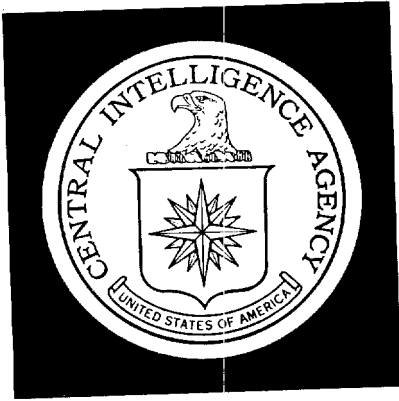


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

USAID review completed

ARMY review(s) completed.

State Dept. review completed

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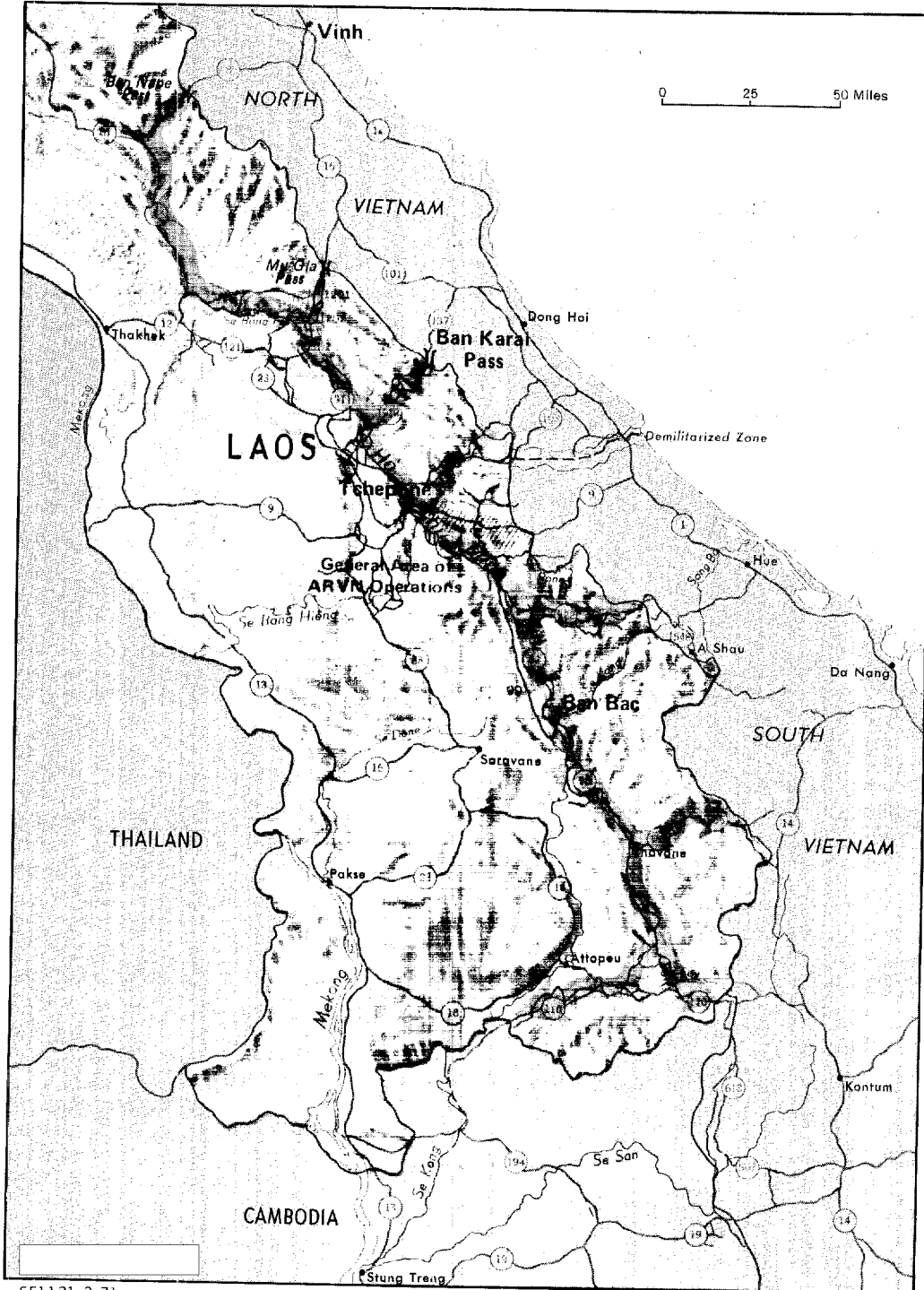
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FAR EAST

Indochina: Deeper into Laos

The South Vietnamese regained the initiative this week in their drive to disrupt the Ho Chi Minh Trail. The move into Tchepone gave Saigon's troops a needed morale boost that helped offset several recent tactical setbacks in which government units had been forced to give ground after taking heavy casualties. Relying heavily on US helicopter support, the South Vietnamese moved west to Tchepone from one strongpoint to another along the escarpment south of Route 9 rather than along that road itself. By week's end they were getting into a better position to disrupt enemy supply movements on the main north-south road complex in the Lao panhandle.

So far these new South Vietnamese advances have provoked extremely heavy enemy antiaircraft fire but only limited infantry counterattacks. The South Vietnamese troops are bracing for stronger enemy ground assaults, however. These could come either in the immediate Tchepone area or, as is more likely, farther east where the bulk of the North Vietnamese main forces is located. Their deployment in this area suggests that the Communists intend to attack some of the dozen or more South Vietnamese strongpoints extending from the border. Strong Communist pressure here would tend to isolate those units farther west around Tchepone itself, and might even force a South Vietnamese pull-back from some of the main supply routes.

Resistance to the South Vietnamese push in Laos already has cost the Communists heavily. The US command in Saigon estimates that the equivalent of eight enemy battalions have been put out of action.

Enemy Casualties Highest Since '68

Throughout South Vietnam, Laos, and Cambodia the total number of enemy troops reported

killed by US and South Vietnamese forces has been more than 5,000 in each of the past two weeks. Even allowing for substantial exaggeration, Communist losses clearly have been extremely heavy—as heavy, in fact, as at any time since the large enemy offensives of 1968. The Communists' willingness to accept such losses, mainly in Laos and Cambodia where they have recently chosen to stand and fight, underlines the importance they attach to defending their supply routes and bases in those countries. In addition, the enemy apparently is willing to pay such a high price in order to inflict a major setback on South Vietnamese forces. South Vietnamese casualties have also been substantial, increasing steadily during the month of February to a level of more than 900 killed per week, according to preliminary data. This figure would also approach the peak level of 1968.

Thieu Threatens Again

If Hanoi does not stop sending its forces into the South, President Thieu warned last week, South Vietnam may be forced to defend itself by attacking the North Vietnamese in their own territory. Thieu clearly wants to keep Hanoi thinking about its own defenses as it considers how to counter the allied operation in Laos. He also has the forthcoming presidential election in mind, and he has used the opportunity to whip up enthusiasm for the struggle against the Communists being waged under his leadership.

Hanoi is continuing to show concern about possible attacks on North Vietnam. The North Vietnamese press and radio have been full of warnings in this regard in recent months.

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Chou Visits Hanoi

Chou En-lai's highly publicized weekend visit to Hanoi dramatically demonstrated Peking's concern over events south of its border as well as continued Chinese support for the North Vietnamese war effort. Chou accused the US of posing a "serious threat to China"—the first high-level reference to this theme since 20 February—warning that China had made "adequate preparations" and, further, that the US "must be responsible for all the serious consequences" arising from an expansion of the war in the "Indochinese region."

Chou's statements regarding the threat to China, parts of which were repeated in an official joint communiqué, do not, however, go beyond anything the Chinese have said on that subject before. This suggests that his remarks are primarily intended for effect in Hanoi rather than as a signal by Peking of heightened concern about its own security under present circumstances.

In two recent instances, two Politburo members in speeches discussing current military developments in Indochina did not even refer to China's security interests.

A major point of Chou's visit, therefore, appears to have been to dramatize the notion that China is a factor to be considered in the Indochina situation, that Peking remains vitally interested in events south of its border, and that it is still a "secure rear area" for the North Vietnamese. Such reassurances are probably calculated to allay reported nervousness in North Vietnam regarding future allied intentions. Chou's visit was

also meant to reaffirm strong Chinese support for the Vietnamese in the event of a further allied expansion of the war.

One of the main topics of discussion during the visit was almost certainly a further increase in the supply of Chinese military equipment. Accompanying Chou were high-ranking military officers who have been previously involved in Chinese military aid to North Vietnam, including the director of the General Logistics Department of the Chinese armed forces and the officer in charge of the logistics department's armament section. They were both on hand last month in Peking for the signing of a supplemental economic and military aid agreement with the North Vietnamese.

The Chinese and North Vietnamese probably also discussed contingency plans in the event that the South Vietnamese follow through on their threats to carry the war directly to North Vietnam. Chou may also have raised the possibility of eventually introducing some Chinese troops into North Vietnam in order to free more Vietnamese forces for the fighting. According to the joint communiqué, both sides reached "completely identical views" on questions of "how to deal with possible US military adventures." The communiqué adds that the Chinese would not flinch "even from the greatest national sacrifices" in aiding the Vietnamese, but this pledge is explicitly put in terms of a further expansion of the Indochina conflict.

Although serious discussion regarding contingency planning probably took place, the thrust of the official statements on Chou's visit tends to emphasize China's role of continuing to provide "all out" rear support as well as reaffirming the belief that the North Vietnamese on their own will be able to win the fight. There is nothing to suggest, moreover, that Peking's attitude on this score has undergone a change or that the Chinese view the current situation with increased alarm.

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The Other Laos

Communist forces scored some significant victories on the Bolovens Plateau as a result of heavy fighting last week. Site 22, the last major Laotian Government base on the eastern rim of the plateau, fell on 9 March after a determined Communist assault by a force estimated at three battalions with support from a heavy-weapons unit and sappers. The four battalions of irregulars defending the site withdrew after withstanding more than two days of almost continual shelling and ground attacks.

One day earlier, two irregular battalions were forced to abandon Site 165, some five miles southwest of Site 22, and three other smaller positions. All six irregular battalions withdrew westward and heavy air strikes were called in on the enemy forces. The orderly withdrawal from these positions apparently is in keeping with a recent government decision to avoid, whenever possible, costly defenses of fixed positions on the plateau.

Fighting in the Bolovens region has been at a low ebb since early January, when government defenders repulsed a Communist assault on the northern side of the plateau. Communist forces had been regrouping for a new thrust at the irregulars, especially along the eastern rim where the government bases have constituted a threat to the enemy infiltration corridor into Cambodia.

The tenacity of the assault in the face of extremely heavy air strikes suggests that the Communists place considerable emphasis on clearing the heights overlooking Route 16 and the Se Kong River. These have not yet figured prom-

inently in the Communists' logistic effort in the lower panhandle, but it is possible that the enemy would like to make greater use of the westerly river and road routes to Cambodia in the waning months of this year's dry season.

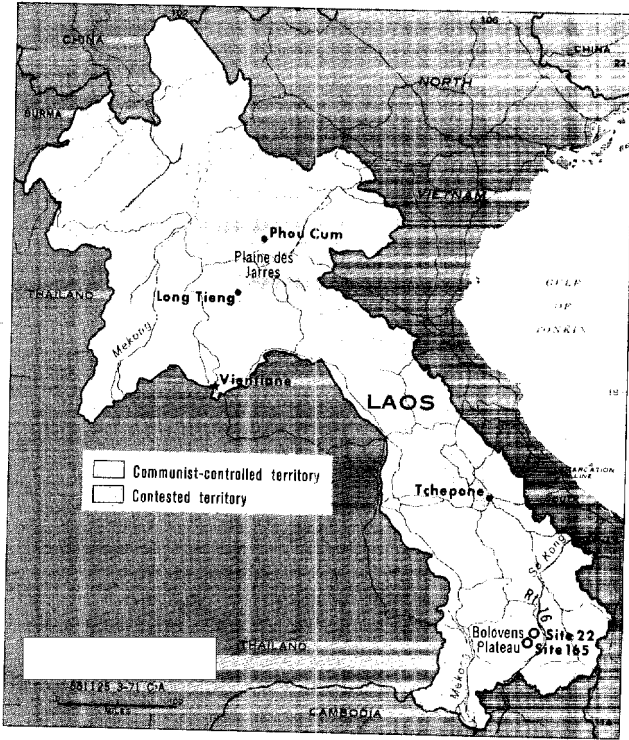
Shelling attacks continued around the Long Tieng complex in northern Laos. There have been numerous inconclusive clashes brought on principally by aggressive government patrolling, and irregulars have uncovered fairly substantial caches of Communist weapons and rice. To the north of the Plaine des Jarres, irregulars and village defense forces recaptured Phou Cum, which had been taken by the Communists on 22 February.

There is evidence, however, that the Communists are far from ready to throw in the towel in northern Laos.

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A Reduced Tempo on the Cambodian Front

The pace of the ground fighting in the Chup rubber plantation area in central Kompong Cham Province slackened as South Vietnamese forces regrouped along Route 7 to rest and refit. Last week's heavy but inconclusive combat in the Dambe area, northeast of Chup, apparently dictated a temporary standdown in the South Vietnamese offensive. A lull is probably equally welcome to the Communists, who have taken some substantial losses in the past few weeks. The Communists did not abandon the battle completely, however, and they managed to keep moderate pressure on South Vietnamese troops near Chup and near Snuol, in southern Kratie Province. Heavy enemy mortar barrages in both those sectors reportedly caused some costly South Vietnamese losses in manpower and materiel.

The Communists clearly intend to resist any additional efforts by the South Vietnamese to destroy their facilities in the Chup area.

Still in the Doldrums Elsewhere

The Communists also maintained a low military profile in most other areas of the country during the week, holding themselves to light harassing attacks against scattered Cambodian positions. For their part, government forces succeeded in breaking the enemy's brief control over a portion of Route 4, near Kompong Som. A regiment of Cambodian reinforcements from Phnom Penh has arrived in Kompong Som to help strengthen the defenses of the seaport town and the nearby oil refinery. The most significant action on Route 4 took place some 15 miles west of Phnom Penh, however, where government units clashed with an estimated enemy battalion.

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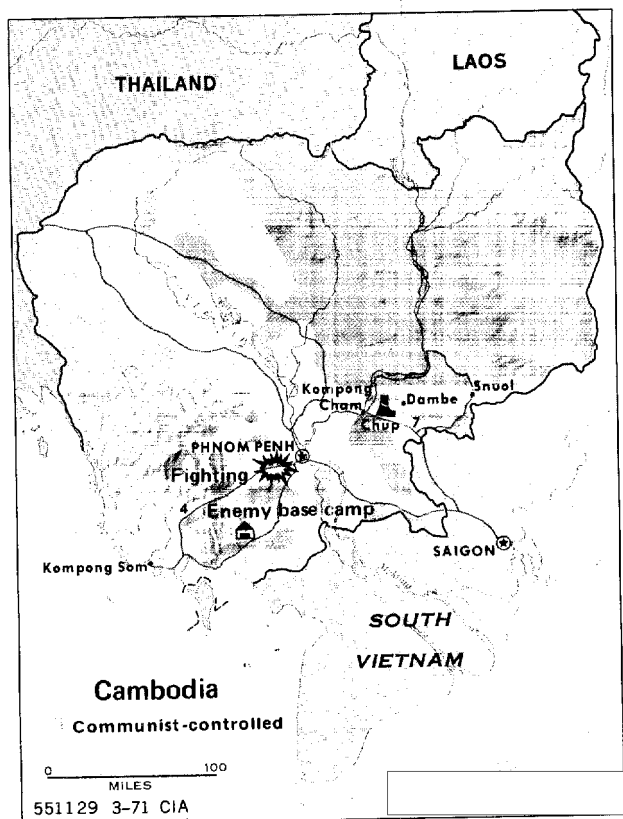
Cambodian soldiers, backed by air and artillery support, claimed to have killed 65 Communists in that encounter while suffering only minor losses of their own.

Support Your Local Communists

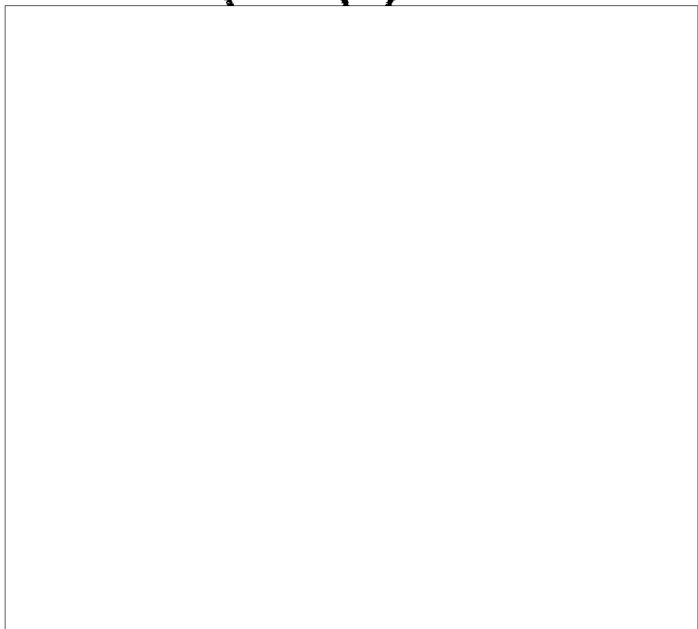
Although the Communists continued to forgo large-scale actions against important government positions, there was fresh evidence that considerable enemy organizational work is being undertaken in the countryside. A Cambodian Army soldier who recently escaped from a Communist base camp in southern Kompong Chhnang Province has reported, for example, that there were four Vietnamese and two Khmer Commu-

nist battalions in that camp. The Vietnamese battalions each contained 50 Cambodian troops who served as translators, provided logistics support, and handled relations with local villagers. The two Cambodian battalions were not attached to the Vietnamese units and had their own leaders, including three Khmer political cadre who reportedly had been trained in Hanoi before 1954. This is the first detailed report indicating that the Khmer Communists are using such cadre.

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The Candidates at Work in Saigon

President Thieu's prospects for re-election may have been strengthened by the government's performance in the fight against inflation. The USAID index shows that prices in Saigon have risen only one half of one percent since July, whereas prices rose almost 30 percent per year in 1969 and in early 1970. The new average rate indicates that government measures are working

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well, at least for the time being. Prices are still high, but the recent leveling off will help deprive Thieu's critics of one of their most telling issues. Some new measures announced last weekend may spark some further grumbling, but they are designed to help block further inflation, and the net effect is likely to be helpful to most South Vietnamese citizens.

Thieu has also helped his election campaign by exempting government salaries from the income tax. Although South Vietnamese Government economists objected to this move, they seem to agree that the tax loss will involve relatively small sums. The measure will strengthen support for Thieu among government cadre, some of whom can be expected to work with greater enthusiasm for his return to office.

Taipei Reacts Mildly to US Foreign Policy Report

Despite persistent cries of outrage in the Nationalist Chinese legislature and in some newspapers, Taipei's official reaction to President Nixon's treatment of US policy toward China in his 25 February report has been relatively mild. The Chinese ambassador on 4 March, in expressing his government's extreme sensitivity over the use of the term "People's Republic of China," merely suggested that the US avoid use of that term, which he said is subject to misinterpretation; if the US intention is only to make clear its

desire for friendly relations with Taipei while easing tensions with Peking. The ambassador said that use of the objectionable term not only implies an intention to accept Peking's claim to represent China, but also could encourage other states to take this position, which he said undermines morale on Taiwan. Similar comments reflecting a reluctant understanding of the current US approach to China policy have been made by high-level officials in Taipei.

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The legislators' expressions of outrage, which the Chinese ambassador characterized as an uproar, have continued despite the Vice President's assurance on 2 March that the government had made a strong protest. While the hard liners have charged the US with appeasement and naivete, other representatives, although expressing their concern over the wider implications of the report, have voiced gratification over Washington's reassurance that it would honor its defense commitment. In addition, upcoming meetings of other government organs will probably produce echoes of the legislature's feelings, which are most aptly characterized by an anonymous lament widely quoted in the press that "since the death of Dulles, no one who really understands Communism has appeared on the American scene."

Although the report continues to receive considerable attention in the Nationalist press, the restrained discussion in the island's most influential papers reflects a concerted government effort to highlight the report's positive references

to the US-Taipei relationship. These articles also claim that President Nixon has personally maintained a strong anti-Communist stance and that he made the recent "futile gestures" toward the mainland only in order to divert criticism by "forces of appeasement" within the US Government and among the public. The hardest line was generally taken by those papers that have recently been critical of Taipei's own foreign policy. Their articles, which called the government's reaction to the report "mealy-mouthed," said the US willingness to take such a position resulted from the Nationalists' "defeatist" diplomatic tactics. The government, however, in the past has considered verbal protests an adequate response in adverse circumstances, and neither these newspaper attacks on Taipei's policy nor the government's expressions of understanding of the US position suggest that more serious protests are being planned or that a more flexible Nationalist foreign policy is contemplated.

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Ferment over UN China Representation

Last fall's UN General Assembly vote giving a thin majority for the first time to the "Albanian" resolution to seat Peking and to expel Taiwan has set in motion the expected international soul-searching over future handling of the Chinese representation issue. With Peking continuing to insist that it will not accept UN membership unless Taiwan is removed, Western-oriented governments are looking to the US for advice before determining their own positions. They are especially eager to know whether the US will again resort to the Important Question (IQ) tactic that requires a two-thirds majority vote for any change in Chinese representation.

The UK has been the most importunate on this point because it believes continued support

of the IQ tactic will complicate its talks with Peking on raising diplomatic representation to the ambassadorial level. The drift of British thinking is clearly in the direction of withdrawing its support. In fact, officials have told the US that the UK is opposed to any "device" such as the several "two Chinas" formulations that have received some attention and are designed ultimately to exclude Peking.

In consultations with the US, however, both Australia and New Zealand have seemed much less keen on facilitating Peking's entry. Both favor new procedural tactics to safeguard Taiwan's position. They have suggested the adoption of a dual representation formula that would concede the Security Council seat to Peking but would require a two-thirds vote for any move to oust Taiwan.

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The Chinese representation issue has been the subject of intensive debate in Japan, and the US attitude will be a major factor in Tokyo's ultimate decision. The Sato government appears inclined to retain for at least another year its position that Taiwan's representation at the UN should be preserved, possibly by offering some sort of "two Chinas" formula that Peking could not swallow.

Such a formula, however, remains as unpalatable to Taipei as it is to Peking. In a recent statement of its 1971 goals, the Nationalist Government emphasized its desire to improve its position in international organizations and to combat the "growing appeasement" of Peking's claims within the US. Consultations have indicated that

Taiwan considers it essential to maintain its position as a permanent member of the Security Council, and it therefore would not be content merely with representation in the General Assembly and in other UN entities.

Last week Soviet officials in both Moscow and New York reiterated Moscow's support for Peking's UN entry. Despite this posture, Moscow remains concerned over the implications of Peking's presence at the UN, which could undercut Soviet appeal to the large third-world contingent there. Nevertheless, the USSR is unlikely to upset its somewhat improved relations with Peking by becoming identified with efforts to forestall mainland China's entry.

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Communist China Moves Toward Expanded International Air Service

During the past year, Peking has demonstrated an interest in expanding its international air service, perhaps even to Europe. At present, China's civil airline (CAAC) flies abroad only to the USSR, North Korea, and North Vietnam on a twice-weekly basis and to Burma once a week. The only free-world airlines now serving China are Air France, with a weekly flight from Karachi to Shanghai, and Pakistan International Airlines (PIA) with its twice-weekly flight from Dacca to Shanghai via Canton. By expanding its international air service first to Europe and perhaps later to East Africa, Peking would not only gain prestige, but would acquire more secure lines of communication to its diplomatic and economic outposts overseas.

Peking has civil air agreements with nine free-world countries and reportedly is interested in one with Tanzania, where the Chinese are engaged in a major aid project. Recently, the Chi-

nese inquired about technical landing rights in Turkey for an air route probably through Pakistan and Iraq to Romania.

In mid-1970 Peking bought four medium-range British Trident jets from PIA. CAAC's fleet includes several Viscount turboprop transports obtained from the UK in the early 1960s and some Soviet-built transports, both of which could be used for international flights. Since 1963, Peking has bought 38 short- and medium-range Soviet transports valued at approximately \$60 million.

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Last fall Peking sent a delegation to the UK and France to discuss aircraft purchases. In the

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UK, the group attended the Farnborough Air Show and exhibited the most interest in the Tridents, the short-range BAC-111 jet transport and the VC-10 long-range jet transport. A British delegation from the Hawker Siddeley Aircraft Company is presently in Peking, probably to discuss the sale of more Tridents.

A French firm recently acknowledged that it is negotiating with the Chinese for the sale of three to nine Caravelle medium-range jet transports and two to four Nord 262 short-range turboprop planes. The value of this aircraft package could run as high as \$50 million. 25X1

Chou En-lai Paints Rosy Picture of Chinese Economy

In recent conversations with his long-time acquaintance Edgar Snow, Premier Chou En-lai tried to demonstrate that China has emerged from the upheaval of the Cultural Revolution with a strengthened economy. Snow's previous visit in 1965 had served a similar purpose, permitting the Chinese leadership to show that the country had recovered from the 1959-61 "times of trouble" following the collapse of the Great Leap Forward.

Chou's central point was that the leadership regards the economic losses suffered during the 1966-69 Cultural Revolution as more than balanced by domestic political gains. He went on to claim that in 1970 China produced more grain, petroleum, steel, chemical fertilizers, and cotton textiles than ever before. In an important revelation, he reported that China has some 40 million tons of grain in reserves, not including stockpiles held by individual communes. His assertions of general agricultural and industrial advances accord

with US estimates, although his specific numerical claims have an upward bias.

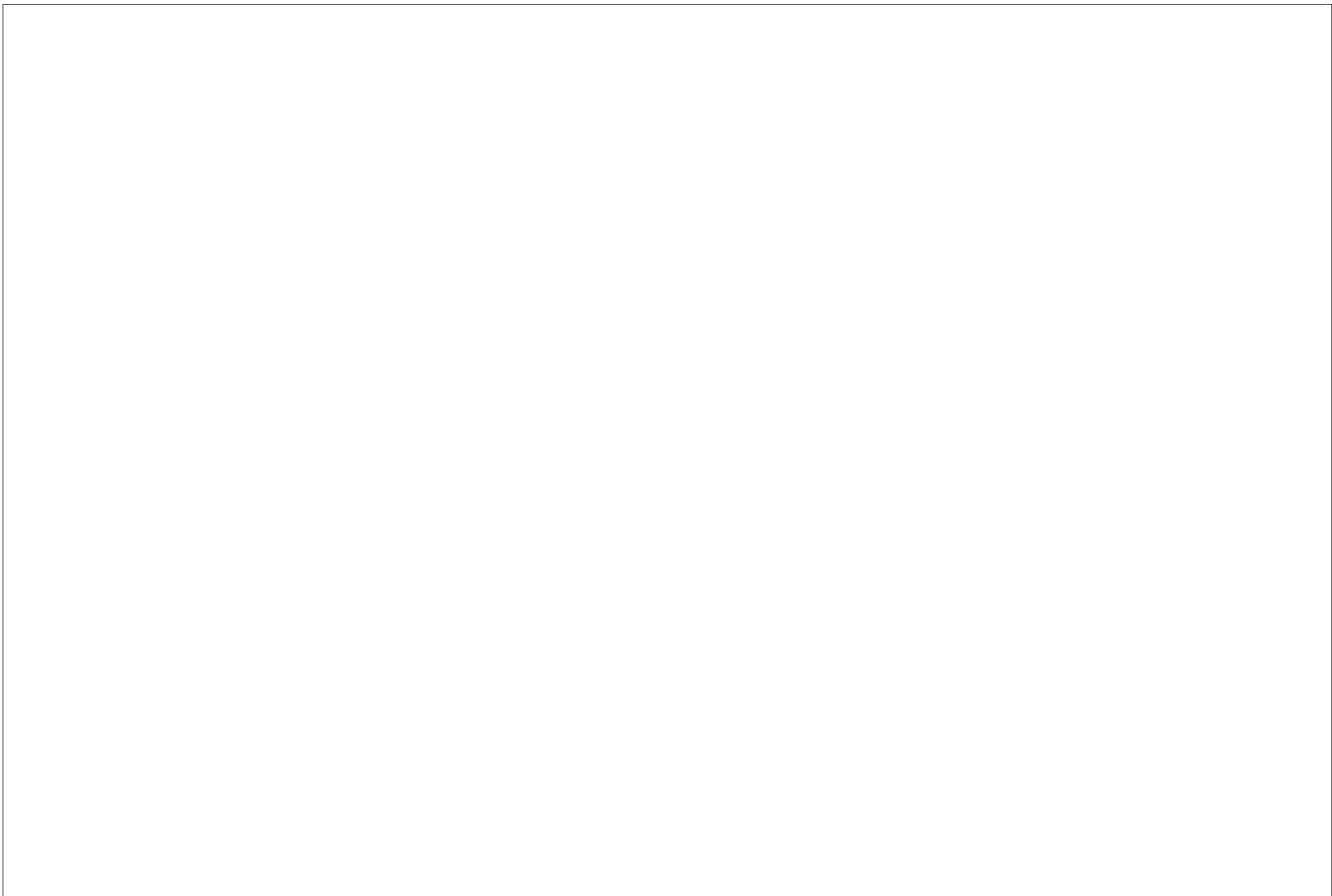
Chou defended the continuing import of grain by declaring that China is a net exporter of food, importing cheap wheat and exporting more expensive rice on a modest scale because this practice is economically profitable. His argument is not supported by data on China's grain trade, however. He boasted that China has no inflation, no personal income taxes, and no internal or external debts. Chou's remarks led Snow to speculate that China's gross national product can be compared to those of advanced industrial countries. Chou's statements suggest that the leadership is satisfied with the present economic situation and is reasonably optimistic about prospects for the immediate future. The interview failed to reflect, however, such continuing problems as the narrowness of the margin between grain production and population growth or the technological backwardness of much of the Chinese economy. 25X1

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EUROPE

Soviet Land Bridge Links Japan-Europe Trade

After three years of experimentation, a regularly scheduled service for containerized freight is now being offered between Western Europe and Japan via the USSR. Although traffic has been light, the new service may eventually capture a large share of the trade between Japan and Europe.

Called "Japan-Europe Container Service" (JEURO), it is the result of remarkable interna-

tional cooperation in marked contrast with the bogged-down status of similar proposals for a land bridge across North America. Three container ship voyages are made monthly in each direction between Yokohama/Kobe in Japan and the Soviet port of Nakhodka. Up to 100 containers per train are shipped on special all-container trains between Nakhodka and Moscow, where those for continental Europe continue on by rail and those for the UK go by a rail-sea route via Leningrad.

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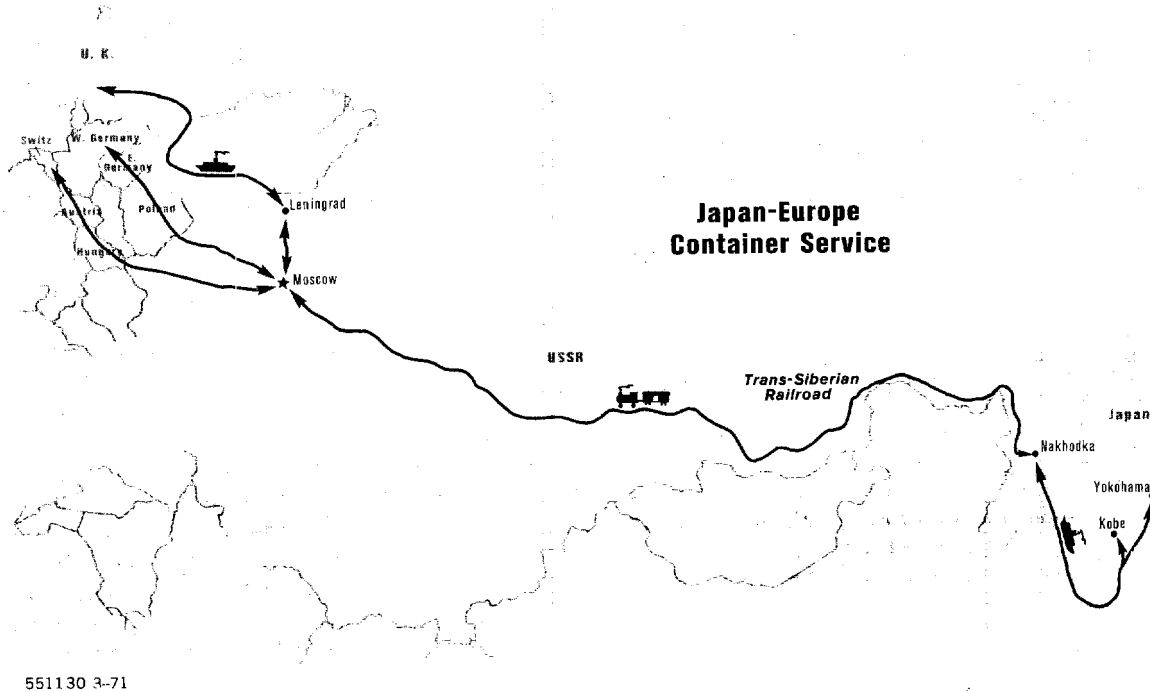
During 1967-70 transit time averaged a slow 40 to 42 days because of a lack of cooperation by European railways and delays at the port of Nakhodka, but now it is expected to average only 35 days, with potential for improvement. This will not quite match the time of the fast container ships between Japan and Europe, but the new service offers a rate advantage of perhaps 15 percent, which is subsidized by the Soviets.

Experimental traffic amounted to only a few hundred containers a year, mostly of high-priced items such as electronics equipment. Regular service, which commenced at the beginning of February, calls for a monthly volume of traffic of up to 180 containers each way. Lack of adequate port facilities at Nakhodka is a major obstacle to a greater flow of traffic.

After the planned completion in 1973 of the container section of the new port at Wrangel near Nakhodka, which is a joint Soviet-Japanese project, the new service will be capable of carrying between 120,000 and 140,000 containers per year or about two million tons of cargo. Japan, which exports a greater portion of general cargo to Western Europe than it imports from that area, would be the major beneficiary of the subsidized route. Bulky items such as certain iron and steel products, however, would continue to be sent by sea.

The realization of even the maximum planned potential of JEURO should not be a burden to the Trans-Siberian Railroad. Capacity volumes through Wrangel still will require only two additional trains each way per day compared with a through capacity of some 90 each way per day on the Trans-Sib, which is considerably greater than its current traf-

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USSR: *Political Maneuvering on the Eve of the CPSU Congress*

The confusion dominating the preparations this winter for the 24th CPSU Congress has settled to the extent that all but one of the oft-postponed republic-level congresses have taken place, but there are still indications of political uncertainties.

The republic congresses, originally scheduled to be held in late January and early February, were repeatedly postponed, probably to permit prior publication of the draft directives for the five-year plan. But the late rescheduling of the Ukrainian Congress for 17 March and the replacement of republic second secretaries in Estonia, Kazakhstan, and Georgia suggest that political maneuvering both at the republic level and within the central leadership may also have contributed to the confusion.

In Estonia, a Moscow cadres official responsible for the Baltic republics and Belorussia was appointed second secretary. The appointment of an ethnic Russian to this post may hurt Estonian national pride even though his predecessor does not appear to have been removed for "short-comings." It is not yet clear whether the change will adversely affect the political fortunes of the outspoken Estonian first secretary, I. Kebin. The shift in Kazakhstan, however, suggests a further waning of Podgorny's influence inasmuch as the outgoing second secretary was one of his long-time proteges. The secretary, who was ousted as a central committee secretary in 1965 as the result of rivalry between Brezhnev and Podgorny, has

been transferred this time to a relatively meaningless post in Moscow. The new second secretary's ties with the leadership remain unclear but his background suggests that he belongs to the Brezhnev camp. In any event, the departure of Podgorny's protege will probably enhance the position of Kazakh First Secretary D. Kunayev—a fervent supporter of Brezhnev.

The Georgian second secretary, an outspoken advocate of collective leadership who revealed that Khrushchev's ouster was accompanied by a decision to prohibit a leader from combining the posts of first secretary and premier, has also been replaced, as has the premier of the Uzbek Republic. Moreover, in the RSFSR, the position of Politburo member Voronov seems to have been further eroded by the appointment of a probable Brezhnev protege as first deputy premier for agriculture.

On balance, these changes seem to benefit Brezhnev, whose influence in republic party affairs may increase, especially in Kazakhstan, inasmuch as the second secretary is normally responsible for cadres. These changes do not, however, reflect a major shift in the political balance within the central leadership. Perhaps in an attempt to play down Brezhnev's enhanced public stature, the unity of the collective leadership was ostentatiously demonstrated when all Politburo members from Moscow attended, quite unnecessarily, the centennial of the birth of a Ukrainian poet on 1 March.

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Poland: *Gierek Builds More Confidence*

The Gierek regime is continuing to gain public confidence, to consolidate local party authority, and to demonstrate loyalty to Moscow and its allies.

A lengthy meeting last week between Poland's Roman Catholic primate, Stefan Cardinal Wyszynski, and Premier Jaroszewicz was a major step toward realizing the regime's commitment to normalize church-state relations. This was the first such top-level contact in over a decade, and could signal a readiness on both sides to begin a working-level dialogue on a multitude of issues. Although the meeting was welcomed both by church sources and the populace, the stress on the "gradual" nature of any future normalization contained in the episcopate's subsequent communiqué strongly suggests that the church does not foresee an early breakthrough.

Gierek's efforts to consolidate the party apparatus continue to focus on improving the responsiveness of the local bureaucracy to both the leadership and to the people. Additional personnel shifts at the provincial level and below coincide with a continued round of talks by Gierek in various parts of the country designed to overcome footdragging among middle-echelon party officials. Last week he kicked off the first of a round of local party conferences to prepare for the next party congress.

Gierek's stumping through the country, including his promise to make another visit to the volatile Baltic coast area later this month, indicates that the regime's posture vis-a-vis the emboldened workers is still largely defensive. There are some signs, however, that the people are more realistically assessing the strictures—internal and external, political and economic—within which the regime must operate.

For his part, Gierek is continuing his efforts to assure both domestic conservatives and Moscow that he intends to keep developments under party control. His statement in Katowice on 6 March warning against attempts by "centers of hostile subversion" to inflame and disorganize public life in Poland was designed to underscore the regime's watchful attitude.



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U.S. SOVIET officials, with the exception of scattered comments by a few low-level diplomats, have been circumspect. The Soviet press has not diverged since December from a policy of low-key and factual, if highly selective, reporting. Soviet concern, nevertheless, is real, as manifested by Moscow's prompt and generous tender of economic assistance—including a \$100-million hard currency credit—to the beleaguered Polish government.



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Yugoslav Constitutional Changes

The publication on 28 February of 21 draft constitutional amendments completed the first phase of President Tito's proposed government reforms. The proposals sharply alter the nature of the centralized Yugoslav system by giving greater autonomy to the constituent republics and provinces, creating a collective presidency, and re-

stricting federal powers to matters concerning national defense and foreign policy and to effecting a unified economic system. As important as the amendments themselves, were the heated debates surrounding their drafting, which assumed proportions hitherto unknown in the Communist world and infused a dramatic new vigor into Yugoslavia's political life.

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In general, the decentralization is welcomed, at least in principle. The Serbs and Albanians in the autonomous province of Kosovo, however, differ among themselves over the future role and position of the provinces. Also, the Croats have seized on the occasion to press for greater republic autonomy; in particular, they question the federation's right to regulate foreign trade.

The trade unions are taking advantage of the situation to demand a greater role in society, and they apparently will get it. The unions have stepped up their fight to improve the standard of living and were instrumental in forcing the government to compromise on a wage freeze. Although work stoppages have been semiofficially sanctioned in Yugoslavia for some time, the unions will soon have another weapon in their arsenal when the right to strike becomes legal this spring.

Aware that he may have opened Pandora's box by encouraging widespread discussion of the pending changes, Tito, in presenting the amendments to the party presidium on 2 March, urged those present to work hard for quick implementation in order to avoid distortions. He also announced that the party will be in for extensive reorganization, probably before the end of the

year. He urged the government not to wait for the amendments to become law but to enact the necessary portions of the economic stabilization program as soon as feasible and in the spirit of the proposed system. Tito also disclosed that a second set of constitutional amendments, designed to carry the current economic and political reforms to their logical conclusion, will be introduced over the next two years.

Tito's urgings notwithstanding, it was open season on the proposals. The 17 party officials who rose to endorse both Tito's remarks and the explanation of the reforms given by Edvard Kardelj all gave their own slant and interpretation to the proposals. Serbian party leader Nikezic, for example, took the occasion to call for an improvement of the amendments, citing the "vagueness" of the economic portions; Croatian party leader Dabcevic-Kucar made a predictable chauvinistic appeal for greater republic autonomy.

It was Krste Crvenkovski, the leading Macedonian party official, however, who saw some real value in the whole period of argument and compromise. He expressed his satisfaction not with the amendments but with the give-and-take that produced them. 25X1

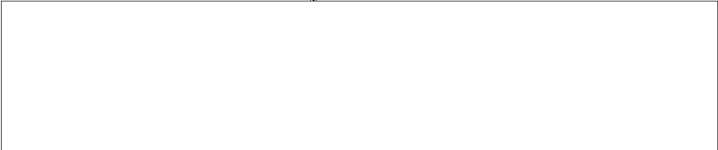
~~YUGOSLAVIA-HUNGARY:~~ Recent agreements indicate an upswing in trade and industrial cooperation between these two countries. Trade this year is slated to rise 20 percent over the level of 1970; moreover, the 1971-75 trade agreement calls for a substantial increase over the previous five-year period. There is sufficient diversity of production between the two countries to permit significant trade growth, and the existence of complementary industries could lead to increased

production cooperation. A \$65-million pact on joint vehicle production is one of several recently concluded industrial cooperation agreements that are expected to broaden the scope of bilateral relations. Talks were held last week on the joint construction of factories as well as on the reciprocal use of transit and transport facilities. To accommodate the new agreements, existing provisions for the convertible currency settlement of trade balances are to be reviewed later this month. 25X1

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Norway: *Labor Gets a Chance*

Labor Party leader Trygve Bratteli has been given a mandate to form a minority government following the failure of an attempt to reconstitute the four-party, center-right coalition.

The bourgeois government, led by Per Borten of the Center Party, fell on 2 March after over five years in office when Borten admitted that he had disclosed confidential information concerning Norway's negotiations with the European Communities (EC) to the leader of the anti-entry movement. Ever since being returned to office in 1969 with only a two-seat margin in parliament, the government had suffered sustained intra-coalition sniping and a steady decline in popularity, and political observers predicted its early demise. Yet time and again the four parties managed to pull themselves together and stagger through the succession of crises confronting them.

The debate within the government over entry into the EC became steadily more exacerbated, however, and by the beginning of this year Conservative and Liberal party leaders were no longer reluctant to accuse Borten and his Center Party of insincerity in supporting the coalition's policy favoring accession. The major Oslo Liberal Party newspaper, *Dagbladet*, repeatedly splashed confidential Center Party internal discussions on EC strategy across its front page, embarrassing Borten and forcing him to repudiate the harsher views of

his backers. It was this newspaper that printed the contents of the memorandum Borten discussed with the antimarketeters, and it was the Liberal Party chairman, acting as head of the bourgeois bloc in parliament who clamored for a police investigation of the leak, regardless of how many higher-ups might be involved.

Furious, Borten resigned, but his party backed him to the end, and as a sign of its resentment of this treatment at the hands of its coalition partners, the party stiffened its opposition to EC entry, calling for satisfaction on this issue before it would support a new center-right coalition. After a week of negotiations by a leader of the Christian Peoples Party, who was acceptable to the Center but had long been anathema to the Liberals, the effort collapsed, and Bratteli was called in.

The new government, whose membership will be made known on 15 March, can count on only 74 of the 150 votes in parliament and can therefore be expected to follow a cautious course in its domestic and foreign policies. Though committed to Norwegian entry into the EC, the Labor Party leadership will be obliged to move carefully in the face of stiff opposition from its youth and left wings. To conciliate these groups Bratteli may make such gestures as proposing recognition of North Vietnam, and encouraging detente in Norway's relations with Eastern Europe.

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MARITIME ISSUES: The UN General Assembly's seabeds committee, which was scheduled to convene in Geneva on 1 March to begin planning for the 1973 Law of the Sea Conference, has yet to hold a meeting as the result of a dispute among the regional groups over subcommittee chairmanships. The stakes for the 1973 conference are high because of the issues involved—territorial waters claims, fishing rights, regulations to govern ex-

ploitation of the deep seabeds, and rights of passage through international straits. The Latin Americans, with some African support, are insisting on chairmanships of specific committees in hopes of controlling deliberations on issues most vital to their interests and perhaps of even preventing a subject—such as territorial waters—from being placed on the 1973 agenda.

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MIDDLE EAST - AFRICA

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Middle East: Cease-fire Expires but Calm Prevails

The armed forces of Israel and of the surrounding Arab states remain on alert, but the week has passed without major military clashes despite the expiration of the formal cease-fire between Egypt and Israel on 7 March.

President Sadat's rejection of a further cease-fire extension leaves murky Cairo's future military plans against Israel. In an address to the nation, the President announced that "we cannot extend the cease-fire longer than we have done." He left future military options open when he declared that "we will watch, follow events, and decide for ourselves what we feel it is our duty to do and at what time and place."

Sadat added, however, that "this does not mean that political action will stop and that the guns alone will speak." Cairo's continuing interest in a political solution was evident in Sadat's expression of confidence in the UN, in Secretary General Thant, and in the UN's Middle East mediator Gunnar Jarring. The President further called upon the big four to continue their interest in the Arab-Israeli crisis and directed a special plea at the US to "discharge its duty" and get Israel to agree to withdraw from the occupied Arab territories.

Sadat's refusal to extend the cease-fire is probably intended in part to increase the sense of uncertainty about the future in the Middle East and thus give added urgency to international efforts to end the Arab-Israeli confrontation. It also reflects the pressures on Egypt's political and military leaders to achieve some tangible progress toward the restoration of its lost territory. Many Egyptians are no doubt reluctant to accept the status quo indefinitely. It is not clear how seriously Egypt's leaders view these pressures, how-

ever, or how long they believe they can resist resorting to military action.

Israeli public and official reaction to Sadat's speech indicated concern coupled with cautious optimism that a de facto cease-fire would continue. The Israeli press covered the Egyptian President's speech extensively. Sadat's recent trip to Moscow, editorialists reasoned, meant that relations between Cairo and Moscow had been strengthened. According to a Tel Aviv independent daily, Sadat's announcement, although it came as no surprise, indicates that "Egypt has again put its finger on the trigger" and that the danger of a conflagration is far greater than the likelihood of restraint. A semiofficial Tel Aviv daily says that Moscow influenced the Egyptian stand with the intention of sabotaging any rapprochement between Cairo and Washington. A newspaper affiliated with the Israel Labor Party, on the other hand, does not believe that Egypt can resume firing now because it lacks the necessary military strength. An organ of the National Religious Party recommends that an information campaign be inaugurated to persuade the public that a weakening of Israel's stand on the borders would signify a concession to the USSR. Several papers state that Israel is searching for a formula that would enable Jarring to regain the initiative without Israel's making a prior commitment to total withdrawal.

Official Israeli comment on Sadat's speech has also been prolific. Foreign Minister Eban, speaking shortly after Sadat, stated that Israel would continue to observe the cease-fire in accordance with the 1967 Security Council resolution and on the basis of reciprocity. Opposition leader Menahem Begin said that Israel should also announce that it reserves the right to decide

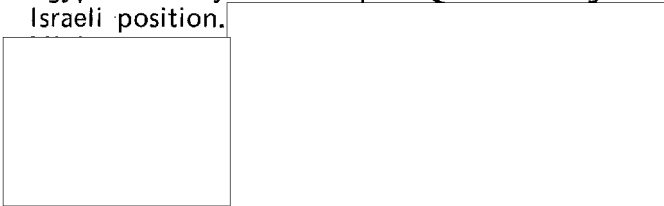
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whether or not to open fire. Prime Minister Golda Meir described Sadat's statement as tantamount to a threat with a loaded revolver. Deputy Minister Yigal Allon said that Sadat's announcement should not be taken lightly, but observed that the Egyptian Army is not capable of breaching the Israeli position.

under the negotiating process by instigating limited military action. Under the defensive alert conditions now prevailing, however, any such incident could escalate rapidly. There was some minor action between fedayeen forces and the Israelis during the week.

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Meanwhile, the Egyptian President's move has apparently won him an upsurge in popular support from the more militant Arabs in the Middle East. Palestinians in both Lebanon and Jordan were reportedly jubilant over his rejection of a further extension of the cease-fire. Even moderate Arabs have said that Sadat had no other choice in the face of Israeli intransigence, but they have noted with satisfaction the fact that he left the door open for continued efforts in the diplomatic arena.

The armed forces of Egypt and Israel have continued their restraint since Sadat's announcement, but the uncertainty created by the absence of a formal cease-fire increases the chances for miscalculation. Sadat has also left open the possibility that Egypt may at some point put heat

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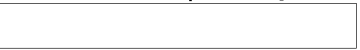


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Palestinian Parliament Unproductive

The recently concluded session of the Palestine National Council in Cairo produced little more than a restatement of the desire to unify the fedayeen movement.

By laying the burden of implementing any unification plans upon its successor, the present council was able effectively to side-step the issue of making any real effort to unify the resistance movement. Moreover, the continued existence of bodies such as the central committee provides those fedayeen organizations that are unwilling to surrender their separate identities a way to sabotage any move to force a merger. In particular, the Popular Front for the Liberation of Palestine, which boycotted the council's meeting, is certain to reject any move to establish a single fedayeen front unless a radical socialist political program similar to its own is adopted by all elements of the front.

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As it did at its previous session, the council adopted a plan for the "political, military, and financial unification" of the various commando groups within the framework of the Palestine Liberation Organization (PLO). Under the current plan, proposed by Yasir Arafat, the 115-man council calls for its own replacement by a new 150-man council within 90 days. The new body is then to elect a political bureau to replace the present PLO Executive Committee. Other bodies, including the PLO central committee, will continue in existence.

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Turkey: *Demirel Government Still under Pressure*



The recent abduction in Ankara of four US airmen by several heavily armed Turkish extremists touched off one of the most extensive manhunts in modern Turkish history. Their unceremonious release five days later, when their abductors apparently panicked in the face of what they believed was imminent arrest, appeared to ease temporarily the pressures on the Demirel government. This episode, however, and the seemingly helter-skelter character of the search could have far-reaching repercussions in both political and military circles.

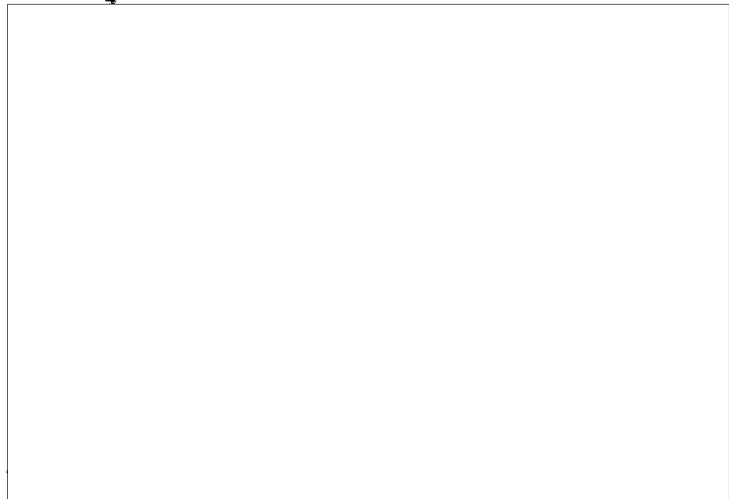
the internal political situation. The national budget was approved in late February, and Parliament now must consider government-sponsored legislation designed to strengthen the government's hand in dealing with extremism, pass on the proposed bill to tighten government control over opium cultivation, and develop needed economic and social legislation. If new elections are to be held later this year, changes must also be made in the electoral laws.

The kidnaping itself, in the name of an alleged Turkish Peoples Liberation Army—which apparently is only a cadre group numbering no more than 20—was a typical act of urban terrorism patterned after similar incidents in other countries. The terrorist group reportedly was organized by a few Turks who were arrested and imprisoned in southeastern Turkey last year after their return from Syria, where they had gone to be trained in guerrilla tactics by Arab terrorists.

Although the government demonstrated firmness in the face of the terrorists' demands and in its relentless search for the kidnapers, Demirel continues to face heavy opposition within Parliament where his party now is two votes shy of a majority.



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With the release of the airmen, attention is again beginning to focus on the complexities of

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Pakistan: *Final Showdown Delayed But Not Averted*

Recent speeches by President Yahya Khan and East Pakistani leader Mujibur Rahman have reopened the possibility of a negotiated solution of Pakistan's present crisis, ~~but there seems to be little prospect that differences between East and West Pakistan will be resolved,~~

government activities in East Pakistan. Mujib also said his Awami League (AL)—which holds almost all of East Pakistan's national and provincial assembly seats—would not consider attending the National Assembly unless Yahya met certain conditions, including immediately turning the province over to its elected representatives.

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 On 6 March President Yahya Khan announced that the National Assembly would convene on 25 March to begin writing a constitution. This move was a concession to the East Pakistanis, who had hoped to use their majority in the assembly to force through a constitution granting a great deal of provincial autonomy. Yahya's indefinite postponement earlier in the week of the meeting of the assembly had resulted in a general strike accompanied by violence in East Pakistan.

Since the speech, the AL has moved to fill the vacuum created by the noncooperation movement and has established de facto control over much of the province. Mujib appears to have the backing of almost all East Pakistanis, and so far the central government has not tried to stop him.

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 Yahya, however, accompanied his concession with strong criticism of recent East Pakistani activities. He implied, moreover, that he would use force if necessary to prevent East Pakistan's secession and would not accept its autonomy demands, which would whittle central government responsibilities down to defense and foreign affairs. Later, he underscored his veiled threat by appointing Lt. Gen. Tikka Khan—a tough but fair West Pakistani—as governor of East Pakistan.

President Yahya apparently is still hopeful of reaching a peaceful solution, ~~but he will almost certainly refuse to give in to all of the East Pakistani demands.~~ His announced intention to fly to Dacca has the appearance of a last-ditch effort to find a compromise. Even should he be willing to make major concessions on provincial autonomy, there now is some question as to whether Mujib, who is being pushed toward independence by his followers, would be inclined to settle for only East Pakistan's original demands.

Should negotiations fail, Yahya and the military would have to intervene or face the prospect of East Pakistan's gradually drifting into independence. An attempt to hold the country together by force could lead to widespread disorders in the East that ~~the army would find extremely difficult if not impossible to suppress.~~

Mujib replied the following day. Many had expected him to proclaim East Pakistan's independence, but instead he called for a noncooperation movement that has largely hamstrung central

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India: *Mrs. Gandhi on the Road to Victory*

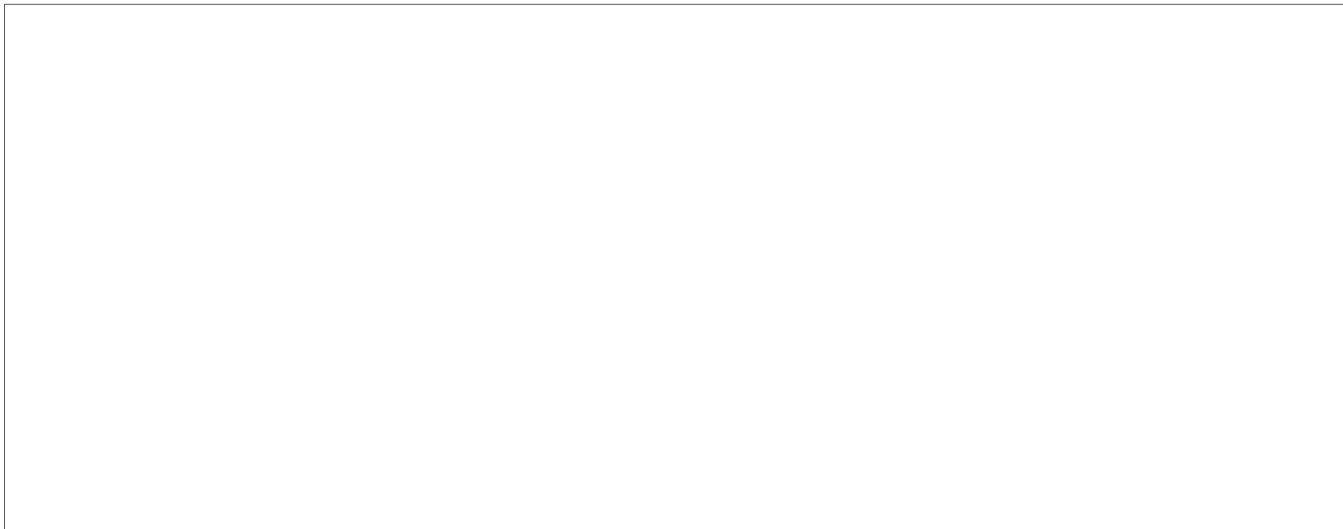
Incomplete election returns indicate Prime Minister Indira Gandhi's gamble in calling early national elections will have paid off handsomely. Her Ruling Congress Party will probably far exceed the 261 seats needed for a majority in the 521-seat lower house.

Mrs. Gandhi is now assured of widespread support for the economic and social programs she is expected to propose. So far, however, she has failed to outline specific programs to implement her promise of providing a better deal for the poverty-stricken masses.

Mrs. Gandhi campaigned vigorously against a four-party alliance whose challenge was seriously weakened by internal bickering and by its failure in numerous constituencies to back only a single candidate. She was particularly eager to free herself of the need for parliamentary support from various minority parties—a dependence caused by the split in the Congress Party in late 1969.

The poll is essentially a strong vote of confidence in Mrs. Gandhi's leadership and an endorsement of the Ruling Congress Party. The prospect is for a stronger, more stable central government that will continue to emphasize moderate socialism at home while maintaining India's traditional independent foreign policy.

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SECRET**WESTERN HEMISPHERE****Cuba-Chile: *Expanding Relations***

The re-establishment of diplomatic ties between Chile and Cuba has been the most important single development for the Castro regime in the western hemisphere since OAS sanctions calling on member states to sever relations with Cuba were imposed in 1964. Since last November, when Chile officially resumed diplomatic relations with Cuba, there has been a steady increase in the number, variety, and warmth of ties between the two countries.

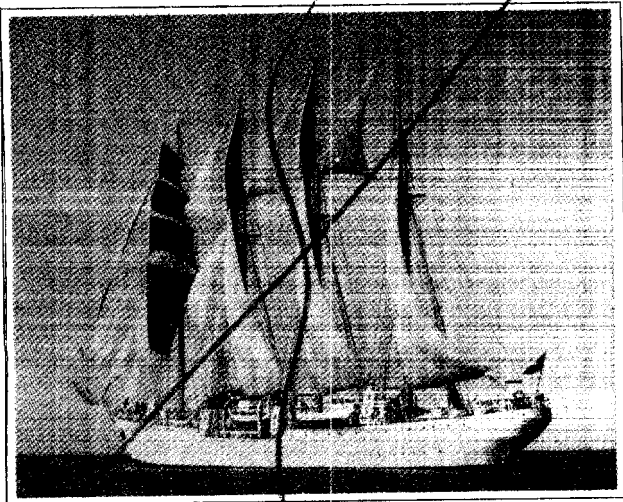
In an early move toward broadening contacts, the Chilean Central Bank on 21 November 1970 lifted all restrictions on commerce; trade between the two countries had been resumed earlier that year by the Frei administration. This action was followed by the signing of a university exchange agreement previously negotiated between the University of Havana and the Chilean Catholic University. The agreement, which took effect on 1 January and is to be renewed every two years, includes the exchange of professors and students to attend seminars and the exchange



Fidel Castro greets captain of Chilean Naval Training Ship of information on the activities of both universities.

Of even more importance was the signing of a commercial agreement on 12 February 1971, even though some problems arose during the negotiations. The agreement, which covers 1971 and extends through 1973, envisages an annual trade turnover of \$20 million. Havana radio and Prensa Latina press announcements reported that a telecommunications agreement was signed on 15 February between the Chilean services of the National Telecommunications Enterprise and the Cuban Enterprise for Radio Communication. This pact provides for the close interconnection of the two countries' transmission links.

The two governments signed a bilateral civil air agreement on 25 February providing for two weekly flights by the Chilean Government airline from Santiago to Havana. There will be a weekly Cuban flight to Santiago with a maintenance stop in Lima. Such an arrangement will be useful in accommodating the growing number of persons traveling between the two countries. At present



Chilean Naval Training Ship Esmeralda

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Mexico is the only other Latin American country with regularly scheduled air service to Cuba. In addition, Cuba and Chile signed on 8 March an agreement providing for the exchange of films, newsreels, documentaries, and delegations to study the movie industry. The Chilean foreign minister and the Cuban ambassador attended the ceremony.

Although Castro must believe that the re-establishment of formal ties between the two nations is a victory over "imperialism" and is a definite economic asset to Cuba, he appears to be proceeding very cautiously for fear of doing anything that would create problems for Chile. In addition, Castro probably realizes that socialism

in Chile is still very much in the experimental stage.

Castro will, at least in the short run, continue to seize every opportunity to move closer to the Chilean Government. An elaborate welcome was given in Havana to the Chilean naval training ship Esmeralda when it arrived on 22 February. No effort was spared by the Cubans in playing up the ship's visit, and Fidel Castro personally spent several hours aboard on two separate occasions.

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Uruguay: *Another Kidnaping Adds to President's Problems*

Last month's conflict between the President and the Congress has eased somewhat, but a renewal of political hostilities seems likely when the legislative session opens on 15 March. The kidnaping of the attorney general on 10 March will probably add to the President's problems with a Congress that has frequently opposed his policies.

President Pacheco made a few concessions as a result of the criticism aroused by his closure of a left-wing newspaper on 16 February. The publishers of the suspended daily apparently will be allowed to print another newspaper under a different name. In addition, the recently appointed minister of interior has been less abrasive in his dealings with Congress than was his predecessor. He and two other ministers agreed to Congress' demand that they meet with the permanent legislative committee to discuss the closure.

Nonetheless, basic points of contention remain. On 1 March the permanent legislative committee, which handles congressional business between regular sessions, again rejected the executive's request for the reimposition of security measures that were promulgated immediately after the kidnaping of Britain's Ambassador Jackson in January but had lapsed. The Pacheco administration, probably encouraged by its success in capturing terrorists and uncovering planned operations while functioning under the security measures, wants to maintain its initiative. The abduction of the attorney general will prompt the government to press even harder for increased police powers.

In recent weeks the Tupamaros have released Brazilian consul Gomide and US agronomist Fly, both of whom were held for six months. The most recent kidnaping, the Tupamaros' eighth,

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occurred only a few days before the scheduled opening of a hemispheric trade meeting in Punta del Este and guarantees the terrorists another flood of publicity. This slap at the government came at a time when a movement to amend the constitution and allow Pacheco to run for a

second term was gathering some strength. If Pacheco persists in a re-election bid, the possibility increases that the terrorists will continue to use kidnappings in an attempt to embarrass the government and discredit the President's hard-line approach. [REDACTED]

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Guyana: *Bauxite Legislation Passed at High Price*

Prime Minister Burnham's bauxite nationalization legislation was approved by parliament on 1 March by a vote of 48 to 3. To achieve this victory, however, Burnham was forced to grant a number of potentially important concessions to Communist Cheddi Jagan and his political party for their support. The affirmative votes of Jagan's People's Progressive Party (PPP) gave the government the two-thirds legislative majority it needed to change the constitution to permit the nationalization of an enterprise with "reasonable" compensation. The measure spelled out the rules for Guyana's eventual take-over of the bauxite industry.

No date has yet been set for "vesting day," when the government will formally assume control of the Canadian-owned Demerara Bauxite Company (DEMBA), and there is no indication that the government will move soon against the US-owned Reynolds Aluminum Company subsidiary in Guyana. ~~Burnham probably will avoid implementation until details of the orderly administrative turnover of DEMBA have been worked out and marketing negotiations now being conducted by government emissaries abroad are concluded.~~ Meanwhile, DEMBA is continuing to operate normally.

Jagan evidently drove a very hard bargain in getting Burnham to agree to the concessions. The

government agreed to have PPP representatives in all government corporations, including the bauxite corporation, and intimated it may soon grant legal recognition to the Guyana Agricultural Workers Union. This organization, the labor arm of the PPP, has been trying for years to gain control of the workers in the key sugar industry. In addition, the government agreed to relinquish in June its right to declare any area of the country under a state of emergency, as well as the minister of home affairs' broad powers of arrest and detention. These powers have been used to harass and intimidate PPP members and to restrict their movement both within the country and abroad. PPP members who wish to travel to Communist countries will no longer be denied passports or have to declare false destinations. Jagan also won some long-sought reforms in the election commission, whose function it is to control voter registration and to ensure the fairness of elections. He obtained a promise from Burnham to reduce racial discrimination in government hiring, as well as permission to hold "peaceful demonstrations."

It is doubtful that Burnham intends to honor all aspects of his agreement with Jagan. He may be forced to face up to some of them, however, and perhaps to make additional concessions in the hope of forestalling a further disruption in the economy and of keeping Jagan quiet during these difficult days. [REDACTED]

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Colombia: *Situation Returns to Normal*

The student and labor disturbances that began on 26 February and culminated in a largely unsuccessful nationwide work stoppage on 8 March have ended. Colombia has returned to normal and the administration has emerged apparently in a strengthened position.

It is estimated that no more than 10 to 15 percent of the membership of the Union of Colombian Workers (UTC), which called for the strike, actually stayed home. Labor received little support from the general public, university students, or the opposition. Nevertheless, both the UTC and the government are claiming victory. The UTC seems convinced that the strike was successful because, in spite of strong government pressure, thousands of workers were willing to stay away from their jobs to express peacefully their concern over social and economic ills in Colombia. The Pastrana administration believes it prevailed because its strong action averted violence on 8 March. For several weeks the government had extra troops in the streets. Conservative and Liberal Party leaders, including several former presidents, met with Pastrana on that date to demonstrate national unity. Pastrana later said, "The silent majority has spoken with its actions and has supported law and order and made 8 March antistrike day."

Even though the stoppage was not effective, Pastrana's labor problems have not ended; much will depend on how he handles the UTC leadership. An accommodation with labor would probably delay further antigovernment action from that sector. Should Pastrana take a hard line, however, labor would unite against his administration. The government already has shown itself capable of taking strong measures by declaring a state of siege, imposing censorship and taking riot control measures, and engaging in tough bargaining with striking teachers and railroad workers. Should it decide to move against the UTC the outcome would be either a labor movement united against the government under UTC leadership, or a broken UTC with the Communist-front Trade Union Confederation of Colombian Workers picking up strength as the largest remaining labor central in Colombia.

Relative calm will probably prevail for the next few months, but the underlying political, social, and economic problems that caused the disturbances still persist. These problems are likely to increase unless the government moves ahead more forcefully and effectively, especially in the social field.

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GUATEMALA: The government may reimpose a curfew and resume harsh security measures in view of the continuing high level of violence. Leftist terrorism has picked up substantially since the liberalization over the past two months of the state of siege, which has been in effect for four months. Incidents of known political violence during February totaled 64, perpetrated mainly by the left. Thirty-five persons were killed, including five security officials. At least nine assassinations, mostly of security men, have occurred so far this month, and kidnappings of prominent businessmen have netted several thousands of dollars for the Communist terrorists.

Counterterrorism by the government has been almost nil in recent weeks. The low profile by the security forces is unlikely to be maintained much longer, however.

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