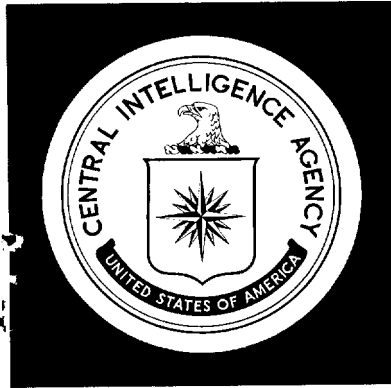


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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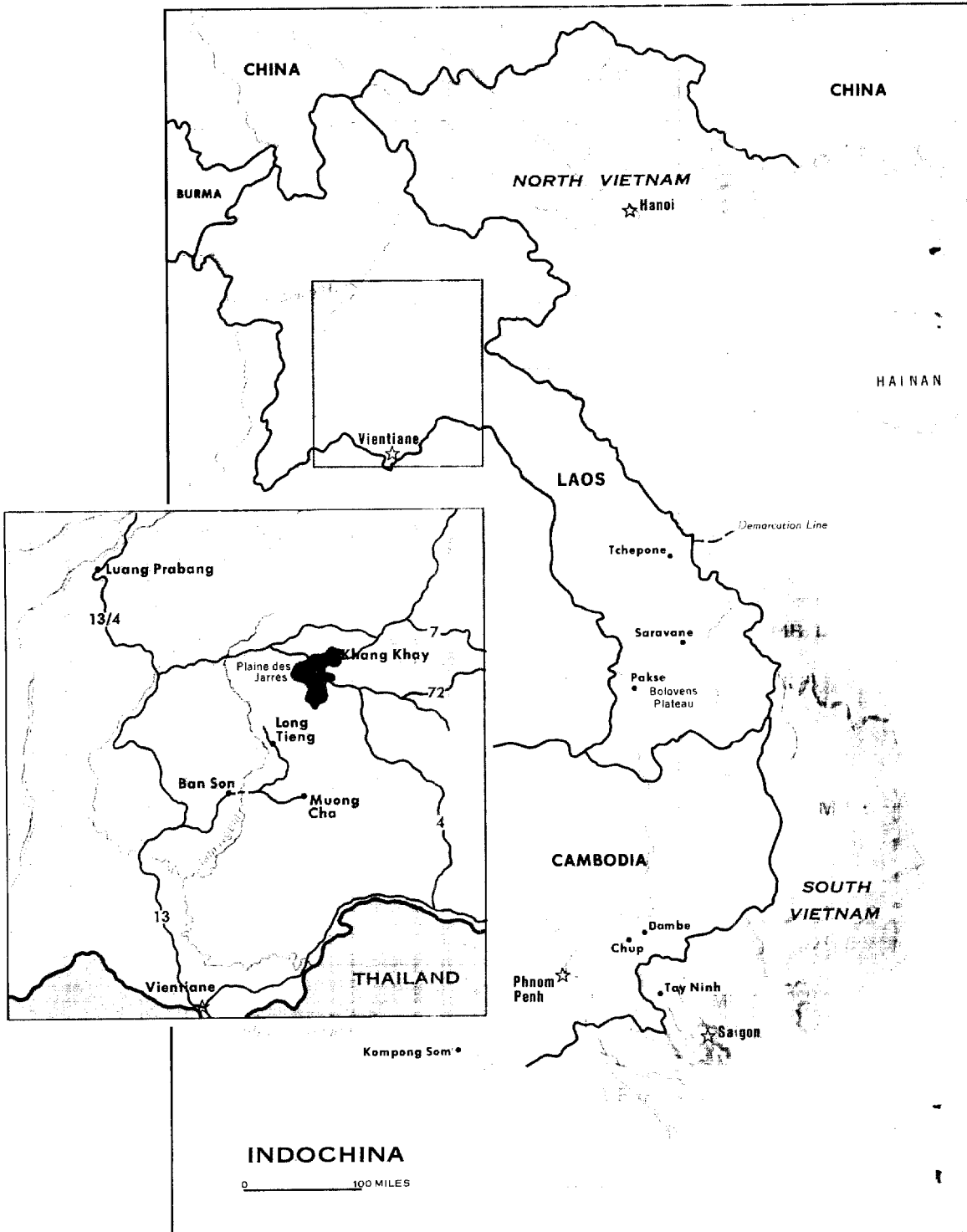
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What's Next in Indochina?

The North Vietnamese are about two months into their 1971-72 dry-season campaign. So far, there have been no major surprises. The North Vietnamese played out the first phase of the campaign in Cambodia, where by mid-December they had routed the Cambodian Army along Route 6, harassed and threatened Phnom Penh, and managed with a minimum of effort to parry the hesitant South Vietnamese thrust into the Chup and Dambe base areas. Although another round of attacks against Cambodian positions and lines of communications will almost certainly take place before the current dry season ends, nothing big seems to be in the works for at least the next several weeks.

THE SITUATION IN LAOS

Hanoi launched its Laotian offensive at the time that the military situation was quieting down in Cambodia. In south Laos, Hanoi sent reinforcements into the Bolovens Plateau area, erased the government's hard-won rainy season gains, and quickly regained control of Saravane and the strategically located plateau. In north Laos, with more troops and firepower than they had ever massed before, the Communists pushed Vang Pao's forces off the Plaine des Jarres and pressed on toward Long Tieng.

If Long Tieng falls in the near future, the North Vietnamese might use the remaining three months of good fighting weather and the large amounts of military supplies now on the way to north Laos to push farther westward toward Vang Pao's fall-back position near Ban Son. They might also send units into the Muong Cha Valley, where some 150,000 Meo refugees are encamped. Hanoi's objective would be to smash the Meo's ability to continue the war and to deny the Lao Government the bases from which it could launch a return to the Long Tieng area next summer. North Vietnamese commanders are sometimes highly cautious, however, and they might be re-

luctant to push their regiments, which have undoubtedly taken heavy losses in the past month, into the rugged mountains to the west without a period of time to rest, refit, and improve their supply lines.

Apart from Long Tieng, there are a number of other sensitive areas in Laos where Hanoi could, with little advance warning and at relatively little cost, put heavy pressure on Souvanna Phouma or create the impression that the military situation in Laos is highly precarious. In the north, the Communists could again threaten the royal capital of Luang Prabang, or they could move in force westward on Route 7 to cut Route 13 and isolate Luang Prabang from Vientiane. In the south, they are now in position to harass the Mekong River town of Pakse, and they could threaten important government positions along Route 9.

AND IN SOUTH VIETNAM

Although the Laotian campaign is not yet over, there are strong signs that the Communists are getting ready to swing into the South Vietnam phase of their dry-season campaign. It was clear some weeks ago that the Communists hoped to follow up their offensives in Cambodia and Laos with a strong round of operations in the central highlands and in the western border areas of Military Region I.

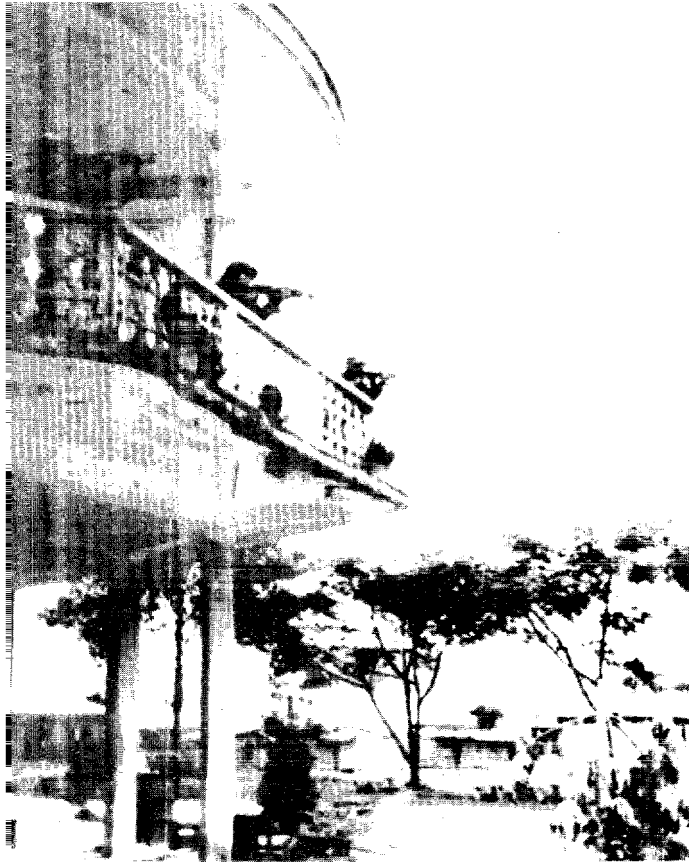
The initial targets will be South Vietnamese Army fire-support bases in the highlands near the border. If these attacks are successful, they may be followed by strikes against district towns and larger military bases. The Communists are also building a stronger air-defense capability, and perhaps will also use heavy artillery and armored vehicles to bolster their effort. Communist radar and surface-to-air missile sites have been observed recently farther south in the Lao panhandle than ever before. They are situated where they can

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help protect Communist rear areas during the offensive.

To meet the challenge, the South Vietnamese are deploying a substantial part of their reserve force from the Saigon area to the threatened sectors. The Communists anticipated this reaction and evidently hoped that the commitment of South Vietnamese regulars and reserves would lessen the pressure on Communist units near the populated sectors in South Vietnam, permitting these units to conduct more successful dry-season operations. President Thieu, fearing just such a whipsaw effect, is pulling his forces out of Cambodia, both to bolster his defenses in Military Region 3 and to provide some margin for the coming tests in the northern part of the country.



The Communists may counter by sending elements of the 5th, 7th, and 9th divisions back to the Tay Ninh Province - Cambodia border area to challenge the South Vietnamese after Communist offensives in the western portions of Military Regions 1 and 2 get under way. There are tenuous hints of this in current reports of Communist plans.

SOMETHING BIGGER IN THE WORKS?

Another factor is the large number of reports claiming that the Communists have expanded their military plans. They are said to be telling cadre in South Vietnam that a "massive" military campaign is scheduled for the populated areas of South Vietnam at about the time President Nixon goes to China. These reports may merely reflect exhortation to secure a good performance from the troops during a routine dry-season campaign, but they could also express a real intention. Certainly, Hanoi would like to embarrass the President by a show of military strength throughout South Vietnam during his trip to China. A credible report from a captured officer states that the first phase of the Communist offensive will be confined largely to the small-scale harassing attacks common in the last 18 months. Subsequently, as replacements arrive for main-force units from the current infiltration movement, heavy infantry assaults will be mounted on urban targets.

Evidence of the resupply and redeployment activities that would need to precede a big campaign aimed partly at the urban areas is still lacking. Nevertheless, if the Communists are willing to expose many of their remaining assets and to take very heavy casualties, they could stage a short, psychologically impressive flurry of infantry-type assaults on key urban concentrations and installations throughout South Vietnam. In the final analysis, Hanoi's decision on whether to expend the resources will probably hinge largely on the political gains the Communists think they can make in the US and abroad.

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Gromyko's Coming to Tokyo

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The visit of the Soviet foreign minister to Japan next week should be the occasion for a demonstrative show of new Soviet-Japanese amity, but not much substantive business is likely to be done.

The visit is a major move in Moscow's effort to divert the Japanese from improving relations with China and to weaken Tokyo's ties with the US. Although Moscow has clearly given higher priority to this effort since President Nixon's visit to China was announced, there has been little sign that Gromyko will make any dramatic offers to the Japanese. Nevertheless, both sides hope the trip, which has been pending for several years, will improve the atmosphere between Moscow and Tokyo and lay the groundwork for closer ties.

Gromyko probably wants to assess Japanese intentions toward Communist China and may attempt discreetly to discourage Tokyo's overtures to Peking. He will seek to gauge the Japanese attitude toward Washington in the wake of the Nixon-Sato talks. He is also likely to pursue Soviet efforts to stimulate Japanese interest in closer economic cooperation, especially in the development of Siberian resources. Serious economic negotiations, however, are likely to await the oft-postponed fifth meeting of the USSR-Japan economic cooperation committee late in February.

There has been no indication that Gromyko is prepared to budge on the question of the northern territories—the four islands occupied by the Soviets at the end of World War II. This issue remains for the Japanese an important obstacle to better relations. Return of the islands is a long-term goal on which all segments of Japanese political opinion are united.

Recent Soviet comments about the disputed islands remain negative. Last month, for example, Troyanovsky told the US ambassador that Moscow's position is unchanged: "The return of the Kuriles is not a subject for discussion."

It is possible, however, that in view of the importance Moscow now gives to improving ties with Japan and the depth of Japanese feeling on this issue, Gromyko may at least drop some hints of flexibility similar to those made late last summer by other Soviet officials.

The Japanese welcome Gromyko's visit since both countries have a close interest in the changing international situation in the wake of movement in Sino-US relations. An underlying suspicion of Soviet motives persists in Tokyo, and the Japanese will move with extreme caution. They probably are not optimistic that Gromyko will bring any concessions on the territorial issue.

While probing the possibilities for an improvement in relations with Moscow, the Japanese will be watching for the reaction from Peking. This consideration does not at this time appear to be a barrier for better Soviet-Japanese relations. The Chinese are unlikely to seize upon increased Japanese-Soviet contacts as a pretext for creating new difficulties that would disrupt the current favorable trend toward Peking in Japan.

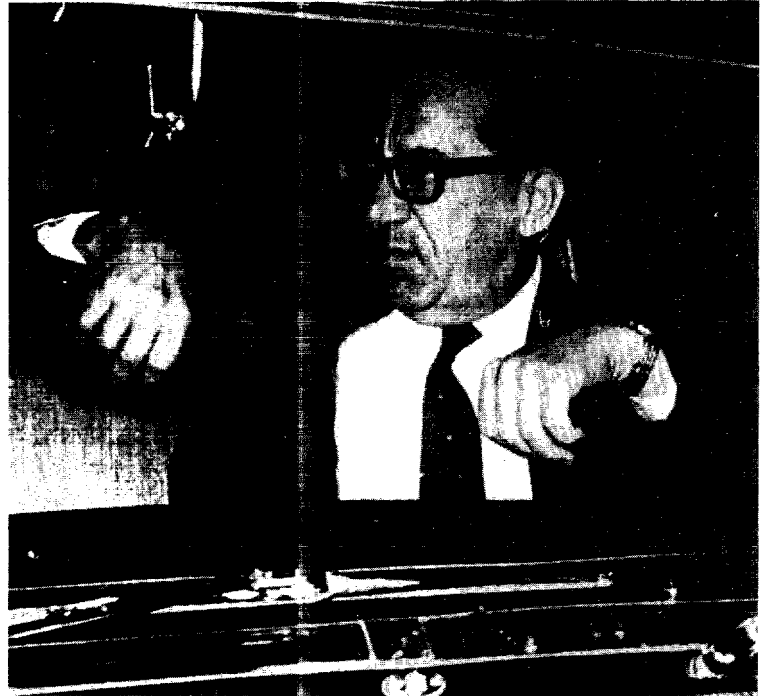
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Malta: The Impasse Appears Broken



UK Defense Secretary Carrington and NATO Secretary General Luns



Prime Minister Mintoff

The talks in Rome this week appear to have broken the negotiating deadlock, though some differences remain. The North Atlantic Council agreed on 18 January to an annual payment of \$36.4 million, plus bilateral aid from some NATO members, as a final offer to Prime Minister Mintoff for a new Malta-UK defense agreement. Mintoff, who had indicated that he would consider an offer of \$35 million, has not turned down this proposal.

The talks concentrated on the terms of employment for British-employed Maltese labor and the conditions for military use of Malta by countries other than the UK. Mintoff adopted a tough stance on the conditions of local employment. He believes that the present employment levels should be maintained until the Maltese Government creates new jobs in other sectors of the economy. The British are unwilling to give Valletta carte blanche on this issue, but they are prepared to maintain a "reasonable" level of employment.

Mintoff did not object to NATO's demand that operational use of Maltese facilities be denied to Communist forces, but his position on courtesy visits by Warsaw Pact naval units is unclear. The Maltese leader said that a settlement also must take account of Valletta's desire for close ties with Libya. The allies have no objection to Malta granting some rights to Libya as long as they do not run counter to a Malta-UK accord.

In the meantime, London, apparently believing an agreement is in sight, had moderated its stance on withdrawal.

[Redacted]

[Redacted] although the troops who remain on the island are packing their gear preparatory to withdrawal, orders have been issued to them not to dismantle equipment that could be of future use to NATO.

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Chile: A Setback for Allende

The defeat of government candidates in two legislative by-elections on 16 January was a harsh setback for President Allende. His political opponents are encouraged by their recent successful cooperation in the elections and in congress. They will now try harder to overcome past differences in order to orchestrate the rising opposition to the Allende government.

The election to the Senate of a vigorous and articulate Christian Democratic agrarian leader, Rafael Moreno, was a particular triumph. His six-percent edge over the long-time president of the powerful copper workers' union reversed the slight majority the governing coalition won in municipal elections nine months ago. In the other by-election, for a deputy's seat, respected National Party candidate Sergio Diez won in a walk-away from a novice government candidate.

the radical Movement of the Revolutionary Left and because the agrarian platform was so extreme that Communist and Radical leaders in the coalition disavowed it. These issues served to frighten voters and to point up the discrepancies that exist within the government forces.

Christian Democratic leaders were impressed by National Party campaigners who worked effectively to overcome coolness among their voters toward Moreno. The Christian Democrats believe that the election has strengthened their party and made its leaders less susceptible to Allende's blandishments. The Christian Democrats plan to maintain a vigorous opposition role through the April 1973 congressional elections.

In order to regain the political momentum that characterized his first year in office, Allende will have to take some decisive action. The dismay and disarray in his Popular Unity coalition resulting from the election results will give him an opportunity to reassert his leadership, change tactics, and appoint new key officials. His thorniest problems are economic, however, and the government's ability to overcome them soon is limited despite its broad powers.



Coalition leaders chose their candidates carefully and waged hard campaigns with heavy government financing. Major problems arose for the government candidates because of the aggressive role played by

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INTERNATIONAL MONEY

The expected repatriation of speculative dollars from abroad has not materialized, and the dollar continues weak in international currency markets. This reflects largely European fears that the US Congress may not pass legislation to raise the price of gold, especially if US-EC trade negotiations fail. Some Europeans even feel that the agreed dollar devaluation may prove too small. Another factor is the low interest rates in the US relative to those prevailing in foreign markets; this provides corporate fund holders with little incentive to convert their foreign currency balances into dollars. In addition, technical factors, such as foreign currency holdings tied up in three-month deposits which have not yet matured, have contributed to the present situation.

The stronger currencies such as the Japanese yen, the West German mark, the Dutch guilder, and the Belgian franc have risen above their new central rates (temporary parities) in the past week. Others, including the British pound, Italian lira, and Swiss franc have moved well up from the lower limits of their new 4.5-percent band of permitted fluctuations. Since the first of the year, none of the central banks has intervened in the markets except the Bank of Japan, which did so in early January to ease removal of the harsh exchange controls imposed in August, 1971. The price of gold has risen to record levels, exceeding \$46 per ounce on 17 January.

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Communist China: Sowing Pragmatism

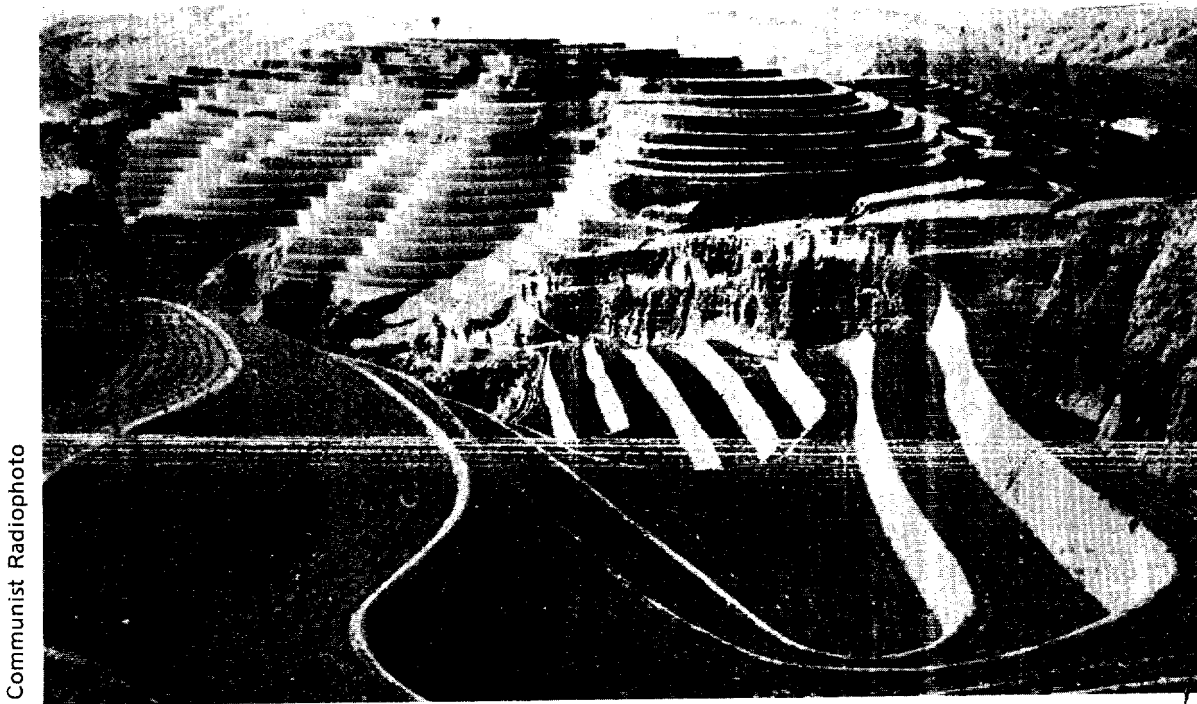
Peking's recent pronouncements in several key areas of national policy suggest that ultraleftist tendencies in the leadership are continuing to lose ground. Over the past several months, there has been a relaxation of ideological pressure in the cultural sphere and a return to more practical guidelines for education—areas where ultraleftist influence was dominant during the Cultural Revolution.

Most recently, pragmatic themes for agriculture have been forcefully stated in *Red Flag*, the party theoretical journal, and in numerous provincial radiobroadcasts. "Leftist deviations" in rural economic policy were scored, and it was argued that progress toward the ideal state of Communism should be slowed at this stage. The articles also warned against disregarding objective economic conditions and confusing "different stages of development." The emphasis probably reflects Peking's concern that many local cadres

are still seized with the "leap forward" approach to rural development that often resulted in the uneconomic use of mass labor, grossly inflated production statistics, and the denigration of material incentives.

At the same time, a number of moderate economic practices have been strongly recommended in domestic propaganda, including the retention of considerable decision-making in smaller rural collective units, the preservation of peasants' private plots, and the allocation of work points according to actual work performed rather than on an egalitarian basis. These practices were heavily criticized by radical forces during the Cultural Revolution.

Peking has also shown a heightened sensitivity to perennial peasant discontent over welfare. Peking has emphasized that individual and collective rural bank deposits have reached an



Communist Radiophoto

Terraced Fields in Shausi Province

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all-time high. As another measure of the improved position of peasants, the regime points out that prices paid by the state for agricultural produce have increased while grain taxes as well as fertilizer and insecticide prices have been reduced. Moreover, the modest progress in agricultural output over the past few years has led to modest increases in the resources available to production teams and brigades for farm machinery, an important element in Peking's high priority program for rural development.

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[Redacted] *Red Flag* has also been careful to balance these visions of improving rural living standards with warnings that such improvements will probably be extremely modest.

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Since the Cultural Revolution, there have been indications that the merits of sticking to this moderate approach in attempting to raise agricultural productivity have been hotly debated in regime councils. For example, some localities last fall were reported to be again putting forward plans for seizing private plots and for removing decision-making authority from the production teams, the lowest collective unit in the countryside. Peking's latest pronouncements may not mean the debate has been finally resolved, but they clearly point to a determination to abandon the radical ideological tenets that had previously inhibited rational economic development.

[Redacted]

Burma: Rumors of Retirement

Rumors in Rangoon have it that, because of marital and health problems, General Ne Win is giving serious thought to relinquishing his powers as prime minister. The general is a shadowy and

reclusive man, and his intentions obscure. Similar reports in the past have proved to be unfounded.

25X1 The general has been ailing for a long time and has periodically expressed weariness over the burdens of office. But so far his low regard for potential successors among his military colleagues has been a factor encouraging him to carry on.

[Redacted] Ne Win now intends to assume an honorary post as chief of state. 25X1 installing Brigadier Aung Gyi as prime min. 25X1 Aung Gyi would appear an unlikely choice. 25X1 member of the revolutionary group that seized power in 1962, he was subsequently dismissed. 25X1 his opposition to Burma's socialist program. 25X1 has been under virtual house arrest for several years. Brigadier San Yu, who has acted in Ne Win's stead during the general's frequent and prolonged absences from the country, is a more likely candidate. San Yu's chances were strengthened last fall when he was named to the new post of deputy prime minister.

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Indonesia: Students Romp

A year and a half is a long time without a display of righteous indignation from Indonesia's student activists. Trying to make up for lost time, they have over the past month protested against a "developmental" project backed by President Suharto's wife and lesser luminaries of the Djakarta establishment.

The object of the students' scorn is something called "Beautiful Indonesia in Miniature," a \$25 million extravaganza that is to be built as a permanent display of Indonesia's regional cultures. Although ostensibly a private project, its chairman is the mayor of Djakarta, its vice chairman is one of President Suharto's advisers, and plans are afoot to assess the provincial governments for funds to help build it.

Student groups have argued that "Beautiful Indonesia" is a waste of money at a time when the government and the nation generally are pledged to use funds wisely for economic development. They zeroed in on Mrs. Suharto because she has used her influence to popularize it and to extract funds from reluctant donors. The students have had the active support of several newspapers and numerous headlines in the rest of the press.

In an effort to stem the criticism, the government instituted some security controls and

undertook a series of "explanations" of the project. When this failed, President Suharto himself took to the podium and in an angry, extemporaneous speech implied that student activists were trying to make "Beautiful Indonesia" a political issue in order to discredit the government and the military. Last week, the nation's security chief, General Sumitro, announced that further protests would not be tolerated and that the government would deal with those who had "manipulated" the protests from "behind the scenes." Since Sumitro's announcement, the protests seem to have ended.

Although a bit of a tempest in a teapot, the "Beautiful Indonesia" dispute illustrates that Indonesian students can still be a force for minor reform. The students can claim satisfaction from Mrs. Suharto's admission this month that she has no right to "force" contributions from anyone. Also the mayor of Djakarta has amended an earlier announcement that the project will be finished in two years. He now says it will be built only gradually as funds are available and has denied that provincial governments will be forced to contribute. Mrs. Suharto will still get her "Beautiful Indonesia," but the pace of construction probably will be slower and the expense may be less.

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Yugoslavs Prepare for Party Conference

Although President Tito's call for a thorough party reorganization continues to meet resistance, he is in no danger of losing control of the situation. Croatian and Kosovo party officials are determined to demonstrate their loyalty by clamping down on local nationalists before the second party conference convenes on 25 January. A number of high-level party officials, including Serbian party leader Marko Nikezic, insist on assurances that the conference will not mark a return to tight party centralization.

The party presidium met on 12 January but failed to reach substantial agreement on a proposed ideological-political program. An endorsement of sorts was given, and a draft program is being discussed in local party forums. Another presidium session before the conference may be necessary to hammer out a consensus. The draft program was intended to respond to Tito's criticism of the federal party in the wake of the Croatian crisis, as well as to set forth guidelines for reorganization and future action. It was sharply criticized by several speakers at the presidium as vague and inadequate. There is some merit in the charge as the draft has no measures aiming at a solution of the thorny nationality problem that is at the heart of the current troubles. The draft also provides no indication of how party discipline and control will be restored while simultaneously preserving realistic intra-party discussions.

Nikezic and company apparently prevented a concentration of power in the hands of the newly constituted party executive bureau. The

presidium dropped an earlier proposal to give bureau members a relatively free hand. Stance Dolanc, a leading party spokesman, also indicated there will be no substantial change in the make-up of the party presidium.

With the conference only a few days away, the new Croatian leadership is moving to put its house in order. Milan Miskovic, a former minister of internal affairs, has been named to replace Miko Tripalo in the state presidency. Two nominees have been designated by the Croatian Assembly for the vacant vice presidencies in that body. And the local party organs of Karlovac have officially requested the expulsion of the ousted Croat leaders from federal party membership.

A similar campaign is under way in the autonomous province of Kosovo, where tensions between Serbs and Albanians are high. The provincial party organization has moved against a number of "nationalists and chauvinists"—including a student editor, at least one professor at Pristina University, and several local party officials.

Meanwhile, Moscow has not been able to withhold the temptation to stir the Yugoslav pot. *Pravda* last week compared the developments in Croatia with Czechoslovak liberalization in 1968. While the Soviets were cautious, the story brought a quick rejoinder from a leading Yugoslav commentator.

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Soviet Civil Air Sales: A Breakthrough

Moscow has sold the Yak-40—a short-haul, three-jet transport—to several West European firms, which expect their governments to certify the airworthiness of the plane soon. The Soviets also have shipped a Yak-40 to Colombia to be used for demonstration purposes in a number of Latin American countries. Heretofore, Soviet commercial aircraft sales have been limited to a few transport planes at concessional prices to less-developed countries. But, in the Yak-40, the Soviets have an aircraft that has no counterpart in the West.

The Soviets reportedly have sold eight Yak-40 aircraft in West Germany and have accepted

parts, which has hindered previous Soviet civil air sales efforts in West Europe.

A small Italian airline, serving as sales representative for the Yak-40, received one demonstration model in late 1970. The firm expects delivery of two more of the planes. A French firm also has bought two of the aircraft, with delivery scheduled for later this year.

West Germany, Italy, France, and Sweden probably will certify the airworthiness of the Yak-40 this year. The UK also may join this group. Earlier, the Soviets had been reluctant to allow European air officials to visit the Yak-40



Yak-40 Passenger Model

options on seven more. Five of the aircraft, built to carry 27 passengers, have been purchased for about \$1.2 million each by a small airline operating primarily in northern Germany. Western radio and navigational equipment will be installed, and part of the interior of the plane will be imported from the US. The first of the five aircraft is scheduled to be delivered in April. The planes are to be paid for over seven years.

The Soviets have built maintenance facilities for the Yak-40s at Luebeck in northern Germany. This installation is expected to begin operating soon and should alleviate the problem of spare

plant in the USSR, but visits may have taken place or be planned. Both West Germany and Italy have insisted on inspecting the plant.

The Soviets also are renewing their efforts to sell the Yak-40 in Latin America. A Yak-40 delivered by sea in early January is now in Colombia where wings and stabilizers are being attached in preparation for demonstration in perhaps as many as nine Latin American countries. Colombia plans to issue a certificate of airworthiness. If the demonstration tour, which is to begin later this month, is successful, the Soviets have indicated they may request permission to construct a Yak-40 assembly plant in Colombia.

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The Pact Comes to Prague

The Warsaw Pact summit meeting scheduled for late January in Prague will provide the opportunity for consultation prior to President Nixon's visits to China and the Soviet Union.

Although the announcement of the meeting gave no particulars, it is likely that European security issues will dominate the agenda. The Soviets have convened such pact meetings in the past at key junctures in their push toward detente. This time, they will explain their views on West German ratification of the Polish and Soviet treaties and signature of the final quadripartite protocol on Berlin.

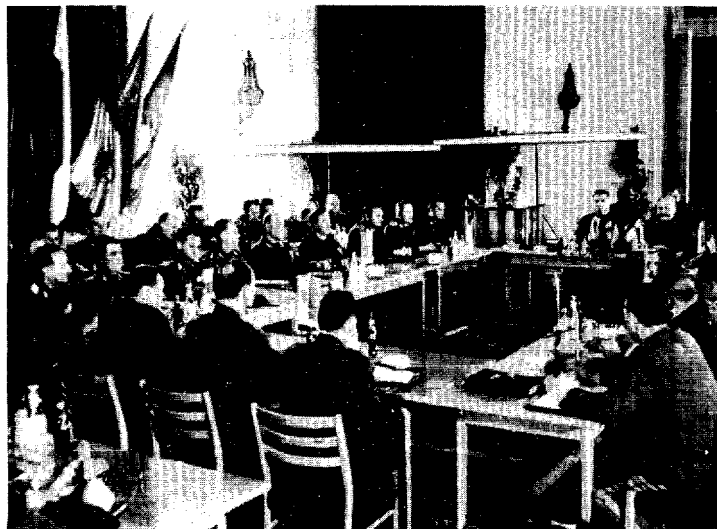
To placate the East Germans and to keep them in step during the ratification process, Moscow may place new emphasis on international recognition of East Germany and its admission to the UN. Pankow's uneasiness over Soviet moves in Europe has been reflected recently in press attacks on the Brandt government—attacks that mirror concern over the impact of detente on the East German internal stability.

The Soviets probably will use the occasion to sound again the call of the pact foreign ministers in December for initiation of multilateral preparatory talks for a conference on security and cooperation in Europe. Moscow wants to hold such a conference in 1972, but the Kremlin probably recognizes it may have to settle for no more than preparatory moves this year.

Moscow is likely to lobby vigorously for opposition to alleged Sino-US collusion, for example, in South Asia. The Soviets very likely would like a strong pact statement denouncing US activities in Asia and criticizing recent Chinese attitudes—in particular, Peking's alleged wishy-washy support of Hanoi. Faced with continued Romanian opposition to anti-Chinese polemics, the Soviets may have to settle for a generalized pact call for continued unity against imperialist intrigues.

The meeting in Bucharest on 19 January of pact commander Yakubovsky and chief of staff Shtemenko with Romanian party boss Ceausescu and his military leaders has lent some credence to rumors that Warsaw Pact military affairs will also be discussed. The arrival of the Soviet generals may tie in with the reported visit to Moscow last week of a Romanian military delegation headed by the chief of staff. Romania's failure to participate actively in pact training exercises has long been a sore point with Moscow.

Despite recent assertions by several East European officials that their governments are inter-



Pact Defense Ministers Meet in Budapest, March 1971

ested in discussing force reductions in Europe, it is doubtful the Soviets will permit serious discussion of this topic at the Prague meeting. Moscow has maintained its silence on accepting the exploratory mission of former NATO Secretary General Brosio, partly because it opposes bloc-to-bloc discussion. The Soviets probably calculate that pursuit of their current designs in Europe could only be complicated by getting involved in a force reduction dialogue at this time.

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France: Defense Budget Slight Army

The 1972 French defense budget of \$6.3 billion, up \$600 million from last year, marks the largest yearly increase since 1965. About \$3 billion was appropriated for military research and development and equipment procurement (Title V or capital expenditures in the defense budget). The remainder is to be spent for operating expenditures (Title III), which include such items as salaries, equipment maintenance, and general operating costs of the army, navy, and air force.

Over the past decade capital expenditure appropriations have been tight for the conventional armed forces, particularly the army. This has been due in large measure to the high percentage of capital funds appropriated for the nuclear forces—about 50 percent—until 1969. These appropriations have leveled off and, since defense budgets are increasing, additional funds are available to the conventional forces for purchasing not only more but new military hardware. The capital outlay for nuclear hardware and research and development has remained at about the \$1 billion level for the past ten years, as it does again for 1972.

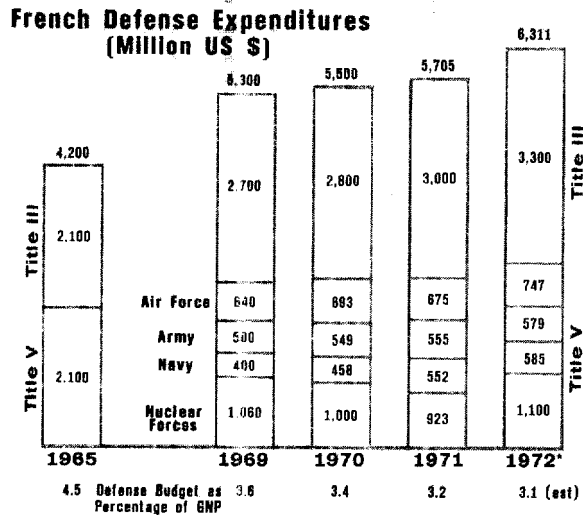
Although the Defense Ministry promised in 1970 that the conventional armed services would fare better over the next five years, the army's share has been increasing more slowly than the other two services. The army received the smallest capital appropriation for 1972, \$579 million, and was surpassed for the first time in many years by the navy, which received \$585 million. The air force continues to receive the largest capital appropriation, and this year got a record \$747 million.

The yearly increases since 1969 in the navy's capital expenditures budget have been significant,

reflecting to some extent the assumption by the navy of some of the costs related to the missile launching nuclear submarine force now becoming operational. The budget increases, however, are permitting the navy to move ahead with other programs that had been moving slowly.

The largest item in the navy's 1972 capital budget, \$350 million, is for construction of conventional ships. The navy has been lobbying hard for larger appropriations for ship construction and modernization during the 1970s, when some of the larger ships will need to be refitted and some smaller ones replaced. Much of the remaining money will go for naval aircraft, including helicopters, and for missiles, especially the Exocet anti-ship missile system.

The air force received the largest increase in its capital budget of the past four years, largely to



*Budget approved by the National Assembly

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make up for the reduction last year. The largest portion of its \$747 million will go for acquisition of the Franco-British Jaguar tactical fighter aircraft and support equipment. Other major items are the continued production of the Mirage F-1 air superiority fighter, continued development of the Franco-German Alpha jet trainer, and acquisition of the new Crotale surface-to-air missile system.

The army received not only the smallest capital appropriation for 1972 but its increase over last year was the smallest of the three services. The army, unlike the navy and air force, has no nuclear costs in its capital budget and will be able to spend almost all of its appropriation on conventional hardware such as helicopters and tanks. It also will benefit greatly from a separate appropriation of \$132 million for tactical nuclear weapons, most of which will be spent on the Pluton tactical nuclear missile system, scheduled to become operational late this year. [redacted]

UK Economy Gathers Steam

The economic news has been good lately, indicating that Britain's recovery is gathering steam. In the absence of further government action, however, growth is likely to slow during the second half of 1972.

Consumer spending increased at an annual rate of more than six percent during the third quarter of 1971, and although the figures are still incomplete, the trend continued into the last quarter. Wholesale prices last month were down from the 8-8.5 percent annual increases that prevailed during the first half of last year. Pay settlements during the last quarter of 1971 were held

to less than eight percent, in contrast to earlier settlements of 10-14 percent. Foreign trade performance was exceptionally good during 1971, with exports exceeding imports by a record \$767 million. Continued strong export sales, earnings on invisibles, such as tourism and interest on overseas investments, and a massive inflow of short-term capital before the currency realignment in December, pushed foreign reserves to a record \$6.58 billion at year's end.

The recovery is expected to continue into the first half of 1972. The government foresees a 4-4.5-percent increase in gross domestic product. Reflationary measures taken in March, July, and November of 1971 appear to have finally taken hold, and should provide sufficient impetus to increase consumer spending further, particularly on durable goods. Businesses are likely to boost spending to replace inventories which were allowed to shrink last year.

To maintain this favorable outlook during the first half of 1972, the government will have to overcome new inflationary pressures. The nation's coal miners, now on strike, are demanding wage increases up to 47 percent. Efforts to keep price increases within the five percent voluntary bounds established by the Confederation of British Industries have not been as successful as the government had hoped. Continued high unemployment, now four percent, is expected to be another problem.

The outlook for the second half of this year is not as bright. After mid-year, the remaining slack in the economy will be less easily absorbed and growth will be more difficult to achieve. Additionally, much of the impact of the Heath government's 1971 reflationary measures will have worn off, and new ones may be required to sustain adequate growth. [redacted]

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EC: Signing the Accession Treaty

With the signing tomorrow of the accession treaty by the UK, Denmark, Ireland, and Norway, the EC takes a step toward becoming a community of ten. Ratification by the four parliaments or popular referenda will take the remainder of the year. In the meantime, however, the candidate countries—especially the UK—will become progressively more engaged in the work of the community.

The British Parliament approved the principle of entry by a comfortable margin last October. Although the British Labor Party is opposed to enacting the necessary enabling legislation, a government majority nevertheless seems probable because the ruling Conservative Party will enforce tight party discipline in all votes. The Irish Government has begun an extensive campaign to secure approval in a referendum in late April or May. The two major parties as well as influential labor, farm, and industrial organizations support entry. There are, however, no reliable opinion polls on which to gauge popular support vital to the success of the referendum.

The outlook in Denmark and Norway is uncertain. Norwegian industry and labor support accession. The important fishing industry, however, rejects the terms of entry, and the fisheries minister has refused to take part in the signing. Public opinion polls show a strong negative sentiment and an equally large undecided vote, which will tip the balance one way or the other in an advisory referendum to be held in the summer. Approval finally will be decided in Norway's parliament where a three-fourths majority is required. The Danish parliament already has approved entry, but final acceptance is contingent on a 71-percent majority in a referendum in mid-summer. Opinion polls suggest that the outcome will be close.

Signature of the accession treaty will activate the machinery for engaging the four candidates in the work of the EC even before formal entry next January. Through their missions in Brussels, the applicants will consult with the EC permanent representatives on all economic and procedural matters of mutual concern that arise

in the commission and council. London already has been involved with the community—notably during the recent monetary crisis. Britain, and possibly the others will participate in the mid-February sessions of the political committee, which in recent months has addressed such diverse topics as the Mediterranean, the Middle East, and a conference on security and cooperation in Europe. The UK has taken part in EC talks on the recognition of Bangladesh.

It is also likely that the signing of the treaty will be the occasion for a meeting of the ten's foreign ministers. This could mark the beginning of serious efforts to plan the evolution of the Community of Ten. The ministers may also begin preparations here for a summit meeting of the Ten. The community's future will doubtless figure in the Brandt-Pompidou meeting early in February and the Heath-Pompidou meeting later the same month.

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conservation measures—concessions that fall short of Iceland's demands. 25X6

Because of its preoccupation with the treaties, the government is temporizing on the future of the US-Icelandic defense agreement. Indeed, contingency studies, which government leaders had announced would be completed before negotiations with the US, are just getting under way. They have contracted with the semi-private and reputable Swedish Institute of International Affairs to evaluate Iceland's strategic position. If, as seems likely, the outcome buttresses the case of those Icelanders who favor retention of the US-manned Icelandic Defense Force, moderates in the government may be aided in containing pressures from those leftist members of the coalition who favor expulsion of the US.

Iceland: Treaty Tie-ups

Reykjavik drifted a step closer to abrogating its fishing rights treaties with the UK and West Germany when a second round of negotiations with the British on 13-14 January made no progress. Reykjavik has pledged to announce by 1 March its intention to claim exclusive fishing rights in a 50-mile-wide belt around the island by 1 September. In negotiating sessions, Bonn and London have agreed to consider only limited

Meanwhile, the Icelanders are considering a move that could deprive the US of some leverage. Reykjavik is considering borrowing funds to extend Keflavik airport's crosswind runway—a project important for the facility's status as an international terminal. The US has indicated a willingness to pay for the work but because of legislative requirements must have assurances US forces will remain at the airfield. Reykjavik cannot supply such guarantees until it faces up to the issue of the defense agreement, an action that might bring down the government at this time.

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DRUG CONTROLS

Delegates from key Western countries, meeting in Geneva last week, agreed on proposals for strengthening the 1961 Single Convention on Narcotic Drugs by enhancing the powers of the International Narcotics Control Board. The board would be given broader powers to obtain information on the international drug business and, in extreme cases, could limit opium cultivation and production to combat illicit activity. A related proposal would facilitate procedures for extraditing narcotics offenders. The proposals are expected to be the focus of the March UN plenipotentiary conference on amending the convention.

Meanwhile, a number of East European regimes are showing a greater willingness to cooperate with other governments in suppressing international trafficking in drugs. For example, Hungary, one of the principal corridors for the movement of drugs from the Middle East to Western Europe, has introduced a mandatory term of one-to-five years for the production, sale, or transport of hallucinatory drugs.

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Ghana: The Junta Confronts Reality

Ghana's new military leadership is securely in power following the ouster on 13 January of Prime Minister Busia's civilian regime. Lt. Col. Acheampong and his fellow disgruntled officers who carried out the coup now face the same intractable economic problems that brought about Busia's downfall.

The leaders of the coup, which was bloodless and caused little disruption of normal activity in



Accra, have gradually consolidated their control by placing supporters in key command positions and dismantling the old regime. Most important officials in the Busia government are under detention, but the junta has tried to curtail unnecessary arrests. (Busia, after a quick trip to Ivory Coast to survey the situation, has returned to the UK.) Also locked up is retired General Afrifa, who played a key role in the 1966 coup that toppled Nkrumah and in the first military government. He apparently cooperated with the short-lived attempts of a few Busia loyalists to reverse last week's coup. The junta has been helped by statements of support from a growing number of prominent civilians, including labor leaders, former opposition politicians, important tribal leaders, and most of the press.

On seizing power, the junta suspended the 1969 constitution, dissolved parliament and all political parties, and abolished the office of president. Authority now resides in a National Redemption Council that initially had seven members but has gradually been enlarged to 12. Its key members are Acheampong—the chairman—and several other middle-grade officers who were closely involved in the coup. Ewe tribesmen, who were discriminated against by the Busia government, have come back strong in the new regime; at least four of the 12 new council members are Ewes, and Ewes are prominent among new military appointees. Tribal frictions within the new regime are likely to increase as members of other tribes attempt to block this Ewe resurgence.

Aware of their own lack of expertise, the new military rulers have engaged in extensive consultations with a wide range of civilians, including politicians, about a new government and about Ghana's problems. Their first concrete action this week was to appoint competent technicians to an economic review committee. The junta has also officially requested the UN to release the respected head of the UN Economic Commission for Africa, Robert Gardiner, a Ghanaian, to help develop a "new national consensus."

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Acheampong has indicated that civilian commissioners will soon be named to head the ministries, which are being run for the time being by senior civil servants.

Although the junta clearly feels itself under pressure to show positive results quickly in the economic field, it has backed away from an initial inclination to reverse the recent devaluation of Ghana's currency and to repudiate at least some of its crushing external debt. Such actions will surely be considered by the new review group. Having denounced the Busia government's austerity program, the new leaders' options are limited for dealing with Ghana's economic problems, chief of which is the continuing low price for cocoa, the country's principal export.

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Egypt:

The Home Front Must Be Ready

Efforts to mobilize the domestic front were the primary focus of attention in Egypt in the past week. Addressing the nation on 13 January, however, President Sadat decried the failure of political efforts to resolve the conflict with Israel. He declared that he wanted peace but added that sometimes "peace can only be bought by blood." The tone was pessimistic, though Sadat did reaffirm his support for UN special envoy Jarring and say that "political action had not stopped."

In a weak attempt to justify his failure to resume hostilities with Israel in December, Sadat claimed that the Indo-Pakistani conflict, by disturbing the world's balance of power, had made military ventures inadvisable. Both in his address and a later speech before his new cabinet, Sadat castigated the US for its support for Israel and declared that America had become a party to the battle. He also reiterated that he had stopped all contact with the US concerning a political solution to the Arab-Israeli dispute. "The Americans might as well save their breath about finding a solution," he said.

Partly to underscore his determination to prepare for the eventuality of renewed fighting, Sadat has formed what the Egyptian press calls a "confrontation cabinet." Led by a younger, allegedly more dynamic prime minister, Aziz Sidqi, the new cabinet has been charged with making the Egyptian economy a "war economy." Many of the new ministers were chosen for their technical skills and are relatively unknown on the Egyptian political scene. Murad Ghaleb, formerly Cairo's ambassador to Moscow and most recently minister of state for foreign affairs, has replaced Mahmud Riad as foreign minister. Riad has been appointed adviser to the President with the rank of deputy prime minister. Former prime minister Mahmud Fawzi was elevated to the vice presidency as well as being reappointed as presidential assistant for political affairs.

In his speech on 13 January, Sadat cautioned that if Egypt is to be successful in the forthcoming struggle, the home front must attain the same level of preparedness as the military. A crack in the hoped for domestic solidarity appeared this week, however, when student demonstrators at two of Cairo's major universities decried the "no war-no peace" situation, and criticized the President for having promised much and delivered little. Sadat will find it difficult to ease the student frustrations, but over the next few months he can be expected to sustain a high level of activity centered on preparing the home front for the battle.

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Israelis Press the Lebanese

The situation along the Israeli border with Lebanon has eased as the fedayeen have halted—for the time being, at least—all operations into Israel from Lebanon. Three Israeli reprisal raids last week against fedayeen sanctuaries and an Israeli warning that further terrorism could result in "permanent occupation" of Lebanese territory spurred Beirut into what the US Embassy termed

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"the greatest effort we can recall to control fedayeen operations."

25X1 In a meeting with Yasir Arafat and other
25X1 fedayeen leaders, Lebanese Prime Minister Salam
25X1 extracted a pledge that the fedayeen would re-
frain for the time being from activities that might
give the Israelis a pretext to occupy part of
Lebanon. In addition, [redacted]
[redacted] Lebanese security forces were stopping and
searching cars in the frontier area. The Lebanese
also asked for and received support from other
Arab countries in their effort to restrain the
fedayeen. [redacted]

The Israelis subsequently seemed to soften their warning to the Lebanese. An official in the Ministry of Foreign Affairs explained that continued terrorism would result in action against fedayeen bases. He said there had been no change in the Israeli view of the territorial integrity of Lebanon, implying that Israel does not intend to occupy any Lebanese territory. Should terrorist attacks start up again, the Israelis are likely to return to the practice of open patrolling on both sides of the border. "Permanent occupation" of Lebanese territory, however, would be considered only as a last resort.

25X1 The Israelis may still be considering action against fedayeen bases in Syria. In a letter to UN Secretary General Waldheim, published on 18 January, Israeli UN representative Yosef Tekoah asserted there had been 11 violations from the Syrian side of the cease-fire line already this year. Tekoah said that Syria bears full responsibility because of its support for the fedayeen. The letter specifically refers to the decapitation of an Israeli civilian engineer in the Golan Heights on 6 January, an act for which the Israelis have yet to retaliate. [redacted]

Ethiopia-Sudan: Warmer Relations

A recent exchange of state visits by Emperor Haile Selassie and President Numayri emphasizes the warming relations between Addis Ababa and Khartoum, but deep suspicions linger on both sides. The two countries have long been estranged by border disputes, refugee problems, and, more importantly, by insurgent groups operating from each other's territory. Sudan has aided Eritrean dissidents, while Ethiopia supports the southern Sudanese rebellion, which grinds on after 16 years with no end in sight.

During the past year, Addis Ababa and Khartoum have taken a few steps to ease tensions. They have exchanged high-level delegations, placed some restrictions on insurgents, and agreed to convene joint commissions early this year to study border and insurgent problems. Nevertheless, it appears unlikely that these commissions or other efforts will soon produce a genuine breakthrough. Each side remains cautious and reluctant to yield much ground, preferring first to extract concessions from the other. [redacted]

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Malagasy Republic: Only the Beginning

The presidential election scheduled for 30 January is likely to mark the beginning of significant developments in Malagasy politics. The outcome of the election itself is a foregone conclusion: President Philibert Tsiranana, running unopposed as the candidate of the ruling Social Democratic Party will be re-elected by a landslide. Following the elections, the authorities are expected to step up preparations for the trials of those accused in three major anti-government plots. Purges of still others suspected of disloyalty to Tsiranana will probably necessitate a governmental reorganization.

Tsiranana is on solid ground in only one of the security cases, that involving participants in a

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bloody revolt last April in the south. The secret and scanty legal proceedings that have characterized the investigations of the other two cases have raised considerable doubt the government has solid evidence to support its charges.

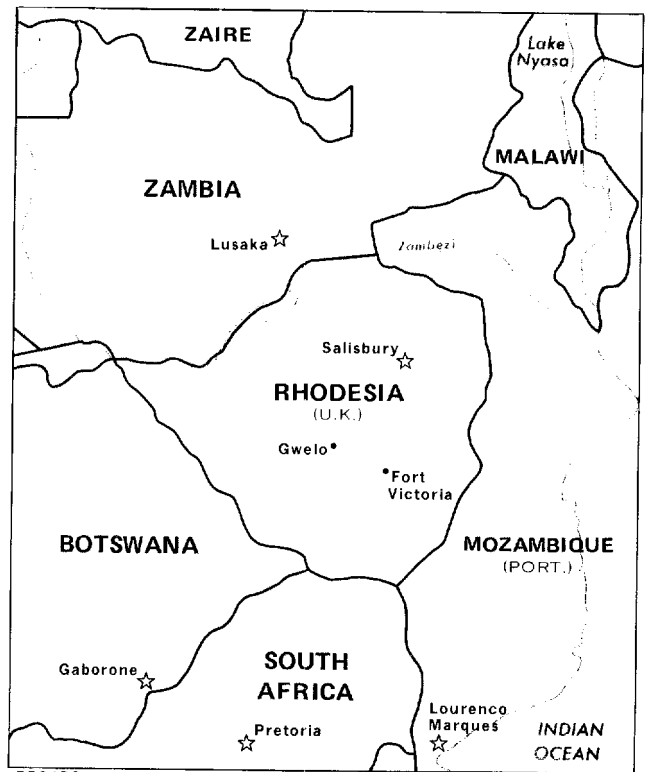
Former vice president Andre Resampa, Tsiranana's one-time heir apparent, has been held under house arrest since last June when Tsiranana accused him of plotting a coup in collusion with the US. Since Resampa's detention, approximately 16 other government officials have been arrested for alleged complicity in the case. Resampa's trial may finally surface the "irrefutable evidence" Tsiranana claims to possess proving Resampa's guilt. Tsiranana has never made the evidence public, and he may yet decide to pardon Resampa by executive clemency rather than permit the evidence to be examined in open court.

The government's prestige will also be on the line in the trial of approximately 75 persons accused of involvement in an allegedly Maoist-inspired revolutionary movement with cells throughout the island. Investigations in the case led to widespread arrests and searches being carried out against Catholic priests, members of the small opposition party, French citizens, army officers, and university professors. As in the Resampa affair, the authorities have never revealed the evidence that triggered the investigation.

The secretary general of the ruling party, Lambert Loda, has promised a step-up in the purges that so far have been directed against Resampa supporters. Officials have also strongly hinted that several cabinet ministers will be among those arrested. If so, the cabinet shake-up after the election is likely to be more than the ritual reshuffling of portfolios in which Tsiranana has engaged in the past.

Rhodesia: Opposition to the Settlement

The British commission, which is testing public acceptance of the Anglo-Rhodesian settlement terms, has been greeted by demonstrations and scattered violence since its arrival last week. The most serious outbreak so far occurred early this week in Gwelo—the fourth largest urban center—where police tried to disperse a crowd of several thousand Africans demonstrating against the accord. The result was a riot that lasted for three days before police and army reinforcements were able to restore law and order in the smoldering African slums surrounding the town. African nationalist sentiment is strongest in Rhodesia's cities, where blacks seem to be overwhelmingly opposed to the settlement proposals. The commission received thousands of letters from Africans in Salisbury rejecting the terms, and in



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Fort Victoria this week Africans shouted down commission members at a hearing.

The Smith government has accused African nationalists of fomenting unrest and has barred the African National Council, the chief rallying point for African opposition to the settlement, from holding meetings in the Tribal Trust Lands where nearly 80 percent of the African population lives. Over the commission's protest, the government also detained former prime minister Todd and his daughter, both of whom are strong exponents of the African cause. The government argued that "they were likely to incite riots." Although the government may be strongly tempted fully to restrict the activities of the council as well, it will probably move very carefully to avoid the appearance of intimidation or of preventing Africans from being heard by the commission.

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Bangladesh Still Seeks Independence

Mujibur Rahman, apparently hoping to move the country toward a more independent stance in foreign affairs, asserted at a recent news conference that neither he nor New Delhi would allow Bangladesh to become a "dependency of India." Mujib also asserted his country's willingness to accept bilateral US assistance, a departure from the position of his pro-India and pro-Soviet predecessor, Tajuddin Ahmad, who had stated that US aid would not be welcome. Nevertheless, heavy reliance on India continues both for economic assistance and for help in maintaining law and order.

India is playing a major role in Bangladesh's rehabilitation. Indian civil servants are helping identify priority needs in transportation, communications, and industry. New Delhi recently granted \$34 million in urgently needed commodities. Sugar, salt, baby foods, and drugs will be sent immediately and petroleum, fertilizer,

cotton yarn, cement, steel, vehicles, and power-generation equipment as soon as transport facilities will allow. New Delhi also has extended a \$13-million, hard-currency loan to meet immediate foreign exchange requirements.

According to New Delhi, three million refugees have returned to Bangladesh, and 150,000-200,000 others are going back every day. Transport is available in some cases, and India is providing cash when ready transport is not at hand. In addition, India has provided a grant of \$25 million for cash payments to returnees when they reach their destination in Bangladesh.

For its part, Dacca has taken steps to come to grips with the economy by nationalizing major industries and by moving to curb inflation and increase food production. Tea estates, jute mills, and some other industrial firms, which were owned mostly by West Pakistanis, have been taken over. Wages and salaries of both public and private employees have been cut by up to 40 percent. A maximum monthly salary of \$135 has been imposed. The Bangladesh rupee has been devalued by 35 percent and is now at par with the Indian rupee. Land taxes have been temporarily suspended, and the Agricultural Development Bank announced that \$3.4 million is available for loans. A food corporation has been formed to procure and distribute rice. Efforts are being made to get fertilizer and machinery to those areas where the rice crop is being planted.

Dacca, anticipating food deficits, has asked the United Nation for two million tons of food-grains over the next year. Humanitarian concern in foreign countries probably will assure that additional foodgrain supplies arrive soon, and India could, if necessary, draw on its estimated seven-million-ton stock to meet emergency needs. In any event, the effect of the prospective shortfall would not be felt for at least several months because the winter crop, which usually represents about 60 percent of annual output, has just been harvested.

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Venezuela: Renewed Guerrilla Activity

An upsurge in guerrilla activities is becoming an embarrassment to the Caldera government. The ruling Social Christians have been planning to stand on their "pacification" record in next year's general election and profess minimal concern about recent warnings of an impending guerrilla campaign.

While no significant security problem has developed, the succession of incidents does suggest some reinvigoration among the generally rag-tag, divided guerrillas. In the past few weeks, a national guard post at Ocumare del Tuy has been attacked, an infantry patrol in the interior of Anzonategui State has been ambushed, and guerrillas have been picked up on Mobil Oil property at El Palito. Responding in force to these provocations and to other sightings, the military have mobilized in the mountainous area where the

borders of Lara, Falcon, and Yuracuy provinces converge and near the town of San Felipe. Troop movements also were noted in Portuguesa State following the reported kidnaping of two national guardsmen. Embassy and public buildings in the cities are under heavier than usual protection.

Security forces have continued to make inroads against the small terrorist bands and are probably correct in their claim to have the insurgency situation under control. The timing of this new guerrilla effort, however, is damaging, particularly to Interior Minister Fernandez who has been telling the press that his pacification policy is a thoroughgoing success and is on the verge of launching his presidential campaign. There is some danger that the revival of security policy as a partisan issue might encourage the far left.

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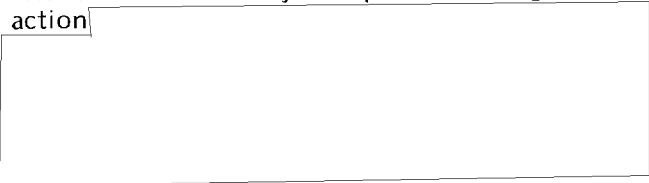
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Dominican Republic: Stability Costs

The Dominican Government paid a heavy price in security force casualties and bad publicity to eliminate four well-known extreme leftists last week. It faces the risk of additional troublesome political fall-out.

On 11-12 January, a heavily armed police and military force besieged the suburban hideout of a group of leftist fugitives sought in connection with a bank robbery last November. Four of the fugitives were killed, but the police lost some eight dead and seven wounded. Several of the casualties apparently were victims of misdirected fire from their comrades in the ill-planned and badly executed operation.

Spontaneous sympathy demonstrations by secondary school students broke out in Santo Domingo, and, although they were dispersed without serious incident, the military went on alert on 12 January. Former president Juan Bosch promptly seized the opportunity to attack the "repressive Balaguer government" as well as US advisers to the Dominican police and military. The resolve of various leftist organizations to retaliate has been stiffened, and US officials may be among the targets. Some policemen resent the loss of life caused by the poor handling of the action



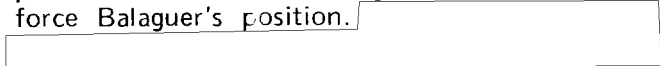
Whether the incident becomes the source of serious trouble for the government or passes as just one more episode of political savagery will depend largely on how the left tries to retaliate and on the means the government uses to thwart leftist vengeance.

Militating against more blood letting is the left's awareness that it is too weak seriously to

inconvenience the government and the dread of some leftists to wake the sleeping dog of all-out counter-terror. On the government side, General Nivar will be anxious to rein in the police. He may be supported in this by the government's desire to avoid another demonstration of ineptitude like the one last week. Balaguer may be determined to deal with the radicals despite the risks. Two fugitives are still at large



The President's persistent refusal to grant General Nivar's request for a transfer might lead him into political adventures. This could disturb the delicate balance of military and political forces that keeps the government in power. Nivar, however, has never proved a match for Balaguer in the past. The economic growth of the last three years and widespread popular dislike for any departure from constitutional government also reinforce Balaguer's position.



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Bolivian Military Shifts Completed

The annual round of armed forces promotions and reassignments is over, and junior officers have made significant gains. Although President Banzer has further cemented his support in the military, he may have discovered that his ability to control it has limits.

Before the release of the orders, it became clear that the President's plans to enhance military professionalism generally coincided with the desires of a potent group of majors and captains led by Humberto Cayoja. Cayoja was a prime mover in the revolt that brought the present coalition government to power. Even so, Banzer was distressed at the extent of Cayoja's influence and the implications of the younger officers' boldness in confronting their President directly with specific demands for military personnel shifts.



The promotion order came out on schedule in late December. In it, Cayoja was promoted to lieutenant colonel. It was rumored that he would be transferred to the army general staff, but this trial balloon was shot down by what must have been a strong negative reaction from junior officers. Behind the scenes infighting and a presidential change of heart were probably the real reasons why the reassignment order was not released until 11 January. Banzer evidently decided to modify his plans, and younger officers, many of whom are associated with Cayoja, have retained some important commands and replaced older officers in others. Cayoja himself was reconfirmed as chief of the President's military household, a sensitive post close to the center of power.

In other shifts, a number of generals were shunted to non-influential staff, judicial, and attaché assignments. Almost 60 officers were put on the active reserve list, which means another year of full pay but no duty assignment. One-time armed forces commander Reque-Teran was among those who were involuntarily released from the service altogether. He may be court-martialed for his conduct during the Ovando regime. These officers are certain to be disgruntled, but they lack the capability to challenge Banzer's authority.

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Not all the military men whom the younger officers reportedly consider discredited have been removed from important positions, but the general thrust of the reassignment order should be to their liking and their support for Banzer should solidify accordingly. The most significant aspect of the reassignment episode is that circumstances have forced Banzer to give ground to the junior officers. He has apparently chosen to rely on the younger men as his main bulwark of military support. Banzer still distrusts Cayoja, however, and he is reportedly continuing efforts to under-

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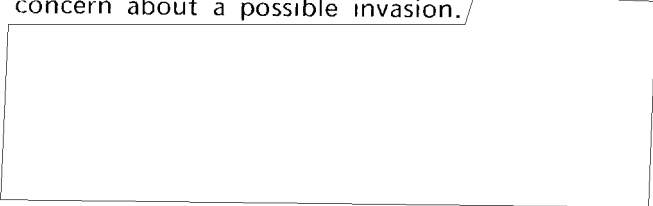
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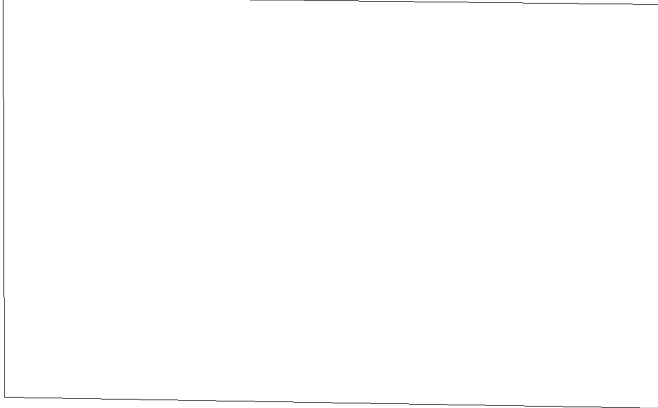
Guatemala Si, Belize No!

Reports of a Guatemalan invasion of British Honduras (Belize) in February or March have recently been circulating in Central America. While we do not foresee an imminent attack, there is a very real possibility of a hostile Guatemalan reaction if the colony pushes for independence before Guatemala's historic territorial claim has been resolved.

25X1 Guatemala's military buildup in the Peten, the northernmost province bordering on Belize, and speculation that Premier Price of Belize would seek independence this year have led to concern about a possible invasion.



Guatemalan officials may have raised the possibility, hoping to pressure Price and inhibit any move toward independence. On the other hand, Costa Rica may have fabricated the story in order to embarrass the Guatemalan Government with which it is feuding. In either event, the report lacks plausibility. The involvement of El Salvador and the timing of the alleged attack are improbable. There is virtually no chance the colony will gain independence by March. In addition, the British, who usually maintain a 250-man garrison in the colony, will be holding battalion



strength maneuvers from late January to mid-March and have so informed Guatemala.

Guatemala has not focused public attention on the issue and in the absence of any radical change in the colony's political status will be too preoccupied with internal politics to begin a major adventure in Belize at this time. Guatemalan military activity in the Peten seems genuinely directed against leftist insurgents operating there.

Even though an attack is not imminent and there is no popular pressure on Price to go for independence, the potential for serious trouble remains. Guatemala has persistently demanded controls over the economy, foreign policy, and security of an independent Belize. Unwilling to go from a British to a Guatemalan protectorate, Belize has resisted. Hopes for breaking the impasse are not bright.

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