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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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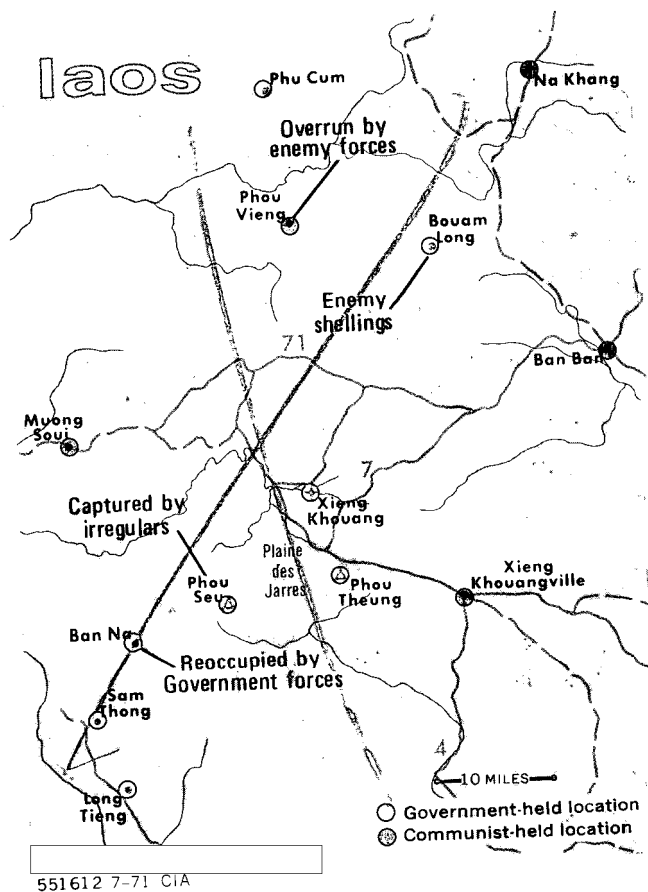
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## FAR EAST

Indochina: *Action in North Laos*

Government forces are chalking up significant gains as they press their rainy-season offensive on the Plaine des Jarres. On 29 June an irregular patrol penetrated as far as Xieng Khouang airfield in the north-central portion of the Plaine. Other patrols have pushed into the northeast section of the Plaine, destroying numerous small caches of supplies and equipment. Government forces have not been present in this area since February 1970 when they were driven out by a North Vietnamese counteroffensive.



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The government has also been successful in action west of the Plaine. Irregulars have captured Phou Seu, the strategic high ground on the western edge of the Plaine, while other government forces have reoccupied Ban Na, an important irregular artillery base captured by the enemy in April 1971. On the southeastern edge, other irregular units have reinforced Phou Theung, which had been captured on 18 June.

The North Vietnamese clearly have been caught off balance by the offensive. They have been pulling back some of their units from forward positions west of the Plaine, which in part accounts for Vang Pao's gains. The North Vietnamese, however, still have six regiments, with artillery and armor support, in the general vicinity of the Plaine.

The government experienced one setback north of the Plaine when an enemy force overran Phou Vieng, one of the few government positions in the area. The irregular troops and about 2,400 civilians escaped to the northwest toward Phu Cum. The enemy has continued to shell Bouam Long, the major guerrilla base north of the Plaine, but no ground assault has developed.

In the panhandle, government clearing operations continue eastward from Dong Hene. Irregular patrols have penetrated as far as Muong Phalane, but have met stiff resistance around the town.

*More Talking About Talks*

On 22 June Pathet Lao leader Souphanouvong sent a letter to Prime Minister Souvanna Phouma again calling for Lao peace talks. The Communists continued to insist that any progress toward a settlement depends on a total US bombing halt, but they did add new proposals designed to give the impression that they are flexible and

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ready to move if their terms are met. Souphanouvong now is proposing that a cease-fire in Laos coincide with a US bombing halt; previous terms specified that a bombing halt must precede a cease-fire.

In addition, the Communists have proposed that Vientiane and the Plaine des Jarres serve alternately as sites for the negotiations that they say would follow a cease-fire. This is the first time this year that the Communists have gone so far as to discuss the modalities of talks.

**Vietnam: Pressure South of the DMZ**

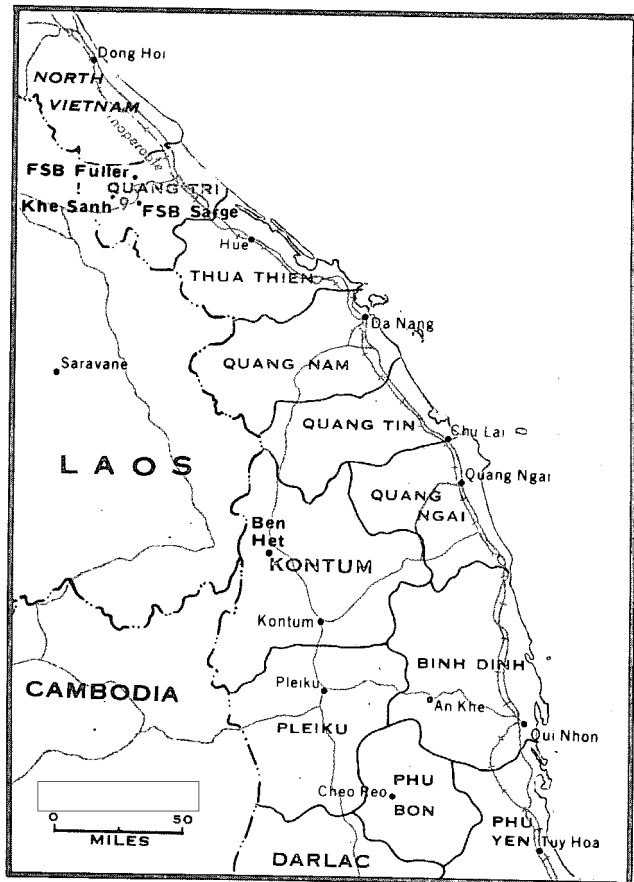
North Vietnamese troops continued to press their summer offensive just south of the DMZ during the week. Enemy shellings and attacks there have been more intense in recent weeks than at any time since 1968.

Much of the fighting has been in the vicinity of the abandoned, and subsequently destroyed, Fire Support Base (FSB) Fuller, where South Vietnamese forces have been trying to dislodge the enemy from well-dug-in firing positions. Fuller, once known as the "Rockpile," was one of the key allied strongpoints built to inhibit the movement of enemy men and materiel toward the populated coastal lowlands. Other similar bases, including FSB Sarge, have also been the target of enemy attacks in the past few weeks. US forces withstood prolonged sieges at some of these bases in years past, but the South Vietnamese—now largely on their own—apparently are trying to avoid getting boxed in defending any one position. Nevertheless, they have moved in thousands of reinforcements from other parts of South Vietnam and appear determined to thwart any enemy thrust eastward toward population sectors.

To support operations in the DMZ area, the North Vietnamese since early May have constructed an eight-mile road through the western end of the DMZ into the Khe Sanh area of Quang

Tri Province. This, the first road of its kind observed in this area, may be intended to form a junction with another new road under construction north of Route 608; the latter links up with Route 9, the main east-west road between the border and the sea. Supplies and personnel have moved through the DMZ for years over an extensive network of trails, but this new road will greatly enhance Communist logistical capabilities in the area.

The tactical intentions of the North Vietnamese in the northern provinces are not entirely clear, but their recent advances may encourage



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them to press farther south and east. They have more than enough infantry and artillery units along the DMZ and in the mountainous western half of Quang Tri Province to put the South Vietnamese to a severe test should Hanoi set such a course. In the coming weeks, the strength of the North Vietnamese push in Quang Tri Province and the South Vietnamese response to this pressure should provide a better indication of Saigon's ability to pick up the security burden in this region as US forces withdraw.

*Factional Dispute Rocks Saigon Student Community*

The assassination of a moderate leader of the Saigon Student Union (SSU) this week has intensified a dispute between student factions. Although the student was murdered by an unknown assailant, suspicion has fallen on the followers of militant student leader Huynh Tan Mam.

In a disputed election last week, Mam's group was voted out of the SSU leadership in favor of a moderate slate that included the victim. The militants charged that the vote was rigged and broke up a meeting that was to validate the results. Although leaders of both factions are still trying to decide what to do next, it seems likely that the militants and moderates will each set up organizations claiming to be the legitimate leadership of the SSU. ~~Although the moderates have taken over control of the SSU headquarters building without a struggle, the militants reportedly are prepared to resort to force.~~

Mam and his followers may seek to use the dispute to stir up renewed student agitation against the government, but the assassination may work against Mam's efforts to recruit new support. Factional disputes and lack of student interest in protest activities have prevented the militants from launching many disruptive demonstrations this year. For its part, the government has been quietly encouraging the moderates in an effort to curtail Mam's influence. It probably will continue to do so, but it will move cautiously in

an attempt to prevent violence during the current pre-election period.

Cambodia: A Welcome Respite

Communist military activity seems to be subsiding to lower rainy-season levels as government forces northeast of Phnom Penh apply the finishing touches to one of the Cambodians' most successful military operations of the war. Government troops evidently made an excellent showing in the final phase of their prolonged effort to dislodge the enemy from the marshes northeast of the capital. A postaction assessment indicated that Cambodian soldiers made unusually effective use of firepower, maneuver, and air support to drive elements of several North Vietnamese main-force units from their prepared positions near Kompong Chamlang. The success in the northeast was fashioned primarily by US-trained Khmer Krom troops, who have been the mainstay of the Cambodian Army (FANK) since the war began. Although they suffered heavy casualties in the month-long campaign, the Khmer Krom forces' performance undoubtedly gave Phnom Penh a much-needed psychological lift.

The government apparently intends to maintain a sizable military presence in the Kompong Chamlang area for the time being. Several multi-battalion clearing operations were launched early in the week near Kompong Chamlang to disrupt possible enemy supply and infiltration movements. These forays have not generated any significant Communist resistance, however.

FANK troops also regained some ground in the southwest, when they moved unopposed into the town of Srang, which had been in Communist hands for two weeks. The enemy was not entirely inactive in the southwest, however. In the most notable action on Route 4 since that highway was reopened in early May, the Communists carried out a heavy rocket and mortar attack on the government's armored camp some 12 miles east

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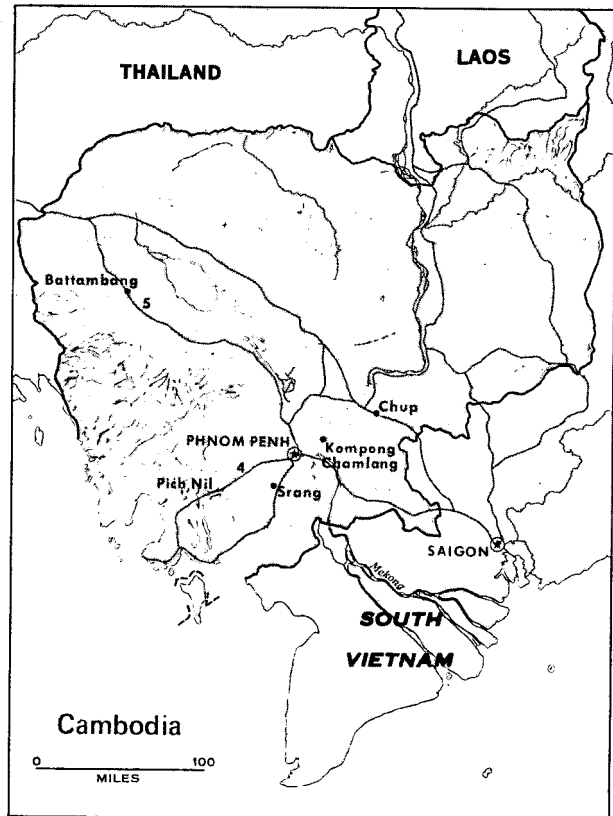
of the Pich Nil Pass. Efforts by enemy elements to breach the camp's defenses were repelled with the aid of air strikes. Combined military and civilian casualties on the government side were five killed and 25 wounded, while six Communists were killed.

*What Price Rice?*

Rice has virtually disappeared from stores in Phnom Penh as a wave of hoarding has gripped the capital. The shortage undoubtedly is attributable for the most part to the refusal of merchants to sell rice at the artificially low price imposed by the government.

Another contributing factor may have been concern that intensified enemy action on Route 5 in recent weeks may interrupt rice shipments into the capital. ~~There are also fears in the capital that Battambang merchants will smuggle rice into Thailand rather than pay the heavy bribes exacted at FANK outposts along Route 5 and assume the substantial risk of losing the entire cargo to the Communists. The recent deterioration of the Cambodian riel relative to the Thai baht has provided a strong incentive for smuggling.~~

To meet the situation in Phnom Penh, the government has begun selling its own stocks in rationed amounts at official prices in the hope of persuading merchants to release their stocks. The government also intends to inaugurate a transportation program soon to expedite large-scale shipments of rice from Battambang to Phnom Penh via military-escorted truck convoys. Even if these



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measures ease the present crisis, there evidently is a possibility Cambodia may yet have to import some rice. The minister of commerce has claimed, for example, that 32,000 tons of American rice will be needed before the end of 1971.

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Sino-US Relations: *Outlines of the Taiwan Issue*

Recent, high-level pronouncements from Peking have restated the Communist position on the Taiwan issue and Sino-US relations in both sweet and sour terms. By focusing heavy attention on their stand, the Chinese continue to make it clear—as they have in other public and private statements—that the issue will remain the first order of business between the two governments as far as Peking is concerned.

Premier Chou En-lai's remarks to American newsmen in Peking on 21 June on the Taiwan issue represent China's "sweet" approach to the problem. Chou emphasized that the American military presence on Taiwan and in the Taiwan Strait is the key obstacle to improved relations between China and the US. He remarked that if US forces were withdrawn and Washington no longer "considered Chiang Kai-shek as the representative of China," it would amount to "recognition that the People's Republic of China was the only lawful Chinese government." After that, Chou said, all other problems would be solved and the establishment of diplomatic relations with Washington would follow.

Chou's comments do not signal a change in Peking's long-standing position that the island's status is strictly an internal matter to be settled by the Chinese. Chou completely rejected the notion of "two Chinas, or one China - one Taiwan" formulations, which have long been anathema to Peking. His carefully tailored remarks on Sino-US differences, however, were meant to suggest that these differences were relatively narrow and could be solved without a complete overturn of established US positions. For example, Chou continued to avoid mention of the US defense treaty with the Nationalist government.

In less than a week after Chou's interview with the American newsmen, Peking showed its "sour" side on the Taiwan issue in a series of relatively hard-line statements keyed to the anniversary of the outbreak of the Korean war

and President Truman's 1950 directive that the Seventh Fleet separate the combatants in the Taiwan Strait. Speeches and broadcasts over the weekend make standard references to US "provocations" in and near Taiwan and stress that the US, together with Japan, is scheming to separate the island permanently from the mainland. A New China News Agency article on 27 June, for example, criticized visits to Taiwan by high US officials and US pledges to fulfill its treaty obligations to the Nationalist government as evidence of US intentions to "strengthen its military occupation" of the island. In the same vein, the article also condemned US-Taiwan joint military maneuvers in the region and accused the US of helping to train secret agents for use by the Taiwan government to "harass" the Chinese mainland. Finally, statements connected with the anniversary insist that US "imperialism" must withdraw from Taiwan—a formulation broader and vaguer than Chou En-lai's recent remarks.

The anniversary is generally an occasion on which Peking stresses a hard-line approach to the Taiwan problem, particularly in view of the fact that it is observed in conjunction with the start of hostilities in Korea. Nevertheless, this year's tough statements have been less belligerent than those made by Army Chief of Staff Huang Tung-sheng last year. Moreover, the new formulation—that US "imperialism" must withdraw from Taiwan—leaves Peking's options open. The Communists can either insist that the US must sever all ties with the Nationalists or they can adopt Chou's more restrictive—and probably more authoritative—interpretation.

The generally mild and reasonable tenor of Chou's earlier statements to the US correspondents is clearly part of an attempt by the Chinese to improve further the atmospherics surrounding Sino-US bilateral issues. In fact, Chou was careful to stress that Sino-US contacts would continue to develop—at least on an unofficial level—even in the absence of an agreement on Taiwan.

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Party Building in Communist China: *Not All Have Stayed the Course*

The last lap of China's party reconstruction marathon has been accompanied by kaleidoscopic personnel changes at the provincial level. In the course of hammering out party settlements for a number of long-troubled areas over the past two months, Peking has downgraded and probably purged five key province leaders. Numerous secondary officials on the governing Revolutionary Committees established since 1967-1968 also have failed to attain party posts, and outsiders only recently transferred to the provinces involved have leapfrogged to the top of the local power structure. The drastic changes wrought by Peking in the most recently formed party committees are partly a measure of the regime's frustration over its inability to curb deep-seated divisions that have been hampering the consolidation of local authority and the implementation of some key national programs. The personnel changes also reflect the Byzantine maneuvering between rival politburo elements who are seeking to enhance the political positions of their proteges in the provinces.

The complex character of some of the recent settlements is graphically illustrated by Peking's refusal to award the post of provincial party chief in five instances to leaders who were selected to head provincial governments during the Cultural Revolution. The regime has offered no explanation as to why these five were passed over, but all were heavily embroiled in factional struggles, and their political fate was almost certainly the subject of intense debate in Peking. Their replacement is a sharp departure from the practice followed by the regime since last December whereby all other incumbent provincial leaders have been confirmed as the party chief of the corresponding provincial party committee.

Although only four of China's 29 provincial-level party committees remain to be formed, it now appears that further major leadership

changes are likely before the process is completed. The political situation in Tibet, Szechwan, and Heilungkiang provinces seems particularly tense, and recent radiobroadcasts indicate that in Tibet, at least, the regional revolutionary committee chairman may have already been ousted.

Four of the recently downgraded provincial leaders—Wang Hsiao-yu in Shantung, Liu Ko-ping in Shansi, Li Tsai-han in Kweichow, and Teng Hai-ching in Inner Mongolia—were all supported by local extremists and appeared to be proteges of some of the radical ideologues on the politburo. Their fate apparently reflects the declining ability of their patrons to broaden their bases of power in the new party structure and reinforces the impression that effective leadership in most of China's provinces remains heavily weighted in favor of conservative-oriented military men and veteran civilian officials.

Nevertheless, the influence of the more militant elements in the regime on the committee formation process cannot be entirely discounted. Countervailing leftist pressure, for example, seems responsible for the recent failure of alternate politburo member and Hopeh provincial government head Li Hsueh-feng to obtain the chief party post in his bailiwick. Li probably was sacrificed, in part, because of objections raised by the ideologues that too many veteran cadres, including some prominent victims of purges carried out early in the Cultural Revolution, have recently been given ranking provincial posts. Li's ouster does not appear to be a complete victory for the ideologues, however, because his replacement in Hopeh appears to share his conservative predilections. The fact that a similar situation has developed in Inner Mongolia, where a radically inclined leader has been replaced by one of similar persuasion, suggests that a careful but perhaps inherently unstable balancing act is still being

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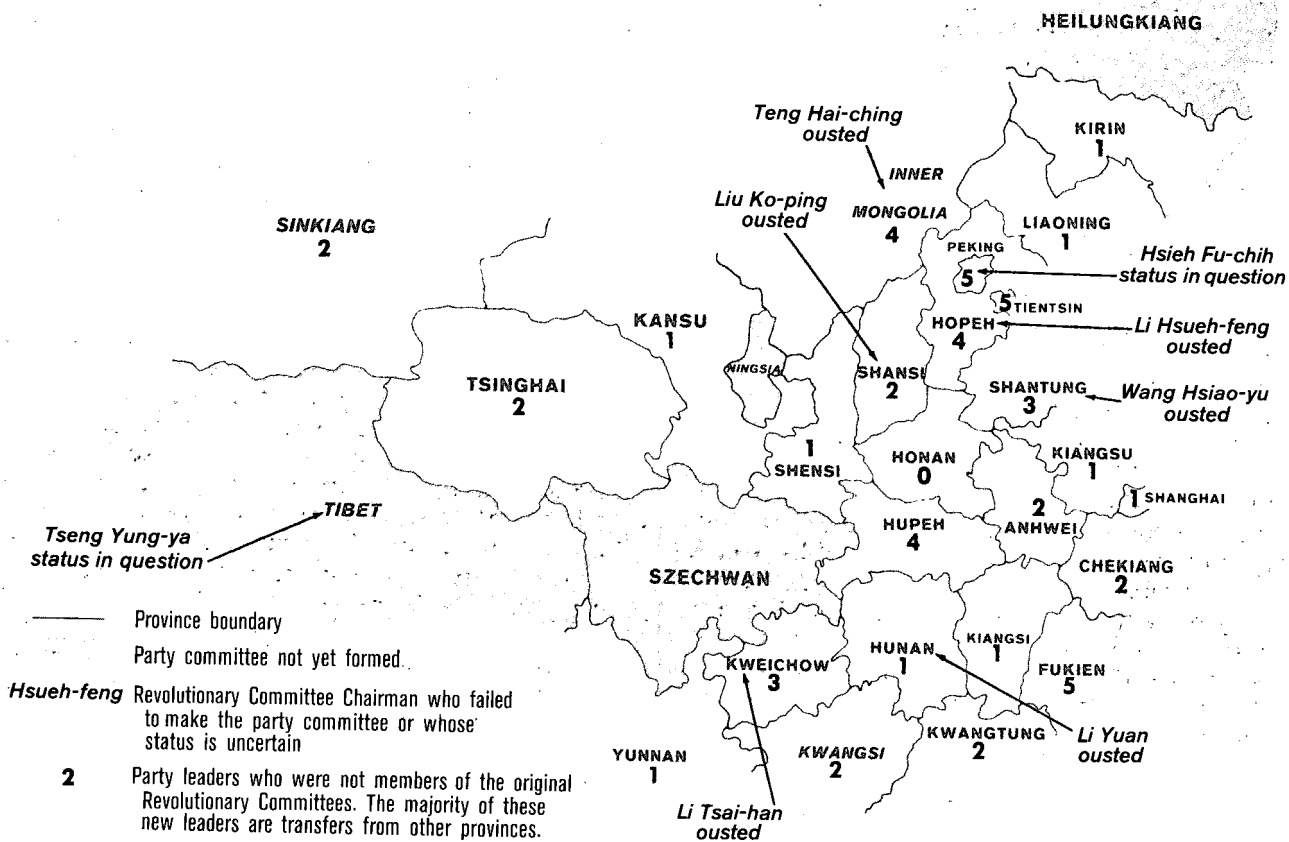
carried on by moderate and leftist forces within the politburo and at lower levels as well.

Given the complex pattern of Peking's personnel juggling and logrolling, it appears that the mere establishment of provincial party committees will prove no panacea for overcoming the political divisions, passions, and leadership dislo-

cations engendered by the Cultural Revolution. Indeed, the results of the provincial-level staffing process seem to demonstrate that many old personal rivalries have been submerged rather than eliminated, that factionalism has been institutionalized in the new party structure, and that a number of the "solutions" certified by Peking in recent months may prove more apparent than real.

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**COMMUNIST CHINA: Key Dropouts in the Provincial Party Marathon**



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## Indonesia Prepares for the Polls

The Suharto government appears likely to come out on top in the 3 July elections, Indonesia's first national polls in 16 years, despite some revulsion over the government party's heavy-handed campaign practices. Although elections are being held at both national and provincial levels, the principal stakes are 360 seats in the 460-member Parliament, a body of relatively limited legislative powers. The remaining 100 members will be appointed by the government. This Parliament will constitute half of the 920-member congress that formulates national policy and in 1973 will choose the next president and vice president. The government's immediate aims, therefore, are to ensure both a responsive Parliament and a congress that two years from now will re-elect President Suharto for another five-year term.

The campaign officially ended on 26 June, but the government party, SEKBER GOLKAR, probably will remain active to the final day. GOLKAR, an army-affiliated coalition of occupational and social groups such as youth, labor, and farmers, has steamrolled its way through the country, proselytizing groups attached to the other political parties and demanding the allegiance of government employees. Although its rapid accumulation of a following has been impressive, its arm-twisting methods could be counterproductive. Its goal is half (180) of the elected parliamentary seats but it will be satisfied with a strong plurality. Even if its tally should drop to something between 70 and 131 seats, the government probably could still develop a parliamentary following of sufficient size to approve Suharto's programs.

The election essentially is a contest between GOLKAR on the one hand and the nine political parties on the other. Only three of these have a significant following—the secular National Party (PNI), the traditionalist Moslem Nahdatul Ulama (NU), and the modernist Indonesian Moslem Party (PMI). The PNI and NU have resisted GOLKAR as firmly as they dare without provoking a government reaction and should do fairly well in densely populated Java and parts of Sumatra. The PMI, which has been consistently obstructed by the government, expects—by its own admission—to win only a small portion of the popular vote.

The army, which dominates the Suharto government, distrusts political parties largely as a result of the irresponsible behavior of parties during the 1950-57 period of unstable parliamentary government. It sees the parties as lacking a sense of national purpose, and it regards party activity as disruptive to national unity. The military and those civilians who are working with it are concerned over the long-term problem of developing stable representative government in a nation of diverse peoples where parties have tended to represent geographic, ethnic, and religious differences—cleavages that can easily be surfaced and exploited. The army takes the view that a GOLKAR electoral victory would be the first step toward some form of political restructuring that would de-emphasize these national cleavages. Although ideas on restructuring are still only vaguely formulated, SEKBER GOLKAR seems to be a move toward at least experimentation with a single mass party that would enlist support from all significant groups in Indonesian society.

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## EUROPE

Mutual Force Reductions: *Heavy Summer Diet for NATO*

At a time when alliance activity usually is entering the summer doldrums, the attention of the Allies is riveted on the quickening pace of the dialogue on mutual and balanced force reductions (MBFR). NATO has planned an intensive work program for the weeks ahead to flesh out a negotiating position and to determine how and when to move toward negotiations. On both questions, allied views diverge. Moreover, many of the Allies are worried that MBFR is in danger of becoming primarily a US-Soviet affair.

London remains among the most skeptical of the Allies, questioning whether any force reductions can be negotiated that will not undercut Western defenses. The British also fear that the drift toward negotiations is outstripping allied preparations and that "Washington's rush to the bargaining table," as one British official put it, is aggravating this problem. The UK also thinks it premature to appoint an emissary to discuss MBFR with the East prior to the meeting planned for October of the NATO deputy foreign ministers—an idea advocated by Canada and Italy. A number of Allies nevertheless want to keep this option open while an initial negotiating position is being worked out.

Paris generally shares London's skepticism and is particularly concerned about news reports that forward-based nuclear systems might be included in MBFR talks. France reportedly now considers, however, that its simple opposi-

tion to MBFR is no longer tenable, and the government is reviewing its entire approach. As part of this review, Paris plans to initiate bilateral talks with Moscow to probe Soviet objectives, but how, or whether, Paris will concert its efforts with those of the other Allies is uncertain.

Bonn, apparently reassured after Brandt's recent consultations in Washington, appears somewhat less pessimistic about the effect on Western defenses of force reductions even if these initially include only US and Soviet forces. The German Government feels strongly, however, that any Western decisions on force reductions must be coordinated within the Alliance. Defense Minister Schmidt has cautioned that the two superpowers must not ignore the members of NATO in agreeing even to symbolic troop reductions. Bonn favors movement toward eventual multilateral MBFR talks, but would prefer that this stage be delayed until a Berlin settlement is reached.

Meanwhile, Moscow has continued to urge that NATO clarify its position and move more quickly toward negotiations. Soviet Chargé Vorontsov told US officials last week that because MBFR was a Western idea, NATO should be providing answers and specific proposals instead of asking questions. Although in no way defining the Soviet position more precisely, Vorontsov asserted that the current method and pace of bilateral exchanges would lead nowhere and claimed that Moscow is "ready for substantive discussions."

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Poland: *Gierek Steamrolls Ahead*

Party leader Gierek has taken further steps to consolidate his primacy in the hierarchy and to push his policy of national "renewal."

At a central committee plenum last week, hard-line, anti-Semitic politburo member Mieczyslaw Moczar was dropped from the secretariat, where he had long been responsible for military and internal security affairs. The move had been heralded earlier in the week when parliament appointed him to the chairmanship of the Supreme Chamber of Control, a politically unimportant government body. Although Moczar may remain on the politburo for cosmetic reasons until the party congress at the turn of the year, his downgrading signals the effective political retirement of a man who had long been considered a rival to former party leader Gomulka and, at least potentially, also to Gierek.

Moczar's ouster from the secretariat was in part anticlimactic because, at least since his reported heart attack in April, his responsibilities have been exercised by party secretary Kania. Indeed, there is some evidence that Moczar may have been deprived of these functions soon after the change of regime last December, and that his role since then was increasingly limited to representing the splintered remnants of the hard-line faction he once headed.

The central committee also dismissed party secretary Starewicz, a Gomulka holdover and the only Jew in the party hierarchy. With Moczar's ouster, Starewicz apparently was no longer needed on the secretariat to balance off—if only symbolically—the party's anti-Semitic forces.

Neither of the two slots was immediately filled, suggesting that Gierek's penchant for streamlining the bureaucracy may extend to top

party organs. Since last December, dismissals of holdovers from the Gomulka regime have reduced the politburo from 12 to 10 members and the secretariat from nine to seven. If Gierek does not intend a permanent reduction, he may fill these vacancies at the party congress, using the coming months to select reliable and efficient men.

Gierek seems to be demonstrating his command of the situation by purging even such sensitive areas as the security apparatus. Once the prime base of Moczar's power, the Interior Ministry is now undergoing a series of shifts marked by the recent dismissal of a deputy minister and the arrest on criminal charges of four staffers. All five men were closely allied to Moczar. These developments form part of Gierek's housecleaning in the party, state, and trade union apparatus that began early this year with shifts in the middle and local echelons. Gierek has made clear that this process will extend to the party rank and file in coming months. With a responsive apparatus and no personal rival in sight, Gierek seems certain to dominate the party congress.

Long-range economic policy, stressing the needs of the hard-pressed Polish consumer, was the main substantive topic of the plenum, and once again reflected Gierek's efforts to deepen his popular support. This goal was also furthered by parliamentary passage last week of a bill granting the powerful Roman Catholic Church legal title to former German church property in the territories gained by Poland after World War II. This step toward fulfilling the regime's commitment to "normalize" church-state relations will be welcomed by the overwhelmingly Catholic population as it already has been by the episcopate, and may give new impetus to the ongoing negotiations between the church, the regime, and the Vatican.

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## Tito Raises Anti-Sovietism Another Notch

Since May, President Tito has been trying to unify his fractious nation by increasingly playing on Yugoslav fears of Soviet intentions. Domestic dividends have begun to appear, and there are signs that Tito now is also willing to take steps in the foreign policy field to strengthen the nation's will and ability to resist future Soviet pressure.

After the Brioni presidium session in late April, which met behind closed doors to discuss a budding nationality crisis, Tito stumped the country calling for purges of malefactors and delivering strong—but undocumented—warnings of hostile foreign interference. His purge threats had superficial success in quieting temporarily the loudest of the nationalists, but the vigilance theme was even more effective and gave Tito a consensus that he has turned successfully against his political opponents. During the past week even the Croat party leadership, which in May faced Tito down on the necessity of purging nationalists, changed gears in an unusual call for moves against extreme nationalists. Furthermore, the Slovenian party, which has been dissatisfied with diversion of Slovenia's wealth to poorer areas, held a meeting on 28 June that produced a firm commitment to the principle that Yugoslav security overrides individual republic interests.

The stimulus for these important changes of tone was provided by a party commission meeting on 23 June that criticized Moscow's allegedly hostile intentions toward Yugoslavia and warned of a possible deterioration in relations between the two countries. The meeting took the unusual step of ordering that the discussion be disseminated to the lowest party levels.

This extension of Belgrade's polemics with the Kremlin, however, is only in part tactical. The Yugoslavs are keenly aware of untraceable rumors of Soviet-backed invasion schemes, and the reported scheduling of Warsaw Pact military maneuvers in the area has augmented the impact of these otherwise unrealistic rumors. Halfway through a crucial political reform period, Tito can ill afford to allow openings for Soviet pressure.

For these reasons, Belgrade has taken two circumspect foreign policy steps to enhance its international position and to provide tangible reassurance to the people. First, the Yugoslav foreign minister made a trip to China from 8 to 15 June, and the treatment of this visit by Yugoslav media was intended to emphasize that common cause—oppositon to Moscow—can, in a crisis, override ideological differences. At the same time, the Yugoslavs cautiously avoided direct involvement in the Sino-Soviet dispute.

The move for which Belgrade probably has the highest hopes, however, is the recent overture for closer military ties with the US. On 25 June the US military attaché in Belgrade was informed by Assistant Defense Minister Dolnicar that Yugoslavia is now ready to discuss arms purchases, training of Yugoslav officers in US military schools, and other exchanges. Dolnicar emphasized that no compromise of Yugoslavia's nonaligned posture or "fierce independence" was envisioned or acceptable, but he clearly indicated that new opportunities for improved relations are welcome.

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## Accord Reached on UK Accession to European Communities

The accord reached in Luxembourg last week between Britain and the six members of the European Communities virtually assures agreement on an accession treaty by the end of the year. The accord was generous on the issues of real emotional concern to the British. New Zealand has been granted outlets for its dairy products through 1977 and the opportunity to retain a special relationship with the UK thereafter. Britain's contribution to the EC budget will be a good deal higher than its initial offer, but much less than the French had proposed, and attenuation of the full burden after 1977 is possible. The community conceded the need to reconsider its fisheries policy, also an issue on which crucial votes are at stake in the British Parliament.

With the increased likelihood of an enlarged community, speculation is intensifying about the political and institutional future of the EC. In effect responding to concern over the possibility that the UK might align with France in opposition to the principle of majority voting in the EC Council and to a stronger European Parliament, Bonn's Foreign Minister Scheel last week publicly aired his "conviction" that the EC would be more democratic with Britain in it.

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The community will now have to decide on arrangements with the European Free Trade Association (EFTA) members that are not candidates for EC membership. The Council will soon begin debating two options presented by the Commission. The first proposes that the six EFTA noncandidates be permitted to maintain their present arrangements with the new EC members for two years following the community's enlargement—with subsequent arrangements to be studied. The second option would institute free trade in industrial goods between the noncandidates and the enlarged EC. Full-scale discussions with the noncandidates will begin this fall. Sweden and Switzerland, in particular, are expected to want closer ties. The Commission, however, is concerned that there be minimum interference with community procedures from nonmembers. Although its proposals would seem to grant the noncandidates access to the EC market without institutional obligations, the Commission may believe that in the long run the noncandidates will seek full membership because they will feel a necessity to participate in EC decision-making.

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Although the Heath government still faces a hard political battle to obtain ratification, and entry in any case is a year and a half away, Britain is in a sense already a participant in the community. Interim consultative arrangements have been set up, and the community is unlikely to take major decisions without allowing for the prospect of UK membership. In a broad range of questions going beyond specific EC matters, London will likewise be taking into account its basic new commitment.

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### France: *Pompidou as Europe's Master Builder*

In a television interview last week on his second anniversary as president, Georges Pompidou dwelt at some length on his views regarding the future of Europe. Clearly pleased that recent polls show that the public considers his European policy his greatest success since taking office, Pompidou often stressed the role that he personally played in unblocking Europe and opening the way for British entry into the EC. His statements suggest that he is determined to project and enhance his image as a "European" statesman, and to become the architect and master builder of a new Europe.

While the characteristics of his "confederal" Europe bear a resemblance to the "Europe of States" advocated by General de Gaulle, the emphasis and context of Pompidou's European policy are different. Whereas De Gaulle's primary goal was detente, entente, and cooperation with the East—a Europe from the Atlantic to the Urals—Pompidou gives priority to the organization of Western Europe. Writing in *Le Monde*, the respected commentator Michel Tatu put it this way: "Not only has it not been a question of East-West relations or of 'detente'; [Pompidou's statements] seem to concretize the existence of a 'Soviet world' which the West can scarcely influence." Tatu concludes that rather than seeking to reconcile the two halves of Europe, Pompidou

is intent on strengthening Western Europe so that it can resist the power of the East.

Using a map to illustrate his point, Pompidou spoke of Western Europe as a "small, fragile and menaced peninsula" between two superpowers, the US to the west and the Soviet Union to the east. The political edifice Pompidou would construct excludes the Americans, "our friends and allies...but who are not Europeans." And while affirming that Europeans want excellent relations with the East, he stated bluntly that "we do not want to be absorbed by Soviet Russia." Pompidou's goal is an independent Western Europe that through the pooling of resources, would find "its own place in the world," and therefore be able to rival both Washington and Moscow.

Pompidou asserted that the construction of the Europe he envisions will be more complicated after the enlargement of European Communities because, as he put it, the British have a different way of approaching problems. He also identified as a potential roadblock Britain's "special commitments in certain areas, such as defense." Nevertheless, he concluded, "if one wants, one ought to be able to construct Europe."

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### Malta-UK: *Hard Bargaining Will Dominate Talks*

Prime Minister Dom Mintoff's first order of business since taking office on 17 June has been his proposal to revise the defense and financial agreements with the UK to weight them more in Malta's favor. London, which has adopted a wait-and-see attitude until it learns more details of the proposal, is prepared to take a tough bargaining position.

Mintoff has outlined his concept of what should be included in a new agreement, but he has not specified what he considers "adequate compensation" for use of Maltese facilities, such as airfields and wharves. London expects that the price will be high. The prime minister in effect asks for straight compensation in return for use of the facilities as opposed to the current

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combination of loans and grants. He also demands that any new agreement include, among other things, a strict definition of the facilities to be offered and the restriction of such facilities to UK forces.

Mintoff's demands raise many problems, a prime one being the relationship between NATO and UK forces on Malta. London does not feel it would be useful to pursue such questions with Mintoff now, but it does want to determine what facilities Malta would provide, particularly whether and under what circumstances they would be available for NATO purposes. The UK is meeting Mintoff's requirements and at present is pessimistic about reaching an agreement that would not cause London major difficulties. The British already believe that they are paying more for present facilities and rights than they are worth, and London's final decision to meet Mintoff's monetary demands may depend on whether NATO is interested in helping the UK maintain a military presence on Malta.

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Mintoff's Malta Labor Party has expressed interest in promoting better relations with the Arab states in the Mediterranean, and during the recent political campaign the party indicated it was prepared to sign an economic agreement with Libya. Mintoff's zest for seeking closer ties with Tripoli will depend largely on the success of his negotiations with London. He seems to be using the possibility of a rapprochement with Tripoli to put pressure on the UK and other Western nations to increase their aid and investments.

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MIDDLE EAST - AFRICA

ISRAEL-USSR: The recent visit of Soviet journalist Victor Louis to Israel, Foreign Minister Eban's expressed willingness to resume a dialogue with the USSR,

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have inspired numerous press rumors that the re-establishment of Soviet-Israeli relations is imminent. The Soviets in the past have used Louis to carry out unofficial contacts with countries with which they do not have relations, and his

visit to Israel does indicate that the USSR has some interest in assessing the reaction both in Israel and the Arab states to unofficial Soviet-Israeli contacts. Although there is no evidence that relations between the two countries will be restored in the near future, the resumption of unofficial contacts would provide both sides with an additional channel to try to head off another round of hostilities in the Middle East.

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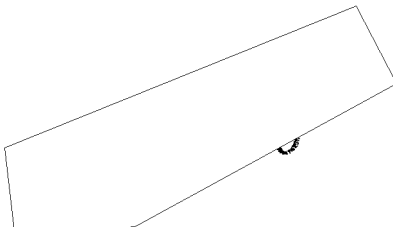
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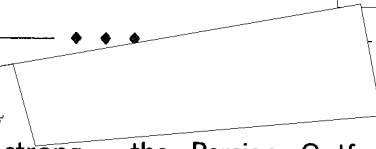
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EGYPT-USSR: Egyptian Deputy Premier and Foreign Minister Mahmud Riad arrived in Moscow on 29 June on the first leg of a diplomatic swing that also includes stops in Prague, Budapest, and Belgrade before his return to Cairo on 17 July. The exchange of instruments of ratification for the USSR-Egypt Treaty of Friendship and Co-

operation was the highlight of Riad's five-day stay in the USSR; he is also holding comprehensive discussions on Middle East developments with Foreign Minister Gromyko and other Soviet officials. One of the subjects Riad seems almost certain to raise is the possibility of direct Soviet-Israeli contacts.

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SAUDI ARABIA - EGYPT: King Faysal's strong endorsement of President Sadat's foreign policies at the conclusion of his seven-day visit to Cairo last Saturday should strengthen the Egyptian leader's hand in pursuing Middle East negotiations. Faysal, in the communiqué issued prior to his departure, stated that Egypt, which shoulders the "biggest burden" in the conflict with Israel, deserves the support of all Arabs. According to the Cairo press, the Saudi Arabian King's extensive discussions with Sadat and other cabinet-level officials ranged over the Middle East negotiations, Faysal's visit to the US in late May, the future of

the Persian Gulf, the proposed Arab summit conference, and Jordanian military pressure against the fedayeen. Following up their meetings with fedayeen leader Yasir Arafat, the two heads of state agreed to send a Saudi Arabian and an Egyptian emissary to Amman in an effort to reconcile Jordanian-Palestinian differences.

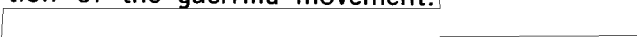
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PALESTINE NATIONAL COUNCIL MEETING: The ninth session of the Palestine Liberation Organization's (PLO) parliamentary body, the Palestine National Council, now scheduled to meet in Cairo on 7 July, is likely to be as unproductive as previous gatherings. Disputes have already arisen among the representatives of the major fedayeen organizations regarding the distribution of seats at the council, and the date and the site of the meeting have as usual been changed at the last minute. The Popular Front for the

Liberation of Palestine (PFLP), which has sent only a token delegation to previous sessions of the council, has decided to participate fully in the coming meeting. The PFLP intends to present a critical report on the policies and activities of the entire fedayeen movement since the June 1967 war, beginning with a discussion of its own mistakes. Both Fatah and PLO Chairman Yasir Arafat may also come under heavy attack by the radical group for allegedly obstructing the unification of the guerrilla movement.

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### Rising Oil Revenues in Middle East Pose Challenge for the US

During the past year the eight Middle East oil producers (Libya, Saudi Arabia, Iran, Kuwait, Iraq, Algeria, Abu Dhabi, and Qatar) that are members of OPEC have concluded agreements with the oil companies that ensure massive increases in the countries' oil revenues through 1975. Receipts will be raised even further by rising production in most of these countries. Annual oil revenues in the producing countries are expected to swell from less than \$6 billion in 1970 to nearly \$16 billion in 1975.

With more hard currency the oil states will increase their imports, and as a result there may be a sizable growth in US exports to the area particularly of capital goods associated with the petroleum industry or with general economic development programs. In addition, there may be a significant increase in US military equipment sales to Iran and Saudi Arabia. US sales to the Middle East oil states, although amounting to only about two percent of total US exports, already greatly exceed US imports from these countries.

At present the transfer to the US of earnings by American oil companies operating in the Middle East is more important to the US balance-of-payments position than commodity trade with the Middle East oil producers. Private American oil investment in the area yields an annual return of \$1.6 billion, whereas the US surplus in trade is only one third of this amount.

Prospective increases in Middle East imports will not be sufficient to prevent a huge increase in the foreign-exchange reserves of several of the producing states. Holdings in the eight countries are expected to rise from about \$5.6 billion at the end of last year to more than \$25 billion at the end of 1975. Reserves are likely to approach \$8 billion in each of three countries—Libya, Saudi Arabia, and Kuwait—and holdings in Abu Dhabi and Qatar will be impressively large relative to their populations.

Possession of large amounts of hard currency will make it possible for the Middle East oil exporters to pursue several actions unfavorable to the US. These include nationalization of the oil companies; even if equitable compensation were paid, nationalization would result in considerable damage to the US' balance of payments because of the end of profit repatriation. The increased reserves could also be used to subsidize political movements and less affluent governments in the area; oil money already is being channeled to Egypt, Jordan, and the fedayeen. Moreover, the rise in reserves could be used to bring financial pressure on the West as, for example, by converting dollar assets into gold. Such financial actions, however, probably could not be carried out without some cost to the producing states themselves, and governments of most of these countries have shown little interest in this type of adventurism.

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TURKEY: The foreign trade law promulgated in April to maximize foreign-exchange earnings by keeping export prices up and import prices down is having detrimental side effects. The government is facing enormous problems in implementing a system that calls for the Ministry of Foreign Economic Affairs to set minimum export prices and maximum import prices and to approve almost all

trade transactions before they take place. Several large orders have been lost because of governmental delays in responding to export requests. The new program also is reportedly causing a shortage of some imported raw materials. Unless the system is modified before the major agricultural export season begins this fall, it could have a serious effect on Turkey's foreign-exchange earning capability.

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## Pakistan: *Road to Civilian Government*

The plan for transferring power to a civilian government, which President Yahya Khan announced on 28 June, gives the politicians a much smaller role than they had under the rules in effect before 25 March. The transfer is to be made in "four months or so" depending on the circumstances at that time.

An appointed committee, rather than elected representatives, will draft the new constitution, and, according to Yahya, even after civilians begin to govern they will have at their "disposal the cover of martial law for a period of time." This may mean that the army intends to retain ultimate control.

Although Yahya again promised maximum provincial autonomy, he also made it clear that the federal government will have "adequate" authority. It is unlikely that provincial power will approach what many East Pakistanis were demanding before fighting broke out last March.

The government has also announced a new budget that calls for maximum austerity and increased self-reliance. The budget appears to be less than completely realistic, however. For example, it is unlikely that, given the grim state of the economy, new taxes will produce the expected 11.3-percent increase in revenue. The new budget also presumes a 20-percent increase in foreign aid. Much of this aid is already in the pipeline from previous commitments, but if the outlook for additional aid does not improve, the development budget, which is now slated for a small cutback, is likely to suffer a further reduction. The one area that probably will not be scanted is military expenditures, where a 6.3-percent increase is called for.

## *East Pakistani Situation*

In East Pakistan, clashes between the army and the insurgents continue. The Mukti Fouj (liberation force) is having some success—especially along the province's eastern border—in preventing the restoration of normal transportation and communications. Nevertheless, the level of guerrilla activity so far does not threaten the army's hold on major towns, nor does it prevent the army from moving into any part of East Pakistan.

In India, agitation for an invasion of East Pakistan persists. Prime Minister Gandhi, however, has told Parliament that New Delhi will not embark on "any adventurist policies." Parliament has been very critical of the US for allowing further shipments of arms to Pakistan. The Indians believe that the US violated a promise to halt all such shipments. Indian Foreign Minister Swaran Singh, back from his recent foreign tour, told Parliament that he was dissatisfied with Washington's explanations and claimed that US policy is "callous."

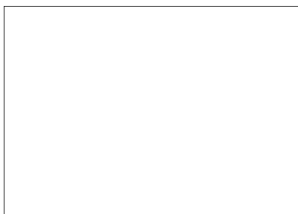
Top-level UN officials will meet in Geneva next week to try to iron out the several problems in the international community's refugee relief efforts. One substantial problem—the presence of Indian and Pakistani troops along the border—has inhibited aid to nearby refugee camps on both sides of the frontier. The UN high commissioner for refugees has considered seeking an allocation of UN troops, but there is no likelihood that such a mandate could be obtained in the Security Council at this time.

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INDIA: On 29 June New Delhi assumed control of the administration of West Bengal, the nation's most troublesome state, after the state government had resigned the day before. Prime Minister Gandhi's Ruling Congress Party had been the leading partner in a multiparty coalition, but ruled with a paper-thin majority. The threat of defections from the coalition, the burden of coping with five million East Pakistani refugees, and the government's inability to curb a wave of lawlessness and political assassinations led to the

fall of the three-month-old government. The Marxist Communists, the largest single party in the former government, branded the dissolution "undemocratic," but probably favored the move in hopes of winning a majority when new elections are held. Elections may be far off, however, because each of the last two periods of central rule lasted about a year. West Bengal joins three of India's 18 states that are currently being governed from New Delhi.

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INDIA: Mrs. Gandhi's new petroleum minister favors policy changes that could provide an incentive for greater Western collaboration in India's exploration efforts. If adopted, these changes would reduce India's reliance on Soviet-assisted exploration programs, which have produced only limited results during the past 20 years. Other

changes now under consideration include retail price increases and rationing. These revisions will be subject to public and parliamentary objections, but New Delhi will have to take some action if it is to avoid an increasingly serious fuel shortage.

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Organization of African Unity: *Summit Conference Concludes*

The eighth annual chiefs-of-state conference of the Organization of African Unity (OAU) ended in Addis Ababa ahead of schedule on 23 June. The meeting, the shortest in the OAU's history, was attended by only ten heads of state of the 41 member countries.

The most controversial matter that faced the conference was the proposal of Ivory Coast President Houphouet-Boigny, originally floated last November and presented in Addis Ababa by the Ivorian foreign minister, that African states have official contacts and begin a dialogue with South Africa. The delegates refused an Ivorian request

for a discussion in depth of the subject—Houphouet-Boigny's immediate objective—and quickly dispensed with the issue by passing a strong resolution condemning any dialogue unless Pretoria first modifies its racial policies. OAU opposition, however, is unlikely to deter Houphouet-Boigny, who indicated that he intends to hold his own meeting with representatives of the few African governments—such as Malawi and Gabon—that are in sympathy with his position.

The conference also endorsed the strongest pro-Arab resolution on the Middle East situation yet adopted by the OAU. The resolution called

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for the immediate withdrawal of Israeli forces from all Arab territories, expressed full support for Egypt, and empowered the OAU chairman to begin an African effort to bring about a Middle East settlement. The presence of Mauritanian President Ouid Daddah—elected OAU chairman for the coming year—and Somali President Siad and Sudanese President Numayri—both of whom were among the six newly elected vice chairmen—was probably a factor in the adoption of the pro-Arab resolution.

The delegates decided to hold the next summit in Rabat, Morocco, although Kampala,

Uganda, had been expected to be the next site. Kampala had been the original choice for the 1971 summit, but the meeting was shifted to Addis Ababa after some African leaders raised objections to the military government that seized power in Uganda last January. As a result Uganda boycotted the summit conference after attending a preliminary ministerial meeting. Summit officials announced that because of Uganda's absence the next summit conference could not be held in Kampala and that Morocco, the only country to extend an invitation, was "selected." [redacted]

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*Iraq: Recent Developments in Relations with Moscow and Peking*

Recent discussions have brought Baghdad its first economic credit from Communist China and a reaffirmation of economic commitments by the USSR. At the same time Moscow made little headway on reconciling its differences with Iraq over Middle East issues.

Peking extended almost \$40 million in credit for plants, equipment, and technical assistance during the recent visit to Peking of an Iraqi delegation headed by Baghdad's minister for oil and minerals. Repayment on the interest-free credit is to be in Iraqi goods during the period from 1984 to 1993. Although the announcement of the agreement did not specify the type of plants the Chinese will provide or the kind of Iraqi goods to be used in repayment, the composition of the delegation suggests that the talks may have focused on Iraq's oil and petrochemical industries. [redacted]

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A high-level Soviet delegation headed by V. N. Novikov recently visited Baghdad for more than a week of discussions covering a wide range of topics. The two sides signed a protocol covering the second stage in the development of the North Rumaila oilfield and the construction of a canal to regulate the Euphrates River. Production of oil at North Rumaila is expected to reach nearly 20 million tons annually with the completion of the second stage; oil from the first stage is to begin flowing early next year.

Although the economic talks went well, political discussions seem to have been less warm. The final communiqué included a favorable mention of the Palestine resistance movement but reflected little progress toward gaining Baghdad's support for a political settlement of the Middle East situation. Discussions aimed at easing the friction between the ruling Baath Party and the Iraqi Communists apparently were equally unprofitable. [redacted]

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Panama: *The Case of the Missing Priest*

The case of Father Gallegos, the priest who was kidnaped and may have been secretly killed by the National Guard early last month, has continued to simmer. The church has completed its investigation of the incident and now appears to be moving to confront the Torrijos government with its evidence. The regime, facing its first serious domestic crisis, has attempted to weather the storm without admitting or conceding anything.

Unsuccessful in its efforts to shift suspicion away from itself, the government had hoped that with press censorship and the passage of time the matter would be forgotten. Public interest in the case has persisted, however. Prayers for Gallegos offered at every mass, a day of national penance, and a televised sermon by Archbishop McGrath have helped to keep the issue alive. Students who supported the work of the liberal priest, as well as peasants whom he had helped, have demanded justice. Moreover, groups that have long been dissatisfied with Torrijos have recognized the explosive potential of the case and have encouraged a showdown between the church and the government.



Bishop McGrath

Archbishop McGrath has not been particularly forceful in his dealings with Torrijos in the past,

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with growing public support and pressure from within the church, he cannot back away from a fight this time. He probably will urge the government publicly to repudiate and punish the guilty, to commit itself to avoid any further interference with the church, and perhaps to bring to an end the repressive tactics that it has used on occasion.



General Torrijos

Flexibility or a willingness to compromise, however, have been lacking on the government side. Torrijos has thus far refused to open the case to public scrutiny

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One reason may be that responsibility for Gallegos' disappearance may rest at the top of the Guard hierarchy, perhaps even with Torrijos himself. Nevertheless, if the church can sustain its current momentum, government action will become necessary. Torrijos will run grave risks should he decide to attack the church openly.

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Barbados: *Prime Minister Hits US-UK "Interference"*

Prime Minister Errol Barrow's emotional attack on 24 June against the US and Great Britain for alleged meddling in the internal political affairs of Barbados probably is related to the elections to be held late this year. The unexpected and so-far-unexplained charges were followed by a threat to request the withdrawal of US and British nationals as well as diplomatic representatives. His use of the public media rather than private diplomatic channels for leveling his accusations suggests that he is more interested in establishing a reputation for political independence in the election campaign now getting under way than with arranging the settlement of genuine grievances with Great Britain or the US.

The incidents Barrow cited as examples of foreign interference were defined only vaguely. Perhaps the most serious was his contention that a leading member of the opposition, the Barbados Labor Party's Bernard St. John, had been asked by a New York foundation to comment on a "confidential" report on Barbados before the report had been submitted to the cabinet. The report allegedly was given to St. John by the Twentieth Century Fund and was said to have concerned a survey by the Inter-American Development Bank. St. John later denied Barrow's charge and charac-



Prime Minister Barrow

terized the prime minister's statements as election propaganda.

Other charges by Barrow included a confused accusation that the US had used "the big stick" method against Barbados because it had rejected a proposed \$7 million US loan guarantee for low-cost housing. He also said the US was "squeezing Barbados" by refusing to sign a bi-lateral air transport agreement. He charged that the US had opposed independence for Barbados because "it wanted this country to remain a colony for economic reasons," and said that the US had given the opposition political group "moral and other support" to oppose independence in 1966.

Barbados' last elections were held in November 1966 when it became independent, and new elections must be held within five years from that time. Although no specific date has been set, Barrow's party has already announced its slate of candidates. Barrow's attack, therefore, seems to fit into the context of using the US and Great Britain as convenient whipping boys during the local political campaign.

Nevertheless, Barrow may entertain some genuine fears that the opposition is courting support from abroad. His press conference may have been designed to serve the double purpose of asserting his own freedom from foreign domination and warning the opposition to avoid seeking assistance from foreign interests.

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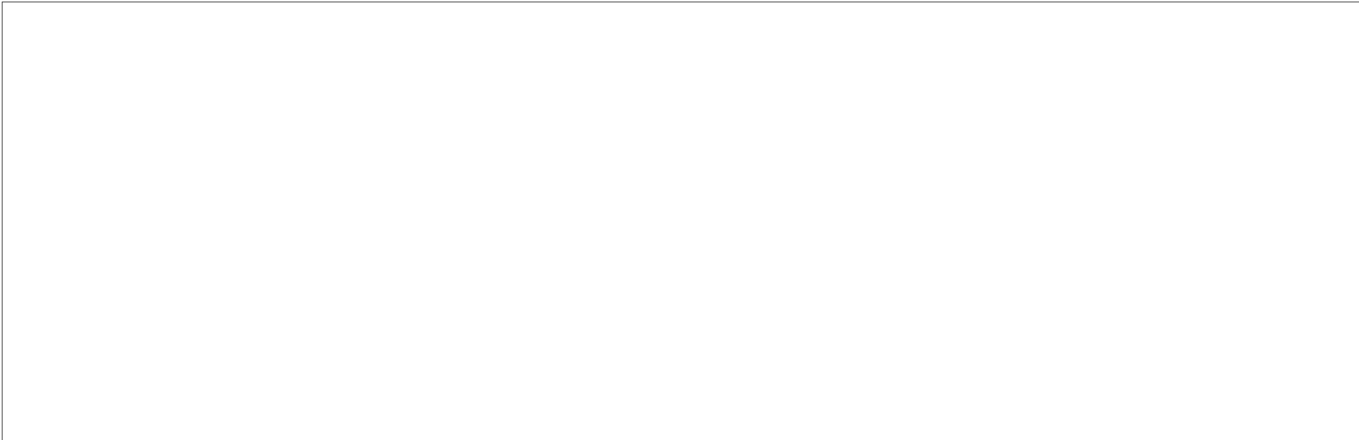
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Ecuador: *Situation Stabilizes*

President Velasco may enjoy a brief respite from attempts to unseat him now that he has successfully banished two antigovernment figures. Assad Bucaram, a popular opposition leader and former prefect of Guayas Province, had returned clandestinely to Ecuador some weeks ago from exile in Panama. He was apprehended on 20 June and the following day was exiled to Paraguay, where his political activities are likely to be severely limited. Several days later General Luis Jacome, who had figured prominently in military plotting, agreed to accept exile in return for full pension rights and left for Venezuela on 25 June. There was no significant public reaction to either event

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~~The US defense attaché~~, who recently returned from a visit to outlying military units, has reported that the Jacome exile has caused little reaction among senior officers. Junior officers, however, were outspokenly critical of President Velasco and the defense minister. Many of these younger officers admitted that with Jacome's exile they no longer have a leader but added that "somehow" a way would be found to get rid of the corrupt Velasco regime. Although some military elements may not be happy with the present situation, their ability to formulate plans and carry them out will be severely curtailed without strong leadership.

With the opposition under control, at least temporarily, the government has announced its plans for a return to constitutional government. At a convention of Velasco followers on 25 June, Minister of Government Jaime Nabot announced that elections will be held in June 1972 for the presidency, the vice presidency, and congress. At the same time the voters will be offered the opportunity to indicate whether they will accept the 1946 constitution as amended or whether they wish the incoming congress to write a new one. President Velasco would turn over the government to his successor on 31 August 1972. The coupling of the constitutional question with the regular presidential and congressional elections probably will disarm many of those who might otherwise attack the plan, as the ambitious politicians cannot afford to abstain from the elections.

The announcement of the plan to hold elections and the government's new-found firmness in dealing with opposition leaders and would-be military plotters point up the President's determination to finish his term in office. The 78-year-old Velasco has been elected five times and removed from office three times. His apparent desire to finish his current term indicates that he is likely to bow to any reasonable demand that will ensure his continuation in office.

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DOMINICAN REPUBLIC: In an unprecedented and highly dramatic broadcast over nationwide radio and television on Wednesday night, President Joaquin Balaguer accused former General Elias Wessin y Wessin of plotting to overthrow the government. Surrounded by the entire high command of the armed forces and national police, Balaguer displayed Wessin y Wessin in custody and accused him face-to-face of masterminding a coup attempt. The President offered as evidence a recording purported to have been made by Wessin y Wessin in which the former general allegedly announced the downfall of the "corrupt and brutal" Balaguer government. Balaguer then turned Wessin y Wessin over to the military for judgment and demanded that a verdict be quickly returned.

Details of the alleged plot are scanty. A few enlisted men had been arrested for involvement in pro - Wessin y Wessin activity prior to the televised spectacle, but there is nothing to indicate that the plot posed a real threat to the government. The carefully staged humiliation of Wessin y Wessin, however, indicates that Balaguer has chosen to destroy completely the former general's potential as a threat to his government. Although the harsh treatment accorded Wessin y Wessin may seem out of proportion to the seriousness of the threat, Balaguer's method of handling the incident will discourage anyone who might have been tempted to come to the former general's support or who might be involved in independent plotting.

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