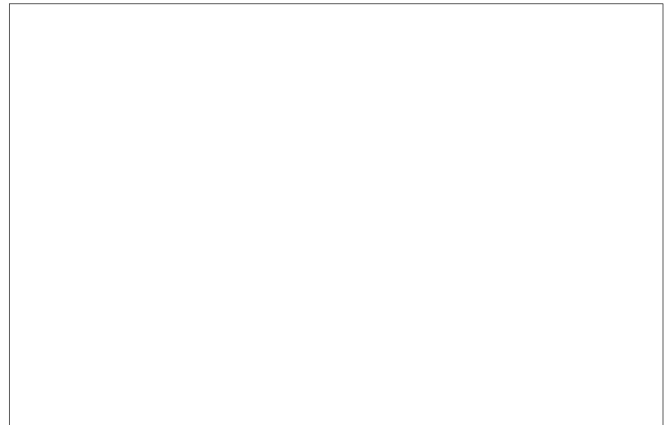
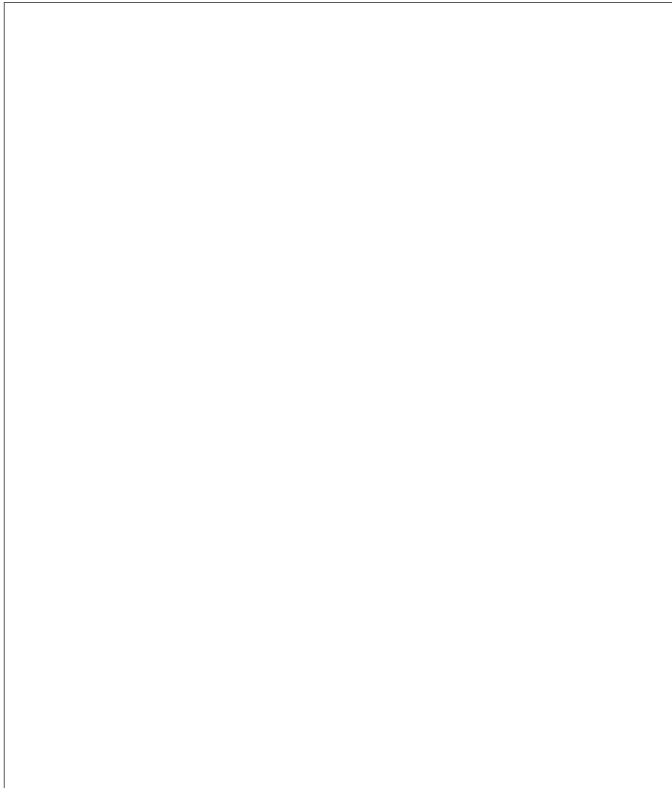


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As a result of the self-confidence being generated by political stability and economic growth, Brazil's interest and involvement in the affairs of neighboring countries will almost certainly grow. Brazil must be cautious, however, as many Latin American countries are already concerned about Brazil's power and ambition.

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COLUMBIA: TERRORIST SETBACKS

The army's intensive three-week-old campaign against the pro-Cuban National Liberation Army has led to well over 100 arrests and substantially reduced the group's potential as a guerrilla force. Most of the arrests have taken place in cities in mountainous Santander Department, where the guerrillas have successfully mounted hit-and-run operations against military patrols and outposts for years. Few, if any, active insurgents have been affected as yet, but their prospects for eluding capture in the future have been reduced. Those arrested were members of an urban support network, which reached from the cities of Bogota and Cali in the south to Barranquilla in the north.

BRAZIL: HELPING OUT

Brazil, convinced of the need to influence events in nearby countries, is giving support, [redacted] to the governments of Bolivia and Uruguay. The Medici government regards instability in these countries as a potential threat to Brazil's own security. Furthermore, Brazilians probably regard the ability to influence events in Bolivia and Uruguay as a victory in their rivalry with Argentina, and as a warning that no country in the area can permit a leftward drift without risking some form of Brazilian involvement.

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The relatively benign Revolutionary Armed Forces of Columbia and its parent organization, the pro-Soviet Colombian Communist Party, have not been included in the army's current campaign.

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The army's current operation has taken the entire left by surprise and reflects a significant strengthening of the government's counter-insurgency position.

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CHILE: MORE HEATED POLITICS

The political temperature, rising for several weeks, is high. The government's response to the challenge from the opposition congress is picking up steam, and the electoral victory of the Communist candidate in Coquimbo last weekend boosted morale on Allende's team. The President himself has publicly criticized the legislature and the judiciary, claiming both have acted unconstitutionally against his government.

Taking to the streets last week to defend the government, followers of the Popular Unity parties were harangued by suspended Interior Minister Del Canto and later disrupted the deliberations of congress and the Supreme Court. Larger demonstrations have been promised. Allende is resisting attempts by the opposition to limit his use of the considerable power of the Chilean executive; he has counter-attacked with constitutional argument and intimidation. Allende has been portraying himself as the defender of the constitution against an irresponsible congress, a situation reducing his reluctance to make use of extra-legal means of pressure on occasion.

The momentum of the government's counter-offensive was sustained by the victory of the Popular Unity candidate in Coquimbo. While the victory in this generally leftist province was anticipated and the specific implications are still being debated, the psychological importance of the triumph remains. Adding to the government's optimism, the results of the labor confederation elections held last May were finally announced. The Communists and Socialists were in first and second place. The Christian Democrats believe

they actually won the second spot, but Socialist and Communist vote counters apparently overcame their mutual animosities to juggle the opposition party into third place.

Attention is turning to the March 1973 elections. Allende has eliminated legal alternatives to the existing election federations, causing additional problems for the Christian Democrats. They have been forced, reluctantly, into a close but fragile association with the right, a situation already being exploited by the government. Public squabbling between the Nationals and Christian Democrats in Coquimbo, especially the youth brigades, was a limiting factor on the opposition campaign. The Socialists are also uncomfortable with the federation concept, but have less trouble with it than the Christian Democrats. The Socialist Party leader recently pointed out that in elections held in 1972, where only two candidates were presented, the government has not always won a majority, but has at least come close to 50 percent. This is ten percent more than the left was able to obtain prior to 1971, and the leftist parties hope to be able to garner enough additional support to win a definite majority in 1973. Their success is by no means assured. US Embassy officials calculate that government popularity is declining, and may hit a low of 40 percent by election time.

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AID FROM MOSCOW

Moscow's extension of significant new long-term credits to Santiago gives a big boost to the Allende government and the hard-pressed Chilean economy. It follows a thorough evaluation by the USSR of the political and economic situation in Chile. The credits will be used for the purchase of machinery and equipment and for project assistance. Additional sums will be forthcoming from the USSR and the East European countries to finance Chile's current trade. Moscow had already given Santiago a \$50-million short-term, hard-currency credit and two long-term credits totaling \$97 million for project assistance and machinery exports.

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