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(Information as of 1200 EST, 27 January 1972)

India-Pakistan

New Delhi is trying to use the projected peace negotiations to ensure Pakistani acceptance of the altered power relationship on the subcontinent. To this end, the Indians reportedly are insisting that Pakistan agree to certain pre-conditions for the negotiations.

The Indians presumably realize that Pakistani President Bhutto cannot formally recognize Bangladesh as long as Indian troops are "in occupation." But New Delhi insists that Islamabad acknowledge the reality of Bangladesh before peace talks can open. Additionally, New Delhi has made it plain that it will not negotiate the return of Pakistani prisoners—in theory, jointly held with Bangladesh—until Bhutto takes steps to treat with the Bengalis on the issue. The Pakistani leader, however, has stated repeatedly that he cannot negotiate with Mujib or other Bengalis as long as Indian troops remain in "East Pakistan."

More importantly, Indian officials have stated privately that Bhutto must indicate he is abandoning "the policy of confrontation" with New Delhi. Foreign Minister Singh has suggested that this could include such cuts in Pakistan's military establishment that the country would no longer pose a security threat to India. Singh has also suggested that Pakistan must express a willingness to renounce its claim to Indian-held Kashmir. Both of these suggestions appear far beyond anything Bhutto can deliver now. The Indians profess that they long ago wrote off their claim to Pakistani-held Kashmir and maintain it only to "sustain their legal case." They will insist that a "mutually acceptable" rectification of the 1949 Kashmir cease-fire line be arranged.

New Delhi would give little in return for these concessions from Islamabad. While India fully intends to withdraw the bulk of its 45,000 troops from Bangladesh by May or June, tension apparently is to be maintained in the west. Only after a comprehensive peace settlement would New Delhi be willing to withdraw its troops to the pre-war boundaries—although not necessarily to pre-war home cantonments far inside the borders. In the west, India presently holds about 1,400 square miles of Pakistani territory—including a large segment of strategically unimportant desert—to some 150 square miles of Indian territory held by the Pakistanis.

Bhutto is under considerable domestic pressure to secure the return of up to 90,000 Pakistani prisoners (70,000 West Pakistani troops—the rest paramilitary and civilians). Only some 600 Indian soldiers are held by Islamabad. There is a growing acceptance in Pakistan of the loss of Bangladesh, but the Indian pre-conditions such as recognizing India's claim to Kashmir, or reducing the military forces to a level most Pakistanis would regard as an invitation to Indian occupation, are unacceptable to Bhutto, the Pakistani military, and probably most Pakistanis. Should the Indians press such demands, Bhutto might find he had enough popular support to refuse negotiations despite the prisoner of war issue. Until such problems as the prisoners and the occupation of Pakistani territory are resolved, a further outbreak of fighting is possible.

Meanwhile, the Indians are in no hurry to get the talks started, apparently in the belief that delay may soften Islamabad's already weak bargaining position and increase the possibilities of wringing out the desired concessions. In pursuing this tactic, the Indians are showing little concern for the sensitive balance of political forces within Pakistan. New Delhi maintains that it is adopting a wait-and-see attitude toward Bhutto, but, if they insist on such tough demands, the Indians would make his task more difficult and conceivably could create conditions under which Bhutto might well have to take a stronger anti-Indian position to avoid a military coup.

BHUTTO'S FIRST MONTH

President Bhutto apparently is trying to satisfy those Pakistanis demanding reforms by making dramatic policy announcements while at the same time hoping to avoid a confrontation with

conservatives by exercising restraint in implementing these policies.

Bhutto's most publicized economic reforms have been directed against the few wealthy families who own a large part of the country's industry. Shortly after Bhutto took over, the government arrested three industrialists, seized thirty firms, and threatened life imprisonment for anyone who failed to repatriate money held abroad. This week, in an attempt to gain some cooperation from business and industrial leaders, Bhutto announced the release of the three prisoners, gave his assurances that private enterprise is necessary to build Pakistan, and extended the deadline for reporting holdings abroad to 15 February.

The President said he would announce a land reform program that will supposedly affect 80 percent of the people. The government, however, has not yet revealed what this reform entails, and it could well be less sweeping than many peasants expect. Bhutto has made it clear that the program must be implemented carefully, and the agriculture minister, in talking to reporters, emphasized plans to seize "ill-gotten" land, i.e., land illegally taken from the government or retained by landowners despite previous land reforms.

In the two provinces where Bhutto's Pakistan People's Party is weak, local politicians have denounced his effort to meet growing demands for self-government and are demanding a large measure of provincial autonomy and the immediate end of martial law. Bhutto announced that assemblies in all four of Pakistan's provinces would convene on 23 March and that provincial ministries will be formed soon afterward, but did not indicate how much power would be given to these governments. The President would still rule the country under martial law, and even when martial law ends his party would dominate the national government.

President Bhutto

Although the President has so far avoided a major confrontation with any group, he has probably satisfied none more than temporarily. Dissatisfaction—encouraged by the left wing of his own party—is growing among students and workers, and may soon force Bhutto to take some action. So far he has been content simply to denounce those trying to "mislead" the students and workers and has not ordered the police to break up strikes or stop students from seizing educational institutions.

Bhutto also faces continuing economic problems. Agricultural prospects are poor because of drought. Industry must cope not only with strikes but with the loss of markets in Bangladesh, and continuing import restraints resulting from balance-of-payments problems. Moreover, Pakistan has not repaid its debts to official foreign creditors since last April. Official foreign exchange data show holdings at $175 million—equivalent to three months' imports at 1971 levels—down from a peak of $343 million in early 1970.

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Egypt: Students Demand War Footing

President Sadat is facing his first serious outbreak of open dissent. For nine days, Egyptian university students carried out a series of discussions, sit-ins, and rock-throwing demonstrations challenging the direction of the Sadat government. The students criticized the new cabinet as insufficiently militant. They demanded that Sadat put the nation on a war footing and commit himself to resuming hostilities with Israel. They called for a clarification of the Soviet role in Egypt and the nationalization of US interests in the Middle East.

Although the primary reason for the outbreak of dissent was frustration over the current stalemate in which Sadat is unable to make either diplomatic or military progress, other more immediate factors sparked the disorders. Sadat's speech to the nation on 13 January, in which he feebly attempted to justify his inaction during the "year of decision" in 1971, was greeted with derision by Egyptian students and greatly contributed to their unhappiness. The new "confrontation cabinet" likewise failed to meet student expectations of a body dedicated to the military recovery of the Sinai and capable of bringing it about.

Sadat initially attempted to reason with the students, but on 24 January he arrested a large number of the agitators, sparking an intensification of the protests. Security forces subsequently clashed with rioting students in various parts of Cairo in attempts to discourage the spread of demonstrations. Although there was little evidence of support for the students from other quarters, many young, educated Egyptians have been inducted into the armed forces since the 1967 war and at least some of them doubtless sympathize with the student grievances.

The government has tried to answer some of the students' demands by instituting a series of austerity measures and by promising to step up military training for university students. In a subsequent discussion with groups of the nation's political and trade leaders, Sadat attempted to give further proof of his commitment to regain the occupied territory. He reiterated that all negotiating contacts with the US had been broken and reaffirmed his belief that the battle is "inevitable." He warned, however, that the nation's students should be the first to "respect the sovereignty of law."

Sadat is apparently determined to force an end to the student protests and very likely hopes that the situation will cool during the current academic vacation. If the protests go on, or if the protesters begin to receive support from other segments of the population, it will be difficult for him to ignore demands for a clearer definition of his intentions. In that event he could be forced into taking some dramatic action to ensure his own political survival. 25X1

Troubles for the UK

MALTA: TOWARD A SETTLEMENT

Some progress was made at the talks in Rome last week. Prime Minister Mintoff appears to have accepted, conditionally, the final UK-NATO offer of $36.4 million annually, plus bilateral aid, but he claimed that he needed cash immediately to cover an anticipated budget deficit. The allies appear willing to grant Mintoff's request, at least partially, by offering to make a large advance payment available soon. A satisfactory settlement in other respects would have to be reached first, however.

The discussions in Rome also covered the question of foreign military use of Maltese facilities. A number of points remain to be resolved in this area, but an Italian official who attended the talks is of the opinion that a mutually acceptable compromise can be achieved.

NATO is pressing for the complete denial of Malta to Communist forces. Mintoff agreed to exclude military visits by Warsaw Pact countries and Albania, but he left the way open for non-operational visits by pact members. Moreover, he would not rule out visits by the Chinese. Mintoff, while stressing that nothing should preclude Valletta from granting some rights to Libya, indicated that Tripoli would not be allowed to interfere with British activities.

Mintoff proposed that use of the UK's air and naval facilities be subject to both Maltese and British approval. Such an arrangement would protect the British against unilateral Maltese moves, while at the same time giving Malta a veto over foreign use of British bases. Mintoff said that at least Italy and West Germany would be permitted access.

The British, who are undeniably fed up with Mintoff, are likely to continue negotiating out of concern for NATO. They are not likely, however, to respond to advice from their NATO partners on the bilateral aspects of a settlement, such as the level and conditions of local employment. A British official recently reminded US diplomats that it is London that must live with a new agreement and issues that seem unimportant to some allies are vital to the UK. 25X1

RHODESIA: SETTLEMENT PROSPECTS DIM

Although the disturbances that rocked Rhodesia's urban centers last week have subsided, signs are growing that African opposition to the proposed settlement is widespread.

Most urban blacks were expected to oppose the accord, but early indications suggest that rural Africans are also coming out solidly against it. Even some government-appointed chiefs and the eight Africans who represent the tribal areas in parliament reportedly have told the Pearce commission that they reject the agreement. Some African officials of the multi-racial Centre Party and the country's five influential Catholic bishops, who had earlier expressed approval of the settlement terms, also came out this week against the accord.

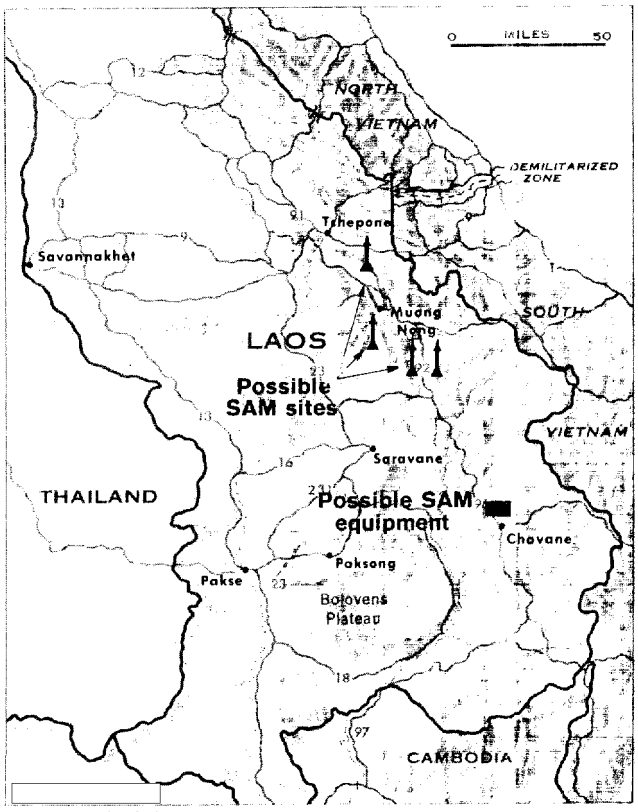
The commission still has about six weeks of canvassing, but, unless the present trend is reversed soon, which now seems unlikely, Lord Pearce will have no recourse but to report to London that the accord is not acceptable to Rhodesian Africans. In that case, the settlement, which the British view as a last-ditch effort to prevent Salisbury from slipping into a complete South African - type apartheid, is dead. Under such circumstances, the Heath government, recognizing Britain's inability to influence events, may very well try to absolve itself of any further responsibility for Rhodesia. 25X6 25X1

Indochina

CONFIDENCE IN SOUTH VIETNAM

Evidence of Communist plans for a major offensive in South Vietnam accumulate, but the South Vietnamese commanders whose units probably will bear the brunt of the fighting are surprisingly confident. They feel that their forces will be able to handle whatever the Communists are planning for their annual spring campaign, even though there are numerous indications that the Communists would like to make this year's effort the biggest since 1968.

The South Vietnamese in command of Military Regions 1 and 2, and of the 1st and 2nd divisions as well as several province chiefs and other officials all generally agree that the Communists plan to hit hardest in the central highlands, with a secondary effort against the two northernmost provinces. They anticipate that the attacks will begin sometime in February and that some may be timed to coincide with the Tet holidays. They anticipate further that the Communists will be hampered by supply shortages and insufficient troop replacements. They also feel that the apparent lack of extensive battlefield preparations suggests the Communists could not wage a sustained or prolonged offensive. Divisional commanders are exuding confidence in their units, claiming that troop morale is high and that logistics are adequate. Territorial forces in the populated areas, they say, are capable of handling any threat from Communist local forces.



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The strong confidence of these officials contrasts sharply with the foreboding they have displayed in the past when a major enemy offensive seemed imminent. General Lam in Military Region 1 probably has more reason to be optimistic than General Dzu, his counterpart in Military Region 2, since Lam's regulars are among the country's best. Dzu may be basing some of his optimism on assurances from Saigon that reserves will be sent to the central provinces if needed, thus offsetting at least in part the poor quality of some of his forces.

But the Communists Prepare

The North Vietnamese are expanding their surface-to-air missile capability along the major north-south road network through southern Laos. In aerial photography of early January, four possible SAM positions were noted in the Muong Nong area. This is the southernmost point at which SAM launching positions have been detected, although pilots have reported sighting SAM equipment as far south as the Chavane area on the 15th. The SAM build-up in the panhandle suggests that Hanoi will make a much more determined effort than ever before to protect its logistics network during the remaining months of the dry season.

And logistical activity along the Ho Chi Minh Trail is steadily increasing. Sensor detections and aerial observers indicate that the volume of shipments is growing throughout the Lao panhandle and northeastern Cambodia. Some trucks are moving in daylight—a sure sign of urgency.

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Government Positions on Skyline Ridge

LAOS: THE GOVERNMENT WINS A ROUND

The North Vietnamese clearly had the government on the ropes after the irregulars were routed from the Plaine des Jarres in late December, but so far they have been unable to score a knock-out at Long Tieng. Taking advantage of the confusion among retreating irregulars, enemy units managed to enter the base earlier this month, while other units captured Skyline Ridge overlooking the government complex. In an unusual display at premature boasting, the Communists claimed publicly that they had captured the base.

Irregular units rallied and after some hard fighting were able to drive the raiders from the base. On 24 January, after bloody fighting, government forces pushed the North Vietnamese from their last positions on the ridge. The Communists apparently suffered heavily from air strikes. They seem also to have had difficulty moving supplies to their troops.

Both sides are now preparing for another round of hard fighting. In an effort to ease their supply problems near Long Tieng, the North Vietnamese are building a road south from the Plaine des Jarres. They also are attempting to surround Long Tieng. Elements of three North Vietnamese regiments are now south, west, and east of the base and are probably deploying anti-aircraft units to combat the government's air support.

The government, aware of what the Communists are up to, is hitting North Vietnamese troop concentrations and supply routes with air strikes, and irregular battalions are trying to prevent the North Vietnamese from emplacing AAA weapons on the hills south of Long Tieng. Over 2,800 fresh irregular troops were airlifted into Long Tieng this week to strengthen the government forces; Vang Pao now has nearly 12,000 irregulars in the Long Tieng area.

A Communist Jab to the West

While the key battlefront in the north is at Long Tieng, Communist troops have moved west of the Plaine to capture Sala Phou Khoun on the road between Vientiane and the royal capital, Luang Prabang. Government spokesmen in Vientiane claim that North Vietnamese troops were responsible for driving the 1,300-man government forces from the town. Government commanders are now trying to regroup their forces, and reinforcements are being sent to Muong Kassy, about 25 miles to the south.

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East-West Germany

TRANSPORT TALKS RENEWED

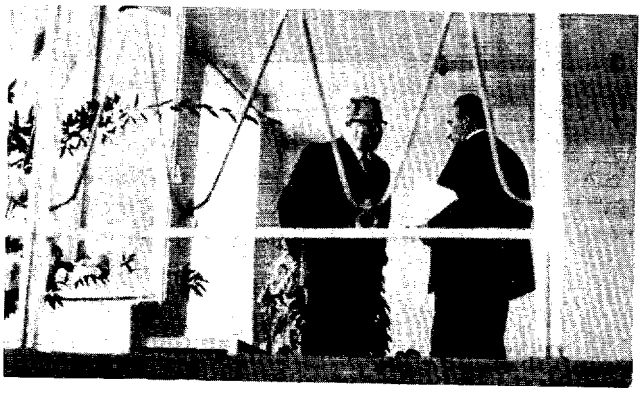
The West and East German negotiators, Bahr and Kohl, resumed bargaining on 20 and 21 January on a bilateral transport agreement. Kohl led off, not unexpectedly, by submitting a revised version of the draft he had proposed last September, which is not to Bonn's liking. Essentially, each negotiator is probing to see if the talks can be used to achieve broad but conflicting goals; Pankow wants to speed its acceptance into the international community, while Bonn wants to ease travel to the West for East Germans.

Talks have not been renewed between the West Berlin Senat and East Germany to refine details of last month's inner-Berlin agreement. The Senat informed Pankow on 11 January that it was ready for expert-level talks on land exchanges on West Berlin's perimeter, but Pankow has not yet replied.

The new East German draft transport agreement contains much technical detail that Bahr and Kohl had agreed on before deciding in November to concentrate on the Berlin access accord. The new draft adds civil aviation and ocean shipping and has a protocol note calling for Pankow's accession to international transport conventions.

Bonn wants to omit from the agreement civil aviation and ocean shipping. These issues, in Bonn's view, are too involved and, in the case of the former, also touch sensitive issues connected with Berlin air access. Bonn probably will have difficulty as well with the draft's new citations of East German sovereignty, unqualified by any reference to residual Four Power rights in Germany.

For his part, Kohl objected to two key West German desiderata—that West Berlin be included under the terms of the agreement and that some provision be made for improved travel opportunities for citizens of both countries. Consistent with Pankow's view that the Federal Republic cannot act for West Berlin, Kohl expressed East German intentions of negotiating a parallel transport agreement with the Senat.



Kohl and Bahr

Kohl did hint at a willingness to discuss the travel issue in exchange for Bonn's support of East German accession to a number of additional international conventions and participation in some international conferences and organizations. The Brandt government feels it must try for a breakthrough on travel to counter domestic criticism that Ostpolitik has ignored the human element, but it wants to delay East German participation in world affairs to a later stage.

The next session will be on 2-3 February in Bonn, but Bahr will not begin hard bargaining until March. In contrast to his optimistic mood before the meeting with Kohl, Bahr now doubts that Pankow really wants to conclude a transport agreement, at least this spring. Furthermore, Bonn officials believe that Pankow is not interested in negotiating a general treaty governing inter-German relations after the transport treaty is concluded.

Although Bonn has wavered on the subject, its current position is that UN membership for West and East Germany should await the conclusion of a general treaty on relations. This position would be undermined if Bonn agrees to Pankow's membership in various international organizations in order to achieve a transport agreement. 25X1

HONECKER TIGHTENS RANKS

In a series of articles and speeches, the East German leadership has called for ideological discipline as the nation enters a period of greater contact with the West.

The core of the argument was contained in an article by party chief Erich Honecker that appeared simultaneously in *Neues Deutschland* and the international journal, *Problems of Peace and Socialism.* Honecker maintained that East Germany must concentrate on building socialism and forge even closer ties with the Soviet Union in the process. The party chief stressed that the creation of a new society was a long and complicated task and that the USSR was the only model to follow. He thereby put his ideologists on notice that the Ulbrichtian notion that East Germany had reached a stage in its development where it could serve as a model for the West was no longer tenable. Furthermore, he warned his economists to stop relying exclusively on Western tools for economic analysis and going for easy, short-term successes. They should instead return to the principles of Marxist-Leninist political economy and long-term, balanced planning and management.

Turning to basic ideological questions, Honecker expressed his concern that party members might be seduced by Western social democracy and called for greater efforts to inculcate the masses in patriotism for the German Democratic Republic and loyalty to the USSR. Aware that his views on the threat from the West might be misinterpreted by those within the party who deplore the Soviet detente policy, Honecker went on to condemn deviation from the "common line of the international Communist movement" as anti-Soviet Maoism.

Honecker's article was thoroughly coordinated with the Soviets before publication, and as a result many of his key points were blunted or deleted. To repair the rents in his argument, Honecker took his case directly to the public in an unyielding speech on 6 January. He warned East Germans, and implicitly the Soviets, of the dangers of taking a relaxed view of the Brandt government. Honecker, already uneasy over the public mood created by improvement in East-West relations, could only have been shocked to see the results of a party-sponsored opinion poll in East Germany naming Brandt as the most popular German politician. Stressing the unbridgeable ideological, social, and political gap between the two German states and the unacceptability of Brandt's two states - one nation theory as the basis for inter-German relations, Honecker fired a round of abusive salvoes against Bonn's "unchanging imperialist character." The Soviet response to Honecker's fire-eating speech was cool. TASS deleted all references to the military might of the Warsaw Pact and the dominance of the Socialist system in Europe as well as the anti-Western vituperation. What was left was a mild address in praise of peace and friendship with the USSR.

Shifting gears, the East German leadership decided to express its uneasiness more subtly, cloaking it as an attack on Maoism. A *Neues Deutschland* editorial castigated the Chinese "drivel" about the "sellout" of East German sovereignty by the Soviet Union as a result of the Berlin accords. Once again, TASS deleted the key points the Pankow regime was attempting to make about the effects of detente on East Germany, leaving only a generalized attack on the Chinese heresy.

The Honecker regime has attempted by its attacks on the social democratic and Maoist deviations to keep the party membership in line and, at the same time, warn Moscow of the potentially divisive, destabilizing effects of detente. The treatment of the East German argument in the Soviet media demonstrates that Pankow's fears are being given short shrift. [redacted] 25X1

EUROPEAN MONEY WORRIES

Concern is growing in Europe that the Smithsonian currency realignment is threatened by US domestic economic policies. Europeans blame the dollar's continuing international weakness, in large measure, on relatively low US interest rates. This reduces the incentive of overseas holders of funds to invest them in the US. Moreover, the proposed large budget deficit raises doubts about the US ability to dampen inflation, further weakening confidence in the durability of the recent currency realignment. High-level French officials, such as Pompidou's economic and financial adviser, have been raising these points, saying that such policies are not in keeping with the understanding reached at the Azores meeting between President Nixon and Pompidou.

If the anticipated reflow of dollars to the US fails to develop while the unfavorable trade balance continues, Europeans believe that the US balance-of-payments will remain in deficit. This in turn raises the question of how the US would finance this deficit. Foreign central banks are reluctant to increase their dollar holdings now that the dollar is no longer convertible. Because it is generally recognized that the US cannot reopen the gold window, many central bankers feel that some form of limited convertibility, at least for additional dollar holdings, should be implemented. Alternatively, EC Commission Vice President Barre has suggested that the US seek international credits as the UK did when the pound was devalued in 1967. [redacted] 25X1

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Belgium: Right On

The new cabinet of Prime Minister Eyskens, sworn in last week, represents a renewal of the coalition and policies in effect since 1968. The Socialist - Social Christian government is both moderate and experienced. Eyskens, in his fifth term at the helm, will rely on many of his previous ministers. The important defense and economic portfolios, however, have been given to relative newcomers, two well-known politicians from Brussels. This is an obvious attempt to recoup the government's standing in the capital, which cast a strong vote against Eyskens' program of constitutional revision in last November's national elections.

The government will focus on domestic affairs. It intends to further the regional decentralization of administrative and economic functions, broaden social benefits, and provide for greater environmental protection. The linguistic situation should not be a major problem. The previous coalition completed constitutional revisions that provide cultural autonomy for the nation's Dutch- and French-speaking citizens. Only minor details remain to be worked out, and there are no other apparent threats to the present domestic tranquillity.

In foreign affairs, the retention of Pierre Harmel as foreign minister and the appointment of a conservative Social Christian to the Defense Ministry foretell a continuation of past policies. The new coalition has agreed to support stronger political ties in the EC and maintain Western collective security. The coalition program calls for a reduction of two to three months in the term of military service. A passage in the program entitled "from Detente to Entente" looks with favor on facilitating preparations for a European conference and calls for the opening of negotiations on East-West troop reductions. Even these proposals are generally consistent with Belgium's past policy of being in the forefront of detente initiatives. [redacted] 25X1

The Soviet Union

AGRICULTURE SLOWS ECONOMIC GROWTH

The new Soviet five-year plan got off to a slow start in 1971. Gross national product grew by only about 3.5 percent. A decline in agricultural output from the record level in 1970 was largely responsible, but the pace of industrial growth also sagged, especially in the last six months of the year. The failure to meet the goals for labor productivity and for putting new plant and equipment into use suggests that some of the key goals of the five-year plan are threatened.

After a bumper year in 1970 because of unusually good weather, agricultural output last year declined by about 1.5 percent. Less favorable weather conditions last year caused a decline in the output of all major crops except cotton. As a result, the Soviets are buying grain and sugar in non-Communist markets to cover domestic requirements and export commitments. The production of livestock products, particularly meat and eggs, increased again in 1971, but the boost in livestock numbers was only half the 1970 level.

Agricultural production was disappointing, but the leadership continued to devote an increasing share of the nation's investment resources to this sector—about 25 percent in 1971. The more than 21 billion rubles invested in agriculture equaled the plan figure and were 10 percent higher than in 1970. Deliveries of agricultural machinery were on schedule, and the supply of mineral fertilizers to the farms climbed by almost 11 percent. Tractor deliveries were slightly behind schedule and the supply of trucks fell 15 percent short of the planned target.

SOVIET ECONOMIC GROWTH

Annual percentage rates of growth, rounded to nearest half percent

	1966-69 Actual*	1970 Actual	1971 Plan	1971 Actual	1971-75 Plan**
Gross national product	5	8.5	6	3.5	6
Industrial output	7	6.5	7	5.5	8
Agricultural output	2	13	6.5	-1.5	3.5
Construction work	6	10.5	8.5	8	6.5
Services	4.5	3.5	3	3.5	4
Consumption	5	5.5	4.5	5	5
Fixed investment	6.5	11.5	7	7	6.5

**Annual average*

***Average annual growth required to meet 1975 targets.*

Industrial production is estimated to have risen by about 5.5 percent in 1971. Most of the published production targets were met or surpassed, but there were substantial declines in the output of some processed foods and consumer durables—notably fish, sugar, television sets, and washing machines. Moreover, after midyear the rates of growth of all the major industrial materials and consumer goods branches slowed appreciably.

Despite the fanfare concerning the place of the consumer in the 1971-75 plan, per capita consumption grew at 4 percent last year, compared with about 4.5 percent per year in 1966-70. The increase in real per capita income was reported as 4.5 percent, the smallest increase recorded since Brezhnev and Kosygin came to power. The average earnings of state employees increased more than planned, but earnings of collective farmers leveled off after years of steady growth.

The official statistical report shows that gains in labor productivity during 1971 in the key sectors of industry, agriculture, and construction fell below those achieved in 1970 and were appreciably less than the rates necessary to keep the economy in line with current five-year plan goals. Soviet leaders have repeatedly stressed that reserves of labor are limited, making the success of the 1971-75 plan dependent upon a substantial rise in productivity.

Construction was another soft spot in the economy. Although targets for the value of investment allocated were met, the goals for completing projects were not. Additions to capacity to produce coal, steel, cement, mineral fertilizers, and sugar were less than the average yearly increase in 1966-70. Large gains were scored in motor vehicles, meat processing, and chemical fibers.

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Ghana: The Cautious Junta

Two weeks after his take-over, Acheampong appears to be exercising strong personal control, but intensification of tribal rivalry has raised new questions about the army's basic stability. On the economic front, there has been little forward movement beyond some symbolic gestures to Ghana's hard-pressed consumers.

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National Redemption Council

The junta has apparently decided on the make-up of a National Advisory Council, which is to be the highest level of civilian participation in policy formation. The council will be headed by Robert Gardiner, the respected chief of the UN Economic Commission for Africa, who will take up his new duties in Accra at the conclusion of the UN Security Council meeting in Addis Ababa.

The junta is still moving cautiously on economic matters while waiting for recommendations from the economic review committee appointed last week. No options have been completely foreclosed, and the junta may ultimately decide to make only minor adjustments in Busia's austerity measures in the hope of obtaining debt relief and increased foreign assistance. The only changes thus far involved the roll-back of prices on a few key consumer goods and the establishment of state control on the import of others.

Efforts by the junta to gain international acceptance have been concentrated on neighboring countries. The Foreign Ministry announced this week, however, that it assumes all countries represented diplomatically in Accra have recognized the new government.

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Israel: Terrorism and Reprisal

Fedayeen incidents along the Israeli-Syrian cease-fire line increased after Israeli raids and a threat to occupy Lebanese territory forced the fedayeen to stop their operations from Lebanon. The increased level of terrorism provoked an Israeli air strike this week against a fedayeen base just north of Daraa, the first action by Israeli aircraft inside Syria in some 18 months. Most of the terrorists had left the area prior to the raid, and the fedayeen probably suffered few if any casualties. Even so, the Israelis feel that the raid served to warn the Syrians that a build-up of terrorist potential near the border will not be tolerated. The Israelis claim that the Syrians "supervise" every terrorist act that takes place from Syrian territory and that the Syrian Army has provided covering fire for fedayeen units. Following the air strike at the fedayeen base, the Israelis broadcast a warning to the Syrians that further fedayeen activity would again draw Israeli retaliation.

The fedayeen have also been active along the Jordan River frontier. On 23 January, 12 fedayeen, who must have crossed from Jordan, were detected by the Israelis approximately 13 miles above Jericho on the West Bank. One of the terrorists was killed and the rest captured.

Although the Lebanese border has been quiet following the cessation of terrorist operations, fedayeen units have begun to move back into jumping off areas along the border. A renewal of terrorist activity there could occur without warning.

Meanwhile, the fedayeen continue to be more of a problem for their Arab hosts than for the Israelis. The US Embassy in Beirut states that the presence of the fedayeen in the Lebanese countryside and, increasingly, in larger towns including Beirut, constitutes a difficult and growing internal security problem for the government. The embassy warns that the Palestinians, frustrated in their efforts to hit directly at Israel, may turn more to terrorism, not only against local authorities, but also against installations and interests.

In Syria, President Asad faces a similar dilemma and, with Jordan's unhappy experience as an example, he has tried to keep the commandos out of all the major cities except Daraa, the Jordan border town around which most of the fedayeen units in Syria are believed to be concentrated. Arab dedication to the cause of Palestinian irredentism requires him to provide them facilities and at least appear to support their operations. He cannot let them become too bold, however, for fear of further Israeli reprisals. 25X1 25X1

Libya: Toil and Trouble

Rumblings are once more being heard in Libya, as the Qadhafi regime fails to pause long enough in its pursuit of pan-Arab glory to give serious attention to the problems of the home front. The students and the press have been the most vocal in expressing dissatisfaction with domestic policy. The government reaction has once again shown up Premier Qadhafi's ineptitude in handling his own people.

The Libyan students have long sought a student union through which they could express their opinions and demands. After Qadhafi's

courting of non-Libyan Arab student associations that met recently in Libya, the students made another effort and were granted unions. These, however, were divided between secondary and university students so as to dilute their strength. This was not good enough for the students and they appealed to the Premier, who impulsively permitted the establishment of a single united student union.

A few days later, this rapprochement fell apart when the students failed to turn out in numbers for a Qadhafi speech scheduled for the anniversary of a student battle with the former regime. The students apparently preferred attending a soccer match, and when Qadhafi, enraged, caused the match to be canceled, the students just drifted home. Later, four students were arrested in Benghazi for spitting at the motorcade carrying the Premier and his guest, the Somali President.

The Libyan press, in its low key way, has also been at odds with the Qadhafi regime. Most journalists were retained in their positions after the revolution, but their work has failed to satisfy Qadhafi. Upon his emergence from seclusion last October, the Premier made clear that he expected the press to do more to make the populace responsive to the revolution's program. This has not happened and last week 29 journalists went on trial for "corruption of public opinion during the monarchy." The charge fails to make clear why a number of newsmen approved by the Qadhafi regime were accused, including the present director of the state-owned Libyan News Agency. Most of the major newspapers were shut down last week, including the government's official daily paper.

Qadhafi is an emotional man, and he must be stung by these symptoms of antagonism. The need for more than lukewarm popular support of the regime formed a major theme in a speech last October. The feelings revealed by the students and the failures of the press are not indicative of serious dissent in terms of internal security, but they do point up once again Qadhafi's failure to generate any sense of movement on domestic issues. [redacted] 25X1

International Oil

The Organization of Petroleum Exporting Countries, fresh from winning increased revenues from the oil companies to compensate for loss of purchasing power resulting from the dollar's devaluation, forged ahead last week with demands for greater participation. At the initial meetings, representatives of OPEC sought a minimum 20-percent ownership of facilities within members' borders. Furthermore, they indicated any agreement would have to specify that the producing countries' ownership share would rise, at some future time, to 51 percent.

The oil company representives offered no encouragement, but both parties agreed that the complexity of the issue and varying circumstances within producing countries dictated individual country negotiations with oil companies operating there, once the oil companies accept the principle of participation. Talks are expected to be long and drawn out, but mutual dependence—that of the producing countries on the companies' technical ability, capital resources and control of the world market, and the oil companies reliance on OPEC for much of their oil—calls for eventual agreement. It is unlikely that during negotiations OPEC will be so demanding or the companies so adamant that a disruption in oil production will result. Libya has elected to go it alone and, in addition to seeking a larger price adjustment to compensate for dollar devaluation, probably will demand an initial 51-percent share in oil company operations. [redacted] 25X1

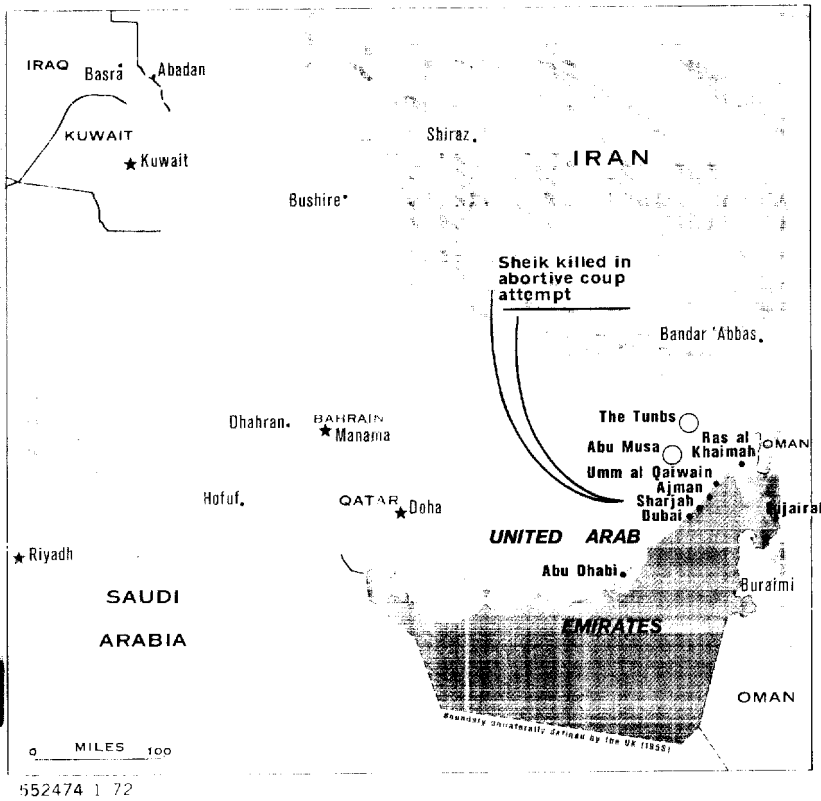
Persian Gulf: Murder in Sharjah

Sheik Khalid ibn Muhammad al-Qasimi, ruler of Sharjah, was killed in an abortive coup attempt earlier this week when a small band of rebels led by a deposed ruler captured his palace and held it for 15 hours. The palace was seized on the eve of a major religious holiday that found most security personnel already on leave. The rebels were besieged and forced to surrender by military forces of the new United Arab Emirates, of which Sharjah is a member, and units of several local security forces. The coup attempt received no popular support in Sharjah. The ruling family has named 29-year-old Sheik Sultan ibn Muhammad, a brother of Khalid, as the new ruler. He is currently minister of education in the union cabinet.

The unsuccessful take-over was led by Sheik Saqr ibn Sultan, a former ruler of Sharjah and a cousin of Sheik Khalid. Sheik Saqr was deposed in 1965 by the ruling Qasimi family of Sharjah [redacted] 25X6
[redacted] Saqr had a reputation of flirting with radical Arab regimes and "liberation movements," [redacted] 25X6
[redacted] Saqr spent his exile in Baghdad and Cairo, and is believed to have been involved—with Iraq's backing—in an attempt on Khalid's life in July 1970.

Despite some success in sponsoring social and economic development in his relatively impoverished sheikdom, Khalid was not particularly

Sheik Khalid



popular in Sharjah. Tracts demanding his abdication surfaced in mid-1971, and his standing further declined later in the year when he agreed to permit Iran to garrison part of the Sharjah-claimed island of Abu Musa in return for a subsidy from Tehran. Khalid was the target of sharp criticism from the governments of Iraq, Yemen (Aden), and Libya for accepting the deal, which had been negotiated by the British before their withdrawal from the Persian Gulf.

It is not clear if other Arab states were implicated in Saqr's unsuccessful uprising, although his background suggests that more was involved than traditional family rivalry.

The United Arab Emirates withstood its first test by speedily putting down Sheik Saqr's coup attempt, but the ease with which he entered Sharjah and seized the palace points up the fragility of the sheikdoms and their vulnerability to dissident groups.

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Somalia: Still Unstable

After more than two years in power, General Siad's military regime continues to face plots and public dissatisfaction with its policies. Nevertheless, Siad has managed to hang on as president of the ruling Supreme Revolutionary Council, and the powerful security apparatus has kept potential opposition elements in check.

Maneuvering within the council, where he has rivals, presents the major danger to Siad. The council's 21 army and police officers represent a precarious balance of contending personal, tribal, and ideological interests. Siad has thus far maintained the balance by manipulation and accommodation. He has faced at least two alleged coup plots, but he has managed to neutralize several potential opponents. The President's authority is limited, and he must be regarded as still vulnerable to moves by other high-level members of the regime.

The government is troubled by tribal enmity. As a result of the military coup, traditionally dominant tribal groups have largely been supplanted in the government by previously unimportant tribes, producing considerable resentment. Tribal opposition has also been generated by the government's failure to accommodate tribal interests. The regime views the tribal system as divisive, and campaigns to eradicate it have brought on protests, demonstrations, and at least one attempt on Siad's life.

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For the most part, however, the military seems to be satisfied with its expanded political role. Other segments of the population—Muslim leaders, businessmen, and civil servants—are also disenchanted with government policies. These groups are unorganized, however, and pose little threat.

Although the problems besetting the Siad government limit its long-range prospects, the general has proven to be a resourceful and durable leader. A former army commander, Siad retains strong ties within the military. He also has important tribal and family links with the council and with the powerful and effective National Security Service. In fact, Siad, who rarely leaves Somalia, recently has felt confident enough to visit the Soviet Union and several African and Arab countries.

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Panama: Opportunity Comes Knocking

Since mid-1970, the small pro-Moscow Communist Party—the Panamanian People's Party—has been accepted as a political ally by the Torrijos government. As a result, the party has gained in prestige and respectability if not in actual power. It does not, of course, have the capability to confront the government directly on policy issues. It is attempting instead to push Torrijos ever further to the left and to reinforce his ingrained prejudice against the oligarchy and the US. There is no doubt that Torrijos calls the shots, but given his narrow base of support, his reliance on the Communists is likely to grow and the party's influence may increase substantially.

The party, illegal since 1953, found itself in a bad way when the present junta seized power in October 1968. In order to gain acceptance and quick US support, the junta had proclaimed itself anti-Communist. For emphasis, it exiled party leaders and jailed sympathizers. Nevertheless, faced with an unpleasant choice between futile opposition and frustrating inactivity, the party decided to gamble on Torrijos when the government began to adopt a nationalist, populist, and "revolutionary" image.

The effort to work out an arrangement with the government took until the summer of 1970, when Torrijos decided that he needed assistance in developing a mass base. Torrijos agreed to end harassment of the party, to allow some propaganda activity, and to permit international contacts. He promised that Communists would be hired by the government and that the party would be free to build up its front groups. In return, the party would actively support government policies and programs.

The party has made good use of this opportunity to rebuild its infrastructure and place its members and sympathizers throughout the bureaucracy at a time when all other political parties are forbidden to operate. It has focused on students, workers, and peasants—the very groups that Torrijos believes will form a natural constituency for his government—and these efforts have already paid off. The Communists have gained a following among the peasants unrivaled by any other political group. The party works closely with the government in its agrarian reform program and now is apparently able to manipulate the leadership of the Confederation of Campesino Settlements—the main vehicle through which the government is attempting to organize rural support. In the labor field, the party recently won official government approval for the Communist-dominated labor confederation that represents one fourth of organized labor. Communist influence among students has made the party particularly useful to the government. In December, when Torrijos apparently decided to put pressure on the US in connection with the canal negotiations and to demonstrate in the process that he had significant student support, he called upon the Communists to sponsor "anti-imperialism week." In early January, when the government decided to commemorate the 1964 anti-US riots, it again relied heavily on Communist participation.

The Communists have been encouraged by periodic confirmation of their "special relationship" with the government. They were able this month, for example, to ignore a one-year ban on union elections, and they have been given membership on the revolutionary councils which have been set up in two provinces and may be established in others. The councils are designed to create popular support for the government and may be used to mobilize voters in elections. The Communists have also been encouraged by Torrijos' foreign policy: his more friendly attitude toward Cuba, his permission for opening of Soviet and Cuban news agency offices in Panama, and his hard line on canal negotiations. Even so, they are still wary of Torrijos and realize that they are still only a tool for him. Nevertheless, the Communists hope to parlay their present role into something far more substantial and, by being "dependable," to ensure that in a crisis Torrijos would have no choice but to turn to them for assistance.

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Uruguay: Dissent in the Tupamaros

Latin America's most famous terrorist group, the Tupamaros, is showing signs of internal dissent, but none of the factions appears able to challenge the leaders.

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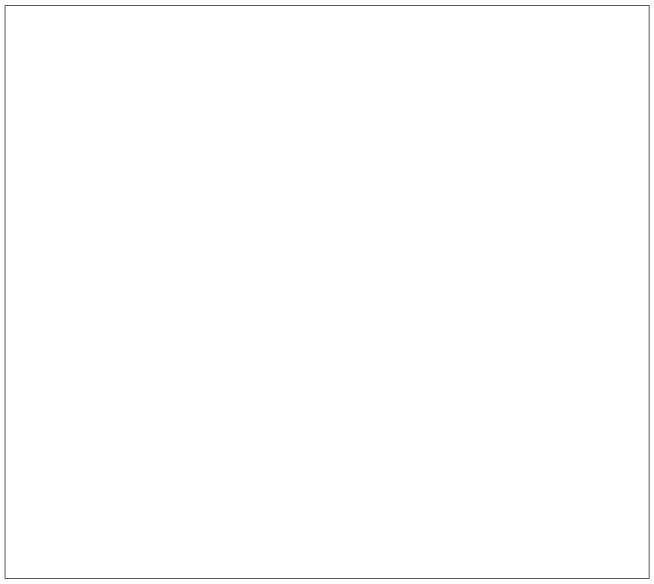

One of the more prominent leaders of the dissident faction is the well-known female terrorist Maria Topolansky. The faction appears to be relatively small, but is capable of independent action. On 22 December, it marked its independent existence by firebombing and destroying the prestigious Punta Carreta Golf Clubhouse, dubbing itself the 22 December movement. It distributed tracts criticizing Tupamaro tactics.

Possibly of greater significance is the reported emergence of a faction headed by Eleuterio Fernandez, one of the original members of the National Liberation Movement. A close friend of Tupamaro chieftain Raul Sendic and a key leader in his own right, he could command a sizable following. The Fernandez faction, while in agreement with many aspects of Tupamaro policy, sees no advantage in continued political support for the Frente Amplio since it attracted only 18 percent of the vote in the last election. Fernandez apparently puts greater emphasis than Sendic on the need for a return to terrorist attacks.

Tupamaro unity had been little short of remarkable to this point. The organization had swallowed up the personnel, if not the nameplates, of several organizations on the Uruguayan left and had grown from a few dozen persons in the early 1950s to a force of between 500 and 1,000 militants with thousands of supporters. Throughout its history, it maintained its cohesion and central direction to an extent unparalleled in radical left circles in Latin America.

It was almost inevitable that some factional strife would eventually result from personality clashes or policy disputes. The twists and turns of Tupamaro policy prior to the elections last year, moving from cautious acceptance of the Frente's existence to outright support of its platform, raised a host of tactical questions. As the organization attempts to adjust its strategy to the new administration that takes office in March and to determine the utility of the political arm it has established in the Frente, more strains may appear.

The disputes at present show no signs of significantly affecting the organization's over-all capabilities or of posing any immediate challenge to the leadership. The terrorist hierarchy is likely to go to considerable lengths to preserve its unity.

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Mexico: Political Crimes

Politically motivated kidnapings and robberies have been increasing in the last few months and the prognosis is for more of the same. The government, which has viewed the emergence of a guerrilla-terrorist problem over the past year as not much more than a security nuisance, is showing more concern and has ordered security agencies to adopt more aggressive tactics.

Last September, a high official in the country's civil air section was the victim of the first political kidnaping in recent Mexican history. Since then, the number of confirmed kidnapings has risen to eight, five of them committed by revolutionary groups or at least by persons with political motivation. Six of the victims have been wealthy businessmen; the other two have been daughters of such persons.

Initially, the government met the kidnapers' demands for ransom and—in one case—the release of political prisoners. Security agencies generally delayed any active search until the victim had been released. In recent cases, however, authorities have caught the persons responsible while the victims were still being held. Even so, the over-all record of the security agencies is not impressive. They have solved three cases but have yet to catch anyone directly responsible for the three biggest and most professional kidnapings—the civil air official, a university rector, and a millionaire businessman whose kidnapers reportedly got the largest ransom ever paid in Mexico.

Compounding the kidnaping problem is the rash of robberies in recent weeks pulled off by student dissidents. The political overtones are evident. Two North Korean - trained insurgents, who had put their urban guerrilla knowledge to use by robbing banks and stores, were arrested recently. Three former members of the Mexican Communist Party youth group, who confessed to a number of robberies in Guadalajara, have also been seized. All those arrested attributed their activity to political causes. They said they turned to violence in 1968 after many of their associates were killed in Mexico City while demonstrating.

Government Secretary Moya and defense chief Cuenca Diaz have been playing down the seriousness of the security situation, but the greater aggressiveness by security agencies and the army's recent intensification of its anti-guerrilla campaign in all parts of the country, particularly in the violence-plagued state of Guerrero, point up growing concern with the proliferation of crimes committed by "revolutionaries." Several of the guerrilla groups that have sprung up in the last year, as well as common criminals wanting to get in on the act, have the capability to stage such crimes. Many have been encouraged by the government's acquiescence to demands in the past. Political kidnapings and robberies will probably continue, and the pressure on the government to come up with a solution will increase with each incident. [redacted] 25X1

Peru: Caution on Communists

The Velasco government is continuing its policy of improving relations with Communist countries, but concern over Chile and the disruptive activities of local Communists is increasing. In addition, some Peruvian officials have expressed concern over Soviet conduct in their country and have indicated that they do not want Peru to become heavily dependent on the Communist world.

In a conversation with the US ambassador on 17 January, President Velasco gave no sign he would modify his policy of rapprochement with the Castro regime. Cuba, he said, "is too far away and too insignificant to pose any threat to Peru." In contrast, Velasco expressed anxiety over what he termed "Communist Chile" and showed some annoyance with Argentine President Lanusse's friendly attitude toward President Allende. Paralleling the Brazilian attitude, Velasco alleged that Lanusse had "made his peace with Allende and now sat with arms crossed," leaving others to fend for themselves. A preoccupation with danger from the south has colored Peruvian thinking

since a Chilean military victory over Peru in the 19th century.

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relations with the Soviet Union and other Communist countries are valued as an expression of independence from the US and as a source of potential economic benefits. At this point, Peru is unlikely to jeopardize its relations with the Communist world, but new initiatives may be restrained.

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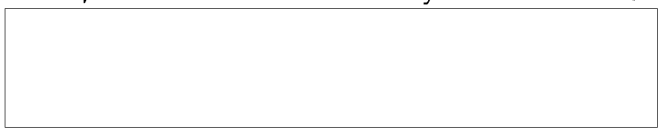

Although concern about Communist influence in the labor field is rising, the military government persists in viewing the labor-based American Popular Revolutionary Alliance as its number one enemy. The Peruvian leaders are determined to destroy the party, and they feel that they can use the Communists to do this. These leaders feel that they can deal with the Communists later.

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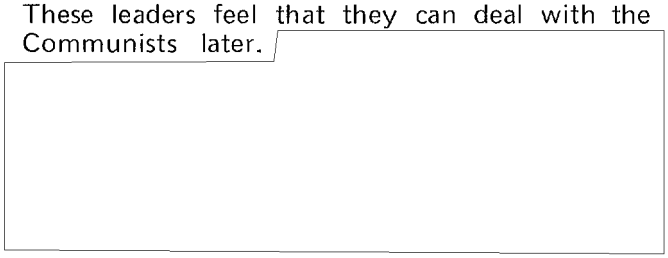

Argentina: Limited Options

President Lanusse's political and economic options are being severely limited by growing military and labor pressures.

The immediate focus of opposition is his program to slow inflation, spur the economy, reverse the rapid loss of foreign reserves, and thus meet requirements for obtaining substantial international loans. This month, Lanusse suspended collective bargaining and allowed only moderate wage increases. He moved to stimulate cattle marketing through tax incentives while holding down the price of beef. An economic team led by central bank president Brignone, who helped design these economic reforms, is coming to Washington to try to borrow approximately $1 billion from the IMF, the US Government, and private banks.

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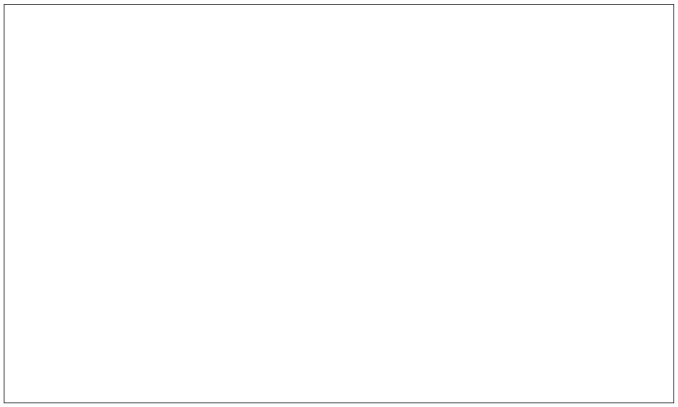

Already, Lanusse is coming under pressure from Peronist labor to modify his wage policy and reinstitute collective bargaining procedures, which have been postponed until 1973. US Embassy officials have expressed the fear that emergency efforts to freeze beef prices will not be immediately effective and that increases in the cost of living during the early months of 1972 will produce a labor confrontation that could wreck current policies. The government's failure

to control beef prices in February 1970 was an important cause of the inflation that has plagued Argentina ever since.

Lanusse's determination to pursue strong economic measures appears less than absolute. He probably realizes that only a gradual version of the technocrats' stabilization program has a chance to work in the present political atmosphere. Military and labor reactions, and the question of what is politically desirable or possible, are likely to be the overriding considerations.

Apparently, Lanusse's hope is that success in his quest for international financing will quiet his critics in military and financial circles, thus providing him with maneuvering room in his negotiations with labor. Failure to obtain foreign loans would significantly weaken his position and, perhaps, make elections impossible. On the other hand, success in obtaining the loans would not assure political success and the next few months of political dealings will be important for Lanusse.

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Chile

Allende's repeated delays in naming a new cabinet reflect backbiting within his coalition and his determination to run his own show. Each government party continues to blame the others for defeats in the by-elections on 16 January; several put responsibility on the Movement of the Revolutionary Left, while factions in the perennially divided Socialist Party are castigating each other and even the President. Some, including the labor leader defeated in the Senate race, complain that the hard-line leadership under Carlos Altamirano must be replaced before it drags the party to disaster.

Hand-wringing and recrimination in adversity is the norm in Chilean politics. Like the loss of women's and peasants' votes in the by-elections, it points up Allende's inability to revolutionize the country by use of existing ground rules. Nevertheless, he continues to adapt his actions to this end. For example, he recently switched from attacks on "remnants of bourgeois legality" to indignant charges that the opposition is violating Chile's constitution and cherished institutions in efforts to weaken his government. In the same vein are his offers of official posts to military officers, breakaway moderate Radicals, and leftist Christian Democrats led by Radomiro Tomic. Allende's plan to organize a single coalition party to take advantage of Chile's peculiar electoral laws and his comment that 1973 congressional elections will suffice as the plebiscite the Socialists seek should be seen in the context of his reliance on maneuver as the weapon most useful to his personal power.

Comments by Communist Party leaders imply that they too favor his search for accommodation with the opposition. The Altamirano Socialists, however, appear more convinced than ever that Allende's course is too slow and is giving the opposition a chance to recapture the initiative. With other extremists, these Socialists want to force Allende into a harder line.

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The Drug Scene

POLES ACKNOWLEDGE PROBLEM

Poland is beginning to face up to its drug abuse problem. Until recently, Polish press coverage of drug addiction concentrated, with a certain malicious pleasure, on the magnitude of the problem in the West while alleging that the conditions for this social malaise did not exist in a socialist system. The press has now adopted a more realistic position that reflects the gradual recognition that Polish youth is not immune.

One Polish daily said recently that the alarming number of drug addiction cases in both large cities and small towns is cause for anxiety. Polish society, it said, is on the brink of a drug epidemic. Another article reports that "classic" narcotics already have replaced glue sniffing and declares that it is time "we became fully aware of the gravity of the situation rather than sticking our heads in the sand and pretending the problem does not exist." Educators are urged not to hush up drug cases to protect the reputation of their schools.

Poland does not yet have a major drug problem even though the authorities obviously are concerned that the trend is in that direction. Hard drugs are still difficult to get, but Polish adolescents have had considerable success acquiring several psychotropic substitutes. Stealing prescription forms and falsifying prescriptions in state drug stores is the most common method of obtaining these substances—particularly morphine and trichloroethylene. Drug store burglaries also have increased. The major source of Poland's narcotics is therefore drugs manufactured by the state, although the press occasionally points to the foreign origin of some drugs. Two foreign nationals, for example, were arrested in Poznan recently with 30 kilograms of hashish.

A special committee has been formed to modernize the law on drug offenders. The current law, passed in 1951, is not only imprecise but does not take account of a number of new drugs. One passage, for example, provides that "any person who without a doctor's prescription uses a stupefacient in the company of another person is subject to a year's imprisonment." There is considerable confusion over what constitutes "company." Polish doctors also complain that the law does not provide for compulsory treatment of addicts who have not broken the law, although they admit there are not enough specialists or institutions to care for such people.

Polish Youth

The purpose of all this journalistic attention is to end what the media calls an "embarrassed silence" on the subject of drug addiction. By informing the populace about the problem, the government hopes to win approval for strong measures to correct drug abuse.

Other Eastern European countries rarely reveal the dimensions of their drug problem, although Yugoslavia admits having some 40,000 addicts. If drugs were available, they probably would be widely used by Eastern Europe's youth, who are generally cynical about their grey existence under Communist rule. [redacted] 25X1

UN: Council Goes to Africa

A special week-long Security Council meeting on African issues opens in Addis Ababa on 28 January. The session is likely to cause many problems for the Western powers.

The debate will focus on the four usual African issues—Rhodesia, South-West Africa, the Portuguese territories, and apartheid. The black Africans may offer a number of contentious texts on these topics that can be defeated only by the veto of a permanent member or by the abstention of at least seven of the 15 council members. To obtain the latter—and more palatable—result, the US, the UK, and France will need support from the other Western-oriented council members: Italy, Belgium, Japan, Argentina, and Panama.

The USSR and Communist China were strongly in favor of the council meeting in Africa, although they would have preferred either Conakry or Lusaka as the site. The Soviets hope for a re-affirmation of council resolutions pertaining to Africa, accompanied by a listing of unimplemented provisions and the states allegedly responsible. The French delegate has denounced the Soviet approach as inquisitorial, but black Africans probably favor the proposal as a means of applying more pressure on the Western powers.

No new ground is likely to be broken in the discussions on the Portuguese territories and on apartheid in South Africa. The recent strike of the Ovambos in South-West Africa may prompt new complaints about this old grievance, but the African goal of UN sanctions against Pretoria remains a non-starter in view of the likely veto by at least one of the Western powers. Rhodesia thus may become the central issue, with the Africans and the Communists seeking to exploit the present unrest over the settlement proposals worked out with the UK.

Whether other such meetings will be convened elsewhere will depend in part on cost factors; no less than 120 secretariat staffers had to be transported to Addis Ababa. Nevertheless, a new precedent may be set. The Panamanian delegate has said his government could host a council meeting next year, hinting that the canal would be a possible topic. 25X1

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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Cuba's Changing Relations With Latin America

Secret

№ 45

28 January 1972
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Cuba's Changing Relations with Latin America

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For nearly a decade, Cuba's policy toward Latin America was based almost entirely on an unequivocal support of armed revolutionary violence. The consistent failures of this approach, combined with economic difficulties and Soviet pressure, apparently convinced Castro of the necessity for a more rational approach. Since 1968, Cuba has reduced its support to insurgent groups and has been cautiously trying to resume friendly contacts with selected Latin American nations. As a result of these policies, as well as the changing political climate in Latin America, Havana has regained respectability with a number of Latin American nations and has succeeded in undermining the efficacy of the economic and political sanctions imposed by the Organization of American States. Castro has often stated that Cuba is interested in establishing full relations with only those nations that follow policies "independent of US imperialism," but this has not kept him from developing contacts with countries that fail to meet this criterion. As long as Fidel is convinced that the present political trend in Latin America is in his favor, he will be less likely to risk an all-out return to violent subversive operations, Nevertheless, Castro's new policy does not mean that he has relinquished his belief in the validity of armed struggle, and it does not represent an abandonment of other forms of subversion, including propaganda support, limited insurgent training, and funding, which Castro still views as useful political tools.

"We promise to continue making Cuba the example that can convert the cordillera of the Andes into the Sierra Maestra of the American continent."

Castro, 26 July 1960

Background

Virtually from the beginning of the Castro regime, Cuba's foreign policy toward Latin America has been principally guided by a simple and radical objective: duplication of the Cuban revolution throughout the hemisphere. The tactics used by Castro in his efforts to achieve this goal were developed from his own experiences as well as the influence of Che Guevara. Political power, he argued, could be achieved only through armed struggle. During 1959, unsuccessful armed expeditions from Cuba were launched against Panama, the Dominican Republic, Haiti, and Nicaragua.

After the dismal failures of the expeditions in 1959, the Cuban subversive effort was not stopped but became more carefully organized and wider in scope. The General Directorate of Intelligence was established in 1961 under Soviet guidance and given the principal responsibility for directing the effort in Latin America. Support

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from Cuba, although sometimes on a small scale, was made available to rebel groups in Venezuela, Brazil, Paraguay, Argentina, Colombia, Peru, Central America, and the Caribbean. This support—arms, equipment, money, training, propaganda, and in some cases Cuban personnel—ran Cuba afoul of the Organization of American States, which voted in 1964 to impose diplomatic and economic sanctions against Havana.

Cuba's unilateral actions also brought Castro into conflict with several local Communist parties, which strongly complained to Moscow about Cuban interference in the revolutionary affairs of their countries. Under pressure from Moscow, Castro agreed in late 1964 to limit his support to insurgent groups in a few selected countries and to respect the desires of the local pro-Soviet Communist parties. Castro honored this commitment for approximately one year.

The Tricontinental Conference, held in Havana in January 1966, marked the resumption of heavy Cuban involvement in armed revolutionary movements. At this conference, Castro issued an explicit call for violent revolution in the hemisphere, a call he has repeated on numerous occasions. Following the conference, Havana announced the formation of the Latin American Solidarity Organization as a hemispheric revolutionary front. This period marked the peak of Cuba's efforts to export revolution. While the solidarity organization was holding its first conference in Havana during the summer of 1967, Che Guevara and 16 other Cubans were establishing a guerrilla movement in Bolivia. Cuban advisers were also operating with insurgent groups in Guatemala and Venezuela.

In May 1967, the Cuban effort received a sharp setback when four Cubans were captured on the Venezuelan coast trying to smuggle arms into the country. A far more damaging blow occurred the following October when Guevara's band of guerrillas was rolled up by the Bolivian armed forces. Guevara's death made it appear that the Cuban experience was in essence unique and could not be duplicated in other countries.

The death of Guevara forced Castro to reassess his policy. His dedication to subversion had not only been costly in terms of men and money, it had also given his opponents justification for further isolating Cuba, and he had no great success to point to. He also faced mounting domestic problems growing largely out of his mismanagement of the economy. Castro therefore chose to drop his aggressive tactics. In 1968, he began to re-establish his ties with the Latin American Communist parties and project a more responsible image in the hemisphere.

Prior to this shift, he had carefully maintained relations with Mexico, the only member of the OAS that refused to implement political and economic sanctions. The relationship was never especially warm or cordial, but both governments felt that it was in their interests to keep these ties. The advantages for Cuba were obvious: the air connection with Mexico was Havana's sole window on Latin America, and the Cuban Embassy in Mexico City assumed great importance as a forward staging base for the transmission of funds, movement of personnel to and from Cuba, and dissemination of instructions and propaganda. As for the Mexicans, the maintenance of ties served to underline Mexico's "Estrada Doctrine," which calls for the maintenance of diplomatic relations with a friendly country regardless of the origin or nature of its government. In addition, pressure from Mexican leftist groups was reduced.

Events elsewhere in Latin America helped make Cuba's shift to a more pragmatic policy something of a success. October 1968 saw the accession to power of a highly nationalistic government in Peru. This was followed by a leftward drift (until August 1971) in Bolivia and the election of Salvador Allende in Chile. In addition, other Latin American leaders have come to favor some form of renewed contacts with Cuba. These leaders share an intense desire to demonstrate independence from the US, a decreased concern with the threat of Cuban subversion and a fear of being last to jump on the bandwagon.

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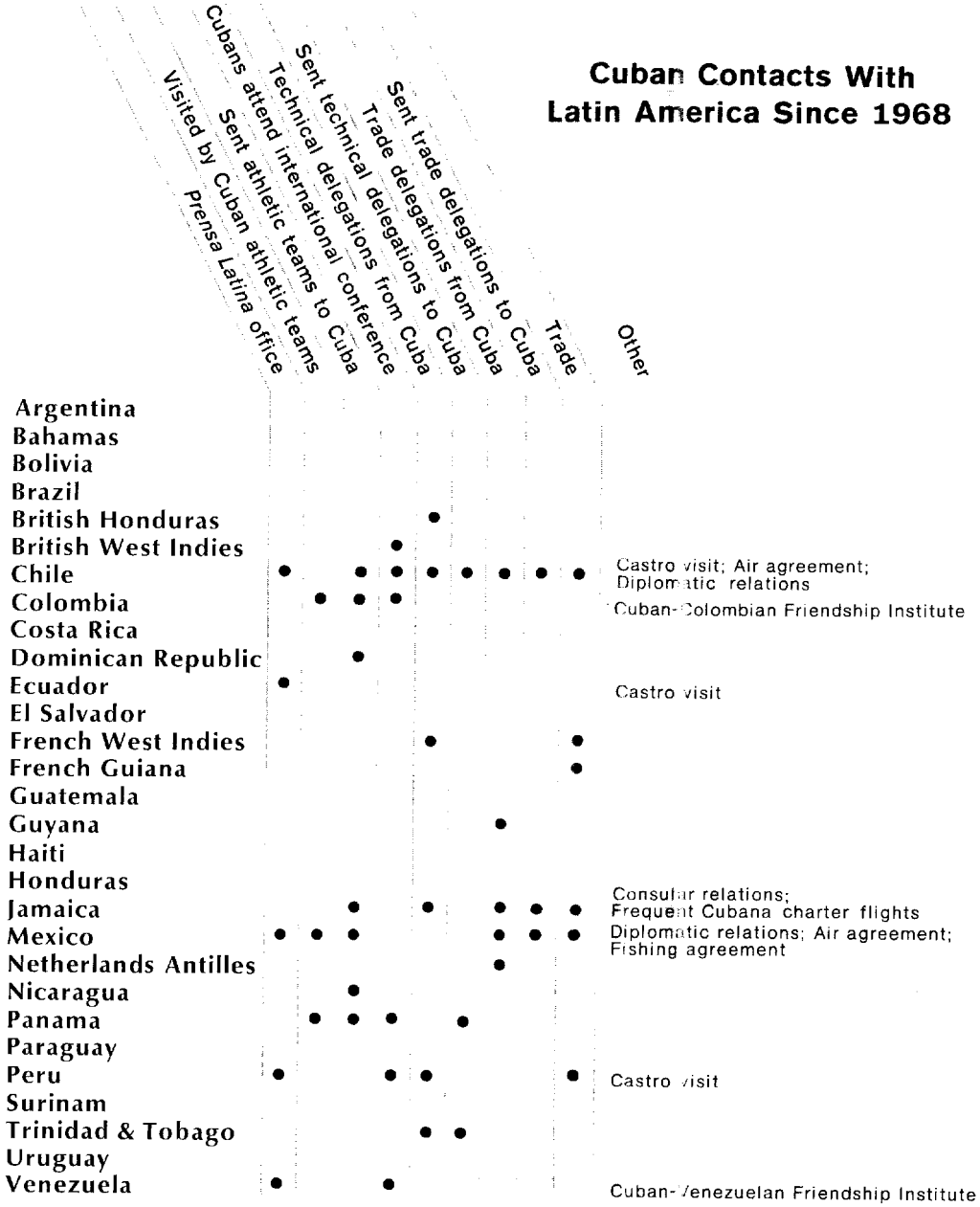
Cuban Contacts With Latin America Since 1968



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Breaking Out of Isolation

Castro launched his efforts to reduce Cuba's isolation in the Caribbean. His initial successes were in the French territories of Martinique, Guadeloupe, and French Guiana. In mid-1968, the Cubans negotiated an agreement permitting their fishing boats to use service facilities in the port of Cayenne in French Guiana. At about the same time, Cuba arranged for the sale of cement to Martinique and Guadeloupe and agreed to purchase pineapple seedlings from Martinique. Although these ventures had little importance for the Cuban economy, they were a foot in the door. By 1969, several Cuban delegations had visited Martinique, Guadeloupe, and French Guiana; Cuban merchant ships were calling regularly at Martinique and Guadeloupe; Cuban fishing boats were being serviced in Cayenne; and cargo flights from Cuba were landing frequently in Martinique. Cuban contacts with the three French departments continue. The level of trade has not been significantly expanded, but visits by technical and trade delegations occur with fair regularity. The Cuban fishing fleet has been granted certain port privileges in French Guiana that enable the boats to remain on station off the northeast coast of South America for extended periods of time.

In November 1969, Prime Minister Williams of Trinidad-Tobago called for greater trade cooperation between Cuba and other Caribbean nations. Cuba responded the following month by sending an agricultural delegation, and Trinidad reciprocated in February 1970 by sending a similar delegation to Cuba. Contacts with Jamaica have also increased. Jamaica, not a member of the OAS when the sanctions were imposed, now maintains consular relations with Cuba. Cubana Airlines uses Kingston as a transfer point for charter flights transporting passengers between Cuba and Latin America, but no meaningful trade has developed.

A change of government in Peru provided Cuba with its first opportunity to cultivate a major nation in South America. Following the assumption of power by a nationalist military regime in Peru in October 1968, Castro altered his definition of "revolutionary" to include governments that follow policies independent of "US imperialism" and implement basic reforms. In a public speech in July 1969, Castro expressed his approval of the Peruvian Government. In early 1970, Cuba succeeded in establishing a Prensa Latina office in Lima in return for an implicit promise not to publish items embarrassing to the Peruvian Government. A generous response to the mammoth May 1970 earthquake significantly improved Cuba's image in Peru and made propaganda points elsewhere in Latin America as a display of the responsible and humanitarian side of Cuba's new foreign policy. The Cuban assistance, arranged through the Prensa Latina office, consisted of medical supplies, medical teams, mobile kitchens, and clothing. In October, Havana announced that it would build six hospitals in the areas devastated by the earthquake.

The inauguration of President Salvador Allende in November 1970 provided Castro with perhaps his greatest opening to date to break Cuba out of its hemisphere isolation. Although some trade between Cuba and Chile had developed during the Frei administration (1964-70), ties were quickly expanded under Allende. On 12 November 1970, Chile and Cuba re-established diplomatic relations. In February 1971, they signed a two-year commercial agreement and a bilateral civil air agreement. There were cultural and technical exchanges, and Fidel Castro was invited to visit.

During 1969, Ecuadorean officials, including President Jose Velasco Ibarra, began to make public statements critical of the hemispheric policy of isolating Cuba. In September, Ecuador very nearly shipped 10,000 tons of surplus rice to Cuba. The deal fell through when Havana refused to return the persons responsible for the murder of a pilot during the hijacking of two Ecuadorean Air Force planes. The climate later improved, however, and in June 1970 Cuba was permitted

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THE TRAVELS OF FIDEL

- **in Chile with Allende**
- **in Peru with Velasco Alvarado**
- **in Ecuador with Velasco Ibarra**

to station a Prensa Latina correspondent in Quito.

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Cuba has also been gradually developing ties with Panama since General Omar Torrijos seized power in October 1968. By 1969, athletic teams

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Following the Cuban seizure of two Panamanian-flag merchant vessels in December 1971, Castro went out of his way to assure the Torrijos government that Cuba had no hostile intentions toward Panama. He welcomed a Panamanian delegation to Cuba to negotiate the release of the captured crewmen. Cuban spokesmen in recent months have been giving heavy propaganda support to the Panamanian position in the canal talks. Castro's interest in Panama is somewhat unusual since the Torrijos administration does not come close to meeting Castro's definition of a "revolutionary" government. The critical factor in this case revolves around Torrijos' attitude toward the US.

The past year was marked by further gains for Castro and his policy. In June, Peru agreed to sell Cuba 105,000 tons of fishmeal in contravention of the 1964 OAS economic sanctions. Cuba gained substantial hemispheric attention from the achievements of its athletes during the VI Pan American games in Cali, Colombia. Sponsored by Peru, Cuba became a member of the UN organization of underdeveloped nations, the Group of 77. Probably the most satisfying event for Castro personally, however, was his trip to Chile, and its brief post-script stops in Peru and Ecuador. The trip, which lasted from 10 November to 5 December, enhanced his image as a Latin American leader. In December, Peru undertook an initiative within the OAS to permit member states who so desire to re-establish relations with the Cuban Government. The initiative was postponed but will probably be brought up again by the Peruvians. Even if it is defeated, Peru will probably re-establish diplomatic relations with Cuba.

Cuba also experienced some disappointments during 1971, notably the overthrow of the Torres regime in Bolivia and the electoral defeat of the leftist front in Uruguay. Although Castro reacted to both events by stating that armed struggle was the only road to power in those nations, thus far there has been no conclusive evidence that Castro is departing in a significant way from the more moderate course he has set for Latin America as a whole.

Castro has long viewed himself as a modern-day Bolivar, destined to lead Latin America in its

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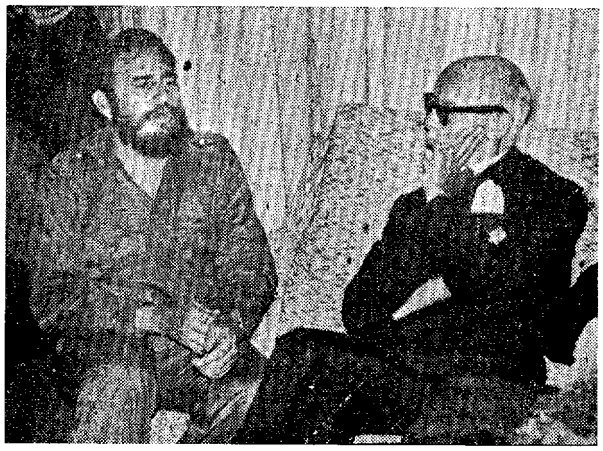

"second war of independence." And by this he means independence of the US. In his eyes, the US is responsible for all of Cuba's economic difficulties and has replaced Spain as the colonial power in the hemisphere. Castro's policy of aggressive support for insurgency movements was designed to reduce if not eliminate US influence in the hemisphere. Having discovered that these tactics were not yielding results, Castro modified his approach. But he has not discontinued completely his support of violent revolution. Rather, he will probably continue to give limited support to viable guerrilla groups in certain countries.

Outlook

Castro's long-range design apparently envisions political and economic unification of Latin American countries. The Cuban leader has frequently stated that such unification is necessary to give Latin America the strength to "confront" the US. Typical of this belief are his repeated calls—echoed by Cuban representatives at regional conferences—for a "union of Latin American nations" that would replace the OAS and would exclude the US.

He has also set at least three shorter range and perhaps more attainable goals: 1) reduce US influence in Latin America; 2) discredit the OAS; and, 3) create a leadership role for Cuba in hemispheric affairs. Castro will probably attempt to achieve these goals by continuing Cuba's expansion of its Latin relations on a selective, bilateral basis. This does not mean that Cuba is interested in developing ties with every nation in the hemisphere. As Castro stated during his visit to Chile, Cuba is "not desperate to normalize relations with other Latin American countries." He does take the position that there is no reason for diplomatic recognition of countries "that obey orders from the United States." Castro probably also realizes that there still are Latin American nations that are adamantly opposed to the re-establishment of any sort of relations.

Castro's moderate stance is likely to continue for the foreseeable future. Neither economic realities nor Soviet pressures are likely to change over the next several years. In addition, Castro can see that an all-out promotion of violent revolution throughout the hemisphere would succeed only in returning Cuba to its former isolation. Only if Castro thought that Havana's new policy were leading to a string of sharp reversals would he be tempted to abandon his moderate approach.

Cuba will continue to strengthen its ties with Chile although the relationship will not be without problems. By coming to power through legitimate electoral means, the Allende government has

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demonstrated the unsoundness of Castro's theory that armed struggle is the only path to power for a true "revolutionary" government. Although Allende is a close personal friend of Castro, he represents a legitimate challenge to Castro's position as the leading spokesman for Marxist ideology in Latin America. At present, however, there is no evidence to indicate this will seriously impair their relationship.

Castro will probably continue strengthening ties with Peru. Regardless of the outcome of Lima's initiative in the OAS, Peru will in all likelihood establish diplomatic relations with Cuba. In the meantime, routine exchanges can easily be conducted through the Prensa Latina office in Lima or the liaison staff of the Cuban hospital-construction team.

Cuba's future relationship with Ecuador is less clear. Castro has been impressed with Ecuador's strong defense of its 200-mile territorial waters claim and has frequently voiced his support of that claim. His brief stopover in Guayaquil was strongly criticized by opponents of the Velasco regime, however. As a result, Quito may be more inclined to follow quietly in the footsteps of Peru on the Cuba issue. For its part, Havana will probably attempt to expand its contacts with the Ecuadorean Government and gently encourage Ecuador to follow the Peruvian example, nationalize foreign businesses, and implement agrarian reform.

Castro will probably continue his increased public support for the Panamanian position in the canal talks. He is extremely interested in the outcome because a settlement favorable to Panama will have a strong impact on US influence in that area. Such an agreement could, for example, provide a tool in pressuring the US to get out of Guantanamo. Every indication is, however, that the Cuban leader will exercise caution about doing anything more than pay lip service to Panama's canal aspirations.

The new moderation in Cuba's foreign policy does not extend to the OAS, for which Fidel still reserves his most vituperative language. In the unlikely event that the sanctions are lifted, there is little chance that Cuba would consider rejoining what Castro has often called "that indecent garbage heap called the OAS."

As for other Latin American countries, Cuba will probably continue its efforts to develop closer ties with those nations it deems "acceptable," a term that has already proved flexible. These efforts will probably take the form of exchanges of athletic teams, cultural groups, and scientific and technical delegations. These contacts will probably be followed by attractive Cuban trade offers, which can be expanded until only formal diplomatic relations are lacking.

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