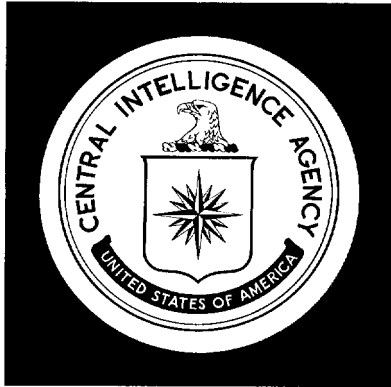


Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Secret

30 June 1972
No. 0376/72

State Dept. review completed

Copy **№** **47**

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents pages.

WARNING

The WEEKLY SUMMARY contains classified information affecting the national security of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.



GROUP 1
EXCLUDED FROM AUTOMATIC DOWNGRADING AND DECLASSIFICATION



CONTENTS (30 June 1972)

FAR EAST

- 1. Indonesia
- 6. Korea: Upgrading the Dialogue
- 7. China: Meeting of the Minds
- 8. Hong Kong: Winds of Change

EUROPE

- 10. USSR: Walking the Tightrope
- 11. Soviet: Resume Soyuz Flights 25X6
- 12. Malin: Mintoff the Mighty
- 13. UK: Economy Encounters Problems
- 14. Italy: Lead Center
- 15. France: Cabinet Reshuffle
- 15. The Netherlands: Merger Maneuver 25X6

MIDDLE EAST AFRICA 25X6

- 17. Lebanon-Israel: Uneasy Border
- 18. Arab: Arab Confederation
 Sudan
- 19. Yemen (Aden): Mounting Problems
- 20. Rhodesia: What Next?
- 20. Chad: Insurgency Jitters

WESTERN HEMISPHERE

- 21. Guatemala: A Curious Affair
- 22. Argentina: Peron a Candidate 25X1
- 23. Chile: Pondering Soviet Arms
- 24. Brazil: Cabinet Changes Rumored
- 25. Castro in Moscow
- 27. International Developments: 25X1

SPECIAL REPORTS

(Published separately)

Chance Aid in the Third World /are Mobutu's "Return to Authenticity"

SECRET

INDOCHINA

BRIEFINGS ALLUDE TO NEGOTIATIONS

COSVN, the Communist command in southern South Vietnam, has ordered further offensive action on the military and political fronts, possibly in the belief that negotiations with the allies may be in the offing.

25X1
25X1

[redacted] beginning sometime in June, Communist cadre in the COSVN area were briefed on new directives calling for strenuous efforts to seize territory, gain control over more people, undermine pacification, and defeat the South Vietnamese Army.

25X1

[redacted] all these victories were to be achieved by September 1972 in order "to negotiate a political settlement and cease-fire." [redacted] Communist briefers acknowledged that their side would have to make some concessions during any negotiations.

25X1

25X1

[redacted] the removal of President Thieu and the overthrow of the Saigon regime would no longer be insisted on.

This line has cropped up only in the COSVN area; Communist spokesmen elsewhere continue to assert the standard Communist position, although their formulations have been extremely vague for months.

25X1

[redacted]

The directives may be designed, as has sometimes been the case in the past, to get one more all-out military effort from Communist cadres by holding out the prospect of a cessation of the war after certain battlefield objectives are achieved. The briefings seem to go beyond such a purpose, however. The reference to so sensitive a topic as a possible Communist compromise on the continued existence of the Thieu government suggests that the Vietnamese Communists believe there is a chance of extensive negotiations with the allies in the not too distant future.



Communist Radiophoto

[redacted] the Communists feel a need to proceed with negotiations before the US presidential elections, although none implies that they think the need is so pressing that a settlement must be achieved at all costs by then.

25X1

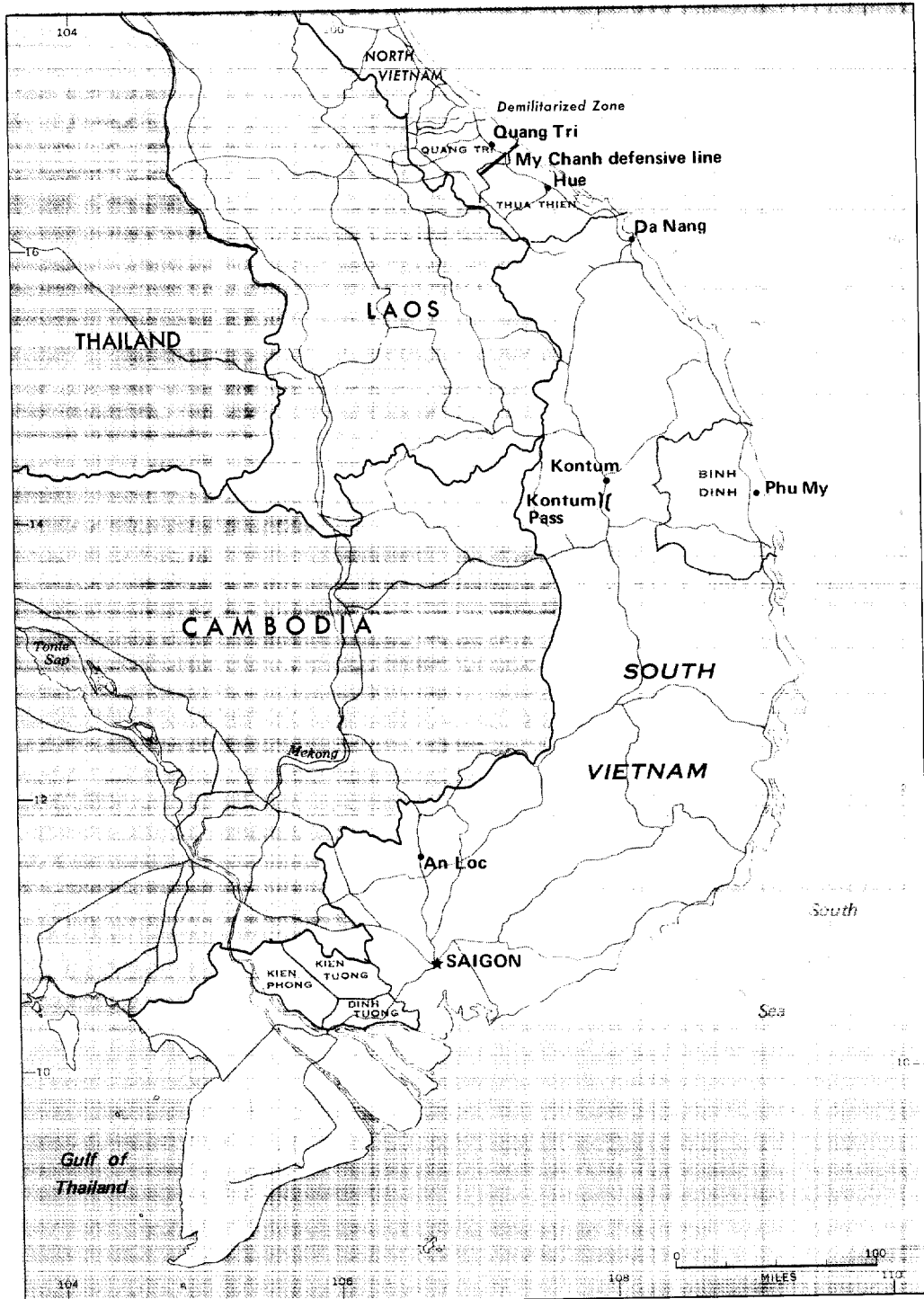
[redacted] cadres were told that President Nixon "must be forced to change his policy and to accept a political settlement to end the war during the period from July to November 1972,"

25X1
25X1

[redacted] the enemy will take advantage of any cease-fire to prepare for future efforts to "liberate" the South. Even though these statements are partly rhetorical, they make it clear that the Communists will be maintaining their military pressure over the short run and that they will be doing their best to keep open their military options even if negotiations should get under way.

25X1
25X1

SECRET



553295 6-72

SECRET

SECRET

SOUTH VIETNAM ON THE OFFENSIVE

South Vietnamese Marine and Airborne units launched a counteroffensive in Quang Tri Province on 28 June designed to retake the provincial capital and at least portions of the province. Two marine and two airborne brigades are involved in the operation; the marines advancing up the eastern side of Route 1 and the airborne up the western side. Although enemy units are resisting the government's advance, the counteroffensive has proceeded largely as planned. Initially, the Communists have lost several tanks and a number of artillery weapons.

The offensive follows a week of increased enemy activity in northern Military Region 1. The Communists have conducted heavy artillery and ground attacks against government positions north and west of Hue, attempting several times late last week to breach the defensive line along the My Chanh River. The attacks were repulsed, but heavy shelling has continued along the northern front. Farther south and closer to Hue, the Communists are also conducting intensive artillery attacks, sometimes accompanied by ground assaults.

These attacks have poured daily totals of about 1,000 rounds on government bases, show no signs of abating, and are probably designed to soften Hue's defenses. Indeed, the city's defenses, particularly on the west, have been weakened by the new government thrust into Quang Tri. One airborne brigade and two army regiments have replaced the marine and airborne brigades engaged in the counteroffensive, but the redeployments leave Hue more vulnerable to a move from western Thua Thien Province, a major logistics area and headquarters for several enemy regiments.

The military situation elsewhere in South Vietnam is essentially unchanged. Fighting in Kontum Province continues to center around the blocked Kontum Pass and a government-con-

structed bypass; Phu My District town in Binh Dinh Province on the coast is still subject to harassment; and An Loc is under moderate shelling, while the road south remains blocked at several points.

Thieu Wins Emergency Powers

President Thieu finally gained legislative approval for his emergency powers bill this week after a long and bitter struggle in the National Assembly. The process seems certain to leave the pro-government and opposition camps more divided than before. Twenty-six pro-government senators in the 60-seat Upper House passed the measure unanimously in a controversial evening session after the opposition and independent blocs, including Senate Chairman Huyen, had left the chamber. Huyen and other opponents of the bill are charging that the session was illegal. They may take their case to the Supreme Court, but it is unlikely that the court will overturn the legislation.

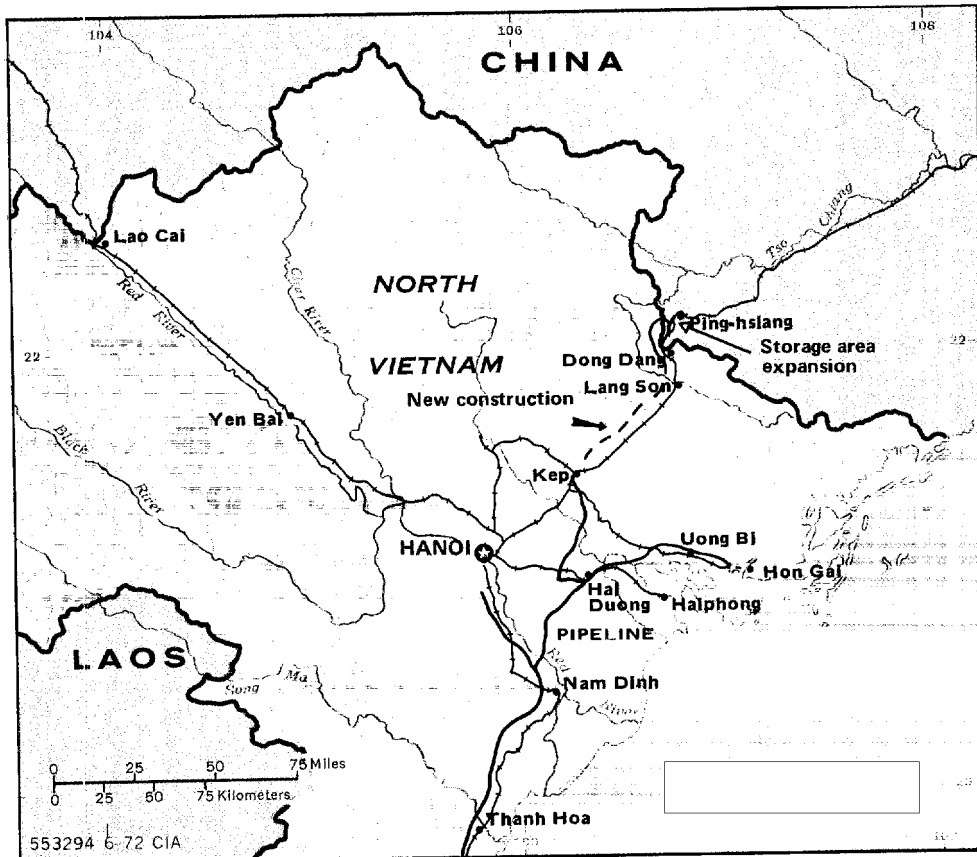
The bill gives Thieu authority to rule by decree in the fields of defense, security, and the economy for a six-month period. In practice, however, it adds little to his powers. The President plans to implement some new tax measures, but he already has taken most of the actions he deems necessary to deal with the military crisis under his martial law authority.

Concern About the Dikes

Hanoi has begun to pelt the home audience as well as its allies abroad with dire statements about the threat of US bombing attacks on the country's dike system. Recent articles in the party newspaper call on the people to prepare "to cope effectively with the flash floods" and warn of the need for more extensive civil defense planning as a hedge against US attacks on a variety of targets, including the dikes and dams. One commentary concedes that the alleged US bombing of

SECRET

SECRET



MORE WORK ON THE PIPELINE

25X1

Work on the petroleum pipeline linking North Vietnam and China has continued at a rapid pace. Aerial photography shows that an additional 41 miles of pipeline have been constructed between Dong Dang and Kep in the past week. If North Vietnam maintains the current rate of construction, the pipeline could be finished by early July. When operational, the line will provide the North Vietnamese with an easy-to-repair means of transporting petroleum from the Chinese border to the Demilitarized Zone and into the Laotian Panhandle.

25X1

such targets has not yet caused floods, but cautions that any further step-up in the air attacks could make breaks in the dikes "unavoidable."

Up to now, Hanoi has concentrated most of this outpouring on the international audience in the hope of generating sympathy abroad and building pressure against an increase in the bombing. The new emphasis on preparing the home front for the worst, however, suggests that the posturing is not just for effect. There is no way to gauge what impact the prospect of widespread

flooding might have on Hanoi's political decisions, but there is little doubt that the leadership now views the danger as a real one and is urging the people to make contingency plans.

SLOW GOING IN SOUTH LAOS

The government's rainy season offensive in south Laos suffered its first setback last week when three of the four irregular battalions attempting to clear Communist units on the western edge of the Bolovens Plateau were dispersed

SECRET

SECRET

by elements of the 9th North Vietnamese Regiment. The government battalions are now regrouping and appear to have suffered only minor casualties, but the setback has further impaired the morale of the troops, many of whom are in poor health after nearly two months in the field.

The offensive is going better in the Khong Sedone area, but the irregulars are having trouble securing the town. Elements of the 39th North Vietnamese Regiment are dug into the west and Communist artillery strikes are still coming in from east of the Se Done River. Three fresh Lao Army battalions plus some artillery and heavy weapons units moved into the town on 23 June to reinforce the irregular battalions already there.

Sisouk to Stay?

The latest word from Vientiane is that Prime Minister Souvanna has decided not to bow to pressure from right-wing politicians; he will retain Sisouk as finance minister in a new cabinet. The right wingers, led by members of the Sananikone family, are still scheming to oust Sisouk, but Souvanna has moved to undermine their support in the National Assembly. Late last week, the cabinet reduced customs duties on milk, sugar, and flour, and increased meat imports. These adjustments should alleviate shortages of these basic commodities and reduce the discontent the Sananikones have been attempting to exploit. Souvanna also agreed to submit the financial transfer tax to the assembly for approval. His critics in the assembly had argued that they did not object to the fee itself, but believed that as a "tax" it should have received legislative approval.

The Sananikones may raise a ruckus in the assembly if Souvanna's new cabinet is not much changed from the current one, but they almost certainly do not have the votes to force a change. Only a few days ago, Souvanna had been reluctant to force such a confrontation. He may now

believe, however, that he has made enough concessions so that the Sananikones can save face and that anything more would be interpreted as a sign of weakness by his critics, who would then challenge him on other issues.

POLITICS PREDOMINATE IN CAMBODIA

With the monsoon putting a damper on an already desultory war, Cambodians continue to be preoccupied with politics. With the presidential election out of the way, and the recriminations and Monday morning quarterbacking behind them, Cambodian politicians are now busy organizing political parties in preparation for September's legislative elections. At least five, and perhaps as many as a dozen, parties may put forward candidates for seats in the new National Assembly.

The principal opposition parties are Sirik Matak's recently formed Republican Party, a resurrected Democratic Party headed by defeated presidential candidate In Tam, and the Socialist Party led by a leftist banking official. Stories are circulating in Phnom Penh that the pro-Communist Pracheachon (People's) Party—which Sihanouk put out of business a decade ago—may also be revived and registered. This seems unlikely, however, since the Communists almost certainly would not want to help put the stamp of legitimacy on the Lon Nol regime by participating in a national election.

On the government side, the Socio-Republican Party is still the only political organization that is clearly associated with Lon Nol. It is being guided by Colonel Lon Non and First Minister Son Ngoc Thanh. Several other pro-Lon Nol parties are expected to surface soon, however, including a Socio-Nationalist Party consisting chiefly of teachers, and an as-yet-unnamed Khmer

SECRET

SECRET

Krom party. These parties probably will be used by the government to siphon off support from the Republican and Democratic parties. In addition, these parties probably will also join Lon Nol's latest political brainchild, a "national united front." The President has announced that he would head this movement, which would be represented throughout the country by committees from the province level down to the hamlet.

At this point, it is questionable if any of the nominally anti-government parties will rally to Lon Nol's front. It is already being unfavorably compared with the Sangkum—the political party cum fraternal organization that Sihanouk used to neutralize his opponents. One of Sirik Matak's supporters claims that Matak wants no part of the front, and Matak has widened the distance between himself and Lon Nol by giving up his military titles and duties. The only formal link Matak now has with the government is his largely honorific position of "special adviser" to the President.

Foreign Exchange Difficulties

Extraordinary demand for foreign exchange fed by rumors of an imminent cease-fire and the possible demise of the Exchange Support Fund compelled the national bank on 26 June to suspend trading in currencies. The suspension came after a substantial devaluation of the riel failed to stem demand for foreign exchange on the part of importers.

Some of the measures proposed to deal with the foreign-exchange crisis could seriously damage the stabilization program introduced in 1971. Government officials have demanded that foreign-exchange sales be limited to purchases from an officially approved list of commodities.

[Redacted]

25X1

[Redacted] Lon Nol personally, and apparently for political reasons, lowered the exchange rate for travelers—a move that contravenes both the spirit and substance of the stabilization program.

25X1

The demand for foreign exchange may wane in the coming days if it becomes clear that the prospective foreign donors intend to make good on their commitments to the fund, and if the expectation of an immediate end to the war proves to be misplaced. In any case, the national bank governor has been urged not to accept the new proposals as final until the International Monetary Fund has been consulted. Keeping the stabilization reforms intact is critical to minimizing the expansionary effect of this year's budget deficit, which is now expected to be somewhat larger than projected.

25X1

[Redacted]

KOREA: UPGRADING THE DIALOGUE

The anniversary of the outbreak of the Korean war on 25 June is usually an occasion for nasty propaganda exchanges between the two Koreas. This year, however, the anniversary occurred against the backdrop of efforts by both sides to resolve some of the residual human misery left over from the war, and the level of vitriol is noticeably down.

On 16 June, North and South Korean Red Cross delegates ended nine months of tedious negotiations, setting the stage for formal talks in the respective capitals sometime this summer on uniting families divided by the conflict. Although focused on humanitarian considerations, this move is a significant break in the frozen relations between the two Koreas and was occasioned chiefly by international political considerations. Both Seoul and Pyongyang have felt it in their interests to cast off the image of cold war

25X1

SECRET

SECRET

adversaries and get in step with the spirit of accommodation prevalent among the major powers. In acceding to the Red Cross negotiations, however, both sides are endeavoring to protect and further their respective political interests.

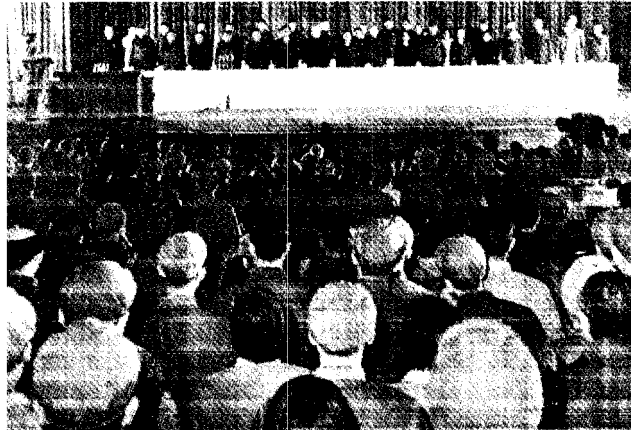
North Korea has pressed Seoul to expand the Red Cross discussions into full-scale political negotiations, a strategy given new impetus by Premier Kim Il-sung's recent interviews with US and Japanese correspondents. Pyongyang hopes that an expanded dialogue with Seoul will speed up US withdrawal from South Korea, undermine the rationale for UN involvement in Korea, and eventually open up South Korea for expanded North Korean subversive activity. Pyongyang's pronouncements on the occasion of the war anniversary, in fact, focused almost exclusively on the necessity for an end to the US presence.

Seoul has remained cautious in its dealings with the North, fearing that any rapid movement could weaken its international position and end the US presence. The South Koreans are particularly concerned about the domestic impact of broader dealings with the North. Although President Pak has on occasion publicly raised the possibility that the Red Cross talks could lead to greater contact with Pyongyang, he has continued to hammer away on the theme that the nation must be prepared morally and militarily to deal with a hostile and aggressive North Korean regime. These points were again spelled out in his address to the nation on 25 June, indicating that while Seoul will continue to explore the possibility of contacts with the North, rapid progress cannot be expected.

CHINA: MEETING OF THE MINDS

Peking has apparently concluded a series of central committee meetings that began in late May. An unusually large leadership turnout on 24 June seemed designed to convey a message of

All Eyes on the Leadership



unity and stability—a notion that was reinforced on 28 June when Mao Tse-tung reappeared after an absence of several months.

The evidence pointing to central committee meetings is fairly convincing. Most provincial leaders have been out of sight since mid-May. Moreover, the Chinese ambassador to France—a central committee member—postponed his scheduled return to Paris, and Premier Chou En-lai unexpectedly failed to appear at the Afghanistan National Day reception on 27 May. In addition to the normally ubiquitous Chou En-lai, many active central leaders also have failed to appear on occasions that would usually require their presence. An official of the press section of the Ministry of Foreign Affairs has stated that these absences were caused by a series of high-level meetings that were not related to Mao Tse-tung's health.

The leadership gathering on 24 June and its projected image of unity is the largest politburo turnout since the Lin Piao affair last fall and may indicate that at least partial agreement has finally been reached on some of the pressing domestic political issues. The party anniversary on 1 July will present an opportunity to surface new leadership appointments or to publicize policy initiatives, if the regime has indeed resolved any of the issues.

25X1

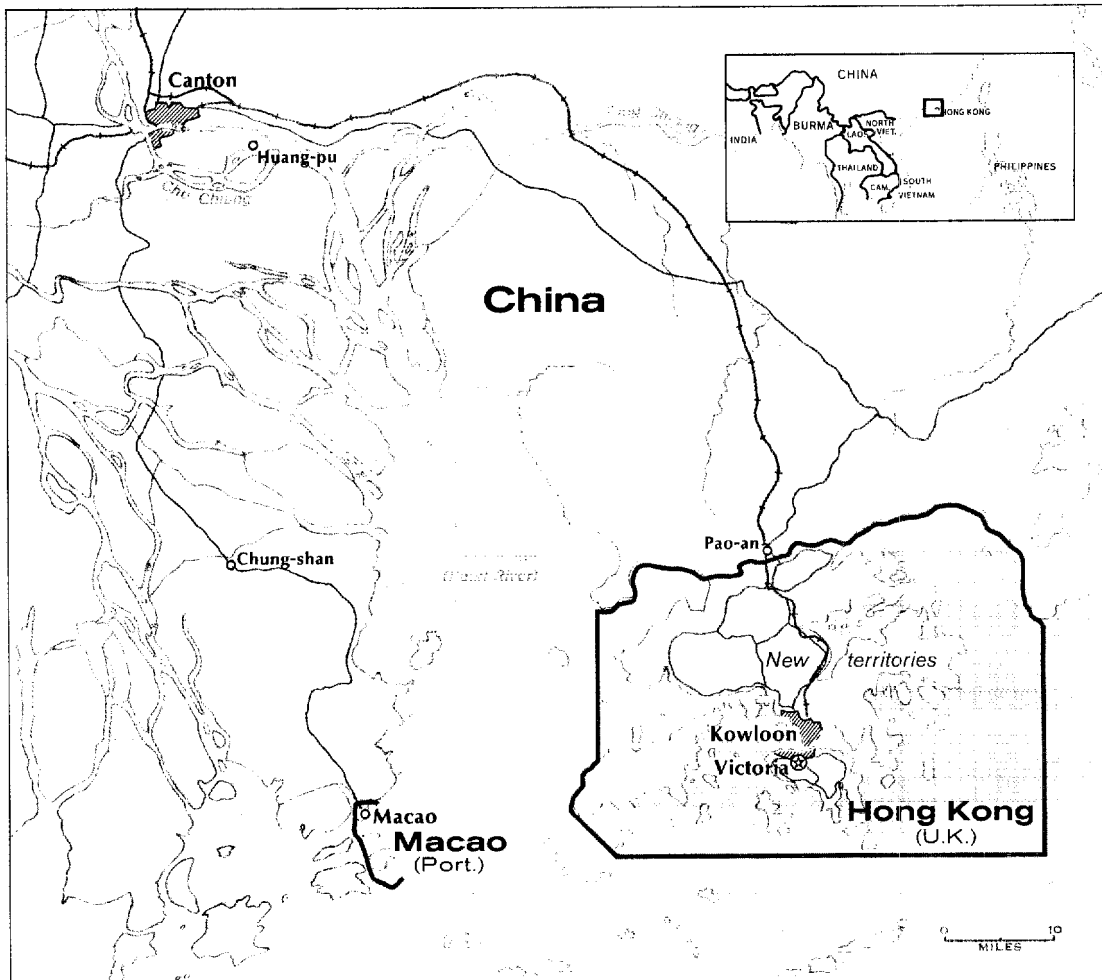
SECRET

HONG KONG: WINDS OF CHANGE?

Peking may be moving toward a new relationship with Hong Kong. The Crown Colony—Victoria Island and the immediately adjacent mainland littoral of Hong Kong Bay—was ceded to Britain in the mid-1800s; a more extensive hinterland area on the mainland was leased to Britain at the end of the 19th century. This leased area, called the “new territories,” is due to revert to China in 1997, and its loss would make the

British position in the Crown Colony, which already is partly dependent on the mainland for water, wholly dependent on China for both water and food. This Damoclean sword has hung over the colony since the Communists came to power in 1949.

Hong Kong's entrepot trade, however, has been China's major source of hard currency



SECRET

receipts, and in the wake of the agreement last February to raise the level of diplomatic representation in both countries to embassy level, Peking seems to be exploring the possibility of defining its relationship to the colony in a new way. In an official letter to the UN Colonialism Committee in March, the Chinese delegation described Hong Kong as a part of China that had been detached under now invalid "unequal" treaties but allowed discussion of the question to be deferred. Admission that Hong Kong is indeed "detached" along with the fact that no distinction was made between leased and ceded territory and Chinese reluctance to press the issue in New York suggest that the Chinese are prepared not to foreclose on the "new territories" if the British at least tacitly acknowledge that the Crown Colony itself is still in some residual sense a part of China.

Hong Kong authorities say that the UK considers the Chinese formulation an "acceptable basis" for eventual resolution of the colony's long-term status. They add that London's acceptance of Peking's view was indicated by its "deafening silence" in the UN in response to the Chinese letter. The British are probably also pleased because the Chinese position tends to undercut possible agitation for independence by Hong Kong Chinese. The tacit Sino-UK agreement that the treaties covering Hong Kong are invalid suggests that both sides may be looking toward their eventual renegotiation on an "equal" basis, but on terms that would preserve British administration of Hong Kong, and hence the present trade arrangements, essentially intact.

In this context, Peking may have probed for more explicit British acceptance of its position during the recent visit to China of UK Foreign Affairs Undersecretary Anthony Royle. The Chinese renewed a request—first made in 1965, before the onset of the Cultural Revolution—to establish an undefined official presence in Hong Kong. When Royle declined the request, they did



Victoria City and Kowloon

not press the issue, and colony officials now believe that Peking instead will further upgrade the status of the local NCNA bureau, which recently has taken on some quasi-official functions. British officials in Hong Kong believe that Peking did not expect acquiescence in the request. The British could claim that an official Chinese presence would be inappropriate in light of Peking's own admission that the colony is presently "detached" from China, but their real concern almost certainly is to prevent a division of authority in the delicate transitional period.

For their part, the Chinese almost certainly see advantages in working out an accommodation with London. Renegotiation of "unequal" treaties would set a precedent Peking could point to in its border dispute with the Soviets. An arrangement in which the "occupying authorities" acknowledged Peking's residual sovereignty while continuing local administration would also be useful as a precedent in further shaping the Taiwan issue to the Communists' liking.

25X1

SECRET

USSR: WALKING THE TIGHTROPE

The Kremlin is waging a major campaign at home to explain and defend the Moscow summit. At the same time, it is renewing the emphasis on internal vigilance and the continuing struggle with imperialism.

The thrust of the propaganda offensive is a series of ten articles written by government officials; two have appeared thus far. In the most recent article, published in *Izvestia* on 22 June, USA Institute Director Arbatov observed that the summit documents proclaim a switch by the US from "cold war policies" to relations of peaceful co-existence and mutual cooperation. Moreover, Arbatov claimed that the President's visit could open the way toward a "serious reorientation" of relations.

The first article appeared in *Pravda* on 15 June. It was written under a pseudonym probably by Chernyakov, chief of the Foreign Ministry's press section. He lauded the summit, but his tone was distinctly defensive. He declared that the "politburo does not pursue a foreign policy based on mere ad hoc considerations or whims" and contended that "reasonable tactical compromises" made at the summit are not a sign of "weakness or softness." The article emphasized that Soviet leaders went to the summit despite "direct resistance" from those "artificially fomenting hostility and tension."

Quite a different tone was struck in the June issue of the journal *International Life*, approved for publication on 23 May—the day after President Nixon arrived in Moscow—and probably circulated in early June. In it, critics of the leadership warned that US policy is characterized by an "aggressive course" and an "excess of militarism carrying the threat of war." The article added that "particular zig-zags or turns" in US policy "in no way" diminish this threat. It also cautioned that underestimating the threat "can prove

fatal." The publication of a polemic so out of step with other propaganda defending the summit is good evidence that there are powerful elements convinced that the USSR is compromising too much in dealing with the US.

Alert to this opposition and aware of the need to balance what has become a deluge of detentist propaganda, the leadership has moved to restore "realism." At a banquet for Fidel Castro on 27 June, party chief Brezhnev spoke out strongly on the need to continue the struggle against imperialism and to maintain internal vigilance. His remarks on US military actions in Southeast Asia were especially harsh.



This more cautious line emerged at the local level at least two weeks ago. Party meetings approved the "peace program" and the actions of the central committee plenum in May, but also placed considerable emphasis on ideological and class struggle. Arbatov told such a meeting in Moscow on 14 June that even the best agreements do not negate "the immutable fact" that struggle between socialism and imperialism will continue.

The contrast between the media's praise of the summit and the growing stress on vigilance highlights the dilemma posed by detente to the Kremlin—how to relax tensions abroad without making the Soviet people more vulnerable to outside influence and without appearing to sacrifice principles.

25X1

SECRET

SECRET

SOVIETS RESUME SOYUZ FLIGHTS

The Soviets orbited an unmanned Soyuz spacecraft designated Cosmos 496 on 26 June. TASS announced that Cosmos 496 was "intended for space research under a previously announced program," but failed to identify the vehicle as a Soyuz spacecraft. Such a description is typical for a space operation whose real purpose the Soviets wish to conceal.

The Cosmos 496 flight appears to be an engineering test of the Soyuz vehicle necessitated by the loss of the Soyuz 11 crew last year. That crew was killed during the re-entry of the spacecraft after a 24-day mission aboard a Salyut space station.

Cosmos 496 has maneuvered this week and probably will be de-orbited in a few days. If its flight is successful, a manned mission

may occur during the next several weeks. There are already indications that the Soviets are planning a mission similar to the joint Salyut-Soyuz operation last year.

The French news agency in Moscow recently published an article claiming that a Soviet manned mission originally planned for May had been postponed until mid-July. The article stated that a Salyut space station would be orbited and that later two crews would be shuttled to the station. According to the report, the first two cosmonauts to man Salyut would be replaced by another two-man crew after 30 days.

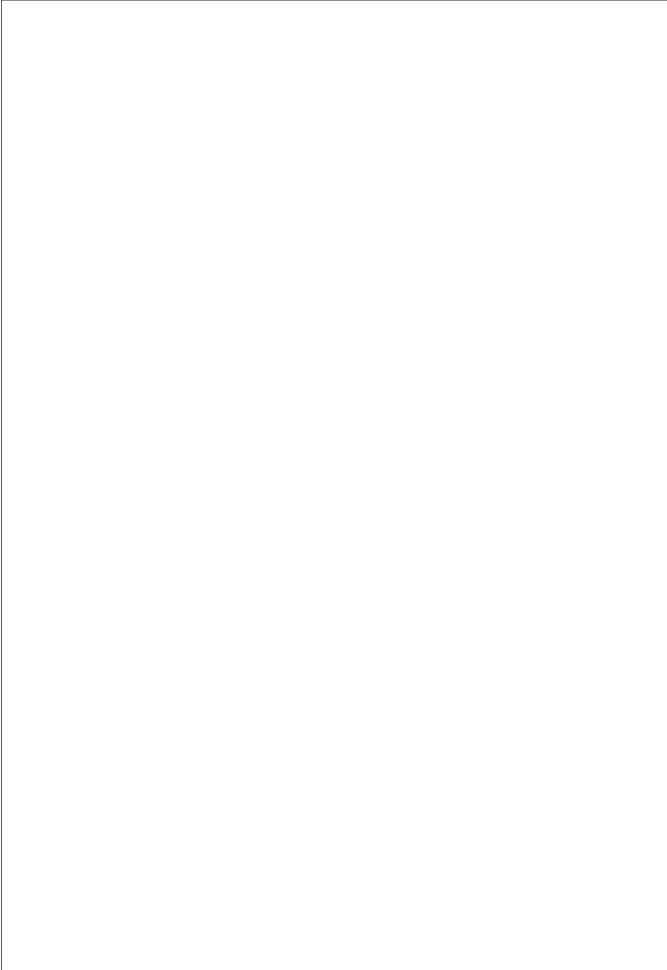
25X1

25X1

25X6

SECRET

25X6



Although many Maltese deplored Mintoff's bargaining tactics, and some still fear lasting damage to Malta's relations with Britain and other European countries, the wily prime minister managed to wring \$36.4 million annually out of the NATO allies instead of the approximately \$23 million initially offered. Equally important, Mintoff stimulated national pride by asserting Malta's determination to shed its colonial ties. His travel in Eastern Europe, his red carpet treatment in Peking, and the substantial number of foreign delegations to visit Malta have been viewed as signs of the country's increased importance and of Mintoff's own prestige. Moreover, Malta has gotten about \$283,000 in export orders from Eastern Europe, \$45 million in economic aid from China, and promises of bilateral aid from various NATO countries.

Mintoff will continue to press Malta to the forefront whenever possible. He is now attempting to gain support—with little success thus far—as a potential mediator in the Middle East crisis. Such efforts, even if unsuccessful, tend to draw attention from unresolved domestic problems, such as the general economic situation. Unemployment remains at the highest level since independence was granted in 1964, and Mintoff's failure to increase wages of such key groups as the dock workers and civil servants has caused an increasing volume of complaints. A recession still grips the country, the budget for 1972/73 is austere, and the average citizen will not soon feel the effects of the increased income generated by the agreement with NATO.

MALTA'S MINTOFF THE MIGHTY

After a year in office, Prime Minister Dom Mintoff can point to a significant foreign policy success in the generous defense and financial agreement he squeezed out of the UK and its NATO partners. Negative entries in the balance sheet include a sluggish economy and high unemployment. Time is on Mintoff's side, however, and the iron discipline he imposes on his supporters strengthens the possibility that he can serve his full five-year term despite his parliamentary majority of only one.

Some of the prime minister's Labor Party supporters are disgruntled because accession to power has not brought immediate and abundant economic benefits, but few are willing to relinquish that power after well over a decade in opposition. Perhaps more important, the Nationalist Party is still floundering without a coherent policy or an articulate leader. If defections occur in parliament, they are most likely to come from disgruntled Nationalists.

25X1

SECRET

SECRET

UK ECONOMY ENCOUNTERS PROBLEMS

Speculation against the pound sterling triggered London's decision to float the pound, but underlying the move is serious concern over the adverse impact of continuing inflation on Britain's competitiveness. The immediate intent of the float was to prevent a run-down of the country's large foreign reserves, which stood at a record \$7.2 billion at the end of May.

Deteriorating labor-management relations—most recently a wildcat dock strike—plus remarks by Labor shadow chancellor Healey that devaluation was imminent helped to set off the wave of speculation against sterling. Britain's rapidly declining trade balance and inflation contributed to the uneasiness. Despite highly expansionary budgets, the economy is not responding as expected. Although unemployment continues to fall from the extremely high levels reached in the first quarter, industrial production is only about two percent above the level of a year ago. Investment has been sluggish as investors show a lack of confidence in the medium- to long-term prospects for the economy. A prestigious private research

institute now projects growth in real output through mid-1973 at an annual rate of only 3.3 percent, significantly lower than the government's projections in March.

The extreme demands of British workers have imposed significant costs on the economy. Although the government claims to have kept public-sector wage increases under nine percent, much greater increments have recently been granted in the government-owned coal and railway industries. Over-all, British wage earnings rose 11.5 percent during the twelve months ending in April, the largest increase since July 1971. The government was hopeful that the Industrial Relations Act could be used to minimize work stoppages, but the act has been ineffective in dealing with recalcitrant labor unions.

Rising labor costs are reflected in the high rate of inflation, which is expected to accelerate to an annual rate of between six and seven percent by 1973. Inflation contributes heavily to erosion of the UK position in international markets. Despite markedly higher price tags, in part the result of the revaluation of the pound in the Smithsonian agreement, the value of exports in the first five months of 1972 was only five percent greater than during the corresponding period in 1971. Britain's imports for the same period increased by 12 percent, with the result that the trade balance, in strong surplus last year, deteriorated rapidly.

The Heath government is thus confronted with both a currency crisis and a sluggish economy. The floating of the pound alleviates the immediate pressures in the international economic arena, but the inflationary spiral will continue to pose problems both for international competitiveness and domestic economic growth. The government may be forced to consider a wage-price freeze or an incomes policy—measures opposed by Heath up to now.

25X1



25X1

SECRET



Andreotti (L.) Sworn in Before President Leone (R.)

ITALY: DEAD CENTER

Premier Giulio Andreotti's new center government offers little assurance of bringing political stability to Italy. The three-party coalition will depend on the promised support of other parties for its vote of confidence on 4 July, and it has all the appearances of a temporary, caretaker administration.

Andreotti attempted various combinations without success before settling on the center formula. The only alternative at that stage of the negotiations was another Christian Democrat minority government, similar to the administration that had ruled since February, but few politicians seemed to favor this solution. The other parties wanted to share in the power and patronage, and some Christian Democrats, including Andreotti, thought it better they also share in any blame for the country's economic and social woes. These difficulties will likely intensify next fall when the contracts for over 4 million workers are renegotiated.

The government's prospects are bleak, not only because of its slender parliamentary majority but also because of the divisions within the coalition itself. Andreotti originally wanted a four-party alliance, including the Liberals but excluding the Socialists, who have been part of the center-left coalitions that have ruled for the past decade. Andreotti's own Christian Democrats had serious reservations, however, and the party leadership's vote to form the center coalition was won by a narrow margin. The Republicans concluded that without Christian Democrat unanimity the coalition was doomed and refused to

join it. They did agree, after a bitter internal quarrel, to support the remaining three parties in parliament.

Andreotti's task was especially difficult because he could not deal with the largest parties, other than his own, in parliament. The Communists and neo-fascists have always been ruled out of democratic coalitions, and the Socialists refused to participate in a government without an understanding that the Communists be allowed to contribute to legislative programs. Now that the Socialists have been stung by their exclusion from government, they may renounce this philosophy, which they call "advanced equilibriums," at their party congress in October. This would presumably clear the way for their entry into a new center-left government. Should Andreotti founder before then, however, the Socialists might be tempted to consider themselves indispensable to a stable government and therefore less willing to compromise on their "advanced equilibriums" thesis.

Thus, the direction of Italy's government will depend in many ways on the Socialists' attitude. If they sulk because of their exclusion from government and develop closer ties with the Communists, they could unite the center coalition as nothing else could. They probably will be more astute and offer constructive opposition, downplay "advanced equilibriums," and encourage the considerable number of sympathetic left-wingers within the center coalition to urge their return to the government.

25X1

SECRET

SECRET

FRANCE: CABINET RESHUFFLE LOOMS

How strong a grip Prime Minister Jacques Chaban-Delmas has on his position is still uncertain despite the National Assembly's overwhelming vote of confidence in him on 24 May. In recent months, a number of rumors have indicated that President Pompidou plans to sack Chaban-Delmas before legislative elections are held next spring. This speculation has recently intensified.

[REDACTED]

Pompidou's primary concern is to ease strains within the ruling Gaullist coalition over the government's leadership and policies. During recent months, the government has been beset with financial scandals, unfavorable publicity over alleged irregularities in Chaban-Delmas' tax returns, and the failure to win massive support for the referendum on Common Market enlargement. A number of coalition backbenchers, including several Elysee advisers, believe that keeping Chaban-Delmas as prime minister will damage the government's election prospects.

Minister of National Education Olivier Guichard is a prime contender for the office, should it be vacated. Guichard is an able administrator, with close personal ties to Pompidou. Unlike Chaban-Delmas, whose strongly asserted views sometimes lead to conflict with Pompidou,

Guichard shares the President's concept of the supportive role of the prime minister. He could be counted on faithfully to implement government programs and is popular with rank-and-file Gaullists.

Pompidou can be fairly certain that Chaban-Delmas would not try to rally coalition members if he were dismissed. He is a loyal Gaullist and quite possibly would continue his political life as the leader of the Gaullists in the National Assembly. Chaban-Delmas, however, has strong links with the centrists and the ability to maintain labor peace. Bearing this in mind, Pompidou may conclude that he still needs Chaban-Delmas and that a less drastic cabinet overhaul would suffice. He could give new impetus to the coalition by bringing in an experienced politician such as Edgar Faure, a former centrist who is a proponent of left Gaullism.

The agreement reached this week by leaders of the Communist and Socialist parties on a common program for governing lends urgency to the drive for Gaullist unity. After months of negotiating, both parties finally made the concessions necessary to reach an accord in hopes of capitalizing on the disarray in the government camp. Even though the agreement masks deep-seated differences over key issues, it makes more credible the opposition claim to represent a workable alternative to the Pompidou government.

[REDACTED]

THE NETHERLANDS: MERGER MANEUVER

The three confessional parties that form the core of the five-party Dutch Government will attempt to merge into a Christian Democratic party by the next national elections, April 1975 at the latest. Even if the merger attempt fails, it should ensure the government's continuation for another year. The merger effort also should stop the current flirtation between the Catholic Party, the largest in the government, and the Labor Party, the major opposition party. Without

Catholic-Labor collaboration, there is no realistic alternative to the present government. Facing up to this, the Labor Party may renew its interest in forming a progressive people's party with two other opposition groups. The opposition politicians estimate that such a new party could not hope for a parliamentary majority in less than a decade, however, and the Labor Party thus may yet decide that coalition with the confessional parties is the surer road to power.

[REDACTED]

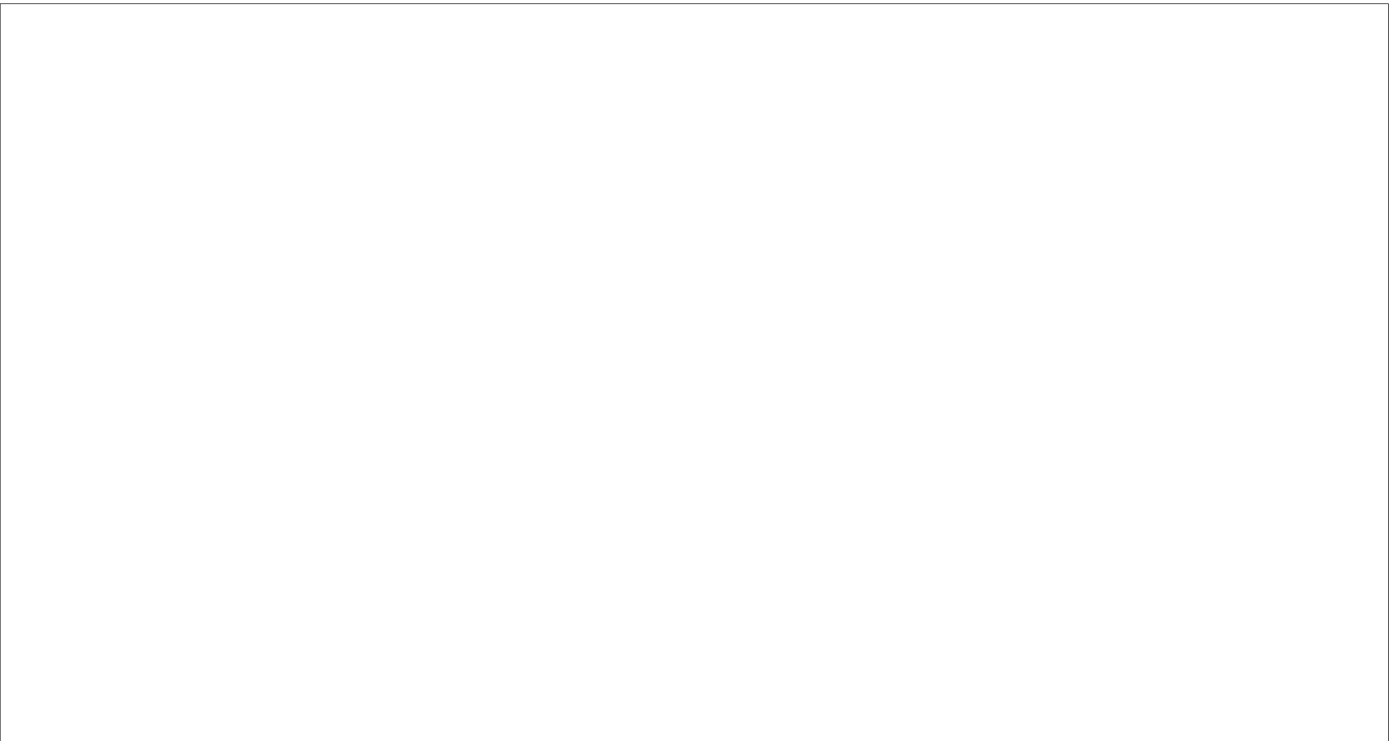
SECRET

SECRET

25X6



25X6



SECRET

LEBANON-ISRAEL: UNEASY BORDER

Tel Aviv's air strikes on southern Lebanon on 21 and 24 June in response to fedayeen-instigated incidents from bases in Lebanon have been followed by threats of new reprisals. Deputy Prime Minister Allon on 25 June warned that Lebanon "must understand that we will not reconcile ourselves to the Cairo agreement, which allows terrorists to train on Lebanese territory, cross the border, strike at Israel, and then return to their bases."

Tel Aviv also has hinted that it may occupy portions of southern Lebanon if Beirut does not move against the fedayeen. The former director of Israeli military intelligence, Chaim Herzog, last week described the Arqub region of southern Lebanon, where most of the fedayeen are concentrated, as a no-man's land that has been abandoned to the commandos. Israel, said Herzog, as a neighboring country being attacked should have as much right in this area as others.

Developments along the Israeli-Lebanese border parallel the situation along the Jordan River a few years ago. As anxious as it is to see that Israel's threats are not carried out, Lebanon, unlike Jordan, however, cannot move swiftly to crush the fedayeen. Perhaps as much as one half of Lebanon's population would not support such a move and many Lebanese might take up arms against the government. Faced with this prospect, the Lebanese Army is resisting an all-out showdown with the guerrillas. Beirut therefore has restricted itself to stop-gap measures designed to prevent firing into Israel. Nevertheless, there have been some minor clashes between the Lebanese Army and the commandos. In the end, Beirut is likely to seek an accommodation with the fedayeen that will survive until the next cycle of raids and Israeli counter-raids.

25X1

South Lebanese town after Israeli air raid.



SECRET

ANOTHER ARAB CONFEDERATION SUMMIT

The meetings last week at Mersa Matruh of the confederation's presidential council, attended by Presidents Sadat and Asad and Premier Qadhafi, produced no momentous decisions. On the contrary, preliminary reporting suggests that this latest round of talks was more rancorous and less productive than the first three. The leaders of Egypt, Syria, and Libya apparently failed even to agree on a public position regarding Israel's latest incursions into Lebanon. One novel feature of the bi-monthly presidential conference was the presence of Uganda's President Amin, dramatizing his closer alignment with the Arabs.

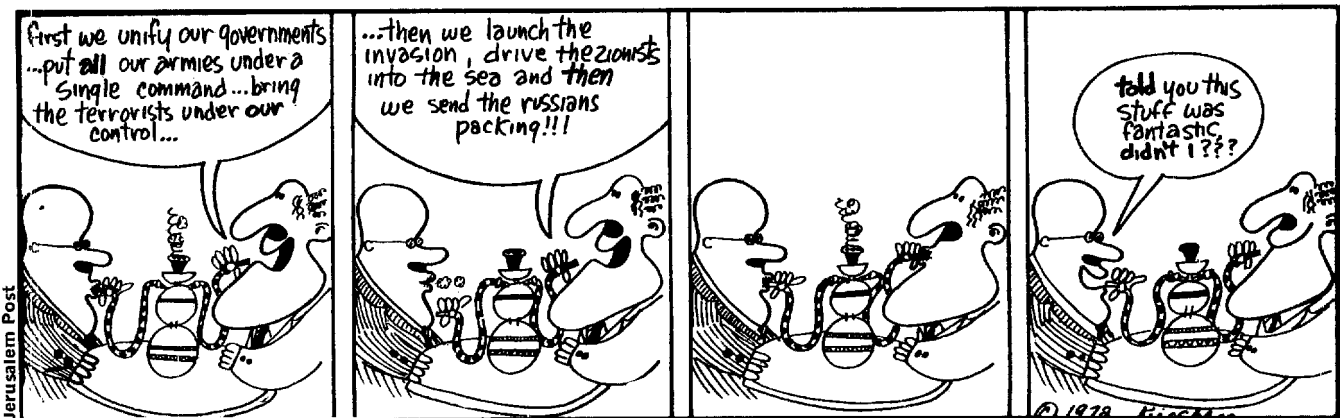
The absence of a resolution condemning the Israeli strikes into southern Lebanon provided little comfort to the fedayeen, who had called upon the heads of state to draw up "a plan to fight." The Egyptian press treatment of the council's "secret decisions" has been unconvincing and has given no clues of a new plan of action to break the Middle East log-jam.

The main business transacted at the meeting was the establishment of a supreme court and the

passage of other non-controversial decrees, such as the reduction of air fares between the three states. Executive and legislative machinery had already been set up.

Meanwhile, Egypt's southern neighbor, Sudan, seems more resistant than ever to joining the confederation. President Numayri, who appeared on the verge of adhering to the grouping when it was formed early last year, has since disengaged from Arab concerns. During a discussion with the head of the US interests section last week, Numayri frankly exposed his views of the Egyptian and Libyan leaders. He described Qadhafi as "undisciplined" and a "megalomaniac." He said he told Qadhafi when he met with him last month that his Wheelus evacuation speech amounted to "a declaration of war on the world." Turning to Egypt, Numayri said he was puzzled by Sadat's harping on the war theme when "no one else in Egypt" believed fighting would break out. In spite of constant pressure from Cairo to join the confederation, Numayri said he told both Sadat and Qadhafi that he had sufficient problems of his own without taking on those of the other Arabs.

25X1



SECRET

SECRET**YEMEN (ADEN): MOUNTING PROBLEMS**

Yemen (Aden), the most radical of all Arab states, last week quietly marked the third anniversary of its move to the extreme left. Politically and economically, Aden's troubles are mounting. The prisons are packed with opponents of the regime and some dissidents have been killed while "evading arrest." The National Front, the ruling political organization, is split between the followers of the party secretary general, Abd al-Fattah Ismail, and those of Salim Rubay Ali, the country's chief executive. Ali's faction—usually described as pro-Peking—has been in the ascendancy since it won a majority of party committee seats at the National Front Congress last March. The Ismail faction, which is pro-Moscow, contains many northern Yemenis. The traditional regional rivalry is an important factor in the split.

Numerous Adenis have migrated—many to neighboring Yemen (Sana)—because of the economic blight that has befallen Yemen (Aden) since 1967, when the Arab-Israeli war led to the closure of the Suez Canal. In addition, the National Front has gone further with nationalization than any other Arab state. "Spontaneous" takeovers by workers, probably at the behest of Ali, have taken place in other economic enterprises, including some small businesses. The workers' committees that have developed to run the businesses have proved difficult to control, even for government officials. Following numerous peasant uprisings against large landowners, agricultural output has declined; the government is now moving toward the establishment of cooperatives and state farms. Taxes are increasing and new levies have been imposed on all kinds of goods and services. The once bustling city of Aden has slid into lethargy and poverty, with an estimated one third of its labor force unemployed.

Yemen (Aden) also finds itself in a cold war with its neighbors, largely because of a series of

border incidents with Yemen (Sana) and Aden's assistance to leftist rebels in Oman. King Faysal of Saudi Arabia is committed to the destruction of the Aden regime, but his efforts to encourage Adeni exiles to overthrow the government have been ineffectual. Only the Baathist regime in Iraq regularly and openly supports Aden's domestic and foreign policies.

With the economy stagnant, foreign aid has become indispensable and Aden looks to the Communist countries for the bulk of its assistance. Peking is the main supplier of economic aid, accounting for \$55 million of the \$106 million extended by Communist states since 1968. The Chinese program has proceeded slowly, with less than ten percent drawn by the end of 1971. Work on the main project, a highway linking three towns, has been stepped up and is receiving substantial local publicity. Most of the remaining aid has come from East Germany (\$24 million), Romania (\$11 million), and Bulgaria (\$5 million). The USSR has extended only \$11 million, chiefly for irrigation projects and the fishing industry.

Communist military assistance has come largely from the USSR and appears to be gaining momentum. Since mid-1968, Moscow has extended \$27 million in military assistance, primarily to preserve access to the refueling facilities at Aden for Soviet merchant and naval ships as well as to counter growing Chinese influence. There are from 150 to 200 Soviet military advisers in Aden, most of them providing technical assistance to the army. More than 200 Adenis have gone to Communist countries for military training, including 160 aviation and naval trainees that were sent to the USSR in 1969, one of the largest contingents from a non-Communist country.

25X1

SECRET

SECRET

CHAD: INSURGENCY JITTERS

25X1

The threat of increased Muslim dissidence, including possible terrorist attacks in the capital city, has President Tombalbaye unnerved. Given his proclivity for irrational behavior, Tombalbaye could resort to some action that would only aggravate Chad's problems and further test the patience of his French mentors.



Dissidence has actually been at a low level since 1970, with most action in central and eastern Chad. The far north remains restive, however; in early June, two more French soldiers were killed in an ambush there. Rebel activities usually increase with the onset of the rainy season in July, but the government is especially concerned this year. Sizable quantities of arms were brought in from Libya last spring and the French are phasing out their three-year counter-insurgency effort, leaving the renovated but untested Chadian military in charge.

RHODESIA: WHAT NEXT?

In the wake of the Pearce Commission's report last month that most Rhodesians opposed the independence accord worked out by the British and Rhodesian governments, a settlement has become even more elusive than before. Neither London nor Salisbury, however, has ruled out further talks. Prime Minister Smith is well aware that Rhodesia's pressing economic problems make an accord highly desirable, but he is not in a position to resume negotiations soon. London, on the other hand, believes Smith must make the next move and will probably do nothing until he does.

On 1 July, the Chadian General Staff assumes full control of field operations. The last French units are to be withdrawn from combat and, after 1 September, emergency assistance by the forces permanently based in Fort Lamy will be given only with the approval of Paris. Logistics support by the French Air Force is to continue but the number of seconded field advisers will drop by 180 to a total of 450.

With the Heath government preoccupied with Northern Ireland and other problems closer to home, Rhodesia has been moved to the back burner, at least until the Conservative Party conference this fall. Conflicting views over whether to continue economic sanctions, which come up for renewal in November, will almost certainly be aired then. Despite suggestions in the British press last winter that Heath disavow further responsibility for Rhodesia and allow sanctions to lapse, his government now seems certain to ask Parliament to renew the embargo for another year.

Tombalbaye, a non-Muslim from the south, is nervous about the vulnerability of Fort Lamy, the predominantly Muslim capital, to guerrilla attacks. One sabotage raid, [redacted]

[redacted] was thwarted earlier this month; he anticipates further attempts. Strict security measures were temporarily imposed along with a search for fifth-column suspects.

The Rhodesian economy—a big factor in bringing Smith to the bargaining table last year—has improved somewhat but continues to give Salisbury cause for concern. Commercial agriculture, tourism, and construction all improved by at least 17 percent in 1971, and real income increased by an impressive 10 percent. Nevertheless, serious problems remain. Last year's balance of payments, for example, was almost \$26 million in

25X1

25X1



SECRET

the red, and the economy continues to suffer from a severe foreign-exchange shortage. In order to replace worn-out machinery and rolling stock as well as aging aircraft, Rhodesia needs a large influx of foreign capital, which will come only after a negotiated settlement. Otherwise, it must replace these items piecemeal. Looming in the background are the potentially explosive problems of rapid African population growth and rising African unemployment.

Smith has stated that he will make no more concessions. Nevertheless, he has not closed the door on further discussions with London, and this is probably as forthcoming as he can be at this time. As a result of the Pearce Commission's negative report, Smith is under pressure to push ahead with a number of racially retrogressive policies. A past master at appeasing his right wing while keeping his options open, Smith will probably shift to the right and wait for an opportunity to probe London's position.

25X1

GUATEMALA: A CURIOUS AFFAIR

The unusual political calm of the past two months was dramatically shattered last Sunday when a key legislative official was assassinated in a restaurant in front of his wife and friends in a scene reminiscent of *The Godfather*. It has not been definitely established who ordered the killing of Oliverio Castaneda, first vice president of congress, but suspicion seems to be focused within the government camp rather than on the political opposition. The incident has already raised political tensions, and is almost certain to aggravate relations between Arana and Mario Sandoval, president of congress and head of the governing National Liberation Movement.

Castaneda gained prominence as head of civilian vigilante groups in 1967-68 when he teamed up with Arana and Sandoval to root out Communists and guerrillas in northeastern Guatemala. Of late, Castaneda had hitched his star to Sandoval, who aspires to be the next president of Guatemala. Arana does not regard the Sandoval candidacy with favor, a view probably shared by a majority within the military. If Sandoval begins to interpret the assassination as a direct challenge to his presidential ambitions, a split would be precipitated and a crisis in executive-legislative relations could ensue.

Significantly, government and National Liberation Movement spokesmen have not accused the far left of the killing. In a press interview, for example, Sandoval pointedly ignored the suggestion that the blame might rest with the guerrillas. There is already speculation that the National Liberation Movement might leave the government if the crime is not fully investigated.

Castaneda, himself, will have few mourners. As one of the right's foremost practitioners of political violence and a man who used his official position to advance his own private business interests, he had built an impressive and bipartisan list of enemies. His rapid rise in party circles antagonized older party members, while more moderate elements within the National Liberation Movement felt he blackened the party's already questionable reputation. The political opposition resented his strong-arm tactics and his ideology, businessmen feared he was involved in extortion, and extreme leftists considered him their fiercest foe. Indeed, despite temporary problems, Castaneda's passing has rid the country of one of its most divisive elements.

25X1

SECRET

ARGENTINA: PERON A CANDIDATE

The restoration of Juan Peron's political rights this week coincided with his being named as the Justicialist Party's presidential candidate for the elections next March. The turbulent two-day Peronist convention also coincided with an outbreak of student violence in the provincial city of Tucuman that by 27 June had spread from the major interior cities to Buenos Aires.

The Peronist national congress held in Buenos Aires on 25-26 June unanimously proclaimed the former dictator as its candidate for president, but beyond that the representatives of the various Peronist sectors were able to agree on very little. The powerful labor arm of the movement clashed with the political segment over the distribution of positions on the Justicialist national council. Peron instructed the meeting to divide the seats evenly among the political, youth, workers', and women's sectors. Labor's demand for greater representation was finally beaten down, but the labor bosses so far are refusing to participate in party leadership.

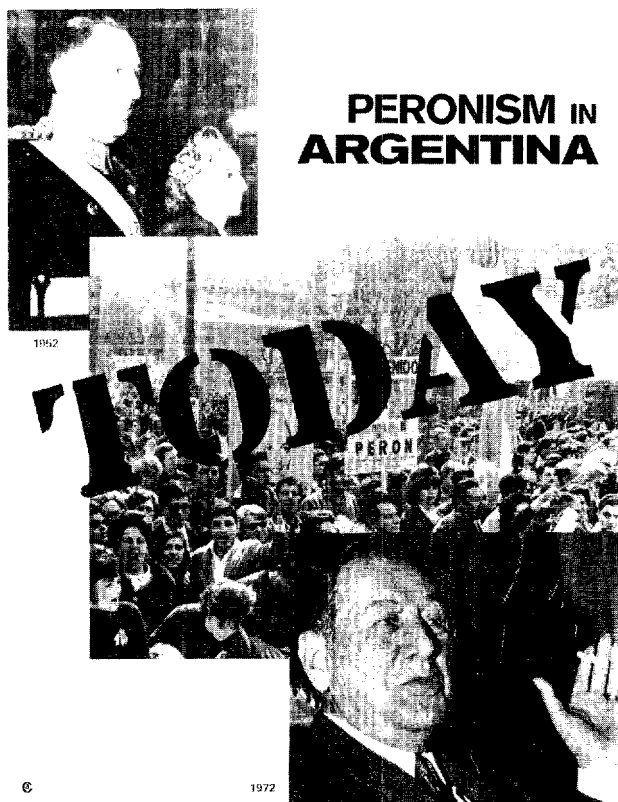
Peron's nomination was followed by an announcement that a federal court had authorized the restoration of the old dictator's political rights. Although all legal barriers to Peron's return to power have now been removed, it is doubtful that he will come back to Argentina to participate in the electoral process. Peron and his followers may hope that after coming this far they will be swept into power by an irrepressible popular surge, but Peron, political tactician that he is, is certainly aware that the best chance of a Peronist return to power lies in negotiating with the military. He also knows that the leaders of the armed forces will never permit him to regain the presidency they forced him out of 17 years ago. Thus, the proclamation of Peron's candidacy is probably primarily intended as a holding action to maintain some semblance of party unity and strengthen the Peronist bargaining position.

The violence in Argentina this week was not directly related to the Peronist convention.

Youthful party activists, however, may have viewed the demonstrations and violence that spread from Tucuman as an opportunity to bring more pressure on the military government and perhaps even to start the popular uprising that would carry Peronism to power.

The rioting began on 23 June in the provincial city of Tucuman when police broke up student demonstrations in support of striking public employees. The death of a student on the next day prompted sympathy demonstrations in several other cities, and the local labor confederations in Tucuman and Cordoba called general

Weekly Summary Special Report, 9 June 1972



SECRET

strikes in support of the students and to protest the high inflation and rising unemployment. By 28 June, the sixth anniversary of the military's seizure of power from President Illia, the violence had spread to Buenos Aires. Under orders to avoid harsh repression, the military and police clamped tight restrictions on Buenos Aires, Cordoba, and other provincial cities, and apparently were successful in preventing any major flare-ups without creating new martyrs.

[Redacted]

25X1

CHILE: PONDERING SOVIET ARMS

The recent visit of the navy chief to the USSR to inspect ships obtainable under a Soviet credit offer has again forced Chilean military leaders to focus on the political implications of purchasing Communist military equipment. None of the armed services wants to become dependent on the USSR for weaponry, but the long-harbored desire for modern equipment and the dwindling supply of Western credits make the Soviet offer tempting. This may be especially true now because the projected needs of the armed forces are for support equipment rather than modern offensive weaponry.

Chile has been modernizing its military equipment for several years, and the Soviet offer comes at a time when some first-priority items have already been contracted from American and European suppliers. The navy has purchased a reconditioned Swedish cruiser, and British shipyards will be delivering two guided-missile frigates and at least two submarines over the next two years. The air force is increasing its inventory of subsonic Hawker Hunter jets. The army is getting tanks from the US and other supplies from Western Europe. Remaining needs include an oil tanker, research vessels, air transports, heli-

copters, and communications and other support equipment.

Chilean military officers see both technical and political problems in purchasing Soviet hardware. Unfamiliar equipment would add to the logistics and training problems of the services but, with their already varied sources of supply, the Chileans could cope with the incorporation of Soviet equipment more easily than other forces might. Some officers have been impressed with equipment they have seen in Cuba and the USSR, and price quotations are attractive. The greatest problem is political.

[Redacted]

25X1
25X1

The Chilean tack with the Russians has been to show interest only in items that would not require a constant flow of spare parts and could be operated without Soviet training. They can afford to wait, and believe time is on their side.

25X1

The political implications of Soviet arms are greatest for the army. Its need for modern equipment is greatest, and it has been traditionally closer to politics than have the other services. While the army commander is the only service chief not to have visited the USSR, a high-level army mission did go to Moscow in August 1971 and army officers were part of a military delegation that visited Cuba last January. Army commanders would like to maintain Western sources of supply, but Chile's balance of payments problems are rapidly closing off commercial credits. The US Foreign Military Sales program, very important for the army, is unlikely by itself to meet Chilean needs. The army is aware that any serious program of acquiring Soviet materiel would imply an expectation of continued access to Soviet spares and acceptance of friendly political relations with the Communist world.

[Redacted]

25X1

BRAZIL: CABINET CHANGES RUMORED

President Medici's determination to assure a successful record during the remaining two years of his administration, especially in providing a tranquil political succession and substantial economic gains, has boosted his dissatisfaction with several members of his cabinet—including his star performer, Finance Minister Delfim Neto.

Rumors that Medici might replace Delfim first surfaced in April, in the aftermath of a speech by the President calling for a change in economic priorities. Although government officials, and Delfim himself, have tried to quash the

rumors, a resurgence of talk that Delfim was on the way out caused another wave of uneasiness in Brazilian financial circles last week.

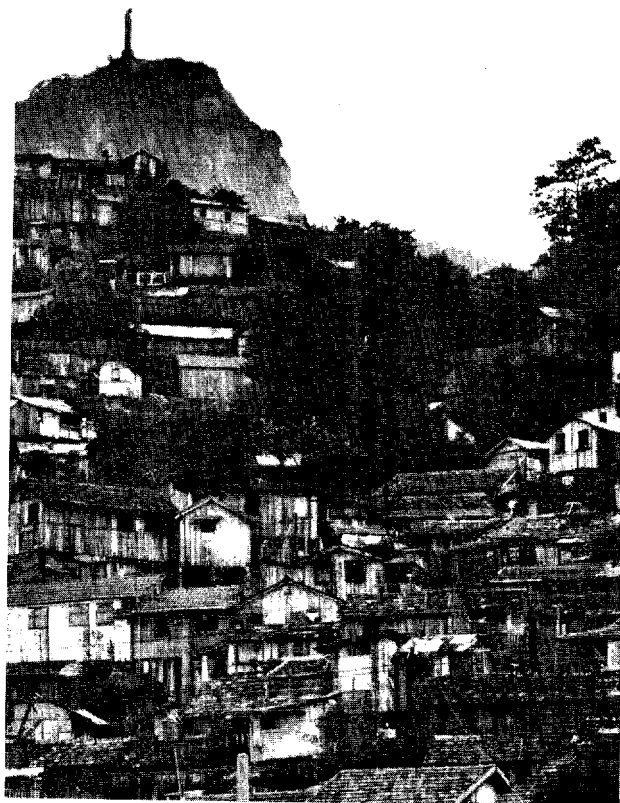
The talk about Delfim's dismissal has been fueled by indications that the President is dissatisfied with progress in cutting inflation and with the failure of large areas to obtain the benefits of the country's over-all economic progress. Medici has ordered his cabinet to give top priority to these problems. Delfim's plan to visit the impoverished northeast soon indicates that he has taken the President's directives to heart, although he continues to assert that there has been no basic change in the priority he has given to economic development.

The priority on economic development that has produced Brazil's "economic miracle" is so closely identified with Delfim that rumors of his dismissal sparked a seven percent drop in the Rio de Janeiro stock market. For this reason, although the finance minister is certainly not indispensable, Medici may decide that replacing him will cause more troubles than it would cure.

Medici apparently views the problems of inflation and unequal income distribution as long-run threats to the nation's political stability, which has been achieved at great cost. He aims to present his government as insuperable in economic matters, able to deliver on its promises, and thus avoid giving potential opponents grounds for criticism. The President probably sees this as necessary to maintain his strong hand in the selection of his successor. Although the transfer of power does not take place until 1974, the selection process unofficially has already begun.

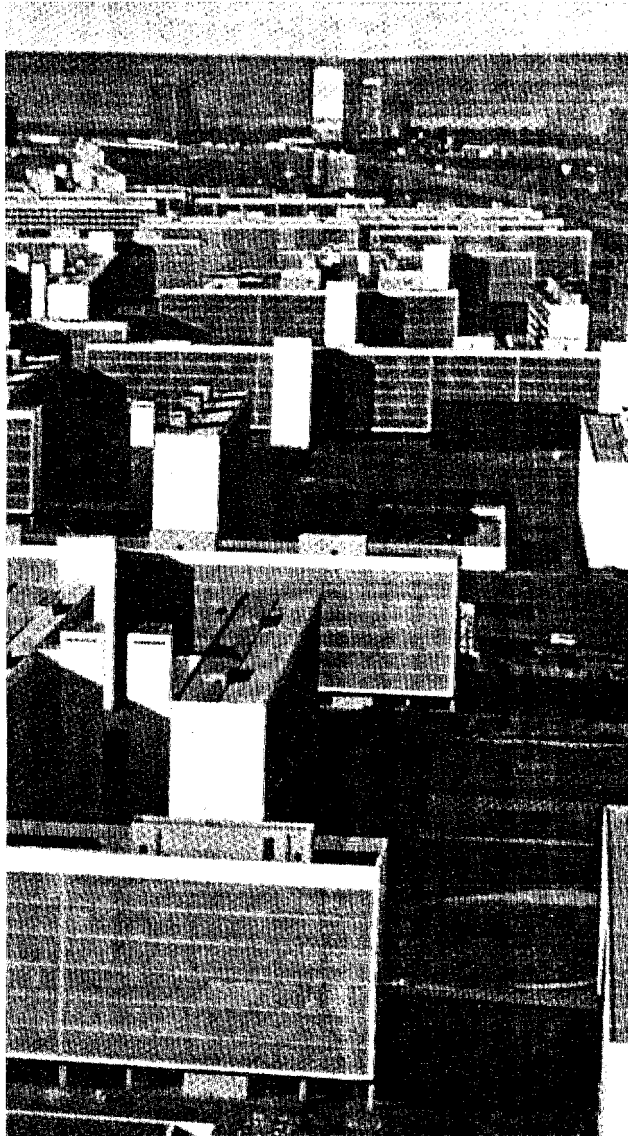
The possible replacement of Justice Minister Alfredo Buzaid is of lesser significance. Buzaid is reportedly not considered "enough of a politician." This probably means that Medici does not

Slums in Rio de Janeiro



SECRET

SECRET



New Apartments in Brazilia

regard him as an effective force in the effort to ensure the administration's ability to choose the next president. Buzaid, along with Labor Minister Barata, whose dismissal is also being rumored, is considered a mediocre member of the cabinet. If

either of these officials is replaced, it will likely be because the administration feels a need for dynamic ministers who can obtain political support for the administration.

25X1

CASTRO IN MOSCOW

Fidel Castro finally arrived in Moscow on 26 June, almost two months after leaving Havana on his extensive ten-nation journey. It is his first visit to the USSR since 1964.

The visit comes at a time when the Cuban leader has been clearly dissatisfied with the USSR's response to US moves in Vietnam. In all of his speeches leading up to the Moscow visit, Castro has called for renewed socialist unity in the face of "US aggression." In addition, the success of the summit conference has greatly concerned him because of the possible implications for Cuba's security.

The Soviet leaders, obviously aware of Castro's uneasiness, have tried to reassure him. After a warm welcoming reception at the airport, Castro was awarded the Order of Lenin. In a speech at a dinner in Castro's honor on 27 June, Brezhnev pointedly accentuated continuing Soviet support for Cuba. He also announced Soviet readiness to increase "all-around" cooperation to new and higher levels, raising the possibility of increased Soviet economic assistance despite Soviet unhappiness with Cuban management. Although Brezhnev strongly denounced US actions in Vietnam, he also made clear Moscow's commitment to its detente line by defending the summit talks and their results as reflecting "the real state of affairs in the world." While Castro's fears have probably been somewhat allayed by the Soviet performance, conclusive evidence of continued support will probably be necessary to alleviate his concerns substantially.

25X1

SECRET

Page Denied

25X1

INTERNATIONAL DEVELOPMENTS



SECRET

SECRET

25X1

French Foreign Minister Schumann used another EC meeting to accuse Britain of bad faith in creating monetary turmoil prior to formal entry into the EC. Although this tone was also taken in the French press, most reaction was more understanding of the British position. Some officials even pointed out that the European agreement to maintain narrowed bands was itself a cause of the drain on sterling.

MONEY: POUNDING THE DOLLAR

The EC finance ministers' agreement on 26 June to uphold the Smithsonian realignment has allayed at least temporarily the heavy speculation against the dollar that was precipitated when Britain floated the pound.

After the float was announced on 16 June, European central banks had to absorb about two billion worth of US dollars before all major European foreign exchange markets were forced to close. The EC finance ministers believed, however, that the speculative surge was irrational and that they could defend the existing fixed rates for their currencies with strengthened capital controls and support for the dollar. Since the EC exchange markets reopened, the dollar has held firm, well above central bank intervention levels.

The most difficult issue resolved by the EC finance ministers was the preservation of the new narrow-band system inaugurated just two months earlier. This system limits the range for member currencies to fluctuate to only half that provided for in the Smithsonian agreement. Ireland and Denmark were the only other countries of the ten present and prospective EC members to withdraw from the narrow-band system after the pound was floated. Although their actions caused some inconvenience, they did not threaten the system as did the Italians, who wanted to suspend their commitments and float the weakened lira downward. As a special concession to maintain EC solidarity, Italy was permitted to repay in dollars whatever debts it incurs defending the lira up to mid-July. Heavy dollar intervention has been necessary to support the lira above its EC band floor.

Britain, for its part, assured its future EC partners that it intends to end its float as soon as possible, hopefully at the Smithsonian fixed rate. Some British officials have confided, however, that the floating pound—already five percent below its central rate—could continue for several months. In fact, the Heath government may take advantage of this opportunity to achieve what it considers an essential devaluation before joining the EC in January. The UK's current account balance is now in surplus, but the government feels that a deteriorating current account balance may constitute justification for a formal devaluation later this year.

The compromises worked out by the Six show that they are extremely reluctant to appear to be moving backwards on the monetary front. The French will doubtless continue to argue, however, that the new crisis shows again the need for progress on monetary union, including formation of a separate European monetary identity, but they may be less doctrinaire than in the past. The German thesis that monetary union is impossible without substantial economic policy harmonization has been given new support by the British action. On balance, the crisis may inject a new realism into the planning both for monetary and economic union, and may also reduce the propaganda value of the issue in the political tug-of-war over the scheduled summit meeting of the Ten in the fall.

SECRET

SECRET

1971-72 COCOM LIST REVIEW ENDS

The acrimonious 1971-72 COCOM List Review discussions ended recently in Paris with many important items left unresolved. The List Review, a periodic exercise to examine the level of Western strategic embargo controls, followed its usual pattern. At the insistence of the other members, a number of items were deleted; on others, the embargo was relaxed.

The COCOM embargo list consists of about 150 general categories of items. These items are divided into three lists: International List I, which embargoes items that have dual civilian and military use; the International Atomic Energy List; and the International Munitions List. The List Review resulted in minor deletions from the Atomic Energy List and the Munitions List. Most pressure for relaxation was directed against List I items, which account for the bulk of potential sales to Communist countries. Most other COCOM countries believe these dual-use items no longer should be embargoed. A number of machine tools were eliminated from List I. The embargo definitions for a vast majority of the remaining items were relaxed.

COCOM was unable to agree on about a dozen major categories. Outstanding items include: computers, semiconductor production equipment, communications equipment, and computer-run machine-tool systems. During the review, the split between the US and its COCOM partners focused particularly on the easing of restrictions on communications equipment. The UK walked out in protest during one of the

sessions, declaring that liberalization was one of the touchstones of success of the review. As pressures mount for increased Western trade with the Soviet Bloc and China, the fact that most European allies support substantial relaxation of the embargo forecasts increased friction in discussions on the pending items and future reviews. Typically, the US is attempting to maintain strict controls over these items—mainly sophisticated electronics—while most other member nations are pressing for liberalization. Over the past few years, export of this type equipment constituted the major area of disagreement. Communist countries have been anxious to obtain advanced electronics from the West, and most COCOM members have been anxious to supply them. The US, however, has opposed or delayed a number of major deals.

Another contentious issue faced in the recent List Review was the China Differential. The differential, establishing stricter controls on exports of strategic goods to China than to the USSR and Eastern Europe, was imposed on about 45 items during the 1968-69 List Review. During the 1971-72 List Review, the Japanese were partially successful in reducing drastically the China Differential. The United States and several other member nations pressed for retention of the differential on several key items, and they succeeded in securing a de facto differential on presses, rolling mills, and wind tunnels. These items now include end use controls that the Chinese probably will not accept; therefore, they will not be able to import these items. Three other differential items remain unresolved. The China Differential was abandoned for the remaining 40 or so items.

25X1

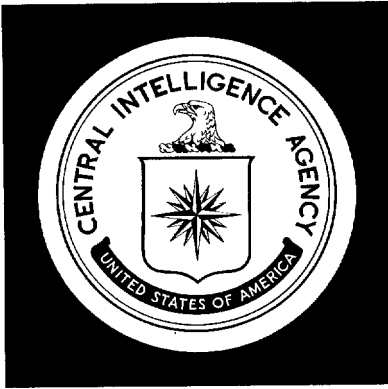
SECRET

Secret

Secret

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Chinese Aid in the Third World

Secret

№ 47

30 June 1972
No. 0376/72A

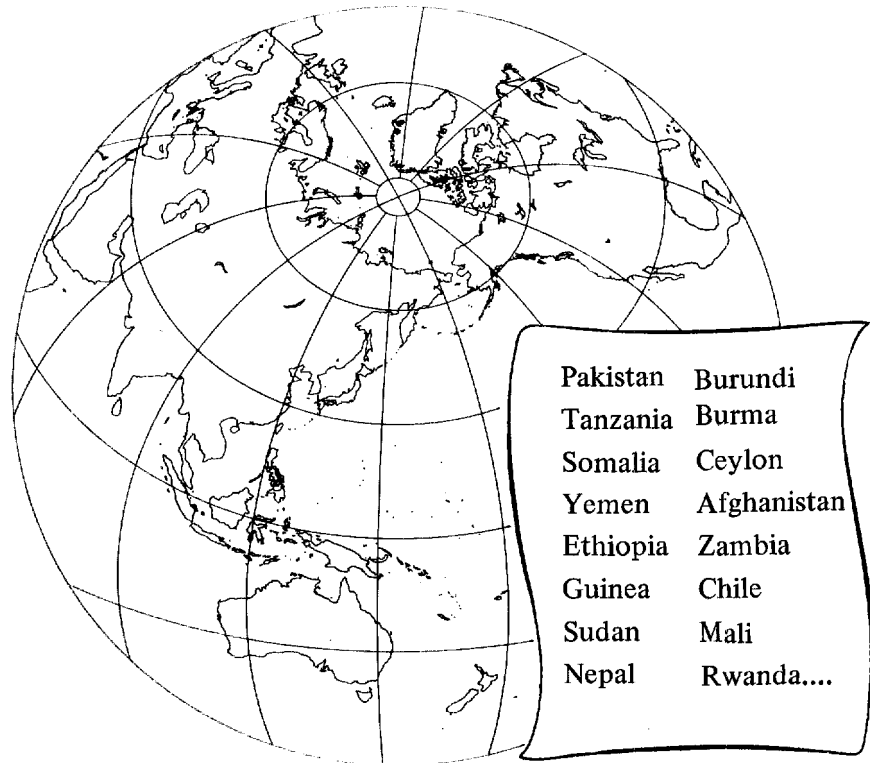
Page Denied

Next 1 Page(s) In Document Denied

Chinese Aid



in the Third World



SECRET

25X1

China moved from the isolation of the Cultural Revolution in 1969 to recoup its diplomatic losses and compete for major power influence. The Chinese economic aid program in the Third World was revived after being stagnant, in terms of new commitments, for some five years. Chinese aid commitments of nearly \$1.6 billion in the past two years have more than doubled Peking's previous total. Aid allocations thus far in 1972 maintain the pace of the previous two years, indicating the priority given to economic aid diplomacy. Military aid, although totaling only an estimated \$440 million, has become important for some recipients.

Peking has at the same time sought to remove the subversive taint many Third World countries associated with Chinese aid. Ideological rhetoric has given way to the pragmatic consideration of expanding Chinese influence. Peking realizes that its earlier tactics, such as aiding dissident groups seeking to overthrow the host government, impede normal state-to-state relations. Peking is making compromises with monarchies and military juntas and is courting non-revolutionary regimes in Ethiopia, Iran, Kuwait, and Turkey. The Chinese have even warmed to the Numayri regime in Sudan, which decimated the Sudanese Communists in mid-1971.

Economic Aid Step-Up

Some 60 percent of the nearly \$2.6 billion worth of aid extended under Peking's 16-year-old program has been committed during the past two and a half years. During this period aid has been extended to 27 countries, many of them new recipients.

Of the peak extensions of nearly \$710 million in 1970, about 60 percent was allocated for the Tan-Zam Railroad while some \$200 million went to Pakistan. About one fifth of the \$553 million extended in 1971 went to Somalia alone. Peking also revived \$57 million of unused credits to Burma and extended an additional \$24-million commodity credit in an effort to normalize relations with Rangoon. Last year also saw China's first economic aid commitments to Chile, Ethiopia, Iraq, Peru, and Sierra Leone.

The pace has quickened this year with nearly \$305 million already extended to ten countries. Burundi, Guyana, Malta, Mauritius, and Rwanda, accepting their first Chinese aid, received almost half. The largest Chinese credit to a Latin American country also was recorded this year when \$65 million was committed to Chile.

Diverse Aid

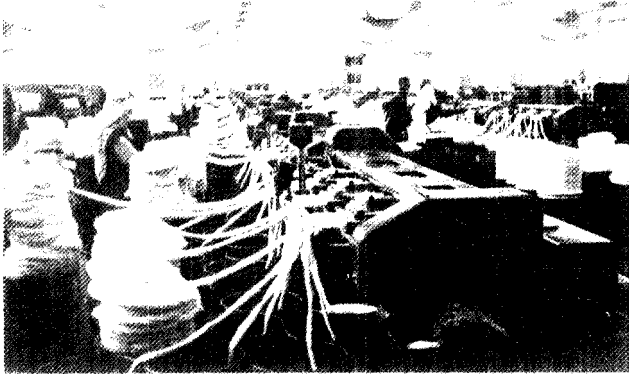
About 40 percent of Chinese aid has been allocated for the construction of railroads and roads. More than \$400 million has been extended for the Tan-Zam Railroad, the largest single Communist financial commitment for an aid project in a less developed country. The Chinese also have built roads in Nepal, Pakistan, Yemen (Aden), and Yemen (Sana), and others are scheduled for Somalia and Sudan.

A third of total Chinese aid has been in the form of commodities and foreign exchange, contrasting with less than five percent of Soviet aid devoted to these purposes. China has committed at least \$160 million in hard currency, of which almost \$60 million has been supplied since early in 1970.

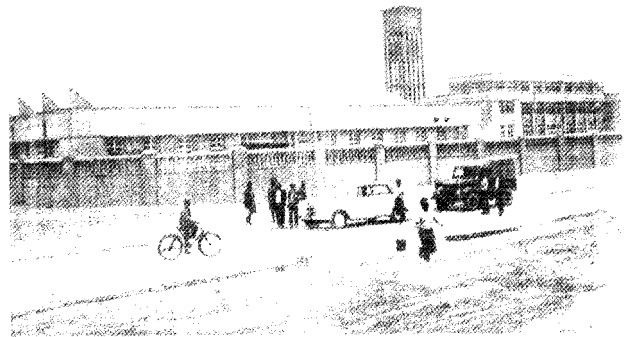
Light industrial projects such as textile, plywood, paper, food processing, and agricultural implement plants, which are simple to operate and maintain and require a minimum of imported raw materials, account for about 15 percent of Chinese aid. The only heavy industrial project under China's foreign aid program is a machine-building complex and foundry-forge plant in Pakistan. The balance of Peking's aid has been for agricultural and multipurpose projects, sports stadiums, conference halls, schools, hospitals, theaters, and hotels.

The repayment terms of Chinese aid are almost unbeatable among world assistance offers. All credits are extended without interest and are repayable in goods over ten to 30 years after grace periods of five to ten years. The Tan-Zam railroad agreement, for example, calls for repayment over 30 years beginning in 1983. The lengthy repayment periods are intended to ensure that the projects financed by the credits will pay

SECRET



Chinese-aided textile factory in Yemen (Sana).



for themselves. Projects usually are scheduled for full-scale operation long before repayments fall due.

Technical Assistance

The Chinese characteristically flood their aid projects with their own personnel, including semi-skilled as well as skilled workers. This has speeded construction of Chinese projects, because it avoids many labor problems encountered under Western and Soviet programs which depend on local workers to perform all but the highly skilled and professional tasks. The number of Chinese technicians in less developed countries has grown from 25 in 1957 to some 20,000. More than 90 percent are in Africa.

Despite this growth, the number employed has fluctuated sharply and has been determined largely by the demands of a few labor-intensive

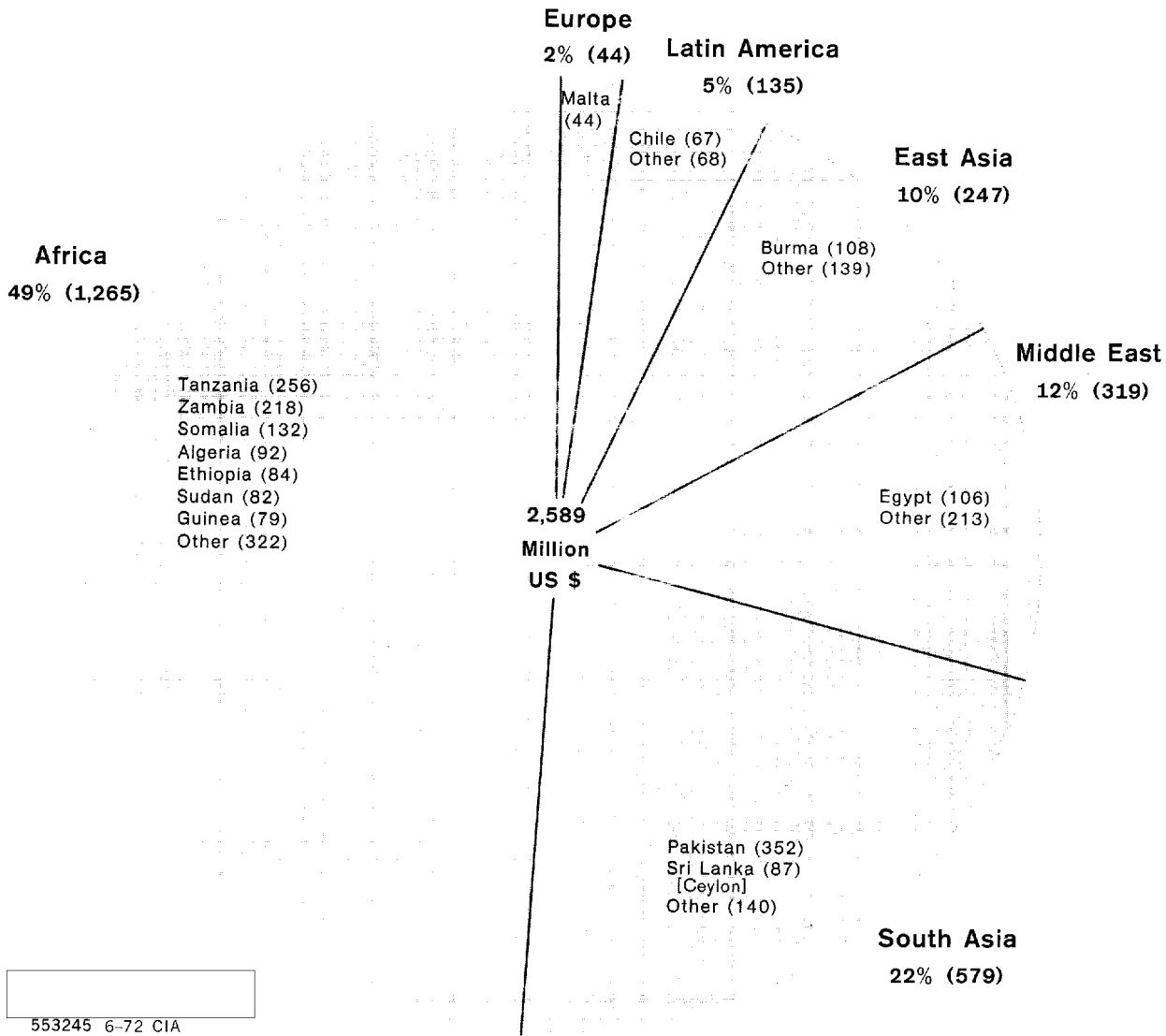
construction projects. The 1,000 working on the Sana - Al Hudaydah road in 1961 represented more than 70 percent of all Chinese technicians abroad at that time. During the mid-1960s large numbers were used to construct a road in Nepal and several plants in Guinea and Mali. The number of technicians abroad increased fivefold from 1968 to 1971 as work on the Tan-Zam Railroad accelerated. By mid-1972, an estimated 15,000 Chinese were in Tanzania and Zambia, nearly three fourths of all Chinese in the less developed countries.

The presence of Chinese technicians costs the host country little. Peking pays all of the foreign exchange costs, such as transportation and salaries. This contrasts with Soviet and most Western aid programs, which usually require hard currency repayment for technical services. China asks only that the recipients pay room and board and other local costs, and these usually are covered by

SECRET

25X1

Chinese Economic Aid Extended 1956-June 1972



553245 6-72 CIA

SECRET



Chinese technician in Guinea teaches operation of Chinese machinery.



Local and Chinese personnel work on Tan-Zam Railroad.

commodity imports under the Chinese credit. Furthermore, Peking requires its technicians to live at the same standard as their local counterparts, keeping expenditures to a minimum.

Military Aid—Small but Selective

Military assistance has played a comparatively small role in the Chinese aid program. Only about \$440 million has been provided since 1956. Most of this has gone to legitimate governments and only a negligible amount to revolutionary movements. About \$300 million went to Pakistan and nearly \$40 million to Tanzania, the only countries which have developed some dependence on Chinese arms.

Pakistan, apparently concerned over its dependence on US arms, began seeking an arms aid relationship with Peking in 1965 even before that year's Indo-Pakistani war, during which the US

halted its arms shipments. During the war, Pakistan negotiated an agreement with China for \$75 million worth of arms.

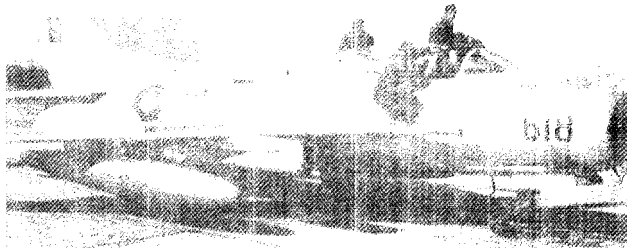
The following year China provided an additional military aid grant of \$42 million. Through 1971 several other pacts totaling \$130 million were concluded.

By mid-1972, China had delivered an estimated \$200 million worth of military equipment to Islamabad. Ground force materiel included 750 medium tanks, about 700 artillery pieces and anti-aircraft guns, more than 50,000 small arms, ammunition, communications and other support equipment, and spare parts. The Pakistani Air Force received about 165 MIG-19 jet fighters, at least four IL-28 jet light bombers, and various jet trainers. Chinese-supplied equipment currently accounts for about half of Pakistan's air and ground force inventories.

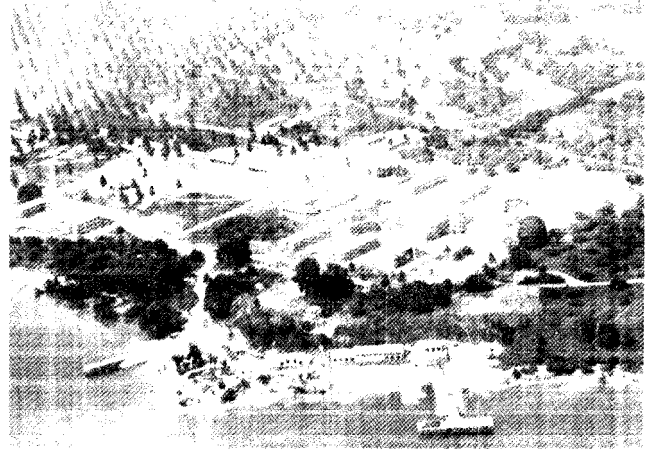
25X1
25X1

SECRET

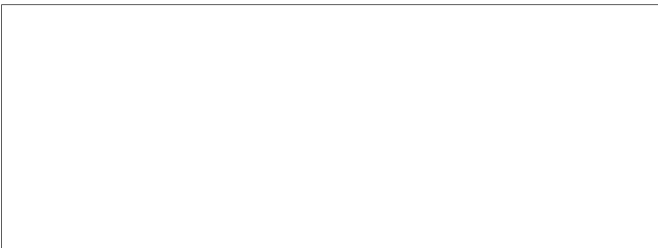
25X1



MIG-19 supplied by Chinese to Pakistan.



Naval base under construction in Tanzania.



China has also become Tanzania's chief source of military aid. Peking has delivered light tanks, patrol boats, landing craft, anti-aircraft

guns, and large quantities of small arms and other military-related equipment. In addition, it has constructed an arms repair facility and a police training school.

25X1



**Chinese Military Aid to
Less Developed Countries
1956 - June 1972**

	Million US \$
TOTAL	440 ^{a/}
Pakistan	300
Tanzania	38
Indonesia	21
Cambodia	14
Ceylon	6
Congo	3
Syria	2
Guinea	2
Burundi	2
Sudan	2

^{a/} Not including Algeria, Ghana, Iraq, Mali, Sierra Leone, Uganda, and Zambia. Military aid has been provided to these countries, but there is no information on its magnitude. However, the total is not believed to be significant.

Dar es Salaam's decision to unify its mainland and Zanzibar armed forces and to place the servicing of its military establishment largely in the hands of the Chinese apparently was made early in 1969. Within a year, Canadian and Soviet programs were pushed out. The number of Chinese military advisers and technicians rose from 220 in 1969 to an estimated 735 in 1971. Advisers are attached to infantry, artillery, logistic, and communications units of the Tanzanian Peoples Defense Force on the mainland, and some are training Tanzania's newly authorized Peoples Militia. Chinese engineers also are supervising construction of a naval facility at Dar es Salaam, scheduled for completion this year. In addition, almost 350 Tanzanians have gone to China for one to two years of naval training, half of whom have returned.

China also is developing an air defense system for Tanzania, including the construction of an airfield some 90 miles from Dar es Salaam.

SECRET

SECRET



25X1

About 240 air force trainees are undergoing two years of training in China; at least 20 are pilots and the rest presumably are support personnel. An undisclosed number of jet fighters will be provided after the airfield and training are completed this year.

Two new military aid clients already have been added this year—Burundi and Sudan. The Sudan, looking for a way to eliminate its dependence on Soviet arms, is receiving MIG-17 jet fighters and tanks, and China is to train Sudanese in the use and maintenance of Soviet-built ground forces equipment. The agreement with Burundi provides for Chinese assistance for the construction of military barracks and probably the supply of some engineering equipment and small arms.

Outlook

Foreign aid will continue to serve as a key instrument of Peking's policy in Third World

countries. Aid in each case has reflected the general warming of relations between China and the recipient and has most often followed diplomatic recognition. It has been China's means of establishing a presence in many Third World countries and promises to remain the most effective tool for expanding Chinese influence in these countries.

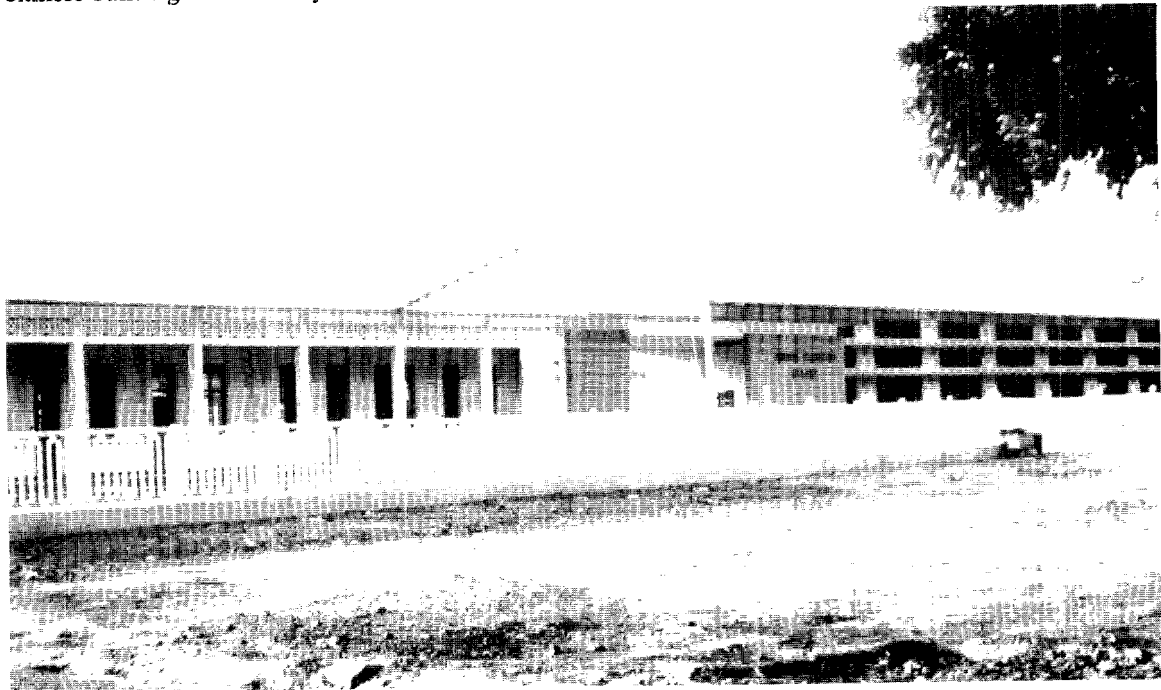
New aid commitments are likely to fluctuate with political considerations and new opportunities, but over the next few years, are likely to remain at a high level. Chinese programs will continue to emphasize labor-intensive projects, and are expected to continue to focus on Black Africa, where Peking can meet aid requirements and effectively challenge Soviet and Western influence. While the emphasis remains on Africa, more Chinese economic and military aid may flow to Asia, the Middle East, and Latin America, but in those areas it is not likely to be as great as Soviet aid.

25X1



Chinese-built cigarette factory in Mali.

(See chart on reverse)

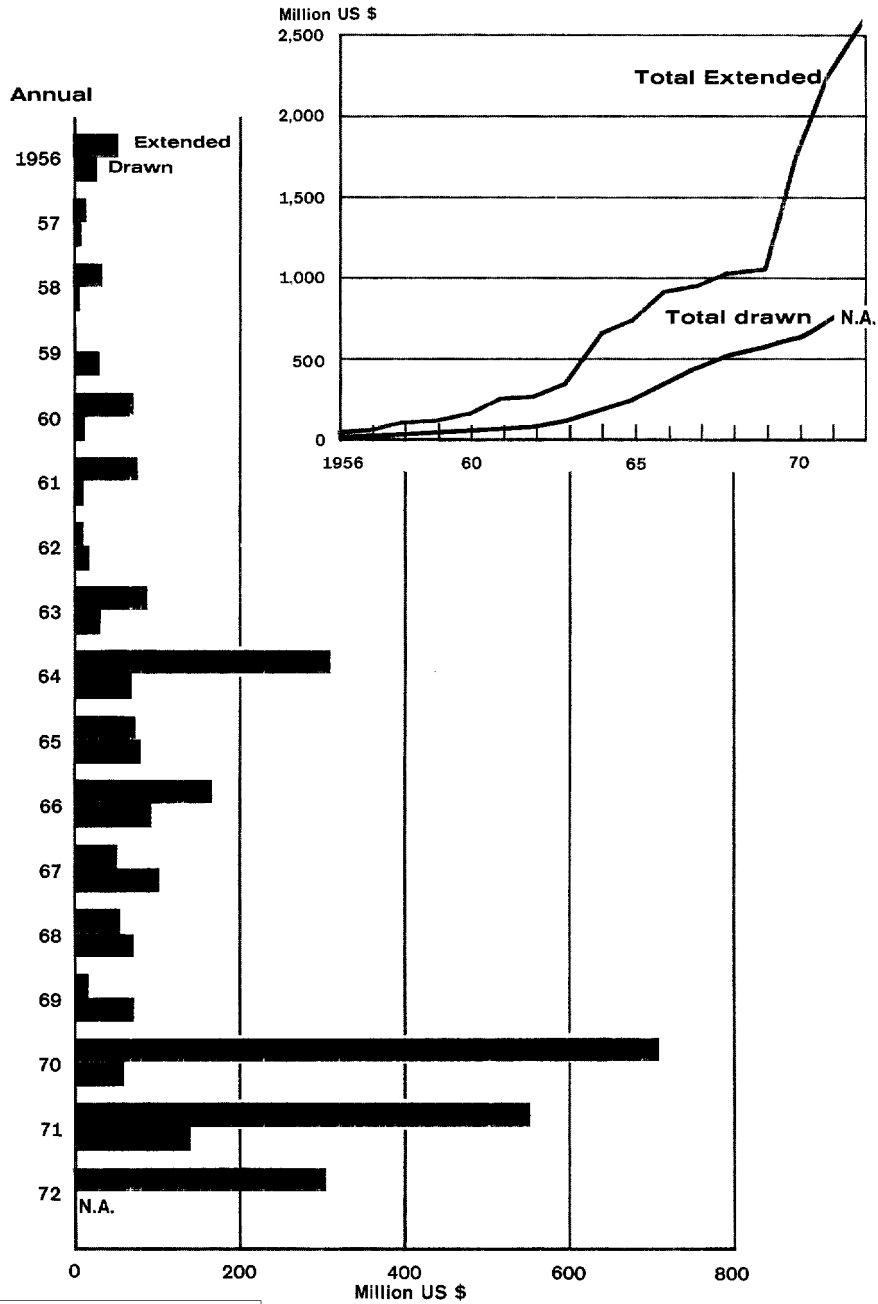


SECRET

SECRET

25X1

**Chinese Economic Aid to Less Developed Countries,
Extended and Drawn**



25X1

553246 6-72 CIA

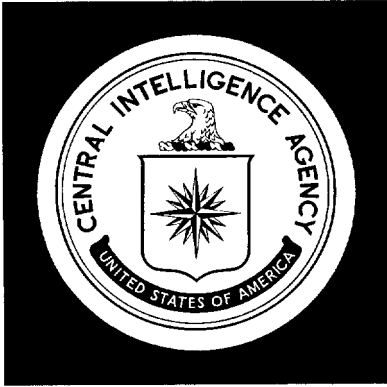
SECRET

Secret

Secret

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Zaire: Mobutu's "Return to Authenticity"

Secret

No. 47

30 June 1972
No. 0376/72B

Page Denied

Next 2 Page(s) In Document Denied

ZAIRE

**MOBUTU'S
"RETURN TO
AUTHENTICITY"**

~~CONGO~~





New Zaire flag unfurled.

he exhibits the confidence of a leader who knows what he wants and is determined to get it.

"Return to Authenticity"

"...authenticity entails the rediscovery of our dignity as Zairians. This dignity compels us to be proud of belonging to the Zairian nation, proud of our cultural heritage, and proud of our personality."

Mobutu Sese Seko, May 1972

In his nearly seven years as president, Mobutu Sese Seko has given Zaire a degree of internal security, political stability, and economic prosperity that is remarkable considering the turmoil that followed independence in 1960. Nevertheless, he has only begun the massive task of transforming his country into a modern national state. To reach this goal, Mobutu is promoting a philosophy he calls "the return to authenticity," which he hopes will spark a sense of national identity among Zaire's disparate tribal and regional interests. The organization charged with taking this philosophy to the people is the Popular Movement of the Revolution, Zaire's official political party.

Mobutu's success depends on his ability to transform the party—still basically a fledgling organization—into a mass movement capable of mobilizing grass-roots support for the government. Against this transformation he will have to balance the demands of an erratic economy largely dependent upon the fluctuating international copper market, restiveness within the military based on the justifiable belief that Mobutu is turning away from the army as a base of political strength, and disquiet in the countryside stemming from inadequate development and administrative inefficiency. Despite these obstacles, Mobutu controls the levers of power in Zaire, and

Mobutu bases his philosophy of authenticity on the premise that African nations must depend upon traditional institutions which, at least for Zaire, are no less democratic and certainly more applicable than the Western democratic institutions imposed by colonialism. In place of the Western political concept of inter-party competition and the loyal opposition, which Mobutu considers divisive, he offers the African tradition of dialogue and cooperation carried out under one chief (Mobutu) and within a single national movement (the party). Mobutu's philosophy basically is a reworking of a standard theme in African nationalism that Mobutu is picking up a decade or so after it came into vogue.

On 27 October 1971, Mobutu formally launched his campaign to Africanize the symbols of Zaire's national identity; he changed the country's name from the Democratic Republic of the Congo to the Republic of Zaire and renamed the Congo River to conform with the new country name. Copper-rich Katanga Province became Shaba, the Swahili word for copper. At his direction, a redesigned national flag was unfurled on 24 November, the sixth anniversary of his seizure of power, and a new national anthem was introduced the following month.

He accompanied these changes with legislative action designed to assert Zaire's cultural independence and give his government broader controls over national institutions and resources. The National Assembly, Zaire's unicameral legislature, passed a revised national property law giving the government the right to repossess concessioned lands inadequately developed. The assembly also gave the government powers to regulate religious establishments and set up a commission

SECRET

25X1

to revise the Belgian-inherited civil code to bring it more in line with customary law. The assembly also issued a regulation requiring all Zairians to adopt African names and making it easier for a person of mixed parentage to become a citizen.

In justifying these steps, Mobutu urged Zairians to revive their national identity and free themselves from the social and political connotations of their colonial past. In addition to personal name changes, he ordered that all colonial street and place names be Africanized and that all pre-independence monuments be removed to museums. Mobutu set an example by adopting the African names of Sese Seko, which reflect both his own image of himself and the one he wishes to project. Sese means "earth" and Seko, his grandfather's name, means "unconquerable warrior."

Mobutu's actions were not greeted with enthusiasm. Senior politicians and army officers resented Mobutu's failure to consult with them beforehand, particularly on the issue of renaming the country. Many observers, in Zaire and abroad, noted gleefully that the word Zaire originated with the Portuguese and is also the name of a district in the neighboring Portuguese province of Angola and thus connotive of colonialism. Commercial interests, particularly in Kinshasa and Shaba, were disturbed over the expense that the changes would entail. Some members of the political community accused Mobutu of creating a side show in order to divert attention from the declining economy, as he may well have had in mind.

Authenticity and the Party

Perhaps the most symbolic of all the changes was the redesigned national flag. By incorporating motifs from the party flag, Mobutu produced a constant reminder of the important role the party is to play in spreading authenticity. Another symbol of the party's status will be the new party headquarters in Kinshasa that was begun last month; by law, it is to be the tallest building in the capital.

Mobutu lays first brick at local party headquarters.

Mobutu established the Popular Movement of the Revolution in 1967 to fill the void created by the moratorium on political activity he imposed upon taking power in 1965. As founder and head of the party, Mobutu retains all authority, despite a semblance of participation by politicians and the general public. The party functions as a legitimate source of patronage and perquisites thus ensuring a loyal bureaucracy. In his keynote address this spring to the party's national congress, Mobutu reminded the delegates that the party must imbue the people with a sense of national identity and active support for the government. The party's role as a mass movement has been increasing steadily since 1970, when it conducted a successful campaign in preparation for the presidential and legislative elections held that year. Although Mobutu and the party-approved slate of legislative candidates ran unopposed, the overwhelming mandate for Mobutu showed that the party could mobilize the people.

In 1971 the National Assembly declared the party Zaire's "supreme institution," and its political bureau, of which Mobutu is director, dictates national policy and approves all candidates for elective office. In late 1971 the party absorbed representatives of the army, the national police, the national labor union, and the court system into its executive committee and into similar committees at the provincial level and below. The





move provides much-needed administrative control over these representatives, who often act independently and compete with one another, particularly outside the capital.

Despite its position at the top of the hierarchy, or perhaps because of it, the party has yet to become a truly popular movement. As an organization that works from the top down, it has been only partially successful in carrying out the mass infusion of local-level cadre necessary to foster a grass-roots movement. Mobutu has tightened the party's administrative structure on the national level—in 1972 he cut the political bureau in half—but the party remains top-heavy.

Picking Off the Opposition

The party's growing authority has provoked little overt opposition from Zaire's political elite,



despite a vague feeling among some groups that Mobutu is garnering too much power. So far, only the Catholic Church has struggled openly with Mobutu. Although senior army officers question the party's role and privately fear that it may be given some sort of administrative control over the army, they have accepted Mobutu's wishes. University students, once the government's most vocal critics, have remained subdued over the past year or so.

The clash between the Catholic Church and the government was precipitated by Mobutu's order that Zairians drop their Christian names and reached a climax when he insisted that all seminaries have committees of the party's youth wing. Both Belgian and Zairian clergymen rejected the order as contrary to Canon Law. The Archbishop of Kinshasa—a long-time Mobutu critic who led the attack—went so far as to challenge publicly the basic premise of authenticity. He also rebuked the party for using religious metaphors to build up Mobutu's image. The government in turn accused the archbishop of treason, suspended publication of the church's influential news weekly, and forced the archbishop into temporary exile in the Vatican. The church was also forced to accept the party youth committees in its seminaries.

The government's offensive was designed to undercut the church's autonomy and bring it in line with national policies. The church was virtually the only independent institution remaining in Zaire and, despite a considerable degree of Africanization since independence, it retained in Mobutu's eyes a close identification with the colonial structure. Mobutu distrusts its close association with the people, which he views as competition for the party, and he is well aware that the clergy often dabbled in politics despite a ban on such activity.

The position of the Protestant churches in Zaire has also been undercut. The new religious law passed last year primarily affects the Protestants because it allows the government to regulate the proliferation of denominations. Only those denominations fulfilling certain organizational and membership requirements and willing to accept the administrative control of the Church

Ex-stude ____ In the army now.

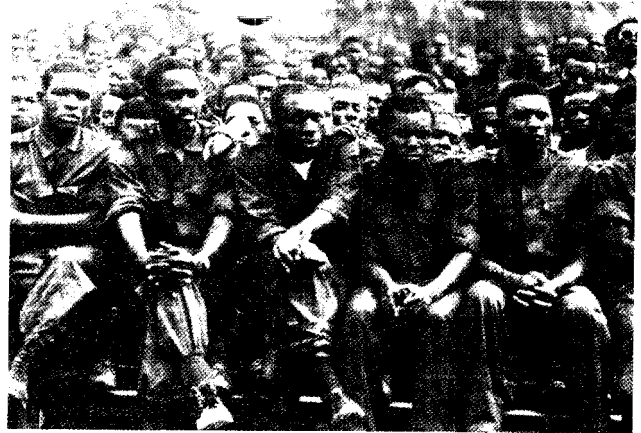
of Christ of Zaire—a government-recognized ecumenical council that supports authenticity—will be allowed to operate. Thus, through the Church of Christ of Zaire, the government can monitor Protestant activities in the field, where missionaries have traditionally aroused government suspicions.

Zaire's university students hardly responded at all to the call for authenticity. Once the most vocal of critics, they are steadily being boxed in by the government. In the wake of student demonstrations in June 1969, during which at least a dozen students were killed by army troops, Mobutu ordered the students to disband their organizations and join the youth wing of the party. Following a student demonstration in June 1971, Mobutu drafted all students into the army and instituted a major reorganization of the university system designed to give the government centralized control. Last February Mobutu promoted most student draftees to corporal, throwing them a crumb in the form of slightly higher pay but also reminding them who controls their fate.

From all appearances, the party's youth wing is assuming unchallenged authority over the university students and is extending its activities into the primary and secondary levels as well. The government quickly mobilized the party youth apparatus during its confrontation with the Catholic Church; the youth wing took over the major seminary in Kinshasa and occupied the archbishop's residence.

Side-stepping the Army?

Mobutu's emphasis on the party has unsettled the army high command. Senior officers fear they are being shunted aside and will lose influence with the President, both to their own detriment and the army's. They also fear that in some way Mobutu might use the party to control the army. In some respects their fears are justified. Over the years, the army's ability to assume administrative and security responsibilities throughout the country has been uneven. As commander since 1961, Mobutu is well aware of the army's shortcomings; he recognizes its lack of



discipline and its justified reputation for brutality. Consequently, he has sought to dissociate himself from the image of an army strong man—he temporarily gave up his rank when nominated for president in 1970—in favor of an image that conforms with African traditions of chieftainship. In so doing, he has concentrated on building up other sources of power to lessen his dependence on the army.

Army leaders, however, view the army as an integral part of the policy-making apparatus because of the army's leading role in Mobutu's seizure of power in 1965. They resent his failure to consult them on matters of national significance, and they have urged him to confide more closely in them.

Adding to the military's uneasiness is Mobutu's hope of "integrating" the army into the party. Prior to the party congress, the President held a major staff meeting designed to offset the growing anxiety of the high command. He assured the staff that no party committees would be established within army units, although he left himself a loophole by adding that wives of military personnel would be free to form party committees. He did not indicate, however, how such committees might be set up or how he intends them to function, and may have more extensive measures in mind for the future.

Mobutu wants to draw the army into the mainstream of national development, but apparently without goading the army to seek the aid of political malcontents in opposing him. Although the party congress rescinded the rule that army and police personnel may not vote, the long-standing prohibition against personal contacts

SECRET



between army officers and civilian politicians remains in effect.

Mobutu has been able to keep army leaders from becoming overly disgruntled, however. When needed, he can restore the army's self-esteem or play on personal motives. For instance, he placated senior officers with spot promotions when they showed signs of restiveness over the party being declared Zaire's "supreme institution." Moreover, he is a master at exploiting rivalries among his key military subordinates. He is willing to recognize these rivalries as inevitable and allows them wide leeway so long as they do not threaten to upset political stability.

Nevertheless, rivalries pose a source of potential trouble. For some time Mobutu has been considering retirement for a number of incompetent senior officers. These include the commander in chief, who has been on the inactive list for almost two years because of ill health, and the acting commander, who is loyal to Mobutu but has a poor professional reputation. Any significant number of retirements would inevitably produce a major staff and command shuffle that could seriously disrupt the army. Mobutu recognizes this factor, however, and apparently is taking his time about making changes.

Reaching the Provinces

Central authority over the provinces remains uneven. Most rural Zairians have had only minimal contact with the central government since the collapse of the Belgian administrative structure.

During the early years of Mobutu's regime, the need for internal security led to a strong army presence throughout the countryside, although the delegation of authority in local jurisdictions was often divided among tribal chiefs, government administrators, the army, economic interest groups, and after 1967, party officials.

Over the past few years, however, the center of authority has been shifting to government administrators. Increasingly, local administrators are also party members, and with the party selecting regional representatives to the National Assembly, the ties between the central government and local administrators have been steadily improving. Party cadre are becoming increasingly visible throughout the countryside. Mobutu himself is taking an increased interest in local sensitivities and has begun to make provincial tours on a regular basis.

Mobutu realizes that the provinces present major problems. Although he has called for an end to tribal nepotism within the bureaucracy, he must still rely upon tribal chiefs in many parts of the country. At the same time, he is attempting to undercut their authority by attacking many tribal traditions as antithetical to modernization, but the influence of tribal chiefs remains strong. Party cadre in local jurisdictions spend much of their time working to gain the support of local chiefs.

With the exception of Shaba Province, local development remains limited. Much of the country is still agriculturally oriented, and poor transportation and a lack of development funds have hampered agricultural development. Although the new property law gives the government authority to reclaim and develop land not being properly exploited by private interests, the government does not have the resources necessary to take advantage of the law.

Mobutu has checked the potential for political opposition arising in the countryside. Local politicians who fall out of favor or who appear to be developing a personal following are rotated, sent into exile, or clapped into prison. Between June 1971 and January 1972 Mobutu regaled the

SECRET

25X1

country with details of one anti-government plot after another. At the end of that period, there was hardly an active politician left who could be considered a dissident. During his provincial tour in late 1971, Mobutu clearly warned that politicians risk severe punishment if they step out of line.

Economic Factors

The anti-foreign theme of authenticity extends into the economic arena. In his keynote speech to the party congress, Mobutu dwelt on the drawbacks of Western economic enterprise. Introducing the euphemism "underequipped" to replace the terms "backward" and "underdeveloped," he argued that what underequipped nations need is assistance that will help them develop their own resources, and they should not have to rely on foreign developers who take more than they give. He said that Zaire would not "be satisfied with being a reservoir of primary materials to be exploited by developing nations for their own well-being." During a tour of the provinces in late 1971, he singled out the Belgians for "squeezing" the country and broadly hinted that foreign interests were intent upon sabotaging his efforts to protect the economy. As an example, he pointed to the large numbers of West Africans and Asians the government expelled earlier that year for diamond smuggling.

Much of Mobutu's anti-foreign rhetoric is designed simply to take the pressure off the government. A slump in the international copper market has forced him to invoke tight budgetary controls over national development, the army, and the populace at a time of persistent inflation and steadily increasing demands for material benefits.

For the past two years Mobutu has been seeking to broaden Zaire's sources of foreign assistance, largely to offset the symbiotic nature of its relations with Belgium. Mobutu apparently feels that Zaire does not derive adequate benefit from Belgium's broad mining and subsidiary interests. Moreover, he harbors a frustration over continued dependence upon Belgian managerial and technical skills. For these reasons he keeps the

Special Report

Belgians in a whipsaw by alternately threatening and placating their economic interests in Zaire. In late 1970, he upset Brussels by awarding two mining concessions in Shaba to an American-led consortium. He recently mollified Belgian feelings, however, by promising to review requests for exemptions to the revised national property law. Within the past year he has also obtained considerable development assistance from Japan and modest aid from France and Taiwan. Moreover, he is apparently reconsidering the possibility of assistance from the Soviet Union and Eastern Europe, particularly Romania. Romanian President Ceausescu received a friendly welcome from Mobutu earlier this year and Foreign Minister Gromyko plans to visit Zaire this year.

Will Authenticity Succeed?

Despite the changes of last fall and the rhetoric of Mobutu's speeches since then, authenticity has failed to make much of an impression throughout the country. It remains little more than an intellectual justification for presidential power. Mobutu is not likely to garner mass support for authenticity unless he can demonstrate that it carries solutions for local problems, particularly in the economic sector.

Moreover, Mobutu may find himself working against the tide by trying to impose a mass movement from above. Such movements have a long history of failure in Africa. Although in theory every Zairian belongs to the party, in fact there is minimal popular identification with the party. Even so, Mobutu apparently regards the party as easily adaptable to the task of mobilizing the people in support of his philosophy. The fact remains, however, that the party was established to buttress and make legitimate Mobutu's power, and the party still exists primarily for that purpose.

In any context, nation-building, which is essentially what authenticity is all about, is a long-term process. Although Zaire under Mobutu has come a long way, it has a long way to go before the people have any real sense of national identity. Mobutu might well run out of steam before authenticity has taken hold and content himself with using it simply to preserve his position at the top.

25X1

SECRET

Secret

Secret