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DIRECTORATE OF
INTELLIGENCE

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WEEKLY SUMMARY

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FAR EAST

Sino-US Communique Draws Support, Surprise, and Concern

Communist China's reaction to the planned visit by President Nixon seems calculated to convey the impression that Peking's effort to normalize relations has not been accompanied by a fundamental reassessment of its basic policy positions. The Chinese have moved in deliberate fashion to put the developments in Sino-US relations in perspective by reaffirming their traditional position on sensitive bilateral issues while attempting to assuage Hanoi's misgivings over China's future course in Indochina.

In a widely publicized session with a group of visiting American scholars, Premier Chou En-lai emphasized that the US military presence in Indochina, American commitments to Taiwan, and US military actions elsewhere on China's periphery in East Asia were still the chief obstacles in Sino-US relations. After reaffirming China's total support for the Vietnamese Communists' seven-point peace proposal, Chou reportedly insisted on a total allied withdrawal from all of Indochina, stating that this step was even more imperative than the restoration of Sino-US relations. Chou's emphasis on this point and Peking's failure to rebroadcast the hard-hitting *Nhan Dan* editorial of 19 July reflect the Chinese sensitivity to Hanoi's recently voiced concern over big power "collusion" at its expense.

In a related development, the Chinese used the occasion of the 17th anniversary of the Geneva accords to further underscore their backing for Hanoi's latest peace plan. In an authoritative editorial of 19 July, the Chinese praised the seven points as the "correct course," and criticized the US for making no positive response. The

editorial also claimed that the Geneva agreements marked "a great achievement" for the Vietnamese, but were undermined later by US actions.

This statement marked the most complimentary Chinese public pronouncement on the agreements since the start of the Paris peace talks in 1968, and was the first time Peking has commemorated the Geneva anniversary in several years. It could be related to recent suggestions from diplomatic and press sources that China is willing to participate in a new international conference on Indochina.

Uneasiness in Hanoi

The Vietnamese Communists have displayed deep misgivings over the Vietnam implications of the Sino-American developments. Hanoi remained silent for three days following the announcements and then produced a series of hard-hitting press commentaries which bitterly attacked US policy in Indochina and struck out at the wisdom and propriety of Peking's actions in remarkably frank terms. Although the articles made no direct mention of China, Dr. Kissinger's trip to Peking or President Nixon's coming visit, they sharply criticized "socialist" countries that respond to US entreaties, fall in with the Nixon doctrine, and compromise "socialist solidarity." These sentiments were given further weight and even greater explicitness by a Foreign Ministry statement of 21 July, which with unprecedented directness expressed Hanoi's fear that Washington was trying to "sow divisions among the socialist countries" in an effort to wring concessions out of the North Vietnamese.

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The articles and the official statement made it clear that the Vietnamese Communists intend to resist such outside pressures, and will not be bound by pacts or arrangements concluded behind their backs. They strongly imply that if worst comes to worst the Vietnamese are prepared to go it alone.

This kind of explicit, blunt language—unmatched even in the late 1960s when Hanoi fell out with Peking over the cultural revolution and over the issue of negotiations with the US—reflects long-standing Vietnamese distrust of Peking's intentions in Indochina. Hanoi may fear that Vietnamese Communist interests could become enmeshed in big-power politics as they were in 1954, although the Vietnamese probably calculate that Chinese believe that it can best put to rest any notions by the Chinese that Vietnamese Communist interests can be sacrificed to their own by forcefully and quickly weighing in with the Vietnamese view. Hanoi may also hope to make it clear that Washington cannot count on relaxed tensions with Peking to lead Hanoi into compromises it would not otherwise make.

The commentaries convey an implicit concern that the Sino-American announcement took the play away from the Viet Cong seven points and removed a good deal of the pressure on the US generated by that proposal. Hanoi may hope that its sharp and categorical reaction will help restore some of this pressure.

Other Reaction in Indochina

Saigon, Phnom Penh, and Vientiane greeted the Sino-US developments favorably for

the most part, although there was concern in some quarters that a Sino-American rapprochement might have a prejudicial impact on national interests in Indochina. Some Cambodians fear that any big power peacemaking could result in a de facto partition of their country, or even the return of Sihanouk to power. The Lao, on the other hand, have been pushing for an improvement in relations with Peking and hope that China will someday exert a restraining hand on Hanoi's ambitions in Indochina. In Bangkok, the US initiative will strengthen the hand of Foreign Minister Thanat, who has been arguing in favor of a more flexible foreign policy.

Soviet Reaction

There is little authoritative comment from Moscow. The Soviets are likely to view the President's planned trip as a Chinese-American attempt to gain leverage for extracting concessions from the USSR. The projected visit is unlikely to have any immediate impact on Moscow's negotiations with Washington and Peking, but initially the Soviets may feel a need to demonstrate that the USSR cannot be blackmailed by pressures arising from Sino-US cooperation. Nevertheless, Soviet apprehension about meaningful US-Chinese collaboration seems sure to intensify, and in the longer run, this fear may lead Moscow to be more forthcoming in its dealings with either or both of its rivals.

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Indochina

Vietnam: A One-Man Race?

With the deadline for filing only two weeks away there is still no firm opposition to President Thieu. Big Minh, Thieu's strongest potential challenger, will apparently qualify with ease but is showing a great reluctance to run if the odds seem to be stacked too severely against him. Moreover, Minh is not getting all the help he expected from the An Quang Buddhists, who are backing him behind the scenes but are not endorsing him openly. Big Minh is still actively preparing for the campaign, however, and has invited Dr. Ho Van Minh, a highly respected Catholic moderate, to join his ticket. Dr. Minh will probably accept, although he has voiced fears that his own political future may be damaged by slurs and pressures from the government.

Vice President Ky's chances—while never good—are now even dimmer. Ky's arrangement with Big Minh to draw endorsements from Minh's sympathizers on the provincial councils seems to have been effectively countered by Thieu's control of the provincial administrations. Some councilors are now demanding money for their endorsements, while a number of Minh's other followers are proving reluctant to support Ky's nomination. As of 20 July,

Drugs, Corruption, and Elections

The increasing talk about corruption and trafficking in narcotics is bringing discredit to the military command and the Thieu government. Trading charges of corruption has long been a favorite tactic of feuding South Vietnamese generals and politicians, but recent accusations are the most wide-ranging in years and have impli-

cated Thieu and Ky themselves, along with other high-level figures. Coming while the Lower House and presidential campaigns are heating up, the new charges have focused attention on corruption as an issue on which the Thieu regime could be vulnerable.

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Although sharply denying the recent charges, Thieu generally has tried to remain aloof from the controversy. He has kept his former protégé, MR-2 commander General Dzu, at arms length since Dzu has come under heavy fire for his alleged involvement in the drug trade. Even if Thieu succeeds in dissociating himself from Dzu, however, the allegations can be exploited by those who contend that Thieu has been presiding over a corrupt and unworthy regime.

The facts behind any corruption charges in South Vietnam are extremely difficult to ascertain. Dzu has frequently been accused of various irregular practices: selling ARVN promotions; smuggling surplus war materiel; and accepting bribes. He has not, however, been convicted and reports linking him with the drug trade have not been substantiated.

The absence of a reliable and effective investigative body concerned with corruption makes it difficult to distinguish valid accusations from "poison-pen" letters prompted by feuds. A Senate subcommittee has begun an investigation into General Dzu's activities, but the mounting pressures of the current election campaigns will make an objective probe at this time unlikely.

The immediate question raised by the new round of charges is whether Thieu's opponents can turn it to their own political advantage. If an antigovernment candidate is to profit from this, he must convince a skeptical public that he is more honest and worthy. Big Minh does have a reputation for honesty, and he and candidates associated with him may pick up some strength from a protest vote over corruption.

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Cambodia: The Economy Improves

After several weeks of steady deterioration, the economic situation has finally begun to show improvement. The upswing was especially welcome in Phnom Penh because it coincided with the government's effort to obtain National Assembly backing for an economic mobilization program that incorporates anti-inflationary recommendations made by the International Monetary Fund.

The rice crisis in the capital has eased somewhat, as first-quality rice transported by government-organized truck convoys from Battambang Province is once again available on the open market. Commodity prices have been relatively stable during the past week. At the same time, the black market value of the riel has strengthened substantially. The price of a US dollar, for example, fell from 360 riels on 13 July to only 260 riels six days later.

The strengthening of the riel has been attributed to a decline in demand for dollars and gold by local merchants and businessmen who are anxious to participate in the US AID program. In order to do so, they are required to deposit from 50 to 80 percent of the purchase price in riels.

Of perhaps equal importance in explaining the sudden shift in attitudes, however, are the rumors in the Phnom Penh business community that the proposed Exchange Support Fund (ESF) will initially support an exchange rate within the range of 110 to 240 riels per US dollar. However, the ESF's establishment is still far from certain, and will depend on as yet uncommitted contributions from friendly countries.

Sirik Matak and several key cabinet ministers reportedly had a useful exchange on economic matters recently with National Assembly leaders. The meeting marked the first serious effort the Lon Nol government has made to consult with

the Assembly in many months. Matak outlined the government's stabilization program, stressed the need to raise taxes to combat inflation, and urged closer cooperation with Saigon and Bangkok in order to cut revenue losses due to smuggling.

Matak also indicated that he would need the assembly's help in obtaining another advance from the Cambodian National Bank to cover anticipated budget deficits. He sought to reassure the fiscally conservative legislators, however, that the drain on the bank would be compensated by the proposed ESF, and by increased revenues from proposed tax hikes. Matak urged great secrecy in discussing the advance, which will soon be put before a closed session of the assembly, in order to avoid possible public panic.

Matak's meeting with the assembly gave the deputies a sense of participation in the country's affairs and helped dissipate the view that the legislature is held in low regard by the government. Their improved outlook should help Matak get his economic program through with a minimum of trouble.

Laos: Going Gets Tougher in the Plaine

Government forces are encountering stiffer enemy resistance in the Plaine des Jarres area. Since 13 July North Vietnamese units have attacked and overrun several advanced positions held by the government on the eastern edge of the Plaine. An attack on 17 July was supported by two tanks that had been operating in the area for several days.

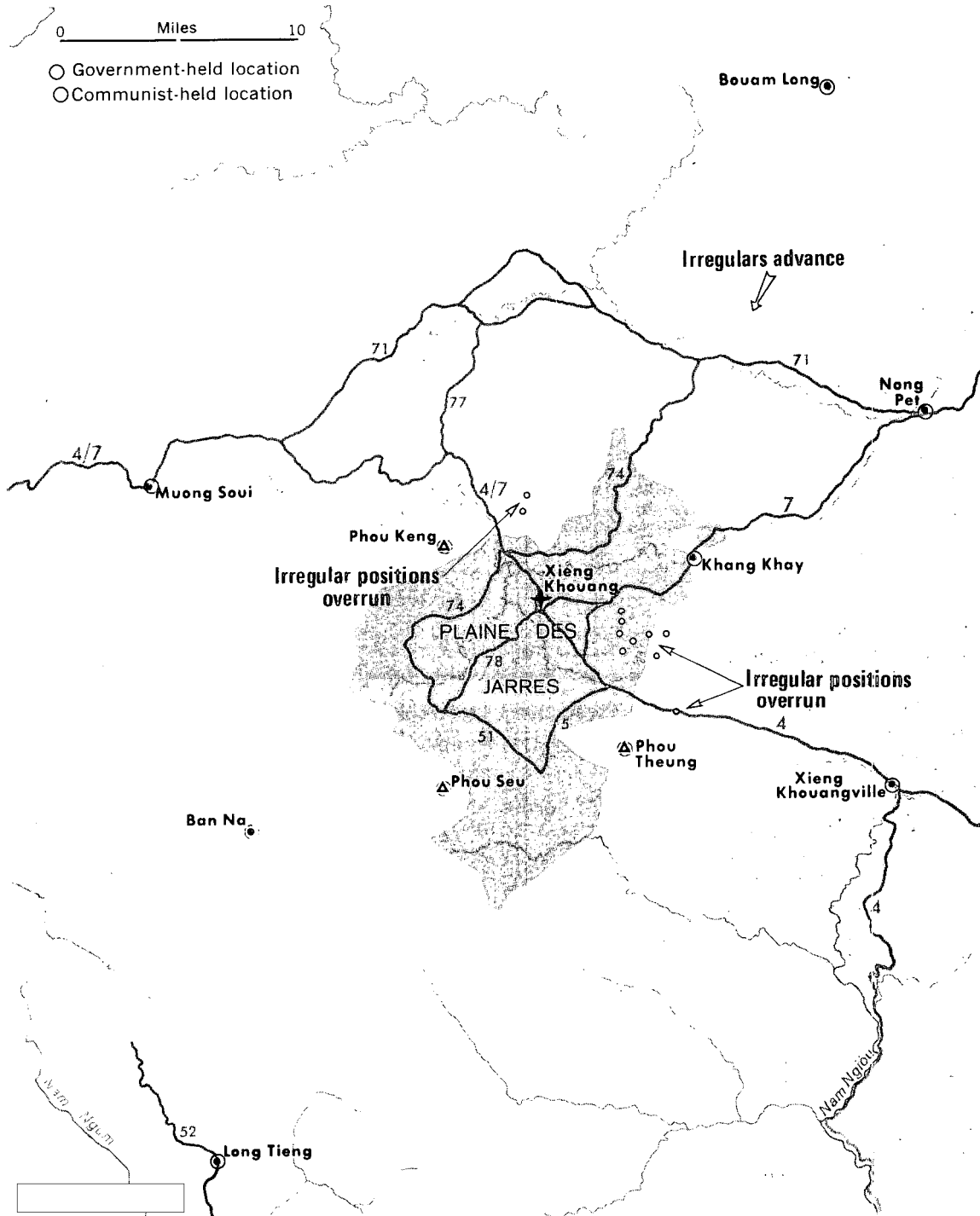
Vang Pao's forces, in turn, have launched their own operations north of the Plaine. On 16 July two irregular battalions pushed into the foothills north of Route 7, but suffered a setback on 19 July when an enemy attack dispersed the irregulars. Another government force is moving southeast from its base at Bouam Long, evidently

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LAOS: PLAINE DES JARRES AREA



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with the intention of cutting Routes 7 and 71 and thus effectively isolating scattered Communist forces to the west of the Plaine.

The North Vietnamese, meanwhile, have condemned the government's occupation of the Plaine. Hanoi's authoritative party and army newspapers asserted on 15 July that Vang Pao's

actions had created a "grave" situation in north Laos and the articles threatened "appropriate" Communist countermeasures. The articles still referred to Communist proposals for a Laos peace settlement, however, and the tone and substance of their commentaries were similar to those issued during Vang Pao's offensive in the Plaine in 1969.

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Communist China: *Foreign Trade Contacts Expanding*

Building on the momentum generated at the Canton trade fair last spring, Peking is further developing its commercial contacts with foreigners. With more than a 30-percent increase in trade last year, Japan continues to be China's most important trading partner by a wide margin. This jump as well as recent Chinese overtures toward Canada and the relaxation of restrictions last month by the US on trade with Peking have again sparked world interest in China as a market if not as a supplier. A continued expansion of Sino - free world trade is likely under Peking's present policies, with the rate of growth being determined by the range and acceptability of products that the Chinese can offer in exchange for goods they want to buy.

Although precise data are lacking, a record level of business probably was conducted at the spring trade fair. In contrast to last autumn's fair, the Chinese sought to buy substantial quantities of steel, machine tools, transportation equipment, and chemical products. In return, they offered an adequate supply of their traditional raw materials, food products and light industrial goods. These developments suggest that Peking's non-Communist trade this year will surpass the total of almost \$3.4 billion registered in 1970. Unlike last year, however, when Chinese imports accounted for most of Peking's rise in trade with the free world, Chinese exports probably will be slightly greater than imports this year.

As in the political sphere, the Chinese have recently indicated that they will welcome an expansion of indirect trade with the US. The Taiwan issue continues to preclude direct commercial exchanges, but Peking already has approved contracts involving foreign subsidiaries of US firms. China also is prepared to deal with US

suppliers and customers through intermediaries as long as Peking is not officially informed of the firms' US connections. Even though a small number of US businessmen may be allowed to attend the Canton fair this fall, it is still questionable whether they will be permitted to engage in trade.

If the growth in Sino-US trade is still a matter for the future, exchanges with Canada this year are likely to experience the greatest rate of increase among Peking's trading partners in the free world. In the wake of extending diplomatic recognition to Peking, an economic mission from Ottawa was given the "east-is-red" carpet treatment in Peking last month. China indicated it is ready to step up its imports of a wide range of Canadian products, including wheat, which Peking will buy first from Canada when imports are required. Italian trade promotion efforts, on the other hand, have yet to be so rewarded despite Rome's recognition of Peking last November.

China is broadening its trade contacts in the underdeveloped countries on a selective basis, using the criterion of diplomatic recognition to narrow the field. In view of such considerations as product quality and protectionist sentiment in the developed countries, however, China's best hope for selling its light industrial commodities and consumer goods abroad is in the third world. Although sales in these markets will continue to grow, such contracts are unlikely to expand rapidly enough to obviate the need to wrestle with the basic foreign trade problem, which is how to increase hard currency earnings to pay for manufactures and technology from the industrialized free world.

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Election Reverberations in Indonesia

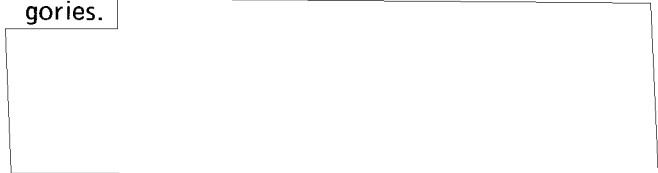
The government's party, Sekber Golkar, continues to improve on its already substantial victory in the 3 July parliamentary elections as the long process of official vote counting continues. The latest projection of Golkar's strength is 232 of the 360 elected seats. These 232, with the additional 100 appointed members, would give the government a basic strength of 72 percent in the 460-seat parliament. It could expect further support from the minor parties.

Although the traditional political parties lost heavily in the election, they appear unlikely to protest the voting. Elements in two of the major parties, the traditionalist Moslem Nahdatul Ulama and the secular National Party, contending that the government improperly influenced the election, have urged nonparticipation in parliament. Cooler heads are prevailing, however, and it is anticipated that all parties will take their assigned seats in October, salvaging what they can in the new political situation.

With a substantial majority in the legislature, the government, which has few constitutional restrictions, may now decide that legislation can be

enacted if it wins only a large majority—perhaps as much as three fourths—of the vote. In the past, the government required that legislation receive unanimous support in the parliament before passage. Such a change obviously could speed up the government's administrative process.

With elections out of the way, the government has begun the reorganization of its quasi-party, Sekber Golkar. An army-affiliated coalition of occupation and social groups, Golkar was developed as an election vehicle. If it is to become more than a government front—or if it is to be credible and effective in that role—the present hodgepodge of organizations which make it up must be restructured. So far a "leadership council" and an "advisory council," both of which include a number of civilians, have been established, and Golkar's some 250 organizations have been grouped under five functional categories.



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BURMA: In a further step toward creating the appearance of a return to normality in Burmese political life, General Ne Win on 15 July named himself prime minister and reappointed the entire army-staffed cabinet to the "new" Government of the Union of Burma; the word "revolutionary" has been dropped from the government's official title. It is not clear whether the cabinet will assume the policy-making functions of the ruling Revolutionary Council which continues in being

with Ne Win as its chairman. These changes, which come on the heels of the restructuring of the government's Burma Socialist Program Party and the addition of some civilians to government bodies, will not alter the army's predominant role in Burma. They appear part of a process, however, that includes the prospective writing of a new state constitution and perhaps other steps designed to give some semblance of civilian participation.



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EUROPE

SALT: *Some Soviets Are Still Suspicious*

Soviet press treatment of the Strategic Arms Limitations Talks (SALT), which reconvened in Helsinki on 8 July, suggests that Moscow is determined to press ahead for an interim accord, with an ABM limitation continuing to be its major concern. It also suggests that there are still some in Moscow who have misgivings about the wisdom of the Kremlin's course of action in the wake of the US-Soviet announcement on 20 May of an agreement to work for an ABM accord along with some limitation of offensive systems.

A *Pravda* editorial that coincided with the opening of the Helsinki talks took an unprecedentedly moderate and balanced tone. It noted that there were signs of a positive shift toward accommodation by both sides, and cited Brezhnev's speech on 11 June, which referred to the "increasing significance" of the talks. An *Izvestiya* article on 9 July stressed the optimism accompanying the new round of negotiations. Both items emphasized the need to press for ABM limitation as a first priority. They also took the standard swipe at those in the US allegedly opposing disarmament and pressing for new strategic arms systems, but did so only as variations on the main theme. Articles in less authoritative Soviet journals, such as *USA* and *New Times*, have generally repeated the themes in the *Pravda* editorial.

A discordant note, however, has been sounded in the military newspaper, *Red Star*, which has run two articles of a promised series on

disarmament that have taken a more strident tone. The first casts doubt on US motives and intentions, and the second dwells on continuing US strategic arms improvements and the danger of US forward based systems in Europe—a contentious issue soft-pedaled by other Soviet publications since 20 May. The *Red Star* articles suggest misgivings on the part of some in the Soviet defense establishment for Moscow's present disarmament course.

Moreover, an article in the June CPSU theoretical journal, *Kommunist*, painstakingly and defensively justified Moscow's current disarmament policy, going so far as to resurrect several quotes from Lenin on the wisdom of dealing with the US. The article attacked those who criticized Moscow's policy "from the left," adding to the impression that the Kremlin's current course of action was not arrived at without some difficulty.

Soviet leaders, nevertheless, put great stress on trying to convince the US of Moscow's serious intentions. Premier Kosygin, in a conversation with US representatives attending the sixth "Dartmouth Conference" in Kiev, alleged on 16 July that SALT is "the focal point" of the US-Soviet relationship and, if successful, could lead to the solution of other problems. The Soviet premier echoed a point in Brezhnev's 11 June speech by claiming that if arms spending could only be curtailed, the funds could be put to better use elsewhere.

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UK-Malta: No Basis for Agreement in Sight

Renegotiation of the UK-Malta defense and financial arrangements remains in an uncertain state following talks in Valleta earlier this week between Prime Minister Mintoff and British Defense Secretary Lord Carrington. Before leaving for London, Carrington said that in his view "the basis of any new agreement is not in sight" and expressed concern "about the differences in our two positions."

Mintoff presented Carrington with a selection of various formulas offering specific rights and facilities for specific sums. Retention of London's veto power over third country military use of Malta's harbors and airfields was not ruled out, provided the UK is willing to pay for it. For his part, Carrington made clear that British interest in Malta was based on NATO interests and not on UK security needs. The British deputy high commissioner told the US Embassy that the British would not pay more for the use of fewer military facilities; therefore, if NATO wants to keep Malta, it will have to help "pay the rent."

London has told NATO that the facilities likely to be available to the UK under a new agreement would not justify any increase in payment. It has pointed out, however, that the prevention of a Soviet presence on the island is

important not just to the British, but to all of NATO. The allies have not yet responded to the UK's request for financial assistance. London undoubtedly looks to the US and West Germany as the most likely sources of significant assistance.

Mintoff's decision to terminate Valleta's ties with NATO has not been made public. Even usually well-informed Labor party supporters and senior government officials are completely unaware of Mintoff's initiative. Public silence on his NATO decree follows a pattern set in Mintoff's other major initiatives. If NATO or one of the allies should break this silence, it is likely to anger Mintoff and further complicate Western relations with Malta.

On the economic front, Mintoff has appealed to several Western nations for assistance and has moved to establish stronger economic ties with Libya. His attempts to secure Western aid have already resulted in a solid commitment from Bonn for technical assistance. Since the election, Mintoff's private secretary has met with Libyan Prime Minister Qadhafi, and the US Embassy in Tripoli has learned that a Maltese delegation is ready to visit Libya to discuss further development of economic relations.

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HUNGARY-ROMANIA: Chastened by Bucharest's firm rebuff to its criticisms of two weeks ago, Budapest is being more cautious in its treatment of the two governments' differing views. On 18 July the Hungarian party daily combined observations on the "anti-Soviet" nature of President Nixon's planned visit to China with a moderately-worded reassertion of its objections to Romania's implicitly anti-Soviet "neutrality." The Hungarian reproach, however, was carefully limited to avoid any hint that Budapest wishes to

interfere in its neighbor's internal affairs. Hungary has recently dispatched party and government emissaries to Bucharest to reassure Ceausescu that Kadar does not intend to begin an unsettling polemical war in the area. In the end, bilateral relations may become less strained but continuing Hungarian willingness to beat Moscow's drum, and a backlog of vexing problems, including the status of the Hungarian minority in Romanian Transylvania, preclude any serious rapprochement.

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ICELAND: The new center-left government apparently does not attach any immediacy to its call for a withdrawal of the US-manned Icelandic Defense Force. Pro-US Foreign Minister Agustsson (Progressive Party) told the press on 16 July that further announcements on defense matters should not be expected in the near future; rather, extending Iceland's fishing limits from 12 to 50 miles will "occupy most of our time." Although the other coalition members, the Liberal Left and

Communist-dominated Labor Alliance, are in agreement with the Progressive's leadership on giving the fishing issue priority, it is questionable that they—and even elements of the Progressive Party—share Agustsson's casual approach on the defense issue. Rather, the situation is a further indication that the government's life will be stormy and perhaps limited.

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ROMANIA: Romanian leader Ceausescu last week fired three high-level officials—Minister of Youth Ion Iliescu, Agitprop chief Ilie Radulescu, and Pompiliu Macovei, chairman of the State Committee for Culture and Art. The dismissals follow his sharp criticism of these sectors earlier this month and stem directly from his call for intensification of political and ideological indoctrination, especially among the young people. The

successors to those fired have a more orthodox political outlook. Ceausescu's actions thus appear designed to emphasize the accountability of bureaucrats for their actions as well as to shield the leadership from any charges by Romania's Warsaw Pact allies that Bucharest's unorthodox foreign policy has led to the practice of permissive Marxism-Leninism at home.

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AUSTRIA: At the behest of Chancellor Kreisky and his Socialist Party, parliament voted on 14 July to dissolve itself, after 15 months of contentious existence, and scheduled new elections for 10 October. Support from the small opposition Freedom Party (Liberals), which expects to increase its representation substantially, ensured a majority for the motion. By calling for elections, Kreisky's Socialist Party, which has until now

comprised a minority government, hopes to attain an absolute majority in parliament. In the case of failure, Kreisky may opt for a formal coalition with the Liberals who have given him occasional support in the past. On the very eve of dissolution, the Socialists and Liberals for example did agree to a compromise version of the chancellor's controversial Army Reform Bill.

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Portugal: *Caetano Wins Modest Constitutional Revisions*

The Portuguese legislature recently adopted Prime Minister Marcello Caetano's controversial proposals revising the 1933 constitution. The most significant change is the increased local autonomy for overseas territories. The adoption of the amendments has strengthened Caetano's political position considerably, although the basic policy lines of the Portuguese constitution have been maintained.

Ultraconservatives hotly contested the modest grant of overseas autonomy for almost a month, but the measure eventually received the unanimous support of overseas deputies on 7 July and only two known ultrarightists voted against it. Portuguese overseas territories now become autonomous regions with greater freedom to organize provincial affairs. The central government, however, continues to control international affairs and other matters, such as national defense, administration and finance, economic integration and the naming of provincial governors. In effect, the new constitutional formula gives the government wide latitude, and Lisbon can be as restrictive or liberal as it chooses.

National Assembly approval of amendments amounting to a moderate extension of civil liberties also was a plus for Caetano. Citizens' guarantees against arbitrary imprisonment were reinforced and the use of habeas corpus was strengthened.

The assembly also adopted an amendment under which the prime minister would vacate his

office when the president dies or is incapacitated and assume the presidency, pending the election of a new executive. The constitution previously permitted the prime minister to hold both offices concurrently until a new president was elected. The change could permit the prime minister to continue as president with the concurrence of the controlled electoral college and make that job the center of power. The new revisions also will strengthen the foreign policy role of the president, especially in the area of treaty-making.

Other significant constitutional changes include enlargement of the National Assembly from 130 to 150 members, a slight increase in its powers, modification of provisions relating to the role of the Roman Catholic Church in Portugal, and the establishment of common citizenship for Portuguese and Brazilians. The Portuguese have begun to work on legislation to implement the latter provision and they hope to sign an agreement with Brazil during Foreign Minister Patricio's visit to Rio beginning on 25 August.

In every area where disagreement over the revisions was too great for consensus, the government left the technical details to be spelled out in ordinary law. Thus, Caetano will probably be confronted with renewed controversy during the next few months when he tries to get implementing legislation passed by the assembly.

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Bulgaria: *New Government, Old Faces*

The highlight of the Bulgarian Government reorganization earlier this month was the elevation of party boss Todor Zhivkov to the position of chief of state. As chairman of the newly created State Council, he will be involved more

directly in foreign affairs and will dominate a 23-man body that will be the primary institution of government. Most members have no political clout, so Zhivkov and a few party notables will in effect control a state council that has greater

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STATE COUNCIL

Chairman (Chief of State) Zhivkov, Todor†
 First Deputy Chairman Trichkov, Krustyu*
 Deputy Chairman Andreev, Georgi
 Takov, Peko*
 Dzhagarov, Georgi
 Secretary Minchev, Mincho

MEMBERS

Balevski, Angel	Shishkov, Angel
Velchev, Boris†	Bulgaranov, Boyan†
Videnov, Vladimir	Filipov, Grisha
Lagadinova, Elena	Dikova, Ivanka
Mikhaylov, Ivan†	Gyaurov, Kostadin*
Grigorov, Mitko	Ferkhadova, Nadya
Georgiev, Nikolay	Vandev, Pando
Kuzmanov, Radi	Tonchev, Stoyan
Stoychev, Todor	

†-Politburo member of the Bulgarian Communist Party

*-Alternate Politburo member

COUNCIL OF MINISTERS

Chairman	Todorov, Stanko*
First Deputy Chairman	Tsolov, Tano* Tanchev, Petur*
Deputy Chairman	Kubadinski, Pencho
Deputy Chairman	Zhivkov, Zhivko* Popov, Ivan* Dulbokov, Sava* Dakov, Mako*

MINISTRY

Agriculture and Food Industry	Shopov, Vulkan	Internal Trade and Public Works	Karamanev, Georgi*
Architecture and Public Works	Stoilov, Georgi*	Justice	Daskalova, Svetla
Construction and Construction Materials	Stamenov, Stamen*	Labor and Social Welfare	Mishev, Misho
Finance	Popov, Dimitur	Light Industry	Belcheva, Dora
Foreign Affairs	Bashev, Ivan	Machine Building	Popov, Ivan*
Foreign Trade	Nedev, Ivan	National Defense	Dzhurov, Dobri
Forests and Environment Protection	Markov, Yanko*	National Education	Vasilev, Stefan
Heavy Industry	Panaytov, Khristo*	Public Health	Todorov, Angel
Information and Communications	Traykov, Kharalambi*	Supply and State Reserves	Zhishev, Nikolai*
Internal Affairs	Tsanev, Angel*	Transport	Stoichkov, Grigor

*Newly elected.

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legislative and executive responsibility, as well as more scope for independent action than its predecessor, the Presidium of the National Assembly. Zhivkov's move underscores his absolute predominance of Bulgaria but does not portend any foreign or domestic policy changes.

Zhivkov was succeeded as chairman of the Council of Ministers (premier) by Stanko Todorov, a long-time associate who is considered number-two man in the party. Zhivko Zhivkov, perhaps Bulgaria's leading economic personality and thought to have been one of the prime contenders for the premiership, was demoted, losing control of the ministerial-level bureaucracy which he had headed since late 1968.

Most other ministers were returned to office, including Foreign Minister Bashev and Defense

Minister Dzhurov. Angel Tsanev, an alternate politburo member and most recently chairman of the party's watchdog military committee, replaced Angel Solakov as minister of internal affairs. Solakov undoubtedly lost his job because of the "unpleasantness" surrounding the foreign trade scandals uncovered in late 1969. These scandals caused the ouster of Foreign Trade Minister Luchezar Avramov earlier this year.

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Mitko Grigorov, who was unexpectedly banished from the top party leadership in 1966, started a comeback with his election to the State Council. Former chief of state, Georgi Traykov, was appointed chairman of the National Assembly, a titular position.

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MIDDLE EAST - AFRICA

Sudan: Numayri Ousted by Junta

Following their coup against the regime of Jafar Numayri on 19 July, Sudan's new military rulers formed their own seven-man Revolutionary Command Council to act as the country's executive authority. The fact that four of the new council's members have been affiliated with the Sudanese Communist Party made it likely that the policies of the regime would be well to the left of Numayri's. The first actions of the junta included the lifting of the ban on political activity by the mass organizations that provide the Sudanese Communist Party with its power base, and the releasing of a number of political prisoners—most of whom were Communists—who had been jailed by Numayri.

Almost from the moment his own group took control in a coup in May 1969, Numayri had been in difficulty. More recently, he had been faced with mounting economic problems,

pressure from conservative military officers to crack down on Communists, and bickering among the Communists themselves. His answer was to sacrifice the doctrinaire faction of the party and seek pragmatic Arab socialist solutions rather than theoretical Marxist ones. Orthodox Communists were dismissed from both his ruling council and the government. Many of the more extreme economic measures imposed at the behest of the Communists were rescinded in an attempt to placate the conservatives. Apparently, however, this proved to be too much for the pro-Communists still left in the army, who seized the opportunity presented by the absence of the minister of defense and senior army officers from Sudan. Only Iraq recognized the new regime, while most other Arab states adopted a wait-and-see attitude.

On 22 July, the Libyan Government—which has a long-standing antipathy for

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Sudanese Communists—forced a BOAC airliner carrying two members of the new Sudanese Revolutionary Command Council, Babakr al-Nur Uthman and Faruq Hamdallah, to land at Benghazi. The two men were removed from the aircraft by Libyan authorities, perhaps to be held hostage for the release of Numayri. On the same day, the Libyan, Egyptian, and Syrian embassies in Khartoum were surrounded by Sudanese armored units, ostensibly to “protect members and nationals of the three re-

publics.” Similar action was taken against the Egyptian Military Academy, which had been relocated south of Khartoum following Israeli deep penetration raids into Egypt in 1970.

As of 1200 EDT on the 22nd, fighting had broken out in Khartoum and the coup leaders were calling on the nation to “resist foreign intervention,” and a countercoup seemed to be developing.

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Jordan: *All Over but the Shouting?*

Serious fighting between the army and the fedayeen ceased on the morning of 16 July, although occasional firing occurs as the army continues to round up individuals or small groups. Army spokesmen claim to have captured 2,400 fedayeen. Most of those remaining are pinned down on the western slopes of the mountains overlooking the Jordan River valley, although some are trying to make their way north to the Syrian border. Others—presumably aware that their chances of reaching Syria are slim—have fled across the river into Israeli-occupied territory, many carrying white flags. The Israelis announced that 82 had been picked up as of mid-week.

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As the full extent of the fedayeen defeat began to dawn on other Arab countries, their initially mild reaction grew shriller. Iraq led off by asking Jordan to recall its ambassador in Baghdad, and also called for Jordan's expulsion from the Arab League. Libya's Qadhafi, not to be outdone, called for military intervention to save the fedayeen and issued invitations to a summit conference. Egypt has now endorsed the conference, as have Syria, Kuwait, and Lebanon. Much of the reaction seems to have been triggered by some unnecessarily abrasive remarks by Prime Minister Tal, which were interpreted as an abrogation of the Cairo and Amman agreements with the fedayeen—previously given a pan-Arab blessing. The Jordanians, hoping to dampen the mounting criticism, subsequently denied that they had any such intention. Nevertheless, Arab cries of outrage can be expected to continue, although events elsewhere in the Arab world will provide some distraction.

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Palestinians: *Old Wine in New Bottles*

Rejecting a proposal for the complete merger of all fedayeen organizations, the recent six-day meeting in Cairo of the Palestine National Council accomplished little more than renaming some previously existing joint bodies and dissolving others.

The session of the 155-man parliamentary group on 11 July heard recommendations by its members that the fedayeen organizations merge into a single body but decided instead in favor of the national front approach. Algeria has for some time urged the fedayeen to emulate its experience during the war for independence from France by submerging ideological differences among the various groups in a national front and concentrating on achieving a military victory over Israel.

Other Arab states have echoed Algeria's call and have promised increased assistance for a national front. Although the formation of such a front could be the prelude to the establishment of a Palestinian government-in-exile—as was called for by a Fatah official at the start of the council—and to the restoration of a measure of legitimacy to an increasingly discredited movement, it is more likely that the leaders of the fedayeen groups had other motivations. Aware that they must respond to popular pressure to do something toward effecting unity among their movement, they probably chose the national front approach as a means of maintaining their separate identities and organizations under a new facade.

Turning to organizational matters, the council increased the membership of the Palestine Liberation Organization's (PLO) executive committee by one to 13 and also renamed Yasir Arafat as its chairman. In another move, that both restricted leadership in the PLO to fewer individuals and restored some of the executive body's former powers, the PLO Central Committee—composed of the executive committee and representatives of the ten largest fedayeen groups—was dissolved. The council claimed it had established new unified military and financial coordinating bodies. In fact there already is a unified military command that has been ineffectual since its creation and a Palestine National Fund that theoretically is to act as the banker of all Palestinian activities.

There were a number of new faces in the PLO hierarchy at the end of the session. Although most of the top positions in the organization continue to be held by Fatah members or sympathizers, an effort was made to give other fedayeen groups, such as the Arab Liberation Front and the Popular Front for the Liberation of Palestine, representation on the executive committee. It is unlikely, however, that the new leaders of the resistance movement will be any more successful than their predecessors in achieving any forward momentum for the struggle against Israel.

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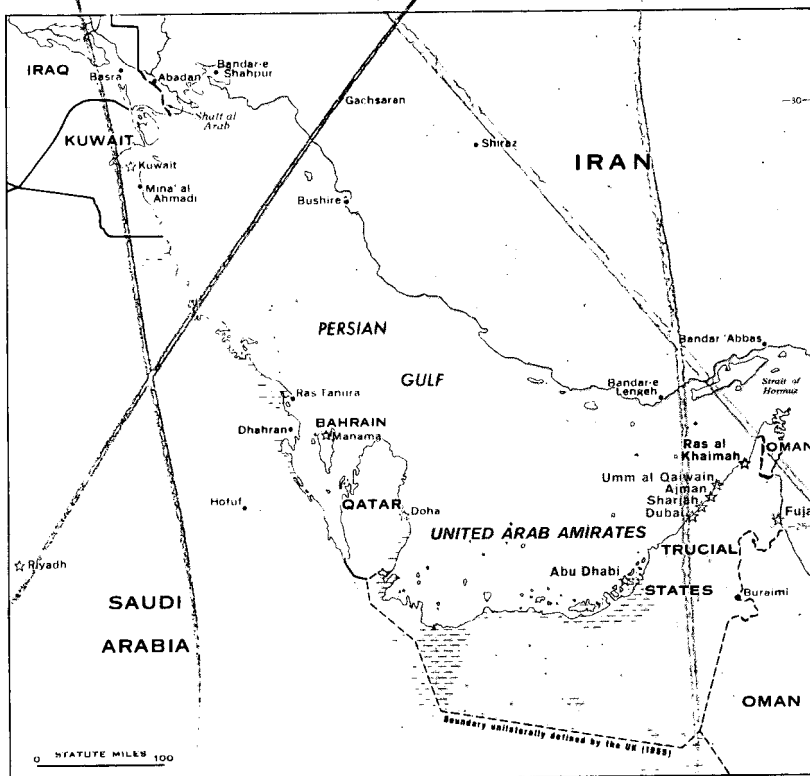
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Persian Gulf Federation: *Nine, Eight, Seven, Six...*

A surprise announcement on 18 July from the amirs of six of the nine British-protected Trucial States stated their intention to form a federation to be known as the United Arab Emirates. Missing from the group were Ras al-Khaimah, whose leader refused to sign the announcement but will probably eventually be brought to heel, and Bahrain and Qatar, both of which are expected to announce their independence outside of any federation as soon as they can obtain the acquiescence of King Faysal. The Saudi monarch has been holding to the original British concept of a single federation of all nine Trucial States, even though most of the concerned parties—including the British—are resigned to a federation of seven.

Despite the heady news releases on the "new federation," this is not likely to be the last word. A Federation of Arab Emirates was proclaimed in early 1968 by all nine states, but it now remains only a fading gleam in the eye of the British Resident on Bahrain. In their week-long meeting, the amirs apparently did agree that Sheikh Zayid of Abu Dhabi will be the first president of the union and that the capital will be a new city, al-Karamah, to be established between Abu Dhabi and Dubai, the dominant members of the group. More meetings are scheduled in order to work out details of the structure of government. A long step has been taken toward real federation, but it is still only a step.



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Developments in Pakistan

A forward move in President Yahya Khan's plan to restore civilian government to East Pakistan hit a snag when a leader of one of three rival West Pakistani factions of the Pakistan Muslim League (PML) refused to join the other two in a political merger. Yahya, who has expressed his "belief" that regional parties should be banned, had probably hoped to use a revived PML as the nucleus for a truly national party around which he could erect a civilian government in East Pakistan amenable to his policies.

Yahya is considering a trip to East Pakistan, but Governor Tikka Khan has advised against it because of security problems. Yahya also disclosed recently that East Pakistani leader Mujibur Rahman will soon be tried. A trial at any foreseeable time, in fact, would have a baneful effect on the government's efforts to re-establish normal conditions in East Pakistan if—as is probable—it results in Mujib's execution.

The government, meanwhile, has attempted to improve rehabilitation programs in East Pakistan by appointing new civilian chiefs, but from all indications there will not be much, if any, improvement. The refugee coordinator is described as a kind but tired old man who is afraid the insurgents will kill him. The new food coordinator has been unable to work with Bengalis in the past and has a record of "financial improprieties." The chief civil servant of the East Pakistani government, moreover, is considered "incompetent" by US officials in Dacca, while Governor Tikka Khan, whom Bengalis called the "Butcher of Baluchistan" because of his role in putting down a tribal uprising in West Pakistan, has little economic knowledge.

One official in East Pakistan recently commented to US officials that the province's trans-

portation system now was more disorganized than at any time since April. He blamed major dislocations on sabotage by "miscreants" operating with Indian support. This official admitted that the army still is using some of the 50 vessels provided by the US for relief operations following last November's cyclone. The number of refugees who have fled to India, meanwhile, has passed seven million.

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One three-month-old irritant between India and Pakistan appears near resolution. With the aid of a Swiss official, the two sides finally arranged the interrogation of former staff members of the Pakistani Deputy High Commission in Calcutta who had defected to Bangla Desh in April. Sixty-four of those questioned by a Pakistani official expressed loyalty to Bangla Desh, and only two opted for Pakistan. The way may now be clear for the simultaneous repatriation of the Indian diplomats in Dacca and the two loyal Pakistani officials stationed in Calcutta.

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Yemen (Sana): *Fiscal Crisis Leads to Government Change*

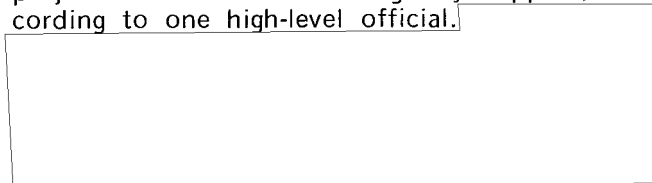
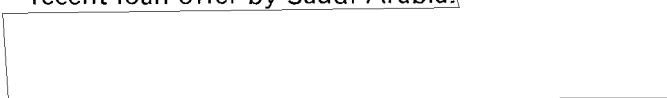
Yemen's financial plight has forced Prime Minister Numan to resign. The government apparently intends to appeal for help from both Western and Communist aid donors, but to compound the crisis, several Communist countries appear to be applying economic pressure on Sana.

During a recent radio address on Yemen's severe financial problems, Numan revealed that projected government expenditures are expected to be three times greater than anticipated revenues during the current fiscal year. He stated that from now on the government would spend only what it receives, new currency would not be circulated, and the government would issue treasury bonds, primarily to meet current expenses.

Subsequently, the consultative council in Sana refused for political reasons to accept a recent loan offer by Saudi Arabia.

Numan complained that Yemen is facing financial demands from all sides, even from "brotherly and friendly states" for repayment of credits and interest. He probably was referring to recent efforts by the USSR and East Germany to force Yemen to begin making repayments on its debts. Sana owes \$50-\$60 million to the USSR and about \$7 million to East Germany. In addition, Yugoslavia, probably motivated primarily by a desire to recover its loan, also is pressing for repayment of a small credit. One possible reason for the Communists' action may be a desire to neutralize the increasingly pro-Western stance of the Sana government.

Yemeni officials are appealing to several countries for help in addition to Saudi Arabia. Despite the recent Soviet action, President Iryani may visit Moscow in the near future to seek project aid rather than budgetary support, according to one high-level official.



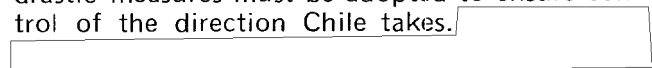
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WESTERN HEMISPHERE

CHILE: The Allende government is meeting some obstacles that may affect its political and economic strategy. The defeat of the administration candidate by one representing a unified opposition last week in a legislative by-election has strengthened the opposition parties' efforts to work together and to challenge Allende on selected issues, such as the distorted official propaganda campaign on copper. In addition, Christian Democrats have won the leadership of the Chamber of Deputies. In the economic field, the politi-

cally independent controller general has decided that the government take-over of a large textile plant was unjustified and reportedly has ruled that it must be returned to the owners. These problems point up the differences among Allende's advisers as to whether it is possible to carry out a revolution while working within Chilean law and institutions or whether more drastic measures must be adopted to ensure control of the direction Chile takes.



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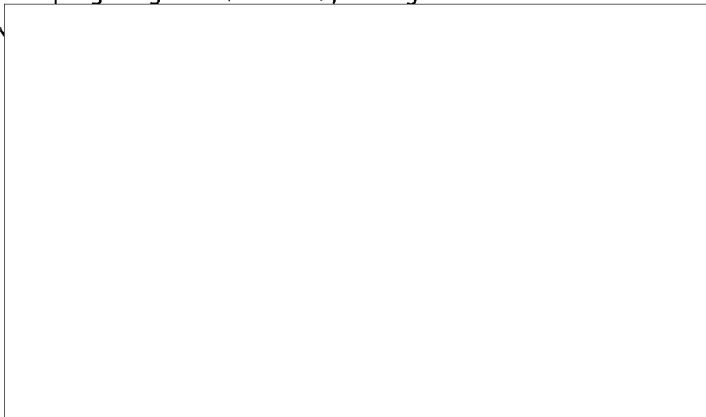
Panama: *The Government Puts Up a Smoke Screen*

The Torrijos government, embarrassed for more than a month by the adverse public reaction that developed after the disappearance of Father Gallegos, has finally decided to take the offensive in an effort to discredit its critics. The regime, accused of kidnaping and killing the priest, is directing a media campaign alleging the existence of a conspiracy by the oligarchy and "foreign imperialists" to undermine Panamanian unity during canal negotiations.

Gallegos case. The church, which attracted between 9,000 and 12,000 faithful to march in the rain last Sunday on a "pilgrimage of truth," is not likely to be intimidated nor to accept a government whitewash of the incident. Thus, a continuation of the current church-state impasse is in prospect.

The canal issue, however, is one of overriding national importance, and a sustained campaign against the US, along with continued

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Commenting on a readiness exercise in the Canal Zone, for example, the press claimed that the appearance of US troops "in full battle dress" near one of the secondary schools was a provocation that would have caused a riot but for the timely intervention of the National Guard. Similarly, a spontaneous brawl between students of Panama's two largest secondary schools after a soccer game last Friday was interpreted by the press as part of a "desperate plan" by counter-revolutionaries and imperialists.

calls for national unity during negotiations, over the longer term would capture popular attention. Thus far the government has avoided public commentary on the progress of negotiations, but should it decide, either for domestic political reasons or as part of its negotiating strategy that such commentary is useful, public support could quickly be rallied.

The government is currently suffering from a credibility gap and, in the short run, efforts to raise the level of anti-US sentiment and to impugn the patriotism of all who oppose the regime are likely to be understood as merely an attempt to divert attention from the



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Caribbean: *Another Futile Attempt at Regional Cooperation*

A number of political leaders of the Commonwealth Caribbean are scheduled to meet in Grenada on 25-26 July to discuss the formation of a federation of states of the West Indies. The conference, however, appears doomed from the outset because attendance by all the prime ministers is not assured. Their absence would eliminate any aspect of regional authority.

minister of external affairs characterized the political unity proposal as a Guyanese initiative to decrease its political isolation and to gain stronger Commonwealth Caribbean support against Venezuela's efforts to keep Guyana out of hemispheric organizations. Burnham probably is pressing for a unified state because he views it as a stepping stone to achieving his goal of becoming the spokesman for the entire British Caribbean.

The Grenada conference is a carry-over from an earlier meeting in Saint Lucia at which the federation issue was raised. The impetus for the Saint Lucia meeting came from the governments of Guyana and Saint Kitts - Nevis - Anguilla, who sought the meeting for their own purposes. Prime Minister Bradshaw of Saint Kitts - Nevis - Anguilla apparently hoped to mobilize Caribbean opinion against Britain's decision to resume the administration of Anguilla. Guyana's Prime Minister Burnham ostensibly wanted to debate Colombian and Venezuelan applications to join the Caribbean Development Bank (CDB). Most discussion, however, was devoted to the pros and cons of forming a new unified state. Trinidad-Tobago's

Guyana's grandstanding aside, there appears to be a genuine desire to form some sort of federation that will give the minuscule states a forum within which they can achieve economic and political equality. The reluctance of the larger independent states, however, effectively negates any new initiative decided upon by the smaller states. Insular attitudes and petty jealousies have destroyed similar attempts at regional cooperation, and it is doubtful that any concrete moves will be accomplished while the current generation of leaders retains power.

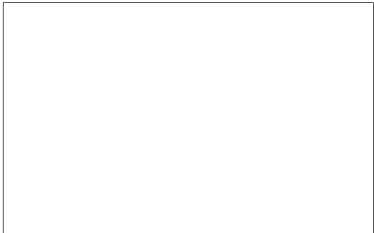
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BAHAMA ISLANDS: During the current session of the House of Assembly, Prime Minister Pindling's Progressive Liberal Party (PLP) sought to shift recognition of the United Bahamian Party (UBP) as the official opposition party to the Free-Progressive Liberal Party (Free-PLP). Cecil Wallace-Whitfield, leader of the Free-PLP, opposed the motion unless his party had the right to name the four senators the opposition is entitled to under the constitution; the UBP now holds these seats. There is, however, no constitutional

provision for removing incumbent senators for political reasons without an election, and general elections are not scheduled until 1973. Despite Wallace-Whitfield's opposition, on 9 July the Governor-General designated the Free-PLP the "loyal opposition." Wallace-Whitfield thereupon asked that steps be taken to enable his party to get its four seats. To solve the problem, the government may follow the lead of Trinidad and Tobago where a committee is studying a similar constitutional bottleneck.

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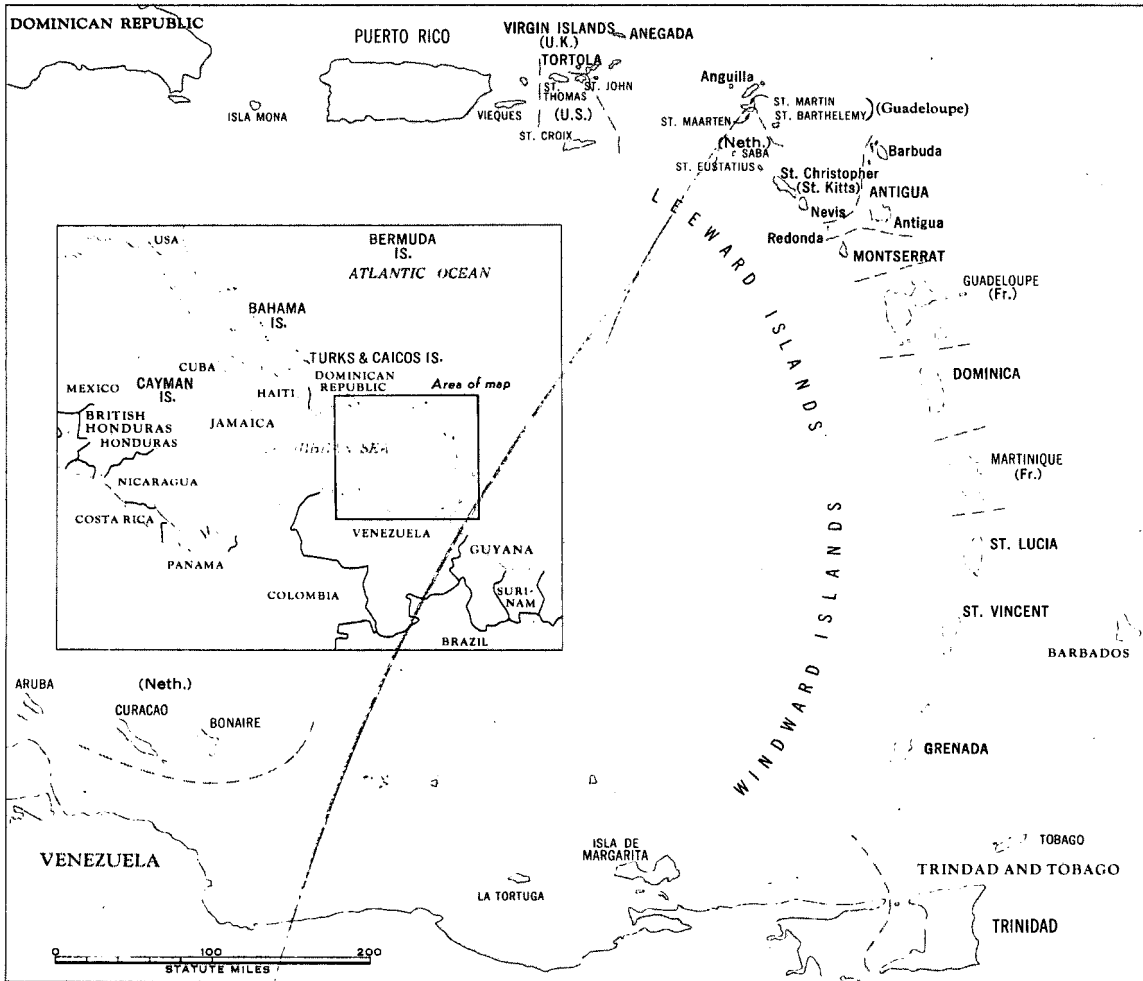


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Brazilian Government Concerned Over Territorial Seas Problem

President Medici has become increasingly concerned about what he considers to be open provocation and defiance of Brazil's claim to a 200-mile territorial sea by US fishing boats. In at least one case a US boat was boarded and searched, but was released when no fish were found.

Brazil is planning or has already initiated talks on the fishing issue with the governments of several Caribbean countries, including Guyana, Surinam, and Trinidad and Tobago, where the majority of the approximately 400 boats that usually operate off the northern coast of Brazil are based. These talks are complicated by the fact that nearly all the boats are owned by other foreign countries—nearly three fourths of them by the US and most of the rest by Japan. It is uncertain whether these boats would be covered by any agreements between Brazil and the

Caribbean countries from which they operate; one Foreign Ministry source has said they would not.

Brazil is seeking support from other countries for its territorial seas position in case a controversy develops. One of Foreign Minister Gibson's goals during his current trip to Central America is to promote this diplomatic campaign. The Medici administration at the same time is attempting to convince other coffee producing countries, principally in Africa, that the US' delay in approving continued participation in the International Coffee Agreement (ICA) is a retaliatory move for Brazil's territorial sea claim. The Brazilians maintain that the territorial waters issue should not be linked to the coffee question, and they hope that the coffee-producing countries will urge the US to approve the ICA measure quickly in order to avoid damage to their economies.

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Uruguay: *Opposition Attempts Impeachment of the President*

Stung by another presidential rebuff to congress, the opposition parties have retaliated by beginning impeachment proceedings against President Pacheco.

The opposition Blanco Party served notice with a vengeance that a presidential election campaign is under way by voting on 16 July to

attempt the impeachment on the grounds that the President has exceeded his constitutional authority. Earlier in the week the General Assembly, alleging a need for truly "free and democratic elections" in November, had voted to remove the President's emergency security powers. Pacheco immediately redecreed the measures, contending that the terrorist threat made his action both necessary and legal in light of his constitutional

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directive to preserve order. Blanco congressional leaders are simultaneously pressing for a collective censure of the entire cabinet, which announced the President's decision.

Although the traditionally powerful Uruguayan legislature has been dissatisfied with its loss of authority under President Pacheco's headstrong executive leadership, partisan political motives are principally responsible for the impeachment action. The Blancos believe that the impeachment-censure move, whether it succeeds or not, will damage the ruling Colorados and enhance an activist, opposition image for themselves.

The effort also is receiving the fervent support of the new leftist Frente Amplio, which has a small congressional contingent. The move neatly dovetails with the Frente campaign charge that the country's traditional political leaders—both the Blancos and the Colorados—are inept, corrupt, and incompetent. In a nationally broadcast

speech on Tuesday, Frente presidential candidate Seregni adroitly turned the congressional-executive clash to his own advantage and tried to seize the initiative from the Blancos. Seregni, speaking on the eve of a general strike by the Communist-dominated labor federation in support of the impeachment proceedings, pledged that in the strike "the people would give their answer." The strike, one in a long series of successful work stoppages, effectively closed down the capital on Wednesday.

Although congressional opposition forces appear to have majority support, both the impeachment and censure proceedings require a two-thirds majority. Several factions, both in the President's party and the opposition, seem likely to shy away from the impeachment effort, assessing it as a partisan play and perhaps also fearing that it might prompt Pacheco to seek military support for an attempt to close down the legislature. The censure attempt probably has better prospects, but it still seems likely that the President's Colorado Party, even as factionalized as it is, will protect its own and muster a one-third blocking vote.

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Argentina: *Political Progress Doubtful*

President Lanusse and other top government and military officials are becoming increasingly pessimistic about the efficacy of the plan to permit the resumption of political activity and eventually to restore full constitutional government to Argentina. The political parties have not responded as Lanusse had hoped, and the deteriorating economy and growing terrorist problem appear to be leaving the President with less time to achieve his objectives than he had originally planned.

The return to an elected constitutional government, as originally conceived by President

Lanusse, hinged on the expectation that a working relationship could be reached with the Peronists and that the power of the Peronists in any future government would be balanced by the traditional democratic political parties, notably the People's Radical Party (UCRP).

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Mor Roig stated further that he saw no possibility the UCRP could recover its former strength and that the best hope was for the party to participate in a broad coalition that apparently would include the Peronists and the armed forces as well. The presidential candidate for such a coalition would probably be a military man, possibly Lanusse himself.

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the inflationary pressures.

A detente with labor is considered essential to any process of returning the government to civilian control, and in this regard Lanusse can show progress. A working relationship has been established with some of the more moderate leaders of the Peronist labor confederation, and the President is intent on maintaining peace with the labor sector, even at the expense of adding to

There is, therefore, considerable question as to whether the Lanusse government's proposed "political solution" is workable in the first place and secondly, whether the deteriorating economy will provide enough time to find out. At present the military generally supports Lanusse's initiatives, but if he should falter there remains a large body of opinion within the armed forces favoring retention of direct control of the government by the military.

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