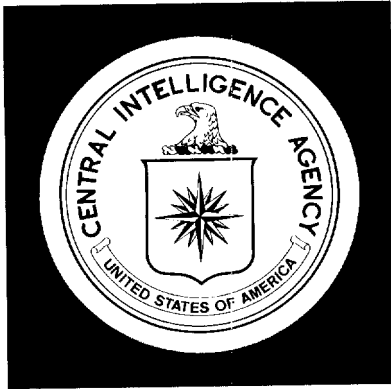


Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Secret

15 September 1972
No. 0387/72

State Dept. review completed

Copy **Nº** **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.

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.

CONTENTS (15 September 1972)



- 1 After Munich
- 5 Japan: The US Base Syndrome

FAR EAST

- 6 Indochina
- 10 Japan Looks Outward: Korea; China
- 11 The Dragon Spreads Its Wings

EUROPE

- 12 Disarmament: Hopeful Atmospherics
- 12 Trade Control Talks Resume
- 13 UK: Unions Lean Leftward
- 14 Report on the Soviet Harvest
- 16 France: Lightning on the Left
- 17 Yugoslavia: Tito Talks Tough

AFRICA

- 18 Sierra Leone: One-Party Rule
- 18 Zambia: Kaunda Flays Critics
- 19 Tanzania: Socialism Revisited
- 20 Uganda: Economic Decline

WESTERN HEMISPHERE

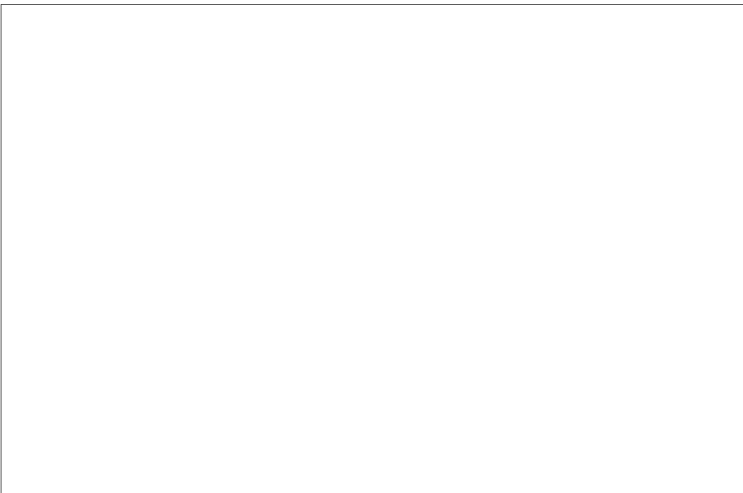
- 21 Panama: A Little Drama
- 22 Bahamas: Election Coming Up
- 22 Mexico: Violence Threatens
- 23 Chile: Allende's Headache
- 24 Argentina: A New Mood

SPECIAL REPORTS

(Published separately)

- A The 27th UN General Assembly
- B The Communist Economic Courtship of Latin America

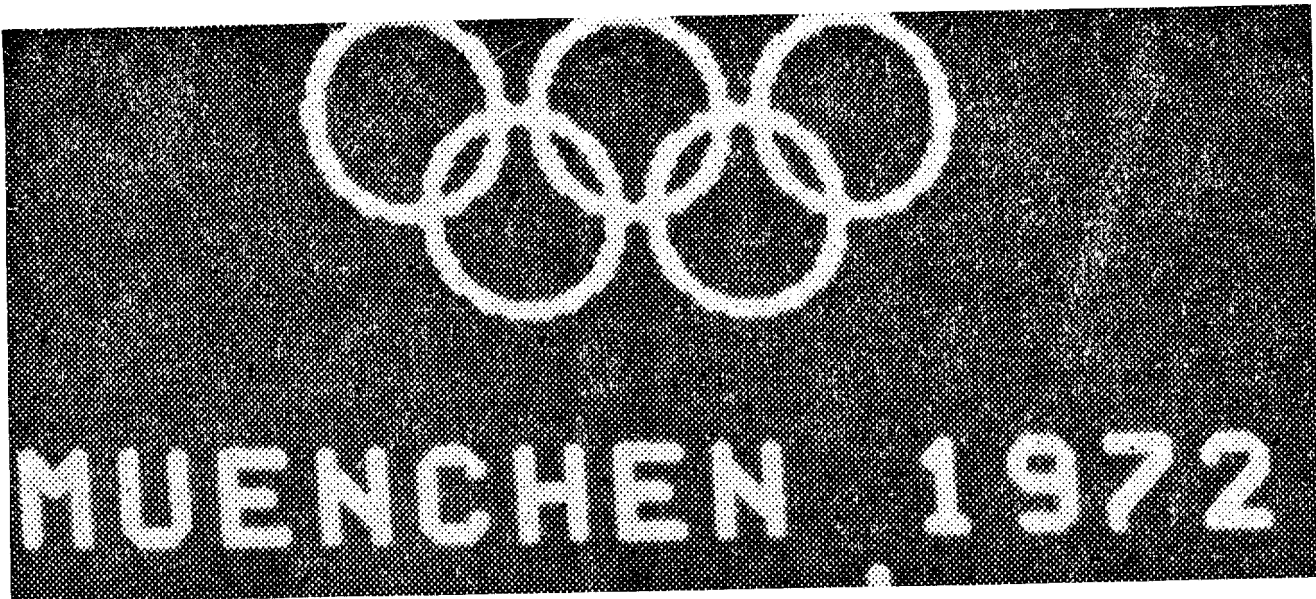
25X1



Page Denied

Next 2 Page(s) In Document Denied

SECRET



AFTER MUNICH

Israel's strikes at Arab terrorist bases three days after the Munich killings are probably only the beginning of an intensified Israeli effort to eradicate the fedayeen as an effective threat. No major ground action by Israeli forces into fedayeen sanctuaries has yet occurred, but this remains a definite possibility, given the obvious intention of the fedayeen to keep the pressure on Israel and focus international attention on the Palestinian cause.

FIRST REPRISALS

In wide-ranging air attacks, one almost reaching the Turkish border, Israeli aircraft on 8 September hit a total of 11 targets, three in Lebanon and eight in Syria. Israeli officials said the sites were all fedayeen installations—headquarters, guerrilla concentrations, training camps, storage areas, and new fedayeen marine bases. The extent of the damage and casualties is not certain, but some 80 aircraft took part, and the Israelis estimate they killed or wounded 100-200 persons. Some of the casualties were civilians, which, the Israelis claim, is unavoidable because the fedayeen place their installations inside or near Palestinian refugee camps. Israeli aircraft

struck southern Syria later on 8 September, and again the next day when they shot down three SU-7s and damaged a fourth. The Syrians had attacked the Golan Heights.

Tel Aviv, in effect, has declared open season on the fedayeen. Minister of Transport Peres spoke of not resting "until terrorism is eradicated." Minister of Commerce and Industry Bar-Lev said Israel should "crush them and annihilate them." Chief of staff General Elazar spoke of mounting a "continuous war," not one "started today and finished tomorrow." Elazar added that air attacks were not the only means of fighting the saboteurs and that Israel will use "many and various means" against them. Prime Minister Meir vowed before the Knesset on 12 September that Israel would strike at terrorism "everywhere our hand can reach it," and the Knesset affirmed this in a unanimous resolution.

In preparation for future action, the Israeli Defense Force has moved eight of its 175-mm. guns, with a range of about 20 miles, into the Golan Heights. Israeli officials have laid all blame and responsibility for the terrorism on the host Arab states and those supporting and encouraging

SECRET

SECRET

them, indicating that Arab government installations—especially in Syria—may come in for their share of Israeli attention.

The determination of the Israelis to end the threat of the fedayeen appears to be matched by the commandos' resolve to continue terrorism and sabotage. Spokesmen for the fedayeen have voiced their elation over the events in Munich and maintain that more attacks will occur sometime within the next two weeks. These attacks will probably be concentrated in the US and Europe.

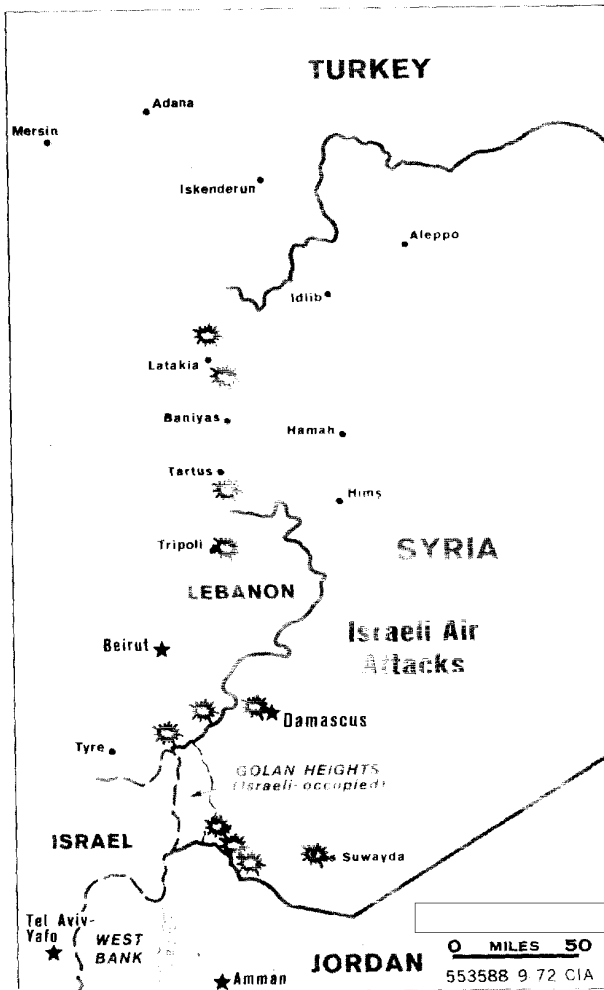
In another fedayeen attack in Europe, an Israeli Embassy official in Brussels was entrapped on 10 September by an Arab assailant and seriously wounded. Along the Arab-Israeli cease-fire lines, fedayeen continued to engage in sporadic attacks on the Israelis in the Golan Heights and the West Bank. The fedayeen made exaggerated claims on the results, but their attacks have not yet resulted in significant damage or in any casualties.

THE ARAB VIEW

Jordan's King Husayn unequivocally condemned the terrorists' acts in Munich last week, thus isolating himself once again from the mainstream of Arab opinion. While other Arab leaders remained silent or justified the terrorist actions, Husayn in harsh terms denounced the killing of the Israeli hostages as the work of "sick minds" and expressed condolences to the families of the victims, a bold gesture for an Arab head of state. Moreover, the Jordanians apparently sought to avoid embroilment in the subsequent military clashes. There are no indications that Jordanian military units increased their state of readiness in reaction to retaliatory Israeli air strikes in Syria and Lebanon or to the engagements of Syrian and Israeli fighter aircraft.

Most Arab comment, both from official sources and the media, avoided condemnation of the guerrilla tactics. Arab news media turned squarely against the US for its veto of the Security Council resolution that called for an end to violence in the Middle East. The Cairo press accused the US of applying a double standard that deplored the deaths of members of the Israeli Olympic team while at the same time ignoring the victims of Israeli air strikes in Syria and Lebanon.

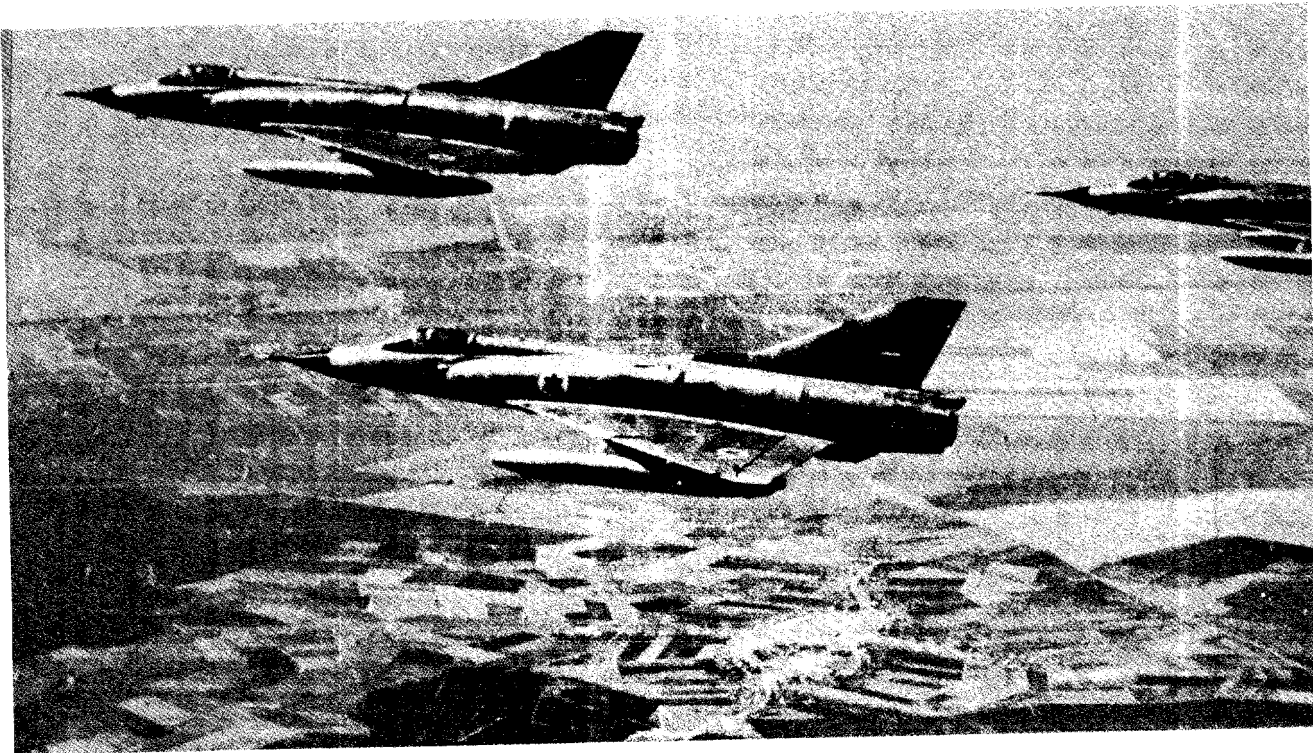
The Egyptians, anxious not to be associated with the "traitor Husayn," excused the guerrillas responsible for the Munich episode and placed the onus for the loss of life on the West German Government. Perhaps a bit on the defensive, an Egyptian spokesman reacted with considerable sensitivity to West German charges that Cairo did not fully respond to Bonn's appeals for cooperation during the Munich incident. Bitter words



25X1

SECRET

SECRET



have been exchanged, but Egypt, anxious for general West European support now that the Soviets have left, is trying to cut its losses. >

6 Arab League foreign ministers, meeting in Cairo this week, voiced a theme dominant in almost all Arab reaction. The ministers insisted on blaming the deaths of the Israelis at the Olympic Games on Israel's "criminal" occupation of the Palestinian homeland.

6 The Lebanese Government while expressing "deep regret" over Munich, viewed the tragedy as an outgrowth of the Palestinians' despair and their wish to prod the international community to redress their grievances. The grim events in Munich severely shocked Saudi leaders, who 25X1 [redacted] allowed scant coverage in the local media. 9 In Algeria, early misgivings about the wisdom of the fedayeen operation gave way to gratification that the Palestinians have the capability to strike boldly and throw fear into the enemy. >

10 The five guerrillas slain in Munich received a final tribute at a funeral on 12 September in Libya. Although the Libyan Government was not publicly involved, officials assisted the private citizens who ostensibly sponsored the funeral services. In view of Qadhafi's strong vocal and financial support of the fedayeen movement, the guerrillas no doubt consider internment in Libya as appropriate. >

SOVIET AND EAST EUROPEAN VIEWS

16 The fedayeen action at Munich underscored Moscow's limited room for maneuver on Middle East matters. The tragedy came at a time when Soviet support was being seriously questioned by many Arabs. On the one hand, Moscow could not afford to treat the killings in a way that would suggest its support for the Palestine liberation movement was diminishing. On the other hand, the oft-repeated Soviet warning to Palestinian leaders that terrorist tactics are counter-productive was again ignored by the guerrillas,

SECRET

SECRET

driving home to Moscow its lack of control over most events affecting the Middle East.)

Soviet media restricted their coverage of the attack to sparse, straightforward accounts. The tone was one of disapproval, but official Soviet expressions of regret have been limited to brief statements by sports representatives. Moscow's East European allies were more outspoken, and their first reaction was to condemn the attack sharply. Most bloc media, however, made an effort to dissociate the Arab governments from the acts of a "few fanatics."

Initial US contacts with East European governments have reflected a certain sympathy for Secretary Rogers' proposal for international measures against terrorism, but, with the possible exception of Yugoslavia and Romania, these states will wait for Moscow before making a definitive response. An authoritative Yugoslav press article has called for "the world to seek quick and effective steps to combat modern terrorism," and the Romanian security service has approached the US Embassy for an exchange of intelligence on Arab terrorist movements and plans. [redacted]

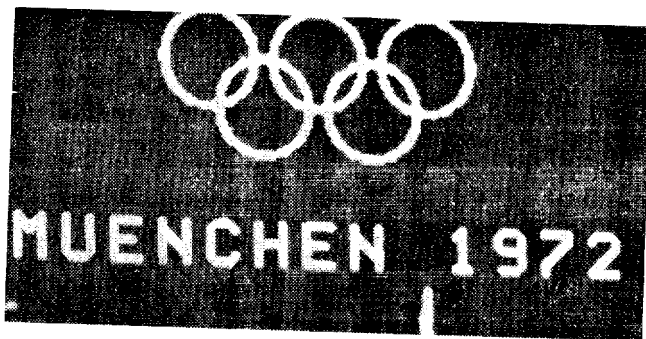
internal security may turn out to be a major issue in the national election late this fall.

(The Israeli deaths, the disputes in a number of athletic contests, and East Germany's high accomplishments at the games largely eliminated favorable publicity for Chancellor Brandt. Bonn has been able to recoup some ground, at least on the diplomatic side. For example, Brandt has made good use of messages of support from world leaders, especially the telegram of gratitude from Golda Meir.)

Relations with Arab states, particularly Egypt, remain strained. In an effort to ease tensions, Bonn has retracted its accusation that Arab governments were involved in the Munich events and sent the bodies of the five terrorists to Libya. The Arabs had requested both measures. The fate of the three surviving terrorists is a contentious issue, but Bonn is unlikely to release them, as the Arabs demand.

Despite continued accusations in the Arab press, the Germans will probably try to limit damage to bilateral relations. Foreign Minister Scheel has affirmed publicly that Bonn will endeavor to build upon the recently restored relations with Arab states. Although the visit of the new Egyptian foreign minister to Bonn this month has been postponed, Bonn's new ambassador to Cairo is still scheduled to present his credentials on 17 September.

Brandt, facing elections in less than three months, must now try to limit the loss of public support. He has promised a thorough investigation, ordered tightened security at airports, and increased protection of oil lines throughout the country. The belated character of the measures, however, underscores the government's failure in the public eye to anticipate or prevent the tragedy at Munich. The Christian Democrats, who have been gaining in the polls, intend to concentrate on the law-and-order theme. The fly in their soup is that the Bavarian authorities—Franz Josef Strauss' Social Christians—must bear some blame for the Munich events, and this will restrict the opposition's ability to capitalize on the issue. [redacted]



IMPACT ON WEST GERMANY

Largely because of the fedayeen, the Olympics produced a political setback for the Brandt government instead of the hoped-for boon. Controversy about the handling of the incident with the fedayeen is intense, and the question of

25X1

SECRET

SECRET

JAPAN: THE US BASE SYNDROME

US tanks may soon roll out of repair depots in Japan, but anti-military sentiment is stirring other controversies. A shipment of M-48 tanks destined for Vietnam has been held up since 6 August by Socialist-initiated demonstrations at the Sagami repair depot and by the claims of Yokohama's Socialist mayor that the tank convoys would violate local road ordinances.

Late last month, Socialist Party representatives began secret discussions with ruling party and government officials to develop a way to end the confrontation and save face all around. Negotiations were completed on 8 September. The Socialists agreed to withdraw their demonstrators this week. On 12 September, a cabinet spokesman announced that the government would study the possibilities of reducing tank repair activities at Sagami and of discouraging the shipment of overhauled tanks to Vietnam. The issuance of road permits by Sagami and Yokohama authorities is now awaiting US Army confirmation that the convoys will operate in accordance with city road regulations.

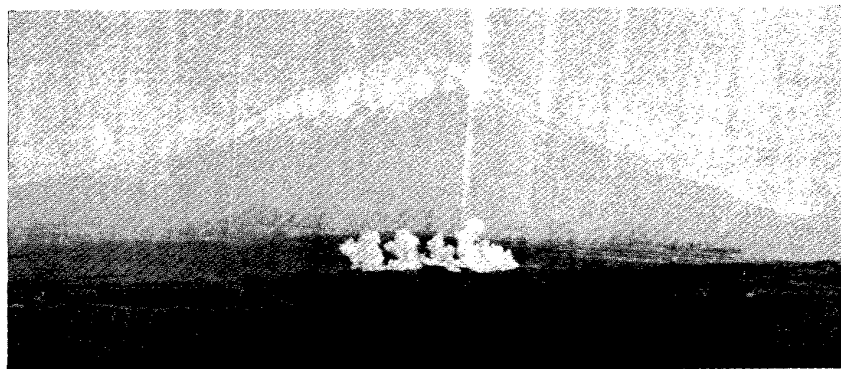
The Socialist decision to back off was prompted by fears that ultra-leftist groups at Sagami would touch off violence and that the party would be publicly branded, once again, as politically irresponsible. The Socialists were identified with the excesses of student radicals in

1969, and this contributed to severe electoral setbacks in December of that year.

Despite the Socialist turnabout in Sagami, anti-base agitation has increased in other areas. In Okinawa, joint protests by opposition groups last month forced Tokyo to suspend attempts to acquire land for American and Japanese military use and to postpone local recruiting for the Self Defense Forces. Additionally, firing exercises were held up for several weeks at the North Fuji maneuver area while Yamanashi Prefecture officials demurred on the renewal of a US military lease.

As Japan moves toward Lower House elections late this year or early next year, the pace and fervor of anti-military protests is likely to increase. The several opposition parties—needing issues with which to attack the Tanaka administration—have concluded that the exploitation of resentments toward the US military holds considerable potential for gains at the polls. For its part, the government recognizes that popular tolerance of the US military bases is decreasing in an era of relaxed international tensions and of greater Japanese independence. Prime Minister Tanaka is therefore taking a cautious approach to such problems as the Sagami incident. Tokyo will have to walk a tightrope in assuring a favorable operating climate for the US military under the terms of the Status of Forces Agreement without appearing overly accommodating to Washington.

25X1



Maneuver area near Fujiyama

SECRET

SECRET

INDOCHINA

ANOTHER MILITARY PUSH COMING

25X1

[redacted] the Communists are preparing for another major military effort in late September and early October.

25X1

25X1

[redacted] COSVN (the Communist command for southern South Vietnam) has told its subordinates to get ready for a campaign designed to tie down Saigon's main forces while the Communists roll back the pacification program in the countryside.

25X1

Communist local forces, as well as sapper and artillery elements from regular units, are to do most of the fighting in September, with infantry units taking the lead in October. COSVN's instructions indicate that the Saigon area is to be one of the focal points of the effort.

25X1

25X1

[redacted] elements of the Communist 7th and 9th divisions have already moved close to the capital by early September.

25X1

Hanoi's goal, [redacted] is to force the allies to negotiate a settlement on the basis of the Viet Cong's seven-point proposal. COSVN allegedly is saying that if a settlement favorable to the Communists can be reached, enemy forces will then advance to greater victories after the cease-fire. If, on the other hand, the allies refuse to negotiate before the US presidential elections, COSVN says the Communists will fight on until their opponents are defeated.

25X1

Some aspects [redacted] seem to fit with what the Communists are actually doing in the Saigon area. Sapper and small-unit attacks northwest of the capital have picked up recently, and the enemy seems to be concentrating his forces for more substantial attacks.

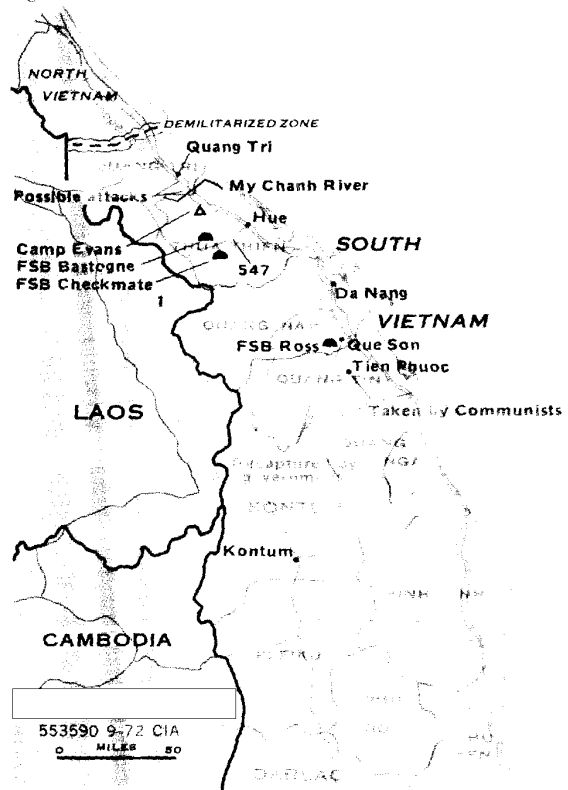
And a Fuzzing of Political Demands

The COSVN line on political matters, as [redacted] corresponds fairly well with what the Communists have been saying pub-

25X1

licity in recent weeks about their negotiating position. Communist pronouncements—most recently, the statement of 11 September from the Viet Cong "provisional government"—have been focusing on the demand for a three-segment coalition government that includes Communists, members of the Saigon government, and individuals (not identified with either side. The Communists have dropped several hints that although they still want President Thieu out of the picture fairly early on, some, if not most, of the rest of Saigon's administrative machinery could be part of the coalition.

The Communists have also been insisting with great fervor that they have no intention of



25X1

SECRET

SECRET

dominating this government; in the statement on 11 September, they said they would be willing to enter into an agreement to that effect. Some Communist statements give an impression that what is being currently demanded of the US is an agreement on the broad principles of a settlement and that the Communists would be willing to negotiate the political modalities with Saigon.

29 COSVN's instructions lean in this direction. At one point, COSVN says that a "victory" means a political settlement and the withdrawal of American forces; it does not mean that "the Saigon puppets cease to exist." Communist cadre are urged to be in position to act "quickly and forcefully" against Saigon's apparatus if a political settlement should be reached.

29 In sum, the message of the COSVN instructions is that another burst of Communist military effort, designed to force concessions from the allies, is in the offing. At the same time, there are hints, both in the instructions and elsewhere, that the Communists may be prepared to abandon some of their political demands in return for a general agreement that opened the way for them to come formally, if perhaps loosely, into the central power structure.

The War This Week

31 South Vietnamese Marine and Airborne troops launched a major new effort to recapture Quang Tri City last weekend, assaulting positions around the city and in the Citadel. Preliminary reports indicate that the fighting has been fierce and that casualties have been heavy on both sides. There are no indications that the Communists plan to give up the fight. They may hope to interdict Route 1 and create enough of a threat to government rear areas to force the South Vietnamese to pull back some of their units now on the Quang Tri front.

31 South Vietnamese 1st Division troops in Thua Thien Province launched counterattacks against Communist units west of Hue along Route 547 and around fire support bases Bastogne and Checkmate. By the end of the week, the govern-



ment drive reportedly had forced the Communists out of the area and, for the time being, reduced the threat of enemy artillery and rocket attacks against Hue.

30 In the southern half of the region, fighting continues in the Que Son Valley area of Quang Nam Province and around the district capital of

SECRET

37 Tien Phuoc in Quang Tin Province. Enemy troops from the North Vietnamese 711th Division have been pushed out of Que Son and Fire Support Base Ross, but have since captured Tien Phuoc. Field reports indicate that government troops in the area continue to be hampered by poor leadership and that several of the positions taken by the enemy fell because South Vietnamese regulars refused to stand and fight.

LAOS: STILL TRYING FOR THE PLAINE

38 General Vang Pao appears determined to press his faltering offensive to recapture the Plaine des Jarres. Four fresh irregular battalions from Savannakhet Province have begun to move from the Plaine's western edge toward a strategic height overlooking the southern Plaine. At the same time, four battalions of Vang Pao's own tribesmen, stalled for the past several weeks, are now moving north to regain control of a key mountain on the northern edge of the Plaine lost to the Communists two weeks ago. An artillery base has been set up to support these new thrusts, and Vang Pao has been personally directing troop maneuvers and air strikes against enemy concentrations.

39 Two other task forces are also preparing to move. The three irregular battalions that for the past five weeks had been operating southeast of the Plaine have resumed their march toward its southern tip. The task force east of Sam Thong is launching a series of attacks designed to prevent the Communist 174th Regiment from moving to assist other Communist units on the Plaine itself.

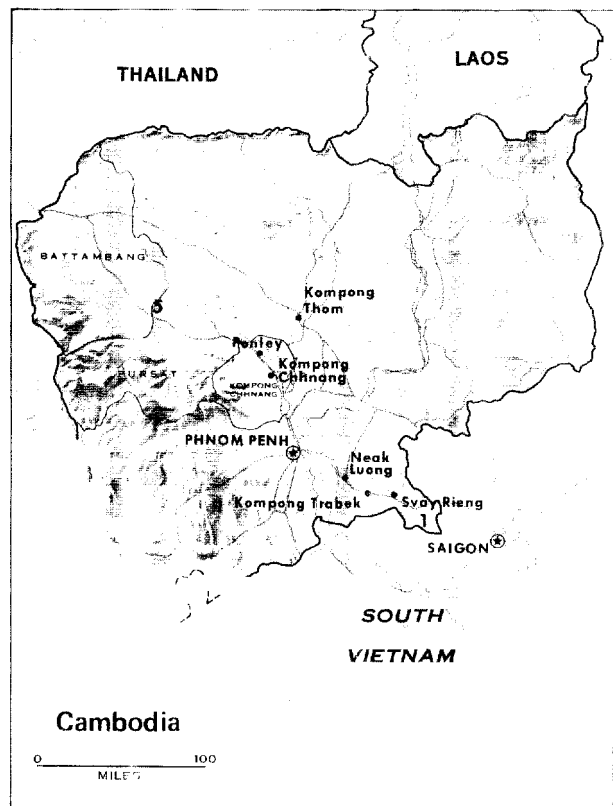
40 Discipline and morale among his irregulars remain a major problem for Vang Pao. The task force assigned the mission of attacking vital Communist supply lines northeast of the Plaine is in particularly bad shape. Most of the troops returned to their starting point after a few days of minor skirmishing.

PHNOM PENH'S PROBLEMS PROLIFERATE

41 The Lon Nol government, no stranger to misfortune, found itself in the midst of one of its

tightest spots late last week when Phnom Penh's rice stocks were nearly exhausted. The situation reached its first flash point on 7 September when Cambodian Army soldiers, acting on an ill-timed government order, began to "inspect" shops in the city to ensure that merchants were selling rice at new subsidized price levels set by the regime. The "inspections" resulted in the seizure of many merchants' stocks and triggered widespread looting in the capital's commercial districts the following day by unruly bands of army troops, civilians, and even some police personnel.

42 At the time the government was restoring order in Phnom Penh, it assumed control over the sale and distribution of all rice in the city. More importantly, it began efforts to rebuild the capital's stocks. A limited daily airlift of rice from Battambang Province is being supplemented by a regular US airlift of rice from South Vietnam—part of a temporary loan of 10,000 tons of rice



553589 9-72

SECRET

SECRET

from Saigon, most of which will be shipped up the Mekong River. In addition, the first consignment of a recent purchase of 10,000 tons of Thai rice is expected in Phnom Penh sometime this week. The Japanese are also helping out, having promised the Cambodians money to buy another 6,000 tons. >

Although these combined measures will help to ease the situation temporarily, the government, if it is to avoid subsequent and more serious rice shortages, must regain and retain control over Route 5, which links Phnom Penh to the rice bowl in the northwest. Two Cambodian Army task forces, totaling 19 battalions, have resumed their stalled operation to clear the highway. As of 14 September, the government forces had met

little opposition in their advance toward the 14-mile strip of the highway in Kompong Chhnang Province held by the Communists. >

Setback on Route 1

In the midst of all this, the Communists again went on the attack against government positions along Route 1 between Neak Luong and Kompong Trabek. The assaults forced the Cambodians to withdraw from Kompong Trabek, which had already changed hands several times during the current rainy season, and from several other smaller positions along the highway. It is unlikely that Route 1 can be reopened to Kompong Trabek without substantial assistance from the South Vietnamese. [redacted]

25X1

25X1



Soldiers looting in Phnom Penh.

SECRET

JAPAN LOOKS OUTWARD

WORKING BOTH KOREAS

Since the inauguration of the new Tanaka cabinet in July, it has been only a matter of time before the government bowed to growing domestic pressures for expanded economic and political contacts with North Korea. Tentative moves toward improved relations with Pyongyang had been made during former prime minister Sato's administration as part of Tokyo's pursuit of a more independent foreign policy.

Last week, at the sixth ministerial conference between Japan and South Korea, Foreign Minister Ohira served notice that, despite pressures from Seoul, Japan would press ahead with the expansion of humanitarian, cultural, and economic contacts with North Korea. He declined to rule out the possibility that Tokyo would grant Export-Import Bank financing, a key to major growth in trade with Pyongyang. At the same time, the foreign minister indicated that the pace of rapprochement will be carefully regulated so as not to damage South Korean interests or the sensitive North-South negotiations. He did not express any intention to seek diplomatic relations.

Such carefully balanced statements preserve Tokyo's political and economic options in both Koreas, but will not dispel heightened South Korean concern. Seoul's anxiety has probably been eased by Japan's agreement at the meeting to provide \$170 million in foreign aid and its willingness to take under consideration a request for other loans making up a package of more than \$2 billion. Seoul has been seeking these much-needed funds to underwrite substantial portions



Foreign Minister Ohira at Seoul Airport

of its current five-year plan, but dependence on Japanese money undercuts Seoul's already limited capacity to curb Tokyo's moves toward Pyongyang. President Pak Chong-hui, in his budget speech on 2 September, underscored Seoul's increasing economic reliance on the Japanese by reminding the nation that relations with Japan "are as important to our national interests as those with the US."

Pyongyang has been quick to reciprocate the Tanaka government's increased willingness to make positive gestures toward North Korea. The North Korean - controlled organization in Japan, Chosen Soren, has launched a propaganda campaign to encourage expanded trade and the movement of delegations between the two countries is gathering momentum. Deputy Premier Pak Songchol injected a new note of flexibility into Pyongyang's public stance by calling for diplomatic relations with Tokyo. In a meeting with Japanese correspondents last week, Pak told Tokyo that balanced Japanese relations with the two Koreas would have a substantial positive effect on efforts of the two Koreas to achieve national unification.

25X1

25X1

SECRET

MORE TRADE WITH CHINA

46 Encouraged by signs of flexibility in Peking, Japanese business leaders are anticipating significant gains in trade with China.

47 Chinese officials responded positively to a package of trade proposals presented last month by a visiting mission headed by Nippon Steel president Yoshihiro Inayama. According to the Tokyo press, Chinese officials agreed to:

- send experts to inspect steel products, agricultural and heavy electrical machinery, and power generating and oil drilling equipment;
- consider the possibility of bartering crude oil for Japanese gasoline, light oil, and kerosene;
- conclude long-term contracts for the purchase of steel and fertilizer products, which now constitute the bulk of China's imports from Japan;
- expand sales to Japan of natural fibers, agricultural and marine products, and selected nonferrous metals.

48 Speaking with a US official in Tokyo after his return, Inayama noted that Premier Chou En-lai thought Peking's trade deficit with Tokyo could be offset in the near future through deferred payments arrangements. Chou said that steel and fertilizer probably would continue to be China's most essential imports from Japan. He also placed high priority on the purchase of land, sea, and air transportation equipment, particularly ships.

49 Once Sino-Japanese diplomatic relations are normalized, Tokyo hopes to conclude an official long-term trade agreement with Peking. The Japanese also will seek to sign bilateral treaties of commerce and navigation, as well as agreements on technical cooperation and commercial air service. These pacts would all be designed to maintain Japan's position as China's leading trade partner at a time when competition for China's market is intensifying. Although Peking is likely to avoid over-dependence on Japan, Japanese business leaders believe that, with active government promotion, bilateral trade by 1980 could quadruple last year's record \$900 million.

THE DRAGON SPREADS ITS WINGS

50 China, moving energetically to modernize its aged civil air fleet, has purchased about \$250-300 million worth of commercial aircraft—mostly from the West—during the past year or so. The latest pact calls for the delivery of ten Boeing 707 international transports and spares, worth some \$125-150 million, beginning late next summer. Peking also recently upped its order of medium-range British Tridents and now has purchased 12 of these aircraft worth almost \$100 million. China has also taken an option to purchase three Anglo-French Concorde supersonic transports in the late 1970s.

51 Purchases from the West are only part of China's program to update its civil air fleet. At least five Soviet IL-62 international transports have been received recently. The Chinese have also purchased medium-range AN-24 turbo-prop transports from the USSR. Six were delivered in 1971 and an unknown number have been ordered this year. Most of the recent purchases will probably be used for international commercial service, which China almost certainly intends to expand. Some will also be used on domestic flights and others may be consigned to a transport role in the Chinese Air Force.

25X1



Considering more purchases?
Chinese delegation views Lockheed Tristar at Farnborough Air Show.

SECRET

25X1

25X1

SECRET

DISARMAMENT: HOPEFUL ATMOSPHERICS

Although the US and Soviet delegations to the summer session of the Geneva disarmament talks were unable to reach new agreements, the degree of cooperation between them may bode well for future progress on chemical weapons limitations and other disarmament topics.

Throughout the session that ended last week, the Soviets attempted to show flexibility on the chemical weapons issue. They told the US delegation on several occasions that if the Soviet draft comprehensive treaty could not be accepted as the basis for negotiations, they would be willing to negotiate on the partial limitations that the US prefers. Time and again, they urged the US to submit its own chemical weapons proposal. In addition, the Soviets sent an expert to participate in informal technical discussions of verification procedures.

Negotiations on a chemical weapons treaty will not begin until the participants in the Geneva disarmament talks agree on a draft to serve as a starting point, but a certain consensus has begun to emerge on the basic problems of the treaty's scope and the methods to verify it. Most prefer a

comprehensive prohibition, and they seem willing to accept verification of a comprehensive ban through a combination of national measures and international complaint and consultation procedures.

Discussion of other arms control topics was of little consequence at this summer's session. The debate on a comprehensive test ban found the Soviets restating their well-worn position that any such prohibition could be verified by national means. The US reiterated that on-site inspections remain necessary. The US raised conventional arms control as a subject on which the talks might focus at some future point. There was no discussion of the suggestion until the very end of the session, when the Soviets said they would be interested if practical measures were proposed.

The next Geneva session, probably in the spring of 1973, will have a chance to build on the smooth-working relations between the US and Soviet delegations, characterized by the chief US representative as the best in the history of the talks. [redacted]

25X1

TRADE CONTROL TALKS RESUME

Most members of the Coordinating Committee (COCOM), attending a mid-September session of the List Review, will support major reductions in trade controls for Communist countries on items still undecided after three previous sessions.

The British position on the control of exports of electronic components—particularly semiconductors and integrated circuits, where Communist technology is especially deficient—has drawn closer to that of the US. The British appear to be considering a trade-off of continued controls on the export of equipment to produce these items for some relaxation on exports of finished items. A session is to be held later this year to thrash

185
out the level of controls on computers. On communications equipment, the other important area of contention, most COCOM members have supported British proposals for a significant loosening in the controls.

Japan and the European members regard recent US encouragement of its own trade with Communist nations and US-sponsored exchanges of industrial groups with the USSR as a preliminary to a more relaxed US view on COCOM matters, especially the control of items with extensive civilian applications. This view of the US position may also strengthen opposition to the maintenance of stronger controls on exports to China. [redacted]

25X1

SECRET

25X1

SECRET

UK: UNIONS LEAN LEFTWARD

60 The annual meeting of the Trades Union Congress, a blanket organization embracing representatives of virtually all British workers, produced its usual mixed bag. The position of left wingers was strengthened when some unions were suspended for disobeying earlier congress dictates. The Labor Party was left with the prickly problem of anti-EC resolutions passed by the session.

57 An overwhelming majority at the meeting voted to suspend 32 unions for registering under the Industrial Relations Act in defiance of con-



Mr. Benn looks to the left.

gress policy. These unions represent 500,000 members out of some 10 million in the congress. This unprecedented purge dramatically demonstrates the determination of British unions to defy the act. If the suspended unions do not remove themselves from the register, the congress may expel them next year.

58 The suspension of these unions put left wingers in a stronger position in the General Council. One leading moderate lost his bid for re-election to the council. As a result, the moderates are bitter and some are even contemplating leaving the Trades Union Congress. If the moderates do withdraw, the government's prospects for bringing labor peace will be even bleaker. In a few instances, the moderates prevailed. For example, they defeated a resolution to suspend unions which, when cited for violations of the Industrial Relations Act, defend themselves in the National Industrial Relations Court.

59 The delegates expressed firm opposition to any kind of statutory wage restraint policy, but, for the first time under the Heath government, used the term "incomes policy" in an official pronouncement and even indicated some willingness to negotiate voluntary restraints in the round of talks beginning 14 September. The unions current terms are so extreme, however, that agreement from business and government representatives seems unlikely. As a result, Heath can expect a continuation of the labor problems he has faced for over a year.

57 The congress statement on EC entry portends trouble for Harold Wilson's Labor Party at its annual conference next month. The delegates confirmed existing policy by approving entry on terms "consistent with British interests" and advocating that efforts be made to negotiate "more favorable terms." Left-wing anti-marketeters, however, pushed through an additional resolution calling for opposition "in principle" to EC entry. Some anti-market members of the Labor Party now threaten to propose a resolution at the October meeting calling for withdrawal from the EC when the Labor Party comes to power.

25X1

25X1

SECRET

REPORT ON THE SOVIET HARVEST

Grain yields reported by the USSR for areas where the harvest has been completed confirm that poor weather severely damaged the crop in the major grain-growing areas of European Russia. According to data given for the Ukraine, Belorussia, and North Caucasus, gross production in these areas will be 16 million tons below last year. Reports from other regions in European Russia, which account for over one third of total sown

area, indicate additional shortfalls that will only be partially offset by a good harvest in the New Lands.

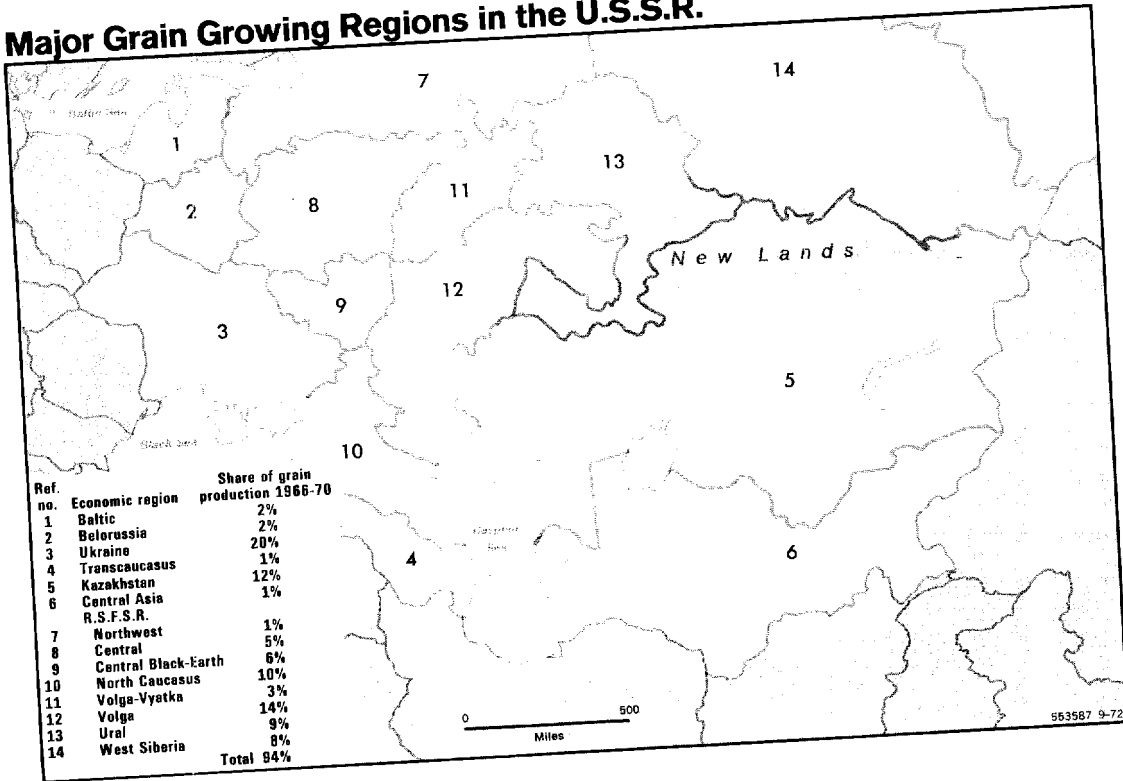
The Soviets now are concentrating all their efforts on bringing in a good harvest in the New Lands area of Siberia and Kazakhstan, which accounts for 40 percent of all grain acreage. As of



SECRET

SECRET

Major Grain Growing Regions in the U.S.S.R.



the first week in September, however, only 45 percent of the sown area in the New Lands had been cut, compared with 83 percent in the rest of the country. Although the grain in this area normally ripens later than in European Russia, it is almost two weeks later than usual because of cool rainy weather. Early frost and rain during the harvest period could result in above-normal harvest losses. Press reports indicate that more men and machinery from farms and industry in the rest of the country have been sent to the east than in any recent year. Party chairman Brezhnev has just returned from a ten-day morale-boosting trip to the area. He was reportedly "in a rather bouyant spirit," believing that a successful outcome could help offset losses elsewhere. >

> The poor weather this year also affected other crops, and the latest reports continue to stress problems. Blight attacked the potato crop in Belorussia—which raises about 15 percent of

the country's potatoes. The blight also hit the northwest RSFSR. Drought in the central European RSFSR has almost halted potato development and slowed the growth of other vegetables. The hot, dry summer burned up fodder crops in some areas, requiring emergency imports from other areas and the transport of livestock to greener pastures. Also, harvests of sugar beets and the most important oil seed, sunflowers, are down. >

> The uncertainty surrounding the final verdict on the Soviet harvest apparently has temporarily halted negotiations for additional grain imports. An international grain trader recently in Moscow was invited to return in November when Soviet plans "would be firm." Soviet purchases of grain for delivery by mid-1973 already top 27 million tons, including 19 million tons from the US. A contract for one million tons of US soybeans brings total Soviet purchases to about \$1.8 billion from all Western suppliers.

25X1

SECRET

25X1

SECRET

FRANCE: LIGHTNING ON THE LEFT

Socialist Party First Secretary Mitterrand's strong criticisms of Soviet policies have strained the Socialist-Communist electoral alliance in France. Last week, after receiving an abrasive letter from Soviet Ambassador Abrasimov, Mitterrand canceled a visit to Moscow that he had planned for this November. The letter, published in the French Communist daily, *Humanite*, attacked Mitterrand's recent criticisms of Soviet policies on Czechoslovakia and Jewish emigration from the USSR. Abrasimov suggested that Mitterrand's activities had put the trip in question.

The imbroglio has put the French Communist Party in a box. While the party deplored both the Warsaw Pact invasion of Czechoslovakia in 1968 and the trials in Czechoslovakia this year, the censure was mild and considered inadequate by non-Communists. Soviet emigration policy presents a similar problem to the French Communists. Their endorsement of Moscow's procedures would alienate many in France, while criticism would raise Soviet hackles. So the party equivocates. A politburo communique on 6 September condemned reactionary propaganda against socialist states, but reserved the party's right to criticize those states. The controversy was thus an embarrassing reminder that the French Communist Party, which presumably still receives funds from Moscow, has long been the most subservient of the European parties.

The French Communists doubtless recognize that Mitterrand, who is already looking ahead to the 1976 presidential race, will gain from the controversy. Abrasimov's reaction effectively refutes the charges that Mitterrand became a dupe of the Communists when he signed the Socialist-Communist pact earlier this year. Moreover, it highlights Mitterrand's argument that the pact did not indicate total agreement. In this first major test, each party put its own interests ahead of the common cause of a united left.

The alliance is indeed very much a marriage of convenience: it will face many more trials before the legislative elections next spring. Hard-line Communists, for instance, convinced that



SECRET

SECRET

party leaders conceded more than the Socialists, are concerned that basic positions have been compromised. They insist the real stand of the French Communist Party be made absolutely clear.>

The Gaullists are beyond a doubt pleased by the dissension on the left which makes the leftists less of a threat to the Gaullist majority in the legislature. Nevertheless, the Gaullists have not reacted publicly to the Abrasimov affair, in part because of the value they attach to their "special relationship" with the Soviets. For some months before Abrasimov's intervention, however, Gaullist spokesmen had criticized the Communists and Socialists for relative indifference to events in Czechoslovakia. This provoked from both vigorous efforts to clarify their positions as well as pledges to respect democratic norms if brought to power.



25X1

YUGOSLAVIA: TITO TALKS TOUGH

74 President Tito has set the stage for personnel shifts in the party at or before the third national party conference in November. In hard-hitting speeches delivered between 4 and 10 September, Tito lashed out at Yugoslavia's real and imaginary enemies, both at home and abroad. He identified the main culprits as nationalists, corrupt enterprise officials, and lax party functionaries.>

74 Displaying the vitality of earlier days, octogenarian Tito hammered away at the old partisan theme of "brotherhood and unity." He called for rooting out the class enemy hiding behind regional chauvinism. Tito told the party to clean up its ranks and warned nationalists to leave or be purged. Emotionally aroused by the guerrilla attack in Bosnia-Herzegovina last July, as well as by the Munich tragedy, Tito denounced all terrorist activity. He claimed that he knows where the anti-Tito terrorists get their financial aid, but would not say because it is "unpleasant." While most Yugoslavs would normally take that to mean the Soviet Union, in this case it refers to the West.

79 (Appealing for worker support, Tito put enterprise officials on notice that they would no longer be allowed to amass wealth on the labor of others. He warned those government and party officials responsible for youth affairs not to let Yugoslav youth develop in "anti-socialist" directions. Youth problems will be the main topic at the party conference.>

77 > Tito's tough talk is clearly intended to ward off a repetition of last year, when Croatian nationalism got out of hand and threw preparations for the second party conference into disarray. He also intends to avoid the criticism that he spends too much time on foreign affairs when his influence is needed at home.

25X1

25X1

SECRET

SECRET**SIERRA LEONE: ONE PARTY RULE**

The government has moved a step closer toward its goal of creating a one-party political system by successfully intimidating the sole opposition party.

A new wave of intimidation began early this month when the ruling All People's Congress used party thugs to ensure the unopposed election of its candidates to three vacant parliamentary seats in the area in the south that normally votes with the opposition. The opposition Sierra Leone People's Party is based in the southern part of the country. The party was physically prevented from filing its candidates' names as prescribed by law. Opposition leaders and supporters tried to go to Freetown to protest, but were forced to run a roadblock of bully boys. In the ensuing melee, one Congress supporter was killed. President Stevens publicly claimed his supporter was killed in an unprovoked attack; he arrested at least six members of the opposition, including its principal leaders, and charged them with murder.

Last week, Stevens called for by-elections in two other southern districts, suspending in these areas the state of emergency under which he has ruled for nearly two years. A declaration signed by the imprisoned opposition leaders, presumably before their arrest, announced that their party would not contest the several remaining by-elections in view of the violence that already has occurred. Badly disorganized and dispirited, the opposition obviously is not willing to try to deal with Stevens' strong-arm tactics, even in the south.

The opposition's withdrawal from the by-elections could foreshadow a deal with the government on a one-party state. Stevens says he will not impose a one-party system without the consent of the people. His supporters contend that an overwhelming vote for one party in the general elections, due next year, would constitute such consent. Imprisonment of the opposition leaders and withdrawal of their party from the by-elections opens the way for the required landslide.

President Stevens presides over a badly fragmented society. There were three coups in the

country between March 1967 and April 1968. Stevens took power following the third and survived an unsuccessful coup attempt in March 1971. Long-standing enmity between the country's two major tribes—the Temne in the north and the Mende in the south—lies behind much of the political trouble. Stevens' policies since he was recalled from exile in Guinea to run the country have deepened the old divisions and have created serious new ones, some within his own party.

President Stevens' move toward more authoritarianism at home has been coupled with a leftward swing in foreign policy. Last month at the conference of nonaligned nations in Georgetown, Guyana, Stevens' foreign minister enthusiastically embraced the policies of the so-called "progressive" third-world countries. During a subsequent visit to Cuba, the foreign minister, according to his government's press, told Cuban newsmen that Cuba's and Sierra Leone's enemies "were the same."

25X1

ZAMBIA: KAUNDA FLAYS CRITICS

President Kaunda has begun to lash out at his opponents for failing to support his policies and cooperate with his plans for turning Zambia into a one-party state. Early this month, Kaunda directed a severe tongue-lashing at a group of senior civil servants for trying to sabotage the government's policies and those of his dominant United National Independence Party. He insisted that the civil service exists to serve the party in power and that any who disagree should resign. He warned that those who continue to oppose him will be treated as enemies of the country.

Kaunda's campaign to press his critics into tacit support was kicked off late last month when a ban on unauthorized demonstrations by post-secondary students was announced. The ban, which also was couched in harsh language, followed efforts by the student union president

SECRET

SECRET

and groups from various schools to join in a protest against the government-owned paper that criticized a small and apparently minor demonstration at one of the colleges. Kaunda stepped in to prevent a full-blown confrontation similar to one a year ago when a large demonstration against party interference in student affairs ended only after Kaunda ordered troops to close Zambia's university and send the students home. >

85 <Kaunda has rebuked the media for paying too much attention to national problems and criticizing the government. At a press seminar last month, he warned that freedom of the press does not mean the press can disseminate what it wishes. If it wishes to avoid government censorship, he cautioned, the press should report only what the public should know. >

82 <Such wide-ranging attacks probably reflect Kaunda's concern that opposition to one-party rule from Zambia's elite is stronger than he had thought when he announced his plan last February. He clearly hopes that firm warnings to accept the inevitable and cooperate will bring his critics into line. >

83 <His hard line may only antagonize them. Educated and skilled Zambians tend to have a low regard for party officials. Most party posts are filled by poorly educated and often unemployed Zambians who seek these positions as one of the few opportunities for personal advancement. The prospect of a one-party system that will institutionalize their supremacy in determining national policies reinforces already strong feelings among many educated Zambians that the government cannot deal effectively with the country's economic and social problems. Moreover, Kaunda has not yet allayed the fears of the tribal groups that have persistently supported Zambia's small opposition parties. >

84 <Kaunda has the political strength to proclaim a one-party state, possibly by the end of this year, but this does not mean he can make it work. The step may serve only to undermine the chances for achieving his goal of greater political stability. >

TANZANIA: SOCIALISM REVISITED

86 <The government is now pushing hard to move peasants near Lake Tanganyika into *ujamaa* (communal) villages, the backbone of President Nyerere's efforts to build a socialist society. The drive this year follows one last summer in which almost 100,000 nomadic Wagogo tribesmen in drought-stricken central Tanzania were persuaded to set up such villages with government assistance and promises of water. >

87 <Since Nyerere outlined his rural program in late 1967, it has had only limited success. According to government figures, over 4,000 *ujamaa* villages have been established, but officials admit that few of these yet operate as Nyerere intends. Many exist in name only, and most still allow individual enterprise. <Many peasants have moved into these settlements hoping to receive government aid and services. Efforts to meet these expectations have strained the government's limited resources, and demands for such assistance are bound to grow despite Nyerere's exhortations that *ujamaa* villagers learn self-reliance. >

88 <The government, moreover, has encountered stiff resistance to communal farming from prosperous farmers and has made almost no headway in those areas that produce Tanzania's main cash crops. This opposition was underscored last December when a farmer murdered an overly zealous regional commissioner who tried to force him to join a *ujamaa* village. Since then there have been reports from other areas of the killing of local officials who pushed too hard for *ujamaa*. >

89 <Nevertheless, Nyerere is determined to move ahead. Early this year, he instituted governmental reforms in order to make the bureaucracy more responsive to local needs and to free himself to devote more time to his programs. To buttress this effort, he assigned several trusted ministers to top regional slots, raided the central bureaucracy for experienced civil servants to run newly created local development committees, and sent the bulk of this year's university graduates to serve on these committees. >

25X1

SECRET

SECRET

There is irony in Nyerere's turning to the civil servants to lead his agrarian revolution; as a group they have been most criticized by party leftists for lack of dedication to the President's ideals. Many, in fact, are skeptical about Nyerere's experiments. Apparently hoping to convince them of the soundness of his policy, Nyerere has decided to rely heavily on their administrative talent rather than on the ideological zeal of the party faithful to translate his ideas into practice. Even with this talent, it is highly problematical that the *ujamaa* village program will develop deep and lasting roots in the countryside. The only certainty at present is that the going will be slow and difficult.

[REDACTED]

25X1

UGANDA: ECONOMIC DECLINE

The government decree calling for the expulsion by 10 November of all non-citizen Asians is only the latest in a series of moves by Uganda governments that have produced a seriously ailing economy.

Even before Amin became president in January 1971, the economy was stagnating. In May 1970, the Obote government, without warning, took over 60-percent shares in a wide range of companies. That move all but stopped private investment and intensified the uncertainty of Asian businessmen.

After Amin's coup, massive military spending at the expense of development brought growing unemployment, shortages of consumer goods, and dwindling government services. There was a decrease in receipts from customs duties as exports fell drastically because drought reduced major export crops and because world market prices were lower. To meet budget obligations, the Amin government stepped up deficit spending and expanded the reserves of government-owned utilities, leading to rapidly rising prices.

Earlier this year, Amin ousted the Israeli aid mission, leaving the country with many uncompleted projects and a \$15-20 million debt to Israel. Although Amin cannot be said to act logically, the action appears to have been motivated in part by financial considerations. Not only was the Ugandan Government finding it increasingly difficult to pay the local costs of the aid program, but Amin believed that he stood to gain in the way of economic assistance from Arab states, notably Libya. So far, little Arab aid has materialized.

Acquisition of the Asians' assets by the government was seen by some Ugandan officials as a way to ease the financial pinch. Asian investment in agriculture, industry, property, and commerce is estimated at \$250-400 million. Asians, who make up less than one percent of the population, control almost all Ugandan trade, commerce, and professions, and are bitterly resented for it.

The Asians are now leaving, and this has already caused serious economic disruption. Business closings and tightening credit have reduced purchases perceptibly in urban areas. Construction has slowed and the loss of Asian technicians is impeding operations at the important Kilembe copper mines and other installations. The government hopes to offset the loss of Asian expertise by recruiting technicians from abroad and by sponsoring crash courses for Ugandans, but so far it has met with little success.

Anxiety over the influx of Uganda's Asians has led London to freeze a promised \$24.5-million aid loan and has imperiled the roughly \$11 million a year Uganda receives from the UK in budget support. Amin, although advised of the economic drawbacks of the expulsion order, may take additional harsh measures, such as the nationalization of British holdings, if London continues to withhold aid. He has already ordered the British military mission from the country.

[REDACTED]

25X1

SECRET

SECRET

PANAMA: A LITTLE DRAMA

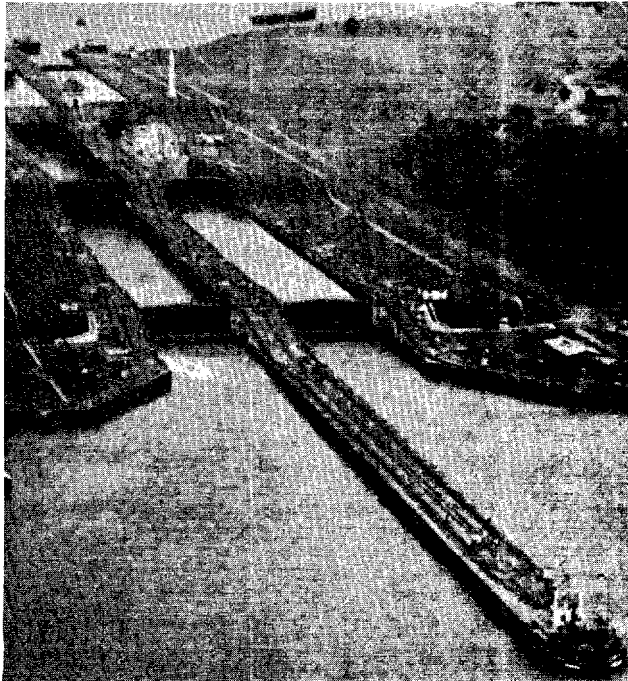
95 98 The opening session of Panama's National Assembly on 11 September turned out to be more than just a ceremonial affair. Before the assembled diplomatic corps and a host of other dignitaries, the legislature called on General Torrijos to demonstrate that the Canal Zone was Panamanian territory by refusing the \$2 million annual payment from the US. Although Foreign Minister Tack indicated that the move had come as a complete surprise to Torrijos and top government officials, it appeared to have been a carefully staged maneuver designed to win headlines around the world.

95 98 Torrijos has long tried to persuade the US that he is under great pressure to change the present treaty relationship, and he can use the resolution to support the point. Torrijos and Tack have felt that by publicizing Panama's case, the US could be embarrassed into granting greater concessions. They have at the same time been constrained from going too far in this direction by a wish not to damage any chance for suc-

cessful negotiations. The assembly action serves to keep some pressure on the US without Torrijos appearing to be directly involved.

97 The resolution is not binding, and, in any case, Torrijos appears to need the money too much to refuse to cash the checks as Castro has with the much smaller rent from Guantanamo. Torrijos moreover, does not yet seem interested in bringing matters to a head. He has been too busy with domestic political issues to focus very deeply on the canal treaty and would probably wish to reserve a heavy-handed diplomatic and propoganda campaign for a period when he felt the negotiations were completely stalemated.

96 Tack implied that such a moment was not at hand when he told the US ambassador on 6 September that he would not attend the General Assembly session and that Panama had no intention of raising the canal issue this year in any way that could disturb bilateral relations. Indeed, Panama's motivation for full-scale broadside was reduced when preliminary agreement was reached on the purchase of the US-owned utility company the government had seized in June. Although a number of details remain unsettled, a potentially serious and highly charged nationalistic issue was defused before it became a state-to-state problem when Panama agreed to pay \$22.5 million for the Boise-Cascade subsidiary.



Gatun Locks

98 Torrijos' suspicions of the US and a large backlog of Panamanian complaints practically guarantee that relations will remain at least slightly roiled, but for the next month the locus of Torrijos' attention may remain on domestic rather than international problems. The assembly that will be in session until 11 October is charged with approving a new constitution and electing a president and vice president. The legislature will amend the draft constitution to give Torrijos broad powers—in effect, regularizing his role as the maximum leader. After shepherding the assembly through its paces, Torrijos must then stage the inauguration of Panama's new constitutional government on 11 October, the fourth anniversary of his coup.

[Redacted]

25X1

SECRET

25X1

SECRET

BAHAMAS: ELECTION COMING UP

11 Campaigning for the Bahamas general election scheduled for 19 September has remained relatively calm and free of violence. Clearly defined election issues have been lacking, although conflicting views on the question of when the Bahamas should become independent are an issue of sorts.

The Bahamas' small security force might be hard pressed to control widespread violence and need to ask for British assistance. The British have two frigates stationed in Bermuda and a third is some nine days' sailing time away.

25X1

11 This will be the first Bahamian general election since 1968. It was called somewhat earlier than had been expected, probably because Prime Minister Lynden Pindling believed his Progressive Liberal Party, which has suffered from intra-party rivalries and disputes, might be further weakened if elections were put off longer. Not only that, but the economy was deteriorating and there was little hope of any short-term improvement.

MEXICO: VIOLENCE THREATENS

25X1

112 The government is bracing for violent outbursts during the independence celebrations this weekend, fearing that dissidents may move to disrupt the ceremonies and embarrass President Echeverria. The Mexican Army has been in a state of readiness since bombs were exploded in the capital on the eve of the President's 1 September "state of the nation" address.

113 While Pindling's party has been campaigning largely on traditional national themes, the opposition Free National Movement, led by Cecil Wallace-Whitfield, has concentrated on promoting its candidates within their constituencies. Pindling promises to press for independence should his party win, but there is little evident public enthusiasm for such a move. Although favoring independence, the opposition would put off any moves in this direction indefinitely while concentrating on improving the economy.

114 Although disorder is frequently predicted for national holidays, this time there are real reasons for the concern voiced by security officials. In the last week, besides the bombs before the President's speech, a bomb was set off near the entrance to the national palace, wounding five persons, and an aircraft guidance beacon was sabotaged, forcing the temporary suspension of air traffic into Mexico City. In addition, police avoided what could have been a major catastrophe when they discovered a time bomb in a downtown bus station set to go off during rush hour. Several banks and diplomatic missions have received anonymous bomb threats.

115 The Free National Movement has been making considerable gains since its merger with the all-white United Bahamian Party and has blamed the ruling party for the high rate of unemployment and the poor investment situation. Pindling sees his greatest chance for victory in an appeal to the 80 percent of the populace that is black. He claims to have opened up opportunities for blacks not available under the former white government.

116 Adding to the uneasiness of the security forces has been their failure to apprehend members of Lucio Cabanas' guerrilla band, one of the most politically motivated of Mexico's many subversive groups, and their fear that Cabanas may mark the holiday with a "spectacular."

25X1

117 The election is likely to be close, with informed sources still hedging their bets. The possibility even exists that a 19-to-19 split in the legislature will emerge, in which case the colony's British governor general would have to name the person to form the next government. Should this happen or should either party win by a narrow margin, the prospects for violence would increase.

118 The 65,000-man Mexican Army will probably be put on a full nationwide alert for a repeat of last year's unprecedented show of force.

25X1

25X1

SECRET

SECRET**CHILE: ALLENDE'S ECONOMIC HEADACHE**

⌒Rapid inflation and growing shortages of foodstuffs and other essential consumer goods have caused serious public disenchantment with the Allende administration. A record leap in food prices in August brought the increase in the index of controlled prices to about 60 percent so far this year. The real inflation rate, if black-market prices were figured in, would be considerably higher.

Although most Chileans benefited from rising real incomes during Allende's first year and a half in office, recent price rises have eroded these gains. Lower income groups—the core of Allende's strength—have been especially hard hit by the virtual doubling of prices for many staple foods, and their real incomes now are probably no higher than when Allende came into office.

In an attempt to soften the impact of soaring prices, both the opposition and the administration have been pushing rival bills that would boost wages by an amount equal to the rise in prices. To cover the time required for legislative haggling, Allende used his substantial executive powers to decree a large bonus for September and a temporary wage increase for Oc-

tober. This has taken most of the wind out of the opposition's proposal of two wage hikes—one in October and the other next January.

The claim by Allende's economic planners that, following this round of price increases, they will be better able to control inflation is clearly over-optimistic unless Chile can secure massive hard-currency aid from abroad. Because government measures have done nothing to alleviate Chile's severe supply problems and have, in fact, driven up demand, shortages and inflationary pressures can be expected to become more severe. The promised wage increases and bonuses will, for example, further enlarge an already enormous government deficit and could fuel another consumer spending spree.

Chilean consumers have long been schooled in the art of inflation-hedging, and record price increases in August—nearly equal to the total increase during 1971—have brought a marked increase in their sense of urgency. Their frantic efforts to turn money into goods can only increase the existing imbalance between supply and demand.

25X1



Demonstration in Santiago

SECRET

SECRET



Lanusse



Peron

ARGENTINA: A NEW MOOD

Public confidence that elections will be held as scheduled next March has been given a significant boost in the past two weeks. The optimism is still pretty fragile, but top army officers have lately reaffirmed the military's commitment to elections and smoothed out a number of tough problems.

potential candidates for president. The 25 August deadline for candidates to be in the country and out of public office passed with Peron still in Madrid and Lanusse still President. Most Argentines assumed that if Lanusse ran, the elections would be rigged, and if Peron returned, they would be canceled. In addition, Interior Minister Mor Roig gave a reassuring speech on 1 September in which he advanced the dates for several steps in the election process and reiterated his desire to discuss the process with representatives of all political parties.

There is a growing belief in Argentine political circles that these positive developments will eventually force the Peronists to readjust their tactics and abandon the hard line they have been following. Peron's attempt to divide Lanusse from his base of military support failed, and Lanusse is now clearly the man with whom the Peronists must deal. Most Peronists want to participate in the electoral process and, hopefully, in the next government. In the end, Peron is likely to bend to this desire rather than risk the disaffection of many of his followers.

The new optimism in Argentina is fragile, however, and could easily vanish in the wake of a new outbreak of violence or a serious downturn in the already ailing economy. Such events could pave the way for yet another ambitious general to present himself as the nation's saviour

Among the other factors contributing to budding optimism was the apparent elimination of both Juan Peron and President Lanusse as

25X1

SECRET

25X1

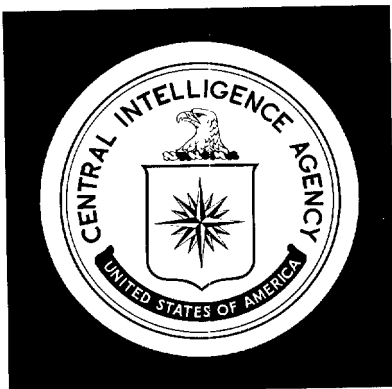
Page Denied

Secret

Secret

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

The 27th UN General Assembly

Secret

No. 49

15 September 1972
No. 0387/72A

Page Denied

ELGIUM+BHUTAN+POLAND+PORTUGAL+QATAR+ROMANIA+RWANDA+SOUTH AFRICA+SOMALIA+SOUTH SUDAN+SYRIA+TANZANIA+THAILAND+TOGO+TRINIDAD AND TOBAGO+TUNISIA+TURKEY+UGANDA+UKRAINE+UNITED STATES OF AMERICA+UNITED KINGDOM OF GREAT BRITAIN+UNITED ARAB EMIRATES+YEMEN

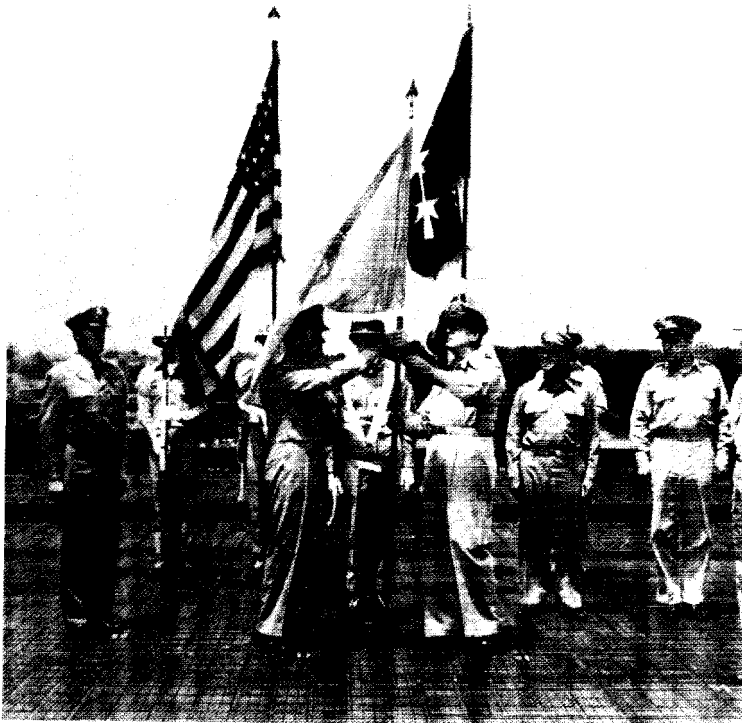
The 27th UN GENERAL ASSEMBLY

The 27th General Assembly, which begins on 19 September, will lack an issue of such excitement as Chinese membership. It faces several contentious topics of interest to the superpowers and to the world community. Among these are Korea, disarmament, the Middle East, and the US contribution to the UN. The assembly may also be called upon to deal with southern Rhodesia, Charter review, the two Germanies, and, perhaps, Bangladesh. Additionally, action will be taken on environmental topics and the law of the sea—items of long-range significance. The Chinese Communists will participate fully in this General Assembly, and Secretary General Waldheim's leadership, or lack thereof, will get a full test.

REPUBLIC+ECUADOR+EGYPT+EL SALVADOR+ETHIOPIA+FIJI+FINLAND+FRANCE+GABON+GAMBIA+GHANA+GREECE+GUATEMALA+GUINEA+GUYANA+HAITI+HONDURAS+HUNGARY+ICELAND+INDIA+INDONESIA+IRAN+IRAQ+IRELAND+ISRAEL+ITALY+IVORY COAST+JAPAN+JORDAN+KENYA+KUWAIT+LAOS+LEBANON+LESOTHO+LIBERIA+LIBYA+LUXEMBOURG+MADAGASCAR+MALAWI+MALAYSIA+MALDIVES+MALI+MALTA+MAURITANIA+MAURITIUS+MEXICO+MONGOLIA+MOROCCO+NEPAL+NETHERLANDS+NEW ZEALAND+NICARAGUA+NIGER+NORWAY+OMAN+PAKISTAN+PANAMA+PARAGUAY+PERU+PHILIPPINES+POLAND+PORTUGAL+QATAR+ROMANIA+RWANDA+SOUTH AFRICA+SOMALIA+SOUTH SUDAN+SYRIA+TANZANIA+THAILAND+TOGO+TRINIDAD AND TOBAGO+TUNISIA+TURKEY+UGANDA+UKRAINE+UNITED STATES OF AMERICA+UNITED KINGDOM OF GREAT BRITAIN+UNITED ARAB EMIRATES+YEMEN

SECRET

ALBANIA+AFGHANISTAN+ALGERIA+ARGENTINA+AUSTRALIA+AUSTRIA+BAHRAIN+BARBAD
LGIUM+BHUTAN+BOLIVIA+BOTSWANA+BRAZIL+BRITAIN+BULGARIA+BURMA+BURUNDI+RY
BODIA+CAMEROON+CANADA+CENTRAL AFRICAN REP.+CEYLON+CHAD+CHILE+CHINA+COLO



General MacArthur receives the UN flag, 1950.

Korea

As far as the 27th General Assembly is concerned, the Korean question primarily involves the future UN role in that divided country. It is, potentially, the most contentious issue this year, though, if South Korea's supporters have their way, it will not be debated at all. The issue will first arise in the 25-member General Committee, which meets at the beginning of each session to thrash out the assembly agenda. The UK reportedly will propose that the Korean item be removed from the agenda and that assembly consideration be postponed until next year. The voting

in the committee will probably be extremely close. The committee recommendation will then go to the General Assembly for a vote. China has made it clear that even if the committee suggests postponement, it will still press the case in the assembly itself. South Korea's supporters claim that they have sufficient votes to carry the day for postponement. A number of countries do not want to be on the losing side this year, as they were last year on the Chinese representation vote, and their wavering makes the outcome uncertain.

If the move to postpone fails, the ensuing debate will center on the so-called Algerian resolution. Largely drafted by Pyongyang, it calls for dissolution of both the UN Command in Korea and the UN Commission for the Unification and Rehabilitation of Korea. The resolution recommends that North and South Korea work toward a peace treaty, upon conclusion of which all foreign troops should be withdrawn from the South. Finally, it calls upon all UN members to refrain from any interference in Korean affairs.

The Algerian resolution, although nearly identical in substance, is much softer in its wording than Soviet and Mongolian resolutions of previous years. It is being co-sponsored by several "neutrals" and by China, the Soviet Union, and a number of East European countries. Since all the co-sponsors are concerned to obtain as much support as possible for the resolution, it is probable that some of its language will be altered to satisfy particular delegations. The radical African states, for example, may not be persuaded that the Algerian resolution is strident enough and may introduce measures of their own.

If debate on the Korean question cannot be postponed, the General Assembly will have to decide whether North Korea should be invited to attend the debate as an observer, and on what

SECRET

SECRET

CONGO REPUBLIC+COSTA RICA+CUBA+CYPRUS+CZECHOSLOVAKIA+DAHOMY+DENMARK+D
 REPUBLIC+ECUADOR+EGYPT+EL SALVADOR+EQUATORIAL GUINEA+ETHIOPIA+FIJI+FINLA
 FRANCE+GABON+GAMBIA+GHANA+GREECE+GUATEMALA+GUINEA+GUYANA+HAITI+HONDU

terms. In past years, Pyongyang was invited on the condition that it accept the UN's competence to bring about a Korean settlement, a provision the North has always rejected. This year there is considerable feeling that any invitation should be unconditional. The British, for example, though in the forefront of the move to postpone debate, have said that if debate cannot be postponed, they would favor an unconditional invitation.

Disarmament

Debate will probably focus on the Soviet proposal for a world disarmament conference. Moscow now has in mind a forum in which all countries could set forth their ideas on how to deal with disarmament problems. The conference would convene in the next year or two, and would last from four to six weeks. The Soviets think that it might even evolve into a permanent body that would meet every two or three years. They propose that preparatory work for the conference get under way shortly after the General Assembly concludes.

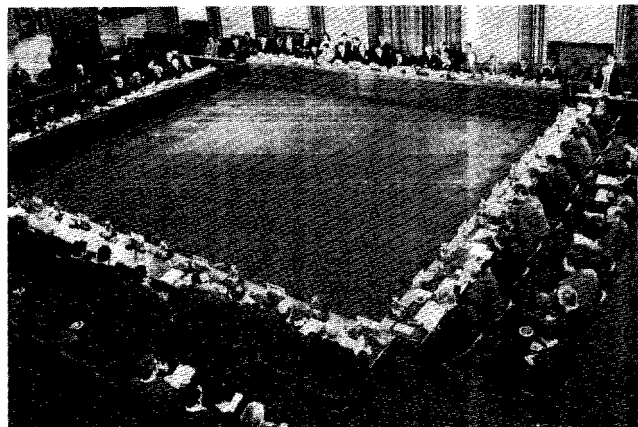
While many countries—especially the West European allies—have qualms about the Soviet proposal, few are so categorically opposed as the US. The result may be that the assembly will not endorse the Soviet initiative fully, but will set up some sort of preparatory machinery.

In assembly debate, supporters of the Soviet proposal will certainly point to the lack of progress at this summer's Geneva disarmament talks as indicating the need for an additional forum. The Geneva talks were not able to make as significant strides toward an agreement limiting chemical weapons as the Soviet Union, in particular, had hoped. While some countries that do not take part in the Geneva forum may support the idea of a world disarmament conference simply because

it would allow their presence, others may find it hard to see what a world-wide forum could accomplish when agreement cannot be reached in the more restricted one. Some support for the wider forum might be garnered on grounds that the Geneva talks cannot possibly be effective as long as France and China stay away. Thus, any indication that these countries might take part in a new forum would give the Soviet proposal an important boost. There are few signs, however, that their attitudes are changing. France recently made it clear that its position on disarmament issues has not been altered, and China has consistently said that it will not participate at Geneva until Peking is no longer threatened by the superpowers. The Chinese have also outlined political preconditions for a world conference that would be unacceptable to most other nuclear states.

The Soviet disarmament proposal may not be the only one to emerge at the General Assembly. Australia and New Zealand, concerned about the continuing French nuclear tests in the Pacific, have talked of introducing a resolution that would call, in general terms, for a comprehensive ban on nuclear testing.

Disarmament Conference at Geneva

**SECRET**

SECRET

JAPAN+JORDAN+KENYA+KUWAIT+LAOS+LIBANON+LESOTHO+LIBERIA+LIBYA+LUXEMBOURG
 MADAGASCAR+MALAWI+MALAYSIA+MALDIVE ISLANDS+MALI+MALTA+MAURITANIA+MAURITIUS
 MEXICO+MONGOLIA+MOROCCO+NEPAL+NETHERLANDS+NEW ZEALAND+NICARAGUA+NETHERLANDS

The Middle East

The situation in the Middle East will almost certainly be the subject of considerable assembly debate. The Egyptians may propose or attempt to inspire a resolution, perhaps similar to the resolutions adopted recently by the Organization of African Unity and the Georgetown Nonaligned Conference, both of which called for a total Israeli withdrawal from the occupied territories. Such a resolution would probably come very close to passing, but, even if adopted, would have very little practical effect.

Whether the Middle East debate will help or hinder the various diplomatic attempts to produce peace in the region is an open question. Several countries, especially the Soviet Union and Egypt, are interested in reviving the Jarring mission. The Swedish envoy's efforts virtually ceased in February 1971, when his suggestion—to propose his own plan for agreement—foundered on Israeli objections. Jarring recently was in New York taking soundings among the Arabs and Israelis. He found the positions of the two sides almost totally unchanged. At the end of his talks, he decided, on the recommendation of Waldheim, not even to produce a report, since that might only make matters worse.

Waldheim, in fact, may not put much store in Jarring. For several months, the secretary general has been lobbying for his own diplomatic scheme—a Middle East peace conference. He has in mind a meeting attended not only by the parties to the conflict, but by the major powers as well—a proposal that has been coldly received. If nothing comes of this scheme, Waldheim might push for a resumption of the four-power talks in New York. These have been suspended for a number of months. None of the four—the US, Soviet



Gunnar Jarring

Union, France, and the UK—is receptive. Expanding the talks by including China could stir new interest, but the Chinese expressed a lack of enthusiasm last November, and there have been no signs of a change of mind.

Finally, in the wake of the tragedy at the Munich Olympics, the secretary general has requested that an item on terrorism be included in the assembly's agenda. The plan is for the assembly to pass a resolution referring the matter to its legal committee which would propose practical measures. The assembly resolution would express the concern of the international community and emphasize the need for quick action.

SECRET

SECRET

ORWAY+OMAN+PAKISTAN+PANAMA+PARAGUAY+PERU+PHILIPPINES+POLAND+PORTUGAL+RUMANIA+RWANDA+SAUDI ARABIA+SENEGAL+SIERRA LEONE+SINGAPORE+SOMALIA+SOUTHERN YEMEN+SOVIET UNION+SPAIN+SUDAN+SWAZILAND+SWEDEN+SYRIA+TANZAN

Reduction of US Assessment

The US will introduce a resolution to reduce the maximum share of the regular UN budget that can be paid by any one member from 30 to 25 percent. At this point, the resolution's passage appears questionable.

At present, contributions are assessed for three-year periods by the General Assembly's Committee on Contributions. The rate is worked out on the basis of complex criteria for determining a state's ability to pay. The maximum contribution—which the US pays—has been fixed at 30 percent since 1957; without this limit, the US share would be considerably higher.

If the General Assembly agrees to the new 25-percent figure, the difference could be absorbed by increasing the assessments of other members, although this might not be necessary. Part of the slack could be taken up by the automatic increase in the shares of several developed countries starting in the 1974-76 period. The shortfall could also be met in part by contributions from new UN members. The admission of both Germanies—perhaps in 1973—would be especially helpful. According to a recent informal estimate, East Germany would pay 2 percent, and West Germany 6.8 percent of the UN budget.

Waldheim's ability to keep the UN budget in check will be a crucial factor in determining whether the US assessment can be decreased without corresponding increases from other members. In spite of his best efforts, his proposed budget this fall is larger than last year's by about 5 percent.

The US proposal has met with almost universal skepticism. Waldheim fears that a reduced assessment would be just one more financial head-

ache for his organization. Several countries agree in principle that no one member should contribute an inordinate share of the UN's costs, but recognize that a reduction could cause very real practical problems if it resulted in an increase in their own shares. Some point out that while the contributions of new members could be used to make up what is lost from the US contribution, the new money would not then be available to reduce the contributions of other states. The British are worried that reducing the maximum contribution could open a Pandora's box of changes in assessment procedures. A number of states, for example, want to lower the percentage of the minimum contribution—presently set at .04 percent—or to make other changes that would reduce the amount assessed from states with low per capita incomes.

Bangladesh

Bangladesh's admission to the UN depends largely on whether the Chinese withdraw their veto in the Security Council. Peking appears to be waiting for some progress on the prisoner of war issue and for Pakistani recognition of the Dacca regime, after which it might no longer stand in the way. Should this occur, the Security Council would recommend membership and the General Assembly would approve it, all without fuss. If the Chinese remain adamant, however, the issue is likely to be debated loud and long in the assembly. This body, of course, can take no meaningful action on membership without the Security Council's recommendation.

The Two Germanies

The German question could be troublesome even though East and West German membership will probably not be on the agenda, in part because negotiations between the two Germanies

SECRET

SECRET

ALBANIA+AFGHANISTAN+ALGERIA+ARGENTINA+AUSTRALIA+AUSTRIA+BAHRAIN+BARBADOS+BELGIUM+BHUTAN+BOLIVIA+BOTSWANA+BRAZIL+BRITAIN+BULGARIA+BURMA+BURUNDI+CAMBODIA+CAMEROON+CANADA+CENTRAL AFRICAN REP.+CEYLON+CHAD+CHILE+CHINA+COMOROS

are still going on. Soviet spokesmen have warned that the subject of East German participation could be brought up and it is possible that the bloc may press, presumably toward the end of the session, for East German observer status in order to boost Pankow's bid for international recognition. The West Germans have long had such status, but the East Germans lack the usual prerequisites for such observers—general recognition by UN members and membership in specialized agencies.

Rhodesia

The US may again be condemned for importing Rhodesian chrome in violation of UN sanctions. The Security Council passed a condemnatory resolution in July, and several African and Communist nations are unimpressed by the argument that the US imports represent a relatively small portion of Rhodesian exports.

Charter Review

Review of the UN Charter will be on the agenda again this year. Both the US and the Soviet Union oppose any attempts at comprehensive charter revision. The US has indicated, however, that it can accept changes on a case-by-case basis and thus may again support a move to review the role of the International Court of Justice. The US would also accept some modification in the structure of the Security Council in order to accommodate Japanese claims to a permanent seat. As a part of their campaign, the Japanese will lobby at this General Assembly session for a special committee to review the charter.

Windows on the Future

Environmental matters and the law of the sea may not cause much controversy at the assembly

bly this year, but in terms of defining new areas of international involvement, the two issues could be the most important subjects discussed. The UN sponsored the recent Stockholm Conference on the Environment—the first full-scale international meeting on the subject. Its declaration of principles was necessarily vague and its resolutions, even if implemented, may not do much to alleviate environmental problems. But the conference actions did nevertheless represent a striking expression of international concern. More than 100 resolutions passed by the conference must now be approved by the General Assembly. This will likely be done with little difficulty, although some modifications may be made along the way. A few delegations, for example, are concerned about the budgetary implications of a new UN environmental secretariat and fund. The position of the Soviet Union and most East European states on the resolutions is not known at this point; they did not go to Stockholm because East Germany was not represented. The Soviet Union however, has entered into environmental agreement with the US. The Chinese could raise some objections as would-be champions of the less-developed countries; some of these countries fear the economic costs of environmental measures proposed by the developed world.

The General Assembly will help pave the way for an international conference—unprecedented in scope—dealing with the law of the sea. This summer's session of the UN Seabeds Committee managed to remove the last serious obstacle to such a conference by approving a list of issues to be discussed. The haggling over the wording of this list went on for nearly a year, a clear sign of the immense difficulties these matters pose: passage through straits, the extent of the territorial seas, and international law of the sea machinery. The attack on these problems will be left to the conference itself, and the General

SECRET

SECRET

CONGO REPUBLIC+COSTA RICA+CUBA+CYPRUS+CZECHOSLOVAKIA+DAHOMY+DENMARK+DOMINICAN REPUBLIC+ECUADOR+EGYPT+EL SALVADOR+EQUATORIAL GUINEA+ETHIOPIA+FIJI+FINLAND+FRANCE+GABON+GAMBIA+GHANA+GREECE+GUATEMALA+GUINEA+GUYANA+HAITI+HONDURAS

Assembly will only be concerned with approving the list of issues and scheduling the conference. Although most UN members agree it should start in late 1973 or early 1974, some delegations may try to have it postponed. A number of developing states worked to delay approval of the list of issues in order to drum up more support, and they could apply the same tactic to the conference itself.

The Chinese Role

The dire consequences that some predicted would follow Communist China's admission to the UN have not yet ensued. But the presence of the Chinese does add a new dimension to the organization. Last year, they were not able to participate fully in the assembly's work. They missed the first month of the session and were unprepared to deal immediately with the complex issues confronting them. Peking's representatives are now acclimated to the UN atmosphere, and will be expressing their views on a wider variety of subjects in many more committees.

They can be expected to continue their efforts to convince developing countries that Peking is the true champion of the underdeveloped part of the world, much as they did at the UNCTAD conference, the Stockholm Conference, and the Seabeds Committee meeting earlier this year. They were not successful in grasping such leadership in these arenas.

In the campaign to appear as leader of the developing nations, the Chinese will no doubt clash with the US and the Soviet Union on a number of issues. Their veto of membership for Bangladesh did not burnish Peking's image with the developing countries. Moscow was delighted with the veto, holding that it showed China was a "superpower's superpower" with no special

claims on the less developed. The Chinese reacted testily to the Soviet glee, saying in a *People's Daily* editorial, "You Soviet revisionist worthies have committed all kinds of truculent acts in the world and have fully revealed your own ugly features as a superpower."

Peking takes its seat at the UN.



SECRET

SOUTHERN YEMEN+SOVIET UNION+SPAIN+SUDAN+SWITZERLAND+TANZANIA+THAILAND+TOGO+TRINIDAD AND TOBAGO+TUNISIA+UNITED STATES OF AMERICA+URUGUAY+VENEZUELA+YEMEN+YUGOSLAVIA



Secretary General Waldheim

The Secretary General

The UN is more universal with the addition of Communist China, but whether it will also be able to put its influence to effective political use depends in part on the new secretary general. When a successor to U Thant—whose term could hardly have been more lackluster—was being sought, some delegations hoped that the choice would fall to a man who would firmly grip the helm. Kurt Waldheim did not look like that sort of leader last year, nor does he now.

If Waldheim's first annual report is any guide, a stronger secretary general could yet emerge. Peace and security in the 20th century, he wrote in early August, cannot be maintained by a concert of great powers, as in the 19th. The danger of a third world war will always exist unless "international political institutions work as they were intended to work." Waldheim did, however, perceive "a certain unwillingness" in the world community to involve the UN in some conflicts. This unwillingness was reflected in the cool reception to the secretary general's offers to inject the UN in a settlement of the Vietnam conflict and his proposal for a Middle East peace conference.

Waldheim's advances so far may indicate that the UN's most effective role at this juncture is diplomatic intervention on a smaller scale. The parties to the Cyprus dispute did agree to accept his proposal that intercommunal talks be resumed with a UN observer present, though this may do little to move the Cyprus problem off dead center. Waldheim may have a minor success in dealing with the South-West African (Namibian) situation. He has at least gotten the South African Government to permit a UN representative to

monitor progress toward independence. It is questionable, however, that the UN will have much influence on South Africa's policy toward those areas that it controls in violation of UN resolutions and International Court of Justice opinions. In another instance, the UN was unable to soften the harsh repressive policies of the government of Burundi against the Hutu majority last summer. Two UN teams have visited Burundi, and Waldheim is still groping for a way to establish a UN "presence" there.

In sum, while Waldheim has succeeded in injecting the UN into some of the little political crises of the world, his efforts have not been crowned with much success.

Outlook

The UN has, indeed, fallen upon hard times. Waldheim's brave words about the need for the UN to play the crucial role in maintaining world peace ring hollow against the reality of the organization's small influence and the secretary general's own uninspiring performance. The UN has always been a forum in which the troubles of the world can be debated, and that it remains. But the hopes of some for more practical results seem further than ever from realization. When the assembly grasps issues such as the environment and law of the sea, however, it may be pointing the organization toward new goals and away from its present deficiencies as referee of the world's political power games.

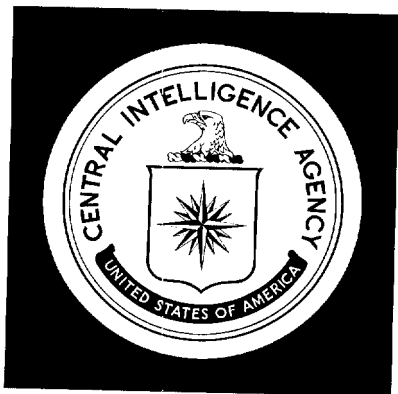
25X1

Secret

Secret

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

The Communist Economic Courtship of Latin America

Secret

No. 47

15 September 1972
No. 0387/72B

Page Denied

Next 1 Page(s) In Document Denied

Communist Economic Courtship of Latin America



SECRET

25X1

Latin America, long a preserve of Western political and economic influence, has begun to establish closer ties with Communist countries. As a result of the recent rise in economic nationalism and changing political attitudes, Latin nations are coming to view the Communist countries as alternative sources for some economic aid and as potential markets for some surplus goods. The Communist countries, for their part, see Latin America as a new market for capital equipment as well as a potential source of industrial raw materials.

Communist countries have extended \$1.1 billion in economic aid to eleven Latin American nations, excluding Cuba. More than \$625 million of this has been provided since 1969—almost one and a half times the amount extended during the preceding 12 years. The upsurge in the amount of aid is indicative of the greater willingness of some Latin American countries to accept direct project assistance, even though it will involve the acceptance of large numbers of Communist technicians. The countries of Eastern Europe are the largest donors, providing about \$500 million, followed

by the USSR with commitments of some \$485 million. China, which only entered the field last year, has extended \$135 million so far.

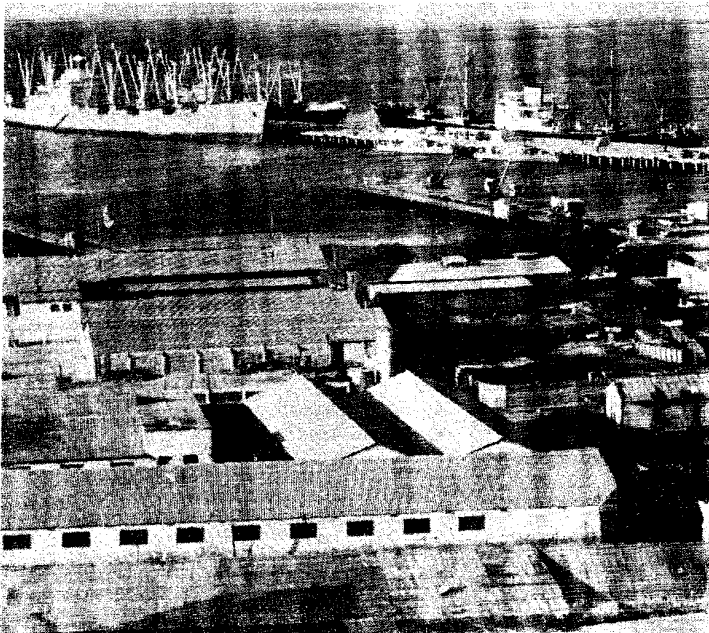
Off to a Slow Start

From 1958 to 1969, Latin America's relations with Communist countries were confined for the most part to diplomatic and trade promotion activities. Communist credits, geared almost entirely to promote sales of equipment, required down payments and amortization over a relatively short period of five to eight years with interest as high as six percent. As a consequence of the hard terms, as well as preference for Western equipment, Latin American nations were slow to exercise their options, and credits worth only about \$450 million were accepted from Communist countries in this period. Brazil accounted for about three fourths of this amount. Soviet credits of \$55 million to Chile in 1967 included the first direct project aid by a Communist country to Latin America, but this aid was not used until recently. In fact, only a small part of the entire \$450 million had been used by the end of 1969.

The Warming of Economic Relations

Since 1970, the level of Communist aid undertakings in Latin America has expanded. This is largely an outgrowth of relations established with the leftist governments in Peru and Chile. Still, more than \$100 million of economic aid was extended during 1970-72 to Bolivia, Costa Rica, Guyana, and Venezuela, all of which were accepting assistance from Communist countries for the first time. The provision of credits on somewhat easier terms and for the construction of public sector projects made Communist aid offers more attractive.

Allende's Marxist government, which came to power in Chile in November 1970, has been a major target of the Communist economic offensive in Latin America. It has received new aid commitments of some \$370 million, more than half of which came from the USSR. The remainder includes \$95 million from Eastern Europe and \$65 million from China. Since Allende's



Paita, Peru
Site of Soviet aid project.

SECRET

SECRET

25X1

election, Chile has signed or renewed trade agreements with all of the Communist countries, and Communist banks have made available at least \$50 million of revolving hard-currency credits to Chile for foreign purchases. For the first time, progress is being made in implementing Communist project aid commitments. The USSR has started constructing a lubricants plant and a prefab housing plant, and surveys for port development and several processing plants are under way. Moscow also has begun deliveries on a large number of tractors being purchased under long-term credit. >

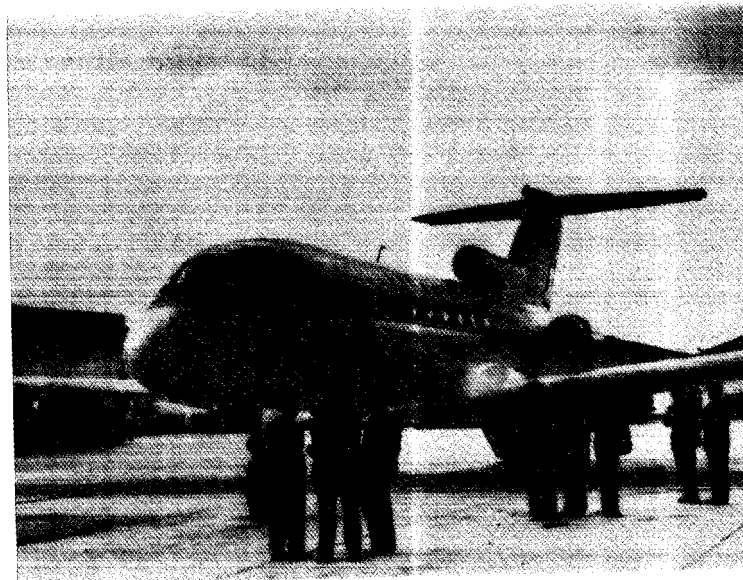
/ < Peru's military revolutionary government, in power since 1968, has concluded diplomatic, trade, and aid agreements with most of the Communist nations. Lima's first Communist aid, a small supplier-type credit from Czechoslovakia in 1969 was followed by other East European credits totaling about \$50 million, largely to finance capital goods purchases. The USSR has begun to expand port facilities and to construct fish processing factories that will comprise one of Latin America's largest fishing complexes—a project for which it has extended \$26 million in credits. China has begun discussions on assistance for developing Peru's petroleum and mining industries under the \$42-million credit provided last year—China's first development assistance to a Latin American country. >

/ < The recent rise in Communist aid activity has resulted in a large increase in Communist technicians in Latin America, especially in Chile. Between 1969 and the first half of 1972, the number of Soviet technicians throughout Latin America has tripled and now totals 250. China's first contingent of technicians in Latin America recently arrived in Guyana. The 25 experts are initiating industrial and agricultural training programs, preparatory to starting actual work on projects under Chinese credits extended to Guyana earlier this year. >

Trade Lags Behind

2/ Although overtures to Latin America have increased in the past several years, trade is still

Special Report



Soviet YAK-40
Visiting Bogota, Colombia

under \$500 million annually—a little more than one percent of total Latin American trade. Argentina and Brazil account for more than half of Latin American trade with the Communist world, although Chile will become a more important trading partner if recent trade and aid agreements are implemented. New trade pacts provide opportunities for increased Latin American exports of such items as bananas, coffee, hides, grain, fish meal, nitrate, copper, iron ore, and tin concentrate in return for machinery, equipment, and ships. However, there probably will be few Latin American equipment purchases not financed under aid agreements. Even if present aid commitments were actively drawn down, they probably would not directly contribute more than \$50-\$100 million a year to trade during the next five years. Repayments for aid deliveries would add only a small fraction to this amount. The resulting trade totals during the next five years will still put Communist nations very low on the list of Latin America's trading partners. >

Outlook

1/ < Communist countries will continue to provide economic assistance to Latin America where

3

15 September 1972

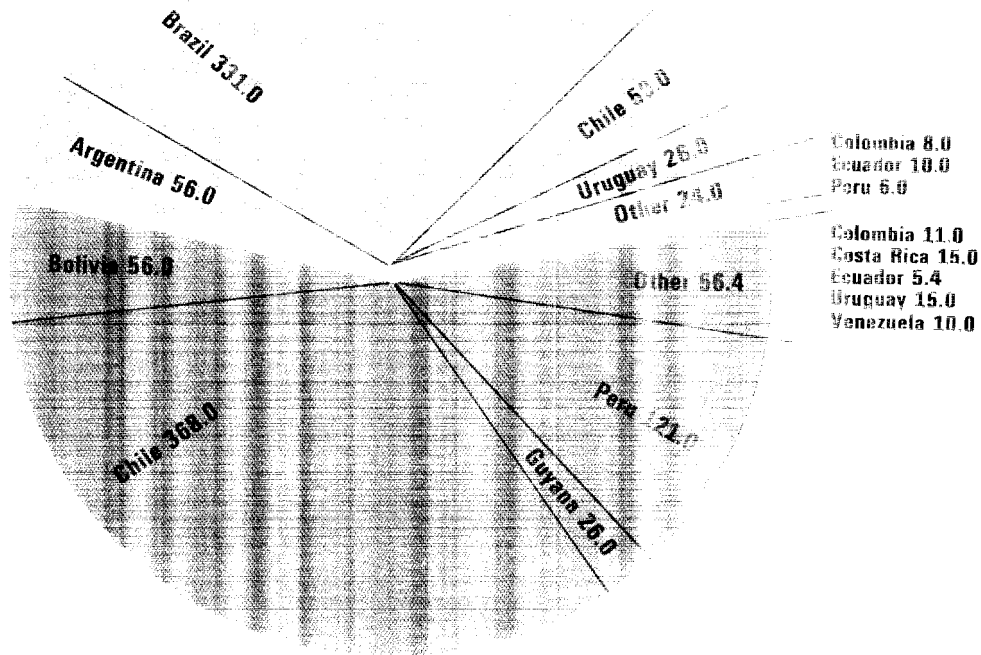
SECRET

SECRET

25X1

Communist Aid Extensions to Latin America (Figures in million US \$)

1954-1969



1970-1972

25X1



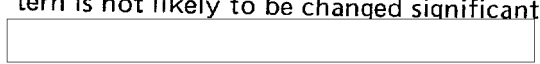
553564 9-72 CIA

the returns are of economic or political advantage to them; in turn, the Communists provide the Latin countries with alternative sources of aid. Nevertheless, the Communists will not be able or willing to assume the entire burden or even a large share of Latin America's requirements for foreign assistance. Annual Western aid disbursements to the continent during 1965-70 averaged \$13 billion, more than two and a half times the annual average Communist aid disbursements to all the less-developed countries of the free world in those

years. Western assistance also is provided on more concessionary terms and includes a larger proportion of grants.

Although new trade agreements set high targets, actual trade during the next few years probably will remain a relatively small percent of Latin America's total trade, and the trading pattern is not likely to be changed significantly.

25X1



25X1

Special Report

15 September 1972

SECRET

Secret

Secret