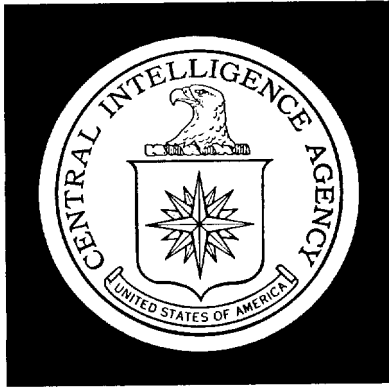


**Secret**



25X1



DIRECTORATE OF  
INTELLIGENCE

# WEEKLY SUMMARY

State Dept. review completed

**Secret**

23 April 1971  
No. 0367/71

Copy No 52

RETURN TO ARCHIVES & RECORDS CENTER

IMMEDIATELY AFTER USE

030 707020 80

228543/1

**Page Denied**

**CONTENTS**

*(Information as of noon EST, 22 April 1971)*

Page

**FAR EAST**

Indochina: Politics Take Command . . . . .	1
The Military Emphasis Is on South Vietnam . . . . .	2
Ping Pong Ricochets . . . . .	6
Peking Plays It Cool . . . . .	7



South Korea: Presidential Candidates Head for the Wire . . . . .	8
Japan Seeks Closer Economic Relations with Australia . . . . .	9

**EUROPE**

Polish Party Holds Stock-taking Session . . . . .	10
Berlin Negotiations . . . . .	11
Yugoslavs Suspect Soviet Ties to Radical Emigres . . . . .	11
France-Algeria: Era of Special Relationship Closes . . . . .	13
Italy Considers Measures to Stimulate Economic Activity . . . . .	13
The Netherlands Elections: No Choice, No Change . . . . .	14

**MIDDLE EAST - AFRICA**

Ceylon: Soviets Send Supplies as Situation Stalemates . . . . .	16
Pakistan: Bengali Resistance Crumbling . . . . .	18
Arab Unity: More Form Than Substance . . . . .	19
India: More State Governments in Mrs. Gandhi's Camp . . . . .	20

**WESTERN HEMISPHERE**

Brazil: Government/Terrorist War Claims More Victims . . . . .	21
Argentina: Political Maneuvering Breeds Dissension . . . . .	22
Uruguay's President Under Attack . . . . .	22
Panamanian Cabinet Changes . . . . .	24
Cuba: Castro's Foreign Policy Speech . . . . .	24
The Situation in Haiti . . . . .	26



NOTES: IAEA; International Aviation; USSR-Sudan; Jordan; Sierra Leone;  Colombia

25X1

25X1

25X1

**SECRET**

SECRET

## FAR EAST

### Indochina: *Politics Take Command*

The expectation that Lon Nol's return to Phnom Penh would have a calming effect on political infighting in the capital was short lived. On 20 April the prime minister resigned because of ill health. Although there apparently was common agreement among a number of important civilian and military officials that Lon Nol should step down, some of his supporters generated sufficient political pressure to force Chief of State Cheng Heng to ask Lon Nol to organize a new government. By midweek there were reports from official sources that he had agreed to do so.

The prime minister's concern for his health is genuine. His personal physician, for example, told the US ambassador that Lon Nol wanted to step down until he regained enough strength to play a more active political role. There seem to have been other factors influencing his decision to quit, however. Foremost among these were pressures from various politicians who believe that sweeping changes are needed to arrest the government's drift and inefficiency.

It is likely that much of the countervailing pressure for Lon Nol's continuation in office was orchestrated by the prime minister's brother, Lon Non. The latter has played his cards with some skill. He evidently organized pro - Lon Nol petitions by military officers, students, and others and mixed assurances to the press that Lon Nol would stay on with veiled threats about the consequences if someone else became prime minister. Although Lon Non does not occupy a high office, he does wield considerable political and military influence through his leadership of the government's extralegal "Special Coordinating Committee" and through his close relationship with the elite South Vietnamese - trained Khmer Krom units.

If Lon Nol does stay on, he is likely to function only as a figurehead and rely on Sirik Matak and other leaders—including his senior generals—to conduct the regime's business. The selection of a new cabinet may prove a difficult task, however. Some of the administration's more influential backers have stressed that the new cabinet must represent all political factions, and that it must not retain any of the corrupt "old guard" if it is to win approval from the National Assembly. This is a tall order to fill, because Phnom Penh has far more professional critics than it has talented technicians willing to assume the thankless job of trying to run the various ministries. There appears to be a good chance that Son Ngoc Thanh, who was Cambodia's popular first prime minister, may obtain a post in the new government. Cheng Heng has asked Thanh, who spent most of his time during the past year recruiting Khmer Krom troops in South Vietnam, to participate in the formation of the new government. Thanh recently indicated that he would be willing to replace Lon Nol, if necessary.

#### *Three for the Presidency*

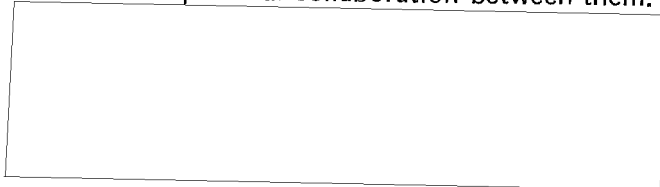
Although no one has formally declared himself a candidate for South Vietnam's presidency and the campaign will not officially open for several more months, the three major contenders are off and running. Indeed, the battle lines are already beginning to take shape. President Thieu, Vice President Ky, and Big Minh have recently developed independent positions on the key issues, and they all seem determined at this point to stay the course. Minor candidates may yet appear to complicate the picture, but it is unlikely that any of them can match the appeal of these three.

SECRET

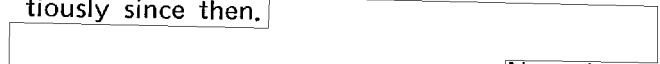
SECRET

Until recently, Vice President Ky appeared to be threatening to run for president mainly in an effort to retain his position as President Thieu's running mate. He is now sharply attacking the government's performance on a broad range of issues, however, and he seems to have abandoned any idea of running for vice president on Thieu's ticket. Although Ky is telling potential supporters that he has gained substantial backing for a presidential bid, he actually appears to be having difficulty recruiting adherents, and his criticism of the government could in part reflect frustration over his poor political prospects. More than once in the past Ky has failed to see projects through to the end, and it is still possible that he will refrain from entering the race.

Ky is emphasizing the need for a political solution to the war, thus seeming to draw closer to Big Minh's position and raising the possibility of eventual political collaboration between them.



Minh first indicated publicly his interest in the presidency late last year but has moved cautiously since then.



Now, however, he is beginning to expand on previously vague public positions on the issues. While expressing opposition to a coalition with the Communists, he nevertheless has denounced Thieu's alleged policy of seeking peace by "exterminating the Communists to the last one."

Thieu is still taking a hard-line, anti-Communist position in image-building travels around the country. He delivered a hard-hitting speech in

Hue last weekend, praising the performance of South Vietnamese troops in Laos and ruling out political compromise with the Communists. Thieu also decried "deceitful politicians" who seek to build political careers by assuming a defeatist attitude and using the "blood and bones" of the people.

#### The Military Emphasis is on South Vietnam

Perhaps with a view toward reinforcing their position as a major force in South Vietnam, the Communists appear set to begin another phase of their spring military campaign.

Most of the evidence suggests that scattered shellings and commando raids will be launched before the end of the month. More intense preparations have been noted in the coastal regions of the northern provinces, but attacks are likely in some other selected regions in the southern part of the country as well.

The last spurt of coordinated enemy action erupted at the end of March. Previous campaigns by the Communists have followed a cyclical pattern geared to the lunar month, permitting them to attack under cover of the dark of the moon. The next phase of the enemy's current campaign will probably be similar to the last effort, in which they concentrated on allied outposts, refugee centers, and a few district towns as prime targets. Several major cities and military bases may also be struck by enemy artillery and terrorist squads.

#### *The Scene in the Central Highlands*

During the last two months or so, the central highlands have been the locale of a number of strong enemy strikes against populated areas and

SECRET

SECRET

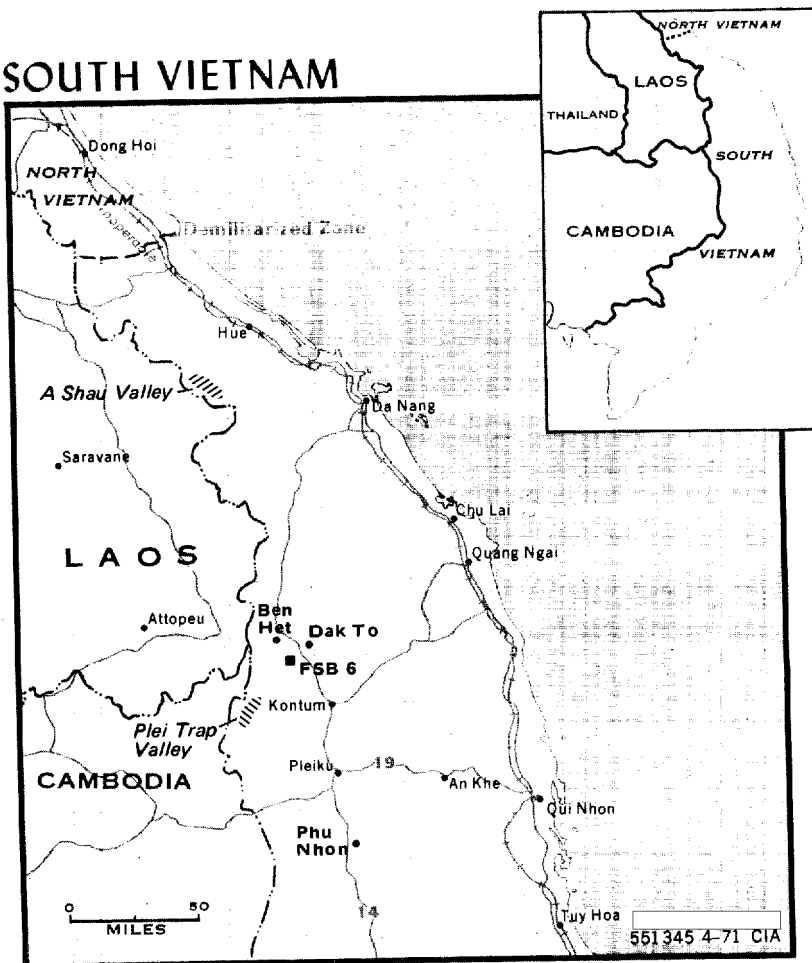
South Vietnamese positions. The most headlined of these has been the attempt to take and hold Fire Support Base 6. By midweek, South Vietnamese reinforcements apparently had forced the Communists to lift their siege and blunted enemy offensive activity elsewhere in the central highlands. Both sides have suffered heavily in these and previous actions. Communist losses in men have been substantial and they were unable to attack Ben Het and Dak To as planned; on the other side the South Vietnamese pacification program in the area has been dealt a sharp setback.

Until the fighting around Fire Support Base 6 captured headlines, allied activity in Laos overshadowed other strong enemy strikes in the central highland provinces of Kontum and Pleiku. In early March, for example, the South Vietnamese Army's 42nd Regiment and the 22nd Ranger Battalion were hit hard while preparing a probe into enemy strongholds in the Plei Trap Valley of southwestern Kontum Province. Following more than 24 hours of stiff fighting, South Vietnamese battle discipline broke down and many soldiers turned and ran. Over-all allied casualties were 23 killed, 80 wounded, and another 257 missing, most of whom are presumed captured or dead; Communist losses were estimated at about 330 killed. The commanders of both of these units were subsequently relieved of duty. This defeat has affected the morale of most South Vietnamese forces in the region.

In Pleiku Province, the province chief recently stated that the security situation has

eroded steadily since American troops were pulled out of the province a year ago. He claims that at the present time the Viet Cong can enter at will all hamlets not located along Routes 14 and 19—the two major roads crossing the province. In possibly the most damaging action of the enemy's spring campaign, elements of the North Vietnamese 95B Regiment attacked the district town of Phu Nhon in mid-March and occupied it for five days. This has undoubtedly shaken the confidence of the government's territorial security forces in the highlands and thereby reduced their effectiveness.

## SOUTH VIETNAM



25X1

SECRET

The South Vietnamese position in the central highlands has changed markedly since last year, the greatest factor being the total withdrawal of all American combat troops. The assignment of Major General Dzu as commander of South Vietnam's MR-2 last fall brought improvements in many areas, but he was still forced to shuttle units from the populated coastal lowlands to cope with the enemy threat in the rugged highlands. Furthermore, manpower requirements of some of his new military operations have placed more dependence on the territorial security forces, many of which are not capable of handling the burden.

General Dzu recently stated that US air and logistical support in the highlands' counteroffensive has been good. His principal immediate problems are a lack of good intelligence on enemy intentions, the general apathy toward the military by the populace, and the poor morale that has characterized MR-2 forces for years. Dzu still hopes to improve the military situation in the highlands before the monsoon rains begin next month.

#### *Lam Son 720*

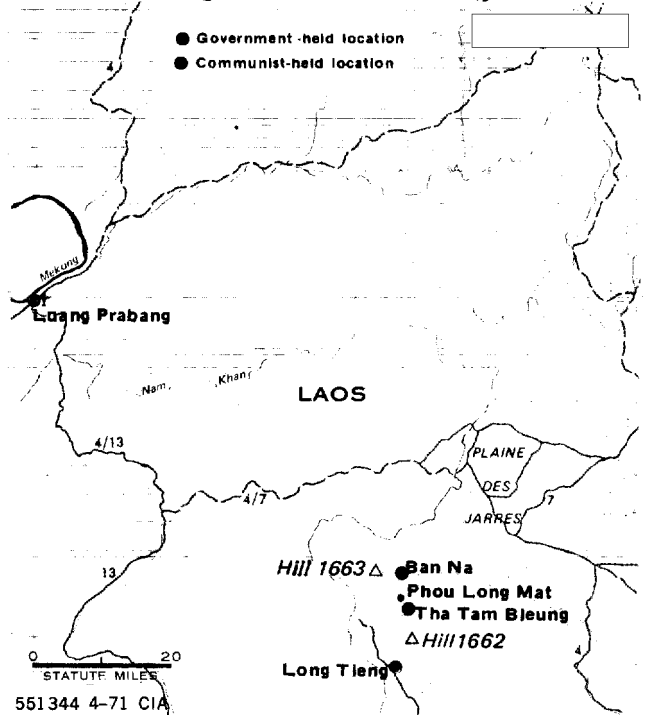
There has been little enemy resistance during the first days of the combined US - South Vietnamese operation into western Thua Thien Province that began on 13 April.

Aside from supply and transportation units, the only enemy main-force combat unit in the A Shau Valley area is the North Vietnamese 6th Regiment. Elements of the North Vietnamese 324B Division, however, are probably coming back from Laos, where they fought during Operation Lam Son 719, and the North Vietnamese 4th and 5th regiments located to the east in Thua Thien Province could help counter the allied operation.

#### *Wearing Each Other Down in Laos*

Communist forces during the past week maintained heavy pressure on government units defending the Long Tieng area, but made no substantial gains. Most of the action was concentrated around three key hilltop positions where the extended fighting has cost both sides dearly.

Near Ban Na at Hill 1663, which the government has been trying to maintain as the anchor of a defensive line north of Long Tieng, the exchange of artillery fire has been almost continuous in recent days, and bitter actions have been fought for tactical advantages. At Phou Long Mat, a hill mass about four miles north of Tha Tam Bleung, government troops struggled all week to dislodge a determined enemy force from



SECRET

SECRET

an outpost the Communists had occupied on 11 April. Augmented by 300 fresh troops from Long Tieng, the objective was taken on 19 April but had to be abandoned almost immediately because of punishing mortar fire. North Vietnamese forces have been equally stubborn in their defense of positions on Hill 1662, located about five miles northeast of Long Tieng, and continue to resist all efforts to root them out.

The Communists' willingness to fight for these positions indicates that they want to keep within striking distance of Long Tieng. It is possible that the North Vietnamese, who have recently shifted the bulk of their forces into areas north and east of the irregular stronghold, are preparing for a major push before heavy rains make cross-country movement difficult and place additional burdens on their supply lines. A North Vietnamese rallier has stated that the Communists are busy repositioning supplies for an offensive against Long Tieng in early May.

An all-out drive would be a switch in tactics for the Communists, who so far have avoided large frontal assaults in favor of attacks by mortar fire to wear government forces down. Furthermore, the Communists have taken heavy losses in the three-month campaign at Long Tieng, and they are now outnumbered by government defenders who also enjoy the advantage of air support. The irregular forces, however, are also feeling the strain of protracted fighting, and even if the Communists do not pull out all the stops, there is the danger that—as in the case of Ban Na—government units will cave in under the continuing pressure.

#### *The Situation at Luang Prabang*

The 16 April ceremonies in the royal capital marking the beginning of the Lao New Year were

somewhat subdued by the continued fighting in the vicinity. The Communists continue to tell all who will listen that they have no intention of investing Luang Prabang. The Soviet ambassador and the North Vietnamese and Communist Chinese chargés attended the King's New Year's reception there.

By week's end, the military situation was also improving as government forces finally made some headway in driving enemy units from the high ground east of Luang Prabang. Irregular troops have captured three key positions along a ridge about four miles from the capital's airfield. North Vietnamese forces seem determined to challenge these recent government gains, but the build-up of the irregular forces to over 5,000 men as a result of reinforcements from other military regions, and the increasingly effective use of air and artillery support should make the Communists' task a difficult one.

#### *Little Military Action in Cambodia*

The Cambodian Army's latest effort to break the Communists' hold over Route 4 east of the Pich Nil pass appears to be in serious trouble. Frequent enemy harassing fire against the government task force bogged down on the highway resulted in mounting losses in personnel and materiel. The main concentration of government troops on Route 4 has not been able to make any significant advances toward Pich Nil because of the slow progress of flank security elements. Moreover, steady Communist harassment of the two weary Cambodian battalions that have been stranded on hilltop positions in the pass itself has drastically curtailed aerial supply deliveries to them.

SECRET

25X1

25X1



## Ping Pong Ricochets

Peking's decision to open China's doors to Americans, aside from its considerable bilateral significance, was also made with a view toward its broader, international repercussions. The Chinese almost certainly have taken into consideration the potential effects their actions would have, particularly in Tokyo, Moscow, and Taipei, and are watching with great interest the rethinking of China policy going on in other capitals.

The country where the move has been most immediately felt is Japan. Tokyo's relationship with Peking is currently the hottest political issue in Japan, and the Sato government has regularly taken its lumps for its cautious approach to the problem. Moreover, Peking's deliberate snub—failing to invite the Japanese table tennis team to China when the invitation to the US team was extended on Japanese soil—was obviously calculated to fuel the already strong domestic concern in Japan that it may get left behind the US in moving toward an improvement in relations with Peking. At any rate, recent developments in Sino-US relations are sure to enliven the debate on the China issue in Japan and may lead Tokyo to consider additional efforts to develop contacts with Peking. Indeed, Washington's decision last week to relax restrictions on trade with Communist China has already put greater pressure on Tokyo to liberalize economic dealings with mainland China.

Peking no doubt also carefully weighed the impact its response to US initiatives would have in Moscow, which has always been sensitive to signs of a rapprochement between Peking and Washington. The Soviets' public reaction has been in low key, and they have generally focused on the "anti-Sovietism" motivation behind recent decisions of Peking and Washington. The Soviets have also sought to contrast Peking's critical words about US imperialism with its forthcoming actions, and they have even spread the word that Hanoi is upset by such Chinese perfidy. Soviet attempts to make political capital out of these

developments in Sino-US relations, however, do not obscure Moscow's genuine concern. The USSR fears that recent events have brought a bit closer one of the things it dreads most—meaningful US-Chinese collaboration that could eventually threaten to swing the world balance of power against Moscow. Peking clearly expects and will welcome signs of Soviet nervousness in this regard.

The Nationalist Chinese in Taipei have so far reacted to recent developments between Peking and Washington in a relatively restrained manner, but there is no question they are deeply disturbed by them. The Taiwan press typically has described Peking's moves as a "plot," and has suggested that Washington is being led down the garden path by the Communists. The Nationalists almost certainly expected that something of this sort was bound to come given the direction of Washington's China policy, especially once US passport restrictions for travel to Communist China were lifted. Peking's treatment of the Americans' visit, on the other hand, is a deliberate attempt to exacerbate the increasingly uneasy relationship between Taipei and Washington.

In terms of general impact, Peking's new approach to the United States is also part of its diplomatic campaign to win greater international recognition and influence among states that are in the process of reshaping their China policy. The Chinese in the short run are particularly keen on gaining additional support at this year's UN vote on the China question. The significance of the Chinese and US moves continues to set UN corridors buzzing with talk about Peking's improved chances for admission this year.

All of these considerations will continue to enter into Peking's thinking on how best to exploit the changed context of Sino-US relations. The favorable repercussions so far almost certainly have persuaded the Chinese to keep this particular ball in play.

25X1

SECRET

## Peking Plays It Cool

25X1 The movement toward rapprochement between Burma and China has led Peking to make some tactical adjustments regarding Chinese-supported activities in Burma. Peking has taken steps recently to help keep Chinese-backed insurgents in northeast Burma under wraps by discouraging them from initiating inflammatory activities against government units and installations.

These moves clearly were made in the interest of preserving the momentum of the recent improvement in state relations. Peking has not, however, completely forsaken Communist or tribal insurgents in Burma, nor does it appear willing to suppress permanently pro-Chinese Communist "cultural" activities in Rangoon.

on the Chinese side of the mountainous border and new guerrilla bands have been formed.

Burmese officials had attributed the absence of significant insurgent activity so far this year in part to Peking's reduced encouragement of the insurgents following the resumption of normal state relations. This rosy assessment received a jolt, however, when a new clandestine radio station, the "Voice of the Burmese Peoples," was established in the Sino-Burma border area less than a week after the arrival of the new Chinese ambassador in Rangoon in late March. The Chinese almost certainly played the major role in providing the equipment, setting it up, and operating the new station. The clandestine station provides the Chinese with the means for propaganda support to the insurgents without involving their own official media, which have not reported on the Burmese Communists since last September and have not attacked the Ne Win regime in well over a year.

25X1 Peking has exercised similar caution in its approach to Chinese activities in Rangoon. Elaborate celebrations and high-powered proselytizing among the overseas Chinese community have been proscribed by Peking, and all activities are apparently monitored closely by the Chinese Embassy. Peking's restraint is in large part due to Rangoon's equally strict attitude on Chinese activities; the Burmese clearly are not eager to precipitately relax their tolerance regarding developments affecting the Chinese community.

The insurgents have not, in fact, ventured from the border areas as they have in past years, and there has been no repetition of the heavy fighting of last fall. There is still time in the current dry season, however, for the insurgents to heat up the situation. They continue to attack isolated Burmese positions in the mountains and have even been active in some new border areas. In addition, recruiting and training are continuing

Although it has foreclosed none of its options, Peking obviously attaches a high priority to the restoration of friendly relations with Rangoon. It is almost certainly unwilling to risk actions that might result in charges of blatant interference in Burmese internal affairs and that could jeopardize its diplomatic efforts. The Chinese are unlikely to reverse this order of priorities while their present diplomatic offensive remains in high gear.

◆ ◆ ◆  
**SECRET**

SECRET

25X1

25X1

### South Korea: *Presidential Candidates Head for the Wire*

South Korea's presidential election on 27 April promises to be a much livelier affair than originally anticipated. When the campaign got under way, the major opposition party was in disarray after spending its limited financial and human resources in a futile effort to block constitutional changes permitting President Pak Chong-hui to run for a third successive term. From the ruins, however, emerged a highly attractive candidate in the person of Kim Tae-chung, a talented young National Assemblyman with the temerity to attack the government on issues that hurt.

Kim has come down hard on corruption and government authoritarianism and has pressed for abolition of the local militia system and for a fresh approach to the problem of national unification. Pak has countered by comparing his own considerable record of achievement with Kim's lack of leadership experience and by hammering on the compelling theme that only he has the credentials to deal successfully with the threat from the Communist North.

Kim's effective oratory and willingness to speak out on sensitive issues are drawing overflow crowds, suggesting that he is narrowing the gap between Pak and himself. The President remains the favorite to win, but observers in Seoul now predict that the outcome may be considerably closer than in 1967 when Pak led his closest rival by some one million votes. Kim is generally conceded Seoul, and possibly 50 percent of the vote in Pusan, South Korea's major southern port and second largest city. In addition, Kim can count on carrying his home region—the country's populous southwestern rice basket.

Many of those who relish hearing Kim tear into the administration, however, may on election day hesitate to substitute his untested abilities for the security Pak has demonstrated he can provide. This is likely to be particularly true in the countryside, where the President can depend on support from a pervasive government bureaucracy skilled in delivering the votes to the party in power. Pak also appears sure to carry the considerable military vote.

SECRET

SECRET

The only disruptive element in an otherwise essentially orderly and unrigged contest has been demonstrations by students protesting the government's new compulsory undergraduate military training program. The authorities, however, have shown considerable skill in defusing what could have been a serious embarrassment to Pak's campaign. By avoiding the creation of student martyrs and by carefully slanting reporting on stu-

dent protest, the authorities have generally succeeded in isolating the demonstrators from the election campaign. Following the large-scale turnout of students for the 19 April anniversary of the 1960 uprising that toppled former president Rhee, the students apparently have succumbed to government pressures and have called a moratorium on street demonstrations until after the election. [REDACTED]

25X1

---

◆ ◆ ◆

### Japan Seeks Closer Economic Relations with Australia

The first Japanese cabinet-level visit to Australia, to be made later this month by the minister of international trade and industry, reflects Tokyo's growing dependence on Australian raw materials and Canberra's search for more investment in its manufacturing industries.

years. Canberra would also like to develop its capability to expand exports of manufactured goods to world markets and thus seeks greater Japanese investment in its manufacturing industries.

Japan is now Australia's principal export market, accounting for over one fourth of total exports in 1970. Over 90 percent of Australia's iron ore and coal is purchased by Japan. These two commodities constituted almost 40 percent of the more than \$1 billion worth of Australian exports to Japan last year. Japan is almost wholly dependent on imports for its supply of iron ore and now gets some 30 percent of its requirements from Australia. It is negotiating sizable purchases from new iron ore deposits in western Australia, and by 1975 it plans to more than double its 1969 imports of 23 million tons. In addition, Tokyo is interested in recently discovered uranium deposits in Australia to supply fuel for its growing nuclear electric power capacity. Australia, in turn, is rapidly increasing its purchases from Japan, especially of manufactured goods such as heavy machinery, transportation equipment, and iron and steel products.

Tokyo generally has shied away from substantial direct investments overseas. This policy may begin to change, however, as the rapid buildup of foreign-exchange reserves puts increased pressure on Tokyo to relax restrictions on the outflow of private and government capital. Total Japanese direct investment in Australia is relatively small, lagging far behind that of the US and the UK there.

Australia's mining boom will continue to be the mainstay of its rapid export growth for some

Japanese industry leaders, somewhat shaken by the recent rise in world crude-oil prices, are giving strong backing to a plan proposed by the Ministry of International Trade and Industry to provide up to \$500 million annually in low-interest, foreign-exchange loans to assist domestic industries develop overseas raw material resources. Such funds are not expected to be fully available until 1972, but a large Japanese trade and investment delegation that recently visited Australia may have laid the groundwork for potential investment projects there. [REDACTED]

25X1

---

◆ ◆ ◆

SECRET

## EUROPE

### Polish Party Holds Stock-taking Session

Poland's new leadership reviewed its four-month record at a party plenum last week and concluded that conditions for an orderly solution to the country's difficulties have been established. They admitted, however, that many problems persist that will not be solved "today or tomorrow" and once again warned local party authorities to end their detached approach to the needs of the workers.

In the keynote address, politburo member Edward Babiuch complained about passive local officials who wait for instructions from above instead of personally dealing with the workers' problems before they become explosive. He made it unmistakably clear that "close and direct links" between party officials and the masses—as exemplified by the activities of party leader Edward Gierek—were indispensable. The constant repetition of this theme since Gierek assumed power indicates that many members of the entrenched middle levels of leadership have yet to respond positively to Gierek's style of leadership.

In order to overcome such footdragging, Gierek must rise above his previous position as a powerful provincial leader and build up his support within the national political organization. By acceding to Gierek's wishes to hold the sixth party congress at the "turn of the year"—one year ahead of schedule—the plenum laid the groundwork for increasing both Gierek's power and national stature. In addition, Babiuch outlined the

timing and agenda of the three plenums that will precede the congress. Publicizing this type of information so far in advance is most unusual and is designed to enhance the image of Gierek as a man with a solid plan that will be executed in an orderly fashion.

The remainder of the plenum dwelt on Poland's economic problems, which have occupied most of the leadership's time since December. The forecast is only for gradual improvement in what will be a long-term struggle to narrow the gap between the expectations of the populace and the economy's ability to satisfy them. Gierek thanked the USSR for credits and applauded the results of the recent Soviet party congress, particularly its emphasis on consumer welfare. He also made an ambiguous reference to Soviet "support" for additional credits that would allow Poland to increase its exports, especially of consumer goods, to the USSR.

Babiuch announced the abolition of compulsory deliveries by private farmers to the state of slaughter cattle, grain, and potatoes beginning next January. The loss to the state will be partially offset by an increase in rural land taxes. The regime obviously hopes that the elimination of the unpopular deliveries, along with a recent increase in prices paid for farm products, will result in the availability of more foodstuffs not only for the Polish worker but for export.

25X1

SECRET

SECRET

## Berlin Negotiations

Recent talks between West Berlin Senat Director Mueller and East German State Secretary Kohrt on granting passes for West Berliners have produced no positive results, and prospects for progress in the near future appear dim. Kohrt has persistently tried to draw Mueller into a discussion of inner-Berlin matters now under negotiation by the four powers. In addition, the East Germans have mounted a propaganda campaign that charges the West—particularly Bonn and the Senat—with “obstructionism.” This is part of Pankow’s policy of trying to divide Allied ranks, especially the US and West Germany.

In contrast with earlier rounds on 6, 12, and 27 March, the atmosphere on 17 April was less

cordial. Both sides, however, remain interested—each for different reasons—in continuing the talks. The next session has been set for 6 May.

Meanwhile, there have been no noteworthy developments in the four-power ambassadorial talks. For the moment, the Soviets seem content to mark time in the four-power forum while awaiting further developments in the inner-German talks. The 15 April publication in the Polish press of a tendentious version of the Soviet draft plan was undoubtedly a Moscow-inspired move to counter Western press stories on Soviet intransigence, and was also intended to appeal to public opinion in the West.

25X1

## Yugoslavs Suspect Soviet Ties to Radical Emigres

Belgrade is convinced that Soviet duplicity is behind the marked increase in Croat chauvinism both at home and abroad. In the last month the Yugoslavs have openly hinted that an unnamed “foreign power” is partly responsible for their troubles. The Soviets have tried to cultivate sympathizers among Yugoslav dissidents, but Belgrade may be inflating Moscow’s role for domestic consumption.

Concern over foreign meddling in Yugoslavia’s internal affairs reached serious proportions last month at a party presidium meeting, which discussed a slander campaign allegedly backed by foreign intelligence and directed at the Croatian leadership. Aimed at discrediting Croatia’s present leaders by tying them to emigre separatists, this campaign apparently has been building for the last two to three years. Mika Tripalo and Vladimir Bakaric, Croatia’s two representatives on the powerful party executive

bureau, as well as Croatian party president Dr. Sava Dabcevic-Kucar, have been the targets of specific attacks.

The Croats strongly suspect that the Yugoslav security forces (SDB) are involved in this slander campaign

The Croatian party central committee met on 6 April, discussed unspecified organs of the federal government accused of spreading slander, and promised to investigate. The meeting stopped short of naming names but, if the Croats are right, a major scandal could emerge.

25X1

In broader terms, Croat officials point an accusing finger at those forces in Yugoslavia opposed to President Tito’s pending reforms. By implication this includes any pro-Soviet forces

SECRET

SECRET

lingering in the country, as well as the numerous backers in the SDB of ousted former authoritarian Yugoslav vice president Aleksander Rankovic.

The recently concluded trial of *Der Spiegel* correspondent Hans Peter Ruhlmann on espionage charges is another example fueling Yugoslav fear of Soviet meddling. Throughout the proceedings, the Yugoslavs did little to hide their

suspicion that Ruhlmann was an agent of both the Soviets and the East Germans.

Admittedly the picture remains murky and is further clouded by the country's highly emotional response to the recent murder of Yugoslavia's ambassador in Stockholm by Croat emigre radicals. Nevertheless, Tito's recent warnings about opposition to his reforms may mean heads will roll, not only in the republics, but in some federal organs as well.

IAEA: The Board of Governors of the International Atomic Energy Agency (IAEA) approved this week the recommendations of a special committee on how the agency should fulfill its safeguards responsibilities under the Nonproliferation Treaty (NPT). The recommendations grew out of more than a year of negotiations and reflect a number of delicately balanced compromises on the frequency and intensity of the inspections

and on the method of financing the verification program. The IAEA secretariat is now expected to proceed more quickly to negotiate safeguards agreements with the nonnuclear-weapon states adhering to the NPT. Under terms of the treaty, these agreements must be reached by March of next year.

INTERNATIONAL AVIATION: The legal subcommittee of the International Civil Aviation Organization is presently meeting in Montreal to consider US-Canadian proposals for multilateral sanctions against countries that harbor persons engaged in aerial hijackings or in other forms of interference, such as the holding of planes and passengers for ransom. The two nations recently

agreed on a compromise draft convention, having submitted competing drafts last fall.

Some Western countries are also believed to fear the adverse effect on their airlines of a cutoff of flights through a key region or transit points.

SECRET

SECRET

### France-Algeria: *Era of Special Relationship Closes*

The French decision last week to break off state-to-state negotiations with Algeria over oil marked the end of the special relationship that had existed between France and its former dependency since 1962. The French have left room, however, for continued cooperation as national interests dictate.

The French decision, conveyed to the Algerians on 15 April, terminated the diplomatic talks that had been conducted intermittently over the past 18 months. In a communiqué published the same day, the French stated that practical agreements for the continued activities of French oil companies in Algeria should be decided by the Algerian authorities and the companies themselves.

In wording that set businesslike terms for the new relationship with Algeria, the French announced that they will continue to honor present agreements for cultural and technical cooperation and for the immigration of Algerian workers. France will also continue to participate in the industrial development of Algeria. France made clear, however, that the extension of present agreements and its participation in specific industrial projects will depend on considerations of French national interests. This position contrasts with the basic accords that have governed Franco-Algerian relations since 1962. Under these accords, France offered economic, technical, and educational aid in return for military and petroleum privileges in Algeria.

In view of the emotion associated with these accords, it is not surprising that Paris' decision has

been widely criticized in France. Accusations against the government range from the charge that it has indulged in excessive nationalism to one that it has abdicated its responsibilities. Criticism, however, has also included the more convincing charge of vacillation over the last year. Suspicions, moreover, have been directed abroad, and fears have been voiced that the Soviets and the Americans will move in where the French move out.

Although the French announcement may help to introduce a less emotional atmosphere, it recognizes implicitly that relations are likely to be distinctly cool for some time to come. It also implies that France now realizes that it has little chance of using its relationship with Algeria to promote a leading French role in the western Mediterranean or in Western relations with the Arab world.

As for Algeria, the government has indicated considerable satisfaction that France at last has accepted the principle of full Algerian sovereignty. Algiers has long been determined to end all vestiges of colonialism and had made clear that its basic objective was control over production and recovery of its natural resources. The Algerians were prepared, psychologically at least, for a diplomatic break with France and were relieved that Paris stopped short of such a step. Meanwhile, the Algerians have taken steps to recruit technicians in the event that French oil operators pull out completely, and they probably are also seeking new markets against the possibility of a sharp decline in French purchases.

25X1

---

### Italy Considers Measures to Stimulate Economic Activity

The Colombo government is weighing the need for an emergency package of short-term measures to stimulate economic activity. Output has been sluggish since the first quarter of 1970

and both domestic consumption and investment demand are flaccid. Budget Minister Giolitti has suggested the adoption of a number of measures primarily to stimulate investment. These include

SECRET



easing the tax on petroleum products, allowing the government to assume some employers' social security charges, and granting aids for housing construction.

The government is facing a dilemma. In the first quarter of 1971 tax receipts fell 14 percent short of forecasts even as costly housing and health reform legislation was being prepared. But, unless the government forgoes additional current revenues to stimulate economic activity, growth of the tax base, which is necessary for long-range financing of promised social reforms, may not occur. Originally forecast at six to seven percent, growth estimates of four to five percent for real gross national product now are considered optimistic. Similarly, the forecast for growth of industrial output has recently been reduced from 7.5 percent to 4.5 percent—and even this presupposes some recovery by the end of April.

Industrial output growth has been disappointing following the strong poststrike surge in late 1969 and early 1970. Modest gains were posted in January-February 1971, but the level of output was still slightly below that in the corresponding months of 1970. The construction

and textile industries have been in a serious slump, and performance in chemicals, metallurgy, and automobile manufacturing has also been off. The continued slack in output growth this year cannot be attributed solely to labor tensions—strike activity has eased considerably since the third quarter of 1970.

Demand has been sluggish in view of uncertainties regarding prospective economic, political, and social developments. Consumers have been hesitant to make large purchases despite sizable increases in disposable income in 1970. Private investors—facing weak consumer demand, lower profit margins, low utilization of capacity, restive labor, and political uncertainties—are not rushing to borrow from the banks.

Relatively strong foreign demand is now the most positive element in the economy. Exports, revived somewhat after setbacks in 1970, have risen 15 percent in the first two months of this year. The government hopes to stimulate domestic activity by fostering the favorable export trend through proposed legislation that will increase subsidy funds for export credits.

25X1

---

◆ ◆ ◆

### The Netherlands Elections: *No Choice, No Change*

Polls taken earlier this month indicate that Dutch voters are continuing to drift away from the establishment parties. As a result, the center-right, four-party government is in danger of losing its majority in parliamentary elections on 28 April.

Voters are concerned almost exclusively about domestic issues. The country is suffering from serious inflation, a condition the government has attempted to alleviate primarily with

wage and price controls. These have had only a limited effect, however, and labor discontent has increased in the process. The most important issue to the voters is housing, where skyrocketing construction costs have impaired government efforts to develop more and lower cost structures.

The Dutch election system stimulates little voter interest, however, and sharp swings from past voting patterns are unlikely. As many as 28 parties will enter the campaign, and any party

SECRET

that musters 1/150th of the vote wins parliamentary representation. Votes may be cast only for party lists, not for individuals. Many votes will be cast for parties that are either merely narrow-interest groups or that simply ridicule politics in general. About 25 percent of the electorate is expected to stay away from the polls.

The platforms of the two main contenders show marked similarities. This circumstance reflects the fact that each is a coalition of parties that had to agree among themselves to a common program; one is made up of the three confessional parties in the government, and the other combines Labor with two parties devoted to political renewal. The latter promises to spend more on domestic programs and to seek the greater economies in defense, but it also is calling for an even larger tax increase than are the parties of the ruling coalition.

The similarity extends also to foreign policy. Both coalitions pledge continued membership in

NATO but are sharply critical of the regimes of NATO members Greece and Portugal. Both pledge in a general way to pursue a Conference on European Security, but the Labor/renewal group would probably press this and other detente themes with the greater vigor; Labor also advocates recognition of East Germany.

Most of the traditionally conservative Dutch electorate will probably vote for the party they have supported in previous years, and neither of the coalitions is likely to win a clear majority. In the postelection effort to form a new coalition by winning over other parties, the confessional parties are the most likely to reach the magic number of 76 seats with the support of the Liberals or perhaps of a right-wing Socialist party or even of some Calvinist groups. Prime Minister De Jong has already announced his availability to lead such a coalition. If events follow this course, the elections will probably produce no significant change in present policies.

◆ ◆ ◆  
25X1

USSR-SUDAN: Sudanese President Numayri's visit to the USSR on 14-16 April seems to have been a last-minute decision and to have dealt primarily with contentious issues in Soviet-Sudanese bilateral relations. The Sudanese delegation was originally to have been led by high-ranking economic and defense officials. The scope of the talks was apparently expanded, however, when Numayri decided to head the delegation. In addition to aid matters, talks probably covered

the continuing stalemate in the war in Southern Sudan, Numayri's problems with the Sudanese Communists, and the situation in the Middle East. The final communiqué characterized the talks as "frank," suggesting that the two sides were not in agreement on all these issues. The military members of the delegation remained in Moscow after Numayri's departure, presumably to continue their talks with the Soviets.

◆ ◆ ◆  
25X1

SECRET

SECRET

### MIDDLE EAST - AFRICA

#### Ceylon: *Soviets Send Supplies as Situation Stalemates*

There has been little change in the security situation, with the insurgents avoiding contact with the government forces and the military content to retain a static, defensive posture. Although the government controls the major cities, the rebels apparently hold about ten large areas plus several scattered small pockets throughout the island.

posedly the cream of Sinhalese-Buddhist youth, are being eliminated by "reactionaries" acting in conjunction with Ceylon's Tamil-Hindu minority. The current presence of Indian troops and equipment in Ceylon could lend credibility to such an allegation.

25X1

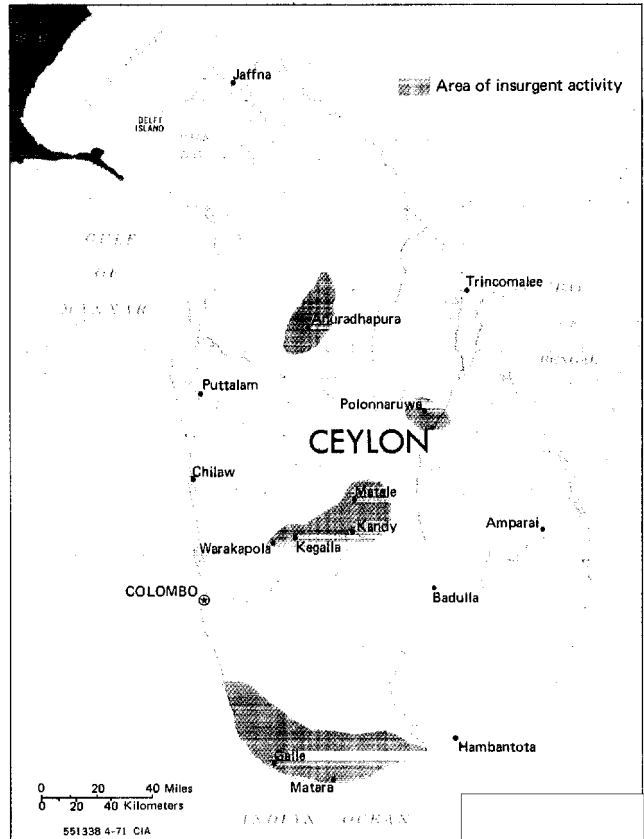
Thus far, government forces have managed to contain major insurgent activity, but it is still possible that an all-out effort by the guerrillas could tilt the balance in their favor.

25X1

The insurgents themselves apparently believe their struggle will be a protracted one.

25X1

They also hope to gain increased popular support as a result of public and parliamentary criticism of the summary executions of captured insurgents by the security forces. The rebels believe that Sinhalese politicians sympathetic to their cause will play on the theme that the insurgents, sup-



25X1

SECRET

SECRET

25X1

[redacted] the Government of Ceylon issued a statement denying rumors that a shipment of construction material brought in by the Chinese in connection with the building of the Bandaranaike Memorial Hall in Colombo had sinister implications.

Meanwhile, the power struggle between leftists and moderates within the government has continued. The leftists have regained some ground, after initially being suspected by Prime Minister Bandaranaike of backing the insurgents. Five of the original seven members on a government committee on reconstruction, whom she appointed, are prominent representatives of the far left. She later added two more moderates to the group, however, and at present neither side appears to be dominant. The leftist comeback may be partially a by-product of recently announced Soviet military aid to the government.

At least 60 Soviet personnel have arrived to assemble the new equipment and to train the Ceylonese in its use. The immediate practicality of the MIGs is questionable.

[redacted] an army commander stated that the Ceylonese would not use

the MIGs until their own pilots could fly them. If Soviet equipment is to be used effectively in the near future, however, the Soviets or other qualified foreign pilots will probably have to fly the planes. In view of the publicity accorded recent Soviet deliveries, Moscow will probably be reluctant to become prominently involved in quelling the insurgents.

A number of factors presumably influenced the Soviet decision to come to the aid of the Bandaranaike government. Moscow regards the united front government as a distinct improvement over its predecessor and is particularly pleased that it includes the Ceylon Communist Party/Moscow. The Soviets have little sympathy for the tactics of the "Che Guevarists"; Moscow probably feared that the uprising would bring a right-wing reaction that would threaten recent leftist gains. The USSR, moreover, was aware of its vulnerability to charges of complicity with the insurgents because some of the leaders of the movement had studied in Moscow. In making their decision, the Soviets probably were also encouraged by the knowledge that their moves were in line with those of the Indian Government, which has also provided military assistance to Ceylon. They also were probably happy to have the opportunity to establish themselves as an arms supplier, and to offset the credit gained by Western countries in giving prompt support to the Ceylonese.

25X1

25X1

SECRET

SECRET

### Pakistan: *Bengali Resistance Crumbling*

The army has regained control of most of East Pakistan's important towns, although it has not yet moved into some parts of the province. Bangla Desh forces—poorly led, organized, trained, and equipped—have been no match for the professional West Pakistani troops. When it can spare the time and men, the government should have little difficulty in occupying the remaining towns of significance.

Nevertheless, the army seems to have little prospect of exercising effective control over the countryside and the bulk of East Pakistan's 75 million people before the onset of the monsoon. Bengali forces—although dispirited—have not been destroyed but instead have faded into the villages along with the many refugees from the cities. Some who were fighting for Bengali independence a few weeks ago may well have decided by now that they have had enough. Others, however, are thinking of sabotage and guerrilla operations.

Bengali capabilities for guerrilla warfare are limited by inexperience, lack of equipment, and disorganization. On the other hand, the monsoon rains this summer will hinder government military

movements, giving the Bengalis a breathing spell and the Indians time to provide further help.

Although India has decided against recognizing the Bangla Desh government—at least for the time being—it remains closely involved with the East Pakistani separatists. Even at the ceremony proclaiming Bengali independence, Indian logistic and public relations support was obvious to foreign observers. Moreover, India has refused to act against the Pakistani diplomats who have taken over the mission in Calcutta in the name of Bangla Desh.

At the UN, India's delegate continues to warn of the difficult refugee situation—over 100,000 East Pakistanis may have fled to India so far—but has dropped his claim that a Security Council session would be desirable. The Pakistanis have filed a complaint at the UN alleging Indian interference in their internal affairs and have received support from Iran, Kuwait, and other Moslem states. Secretary General Thant has been rebuffed by Pakistan in several efforts to organize a UN-sponsored relief mission for all of East Pakistan, but he remains hopeful that some role can be found for the UN. [redacted]

25X1

JORDAN: The Jordanian Army, continuing its intensive sweep of fedayeen areas in Amman, has now occupied the eastern sectors of the city and is concentrating on the western sectors. Only sporadic fire has occurred during the house-to-house searches in the capital. The fedayeen have evacuated peacefully, taking much of their armament with them, but security forces con-

tinue to uncover considerable stocks of explosives and weapons. Some of these may have been part of an arms cache; the Popular Front for the Liberation of Palestine insists that it will still mount a clandestine terrorist campaign against Jordanian authority, even though the security forces are now in a better position to deal effectively with such tactics. [redacted]

25X1

SECRET

SECRET

### Arab Unity: *More Form Than Substance*

The proposed Federation of Arab Republics (FAR), as set forth in the Benghazi Declaration of 17 April, appears to be only a nominal union of Egypt, Libya, and Syria within which each state will retain its sovereignty.

The structure apparently will be much looser than the unitary state established between Egypt and Syria in 1958, which was dominated by Cairo and ended in failure in 1961. The presidential council of the FAR, composed of the three heads of state, will merely formalize an arrangement already in use for summit-level consultation on foreign and defense policy. The council will not, however, infringe upon the authority of the three leaders to deal with the domestic affairs of their respective countries. The federal national assembly will no doubt be as powerless as the Egyptian legislative body, which operates as a creature of the regime.

With regard to foreign affairs, the new grouping's lack of political clout is underscored by the stipulation that separate diplomatic corps and seats in the United Nations will be retained, allowing for freedom of action in international relations. Despite the declaration's rhetoric of "no peace, no negotiation," there is no indication that the Egyptians have given up their effort to work out a settlement. Although Libya's Qadhafi made an attempt at the summit meetings last week to persuade Sadat to take a harder line, the Egyptian President apparently refused.

In the military field, the federal unified command has little organizational meaning; the armed forces remain under the operational control of each chief of state. Moreover, the scheduling of a referendum on the question of federation in the three countries as late as 1 September suggests that the leaders anticipate problems in agreeing on the specifics of a federal constitution.

Sudan's conspicuous absence from the federation—after having joined with Egypt and Libya to form an "alliance" in December 1969—is a result of its chronic domestic difficulties. President Numayri's position is already somewhat shaky, and he is

apparently unwilling to exacerbate old Sudanese fears of Egyptian domination by joining the union at this time. Numayri's abstention climaxed a long and bitter quarrel with Qadhafi that centered on the Libyan leader's unyielding demands for rapid movement toward political unity. The Benghazi Declaration did, however, leave the door open for Sudan's eventual accession.

Informed foreign reaction to the Benghazi announcement also has tended to question the significance of the federation. Other Arab states, including Jordan, dutifully welcomed the declaration as a step toward greater Arab unity. France, which has delivered six of the 100 Mirages contracted for by the Libyan Government, took the occasion to reiterate that the transfer of any of these aircraft to another Arab state would result in the suspension of further deliveries.

25X1

\* \* \*

### *Arab-Israeli Negotiations*

Egyptian Foreign Minister Riad's visit to Moscow produced a joint communiqué suggesting that a Soviet-Egyptian initiative on the negotiating front may be in the offing. The communiqué, issued in Moscow on 21 April, spoke of agreement on "joint steps aimed at normalizing the situation" in the Middle East, but gave no further details. The Soviets have clearly been perturbed by US-Egyptian discussions of President Sadat's proposals for reopening the Suez Canal, and may well want to put up an alternative negotiating ploy with their own stamp on it. Israeli Deputy Premier Allon's visit to Washington evoked press accounts of a new Israeli version of a plan to reopen the canal, but it appeared inadequate to meet Egyptian requirements. Nevertheless, the "initiatives" injected at least the appearance of motion to the negotiating process, even though UN negotiator Jarring remains in Moscow and is not expected back in New York until the end of the month.

25X1

SECRET

### India: *More State Governments in Mrs. Gandhi's Camp*

As a result of Prime Minister Gandhi's landslide electoral victory last month, opposition state legislators and other politicians in several key states have jumped on her bandwagon, further strengthening her Ruling Congress Party's position.

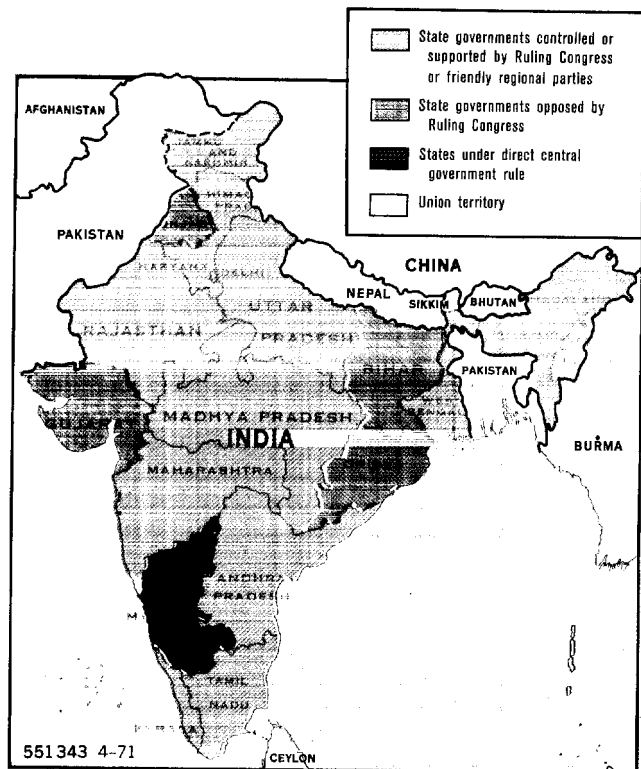
In Uttar Pradesh, India's most populous state, an opposition coalition was replaced by a Ruling Congress government in early April after defections from right-of-center coalition parties gave Mrs. Gandhi's party a majority in the state legislature. The defections were touched off when the Ruling Congress demonstrated its popular strength in March by winning 73 of the state's 85 seats in the lower house of the national parliament.

The southern state of Mysore—ruled by the opposition Organization Congress Party until Mrs. Gandhi's party also triggered a wave of defections there by winning all 27 of the state's parliamentary seats last month—is now under direct central government rule, with election of a new state legislature expected later in the year. Although opposition governments are managing to hold on in three other states—Gujarat, Orissa, and India's second most populous state of Bihar—they have also been weakened by defections. The opposition regional party that governs Punjab retains a majority in the state legislature but suffers from internal divisions.

After extensive jockeying for position, Mrs. Gandhi's supporters have formed a coalition government in violence-torn West Bengal, where state and national elections were held simultaneously; the state had been under direct central government rule for a year. Although the elections did not give any party a majority in the state legislature, the Ruling Congress made sizable advances and almost overtook the Marxist Communists as West Bengal's strongest single party.

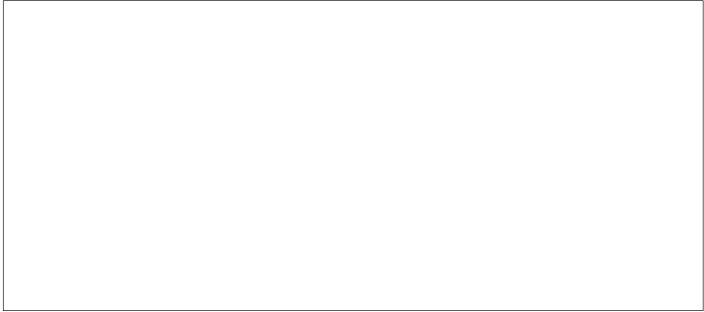
As a result of these developments, governments controlled or supported by Mrs. Gandhi's party are now in power in 12 of India's 18 states, and two others—Tamil Nadu and Nagaland—are ruled by regional parties friendly to the Ruling Congress. Moreover, given the traditional willingness of Indian politicians to abandon weakened parties in favor of those that are winning, Mrs. Gandhi's Ruling Congress may succeed in wresting one or two additional states from opposition control in the months ahead. Her improved position at the state level should enhance the prospects for state cooperation in her economic reform efforts. It should also slow the trend that had been developing prior to the March elections toward an assertion of states' rights at the expense of the center.

25X1



SECRET

SIERRA LEONE: Siaka Stevens was sworn in on 21 April as president following a series of rapid parliamentary moves that included adoption of a new constitution, declaration of a republic, and transformation of the new constitution into a strong presidential system. Stevens is protected against legal ouster until a newly granted five-year term ends in 1976. Stevens' successful completion of his drive to capture full executive powers will further embitter political opponents and increase the likelihood of antigovernment plotting.



25X1

25X1

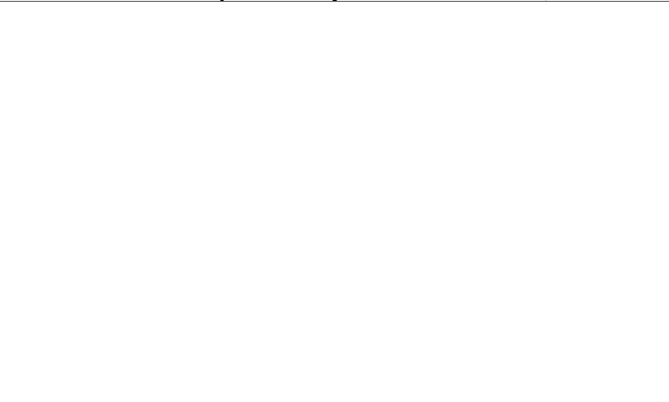
WESTERN HEMISPHERE

Brazil: *Government/Terrorist War Claims More Victims*

Brazilian authorities believe that the murder on 15 April of a prominent businessman who had collaborated with the military could signal a switch in terrorist tactics from kidnaping to murder. They attribute this shift both to a thinning of the subversives' ranks as a result of government repression and to the administration's hardening attitude with respect to the demands of kidnapers.

Security officials have suspected in recent months that the terrorists' losses could also drive them to unite previously autonomous groups.

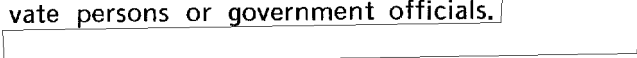
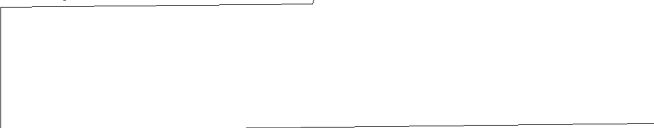
25X1



Pamphlets left with the body of the industrialist, who was machine gunned on a Sao Paulo street, warned that he was the first in a series of individuals linked to the government and to "US imperialism" marked for elimination. The killers, identified as members of the Tiradentes Revolutionary Movement (MRT) and the National Liberating Action (ALN) also claimed that their act was in retaliation for the death on 5 April of a leader of the MRT in a gun battle with police. Two more MRT activists were killed by security officials late last week.

The VPR, probably is still the most important terrorist group despite its heavy losses and would be a vital element in the formation of any joint front. The terrorists have demonstrated their capability to murder selected targets, either private persons or government officials.

25X1

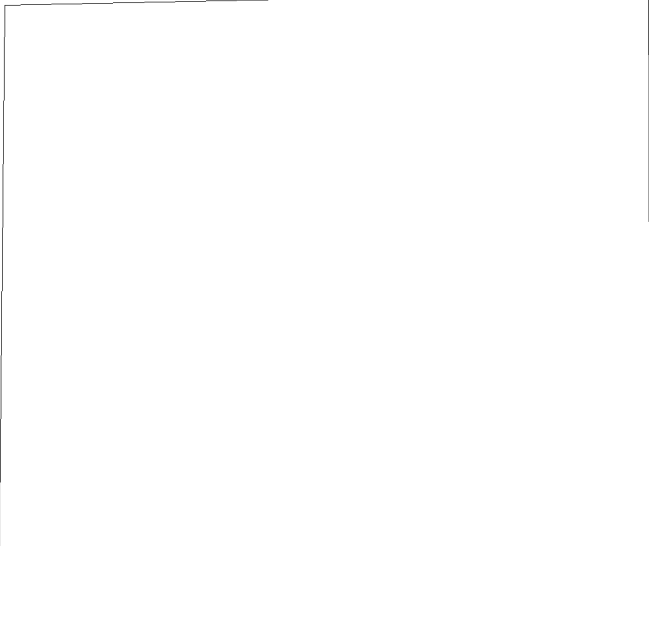


SECRET



### Argentina: *Political Maneuvering Breeds Dissension*

25X1 The loosening of the reins on political activity by the Lanusse government has engendered new dissension within the military, which is now being exacerbated by the as-yet-undenied speculation that former dictator Juan Peron will be invited to return to Argentina.



sole base of power. He appears intent, however, on pursuing the policy line he established when he took over the government last month of returning to an elected constitutional government within three years. Thus far he has concentrated on convincing the public that he is sincere and that the elections, when they come, will be free and meaningful. He has initiated discussions with representatives of all political groups and parties, including the Peronists, and appears to have deliberately fostered speculation that Juan Peron is free to return to Argentina.

The President has had unexpected success with civilian politicians and labor to date, but he must soon take steps to assuage the growing suspicions and fears of the military.



Thus, President Lanusse will experience considerable difficulty during the next several months in maintaining his balance on the political tightrope he is walking. It appears that his first test will concern the possible return of Peron, which is strongly opposed by most military leaders but is being demanded by a large sector of the public.

President Lanusse is aware that the growing strains in the armed forces could undermine his



### Uruguay's President under Attack

President Pacheco is again implementing tough policies on the issues of public order and terrorism, but he continues to suffer political embarrassments with respect to these and other problems. A continuation of his uneven performance will prove damaging not only to his personal political stock but also to the chances of the

incumbent Colorados in the presidential and congressional elections this November.

At the end of 1970, apparently in recognition of the increased sensitivities of both legislators and the public in an election year, Pacheco eased up on the political and economic controls

SECRET

SECRET

he had rigidly exercised for most of his term. He lifted media censorship, removed the ban on several leftist political parties, and decreed a pay raise for government and private workers. Since then, however, the President has closed down individual papers, and Congress has strongly attacked administration policies. The legislative enmity has carried over to other issues, with Congress refusing requests for increased police powers and calling several cabinet ministers for interpellation. Last week Pacheco reimposed censorship, affording his critics another opportunity to charge him with dictatorial behavior.

In the last four months, the President has made a number of top-level personnel changes. Several shifts, such as the naming of a new defense minister and education minister this month have increased cabinet support for Pacheco's tough policies. Other ousters have been forced by congressional censure. Earlier this month, the foreign minister resigned as a result of congressional allegations of improper government assistance to a bank he owned. The finance minister, also implicated in the scandal, resigned last week and was replaced by the minister of education, who

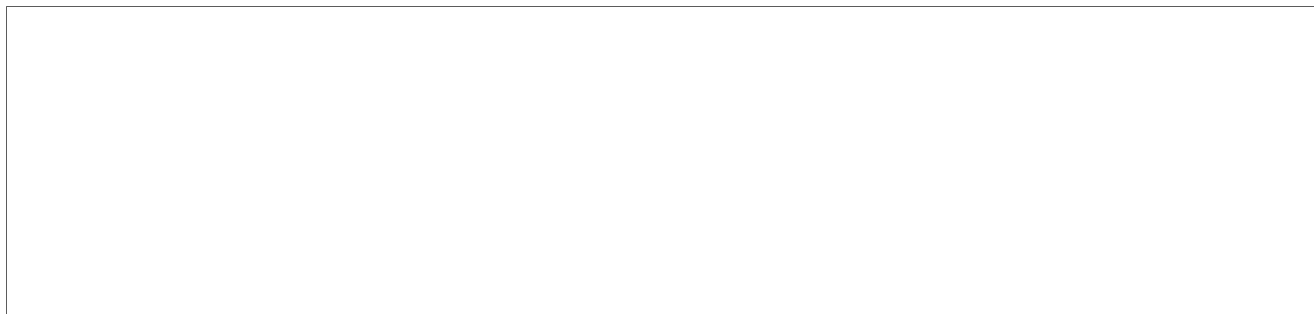
himself had been rumored as a candidate for removal. The continuing necessity for cabinet-level shifts adds up to a personal political loss for the President.

The banking scandal could cause Pacheco even more headaches. The Tupamaros have claimed credit for the kidnaping of a wealthy industrialist with financial ties to the bank in question and say they intend to interrogate him at length. Recently, the Tupamaros have concentrated their attacks on alleged government wrongdoing, a variation of their earlier and highly successful Robin Hood tactics.

The government has shown increased effectiveness against the urban guerrillas as well as greater awareness of the advantage of using the media for anti-Tupamaro publicity, but its record of achievement remains spotty. For each government success, the Tupamaros seem willing and able to raise the stakes. The imprisonment of large numbers of terrorists still shows little sign of exhausting the reservoir of new recruits. [REDACTED]

25X1

----- ◆ ◆ ◆ -----



----- ◆ ◆ ◆ -----

SECRET

25X1

SECRET

### Panamanian Cabinet Changes

General Torrijos presided over a sweeping reshuffle of cabinet and subcabinet positions last week with apparently two objectives in mind. The first, which was only partly attained, was to field a stronger team to manage the economy. The second was to give the administration a face lifting aimed at presenting a more leftist and nationalistic image. The new look, however, probably portends a change in emphasis rather than a major policy shift.

The most significant personnel changes were the appointments of two leading leftists—Materno Vasquez as minister of justice and Romulo Escobar as rector of the National University. Although Torrijos considered them trusted political operatives, both men had been dismissed from the



**Romulo Escobar**  
University Rector



**Materno Vasquez**  
Minister of Government  
and Justice

cabinet in May 1970 when the General felt the need to reassure foreign investors who were concerned about the possible leftist drift of the regime. Their re-emergence at this time signals a new government willingness to tolerate or even promote political activity among students and peasants as well as renewed interest in organizing and institutionalizing domestic political support.

Most of the constraints that have militated against radical social or economic experiments still obtain, however. The government still wants to attract foreign investment and to maintain business confidence. It also seems interested in fostering a climate in relations with the US favorable for canal negotiations. In addition, persistent budgetary strains make it difficult for the government to embark upon headline-grabbing new spending programs. Nevertheless, the very limits on the government's ability to deliver will tend to engender a distractingly high level of revolutionary rhetoric as Torrijos seeks to renew popular enthusiasm for his regime.

The cabinet shuffle appears to have little direct foreign policy impact, and the retention of Foreign Minister Tack indicates there will be no change in the government's strategy on canal negotiations. Appeals to nationalism, however, and mobilization of student support will provide the government with a lever with which to press the US on canal-related issues.

25X1

### Cuba: *Castro's Foreign Policy Speech*

Fidel Castro's fiery and emotional speech on 19 April was his first major foreign policy address in a year. The main thrust of his speech, which was carried live over Cuban radio and television, was a reiteration of three major points: complete rejection of any reconciliation with the US; total

repudiation of the Organization of American States (OAS); and reaffirmation of support for revolutionary movements in Latin America. Although the speech occurred on the tenth anniversary of Cuba's Bay of Pigs victory, the apparent absence of the usual preparations for the speech

SECRET

SECRET

suggests that it may have been scheduled hastily. Castro may have decided to speak because he felt obliged to respond to remarks on Cuba during President Nixon's press interview on 16 April and during deliberations at the current OAS meeting in Costa Rica.

Following a rather lengthy discourse on Cuba's tradition of heroism in the face of external opposition, Castro turned his attention to foreign affairs. He views the trend of events in Latin America as shifting inexorably in his favor and can see no benefit to Cuba in normalizing relations with the OAS. As usual, he was extremely critical of the US and stated that there was "no reason to dream of any kind of normalization of relations with Cuba or of conciliation with Cuba."

Castro also expressed contempt for the OAS and stated emphatically that Cuba would never belong to this organization, even if the US were thrown out. Indeed, he stated that the OAS must "disappear," and called for its replacement by a "union" of Latin American states. Castro viewed this union as possible only after a revolution occurred in each Latin American country. He described the union as the result of a long historical process that would culminate in the "eco-

nomie and political union of the Latin American people."

Castro stated that recent developments in Latin America mark "a qualitative change in the Latin American situation" and expressed satisfaction with the "revolutionary" governments in Chile and Peru. He stated that Cuba would be willing to assist these countries in whatever way necessary. Although Castro withheld his opinions of the Bolivian Government, he expressed confidence in the Bolivian people and stated that "a revolutionary process also exists in Bolivia." Castro thus appears to be more optimistic now about the prospects for radical change in Bolivia. Expressing the fear that Chile might experience aggression from abroad, he promised that "Cubans will be ready to go to fight for Chile." He also stated that when other "revolutionary peoples ask for technical aid...or combatants, we shall furnish them."

Castro clearly continues to adhere to his doctrine of violent revolution. He considers the political situation in countries such as Brazil and Argentina one in which only violent revolution can bring about the desired changes. [redacted]

25X1

COLOMBIA: Student demonstrations and a 48-hour national student strike that began on 21 April are continuing to cause problems for the government. The National University in Bogota and other universities in provincial cities have been closed and occupied by troops. Some students and police have been injured in clashes and there has been minor property damage. Further incidents by students are likely [redacted]

urgent need for university reform. Although the Pastrana administration has been aware of the problem it has been slow to seek a solution. This week, however, the minister of education met with university authorities to seek ways to reform university laws. Even though the initial step that provides a basis for negotiations between the government and students has been taken, the situation remains potentially explosive. If the universities are not soon reopened the students could lose the entire semester, blame the government for their misfortune, and become an even more volatile force. [redacted]

25X1

25X1

The major element that has served to unify students during the past weeks has been the

SECRET

## Situation in Haiti

Public announcement of the death of Francois Duvalier on the morning of 22 April has not so far provoked discernible disorders.

The six weeks of Duvalier's illness have apparently been used to prepare an orderly transfer of power. Jean-Claude's tenure is unpredictable, however. It is inevitable that his youth, lack of preparation, the probable development of pro- and anti - Jean-Claude factions, and the eagerness of men outside the government to make a move before it is too late—if indeed it is not already too late—will jeopardize his tenure. Within the ranks of the overtly faithful, personal ambition is likely to surface now that it is freed of the restraining influence of Francois Duvalier. One of Jean-Claude's first official acts was the promulgation of a decree naming a new cabinet that includes two men on whom former President Duvalier particularly depended to make his succession plan work.

The exiles and the oppositionists within the country are believed to be too few, weak, and disorganized to act immediately but they can be expected to take advantage of their first opportunity in 14 years to play a political role. There are no clear indications that Cuban or other foreign support to exile groups has prepared them for immediate action, and there is no apparent



**Former President-for-Life Francois Duvalier and his successor Jean-Claude Duvalier**

*From Haitian Government poster*

increase in security forces at the Presidential Palace or in Port-au-Prince.

Fear of an invasion from abroad, however unfounded, may inhibit any immediate struggle for power between members of the government. In addition, the new administration appears to be moving swiftly to consolidate its control. In his first public speech, Jean-Claude described himself as an heir of his father's political philosophy and declared that he would continue his father's work with the "same ferocious energy."

25X1

◆ ◆ ◆  
**SECRET**

**Page Denied**

Approved For Release 2008/05/12 : CIA-RDP79-00927A008700040001-4

**Secret**

**Secret**

Approved For Release 2008/05/12 : CIA-RDP79-00927A008700040001-4