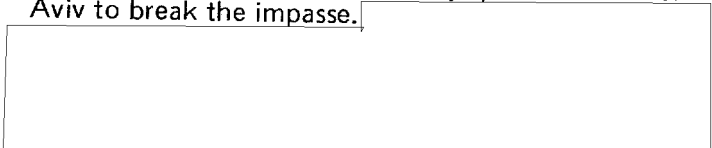
Arab-Israeli negotiations under the auspices of Gunnar Jarring, UN Secretary General Thant's Middle East envoy, resumed this week in New York after a five-month delay. Following preliminary contacts with the principals on 5 January, Jarring yielded to Israeli demands and agreed to go to Jerusalem on 7 January to talk to Foreign Minister Abba Eban.

Jarring's report to the Security Council on the Middle East situation was distributed as required on 5 January, one month before the cease-fire extension expires. It did not attempt to place any blame for the stalling of the talks and thus provided little grist for the Soviet and Arab propaganda mills.

Jarring and others may hope that his noncontentious report and efforts to conduct the talks in a business-like manner may head off an acerbic Security Council debate on the Arab-Israeli dispute before the cease-fire expires. They also take hope from the fact that the new nonpermanent members who took their Council seats on 1 January are less inclined to be sympathetic to Arab positions. The Egyptians, however, are committed to a full-dress airing of the dispute if the Jarring talks fail to yield them anything that can be termed progress, and they will almost certainly appeal to the UN before announcing a formal termination of the cease-fire.

In Cairo, Egyptian leaders are pleased that the Jarring talks are once again under way, but are not optimistic over prospects for meaningful progress.

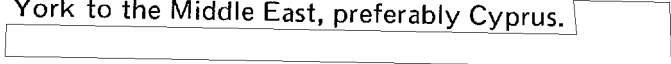
Cairo continues to believe that the US fully supports Israeli policy positions and that the US is unwilling to apply the necessary pressure on Tel Aviv to break the impasse.



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Sadat, meanwhile, has continued to underscore the need for making some progress in the political arena by his warnings that the cease-fire will not be renewed again unless a timetable for Israeli withdrawal from Arab territory is established. This condition, however, has on occasion been hedged somewhat, leaving open the possibility that as long as there is some tangible progress Egypt will continue to observe a de facto cease-fire or accept one dictated by the UN or the Big Four.

The Israelis are expected to adopt a very tough stand in the talks and have continued to reject Sadat's demand for a timetable for withdrawal as a condition for a further extension of the cease-fire. Although Jarring has said that he accepted the Israeli invitation on the assumption that substantive matters would be discussed, it is highly unlikely that the Israelis will make any significant departure from their previously stated positions. They will probably press Jarring to raise the talks to the foreign minister level and move them from New York to the Middle East, preferably Cyprus.



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AFRICAN YOUTH CONFERENCE: The recent third congress of the Pan African Youth Movement which met in Dakar, Senegal, again highlighted the difficulty that African moderates have, even at home, in coping with African radicals. Delegates from only 21 of the 40 states invited showed up; six African liberation movements and several Communist front groups sent delegates.

Although the moderates, led by Senegal, partially toned down the final report, it still comes down hard on the West while heaping praise on the revolutionaries in the Middle East, Asia, and Latin America. The report "rejects with force" proposals for a dialogue with South Africa. An attempt by the moderates to relocate the Algerian headquarters failed, and the leadership remains in radical hands.



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International Oil Developments

The ten members of the Organization of Petroleum Exporting Countries (OPEC)—Iran, Iraq, Kuwait, Saudi Arabia, Abu Dhabi, Qatar, Libya, Algeria, Indonesia, and Venezuela—have adopted resolutions aimed at substantially increasing their oil revenues. For one of the few times in the organization's ten years of existence both radical and moderate members joined together during their December meeting to present a united front to the Western oil companies. This unity, however, is already being threatened by Libya, who has just recently made new demands on the oil companies outside the framework of the OPEC resolutions.

The OPEC resolutions call for an across-the-board increase in the price on which taxes are based, a minimum tax rate of 55 percent (the lowest rate now is 50 percent), and a revision of the method by which tax reference prices are determined. Several other more technical resolutions would also provide additional revenue for OPEC members.

An OPEC committee composed of representatives from Iran, Iraq, and Saudi Arabia are to present the resolutions to representatives of Western oil companies at a meeting to begin on 12

January in Tehran. If negotiations are not concluded satisfactorily by 3 February, the OPEC has resolved to reconvene and "set forth a procedure with a view to enforcing and achieving the objectives through concerted and simultaneous action by all member countries."

The oil companies and principal oil importing countries view the OPEC resolutions with apprehension, particularly because of the precedents set by the Libyans in their agreements last year. Libya, in effect, became the first oil producing country that unilaterally established posted prices and tax rates. The oil companies will resist adoption of this principle by other OPEC members.

Libya's action in presenting the oil companies with several new demands demonstrates the difficulties OPEC may have in keeping its members unified. By seeking not only a five-percent tax increase, but also mandatory reinvestment of a share of oil company revenues, an unspecified "Suez allowance," monthly tax payments in lieu of quarterly payments, and a provision for the oil companies to supply Libya's domestic petroleum needs "at cost," Libya has placed itself well ahead of OPEC. 25X1

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Guinea: *Toure Focuses on Internal Subversion*

President Toure now is focusing his anger on local Guineans and resident foreigners that he is claiming have been involved with the Portuguese efforts to topple his regime.

Throughout December Toure concentrated on condemning foreign "imperialists"—specifically Portugal—and on asking friendly states for materiel help in staving off predicted new

attacks. Toure, while continuing to push strongly for aid, is increasingly preoccupied with possible subversive threats from within. He charged in a New Year's day speech that the "aggression against Guinea" last November was aided by a fifth column that included local Guineans as well as foreign accomplices. He promised to bring the accused—not yet specifically identified—before revolutionary tribunals and ordered all levels of

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Guinea's single political party to begin meeting to consider the "evidence."

There have been no indications so far that any organized internal opposition emerged in Guinea during or since the November attacks.

Nevertheless, Toure seems intent on a purge, probably including a government shake-up. Many Guineans already have been arrested, and at least four Europeans. Last week's abrupt expulsion of West German nationals was followed this week by a roundup of 23 Western mining employees, including 11 Americans. These men were summarily tried and

sentenced by a judge for "subversive" activities, but later were granted full amnesty by presidential decree and released. Toure claimed subordinates had taken action without his knowledge. Despite Toure's assurances, these recent abrupt and arbitrary moves have added to the growing nervousness among Conakry's foreign community. Toure's actions also have lost him some of the sympathy he gained abroad following the November attacks.

The suspicion is growing among some moderate African states that Toure desires materiel support in order to bolster his internal position rather than to stave off new aggressions. Nigeria thus far appears reluctant to accede to an urgent request for troops made by Toure about 20 December.

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India: *Opposition Electoral Alliance*

Three of the principal opposition parties have formed an alliance to contest the national elections beginning on 1 March. Prime Minister Gandhi, on the other hand, has said that her party will not enter into any country-wide electoral coalitions.

The newly formed opposition alliance demonstrates that the desire to defeat Mrs. Gandhi can transcend ideological differences. The coalition consists of the right-of-center Organization Congress Party, the right-wing Hindu nationalist Jana Sangh Party, and the leftist Samyukta So-

cialist Party (SSP). In the recently dissolved 523-member lower house of parliament, the Organization Congress was the largest opposition party, with 63 seats; the Jana Sangh and SSP held 33 and 17 seats, respectively. In announcing the alliance on 3 January, the three parties said that they intend to support a single, agreed candidate in each constituency.

The alliance suffered an initial setback when the right-wing, pro - free enterprise Swatantra Party refused to join. The Swatantra, whose 35 parliamentary seats had made it the second largest

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opposition party, reportedly wanted a more comprehensive arrangement, including a basic platform supported by all parties to the alliance instead of a simple agreement to back each other's candidates. There remains, however, the possibility that the Swatantra may decide to join or cooperate with the alliance.

Mrs. Gandhi's statement on 29 December that her Ruling Congress Party will form no nationwide alliances probably was a disappointment for the pro-Soviet Communist Party of India (CPI), which had expressed interest in arranging some kind of electoral collaboration with the Ruling Congress. Her announcement, however,

does not preclude ad hoc cooperation in individual contests.

Furthermore, it is possible that there could be some form of electoral cooperation between the Ruling Congress and the Dravida Munnetra Kazhagam (DMK). The DMK's strength is located almost entirely in the southern state of Tamil Nadu, which it now controls. Here Mrs. Gandhi's party is very weak, and the DMK's principal competitor is the opposition Organization Congress. The DMK and the Ruling Congress were allied against the Organization Congress in the municipal elections held in Tamil Nadu on 28 December. Additionally, the DMK, like the CPI, frequently supported Mrs. Gandhi on national issues in the recently dissolved parliament.

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Islamic Conference: *Another Try*

The recently concluded conference in Karachi of Islamic foreign ministers is being touted by Saudi Arabia as the triumph of King Faysal's long-espoused policy of Islamic solidarity, despite evidence that disunity prevailed and substantive accomplishments were negligible. Saudi Arabia has sought to use such conferences to enhance its prestige against neighboring radical Arab regimes and to rally international Muslim support for the Arab position in the Middle East. Iraq, Syria, Southern Yemen, and the Sudan boycotted the meeting, arguing that it was being held under the leadership of reactionary governments.

A permanent Islamic Secretariat—to be based in Jidda—was finally established after much haggling over its duties, size, and budget. Tunku Abd al-Rahman, former prime minister of Malaysia, was named Secretary General. The future of

the Secretariat is in doubt, however, because those opposed or lukewarm to its establishment will probably delay contributing to its operating budget. Proposals to create an international bank and news agency under Muslim control were also discussed and shelved and probably will not be heard of again until the next conference, scheduled for September in Kabul.

Although the final communiqué contained some anti-US comments, it was a relatively bland document.

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Brazil: *Negotiations for Diplomat's Release*

Negotiations continue for the release of Swiss Ambassador Bucher, kidnaped a month ago by terrorists.

Late last week, the Popular Revolutionary Vanguard terrorists sent the government a new list of 70 names, including 24 new ones for those prisoners on the first list the authorities had refused to release for various reasons. On Monday the justice minister said that nine of the 24 replacements were unacceptable because they had been sentenced to long prison terms, or had participated in previous kidnappings; he said that one already was free. The government communique asked the abductors to submit substitute names for these prisoners; the terrorists complied on Tuesday. On Wednesday, the government accepted five of the nine substitutes, leaving only four names to be resolved.

The terrorists have backed down at every crucial point since they kidnaped the bachelor diplomat on 7 December. They dropped their original demands for publication of communiques in the press and for free railroad transportation, and have yielded when the administration refused to release prisoners they originally wanted freed. The terrorists' backpeddling will probably



Ambassador Bucher Prior to Abduction

strengthen the hand of those military and security officials who advocate a hard line against making concessions to the terrorists to ensure the safety of kidnap victims.

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Cuba: 1971--Year of Productivity

In a year-end address Fidel Castro renewed his recent demands for greater efficiency in the coming year and hinted of repressive measures for laggards and dissidents. He continued his practice of giving a name to the new year by labeling 1971 the "Year of Productivity." His failure to offer suitable inducements to the workers, however, and his admission of serious economic shortcomings suggest that the title for 1971 represents wishful thinking rather than a strong probability.

Castro acknowledged that Cuba again faces its annual shortage of cane cutters in the sugar harvest and that 15,000 volunteers from Havana would again have to be recruited to serve in the interior for three months to satisfy critical labor needs. At the same time, he said that shifting the workers to the interior for agricultural work must not cause a drop in nonsugar industrial production in Havana. This practice contributed significantly to production problems in 1970; last August the labor minister promised such transfers would be minimized in the future.

Castro also announced that the "long awaited" bill against "parasitism and vagrancy" would be discussed with the workers beginning on 10 January. The bill is aimed at curbing the alarming rate of absenteeism and also at combating the increasing rate of school dropouts. In a speech to the same assembly, Armed Forces Minister Raul Castro estimated the number of children between 6 and 16 who drop out of school to be 300,000 to 400,000 and said that a new Committee on Human Resources would have as

one of its major tasks the solving of the dropout problem. Youths who leave school prematurely and do not become productive members of society have long been a special irritant to the Castro regime. Fidel's latest tactic, following two unsuccessful programs, is the massive creation of trade schools for unemployed dropouts and for those lagging far behind in school work.

The regime's growing concern about Cuban youth in general is reflected in the complete overhaul of the structure of the mass organization for young people begun last month. Some of the measures adopted were: the formation of a new Federation of Intermediate Level Students for those in junior and senior high school and technological institutes; the splitting off of the University Student Federation from the youth arm of the Cuban Communist Party (PCC); and the reorganization of the "Pioneers"—formerly the PCC youth arm's organization for children under 12—as an autonomous entity.

The major revamping of the national labor organization—also begun last month, the reshuffling of the youth groups, and the hint of new repressive laws are unlikely to provide the motivational spark that Castro is seeking. Indeed, several of the measures constitute a step backward rather than forward. They are a gauge of Castro's frustration over his inability to improve the economic situation and will do little to help make 1971 the "Year of Productivity."

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Chile: Government Maintains Momentum

President Allende shows no signs of lagging in his program to produce major changes in Chile before effective opposition develops.

At his New Year's reception for the diplomatic corps, Allende quoted the late Pope John

XXIII on coexistence in response to a gracious tribute from the Papal Nuncio. Other moves bear out Allende's expressed intention of trying to keep the traditional ties while increasing relations with Communist governments.

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On 6 January Chile announced the establishment of diplomatic relations with Communist China, becoming the first country in South America to do so. There has been a small Chinese trade mission in Santiago for more than five years. Although trade is minimal, Peking has shown an interest in buying Chilean copper directly instead of through West European markets. The prompt break in relations by the Chinese Nationalist Government apparently did not bother the Chileans. They are showing greater caution as they move toward recognition of East Germany, however, in order not to jeopardize unnecessarily economic relations with West Germany.

Foreign Minister Almeyda announced on 5 January that a special envoy will advise Bonn of the decision to reach a consular agreement with East Germany very soon, with diplomatic relations shortly thereafter. There have been similar efforts to reassure other West European countries and Japan that the new Chilean policies are designed primarily to "break US domination of the Chilean economy," and to strike a new balance in which the US will participate along with other investors at a reduced degree. The Dutch Government, however, has announced that it will not conclude an economic cooperation treaty with Chile at this time because there are not sufficient guarantees for investments.

In an interview last week with the Soviet *New Times*, Allende maintained his low-key attitude on the USSR, but along with emphasis on the uniqueness of the Chilean experiment in building socialism, he praised Soviet society as "a reliable bulwark of peace throughout the world."

On 4 January Allende issued a decree of amnesty freeing from imprisonment, detention, and hiding more than 40 leftist extremists charged with such common crimes as robbery and kidnaping. As in an earlier amnesty for extremists charged with violating internal security laws, many of those affected belong to the radical Movement of the Revolutionary Left (MIR). Allende has shown surprising favoritism toward the MIR since he took office, to the annoyance of some members of his governing Popular Unity (UP) coalition to which the MIR does not belong. French revolutionary theorist Regis Debray, an admirer of the MIR, will join Allende's press staff. Debray went to Chile last month when Bolivia freed him after nearly four years in prison for involvement with Che Guevara's guerrillas.

The UP's strongest member, the Communist Party (PCCh), particularly opposes the influence of the MIR, but it is moving with its usual skill to consolidate its own power. Communist leaders were instrumental in convoking a UP National Assembly this week to prepare for the municipal elections in April. The PCCh is particularly eager to revitalize the thousands of local UP committees, most of which it controls. Communist officials have proven more intransigent than Socialists in carrying out stringent new economic measures.

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Uruguay: *Prospects Improving For Freedom of Hostages*

The publication this week of the Tupamaros' political manifesto by a Montevideo daily was a significant step toward fulfilling the terrorists' conditions for release of US agronomist Claude Fly. The guerrillas ask that the document be published by major media in the capital in exchange for Fly, who was kidnaped on 7 August. The newspaper's action follows promulgation of a government decree relaxing censorship laws. Previously, the administration had forbade all mention of the Tupamaros or their manifesto. Although the government has not penalized the paper for its action, which technically is still a crime, no other daily has yet followed this lead. If the administration takes no punitive action by the beginning of next week, however, other papers seem likely to print the document.

Originally the Tupamaros demanded the release of scores of prisoners in exchange for the hostages, but they have gradually scaled down their conditions in the face of the government's refusal to negotiate. The Tupamaros lost considerable sympathy by their murder of one US hostage in August. They have gained little from their sequestering of the other two, and now appear increasingly ready to accept a face-saving formula for the release of the American.

The other hostage, Brazilian consul Gomide, may still be held even if Fly is released. Gomide's wife has been attempting to raise one million dollars in Brazil for his ransom. If her effort fails, the Tupamaros may hope to negotiate directly with the Brazilian Government in hopes of gaining meaningful concessions. [REDACTED]

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Central American Common Market Crisis Worsens

A proposed Honduran economic decree darkens the already grim outlook for the Central American Common Market (CACM).

The decree abrogates multilateral agreements on free trade and taxes and authorizes bilateral arrangements. The move, a virtual withdrawal from the Market, follows El Salvador's refusal to sign a proposed modus operandi—on which the Central Americans had labored all last year—designed to meet Honduran complaints of unequal benefit from CACM membership.

The survival of CACM after this latest blow depends in large part on the state of demoralization among the Central American leaders. El Salvador, which has benefited substantially from the union, would be happiest to see a continuation of it without its enemy, Honduras. Nicaraguan Presi-

dent Somoza, who was already pushing for a special meeting on 11 January of the Central American foreign ministers to rescue the modus operandi, may plead with Honduras to postpone official publication of its decree until such a conference can be held.

In the effort to patch the damage to CACM resulting from the war in 1969 between Honduras and El Salvador, members have overcome similar impasses. Patience on all sides is wearing thin, however, and hope of a union that includes the continually feuding El Salvador and Honduras is diminishing. A glimmer remains, nevertheless, in Somoza's tireless efforts to keep them talking, and in decisions by Costa Rica and Guatemala to call retaliatory charges on Honduran goods "deposits and bonds"—which presumably are refundable—rather than duties. [REDACTED]

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