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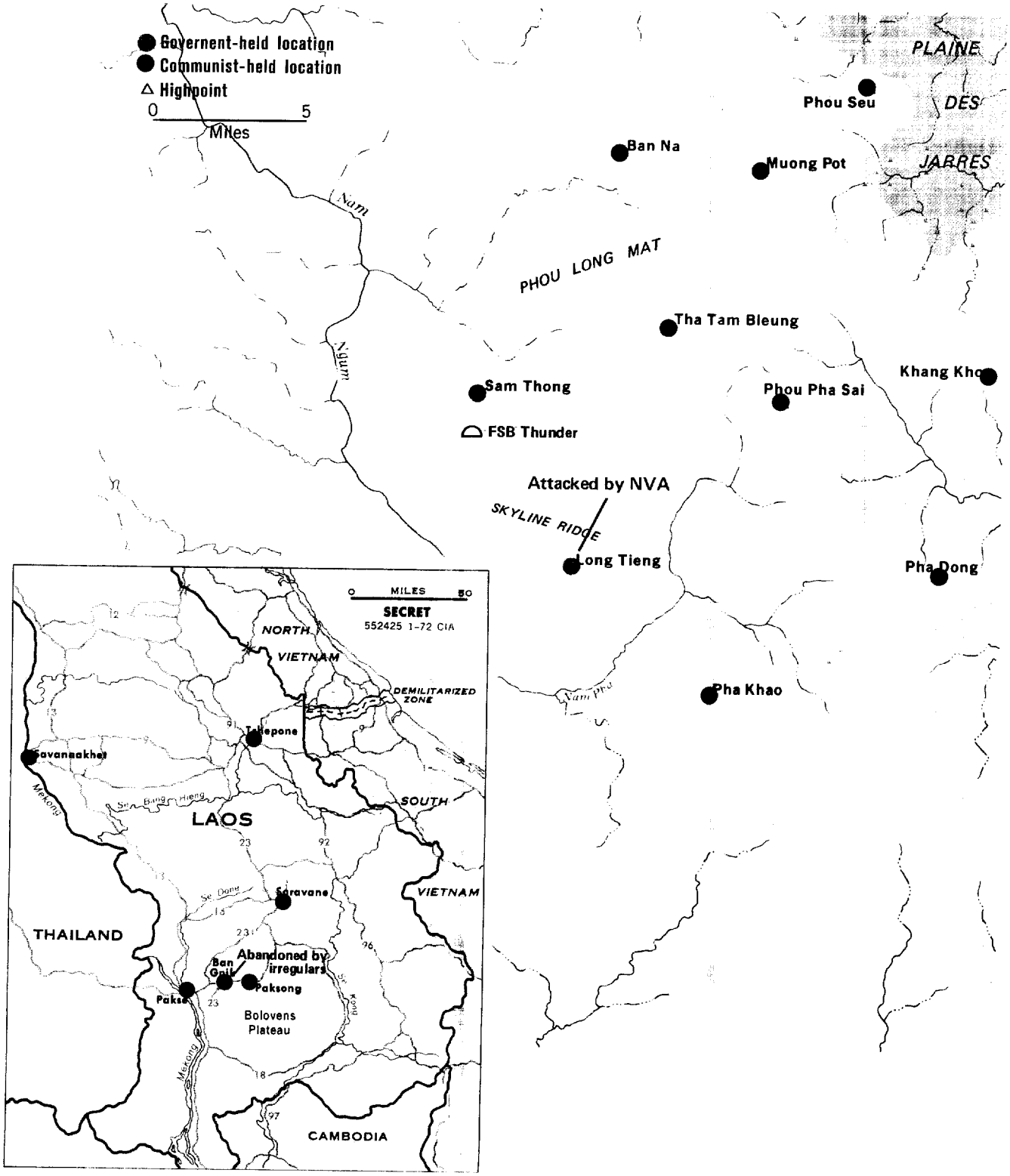
LONG TIENG AREA



Laos: Long Tieng Totters

The government hold on Long Tieng is precarious after several days of sharp fighting. North Vietnamese attacks have forced the government to abandon several positions along the defensive line north of Long Tieng, including positions in the Tha Tam Bleung and Sam Thong areas.

Long Tieng itself has been subjected to several infantry raids and continuing artillery attacks. North Vietnamese troops have overrun irregular positions on Skyline Ridge overlooking the complex, but government forces have contained Communist penetrations of Long Tieng Valley. The North Vietnamese appear capable of launching even stronger attacks. Despite heavy US air strikes, elements of seven North Vietnamese regiments are in the area southwest of the Plaine des Jarres. There is no evidence yet that these units are experiencing overriding logistical difficulties.

The government has about 8,000 irregulars in the Long Tieng area, mostly in defensive positions. The morale of many of these units is very low, and they probably could not take back many of the lost positions. Vang Pao hopes to retake positions on Skyline Ridge, but if this fails, the government forces will probably have to withdraw from Long Tieng.

In south Laos, an estimated two North Vietnamese battalions with artillery support forced irregulars to abandon Ban Gnik, the government's last position on the Bolovens Plateau. Government casualties were extremely heavy in four days of concerted enemy attacks. The withdrawal from Ban Gnik leaves only small government units between Pakse and the Bolovens, and many will probably pull back in the near future.

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Ghana: The Army Takes Over

Army elements in Accra moved early in the morning of 13 January to depose Prime Minister Busia, who is currently in London for medical treatment. Although for a while the situation was confused, as the day wore on there were increasing indications that the coup would succeed.

First news of the army move came in an announcement over Ghana radio that power had been taken by Lt. Col. Acheampong, the commander of one of Ghana's two infantry brigades. Shortly thereafter, the coup forces were reported to control the main military camp in Accra, the airport, and the prime minister's residence. Other key points in the capital, including Osu Castle, the government's nerve center, remained in the hands of Busia supporters.

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The position of the other brigade was uncertain. In any case it is not in the capital area. As time passed, however, the coup forces appeared to be gaining additional military support.

In an attempt to build popular support, the coup leaders have emphasized popular grievances growing out of austerity measures imposed by Busia's economically hard-pressed government. These included cuts in the pay and perquisites of army officers, for which Acheampong openly criticized the government. In addition, he has long been bitter about the promotion ahead of himself of officers he considers his inferiors and about other recent personnel changes in the army. Acheampong attended a training course in the US in 1968-69 and is regarded as decidedly pro-Western, especially pro-US. There is no connection between the coup leaders and Ghana's deposed dictator, Kwame Nkrumah, now in a cancer institute in Bucharest.

Initial public response in Accra has been generally favorable. Residents there have long been antagonistic toward the Busia government, and their discontent was intensified by the recent rise in the cost of living that followed the sharp devaluation of Ghana's currency two weeks ago.

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Bangladesh: The Return of Mujib

Mujibur Rahman returned home on 10 January to a country jubilant over his liberation but faced with formidable economic, political, and internal security problems. The 51-year-old Mujib's swiftness in establishing a parliamentary form of government, with himself holding the prime ministership and several other key portfolios, shows that he fully intends to exercise a dominant role. His public statements so far have been relatively free of rancor. He has declared his gratitude for Indian, Soviet, and Eastern European support, but he has also commended the UK, France, and "the people of the United States." While asserting that Bangladesh is no longer linked in any way to Pakistan, Mujib has also insisted that he bears no ill will toward the Pakistani people. He has called for an investigation of Pakistani atrocities by an international body.

Mujib has urged his countrymen to adhere to the law in dealing with persons accused of collaboration with Pakistan. The regime has already arrested several hundred alleged collaborators and is planning to put them on trial. It may request that India turn over accused collaborators now in its custody but it is uncertain whether New Delhi would comply.

The new country faces many problems, and the most staggering are in the economic sphere. Bangladesh has an empty treasury, almost no foreign exchange reserves, a massive food deficit, a shortage of managerial talent, a badly deranged communications and transportation network, and a seriously impaired capacity to grow jute and tea, the main export commodities. The return of millions of refugees from India, which is already under way, will place an enormous added strain on the country's meager resources.

Infighting among political factions also could eventually present difficulties. Although Mujib's Awami League swept the elections of December 1970, several leftist parties played an active role in the independence struggle and are now seeking a share in governing the country. The Awami League has kept these parties out of the cabinet but, in order to keep their support, the government has appointed several of their leaders to a board for a national militia, a potential source of power.

The Awami League itself encompasses a broad range of political persuasions. Prior to Mujib's return, the party's left wing, led by Prime Minister Tajuddin Ahmad, appeared to be gaining the upper hand. Mujib's presence will overshadow the factional wrangling for the time being. Moreover, he is a middle-of-the-roader, and his assumption of the prime ministership in place of Ahmad—who remains in the cabinet as finance minister—means a reduction in influence for the left. If the government should falter in the face of the country's problems, however, leftist politicians both within and outside the Awami League would probably make a renewed bid for an enhanced role.

Closely related to the government's political problems is the challenge of public order. The police force was decimated during the past ten months and it will take many months to rebuild. The government probably now controls less than a third of the estimated 50,000 armed guerrillas in the country. Many of the others are believed to

be either bandits or affiliated with left-wing political groups. Some guerrillas belong to the Mujib Bahini, an armed student group, which could make trouble if the government falls short of the students' idealistic expectations.

The Indian Army, together with some of the better disciplined guerrilla units, so far has been able to prevent a serious breakdown in law and order. New Delhi has proclaimed that it does not intend to keep its forces in Bangladesh indefinitely, and some Indian units have already been withdrawn. The two governments have stated in a joint communiqué that the rest will leave whenever Dacca requests their departure. Bangladesh, nevertheless, is likely to remain heavily dependent on the Indians for help in maintaining internal security—and in resurrecting the economy—for a long time to come.

The problems of the Biharis, one of the main groups accused of having aided Pakistan, appear to have eased for the moment. Recent UN and Red Cross visitors to the three main Bihari enclaves found that food supplies had begun to arrive and that the Indian Army was inoculating people against cholera. Relations between the Biharis and the Bengalis remain uneasy, however, and the Biharis are deeply depressed over their bleak economic prospects and the threat of future vendettas.

On the diplomatic front, several Eastern European countries and Mongolia have recognized Bangladesh, but Moscow so far has delayed, probably to avoid worsening its relations with Islamabad. Indian Prime Minister Gandhi's desire to prompt socialist countries to recognize the Dacca regime—together with her unhappiness with the US position during the Indo-Pakistani war—probably influenced her decision on 7 January to upgrade India's representation in North Vietnam to the ambassadorial level.

Senior UN secretariat officials have established basic principles for assistance to Bangladesh. Relief will be given without any implication of diplomatic recognition. Refugee assistance in India will gradually be phased out in favor of efforts in Bangladesh. Such operations will attempt to avoid the atmosphere of permanence that has characterized the UN Relief and Works Agency program in the Middle East. The early resumption of UN political activity in this area is not likely. 25X1

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New Offer to Malta

NATO has set the stage for another offer to Maltese Prime Minister Mintoff, but London may not be willing to cooperate in this effort to conciliate him. The North Atlantic Council on 12 January decided to tell Mintoff by Saturday that, if negotiations with the British are resumed and lead to a satisfactory agreement, NATO would offer a payment of over $31 million annually. The US offer to add about $2 million to the previous NATO package has been matched by like pledges from Italy and West Germany. It appears that no further substantial amounts will be added to the $31-million package. The French still refuse to participate, but Paris may add to the $18.2 million in bilateral aid available thus far to Malta. Mintoff has been insisting on $46.8 million.

The North Atlantic Council also agreed to a UK proposal that renewed negotiations be conditional upon Malta dropping its deadline of 15 January and agreeing not to harass the British withdrawal. In the event that the UK completes its withdrawal, it seems unlikely that the British would return in substantial numbers, if at all.

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Yugoslavia: The Pot Bubbles

A show trial of Croatian nationalists may be in the offing. Coincident with the opening of a major party meeting on 12 January in an atmosphere of nationality tensions, eleven officials of the Croatian cultural society *Matica Hrvatska* were arrested. All are accused of having ties with radical emigres and foreign intelligence services. They are also charged with working to separate Croatia from Yugoslavia.

Allegations of foreign intelligence meddling in Croatia have been bandied about for some time. Tito himself accused the ousted republic party leadership of such ties, but this is the first indication of anyone actually being called to account. No foreign intelligence service was named, but a Yugoslav press report of the case, in referring to an attempt to undermine Yugoslavia's self-management system, suggests that the charge is aimed at the Soviets.

The 25th session of the presidium of the Communist Party met on 12 January, with no indication as yet as to whether a consensus was reached on Tito's demands for party reorganization. Some of Tito's colleagues feel that only a party congress has the authority to make the sort of changes Tito wants; others simply want an assurance that too much power will not be concentrated in the hands of a select few. The presidium did adopt the standing orders for the second party conference to be held on 25-26 January and announced that 357 delegates would attend.

Serbian party boss Marko Nikezic is in the forefront of presidium members opposed to reorganization and reinforced discipline if it means returning to a highly centralized party. Nikezic and Serbian secretary Latinka Perovic, along with others, may be in hot water over this issue. Both openly defended Croatia's right to put its own house in order without outside interference at a time when Tito was saying all Yugoslav parties should assist "our Croatian comrades." Thus, they not only differ with Tito, but their views are not in line with popular feeling in Serbia.

In Belgrade, anti-Croat feeling is on the rise. The Serb-in-the-street, faced with uncertainty about the future and signs of confusion in the party hierarchy, suddenly has remembered the fratricide of World War II when thousands of Serbs died in Croatia. Against this background, the Belgrade rumor mill has been active, adding to a mood of general uncertainty in the city. Recurrent, but unfounded, stories include the imminent return of Alexander Rankovic, the former vice president whom Tito purged in mid-1966 following the revelation that Rankovic was working against Tito in league with a foreign power, i.e., the Soviets. Stories are rampant in Belgrade that the police are afraid even to hand out traffic tickets for fear of offending people in high places and that firms are unable to pay workers. Serb chauvinism is evident in the grumbling about the ineffectiveness of Tito's leadership and in statements that Yugoslavia would be better off under a Greek-type regime—a reference to the fact that the Yugoslav military is dominated by Serbs.

Elsewhere, tension between Albanians and Serbs in the autonomous province of Kosovo are running high. Both Serb and federal officials are keeping a close eye on the situation there following reports that large amounts of small arms are being smuggled into the province. [redacted] 25X1

Indochina

ABOUT ANOTHER GENERAL OFFENSIVE

The Communists are spreading the word widely, and with unusual openness, that a massive spring military campaign is being planned in South Vietnam to affect President Nixon's trip to Peking. Even members of the North Vietnamese negotiating delegation in Paris have been putting out the word. The openness of Communist discussion of their military intentions is puzzling, since they usually work hard to conceal even the outlines of their plans.

In adding its bit, Radio Hanoi has suggested that a change in military tactics in South Vietnam may be in the offing. A long series of commentaries by an unknown but authoritative author who uses the pseudonym Chien Thang touches all the propaganda bases, including the need for more diplomatic and political activity abroad. He then gives a big boost to main-force warfare, noting that this type of combat is the "most important part of the army's combat strength in a war," and implying that heavy main-force action is the key to ultimate victory. By contrast, commentaries since early last summer have given as much emphasis to guerrilla struggle and political action inside South Vietnam as to large-unit warfare.

Chien Thang's articles, which originally appeared in the North Vietnamese army journal, may have been mainly designed to rationalize the current heavy employment of Hanoi's army in Laos and Cambodia and condition the populace to increased use of main-force units in the war. His shift in emphasis, however, could also reflect some disagreement within the regime on the idea of committing more resources and manpower to main-force warfare. Perhaps significantly, it was published in the wake of a speech by National Assembly President Truong Chinh that placed far more emphasis on domestic priorities than has been characteristic of other recent top-level pronouncements. Differences over the proper pace of military action have spilled over into North Vietnamese media in the past, most notably in connection with the offensives of 1968.

How much of the talk about a big offensive in South Vietnam is rhetoric and how much is solid intention is still far from clear. Communist cadre are being told that a "general offensive" aimed in large part at hitting urban areas is scheduled for the next few weeks or months. There is little evidence as yet of hard planning for an all-out effort, although a few reports suggest that detailed orders for major efforts here and there are being formulated and issued.

Also lacking so far, except in the border areas of Military Regions 1 and 2 where a big spring effort does seem to be in the works, is substantial evidence of the resupply and redeployment activities that have preceded a maximum Communist military effort in the past. However, if the Communists are willing to take the casualties, and this would include the decimation of many of their military units in South Vietnam—they could put on a spectacular offensive that would have major psychological effects both in South Vietnam and abroad.

The South Vietnamese Army

South Vietnam's armed forces experienced a number of serious personnel problems last year despite an over-all improvement in their fighting performance. A study covering the first eight months of 1971 [redacted] painted a

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Communist radiophoto

Tractors prepare fields for rice seedlings in North Vietnam.

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pessimistic picture of troop replacement and recruiting efforts. The armed forces were only about 70 percent of authorized strength during the period. The study does not make a direct correlation between the increased combat role of the South Vietnamese Army and the growing personnel problems, but it is apparent that this is indeed a big factor. Casualties suffered by government forces rose by over 11 percent during the 1971 period, and the monthly desertion rate increased by ten percent. Desertions have hampered the development of the South Vietnamese armed forces over the years. A constantly increasing war weariness is taking its toll on both government and Communist recruiting efforts.

Although government operations against the Communists improved over-all both in quantity and quality, in some respects the army's performance deteriorated compared with 1970: the number of weapons lost in combat increased 123 percent while the number of enemy weapons captured decreased by 22 percent.

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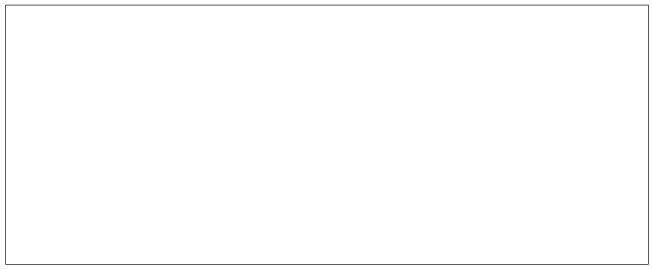


HANOI PUTS ITS BEST FACE FORWARD

Hanoi issued a rosy New Year's pronouncement on the economy that obscures the damage caused by the record floods last summer. The glowing account of agricultural successes focused on the 1971 spring harvest, when there was a bumper rice crop and a substantial increase of industrial crops. But the November harvest accounts for two thirds of annual rice production, and Hanoi was only able to claim that a "major" part had been saved despite the floods. Analysis of photography indicates that some 40 percent of the November rice crop was destroyed by the floods. As a result, rice production for the year as a whole probably was down by more than 20 percent. This would make it the smallest yearly harvest since the Communists came to power in 1954. Livestock losses reportedly ran as high as 20 percent.

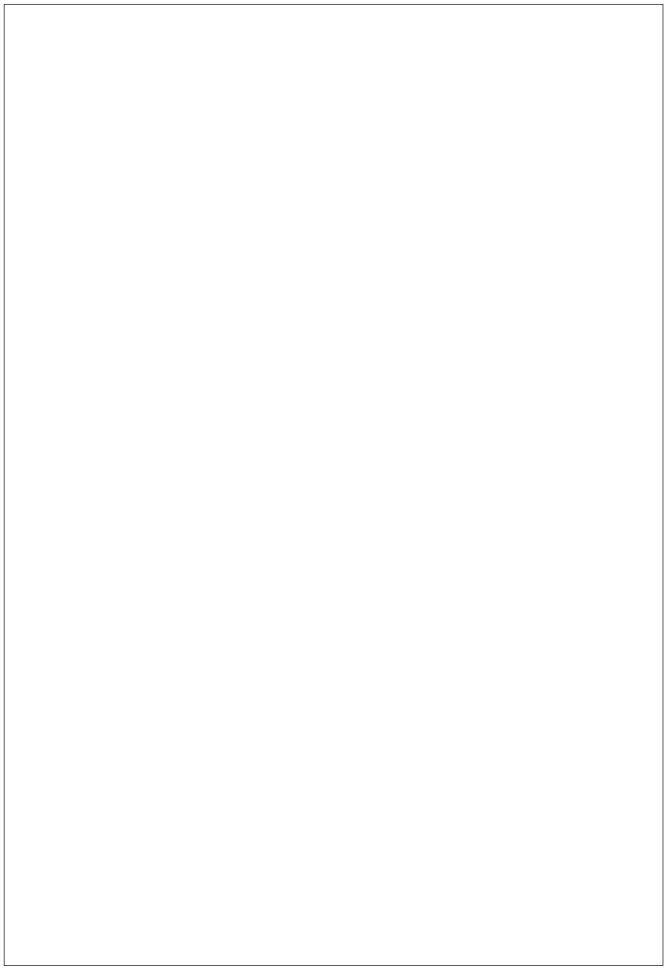
The floods had less of an impact on industry, although they probably prevented output from reaching pre-war levels. Disruption caused by the floods seems to have curtailed industrial activity generally for two to four weeks, long enough to account for a loss of five to ten percent in output.

The net result of all these difficulties was a drop in GNP of approximately ten percent under 1970.

WINTER LIGHT IN CAMBODIA

The country enjoyed another quiet week militarily, with enemy forces confining themselves to minor harassing attacks against scattered government positions. The lull in the fighting probably stems from the Communists' need to rest, refit, and resupply their troops—particularly those employed along Route 6 and near Phnom Penh. Some enemy forces are also occupied with the rice harvest which will soon be completed.

Communist action can be expected to pick up again soon. During the last dry season, they fought hard during November and December, then laid low for a few months before winding up the dry season with a series of sharp attacks along Route 4 and in the Tonle Toch area northeast of Phnom Penh. This year, they may swing into heavy action somewhat sooner, particularly if Hanoi undertakes an Indochina-wide effort.



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Political Skirmishing in Italy

Prime Minister Emilio Colombo's government is likely to resign soon. Each of the parties in the center-left coalition is seeking a greater voice in government policy. At the same time, the parties are trying to put together a program that will carry them over several rather high hurdles in the coming year.

Questions about the government's continuation in office and its program naturally arose this month following the presidential election. Colombo had proposed a debate when parliament reopens on 18 January. Now it is likely that he and his cabinet will resign before the debate can be held because the small Republican Party has withdrawn its support and the Social Democrats refuse to remain without the Republicans. Both parties would join a new center-left coalition if their desires are given sufficient weight in a new program. The larger Socialist Party, on the other hand, would refuse its support if Republican and Social Democratic views are too strongly represented. Since each of the parties finds an echo in some faction of the Christian Democratic Party, the making of a new center-left cabinet may take a long time.

The most immediate problem to be solved before there is agreement on a new government is how to deal with the referendum to be held between 15 April and 15 June on Italy's first divorce law, passed in late 1970. The major anti-divorce political party, the Christian Democratic, agreed to forgo parliamentary opposition to the law and said it would rely instead on the electorate's decision in a referendum. Thereafter, three Catholic activist groups presented almost three times the required 500,000 legal signatures in their petition for the referendum and raised fears that the divorce law would be abrogated.

At present, none of the political parties or leaders, except for the small neo-fascist party, really likes the idea of the referendum. The center-left parties fear it will divide them, and the Communists have come to believe that a substantial number of their members will support the referendum in defiance of the party line. Nevertheless, the political leaders have so far been unable to devise a way of sidetracking the referendum.

In the preparation of a new center-left program there will also be considerable debate about social and economic reforms and their financing. The Republicans want to emphasize fiscal responsibility; the Socialists stress the priority of reform.

Over the past two years, moreover, leaders of organized labor have successfully put pressure on the government to speed up its reform program. Economic conditions are such as to incline political leaders to delay on further legislation, but they are apprehensive that delay would foster labor unrest. Certain key three-year labor contracts, signed after turmoil in the "hot autumn" of 1969, expire this year.

The long-pending government decentralization, scheduled to take effect on 1 April, may also provoke controversy. The specified powers to be transferred from Rome to the regional capitals involve public works, welfare, agriculture, and local police.

Although parliamentary elections are expected in the spring of 1973, the Republicans and Social Democrats say they would like early elections unless the government program meets their demands. The Socialists are less ready, and the Christian Democrats fear elections now would benefit the neo-fascists. [redacted] 25X1

NATO: Studying Troop Reductions

The Soviets are still stalling on receiving former NATO Secretary General Brosio for discussions on the prospects for mutual and balanced force reductions. Brosio, his patience wearing thin, would like to have the status of his mission clarified, although he would not want to let Moscow off the hook by relinquishing his task right now.

Moscow's stance is based on its opposition to bloc-to-bloc talks on force reductions and its preference for bilateral US-Soviet discussions on the subject. The Soviets probably calculate that pursuit of their current objectives in Europe could only be complicated by receiving Brosio and involving themselves in the kind of force reductions dialogue sought by NATO.

In the meantime, the allies are proceeding with their own examination of approaches to negotiations that would protect NATO security and yet lead to fruitful talks. Generally, they expect that even if the Brosio mission has to be scrapped, force reduction talks will become more likely if there is movement toward a conference on security and cooperation in Europe. They are also increasingly conscious of the pitfalls involved and of the need for thorough preparations.

Future NATO studies of force reductions are likely to concentrate on the phased approach favored by the West Germans. As Bonn sees it, East and West first agree on principles to govern reductions, next work out constraints on Warsaw Pact and NATO force movements and deployments, and only then negotiate force reductions. Bonn prefers this sequence to a "quick fix," i.e., immediate troop cuts. West German officials say, however, that they would not stand in the way if the US at some point should opt for the latter. 25X1

Gaston Eyskens

BELGIUM: The two-month-old impasse in negotiations for a new government between the Socialists and Social Christians is about to be broken. Gaston Eyskens, Social Christian prime minister in the last government, is putting together a new cabinet and is drafting a new program that should be acceptable to leaders of both parties. He has been immensely helped by Socialist Party co-president Edmund Leburton, who succeeded in overcoming the interparty disagreements on educational policy that had undermined Eyskens' previous efforts. The skilled and popular Eyskens will probably complete government formation within the month.

Edmund Leburton

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New Trials for EC Farm Policy

The common agricultural policy—still the most integrated of the EC's programs—faces another difficult period. As a result of the agreements reached last month on exchange rates, the EC must decide whether and how to set a new value for the "unit of account" in which farm prices are stated. Decisions on prices for the 1972-73 season are also pending, and debate has been resumed over implementation of agricultural reforms agreed to in principle last year. While farm groups are, as usual, urging substantially higher prices, the US is pressing for some reductions.

Since the floating of the German and Dutch currencies in May 1971, free trade in agricultural products within the EC has been upset by the compensatory import taxes and export subsidies introduced to insulate domestic prices from exchange-rate movements. These measures are now applied by all EC countries in trade with each other and with countries outside the community.

Farmers riot in Brussels, 1971

Removal of these measures will probably involve a revaluation of the unit of account in terms of gold. This will not be easy to achieve. The community members will not take this step until the US formally devalues the dollar.

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The unit of account problem, of course, complicates the always difficult decisions on next season's support prices. The unit of account must be fixed before the domestic prices that concern each member government can be determined. The commission's latest price proposals, although above its earlier recommendations, are still below what EC farm groups have been demanding. They run counter, however, to US requests for lower prices, particularly for feed grains, which are an important US export item. With the commission believing that farm pressures will increase over the next two months, an impasse in EC decision-making could occur if the US has not formally set the new dollar value of gold by March.

These difficulties provide the EC with a convenient rationale for not making any far-reaching concessions to the US in the trade talks that resume in Brussels on 14 January. It is doubtful that the EC agricultural ministers will make much progress on prices at their next scheduled meeting on 24-25 January. The French, in any case, will likely try to keep the focus of EC attention on US demands, which Paris claims constitute an attack on the common agricultural policy and on "community solidarity" in general.

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Fedayeen Action, Israeli Reaction

Katyusha Launchers Found Near Safad

The Israeli strikes at fedayeen sanctuaries in two Lebanese villages just across the border on 11 January followed a month of increased terrorist operations. The Israelis reported killing an undetermined number of fedayeen and admitted losing two soldiers.

Early this week, the commanding officer of the Israeli Northern Command passed a warning to the Lebanese through the UN-sponsored Israel-Lebanon Mixed Armistice Commission that Lebanon's failure to restrain the fedayeen would result in "corrective action." Several terrorist incidents occurred subsequently. The most serious and probably the one that sparked the Israeli retaliation was a Katyusha rocket attack on 9 January on the town of Safad, which is some seven miles from the border and had been untouched by terrorism since 1948. In the attack, the fedayeen probably erected launchers with timing devices inside Israel and then retreated across the border.

In the past, Israeli retaliations have usually brought a period of quiet to the border. This time, however, the fedayeen were back the next day, firing Katyusha rockets at the Israeli border village of Kiryat Shimona in northern Galilee. It was the fourth shelling of the village in a week. On 13 January, rockets were fired at two other settlements along the border. If the fedayeen continue to operate across the Lebanese border, the Israelis are sure to respond again and probably in greater force than they did on 11 January.

The Israelis have not yet retaliated against fedayeen bases in Syria for the murder and decapitation of an Israeli civilian engineer in the Golan Heights on 6 January. Except for this incident, fedayeen activity along the border with Syria has been at a relatively low level. 25X1

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Stirrings in Guatemala

After 18 months in office, the tone and style of the Arana administration have generally been set, and the break-in period is about over. He has begun to demonstrate greater confidence in his ability as well as a new ease and even exhilaration in being the national leader. The law-and-order President will continue to give attention to the security situation, but he is broadening his focus. He is demonstrating interest in social development and is beginning to exhibit some pretensions to an international or at least a regional role.

Arana came into office promising to eliminate the terrorism and subversion that in recent years claimed the lives of two US military officers, a US and a West German ambassador, and thousands of Guatemalans. After playing nice guy for four months, he imposed a state of siege in November 1970 and sanctioned extra-legal methods that had a chilling effect on the leftist guerrillas. Two months ago, responding to domestic and international pressures, Arana declared the pacification program a success, lifted the siege, and restored full constitutional rights.

Since then, guerrilla activity has not increased significantly. Indeed, the locus of activity has apparently shifted from Guatemala City to the Peten, a sparsely populated area in the northern part of the country, where this week a five-man army patrol was ambushed and killed. The government may soon undertake a major military effort in this region, which it terms the last terrorist stronghold in the country. Arana will also devote considerable resources to fighting ordinary crime, which has reached pandemic proportions and even more of a political embarrassment than subversion.

With the lifting of the state of siege, political activity has resumed. Municipal elections will be held in March. Even now, however, much of the political maneuvering is actually directed toward the 1974 presidential election. The somewhat uneasy coalition between the rightist National Liberation Movement, headed by Mario Sandoval, and the makeshift Institutional Democratic Party, assembled by the military government of the mid-1960s, will last at least through March and seems likely to win in a majority of the municipalities.

The major opposition, the Revolutionary Party, has been having a hard time and has been leaderless for over a year. Mario Sandoval, who besides his party post is a leader of the government coalition, seems to be trying to engineer the election as party secretary general of a dissident Revolutionary Party leader, Carlos Sagastume, in an apparent attempt to divide the party and pick up support from Sagastume for a presidential try in 1974. Other Revolutionary Party leaders plan to appeal this blatant interference in party affairs to Arana, who is toying with the idea of extending his term and may resent Sandoval's machinations.

At the same time, Arana is showing more concern with economic and social development problems. During visits to the countryside, he has been shocked by the conditions under which rural laborers live, and he has begun to increase health, education, and social services in rural areas. Although the government has begun by pushing the type of reforms that would make the biggest splash during the March elections, Arana's rightist credentials could persuade the landowners and military to go along with more substantial reform than they would accept from a centrist regime.

Arana is also beginning to dabble at regional politics. He is encouraging efforts to revive the Central American Common Market. On the other

hand, he has been watching for signs of movement toward independence in British Honduras, which Guatemala claims, and has engaged in a war of nerves with Costa Rica. The Guatemalans, concerned about Costa Rica's admission of a Soviet Embassy, have been harassing Costa Rican travelers and using Costa Rica as a dumping ground for exiled terrorists and other leftists. Costa Rica has charged that Guatemala is helping Costa Rican rightists plan a coup against the Figueres government. 25X1

Chile: A Season for Maneuvers

The flurry of political activity in Chile last week may have been more sound than substance. The opposition is being unusually persistent in its attempts to discomfit the Allende government in the run-up period before two important legislative by-elections on 16 January.

When all but five opposition congressmen voted to impeach Interior Minister Jose Toha on 6 January, President Allende reacted by swearing him in as minister of defense the next day. Allende may even hope that his key lieutenant's experience as interior minister in organizing police and other internal security forces in support of the government will be useful in dealing with the growing evidence of discontent among military officers.

Toha switched ministries with Alejandro Rios, who was named acting minister of interior. Rios is a 70-year-old Radical Party member and close friend of Allende. Largely a figurehead at defense, Rios becomes first in the line of succession to the presidency. The prospect that with Rios at the helm, the Interior Ministry will be run by a capable young Communist, Undersecretary Vergara, may cause uneasiness in both coalition and opposition.

Allende intends soon to make other cabinet changes. The elevation of a Radical to the top cabinet post could be used to justify reducing the disproportionate number of ministries headed by that declining and divided party. Allende could strengthen the coalition's appearance of plurality, which he values, by naming more prestigious non-Marxists to the cabinet.

It is unclear why the opposition Christian Democrats abandoned backstage bargaining aimed at accommodation with Allende and pushed ahead with the move to oust Toha. Several party leaders had commented that Toha is the most reasonable person to deal with in the Allende government. On 11 January, the Christian Democrats joined the National Party in announcing that charges of incompetence in his new post as defense minister will be brought against Toha. The charges wil be laid before a five-man tribunal created last year to judge the constitutionality of legislation and other matters. Allende appointed three of the tribunal members but probably cannot be absolutely sure of the vote of one of these.

For his part, Allende has taken to the same tribunal his case that the congress exceeded its powers by the earlier motion to impeach Toha and the changes it made in his 1972 budget. The budget hassle has been replete with acrimony on all sides. It involves among other items the control of important television channels and the fight for control of the University of Chile, where a showdown has been postponed until April.

The by-elections to fill a senate and a house seat formerly held by oppositionists are seen as a national political test. Actually, local personalities and issues may be as important in determining the outcome as the heavy infusions of campaign assistance from Santiago. There have been several incidents of violence, and there may be more. The extremist Movement of the Revolutionary Left is particularly active in the provinces where the elections are being held. 25X1

Uruguay: The Tupamaros Are Back Again

After a standdown of several months, the Tupamaros seem ready to resume major activity. The terrorist raid on a border town on 30 December also suggests a shift in tactics to give greater emphasis to diversionary raids outside the capital.

For three months, the Tupamaros had observed a self-imposed standdown, thinking to boost the electoral prospects of the leftist Frente Amplio. The Frente still attracted only about 18 percent of the vote in the presidential election on 28 November.

25X1 The raid on the border town of Paysandu was [redacted] using the standard Tupamaro ruse of military disguises. They took over a police substation, a quarry, and the local airport. They carried off weapons, explosives, and radio transmitters. News of the raid was suppressed until 6 January, when the terrorists seized a capital radio station and broadcast a recorded proclamation taking credit for the Paysandu operation and declaring an end to their unilateral truce.

Several top Tupamaro leaders, including Raul Sendic, were tentatively identified as having taken part in the Paysandu assault. It is doubtful, however, that the security conscious Tupamaros would have committed so many top leaders to a single operation. Possibly the most significant aspect of the raid was its location, some 225 miles from Montevideo on the Argentine border. Since last February, the police have been aware of tentative Tupamaro plans to expand operations to outlying towns and districts, using Montevideo activities as a model. It will take more actions outside the capital before we can be sure that Tupamaro strategy is branching out into the countryside. With the 106 members freed in a spectacular jail break last September added to several hundred other militants, the Tupamaros have enough manpower to operate outside the capital. The September escapees may indeed have overburdened the support mechanism in Montevideo.

Moreover, police through mid-December had recaptured several of the escapees in outlying areas, and police raids in the interior have turned up Tupamaro support operations there. If the Tupamaros do embark on a more wide-ranging course of action, it will furnish a real test for the armed forces, which were given over-all responsibility for counter-insurgency late last year. [redacted] 25X1

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Populist politician Assad Bucaram returned from exile on 8 January and was met by a crowd of some 30,000 supporters. There was no violence, although several bombs were exploded in Guayaquil on the night of 5 January and the situation in the city had been tense. Bucaram is a candidate for the presidential election in June. If he is not exiled again, he will be a strong contender.

Meanwhile, the government has seized two US tuna boats operating inside the claimed 200-mile territorial limit without Ecuadorean licenses. A number of boats have bought such licenses, so there may be less strain in relations between Ecuador and the US. Negotiations are under way to reach an accommodation pending the Law of the Sea conference to be held next year. [redacted] 25X1

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Venezuela at the Crossroads

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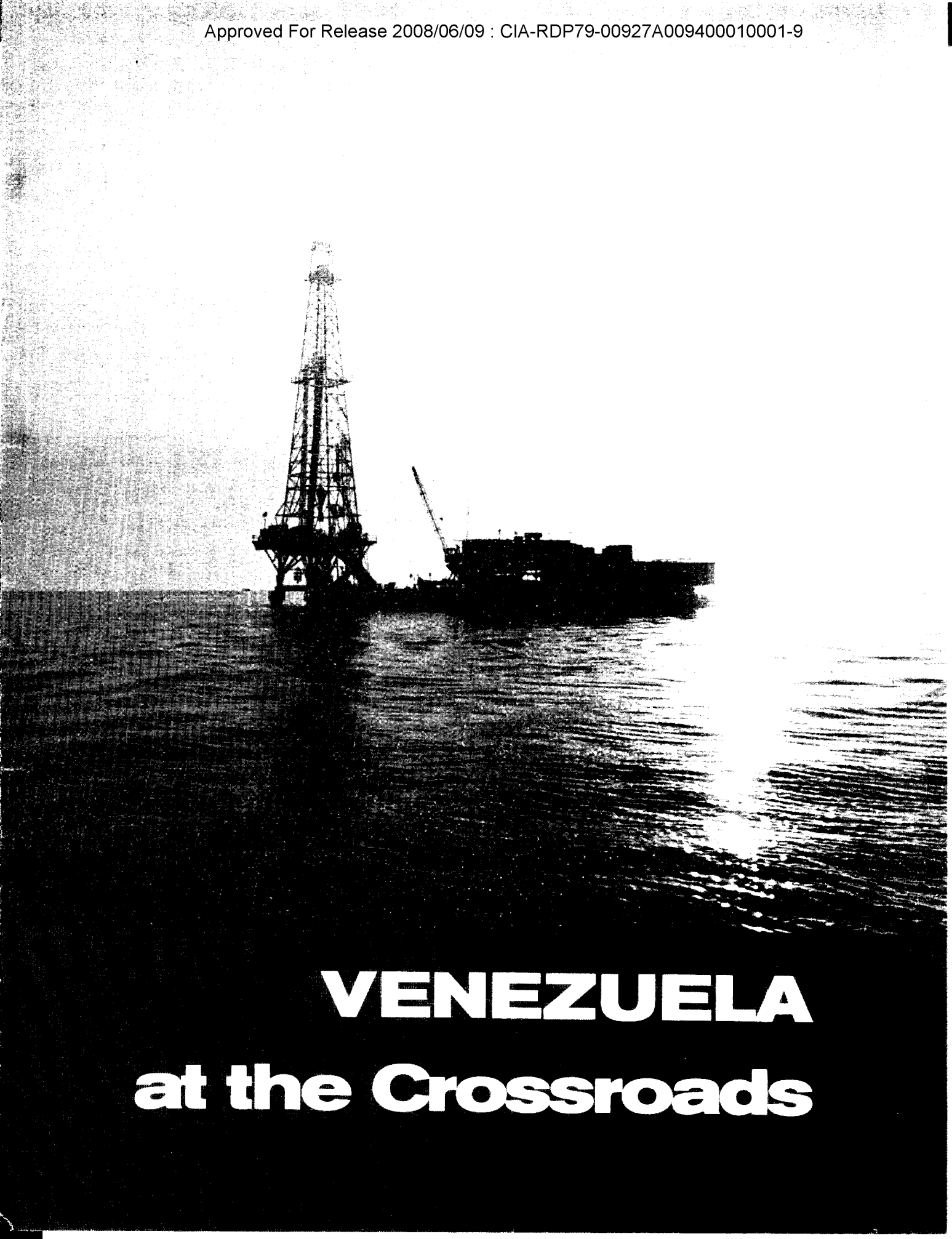


VENEZUELA at the Crossroads

The Venezuelans have arrived at a crossroads in their national life. Christian Democratic President Caldera has set the country on a course that could produce progress in some fields but could just as easily jeopardize Venezuela's continued development and stability. Among his notable successes in foreign policy, he has deflated border problems with neighboring countries and has marked out a leadership role for Venezuela in Caribbean affairs. On the other hand, his government has produced a succession of highly nationalistic laws and regulations that are certain to provoke contention with the international oil companies on which the economy largely depends.

In his last days, Bolivar characterized his countrymen as being among the most "turbulent and seditious" on the continent and correctly predicted that they would fall victim to "an unbridled crowd of petty tyrants."

While exhibiting great self-assurance as a major oil producer and as a strategic Latin American country, Venezuela is showing insecurity about its own institutions at home. The most remarkable aspect of a loss of confidence in its hard-won democratic system is the new popularity of former dictator Marcos Perez Jimenez.

As a latecomer to the latest leftist-nationalist current in Latin American nations, Venezuela has the advantage of others' experience from which to draw. It is in a position to achieve the special place it seeks without creating the international antagonisms that characterized the actions of some of the others. President Caldera intends this and has shown some skill at channeling national ambitions into constructive routes. Even if he succeeds in this, there is a question as to whether he can avoid the biggest pitfall ahead: electoral politics as the 1973 campaign approaches.

A Little History

Venezuela's long history of dictatorship and its tedious succession of strong men was a source of little pride to Venezuelans, who in those days had cause to feel inferior to other South American states. The Spanish colonists were disappointed in their search for gold and a great indigenous civilization such as those that they had found flourishing in Peru and Mexico. After a long and bloody war of independence from Spain, the Venezuelans fought among themselves and with their compatriots in the federation of Gran Colombia. In the process, they maligned and assassinated many of their founding fathers and drove the great liberator Simon Bolivar, himself a Venezuelan, to an early grave. Bolivar's Gran Colombia broke into independent states and Venezuela was too weak to prevent the eventual loss of territory to both the east and west.

Between 1835 and 1935, the country suffered a succession of regional rebellions, military coups, and brutal dictatorships. Finally in 1958, the last of the dictators, Marcos Perez Jimenez,

was ousted and the struggle to implant a working democratic system began. The two Democratic Action governments under Romulo Betancourt (1959-64) and Raul Leoni (1964-69) survived many military second thoughts about civilian rule as well as a Cuban-supported insurgency.

The accession to the presidency of Rafael Caldera in March 1969 marked Venezuela's first peaceful transfer of power from one party to another. The transfer seemed to certify political maturity and to ensure the success story would continue. The guerrillas were defeated, democracy worked, and the nation was rich. Venezuelans were ready to shed their sense of inferiority and to test a new feeling of national identity. This new pride took many forms, from a "rediscovery" of vague indigenous values in music, art, and architecture to a major effort to diminish the country's dependence on outsiders. Although still considerably weaker than in other Latin countries, the new nationalism had its xenophobic side.

Some of this xenophobia had its roots in the "Colombian problem." In addition to the perennial boundary dispute, the presence of 400,000-500,000 "undocumented" Colombians living and working in Venezuela contributes to the anti-foreign feeling. The middle and lower classes particularly resent the Colombians' competition for scarce jobs and their acceptance of much lower wages. Another source of resentment was the wave of immigrants who came to Venezuela in the 1940s and 1950s, mostly industrious Italians, Portuguese, and Spaniards, who have on the whole done very well financially. As for anti-US feelings, the overwhelming US presence—companies, style of dress, movies, and music—makes such antipathy all but inevitable. President Caldera, who came to office with under 30 percent of the popular vote, has increased his political strength by playing on nationalistic themes.

His economic programs have had less success. The discrepancies between Venezuela's fabulously rich and miserably poor have become more and more visible as a result of high birth rates among the poor, rapid urbanization, and the continued concentration of wealth. Despite impressive welfare programs, the government has been unable to keep pace with mounting social problems. Extremists have made effective use of the argument that nearly three terms of democratic government have failed to satisfy the needs of the increasing numbers of poor for housing, education, jobs, health care, and a better share of the country's wealth. In addition, disorders caused by criminals, delinquents, and others have created a yen for the good old days, i.e., the more disciplined era of Perez Jimenez. Indeed, *perez-jimenismo* has emerged as a potential major challenge to the stability of the past 12 years.

President Caldera

Nationalism Under Caldera

President Caldera and his Christian Democrats, having been put in office with the slimmest of pluralities, needed an alliance to govern. After a year of frustration with a congress still dominated by the Democratic Action, Caldera came to an agreement with its leaders whereby they have supported legislation and programs recognized by both parties to be fruitful. Caldera's prestige has been boosted by the legislation directed against foreign petroleum companies; by his successful shakeup of the armed forces, especially the removal of the controversial General Garcia Villasmil from the Defense Ministry; and by his management of his party's national convention which, despite internal divisions, elected his candidate for secretary general last August.

His pacification policy has worked well. After nearly a decade of virtual civil war that found successive governments locked in a military and political struggle with Cuban-supported insurgents, the country was ready for a new political consensus. The extreme left, defeated and divided, was ready to deal with anyone other than

its mortal enemy, the Democratic Action. Caldera legalized the Communist Party, offered amnesties to guerrillas and terrorists who would agree to return to legal political life, established a pacification commission under the Roman Catholic cardinal to negotiate with guerrilla units, ordered restraint in military countermeasures, and reined in the security police. The government quietly urged exile on guerrillas whose crimes were beyond presidential amnesty.

In a further gesture of good will, he set out to establish diplomatic relations with the Communist states of East Europe. Caldera, in effect, gave the far left a chance to restore its image and take up the nationalist banner. Further splits among the Marxists and the reduction of guerrilla action to a nuisance level have emphasized the success of Caldera's nationalist tack.

Caldera has also accelerated the trend toward loosening Venezuelan ties with the US and the expansion of ties with others. He identifies Venezuela's interests with those of the Third World, and has begun opening embassies in Africa and the Middle East.

Economic Nationalism

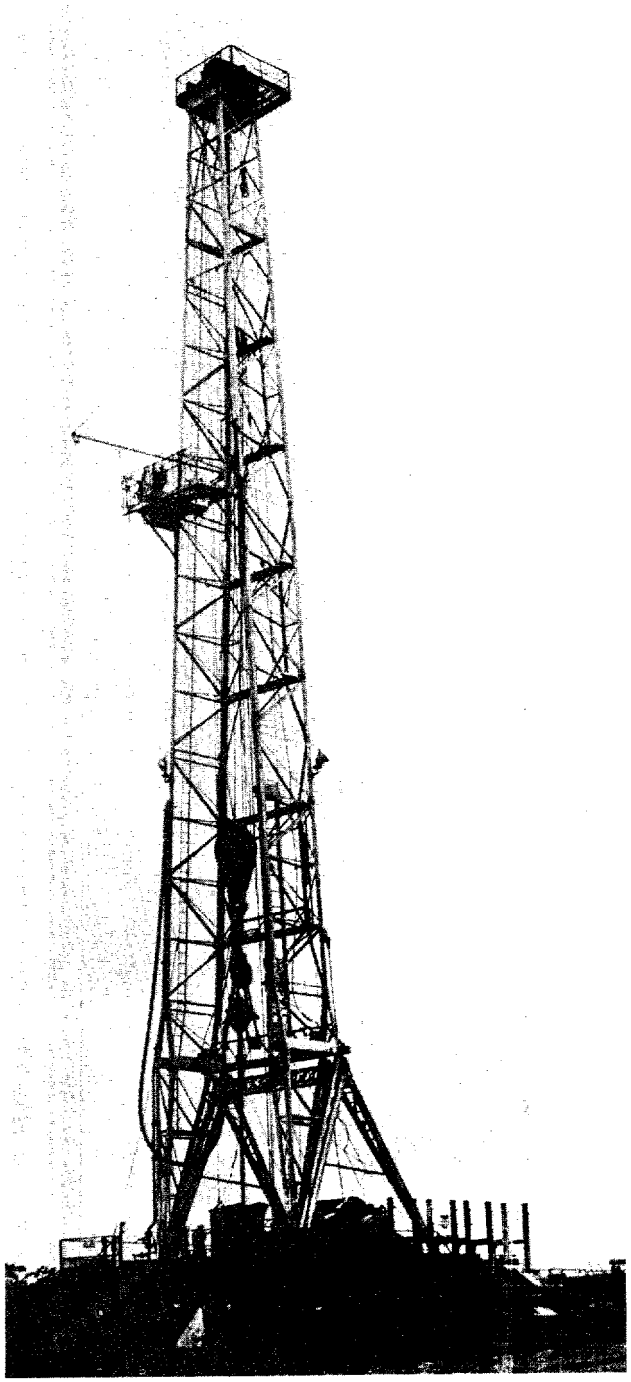
Caldera's most dramatic exercise of what he calls a policy of democratic nationalism has been directed against the big oil companies. One of the more basic and sweeping pieces of legislation, the "reversion" law passed last July, increases government involvement in the companies' operations, gives the state all the installations and equipment when the companies' concessions expire (most do in 1983), and compels the companies to deposit up to 10 percent of the amount they depreciate annually under present tax laws in a fund at the Venezuelan Central Bank.

Other sweeping controls have followed and more seem likely. The most recent, which combines a sharp rise in the price of crude oil along with an unprecedented quota system, could lead to a showdown. The largest company, Creole (Standard Oil of New Jersey), has indicated a readiness to risk its entire position in Venezuela rather than accept the quota controls. Creole considers the price rise unrealistic, but sees greater danger in the establishment of mandatory export levels that, the company feels, undermine the entire basis on which private international oil companies operate. 25X1

Other companies, though, seem more willing to seek a pragmatic solution to the problem. In the past, they have managed to pass tax increases on to the consumer and continue to make enough profit so that pulling out of Venezuela has never before been under serious consideration.

Should the companies actually find the new controls so unreasonable that they would risk their assets in a showdown, the consequences would be considerable. If the oil companies shut down, the resulting unemployment and economic disorientation would create a serious crisis. Even though the Venezuelans would be unable technically or managerially to operate the businesses effectively for the foreseeable future, the public and military would surely support nationalization.

Although President Caldera has given assurances that the petroleum legislation, no matter how it reads, will not be enforced in such a way as to put unreasonable demands on the companies, the government has already proved vulnerable to prodding by less responsible political elements. The latest price hike, for example, was apparently a result of the opposition's strident insistence that the administration's first proposals were a "sellout." The leftist opposition, a coalition called "New Force," having had this success in pushing for more extreme nationalist legislation, will obviously intensify its effort as it looks ahead to the elections in 1973. Taking heart from the Allende victory and Peruvian developments, the New Force has issued a program for



government that predictably includes a call for the nationalization of all basic industry. Its radical program has great appeal, which is likely to broaden as the establishment parties try to ride the same wave of nationalism.

A Straw in the Wind

The oil companies have so often cried wolf in the past that many in Venezuela tend to dismiss the current groans of anguish. This time, even domestic entrepreneurs are scared by the strength of the radical tide. Top Venezuelan industrialists and wealthy families are banding together in a secret organization that seeks to deal with the growing attacks on private enterprise from the extreme left. The organization is prepared to give clandestine support to candidates and political parties opposed to radical change. The group, Progress in Liberty Association, now surfaces only as the sponsor of seemingly public interest messages: "The liberty of initiative is the guarantee of all liberties," and "The liberty of initiative assures trade union liberty."

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Evidently, all the leading families and industrial groups are involved in this organization except for the more leftist-oriented members of "Pro-Venezuela," the nationalist organization of industrialists. This active involvement of the rich families in politics is new. Until the late 1960s, the wealthy had few party affiliations and little political influence. When they contributed to parties, candidates, or newspapers, it was more in the nature of covering bets. Not that this isolation was by choice or out of apathy. With the radical change in the political structure after Perez Jimenez' ouster, power fell to the leading populist parties, especially Democratic Action, which drew its support from rural masses and labor. Many

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political leaders had became hostile toward the economic elite, when many wealthy families grew even richer by cooperating with or tolerating the regime. Mutual distrust between the parties and the private business sector played a large part in the recession of 1959-61 when several hundred million dollars were withdrawn from the country and investment practically ceased. Confidence and prosperity were restored after the Betancourt government adopted conservative fiscal policies and appointed representatives of private economic groups to high office. Many of the economic policies pursued by the socially conscious, reform-minded governments since 1958 have in fact resulted in a further concentration of wealth and economic power. The elite is a vulnerable target in a country dedicated to a fairer distribution of income.

The Progress in Liberty Association appears still to be developing a strategy. With its enormous financial resources, it hopes to have substantial influence in the next elections.

25X1 negotiations would begin soon with key leaders of the major parties to see which would get association support even though that support would have to remain behind the scenes. It would be the kiss of death to any party's efforts to gain a wide constituency. The private sector's new direct interest in politics reflects the increasing concern over the bitter condemnation of the protected wealthy families in the leftist publications. Besides fear for their personal security, the businessmen see what is going on elsewhere in the hemisphere and realize that actions against foreign private interests will eventually lead to action against domestic private interests.

So far, their reading of the trends does not seem to be leading them to a generally more enlightened approach. For the most part, they continue to resist a greater tax burden and a less protected market, steps that would force improvements in efficiency and spread the wealth.

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Is Perez Jimenez the Answer?

The economic elite has not yet been among those beating a path to Perez Jimenez' door in Madrid. Nevertheless, as the elite sees the moderate parties more and more in competition with the left for the nationalist banner, the former tyrant might begin to look more and more attractive. He is not yet out of his 50s, and his appeal,

Former Dictator Perez Jimenez

as measured in polls, is great enough to have attracted representatives of many groups to look into the possibilities for a deal. Although the rich tend to believe that the next time around Perez Jimenez would emulate the Peruvian military, Perez himself is spreading the word that Peru is not his dish.

Perez Jimenez supporters are already diverse, and his forces won 400,000 votes (11 percent) in the 1968 elections. Recent polls indicate that, if he runs in 1973 or even gives support to a surrogate, he will command from 10 to 20 percent of the vote. Although he almost surely could not win the presidency, his political role clearly will be important. *Perezjimenismo* may well be a major force in the next congress and possibly in the next cabinet.

Large numbers of unorganized poor would vote for him as a protest. A number of his former ministers and officials will work for his and their return to power. And many of the wealthy families, retired military officers, and conservatives who did well under his dictatorship would like a return to the law and order of the 1950s. These, along with openly declared *perezjimenista* political groups, represent a force to be reckoned with.

The Future

Venezuela is heading into a stormy period. The twin dangers of rising nationalism and the growing power of *perezjimenismo* are a very heady combination for the democratic parties to handle. Venezuela's commitment to the system it has developed since the Perez Jimenez tyranny ended has so far been strong enough to get the country through rocky times. At this point, however, political and social malaise has sunk to a point of serious national weakness. A Venezuelan observation, "We fell out of the trees straight into our Cadillacs," points up the nation's rush into modernism and its ability to buy sophistication and the trappings of high development. But the glitter in Caracas is only a thin overlay to a host of inequalities and social deficiencies that are not being tolerated happily by the have-nots. And Venezuela's experience out from under a dictatorial yoke may be too brief to stand against the new rush for quick solutions. Bleeding the last drop out of foreigners is easy, while getting it out of the local entrepreneurs is a risk. Unless the Caldera government shows more restraint in implementing "democratic nationalism" than it has in drafting the policy, its actions will lead to an international crisis highly damaging to US-Venezuelan relations as well as to Venezuela's economic and political future.

Equally disturbing is the willingness of most political groups to deal with Perez Jimenez, whose brutality and corruption can hardly have been forgotten. Even Caldera and his party are not above keeping the door open to Perez. The passions that would be aroused by his return would be highly unsettling. Venezuela's military, which has been tolerant of the politicians' foibles but which was running things only a little more than a dozen years ago, can be expected to keep a close eye on developments. 25X1

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