

Secret



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Dept. review completed

Secret

20 August 1971
No. 0384/71

Copy No. 47

ARMY review(s) completed.

Page Denied

CONTENTS
(Information as of 1200 EDT, 19 August 1971)

Page

FAR EAST

Indochina

South Vietnam: And Then There Was One? 1
Cambodia: Serving Notice on Saigon 2
Laos: Stalled in the South 3
Sino-Burmese Relations: Best Foot Forward 5
Korea: New Flexibility on Both Sides 6

EUROPE

International Economic Developments 7
The Balkan Gridiron 9



25X1
25X1

MIDDLE EAST - AFRICA


Guinea: US, The Next Foreign Target? 12
India-Pakistan: Major Problems Persist 14
Syria-Jordan: The War That Wasn't 15

WESTERN HEMISPHERE

Latin America: The China Initiative; the Cuban Question 17
Chile This Week 18
Guatemalan Terrorism Continues 19



25X1

NOTES: Australia; Arms Control; Denmark; Bahrain-Qatar; Afghanistan; Cuba; 

25X1

SECRET

SECRET**FAR EAST****Indochina****South Vietnam: And Then There Was One?**

President Thieu has not only succeeded in denying Vice President Ky a chance to compete in the election, but he may also have so discouraged Big Minh by the heavy-handed methods of the government's powerful political machine, that Minh, too, will abandon the contest and leave Thieu with an empty victory.

Ky has been disdainful of filing a formal appeal against his disqualification with the Supreme Court, and the final deadline for doing so has now passed. Ky has maintained that the court's first listing of the candidates was illegal because it was not determined by a full sitting of the court. He also claims that he has a constitutional right to Supreme Court review without having to submit an appeal, but neither argument is likely to carry much weight with the court. Although his legal options have been played out, Ky has remained in the public eye, wearing a somewhat unaccustomed martyr's halo. If Minh remains in the presidential race, public sympathy for Ky will undoubtedly be short-lived.

Minh, however, is under considerable pressure from his advisers to withdraw from the election because of alleged fraudulent electioneering practices by the government. It now appears likely that he will pull out, although he may delay his decision until the last possible moment—24 August, when the second posting of the candidates is announced—in the hope that the US may somehow intervene in his favor. Minh has shown little taste or energy for political infighting, and it is doubtful that he would take up the role of

"leader of the opposition." Should he withdraw as he is threatening, Ky could remain a prominent opposition spokesman and continue to be a thorn in Thieu's side.

Thieu's success in forcing Ky out of the election and the substantial advantage he enjoys over Big Minh by virtue of his control of the government bureaucracy have no doubt assured him of victory, but they have also tended to discredit him in the public eye. Thieu is coming under criticism from some independent and pro-government elements, as well as from the opposition, with regard to Ky's disqualification. Many government supporters apparently believe Thieu's ham-fisted exclusion of Ky was a mistake which could backfire and hurt the President's political position; others are concerned that the affair damages the country's young constitutional system.

25X1

SECRET

SECRET

If Minh now withdraws and can convincingly argue that the election was fraudulently arranged against him, public disillusionment will increase, not only with the Thieu regime, but probably with the constitutional system as well. Thieu then could well face an opposition once again committed to more violent means of protest.

The first fairly clear indication of the reaction by the public to Ky's elimination—and to Minh's withdrawal if he goes through with it—is likely to be provided by the Lower House election on 29 August. If most government-backed Lower House candidates do about as well as expected, Thieu is likely to read this as evidence that his tactics have not damaged the domestic position of his government. Others would not share this view, of course, if many government candidates seem to have won by virtue of unfair official interference in their behalf. If, however, opposition candidates should do unexpectedly well, perhaps winning a majority of the seats in the House, most politically conscious Vietnamese would probably regard this as a repudiation of Thieu and his recent tactics.

North Vietnamese Strike Across DMZ

North Vietnamese forces this week carried out their heaviest attacks since early summer in the area just south of the Demilitarized Zone. Enemy troops mounted a strong ground assault against South Vietnamese Marines, inflicting heavy losses and forcing them from hilltop positions. North Vietnamese forces also hit the network of South Vietnamese strongpoints with artillery and rockets.

Elsewhere in South Vietnam, the week was generally quiet but evidence continues to suggest

that the Communists plan to increase action just before the Lower House elections on 29 August.

[redacted] Farther south there have been new reports that Communist forces are moving closer to Saigon from the Cambodian border area.

25X1

25X1

The Communists are capable of conducting small attacks in many areas before the elections. It is only along the DMZ and near Saigon, however, that they threaten to press heavier attacks that could go beyond their limited initiatives of recent months. It still appears that enemy military and terrorist actions will ease on election day when, in a shift from their usual tactics aimed at discrediting elections, Communist cadre in some areas will encourage voters to support certain "progressive" candidates.

25X1

Cambodia: Serving Notice on Saigon

The always delicate relations between the Cambodians and the South Vietnamese may be subjected to new complications as a result of Phnom Penh's efforts to reduce its military dependence on Saigon. According to a plan recently drawn up by Phnom Penh, the Cambodian Navy

SECRET

(MNK) is to assume full command and control responsibility from the South Vietnamese Navy for escorting and protecting all ship convoys on the Mekong River on 1 September—rather than gradually taking over those duties as had been recommended by South Vietnamese and US officials. The Cambodians have let the South Vietnamese know that they also want to assume responsibility for all riverbank security operations, but no firm arrangements apparently have been reached yet.

A senior MNK officer has stated that the Cambodians want to have immediate, complete control of military operations on the Mekong because they cannot work with the South Vietnamese with the "mutual trust" that a phased turnover would require. There are indications, however, that the Cambodians are ill-prepared and equipped to replace the South Vietnamese in maintaining security along the river. The MNK, for example, has less than half the number of boats presently being used by the South Vietnamese and most of them are in bad condition. The MNK's support facilities are similarly inadequate.

It is likely that Phnom Penh's apparent determination to go forward with its plans has been influenced in large part by domestic political considerations. In addition to trying to demonstrate that it is becoming militarily more self-reliant, the Lon Nol government undoubtedly also wants to decrease the South Vietnamese presence in order to reduce the likelihood of further depredations by South Vietnamese troops operating on Cambodian soil. Despite its recent moves, however, Phnom Penh probably recognizes that it will have to continue to rely on Saigon for many forms of military support for the foreseeable future.

Economic Problems Persist

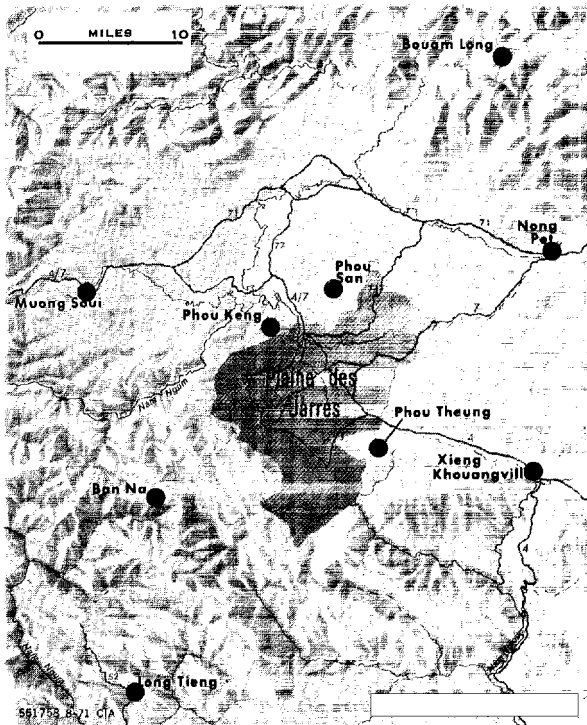
There are a number of indications that the recent easing of economic pressures in Phnom Penh is almost certainly temporary. Despite a high level of rice deliveries since early July, official stock figures indicate rice reserves in the capital have declined substantially. The government has yet to take steps necessary to discourage hoarding, and its ability to obtain rice on concessional terms from Taiwan or Japan is uncertain. Although it still is too early to make firm predictions about next year's harvest, planting reportedly is lagging with only a month or so left in the planting season.

The economy faces the prospect of further inflation even though the price of best-grade rice has recently declined and prices of other commodities have been relatively stable. The government's foreign exchange position is at a near crisis level, and the International Monetary Fund (IMF) representative in Phnom Penh believes a substantial devaluation of the riel to be imperative. The government has nevertheless postponed action on the potentially unpopular reform measures proposed by the IMF, which will have a negative impact on the willingness of prospective donors to participate in the Exchange Support Fund, an arrangement now under consideration to help stabilize the economy.

Laos: Stalled in the South

The North Vietnamese have at least temporarily halted the government's drive to retake Paksong on the Bolovens Plateau. Three Lao Army battalions that were attempting to

SECRET



Laos

- Government-held location
- Communist-held location

approach the town from the northwest were forced to abandon their mission after they were hit hard by North Vietnamese units on 11 August. Elements of four battalions attempting to move east along Route 23 have been halted about four miles from Paksong by well-entrenched North Vietnamese troops.

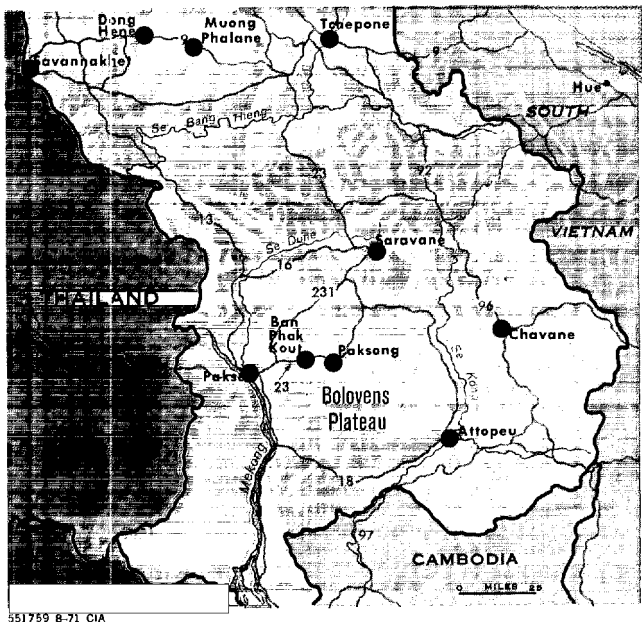
North of the Bolovens, the government has decided to return elements of the civilian government to Saravane and garrison the town with regular army troops. The government presence probably will be maintained only until such time as North Vietnamese pressure on the town increases. Initially Saravane was considered purely a tactical target in this part of the government's rainy season offensive in south Laos, but the government apparently

now sees political and psychological benefits in retaining control of the town for a time.

Developments in the North

The Communists have inflicted a setback on government troops operating east of the Plaine des Jarres. On 16 August, some 100 to 200 North Vietnamese troops overran four irregular positions about six miles west of Xieng Khouangville. Elements of three irregular battalions occupying these positions withdrew to the south and the west. Military activity was light elsewhere in the area, with several small clashes and shelling attacks in the north and northeast Plaine.

The government operation to retake Muong Soui, the former neutralist headquarters west of the Plaine, has progressed very slowly. The forward movement of the three-battalion force has been impeded by Communist harassing attacks and bad weather which has caused mud slides along Route 71 and has limited air support.



SECRET

Sino-Burmese Relations: *Best Foot Forward*

Considerable cordiality prevailed throughout Prime Minister Ne Win's visit to China last week, but relations have yet to reach the warmth of pre - Cultural Revolution days. The Chinese went to some length to flatter Ne Win; he was honored by a visit with Mao Tse-tung and was personally accompanied from Peking to Canton by Chou En-lai.

[Redacted]

Talks with Chinese leaders were conducted in a "friendly and down-to-earth atmosphere," which, according to the Burmese, did much "to put relations back on a sound footing."

[Redacted]

Despite this private cordiality, however, treatment of the visit in Chinese media was relatively restrained. The official New China News Agency limited its coverage to straightforward reporting and so far has failed to publicize speeches made by either side. Its excerpts from Chou En-lai's toast at a banquet on 6 August typified Chinese public reserve. Chou expressed pleasure that Sino-Burmese relations "have returned to normal" and predicted that relations would improve further as a result of Ne Win's visit, but he omitted the standard reference on such occasions to the five principles of peaceful coexistence and failed to praise the achievements of the Burmese Government. No mention was made of the Sino-Burmese treaty of friendship and nonaggression.

The visit, nonetheless, represents another step in a return to the friendly relations that

existed prior to the 1967 anti-Chinese riots in Burma. Indeed, the fact that the Chinese issued the invitation at this time suggests they were prepared to discuss such thorny problems as continuing Chinese support to Burmese insurgents—a major bone of contention with Rangoon.

[Redacted]

There may have been a meeting of minds, nonetheless, on the question of the Overseas Chinese in Burma. The Chinese apparently convinced the Burmese that Peking's courtship of the Overseas Chinese, which led to the disturbances four years ago, is over. Peking's reassurances on this score appear to be part of a new approach to Chinese living abroad, which, as Chou En-lai recently made clear to a visiting Malaysian delegation, is to encourage Overseas Chinese to integrate themselves more completely as citizens of the country in which they are living.

[Redacted]

the recent resumption of Chinese purchases of Burmese rice and the improved political relations will almost certainly in time lead to greater exchanges. However, there has been no information on a possible renewal of Chinese economic assistance to Burma.

[Redacted]

SECRET

Korea: *New Flexibility on Both Sides*

The agreement for direct bilateral talks between North and South Korean Red Cross representatives at Panmunjom on the problem of divided families is but one of many recent indications of a significant new flexibility in South Korean foreign policy. In testimony before the Foreign Affairs Committee of the National Assembly on 16 August, one cabinet officer even acknowledged the possibility of eventual official bilateral discussions with the North Korean Government. He indicated that ways are now being studied to develop contacts gradually and move from nonpolitical to political subjects. This is a major shift from the position set forth in President Pak's Liberation Day speech a year ago when he maintained that North-South government-to-government contacts would be possible only in a UN forum.

Unprecedented realism was shown in Prime Minister Kim Chong-pil's statement on 14 August that South Korea would not necessarily oppose simultaneous admission to the United Nations of both Koreas. He acknowledged that simultaneous admission may in fact become "unavoidable" because of changes in the international situation.

The South Korean shift in attitude is prompted in part by the government's recognition that there is growing public criticism of President Pak for excessive rigidity and for his failure to make progress on the emotion-charged unification issue—points on which the opposition candidate scored heavily in the presidential campaign last spring. The movement in Sino-US relations has also had an effect.

There have recently been signs of a greater flexibility on Pyongyang's part as well. The shift seems to have occurred as Peking sought to reassure the North Koreans that their interests would not be sacrificed by the movement in Sino-US relations. Not only were the Chinese apparently able to allay Korean uneasiness during an exchange of high-ranking delegations in mid-July, but they also appear to have persuaded Kim Il-sung of the efficacy of dialogue. The North Korean premier in a major policy speech on 6 August went out of his way to justify and implicitly to endorse Chinese contacts with the US. He also for the first time raised the possibility of talks with the government in the South. This was followed by a moderation in propaganda invective and by the prompt and favorable response to the South Korean Red Cross proposal.

The North Koreans appear to believe that direct contacts will serve to project a more "reasonable" image, and they probably hope thereby to create an atmosphere that will hasten a US military withdrawal from the peninsula. They may also believe that bilateral talks at Panmunjom and expanded contacts could upstage the continuing multilateral contacts under UN auspices and eventually bring into question the need for UN involvement in Korean affairs.

It is most unlikely, however, that either Seoul or Pyongyang anticipates any rapid expansion of contacts or significant give on substantive issues. Policies of uncompromising hostility toward each other and deep-rooted suspicions preclude a dramatic easing of tension, but both for very different reasons apparently have concluded that the time is ripe for a show of progress.

♦ ♦ ♦

SECRET

SECRET

AUSTRALIA: Prime Minister McMahon strengthened himself both as government and party leader when on 12 August he demanded and received the resignation of Australia's controversial defense minister, John Gorton. Gorton also resigned as deputy leader of the Liberal Party, thus reducing party tensions and giving the Liberals the opportunity to close ranks and present a less divided appearance to the public. Gorton, who has been one of McMahon's chief political rivals, virtually invited the action taken

against him when he published an article highly critical of cabinet ministers past and present.

The new defense minister, David Fairbairn, who has served in several cabinet posts since 1962, for the time being will concurrently hold the portfolio of Education and Science. Fairbairn, like McMahon, is grouped among the conservatives in the Liberal Party as opposed to the younger, more nationalistic and liberal politicians such as Gorton.

25X1

EUROPE

International Economic Developments

In order to gain time to respond to the new US economic policy, Western Europe this week closed most of its foreign exchange markets while national and intra-European groups met. Tokyo maintained the yen-dollar parity by sopping up dollars held by Japanese commercial banks and exporters. Ottawa, viewing uneasily the rate of exchange of its floating currency against the dollar, is appealing to have Canada exempted from the ten-percent import surcharge.

Paris and Bonn went into an EC meeting on 19 August with widely divergent views. The meeting of finance ministers, central bank governors, and other senior officials in Brussels was charged with seeking a common policy. Just two days earlier, the monetary committee had concluded that a coordinated float of the five EC currencies against the dollar would be the most likely course of action, but the French delegate then was unable to speak because his government's official position had not yet been determined.

On Wednesday afternoon, however, a French cabinet decision rejected the possibility of a joint float. Instead, Paris proposed an alternative action involving the establishment of a dual rate system, similar to that practiced with some success by the Belgians. In effect, this would require a partial re-establishment of a fixed parity for the mark, which the French have long sought. Bonn has already voiced its objection to such a solution because of the extensive bureaucratic controls they believe will be necessary. The Germans are determined to continue the present mark float pending the adoption of significant reforms to the international monetary system, most notably wider exchange bands against the dollar. The EC Commission, working for a compromise, tabled a proposal encompassing some features of the various positions. The outcome of the EC meeting will likely serve as the basis for discussion among the Group of Ten countries meeting in Washington this weekend.

SECRET

SECRET

All the major foreign exchange markets except Tokyo remained officially closed pending the outcome of the series of international monetary meetings this week. In small amounts of unofficial activity to finance commercial transactions in Europe, the dollar generally traded at a two- to five-percent discount. Tourists have had to pay upwards of ten percent more dollars for European currencies. When the gold markets reopened on Tuesday afternoon, after having been shut down for a day and a half, there was little change in the price of gold with a rather low volume of activity. Speculators apparently no longer expect an increase in the official price of gold.

In the first four days of this week the Bank of Japan absorbed about \$2.2 billion in operations to support the dollar. The rate of dollar purchases on Wednesday fell to about half the level of the first two days but rebounded again on 19 August amid speculation of imminent upward revaluation of the yen. Tokyo's dollar reserves were approaching \$11 billion by close of business on 19 August. Despite the government's persistent public statements that the exchange rate will be maintained, some flexibility is indicated by Prime Minister Sato's request that the Finance Ministry study the possibility of widening the margins within which the dollar is permitted to fluctuate. It was probably this request, made Wednesday, that accounted for the wave of dollar selling when the exchange market opened Thursday. Japanese Government officials probably feel that upward revaluation of the yen is inevitable, but would like to delay any move until the Europeans take some action.

A Canadian delegation, now in Washington, is basing its case for exemption from the ten-percent surcharge on the grounds that Canada has not maintained unfair exchange rates or engaged

in discriminatory trade practices. The delegation, headed by Finance Minister Benson, notes the Canadian dollar has appreciated to over US \$0.99 since it was allowed to float in May 1970, and maintains that there are no unfair restrictions on imports from the US.

Canada estimates that about one quarter of its exports to the US—some \$2.5-\$3 billion—will be affected by the surcharge, primarily manufactures. This in turn will add to unemployment in Canada, which presently is over six percent, and hinder economic recovery. Canada's unique dependence on the US market—and the unusual importance of the trade sector in the economy—makes this an issue of extreme importance to Ottawa. The Canadians could employ such leverage as a toughening of regulations governing foreign ownership, including control of Canadian industry by US firms; restrictions on additional gas sales to the US; and recalcitrance in negotiations for cooperative arrangements with the US in the energy area to gain special concessions.

While many other countries have adopted a "wait and see" attitude, India and Indonesia have expressed concern about the impact of proposed aid cutbacks on their economies, and Central American countries meet today to assess the new policy. Arab oil producers are fretting over potential losses from a floating dollar, a development not covered by the recent five-year price contracts that provided automatic adjustments only to compensate for inflation.

Although Communist China has thus far not commented on the new economic policy, the USSR is engaging in a propaganda field day, charging that the US worker will bear the brunt of the domestic program, and that the US is attempting to transfer its economic problems to its allies.

25X1

SECRET

SECRET

The Balkan Gridiron

Romania and Yugoslavia have become the targets of increased Soviet-inspired propaganda attacks in recent weeks. The ostensible reason for these attacks is the apparent willingness of Bucharest and Belgrade to use Peking as a counterweight to Moscow's dominance in the Balkans. Neither the Romanians nor the Yugoslavs, however, show any sign of wilting in the face of heat generated by this campaign.

Moscow's carefully orchestrated campaign has emerged since the Crimea meeting on 2 August that was attended by the party chiefs of all CEMA countries except Romania. The Kremlin's aim is to block Chinese attempts to erode Soviet influence throughout Eastern Europe, but particularly in the Balkans where Tito and Ceausescu accept Peking's recent preachments on the virtue of regionalism. Furthermore, the Soviets appear especially irate over Romania's recent attempts to exploit its ties with China in order to widen the room Bucharest has for maneuver vis-a-vis the USSR.

Moscow fired one of its first salvos at Romania on 11 August, when it reprinted a Polish article that declared "all nods of approval" for Peking's policies "could only be considered as harmful to the unity of the socialist community." The phrasing, "nods of approval," was subsequently repeated in East German and some other East European news journals. The Kremlin assigned its sharpest pronouncements, however, to Hungarian and Slovak newspapers. Thus, the Hungarian paper, *Magyar Hirlap*, reported on 13 August that Chinese Premier Chou En-lai planned to visit Tirana, Belgrade, and Bucharest this fall, but the article warned that if the visit should result in an "anti-Soviet axis," an "extremely dangerous situation" would be created in the Balkans. Earlier, on 11 August, the Slovak youth

newspaper, *Smena*, directly criticized Romania's nonparticipation in the Crimea meeting, thereby conveying the almost certainly false impression that Bucharest had refused an invitation. The Slovaks also growled that "the policy of walking on a tightrope will be paid for sooner or later."

The linkage of Romania with the disparate Balkan heretics—Albania and Yugoslavia—is almost unprecedented; it indicates the deep concern that Moscow has about the potential influence of China in the USSR's own backyard. The Hungarians are also vulnerable on this issue, since there have been rumors that they too are interested in improving relations with Peking by means of increased visits.

As the Soviets have increased the pressure on Romania and Yugoslavia, official and popular attitudes in Bucharest and Belgrade appear designed to convey confidence. Thus, Romanian and Yugoslav leaders are following normal vacation plans, but their activities appear especially attuned this year to mutual consultation. Ceausescu particularly seems to be having a working vacation during which his efforts are directed both at strengthening patriotic fervor, especially among Romania's large ethnic Hungarian minority, and reaffirming his regime's independent stance.

At week's end, Moscow's tolerance of increased Chinese activity in the Balkans, in particular, faced yet another test. A 15-member Chinese military delegation had arrived in Tirana, and it is possible that the delegation may stop over in Bucharest as well as Belgrade on its way back to Peking.

25X1

SECRET

Page Denied

~~SECRET~~

ARMS CONTROL: At the Geneva disarmament talks, 11 nonaligned nations this week gave their official response to the US-Soviet draft convention on curbing the production and stockpiling of biological weapons (BW). These nations would have preferred to have the convention cover chemical weapons (CW) as well, and consequently they are now seeking to firm up the superpowers' commitment to negotiate an agreement spe-

cifically on CW. A number of other points were raised by the nonaligned, but the outlook for agreement on the BW convention at both the Geneva talks and the UN General Assembly remains favorable. The nonaligned have decided not to push for language in the convention that would challenge the US contention that the Geneva Protocol of 1925 does not ban the use of tear gas and herbicides in war.

25X1

25X1

25X1

25X1

25X1

~~SECRET~~

SECRET

DENMARK: Both political and press circles expect Prime Minister Baunsgaard to call general elections early, probably for 21 September, four months before the deadline. The three center-right coalition parties will probably lose some strength, but their leaders hope that a recent favorable trend in opinion will lead to their gaining at least a majority. Their future tenure might

depend on support from the new Christian People's Party, which is dedicated to traditional values and opposed to abortions and pornography. The principal alternative is a Social Democratic minority government. Inflation, Common Market entry, and defense policy will be key election issues.

25X1

MIDDLE EAST - AFRICA

Guinea: *US, The Next Foreign Target?*

Allegations that a US-directed spy network has been operating in Guinea were included in the most recent of the "confessions" of alleged fifth columnists now being broadcast over Radio Conakry. President Toure, however, still may not intend to mount a major campaign against the US for plotting against him—charges he has already leveled at Portugal, West Germany, and France.

The most detailed allegations to date of US involvement in Guinea's current troubles were part of the "confession" of ex - cabinet member Kassory Bangura. After describing his "recruitment," Bangura outlined the objectives of the "American network" as "economic sabotage" and "implanting American influence." He also named four other high-ranking officials, who have been arrested, as forming part of the "network."

Nevertheless, Guinean officials—in response to a US protest—have given assurances that the testimony does not represent the government's position and that Conakry desires continued good relations with Washington. Moreover, the relatively mild objectives attributed to the US suggest

that President Toure may not wish to launch an all-out propaganda assault on the US similar to the one he has directed against other Western countries, notably West Germany, for the past eight months. There has also been no attempt as yet to specifically link the US with the invasion of Conakry last November or to the many alleged plots to assassinate Toure. The "confessions" of the newly implicated officials, especially that of Karim Bangura, a former cabinet officer and ambassador to Washington who was closely associated with American economic involvement in Guinea, should indicate more clearly how far Toure will carry his attack on the US.

It would have been remarkable if the US had escaped the current political turmoil unscathed, given the strongly anti-Western atmosphere in Guinea. Guinea's leaders have always regarded Washington's NATO ties to Portugal, the country that directed the attack on Conakry last November, as tantamount to proving US foreknowledge of and acquiescence in the attack. Guinea's influential leftists have also probably pushed hard for an anti-US campaign. The relative cordiality of US-Guinean relations throughout the current

SECRET

purge probably results, in part, from Toure's reluctance to drive out the last significant Western diplomatic presence in Guinea.

At the UN, meanwhile, Security Council members continue to debate the fate of a mission to Guinea, proposed in response to Guinean charges that a foreign aggression was "imminent." To the embarrassment of most members, Guinea announced soon after an earlier vote to send the

mission that the council's action had deterred the "aggression" and that the mission was no longer required. Several days later, however, Guinea again reversed its position. [redacted] Council members now are re-examining what the mission would actually do and its composition, although at week's end it looked as though some sort of mission would eventually be sent. [redacted]

25X1
25X1
25X1

BAHRAIN-QATAR: On 14 August, Bahrain assumed full independence and terminated the protectorate treaty under which Britain had handled its defense and foreign affairs since the early 19th Century. At the same time, the Sheikh announced that Bahrain would seek membership in the Arab League and the UN; the Security Council has already recommended to the General Assembly that Bahrain be admitted. Iran, the strongest Persian Gulf power, sent a message of congratulations that amounted to recognition of

the new state; Kuwait and Saudi Arabia, which dominate Arabian Peninsula politics, also sent their congratulations. The Sheikh's statement that the declaration would not affect Bahrain's "readiness to accede" to some federation of the Persian Gulf amirates under the proper circumstances apparently satisfied the demands of both Kuwait and Saudi Arabia for eventual federation of all the amirates. The neighboring state of Qatar is expected to follow Bahrain's lead shortly; it, also, will probably be recognized immediately. [redacted]

25X1

AFGHANISTAN: The government, because of two consecutive years of drought, expects a 25-percent shortfall in the country's wheat crop and, unless extraordinary relief measures are undertaken, the loss of up to 70 percent of its sheep. Moreover, Kabul's already serious balance-of-payments difficulties are being compounded by lower exports of karakul (lamb's wool) and other animal products.

The new Afghan Government, which took office in late July, has so far shown considerably greater speed and resolve than the previous

administration in attempting to deal with the economic crisis. In addition to local efforts to minimize crop and livestock losses, Afghanistan is seeking new foreign assistance and has approached the US and West Germany about a moratorium on its external debt until at least March 1972. Afghanistan's debt service obligations have risen rapidly in recent years to a record high of \$27 million, about 30 percent of exports. Although the USSR accounts for about three fourths of Afghanistan's total debt, Afghan officials claim they have not yet asked the Soviets for debt relief. [redacted]

25X1

SECRET

SECRET

India-Pakistan: *Major Problems Persist*

The Indo-Soviet friendship treaty has won wide acceptance in India, despite misgivings in some quarters. On 14 August, the budget session of Parliament ended with a comprehensive and highly favorable discussion of the treaty in the upper house. A few opposition members voiced some doubts, but they had little impact on the government's steadfast defense of its action.

The most commonly heard criticism is that India has agreed to withhold recognition of the independent government of Bangla Desh as the price for the treaty. Prime Minister Gandhi denied this allegation in Parliament.

[Redacted]

The opposition also worried that the 20-year duration of the treaty may have limited India's maneuverability for too long a period. Others speculated that closer ties with the USSR may lead to expanded Soviet activity in the Indian Ocean and possibly foreclose India's desire for an easing of relations with Communist China.

Since the signing on 9 August, the Indian Government has made extensive efforts to emphasize what the treaty is not. In her Independence Day speech on the 15th, Mrs. Gandhi pointed out that the treaty did not mark a change in Indian policy, implying that Indian nonalignment has not been compromised. Defense Minister Ram has also insisted that the treaty does not preclude any previously held options, including the right to develop nuclear weapons.

As Indian exuberance over the signing dissipates, however, there is likely to be a growing realization that the treaty does not address itself to the major problems intrinsic to the crisis. The three protagonists—India, the West Pakistani Gov-

ernment, and the East Bengal secessionists—all remain committed to their previous positions. Tensions may, in fact, increase in coming weeks.

As the monsoon ends, the refugee flow could accelerate, pockets of famine may develop in East Pakistan, and New Delhi's desire for a "political" settlement in East Pakistan might manifest itself in stepped-up support for the Bengali liberation forces.

[Redacted]

A guilty verdict and a death sentence in the current treason trial of East Pakistani leader Mujibur Rahman would raise emotions even higher

[Redacted]

* * *

Last week, Pakistan proposed that the UN Security Council create a "good offices" committee to examine the situation on both sides of the border. Reactions from the Indian and Soviet delegations were negative. Reference in the Pakistani proposal to both sides of the border runs counter to New Delhi's view that the conflict is between Islamabad and the dissidents of East Bengal.

In other aspects, however, it is the Pakistanis who are posing problems for the UN. An official note sent to Secretary General Thant protested his expression of concern on 10 August over Mujib's trial. Islamabad has also questioned the planned staffing of the UN's relief operations in East Bengal. This has caused some delay, but apparently some UN personnel should be on the scene by 1 September. They continue to be concerned over threats to their safety made by the rebels.

[Redacted]

◆ ◆ ◆

SECRET

25X1

25X1

25X1

25X1

Syria-Jordan: *The War That Wasn't*

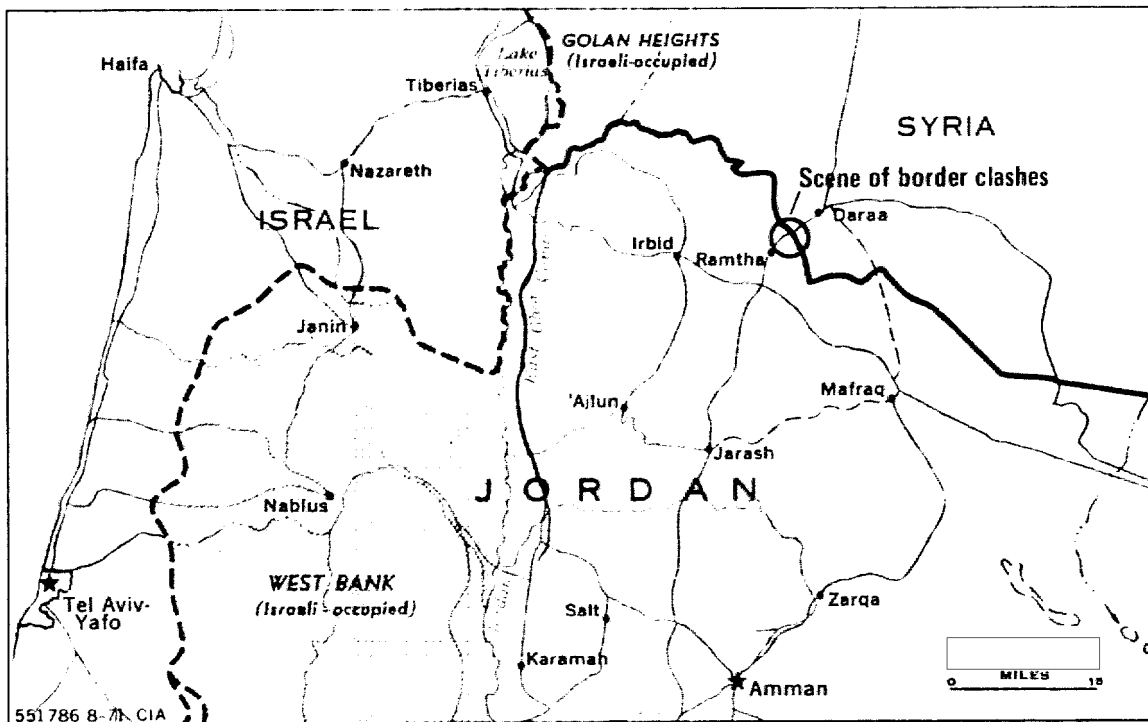
Last week's brief crisis began on 12 August when Syria publicized border clashes that had occurred that day and the day before, broke relations with Amman, and closed its airspace to Jordanian planes. On 11 August

a small Jordanian patrol—two tracked vehicles and a jeep—had crossed less than a mile into Syrian territory and had killed a Syrian at an observation post. The next day, the two sides traded artillery and tank fire in the Daraa-Ramtha area; the Jordanians apparently knocked out several Syrian tanks, despite Syria's claims to have inflicted the losses on Jordan.

Damascus' harsh reaction caught Jordanian officials by surprise. Border incidents are frequent

because of the concentration of forces in the area, but the Syrian Government had previously reacted with restraint. President Asad has his own problems with the fedayeen, and had been generally sympathetic with King Husayn's efforts to keep them in line. Syria's retaliatory measures in this instance probably stem from two factors: the overaggressiveness of the Jordanian Army and Syria's need to refurbish its pro-Palestinian credentials, particularly now that its policy of quiet cooperation with Jordan has become more widely known.

Jordan reacted by attempting to smooth Syria's ruffled feathers. Public Jordanian statements promised a full investigation of the "deplorable" incidents and urged Syria to reconsider.



SECRET

Despite these efforts, another clash took place on 13 August when an artillery duel brought on an attack by four Syrian MIGs, but Jordan refused to commit its aircraft and the actual damage was slight.

There have been no further incidents, and even the break in relations seems to have been more technical than actual; the Syrians have allowed Jordanian Embassy officials to remain in Damascus, although the Saudis are officially representing Jordanian interests. Syria also made it clear that the closure of its airspace affects only Alia, Jordan's state airline, and not other carriers, although the Lebanese airline has canceled flights to Amman in response to a bomb threat. Oddly enough, on 13 August Syria relaxed its restrictions on vehicles crossing the border, which had been partially closed following the fighting with the fedayeen in July.

Egypt moved quickly to help defuse the crisis. President Sadat phoned Asad on 13 August, presumably to plead for calmness, and Egypt's war minister met with the Syrian leader the same day. Cairo's attitude may be decisive in determining the outcome of the current meeting in Damascus of the Syrian, Egyptian, and Libyan heads of state. According to press reports, the three leaders intend to take up the problems of friction between Syria and Jordan as well as Jordan's treatment of the fedayeen.

Meanwhile, the two-man Saudi-Egyptian mediating team formed to work out an agreement between King Husayn and the Palestinian guerrillas appears to be in limbo. The men had arrived in Amman on 12 August armed with a six-point plan that would seem to go a long way toward meeting Jordan's needs. Among other provisions,

it called for the fedayeen to dissolve all secret organizations and to end their propaganda against the government. Amman apparently objected to the resurrection of the old pan-Arab political and military committees to supervise the agreement and the need to release commandos under detention.

The Jordanians also had some demands of their own, including the renewal of all Khartoum subsidies and the ending of such economic and political pressures as the freezing of relations and the closing of borders by Syria and Iraq. In addition, the government insisted that the King be recognized as the representative of all Jordanian citizens on both banks of the river, a provision that would rule out the formation of a separate Palestinian state, whether on the West Bank or in exile. The Jordanians have said that the mediating team accepted Jordan's revisions, but it seems more likely that the team agreed only to convey Jordan's terms to the fedayeen and other interested countries.

If Jordan's stance remains inflexible, any settlement is a long way off. The Palestine Liberation Organization has agreed to the six-point plan, but stressed that Amman's additions were entirely unacceptable. For their part, the Arab mediators probably would be content with a mere facade of pan-Arab supervision in Jordan, as well as lip service to the Cairo and Amman agreements, which have been superseded by events. The Jordanians, if they choose, could live with this and other unpalatable provisions; for instance, Amman could probably hold on to most of its fedayeen detainees by charging them with civil crimes. If the King maintains his unyielding position, however, he may dangerously impair the sympathy he might otherwise receive from other Arab governments.

25X1

♦ ♦ ♦
SECRET

SECRET

WESTERN HEMISPHERE

Latin America: *The China Initiative; the Cuban Question*

The announcement that President Nixon will visit China has produced a hemispheric spin-off, causing several Latin American states to draw a parallel between the cases of China and Cuba. They point, for example, to Castro's presence as one of the realities of political life in the hemisphere.

In the last several years, sentiment for the reintegration of Cuba into the Latin American framework has manifestly grown. Mexico, which maintained relations with the Castro government despite the OAS sanctions imposed in 1964, was joined in November 1970 when Chile re-established relations with Cuba. Peru has announced plans to establish relations with Peking, and Bolivia is seriously considering the move. Both nations also have the Cuban question under active study and may soon follow the Chilean lead. Bolivia has already formally approached Argentina with a proposal that the two countries simultaneously re-establish relations with the Castro regime. Peru concluded a major sale of fishmeal to Cuba in June, although the agreement contravened an OAS ban. Even Venezuela, which brought the charges of intervention that led to the 1964 sanctions, presently favors a re-examination of the situation. In addition, with a formal request for OAS consideration of the Cuban issue only a matter of time, several of the Latin American countries want to ensure that they are in the forefront of any move toward a rapprochement. The US initiative on China caught Latin America by surprise and most countries now are chary of a possible future shift of US policy toward Cuba.

Chile is leading the current effort to normalize relations with Cuba. A Chilean-Cuban communiqué issued on 1 August denounced the OAS agreements as obstructing the development of normal relations between Cuba and the hemisphere. President Allende raised the matter of Cuba's hemispheric role during his recent visit

with Argentine President Lanusse and plans to press the issue during a planned visit later this month to Ecuador, Colombia, and Peru. In addition, Chilean diplomats in Latin America have been seeking support for Cuban participation in the Special Committee for Latin American Coordination (CECLA), an all Latin American caucus which coordinates hemispheric positions on trade and economic matters.

Readmittance of Cuba to the OAS is not feasible under present conditions. Brazil would resolutely oppose such a move as would several of the Central American and Caribbean countries. Other countries that have benefited from the redistribution of the Cuban sugar quota would also be reluctant to sponsor a total rapprochement. Castro himself is a major stumbling block to sentiment for complete reintegration. He is convinced that the OAS will eventually be replaced by a purely Latin American body and would probably refuse readmission even if offered.

In light of these realities, recent discussions within the OAS have focused on the possibility of a proposal to allow each nation to conduct bilateral relations with Cuba without regard to Cuba's relations with the hemispheric organization. Those favoring some normalization of relations with Cuba probably recognize that they lack the two-thirds majority needed for a complete reversal of the sanctions policy. Formal consideration of the issue, however, may well show a simple majority in favor of a change in present policies, which would provide a justification for those governments wishing to deal bilaterally with Castro.

25X1

25X1

SECRET

SECRET**Chile This Week**

25X1 Despite continuing dissatisfaction with his administration's performance, President Allende has put off a cabinet reorganization until the fluid Chilean political situation settles. Of five resignations offered, he accepted only that of the minister of health and shifted the post from one small party of his Popular Unity (UP) coalition to another.

[redacted] The President said that the coalition could claim at most only 25 percent success in carrying out its program.

25X1 Allende's increasing inclination to express impatience with his followers' shortcomings indicates that he may rely even more heavily in the future on his own political judgment. He apparently takes few pains to disguise either his approval of the contribution of the Communist Party (PCCh) or his resistance to certain pressures from radical Socialist Party (PS) leaders and from the proliferating political groups supporting him.

25X1 One irritant to the President is the Socialists' private, public, and persistent demand for rapid and far-reaching institutional changes. They particularly insist upon the creation of a unicameral "people's assembly"—by resort to plebiscite if necessary—a move that Allende considers risky now.

[redacted] Allende agrees with the PCCh that the coalition's defeat by a united opposition in a recent by-election, although narrow, was a signal that cannot be ignored. Another consideration is that Allende's overtures to disgruntled leftist Christian Democrats did not lure as many breakaways from his chief opponents as he had hoped.

Allende is again facing a challenge from the extremist Movement of the Revolutionary Left (MIR), which is stepping up efforts to prove that violence is the only effective means to accomplish revolution. The political and ideological rivalry between the MIR and the PCCh has been intensified by continued illegal armed seizures of farms and factories and by rumors that the revolutionaries are stockpiling arms. The PCCh fears that the MIR's dedication to armed struggle could provoke a rightist or military coup attempt against the Allende government. The use of the Trade Union Confederation building to honor MIR leader Luciano Cruz, who died this week, was particularly galling to the PCCh, since it resents MIR intrusions in the labor field that the Communists consider their own bailiwick.

On the major issue of compensation to US copper companies, however, the hard-line stand of the PS is gaining ground. Chilean newspapers of all political viewpoints have criticized, as unjustified or counterproductive to Chilean-US relations, the deferral of the Export-Import (ExIm) Bank decision on a loan to the Chilean national airline to purchase US aircraft. Recurrent difficulties at the former US mines, whatever their real cause, are being blamed by the government on inherited problems deliberately triggered to reduce Chile's benefit. The long programmed winddown in US economic aid and the ExIm Bank response are being cranked into this campaign to prove that the Allende government is not responsible for unpleasant developments in its relations with the US.

Allende pays close attention to international relations, giving high priority to demonstrations of cordial relations with other Latin American countries. Pleased with his recent meeting with Argentine President Lanusse, Allende will leave on 23 August to visit Ecuador, Colombia, and Peru.

25X1

SECRET

SECRET

Guatemalan Terrorism Continues

The assassination of two police officials barely two weeks after the kidnaping of a prominent right-wing politician again demonstrates the terrorists' ability to carry out selective acts of violence despite serious losses in leadership, personnel and safehouses caused by the Arana government's nine-month-old state of siege. The Mexican Government's crackdown on some support activities of Guatemalan exiles will probably not have any immediate effect on Communist terrorist activity either.

A national police detective inspector and his assistant were shot last week near the inspector's home in Guatemala City. The assassinations were probably carried out by the Rebel Armed Forces (FAR), although roadblocks set up in the area failed to capture the attackers. Meanwhile, the Revolutionary Armed Forces (PGT/FAR) is still holding Roberto Alejos, who was kidnaped on 3 August. They are demanding \$500,000 ransom and are moving Alejos from one safehouse to another to foil government attempts to locate him.

The Mexican Government has been investigating the activities of a group of Guatemalan exiles engaged in distributing propaganda on behalf of the terrorists and in furnishing them with materials for making bombs and manuals on terrorism. Several members of the group have been arrested, and two have already been expelled from Mexico.

The Mexican moves may be a result of the meeting between Presidents Arana and Echeverria in May. Security and terrorism were the major topics discussed, and Echeverria promised to crack down on Guatemalan exiles operating in Mexico and even told Arana that Mexico would "cease to be a bridge between Cuba and the insurgents of Latin America." If the Mexicans continue their activities against illegal exile operations, it may in the long run serve to weaken terrorist capability within Guatemala, but thus far the effect appears to have been negligible.

25X1

CUBA: The appointment of another top official of the Armed Forces Ministry (MINFAR) to an unnamed high-level economic post is further evidence of Fidel Castro's dependence on the military establishment as a source of personnel for key management positions. According to a Cuban military magazine, MINFAR's first vice minister and chief of the General Staff, Major Diocles Torralba Gonzalez, was selected for "an important task in the national economy" in late July. In addition to Torralba's new assignment, three cabinet offices and a provincial party secretariat are now directed by former chiefs of the General Staff. Torralba's replacement as third-ranking officer in MINFAR is Major Senen Casas Regueiro, formerly chief of staff of the newly formed Havana Army; Casas' brother is also a major and

Major Torralba Gonzalez

holds one of the four remaining vice ministerial slots in MINFAR.

25X1

SECRET

25X1

Page Denied

25X1

Secret

Secret