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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Secret

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Indochina

Vietnam: Campaigning in the Summer

After numerous delays, North Vietnamese forces just south of the DMZ began a series of coordinated shellings and limited ground attacks late this week. Among the targets were the district headquarters at Cam Lo, Fire Support Base (FSB) Fuller, and other nearby South Vietnamese positions in northern Quang Tri Province.

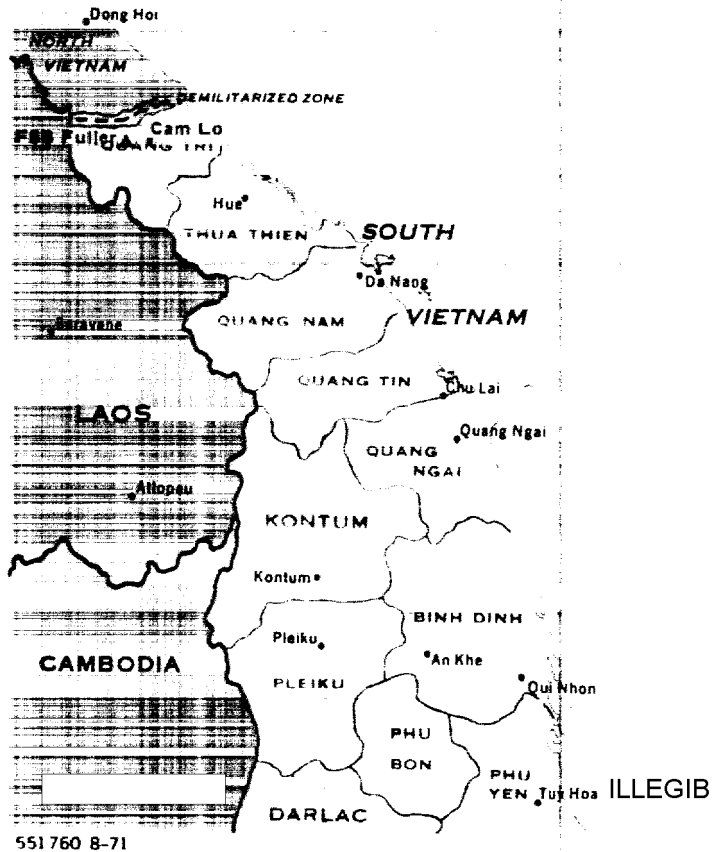
This new round of action probably represents another cycle of the enemy's "summer campaign," which has experienced numerous disruptions and delays. Unseasonably heavy rains in the DMZ—where the enemy threat is currently the strongest—had stalled the planned attacks. Enemy units in the central provinces and the western highlands have been experiencing supply shortages, while South Vietnamese operations and monsoon rains elsewhere have forced the enemy to lie low.

New Communist action in the densely populated coastal regions of the northern provinces is likely to begin shortly. As in the past, however, chronic problems could delay the enemy's timetable in both areas.

Viet Cong Electioneering

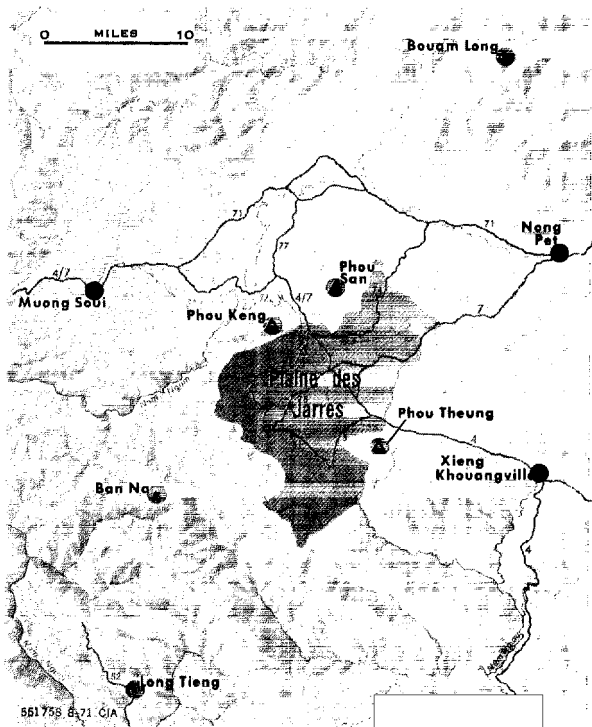
There is mounting evidence of the Communists' interest and involvement in the Lower House elections to be held on 29 August, although it is questionable whether they can exert much influence. rather

than disrupt the elections, the Communists are mainly trying to generate support for candidates amenable to their interests. In Dalat city in the central highlands, for example, Viet Cong cadre have been told to campaign for the election of "progressive candidates," while in Saigon Viet Cong leaders have sent letters to at least four antigovernment candidates encouraging them to adopt a "coalition and peace" slogan and to "rally the masses" to demand peace and fair



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Laos

□ Government-held location
● Communist-held location

And Among the Legal Opposition

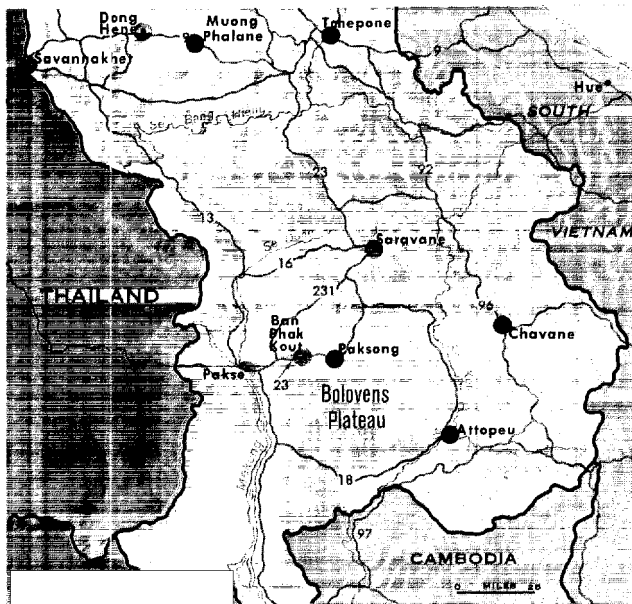
Internal disagreements in the An Quang Buddhist organization could weaken its support for Big Minh and the candidates the An Quang is backing in the Lower House race. For some time the An Quang hierarchy has been divided over the wisdom of openly endorsing Big Minh. Thich Thien Hoa, the rector of the An Quang Secular Affairs Institute, is urging that the An Quang unequivocally declare its support for Minh, a step also urged by a number of the younger, more activist bonzes. An Quang leader Thich Tri Quang, however, wants An Quang support for Minh to remain behind the scenes. Tri Quang and others in the dominant Centralist leadership are convinced that Minh will lose, and they are reluctant to be so tied to his defeat as to limit options for political maneuvering after the election. Big Minh's chances for at least a respectable showing could suffer badly if the An Quang give him less than all-out assistance.

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elections. Enemy cadre in the delta were recently told that COSVN had changed its views on the elections and now believes that Communist participation would be more favorable in the long run than disruptive tactics.

Nevertheless, the decision to politick for acceptable candidates may not exclude a measure of armed harassment. A recent high-level directive called for greater military activity prior to the Lower House and presidential elections, but it pointed out that military action would be halted on election day to permit voters to get to the polls and, hopefully, vote for VC-approved candidates. In areas where the Communists have been unable to make political inroads, however, the emphasis on military action may be greater.

The efforts of the An Quang to make a good showing in the Lower House contest are also



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running into a few snags. The Saigon leadership and local pagodas are apparently in disagreement over the choice of candidates; An Quang leaders in Quang Ngai, for example, are reportedly miffed at having candidates thrust upon them without their prior agreement. Although bonzes and laymen are earnestly campaigning for selected candidates, any serious disunity could harm the prospects of the An Quang candidates.

Laos: The Government Gains Ground Gradually

Government forces are slowly approaching Paksong on the Bolovens Plateau despite some strong enemy resistance. Aided by intensive artillery bombardment and air strikes by Lao T-28s, regular battalions on 8 August occupied Ban Phak Kout on Route 23 and have moved on to within four miles of their objective. Progress will probably continue to be arduous because the North Vietnamese are building fortifications west of the town. The three battalions of the NVA 9th Regiment are defending Paksong.

North of the Bolovens, government forces ranging around Saravane have discovered several small rice and ammunition caches and have engaged in skirmishes with small enemy units. In the central panhandle, irregular forces have for the moment desisted in their attempt to capture Muong Phalane. Four of the battalions that had been operating near the town are now sweeping westward on the north side of Route 9 as they return to their base in the Dong Hene area. In north Laos, a three-battalion government force has begun to move eastward along Route 7 toward Muong Soui, the former neutralist headquarters lost to the Communists last February. The town is believed to be lightly defended by Lao Communist units.

The Communists appear intent, however, on defending the hills north and east of the Plaine

against General Vang Pao's forces. The government's irregulars have been shelled, and patrolling units have been engaged in some sharp skirmishing on the northeastern sector of the Plaine and to the southeast near Xieng Khouangville.

Talks About Talks Terminated Temporarily

Souk Vongsak, the Pathet Lao envoy in Vientiane, has returned to Communist headquarters at Samneua for "consultations" after delivering a message in the Lao capital from Pathet Lao leader Souphanouvong. The message repeats the line that the Communists are determined to solve the Laos problem peacefully, but vows that they will continue fighting until government attacks on the Plaine and in south Laos are smashed. In his departure statement, Souk singled out the attacks on the Plaine as having "rendered the situation more complicated and explosive," and tied his exit from Vientiane to Prime Minister Souvanna's lack of good will and to US "sabotage."

Prime Minister Souvanna Phouma and his cabinet regard the new message as menacing in tone and see nothing new in it. Souvanna, who does not appear to attach great importance to Souk's departure, gives the impression that he, too, is prepared to await military developments before trying again to talk about peace talks.

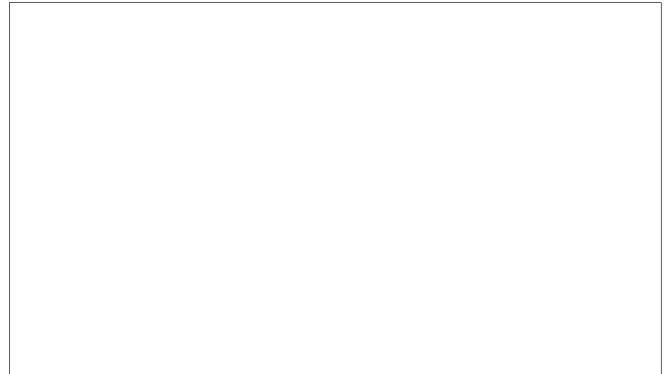
Cambodia: Lon Nol Takes the Reins

Despite the fact that he has still not fully recovered from his disabling stroke, Prime Minister Lon Nol continues to show signs that he intends to assume more of the burden of governing and play a more active political role. And whether intentional or not, some of the Cambodian leader's actions seem to have had the side effect of diluting some of Sirik Matak's authority and political standing.

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Early in the month the prime minister made a broadcast to the nation about the country's economic problems, which he claimed were the handiwork of "enemy agents." A few days later, after Sirik Matak's departure for the United States, he chaired his first cabinet meeting in many months. The fact that no one was named temporarily to handle Matak's duties—aside from his responsibilities as minister of defense—suggests that Lon Nol plans to assume those chores himself.



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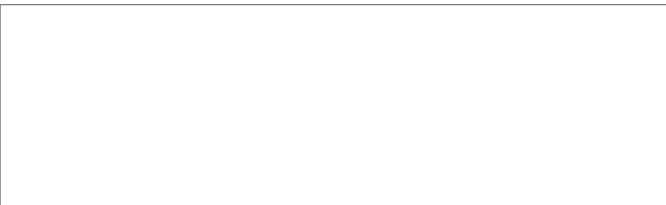
It is possible that the Prime Minister has decided to reassert his power at this point to blunt growing criticism in Phnom Penh of both his own lack of leadership and of Sirik Matak's performance. Matak has been the object of considerable antigovernment carping lately, which has been precipitated for the most part by worsening economic conditions. His trip to the United States may have an important bearing on his immediate future. It could serve to boost his political prestige. On the other hand, however, he may be taken to task anew by certain of his critics for failing to fulfill their unrealistic expectations of additional US aid.

Security Conditions in the Southeast

[redacted] government control of the countryside in two southeastern provinces is generally limited to areas adjacent to main lines of communication. Although main roads and waterways in Prey Veng and Svay Rieng provinces are open to regular traffic, FANK forces control only small strips of land about one mile wide on either side of the Mekong River and some two miles wide along Routes 1 and 15. Cambodian peasants are moving from Communist-held areas to resettle in these narrow zones.

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Korea's Unification Issue

Both Seoul and Pyongyang are seeking to pre-empt the issue of Korean unification in anticipation of the expected UN debate on Korea this fall. Both sides are concerned that their respective interests may in some way be sacrificed

by the recent movement in Sino-US relations. As one senior South Korean Foreign Ministry official recently put it, history has made all Koreans particularly sensitive to our "fate being decided by other countries."

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In the South, the government is attempting to appear more flexible toward unification. Prime Minister Kim Chong-pil told the National Assembly on 7 August that he viewed a North-South "dialogue" as "inevitable sooner or later." He cautioned, however, against any hasty approach toward the Communist countries during the current thaw, adding that talks, when they do take place, should not be construed as official recognition of Pyongyang. The foreign minister then took a similar line before the assembly stating that Seoul will demand that Pyongyang recognize the "authority and competence of the UN" to deal with the Korean problem as a condition for taking part in the expected General Assembly debate of the issue later this year. He added, however, that South Korea "may make some concessions if friendly nations so wish."

Seoul's intention is to give the appearance of acting boldly while in fact moving with considerable caution. President Pak Chong-hui and his more international-minded advisers are aware that the time has come for the South to show greater flexibility toward unification, but he is also conscious of the need to avoid alarming the many South Koreans who oppose any form of compromise with the Communists. In his National Day speech last year Pak called for a lifting of the barriers that divide Korea and promised under certain conditions to drop South Korea's opposition to North Korean participation in the annual

UN debate on Korea. His remarks, however, were couched in terms that the North Koreans could not be expected to accept.

This year Pyongyang is also attempting to convey an appearance of greater flexibility and reasonableness on the unification issue. At the opening of the Supreme Peoples' Assembly in April, the foreign minister called on South Korea to accept the North's standard program for unification. A key passage in his statement proposed that representatives of all political parties, public organizations, and individuals "of popular character" on both sides meet at Panmunjom or in a third country to negotiate the first steps toward unification. Although the offer contained nothing new, the language implied an immediacy that was absent from earlier proposals.

In his welcoming address to visiting Cambodian Prince Sihanouk on 6 August, Premier Kim Il-song returned to the proposal made in April; this time he specifically mentioned Pak's Democratic-Republican Party as one of the groups that should be included in any North-South meetings. Implicit in Kim's offer, however, was his long-standing condition that actual unification will only be possible after the South Koreans have driven out the Americans and gotten rid of the Pak government.

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Thailand Ponders China Question

Developments in US-China relations have accelerated a debate within the Thai Government over the stance it should adopt toward Peking. Foreign Minister Thanat Khoman, the leading advocate of an accommodation with Peking, sees his stand vindicated by recent US moves. In the debate in government councils, however, the caution of Prime Minister

Thanom and Deputy Prime Minister Praphat has held sway. The upshot has been a decision for a wait-and-see attitude, one that will take greater cognizance of Thai security considerations. Even Thanat admits that Thailand's problem with Chinese-backed insurgency necessitates a wary attitude toward Peking, and he does not see diplomatic relations in the near future.

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Thailand is reportedly considering abstention on a UN vote on Peking's admission, although the issue has not been resolved. Bangkok might see the chances increasing for bilateral talks on Peking's backing of Thai insurgency if Communist China is seated in the UN. But it is this insurgency that also could deter the Thai from voting in Peking's favor.

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In its search for a China policy tailored to its national interests, Bangkok is concerned about being out of step with its Asian neighbors. It alone has given a clearly positive response to Philippine President Marcos' call last month for an Asian summit discussion of the regional implications of US moves toward China. The feasibility of such a meeting will be considered by the delegations of the countries concerned at the UN General Assembly next month.

The China debate within the Thai Government is speculative, and Peking evidently has not responded to various Thai overtures.

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EUROPE

Eastern Europe: *Tighter Soviet Restrictions on Foreign Policy*

Reactions from some Eastern European capitals suggest that Moscow's criticism of foreign policy deviations at the Crimean summit last week was harder and more sweeping than past pronouncements.

The Soviet leaders apparently were especially firm with Hungarian party leader Kadar, who rushed home after the meeting to call a rare joint session of the party, government, and national front on 4 August. His early departure from the Crimea and his private hearing with Brezhnev and Podgorny just prior to the summit suggest that the Kremlin was particularly anxious

that Budapest purify its foreign policy orientation. The communiqué from the joint session of Hungarian leaders did just that. It promised closer service by Hungarian foreign policy to "the Soviet alliance" and vigilance against imperialist splitting tactics. The abjectness of Kadar's subservience to this line is in marked contrast to his usual flexible style, but it is the price he must pay to protect his comparative independence in domestic affairs.

Earlier this year Kadar flirted with trouble by tacitly urging a more forthcoming approach to China.

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[redacted] Kadar also had been trying to improve his relationship with Romania's Ceausescu despite the latter's disdain for Moscow's foreign policy directives. The sharp Soviet reaction to the Ceausescu visit to China and to President Nixon's proposed China visit caught Budapest decidedly out of phase with Kremlin thinking. The Soviets have now put Kadar in tow early in their campaign against Romania, instead of risking a repetition of his stubborn moderation during the Czechoslovak crisis in 1968.

Other Eastern European mavericks also are feeling the heat. On 6 August, acting Yugoslav Foreign Secretary Vratusa privately described the atmospherics of the Crimean summit as having "very ugly implications" and said it was time for everyone to remain cool and "perhaps a little qui-

Yugoslavia: *Tito Parries Soviet Probes*

Reports of an autumn visit to Yugoslavia by Soviet party leader Brezhnev surfaced this week against a background of uneasiness in Belgrade over Soviet attempts to tighten control over ruling Communist parties in Europe. A steady erosion of good will between the two countries has been evident in recent months in occasional Yugoslav public protests and private Yugoslav complaints about Soviet interference in Yugoslav affairs.

During the past week, the Yugoslav media launched bitter attacks against the recent Warsaw Pact maneuvers in Hungary and the upcoming pact exercise in Bulgaria, characterizing them as a "gross insult" to all Balkan countries. In return, Tito has scheduled his own war games in late September to test Yugoslavia's all-peoples defense system. The scenario will be aimed clearly at repelling a Warsaw Pact invasion of Yugoslavia.

Not publicized, but indicative of the poor state of relations, is Yugoslavia's flat rejection of Soviet requests for naval bases on the Adriatic and increased overflight rights for UAR-bound aircraft. Belgrade has further emphasized its independence by establishing closer associations with China at a time when Moscow is annoyed at the new warmth in Chinese-Romanian relations and is preoccupied

eter." [redacted]

Elsewhere in Eastern Europe there are no visible signs of either the fevered Budapest reaction or the tense watchfulness in Bucharest and Belgrade. The regimes in Pankow, Warsaw, Prague, and Sofia were not guilty of any serious deviations, but they have received another object lesson that Moscow's foreign policy guidelines are not to be bridged. [redacted]

with preventing any further Chinese ascendancy in Communist Europe.

Yugoslavia's decentralized political and economic system, which many of Moscow's Eastern European allies find attractive, is another point of friction. The Soviet leaders have tried to discredit Tito's reforms and privately have rejoiced over Yugoslavia's latest bouts with inflation and regional squabbles over constitutional reform. Most Yugoslavs believe the Soviets have contributed to these difficulties by sending subversive Cominformist agents into Yugoslavia. In addition, a high-level Yugoslav official has told US Embassy officers that the Soviets have conducted clandestine financial operations to harm Belgrade's international credit rating.

Under these circumstances negotiable topics for a Brezhnev visit—said to be the subject of the Soviet charge's call on Tito on 24 July—will be sparse. Last week Tito gave a lengthy interview to an Italian journalist that portrayed his attitude toward Moscow in comparatively favorable terms. The interview may signal that Tito is prepared to listen to Brezhnev's case, but it did not yield on any point that Tito believes would infringe on Yugoslavia's independence. [redacted]

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CEMA Inches Forward

The "complex program to perfect cooperation and develop economic integration," which was unanimously adopted at the late July annual session of CEMA and released this week, reflects serious compromise, despite two years' study and work on economic relations among the member countries. Insofar as the 60,000-word program falls short of the tightly centralized scheme originally advocated by the Soviets, the role of some East European countries, particularly Romania, becomes apparent. The document, however, also points out the complicated nature of many of the proposals by calling for implementation over a 15- to 20-year period and by failing to make member participation mandatory in all features of the program. Nevertheless, experience in recent years appears to have driven home to the East Europeans their economic interdependence and, more importantly, their dependence on the USSR. Such a realization may be compelling them to get together in spite of their divisive interests and some latent mutual antagonisms.

Concern over consumer welfare and Eastern Europe's vital need for raw materials is spelled out by the citation that plans now exist for settlement of "the most important economic problems, particularly those having to do with providing fuels and raw materials...and satisfying popular demands for industrial goods and foodstuffs." As raw materials and foodstuff needs are in large part met from the Russian storehouse and are supplied under pricing or barter arrangements favorable to Eastern Europe, they provide Moscow with some leverage in urging more forward movement in cooperative schemes. Furthermore, Eastern Europe is aware that the possibility of satisfying such needs from non-Communist sources is limited. Eastern European exports are not in great demand in the West and Western financing by credit will play a less important role than in the 1960s. Apprehension over the expansion of the Common Market also contributes to the forces impelling Eastern Europe to take another look at the possibilities in closer association among themselves.

Bilateral understandings, particularly those hammered out with the USSR, are likely to continue to dominate relations among CEMA members, but these may increasingly lead to CEMA-wide efforts. Some progress toward multilateral cooperation already has been made in the fields of electronics, chemicals, and metallurgy, and these industries are cited in the "complex program" as areas for further cooperation. These arrangements are specifically based on mutual deliveries and production cooperation rather than on grandiose over-all coordination schemes with the USSR at the apex that characterized earlier integration efforts. The USSR hopes to foster more of this type of arrangement as well as the incorporation of advanced Western technology, some of which will be financed through the new CEMA International Investment Bank. The initial list of projects in the USSR and Eastern Europe has not yet been announced, but the new CEMA effort emphasizes the important role that directed investment is to play.

The problem of price-setting and currency convertibility remains and is recognized. The present system of using world prices "stripped of the harmful influence of transient factors of the capitalist market" is to be continued, but probably with adjustments in favor of raw material exports. Convertibility of currencies within the CEMA trading area is to be worked out over the next two years; its application is likely to be restricted to trade in commodities not in short supply.

These problems, lack of discipline, and fears by Romania and other East European countries that their national interests will be sacrificed resulted not only in the long period set for implementation but also in the liberal sprinkling of references to equality and sovereignty in the document. Hence there probably will be no more than an inching forward on cooperation at this time.

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Sino-Soviet Trade Appears on the Rebound

The relative easing of the intense hostility created by the Cultural Revolution and border fighting of the late 1960s has enabled Moscow and Peking to move toward resuming some of the economic contacts disrupted during that period. The recent signing in Moscow of a one-year trade pact follows up the trade agreement concluded last November, the two countries' first formal agreement since 1967, and is a further effort toward normalization of commercial relations. This builds on another step taken earlier this year when Soviet ships began to call at Dairen to load salt, the first time since August 1967, when a ship was harassed and detained by Red Guards.

A Soviet deputy minister of foreign trade has stated that Sino-Soviet trade this year is slated to reach \$130 to \$150 million. This compares

with a meager \$47 million recorded last year, the low point in a constant decline from almost \$2.2 billion in 1959. Recent sales of Soviet aircraft to China confirm an upward trend.

The extremely low levels of trade over the past few years have been economically disadvantageous to both countries. The Soviet Far East has been deprived of goods that are conveniently available across the border in China. For its part, Peking has forgone expeditious import from the USSR of some of its requirements for industrial and transportation equipment, iron and steel products, and forestry products. Nevertheless, as long as both sides fail to resolve their fundamental differences and view each other as political antagonists, trade is likely to remain far short of the levels of the early 1960s.

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UN Revamps Its Socioeconomic Sphere

The recently concluded meeting of the UN's Economic and Social Council (ECOSOC) reached agreement by a 17-7 vote on several measures designed to upgrade substantially that institution's effectiveness in the international community. Backed strongly by the US, the measures were adopted only after bitter debate, however, and the minority—led by Yugoslavia and Brazil—may attempt to unravel the "package" at the upcoming session of the General Assembly.

Despite its legal status as one of the UN's primary organs, the ECOSOC has languished for years, providing only nominal direction to its rapidly increasing number of subordinate agencies. Particularly needed are firmer arrangements for dealing with scientific and technological questions and for surveying areas in which the concept of the Second UN Development Decade, the 1970s, can best be utilized. US initiatives intended to achieve these ends were introduced earlier this year and generally have received strong

Western support, although both the UK and France abstained at the recent ECOSOC session.

A number of the less developed countries (LDCs) supported the new arrangements in return for agreement that the ECOSOC be enlarged from 27 to 54 members. Yugoslavia and Brazil, two of the leaders in the LDC camp, opposed this compromise, arguing that LDCs' interests would be better served in all-member UN institutions such as the General Assembly and the Conference on Trade and Development (UNCTAD).

The USSR also voted against the decision in the ECOSOC, because of its traditional distaste for measures that tend to add muscle to UN aid programs and thereby weaken Soviet bilateral influence. Moscow could kill the projected enlargement—amendment of the charter is required and is subject to big-power veto—but it may be unwilling to damage its credentials with the LDCs by doing so.

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Italy: *Government Pushes Housing and Tax Bills Through Senate*

Recent Senate approval of bills on housing and tax reform—measures that have been an object of controversy in the governing center-left coalition of Christian Democrats, Social Democrats and Socialists—gives some respite to the Colombo government. Although the coalition remained basically intact on the vote, tensions remain acute, particularly between the two Socialist parties.

The indication in local elections last June that the electorate had moved right is having continuing repercussions within the coalition on local and regional matters. In a growing number of instances, both the Christian Democrats and the Social Democrats—apparently heeding the trend toward conservatism in the electorate—have been excluding the Socialists in the formation of local coalition governments. In Genoa and the province of Liguria, the resignation of Social Democratic members of the center-left administrations may be a tactic to promote the formation

of centrist administrations without the Socialists.

The housing and tax bills should pass the Chamber of Deputies with relative ease in October. The housing bill provides for increased public housing expenditures, the expropriation of some private urban land, and aid to private builders. It should stimulate the depressed construction sector and improve the dismal housing of low-wage southern Italian laborers who have flooded northern industrial centers. The tax bill simplifies the fiscal structure and collection procedures and should cut down on evasion. A single progressive tax will replace sixteen different taxes and surcharges on personal income and a standard tax on company profits will replace all current corporate levies. The tax reform will make fiscal policy more effective by allowing the government to forecast revenues more accurately and initiate policy changes more rapidly.

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MIDDLE EAST - AFRICA

The Soviet-Indian Friendship Treaty

News of the signing of the Indo-Soviet friendship treaty on 9 August dominated the South Asian political scene this week. Pressure to recognize the independent government of Bangla Desh had been steadily building on India's Prime Minister Gandhi, but both she and the Soviets were mindful of the fact that precipitate recognition could spark a costly Indo-Pakistani war. On 8 August Soviet Foreign Minister Gromyko flew to New Delhi, presumably to caution as well as to consult with Mrs. Gandhi, and the treaty was announced the following day.

In one stroke, Mrs. Gandhi's hawkish domestic critics were temporarily upstaged, and the Chinese, who the Indians feared would intervene should hostilities break out between India and Pakistan, were put on notice that New Delhi did not stand alone. Recent developments in Sino-US relations also probably intensified Indian desires to reinforce ties with Moscow. Conversely, it is not inconceivable that the treaty could lead the Pakistanis to seek a similar confirmation of their relations with the Chinese.

The treaty specified only that India and the Soviets would "consult with a view toward taking effective measures" in the face of aggression and that they would suspend "any assistance" to a third nation at war with one of the contracting parties. Moscow's pledge merely to consult is a reflection of its uncertainties about the outcome of the present crisis. A principal aim of Gromyko's trip to New Delhi was to impress upon the Indians Moscow's desire that India do nothing that would provoke a war with Pakistan. As a result of the treaty, however, the Indians may believe that the Soviets are now so committed to New Delhi that Moscow would have no alternative but to support India, no matter how a war

originated. The Indians probably cannot foresee that Moscow would fail to come to their aid with effective military assistance—albeit short of a troop commitment—if the Chinese should intervene in an Indo-Pakistani war. Moreover, the Indians also assume that the Soviets would cut off all assistance to Pakistan and protect Indian interests at the UN. An Indian Government spokesman has already told press representatives that, in addition to the treaty, the USSR has offered India more military hardware in case India becomes involved in a military conflict.

The treaty, despite the fact that it flies in the face of India's traditional policy of nonalignment, was enthusiastically received by the Indian Parliament. Concluding the treaty has boosted Mrs. Gandhi's stock as a statesman and bought time for her. Should the situation in East Bengal continue to deteriorate, however, the hawks may well return to the attack, arguing that India, now armed with the treaty, is in a particularly advantageous position to seek a military solution in East Pakistan. The treaty may have already encouraged continued support of the East Pakistani guerrillas. Thus if this latest manifestation of Soviet support brings about more forward military action on India's part, Moscow's efforts to restrain the Indians and to avoid becoming over-involved could backfire. In the present emotionally charged and fast-changing situation, such a backlash may come sooner rather than later. The Pakistanis have brought Sheik Mujibur Rahman—the charismatic East Bengali leader—to trial, and if he is condemned to death Indian public opinion will be further aroused.

Moscow's Motives

The Soviets probably initially viewed the treaty—under consideration for over two

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years—primarily as an anti-Chinese document. Sino-Soviet relations reached their nadir in 1969, and such a move then would have been consistent with a number of other initiatives Moscow took that year to shore up its position throughout Asia.

The USSR's immediate aim, however, in surfacing the treaty in the present circumstances is probably to forestall precipitate Indian action on the East Pakistani question. Moscow still believes that a war between India and Pakistan is not in the USSR's or India's best interests.

The Soviets are probably pleased that present events have enabled them to get the treaty finally on record. Moscow has long feared a possible Sino-Indian rapprochement and is doubtless aware that China's current policy of forward

diplomacy has been practiced on the Indians. As a result of the treaty, the Soviets probably believe they have gained much ground against China (and also the US) and have taken a long step toward solidifying their position in the whole region.

When news of the treaty reached West Pakistan, Islamabad immediately invited Gromyko to visit Pakistan on his return from New Delhi—an invitation the Soviet foreign minister declined. The treaty and Gromyko's rejection, however, does not necessarily mean that the Soviets have written off the West Pakistanis. The available evidence, although not conclusive, suggests that Moscow has not yet given up all hope that the West Pakistanis will be able to achieve some sort of modus vivendi with the East wing and that the volatile situation in the subcontinent will subside. [REDACTED]

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Sudan: *Complete Break with Soviets Avoided*

The deterioration of Soviet-Sudanese relations has stopped short of a complete break, and there are indications that neither side wants a continuation of the public campaign of recrimination. The Soviets are gradually toning down the public criticism of Numayri's actions, and the Sudanese have stated that they do not "intend to push matters any further." [REDACTED]

[REDACTED] Numayri himself on 6 August denied that either Moscow or Khartoum had asked for the withdrawal of the advisers.

Nevertheless, Sudanese Defense Minister Abbas confirmed on 7 August that Soviet advisers were confined to their homes, and it was also

announced that Abbas would soon be making a trip to Peking. These actions, as well as the public accusations of the past few weeks, make certain that Soviet-Sudanese relations will remain sour for the time being.

Meanwhile, the crackdown on Sudanese Communists continues with the arrest of 700 more party members. The Sudanese have stated that 1,400 Communists were arrested immediately after the counter coup of 22 July, although some of those arrested have since been found innocent of plotting against Numayri and have been released. These arrests strike primarily at the young, educated urban class who make up the leadership of the Sudanese Communist Party. [REDACTED]

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Morocco: *A New Look?*

The transitional government that King Hassan invested on 6 August to serve for a year or 18 months and to draft major reforms may provide the country with a more efficient administration. Only in this respect will it fulfill the King's promise—made on the heels of the military coup attempt of 10 July—that the methods employed by the regime, not its policies, will change. The new government does not provide the clean slate implicit in the King's later statement of 4 August, nor does it provide a much-needed broadened base of support for the King.

The council of 16 ministers—11 holdovers from the last government—is headed by Karim Lamrani, the King's banker and business intermediary. A Francophile, Lamrani is also director general of the financially important state-owned phosphate industry and has long been director of the half dozen or so of the country's most important industrial complexes and banks. He

entered the government last April as minister of finance after the ouster of four ministers involved in corruption, and he himself is not untouched by the scandal. Like his recent predecessors, Lamrani's role as prime minister is limited to economic matters.

The appointment of the controversial former minister of interior, Major General Mohamed Oufkir, to the combined posts of minister of national defense and operational commander of the Royal Moroccan Armed Forces further increases his already substantial personal power. Although the King presumably retains his nominal position as commander in chief, Oufkir is likely to wield an almost free hand in whipping the badly demoralized armed forces into shape. Several close associates, or protégés, of Oufkir hold key cabinet posts—notably the capable ministers of interior, Ahmed Benbouchta, and agriculture, Maati Jorio—thus ensuring that Oufkir also retains these bases of power.



Oufkir and his King

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Middle East Developments

Spokesmen in both Israel and Egypt continue to adhere to a hard line with regard to an interim Suez agreement. In Israel, the press reported that there was no criticism at the cabinet meeting on 8 August of Prime Minister Golda Meir's handling of the talks with Assistant Secretary Sisco. Mrs. Meir said that "it is not easy for a small nation to tell a big friend 'no,' but Israel had to do this to prevent yet another war in the future." Israel Defense Forces Chief of Staff Bar Lev said that the Egyptians have no chance of pushing Israel away from the canal. He stated, however, that Israel should take seriously Egyptian President Sadat's threats to renew the war and noted that just as there are good reasons to continue the current stalemate, there are likely to be as good reasons that will lead the Egyptians to renew the war.

Meanwhile, President Sadat again publicly charged that the onus for the continued impasse in the peace negotiations rests with the US. He said Tel Aviv has openly demonstrated that it does not want peace, and he stated once again both that Egypt will not surrender any of its claims to the occupied territory and that any partial agreement on the Suez Canal must be only the first phase of a total Israeli withdrawal and an over-all solution to the Arab-Israeli conflict. He also continued to hammer away at the theme that 1971 will be a year of decision.

FAR Referendum

Preparations are being made in Libya, Egypt, and Syria for a referendum on 1 September regarding participation in the Federation of Arab Republics (FAR). Presidents Qadhafi, Sadat, and Asad are to meet in Damascus next week to approve the constitution and basic principles of the new federation. Seminars and "enlightenment committee" meetings are reportedly being held throughout Libya to explain the federation to the public there. Although the US Embassy in Tripoli expects close to a 100 per cent affirmative vote on the referendum, it doubts that such a margin will accurately reflect public opinion.

Israeli-Fedayeen Clash

A clash on 9 August between an Israeli patrol and fedayeen units along the Israeli-Lebanese border was the first such incident since early July. An Israeli spokesman has confirmed that the Israelis were engaged in a strike at fedayeen bases in the vicinity. Because the level of fedayeen activity along the Israeli-Lebanese border has been relatively low in recent weeks, the Israeli action may have been a pre-emptive strike to keep the fedayeen off balance. [REDACTED]

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IRAN: Confronted with its third successive and worst wheat reversal in some time, Tehran is in the market for nearly \$100 million worth of grain in order to ensure enough supplies for the 2500th anniversary of its monarchy this year. Adverse weather has reduced prospective crop yields to only about three million tons, and with little on hand, Iran probably will need to import at least one million tons if it is to satisfy the demands of

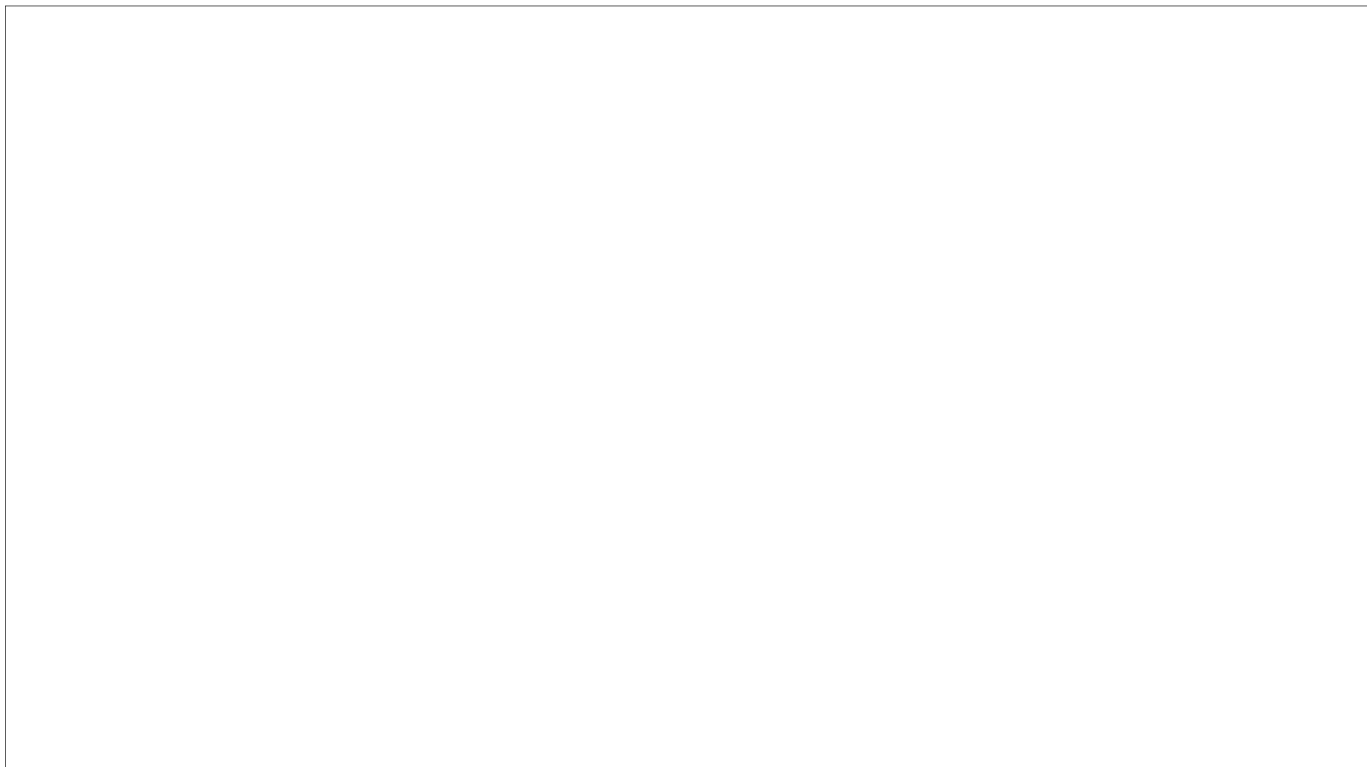
its heavy wheat-consuming populace. The Shah's government, acutely aware of popular pressures, appears determined to avoid speculation and price rises during this year of national celebration. Negotiators are seeking to take advantage of long-term US credits for agricultural produce, but the proximity of Australian suppliers assures them a role in Iran's market. [REDACTED]

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CYPRUS: The meeting on 9 August between the Greek and Turkish Cypriot negotiators failed to resolve the stalemate in the intercommunal talks, and President Makarios may now take the issue to the UN. The Greek Cypriot negotiator claims that the latest Turkish Cypriot proposal--which asserts that communal authority extend to the top level of government and that the Greek Cypriots renounce enosis (union of Cyprus with Greece)--offers no hope for progress.

The Greek Cypriots are scheduled to reply to the Turkish Cypriot proposal in late August. If

this meeting also flounders, the intercommunal talks probably will be suspended pending the outcome of bilateral Greek-Turkish discussions now set for September.

It now appears that President Makarios, fearful of an imposed Greco-Turkish solution, will ask UN Secretary General Thant to help find a new formula to keep the talks going. By appealing for such UN intervention, Makarios may be hoping to pre-empt the Athens-Ankara dialogue and to maintain the status quo on the island.

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Chilean Developments

Political

Factionalism within governing coalition groups and the opposition Christian Democratic Party has intensified conflicting pressures on President Allende but may increase his political maneuverability. The Communist Party (PCCh), the only Popular Unity (UP) coalition member not split by internal dissension, may use its cohesion to strengthen its position as Allende's most reliable support.

Allende would probably have preferred to make political adjustments behind the scenes and to maintain the facade of his original cabinet, whose composition reflected prolonged UP infighting. Five ministers resigned this week, however, following internal splits in UP parties. By refusing most of the resignations, Allende maintained an ostensible balance, but has actually done little to relieve the dissensions and impotence of the Radical Party (PR) and the three smallest UP members within the Communist- and Socialist-dominated coalition.

Allende

values the pluralistic image projected by the support of the dissidents, as well as the fact that they control some 23 votes in a Congress where the opposition holds a majority. A substantial number of the dissidents have strong political ambitions that Allende can play on to his advantage.

Economic

Economic problems are proving a more difficult challenge to Allende than politics. The Presi-

dent personally refused to increase the government wage raise offer to well-paid copper workers, who backed down after a costly eleven-day strike. He knew that concessions would set an expensive precedent at a time when Chile, because of growing financial problems, urgently needs every penny from its major export. On 11 August key technicians at another mine and farm workers called strikes, pointing up the difficulties of imposing the labor discipline Allende has demanded to increase productivity.

These and other economic difficulties have made Allende and the Communists reluctant to cause further damage to international confidence in the Chilean economy by a flat refusal to compensate US copper companies. The Socialists, on the other hand, have pressed for such a refusal in the conviction that a confrontation with the US would mobilize the Chilean masses behind Allende and enable him to move faster toward socialization.

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Justification for the refusal would be the assertion that "excess profits," computed under provisions of the constitutional reform for total nationalization of copper, almost equal or surpass the companies' investment in the older mines.

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Dominican Republic: *Still the Champ*

President Balaguer is determined to wipe out any lingering effects in the Dominican military of former General Elias Wessin y Wessin's antigovernment conspiracy and re-emphasize his own authority.

The expected reassignment of key members of the military was announced on 4 August. The presence of known supporters of the powerful Brigadier General Neit Nivar Seijas among the new appointees appeared to enhance Nivar's already strong position and weaken that of his rival,



General Neit Nivar Seijas
Commander, First Brigade

General Enrique Perez y Perez
National Chief of Police



national chief of police, General Enrique Perez y Perez.

Unexpected, however, was an unprecedented presidential communiqué to the military and the national police that appeared in the press a few days later. In it President Balaguer pointedly reminded the military and the police that their business is to protect national security and stability, not to play politics. He exhorted the forces to unity and professed himself disgusted with "some high-ranking members of the armed forces" who had lately served as "an instrument in maneuvers harmful to stability and the country's internal and external security."



General Nivar is assumed to be the principal target of the presidential communiqué. His recent public approval of the military's arrest in San Cristobal of members of La Banda, an anti-Communist, antiterrorist organization, doubtless irritated Balaguer. Nivar can hardly miss feeling the presidential rebuke and those who feared that the recent military appointments were too favorable to Nivar may find themselves reassured.

It will be some time before the unsettling effects of the Wessin incident are entirely dissipated. President Balaguer, however, has demonstrated that his political perception and nerve are more than equal to the challenges so far presented.

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Panama: *Church-State Relations*

As a result of audiences with the Pope by both President Demetrio Lakas and Archbishop Marcos McGrath, pressure on the Torrijos government to disclose the fate of missing Colombian priest Hector Gallego has lessened somewhat. Torrijos is using the respite for increased attention to internal matters and a bid for wider student support.

Public opinion in general and the church in particular have been outraged over the disappearance of Father Gallego on 9 June. Father Gallego, in attempting to assist the peasants in Veraguas Province, apparently antagonized the government by either criticizing its land reform program or by offending landed members of the Torrijos family. The widespread belief that the National Guard is responsible for his kidnaping—and possibly his murder—has given the Torrijos government a black eye both at home and abroad. The government's inactivity in solving the case has lent credibility to the charge and has caused church-state relations to reach their lowest point in recent history. Archbishop McGrath and President Lakas visited the Vatican on 28 July and during the first week in August, respectively, to present opposing sides of the case to the Pope.

Torrijos, in an effort to improve his government's image, has turned his attention to re-

vamping the development planning machinery and instituting a "federal" system—his latest impulse. Although satisfied with most of the long-term objectives proposed by his planners, Torrijos has become impatient with the lack of any immediate solutions. Torrijos contends that many of Panama's problems are the result of a lack of local autonomy. He therefore has proposed a "federal" system under which each province would have a governor appointed by the president. The governors would in turn appoint councils to assist them in planning and executing local programs.

In an effort to gain student support, Torrijos has agreed to grant university students a number of financial concessions as well as a chance to review canal treaty proposals as the negotiations progress. This appears to be a continuation of earlier consultations with various interest groups designed to develop a climate of opinion that can be further mobilized and used during the negotiations.

The church, although somewhat quieter during the past two weeks, shows no signs of dropping its agitation for continued investigation into Father Gallego's fate. In fact, 9 August, the two-month anniversary of the priest's disappearance, was the occasion of an eight-hour prayer vigil in Panama City. If the church should again demand action on the Gallego case, Torrijos may try to draw on some of the favorable public opinion he is attempting to create.

Argentina: *Antiterrorist Campaign*

The rising level of urban terrorism has prompted a government antiterrorist campaign that may now include sponsorship of so-called "death commands" aimed at eliminating urban guerrillas and their supporters through extralegal

means. The government's campaign is beginning to show some results in arrests of high-level subversive leaders, but the publicity being given to the alleged "death squad tactics" may backfire politically.

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Over the past several months at least five separate terrorist groups have operated in Argentina's major cities. These groups have carried out bank robberies, terrorist bombings, political kidnappings, and even the occupation of small towns with near impunity. The government has begun to counter these tactics in recent weeks by subordinating the provincial police to the military in the prevention and investigation of terrorist incidents and by forming a new federal court to deal exclusively with cases of subversion. There are growing indications that the recent appearance of rightist "death squads" may be another step by the military government to deal with the terrorists.

One of the most serious terrorist incidents in recent weeks was the political assassination on 29 July of the director of the penitentiary in Cordoba Province, one of the areas hardest hit by urban violence. Three groups claimed that the killing was "revolutionary execution number one," suggesting that the various subversive groups are now cooperating in certain operations and that other security officials may be targeted for assassination. Coinciding with this incident

was the announced formation of a right-wing, counterrevolutionary group calling itself the Police Death Command. This group has vowed to eliminate terrorists, their supporters, and lawyers who defend them. It presumably was responsible for the bombs that exploded on 31 July in the homes and offices of eight Cordoba lawyers, most of whom were on its list.

The Cordoba Police Death Command appears to be made up primarily of provincial police officers who want to deal with the terrorists on their own terms. Still other right-wing groups in Cordoba, Rosario, and Buenos Aires appear to have similar origins.

The government's alleged role in the Maestre murder has received considerable publicity and criticism in the Argentine press and there is good reason to expect similar treatment of the operations of right-wing groups throughout the country.

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TRINIDAD AND TOBAGO: Attempts have been made this week on the lives of two key figures in government action against mutineers in the local military regiment. Captain David Bloom, commander of the Trinidad and Tobago Coast Guard, was shot and seriously wounded on 10 August. Police believe the attack is directly related to the prominent role Bloom played in the suppression of the mutiny in the Trinidad and Tobago Regiment in April 1970. A private from the regiment, whom police suspect of having ties to the black power movement in the regiment and to the civilian black radical movement as well, has been detained.

A few hours after the attack on Bloom, Theodore Roosevelt Guerra, a barrister who has

been prominently involved in the prosecution in three court-martials that have dealt with the regiment's mutineers, was also shot and wounded.

Although it is uncertain what effect these shootings will have over the long term, local nervousness has been heightened and additional pressure has been heaped upon a police force already beset by an upsurge in crime in recent weeks.

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