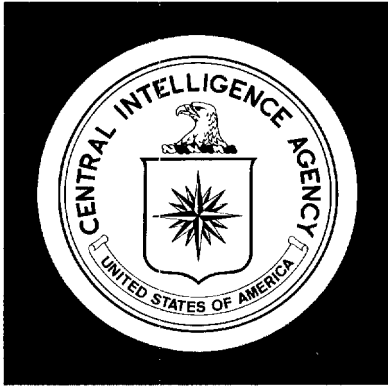


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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27 October 1972
No. 0393/72

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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

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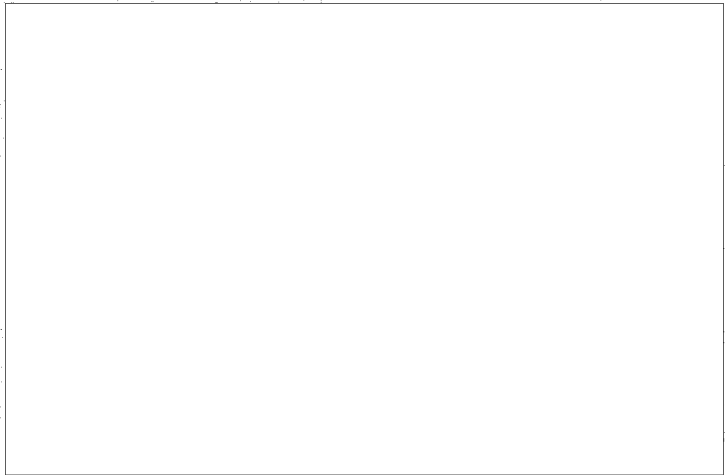
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Still The Sino-Soviet Dispute

1 [Over the past few months, the Chinese and Soviets have missed few opportunities to blacken each other's reputation. While the Soviets have been buttonholing foreign visitors in Moscow for several years with recitations of Chinese sins, the increasing number of diplomatic visitors in Peking is giving the Chinese new openings to counter with warnings about Soviet infamy. The dispute still strongly colors the foreign policy of both.]

Peking on the Offensive

2 [Recent high-level delegations to Peking from the UK, France, Canada, Japan, and West Germany have all come away with the same impression: the Chinese hierarchy is acutely preoccupied with the Soviet threat, and this influences almost every facet of Chinese foreign policy.]

3 [The most comprehensive recent exposition of Chinese views came during the visit of German Foreign Minister Scheel in mid-October. German officials say the Chinese were surprisingly eager to castigate the Soviets as both expansionist and untrustworthy. Chinese Foreign Minister Chi Peng-fei cited the 1968 invasion of Czechoslovakia as proof of Soviet "treachery," and argued strongly that the time was not opportune for concluding treaties with Moscow. He claimed China did not object to Bonn's treaty with Moscow, but bluntly warned Scheel that the Soviets viewed all treaties as temporary, and that the agreement would be "tossed in the scrap basket" when Moscow found it convenient to do so.]

4 [Chi expressed an acute interest in developments in the European Communities and apprehension over proposed conferences on force reductions and European security. Countering Scheel's statement that the Soviet Union was being forced by internal pressures to reduce the arms race and come to an accommodation with the Western European nations, Chi said that such internal pressures ranked low compared with Moscow's judgment that detente with the West allowed the Soviets to build up its defenses on the Sino-Soviet border. Chi painted the Soviet Union as a dangerous expansionist power that would attack either the West or the East if it thought gains could be made. He cautioned the Germans to remain vigilant, to pay more attention to national defense, and not to give up the US nuclear umbrella. Chou En-lai was just as critical of the Soviets, although he used less polemical language than his foreign minister.]

5 [In their discussions with Scheel—and with other recent visitors such as French Foreign Minister Schumann—the Chinese obviously had in mind the then upcoming EC summit and no doubt hoped to encourage movement toward political unity in West Europe. Indeed, the Chinese give tacit approval to a strong NATO and the US nuclear umbrella as a means to this end. The Chinese realize that overt and strenuous opposition to such projects as talks on force reductions and European security would be counterproductive, but they are unlikely to abandon attempts to convince European diplomats that Moscow is using detente as a facade to

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strengthen itself militarily, and that the long-term prospect of peace with the Soviets is an illusion.]

[Chinese apprehension about the Soviet threat is certainly not new—it has remained high at least since the Sino-Soviet border clashes of 1969. What is new, however, is the active, and even optimistic tone of China's current diplomatic and propaganda offensive against Moscow. This note of self-confidence was struck in Chiao Kuan-hua's policy speech before the UN on 3 October, and is perhaps best exemplified by the 1 October National Day joint editorial, which claimed that Peking's flexible approach in foreign policy is effectively countering Soviet efforts to encircle and isolate Peking.]

Moscow Fights Back

[Aware of the opportunities Chinese officials have had recently to warn foreign statesmen about Soviet objectives, Moscow has launched a public counteroffensive. On 19 October, the Soviet weekly *New Times* condemned Peking's efforts to make trouble for the USSR in Europe. In what reads like a blow-by-blow rebuttal of Chinese comments to the Scheel delegation, *New*

JAPAN-USSR: NO THAW THIS WINTER

Japanese Foreign Minister Ohira's visit to Moscow succeeded only in underscoring the gulf between the two countries on the crucial Northern Territories issue. The Soviets, while clearly interested in improving relations with Tokyo, were apparently unwilling to meet Japan's demand that all the disputed islands be returned. The communique, issued on 25 October, said that consultations between the two foreign ministers would be held "in 1973." The statement was deliberately vague and shed no light on whether lower level talks on the peace treaty and territorial issues would get under way before their next meeting. [redacted]

Times berated China for trying to convince West European politicians of the need to unite against the USSR. The article also raised a sensitive issue in charging that China hopes to re-equip Chinese industry with Western aid, and thereby increase China's military capability, "including the nuclear missile one."]

[Soviet leaders are painfully aware that Chinese claims of new diplomatic successes amount to a good deal more than empty talk. Over the last few weeks, the Russians have had to sit on their hands watching China normalize relations with the two most important states on their flanks. China's closer links with Japan and West Germany strengthens the hand of all three in their dealings with Moscow, and the Soviet leaders are clearly concerned that Peking's ability to foul Soviet lines to these two key countries has been improved.]

And the Talks Go On—Very Slowly

[The chief Soviet negotiator at the border talks, Deputy Foreign Minister Ilichev, flew back to Peking last week after two months in Moscow, where he has spent more than half of his time over the past year. He arrived back in China in time to mark the third anniversary of the current talks with appropriate ceremony; that is, no ceremony at all. Neither side bothered to mention the occasion, which slipped by unnoticed on 20 October. There has been no real evidence of progress in these talks, and what the Soviets and Chinese have recently been saying, both privately and in public, strongly suggests the negotiations will remain stalemated for the foreseeable future. [Despite the lack of results, both Peking and Moscow apparently continue to regard the talks as a useful channel of communication on the sensitive frontier problem, and neither seems to want them to end. During a conversation early this month with a Western diplomat in Moscow, Soviet negotiator Ilichev dutifully explained that, while the talks were stymied, "one must be patient." [redacted]

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Leaders of the Nine Common Market Nations*

EUROPE: A VIEW FROM THE SUMMIT

[The principal achievement of last week's nine-nation summit meeting in Paris was the explicit recognition that the communities' goals are both economic and political. With an as yet undefined "European union" announced as an objective of the member states within this decade and with a large number of deadlines set over the next two years for new policies, the summit outcome was more positive than expected.]

[Timetables for policies do not, of course, assure that agreements on them will be reached. Nevertheless, the EC has in the past advanced under the pressure of self-imposed deadlines, and many of the intended policies are the necessary pre-conditions for the effective economic and monetary union the members are pledged to achieve by 1980. Moreover, in pressing for action on social, environmental, and regional policies, the leaders were aware that progress in such areas might help recapture popular interest in the community itself.]

[They also recognized a need to appeal to the "man in the street" by democratizing the community. The Dutch in particular argued strongly for popular election of the European Parliament but the French and British were opposed. This

and other such far-reaching reforms will presumably have to wait until a general review of EC institutions is undertaken in 1975 in the context of a debate on "European union." Interim proposals will be presented next year, however, on how to improve community decision-making, how to extend the powers of the parliament, and how to strengthen the institutions required by the movement toward economic and monetary union. The summit also agreed to increase the ministerial-level foreign policy consultations from two to four meetings a year.]

[In response to growing criticism that the EC is inward looking, the leaders acknowledged that the community's external relations must take into account the "international political implications for, and the effects of, community policies under construction." Despite the emphasis on global responsibility, general reference was made to the EC's special ties to the Mediterranean countries—ties that the US fears will provide the EC with preferential trading access to Mediterranean countries. The French and British resisted Bonn's desire to "institutionalize" the US-EC dialogue, but all emphasized the importance of trans-Atlantic agreement. Heavy stress was also laid on improving the EC's performance vis-a-vis

*(from left): Eyskens (Belgium), Werner (Luxembourg), Lynch (Ireland), Joergensen (Denmark, partially hidden), Brandt, Biesheuvel (Netherlands), Pompidou, Heath, Andreotti (Italy), and French Premier Messmer.

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developing countries, although the summit failed to endorse some of the specific aid goals suggested by the commission.]

Intended both to welcome the accession of the new members and to give fresh impetus to the integration movement, the summit may in fact have been the beginning of a new relationship among the member states. Along with the Dutch, the Germans were in great part responsible for the affirmation of the community's international outlook—including a commitment to early progress on trade negotiations. Prime Minister Heath contributed the note that the world scene requires Europe to make its voice more clearly heard. Although the French can be expected to continue to oppose delegation of additional powers to community institutions, President Pompidou showed a certain flexibility in conceding that community procedures—in contrast to inter-state cooperation—should be accorded the "widest possible use" in putting into effect the programs sketched out at the summit.]

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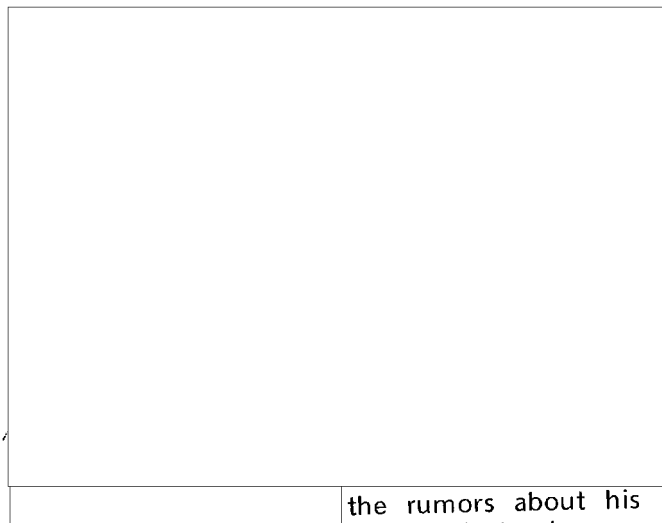


Political Posters in Buenos Aires 25X1

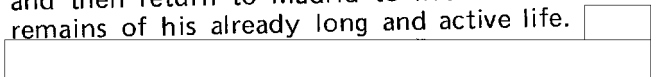
ARGENTINA: WILL PERON RETURN? 25X1

// [The question of whether former dictator Juan Peron will return to Argentina is currently overshadowing all other topics of political speculation in Buenos Aires, including the coming elections. The latest story, picked up by the major international news agencies, is that Peron will arrive on 17 November, accompanied by a host of Peronist leaders as well as the embalmed body of his second wife, Eva.] The return of the beloved Evita—preserved by a method similar to that used on Lenin—would stir an emotional outpouring that might well diminish the importance of Peron's arrival on the scene, but would assure maximum coverage to the long-awaited second coming.]

14 [There is no assurance, of course, that the speculation is fueled by anything more than the usual political maneuvering. Peron, in fact, is continuing to play his normal game of giving different stories to each person he talks to. He is reported to have told the French news service on 22 October that he has no immediate plans to travel to Argentina. He said that his "tactical command" in Argentina had not told him his presence was vital and that he did not want to return to his native land if his presence would create more violence. At about the same time, he reportedly told an Italian correspondent that he would make the trip very soon because his "tactical command" had informed him that his presence in Argentina was necessary.]



14 the rumors about his coming may become reality if an electoral agreement can be worked out between the military and the Peronists. Both Peron and President Lanusse appear to agree that if the old dictator does return he should limit himself to a short visit of three or four days, preferably in some provincial city. This type of sojourn would fulfill Peron's promise to return while at the same time reducing the chance of an assassination attempt by any of his sworn enemies. It would also reduce the risk seen by the military that Peron would be carried into power by massive demonstrations as he was in 1945. The scenario, thus, would be that Peron would arrive in Argentina, endorse an electoral agreement with the military, anoint someone to carry the Peronist banner in the March elections, and then return to Madrid to live out whatever remains of his already long and active life.



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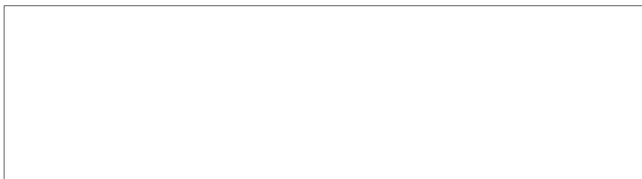
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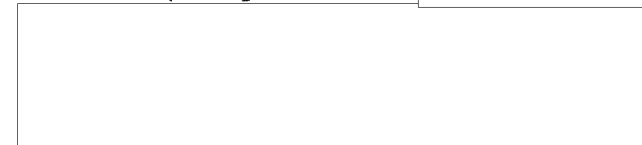
SOUTH VIETNAM: WINDING DOWN?

Communist plans to raise the level of military action this month, reported from many parts of South Vietnam, have been implemented on only a limited scale thus far. In recent weeks, in fact, the South Vietnamese have gained much of the battlefield initiative and are making more determined efforts to recapture lost territory. There are no signs, that Communist units are pulling back from prime target areas.

During the week, enemy activity consisted, for the most part, of shelling and harassment. A number of airfields, including Da Nang, Bien Hoa, Pleiku, and Phan Rang, were hit by large-caliber rockets. Government bases and some towns also came under rocket and mortar fire. Road traffic was harassed, especially in the highlands and in the provinces nearer Saigon.



Wide-spread speculation or some official directive regarding the imminence of a cease-fire may have had an effect on the willingness of some Communist troops to go into battle.



There is also good evidence, however, that allied air and artillery attacks, together with more aggressive South Vietnamese ground operations, have severely crippled enemy units and that several key officers as well as many combat troops have been killed or otherwise put out of action.



TALKING PEACE IN LAOS

The Lao Communists indicate that they attach considerable importance to the current round of peace talks in Vientiane. In the week's most significant development, the Communists announced on 25 October that Phoumi Vongvichit was being dispatched to the Lao capital to serve as a "special adviser" to their negotiating team. Phoumi is generally regarded as one of the top three Lao Communist leaders and, as such, presumably will have wide discretion in dealing with government negotiators.

At the second session of the talks on 24 October, chief Communist negotiator Phoune Sipraseuth concentrated on the familiar arguments that Souvanna's government can no longer be considered the neutral government of national union set up in 1962 by the Geneva Conference and that the two sides must negotiate, on an equal basis, a new coalition structure. The government and the Communists have now taken their initial bargaining stances on political issues, and serious probing for signs of give could begin at next week's talks. Although, on 24 October, Phoune castigated the government for a lack of "good will and realism," he held out the hope of a constructive dialogue by pointing to "certain points" in Vientiane's position as "capable of bringing us together."

Military Action Increases

As the peace talks go on, government forces in north and south Laos are trying to regain important ground before drier weather permits the Communists to reinforce and resupply. In the north, irregular troops have again moved onto the southern Plaine des Jarres and are pushing toward high-ground positions at the Plaine's eastern and western edges despite North Vietnamese infantry and armor attacks. The assignment of an additional 2,000 troops to this operation makes it the largest task force yet committed to the ten-week campaign in the north.

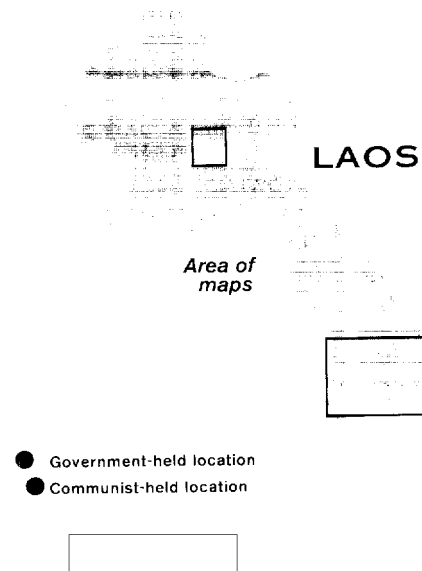
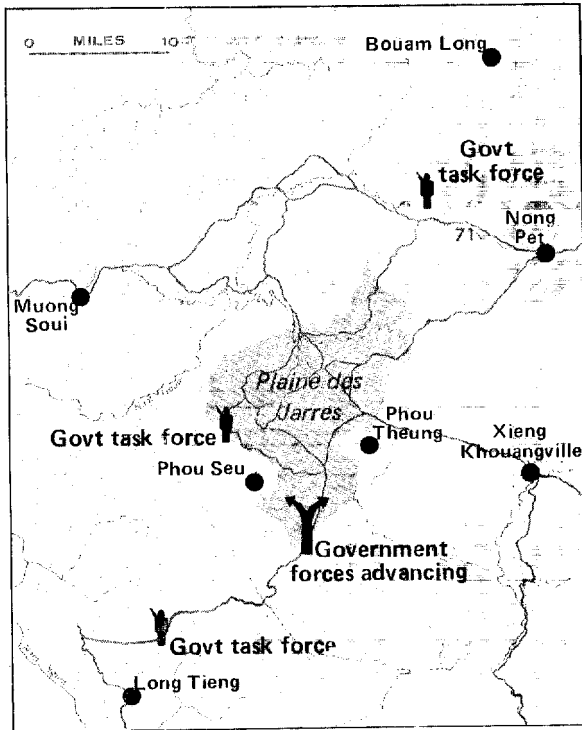
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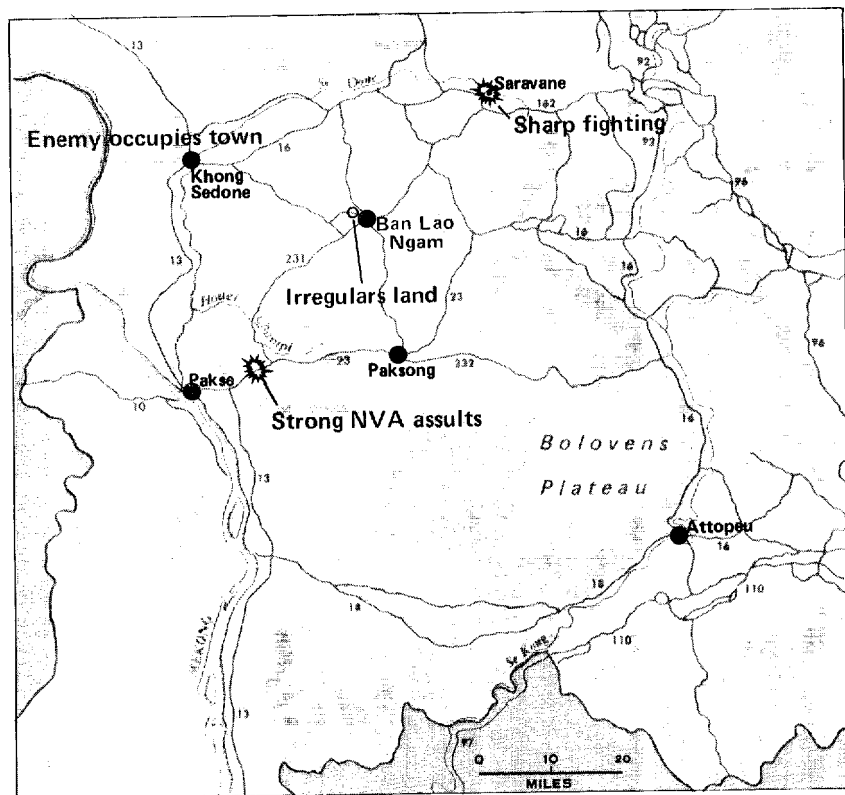
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Although the Communists have been hit hard by daily air strikes, they appear determined to counter the new thrusts. If the irregulars are expelled this time, Vang Pao will have little time left to organize another foray against the Plain before the Communists begin to receive dry-season reinforcements.

In south Laos, eight irregular battalions are meeting stiff resistance from North Vietnamese units entrenched in the town of Saravane. Southwest of Saravane four other battalions operating behind Communist lines in the vicinity of Ban Lao Ngam—a village on an important enemy supply route—have yet to encounter opposition.

The Communists, meanwhile, launched an offensive of their own. Late last week, elements of the North Vietnamese 39th Regiment forced the government garrison to abandon Khong Sedone, while troops from the North Vietnamese 9th Regiment launched several major attacks on government positions farther south near the intersection of Routes 23/231. The presence of government troops at Ban Lao Ngam may force the North Vietnamese to shift some of their units back to that area and away from these offensives.

CAMBODIA: THE NEGOTIATIONS DILEMMA

Widespread interest in a cease-fire in South Vietnam and the opening of peace talks in Laos have had an obvious impact on the Lon Nol government, whose own negotiating prospects remain uncertain. In its second statement on a cease-fire in less than a month, Phnom Penh late last week reiterated that any cease-fire must be Indochina-wide and must provide for an immediate and internationally supervised withdrawal of all Vietnamese Communist troops from Cambodia. While the government undoubtedly recognizes its dependence on external forces to effect such a withdrawal, the statement depicted the resolution of the Khmer Communist "problem" as strictly an internal affair.

But other than its curt acknowledgment that the Khmer Communists do indeed represent a

problem, the Lon Nol regime has thus far not revealed any serious interest in dealing with the indigenous insurgents at a politically high level. One reason for Phnom Penh's reluctance is fear that substantive contacts would support the Khmer Communists' contention that the current conflict is a civil war. Another important reason is Lon Nol's apparently sincere view that the Khmer Communists are largely misguided nationalists who will rally to the government once Vietnamese Communist forces have withdrawn from Cambodia.

The President's appraisal of the Khmer Communists seems unduly optimistic, however. In the past two years, the Khmer Communists—a number of whom were trained in North Vietnam—have laid the foundations for a Communist infrastructure in virtually every province in the country. Despite continuing handicaps such as internal dissension, a shortage of experienced cadre, and friction with their Vietnamese allies, the Khmer Communists have developed their military forces to the point where they are increasingly willing and able to shoulder more of the Communist war effort in Cambodia. During the present dry season, for example, Khmer Communist forces have been chiefly responsible for the pressure against several key lines of communication.

The role played by Sihanouk would be a complicating aspect of any possible future negotiations between Phnom Penh and the Khmer Communists. In a recent interview in Peking, Sihanouk asserted that both Le Duc Tho and Chou En-lai support his stand that "the Cambodian problem could only be settled with Sihanouk." The Lon Nol government, however, has consistently held that it would never deal with Sihanouk, and the deposed prince has been equally adamant about refusing to negotiate with the present regime in Phnom Penh. There are also indications that, although appreciative of Sihanouk's present political and propaganda value, the Khmer Communists would be reluctant to see him return to power permanently.

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CHINA: LOTS OF MOVES, LITTLE GAIN

21 [Peking has made a number of high-level appointments in the government and the party—a process that virtually halted after the Lin Piao affair last fall.] [The new appointees are a mixed bag, and their selection conveys an impression of continued political struggle rather than of progress toward unity. The cursory treatment of domestic affairs in the National Day joint editorial, the continued delay in convening the National People's Congress, and the failure to designate a leader for the armed forces all suggest that the leadership remains divided on a number of key issues.]

30 [Despite the regime's persistent calls for the reduction of the political and administrative role of the military, two of the three new government ministers are veteran army officers.] [One of the two was closely associated during the Cultural Revolution with Li Te-sheng, alternative polit-



Wang Hung-wen

buro member and head of the General Political Department of the armed forces, whose star seems to be rising.]

30 [The third new appointee, Minister of the State Planning Commission Yu Chiu-li, is a veteran civilian administrator who assumes the regime's top economic post at a time when economic planning is becoming more important. Yu, who was severely criticized by leftist Red Guards during the Cultural Revolution, is a strong supporter of Premier Chou En-lai, and his promotion improves the position of moderate forces at the center.]

31 [On the other hand, the elevation last month of Wang Hung-wen, a youthful textile worker from Shanghai, to what appears to be an important party post in Peking is almost certainly favored by leftist elements in the leadership. Since Wang's arrival in Peking, he has appeared frequently at the side of Madame Mao and politburo member Yao Wen-yuan, both prominent leftists.] [Indeed, Wang's promotion, which preceded the ministerial appointments by only a few weeks, may have been part of a package deal which balanced off contending interests in Peking.]

30 [Thus, while Peking may have made some progress in breaking the personnel logjam at the top, the regime does not appear to have gained much ground in resolving the deep-seated factional and ideological differences within the top leadership. Rather, the recent appointments seem to be products of a continuing process in Peking in which the progress of moderate elements in restaffing the party and state bureaucracies with like-minded personnel is matched to an important degree by gains on the leftist side of the ledger. Moreover, the degree to which Premier Chou and Madame Mao are personally identified with these rival interests strongly suggests a clash of wills. In such a conflict, Mao's role is a determining factor.]

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KOREA: BUSINESS AS USUAL

Seoul's 17 October martial law decree has generated virtually no domestic resistance, and the government has already begun to ease some of the restrictions to avoid prolonging the crisis atmosphere. Public assembly for all but political purposes is now permitted. Some universities have been allowed to reopen. The armed forces have been instructed to avoid interfering with routine activities, and the presence of military equipment and personnel in the capital and other major cities is being kept to a minimum. The political opposition and the press remain under tight security wraps; no arrests have been reported.

The government is feeling its way gingerly and will probably maintain extremely tight security at home until the process of amending the constitution is completed toward the end of the year. The proposed amendments—designed to perpetuate Pak's leadership—will be announced on 27 October, but the South Korean authorities have already begun to leak details of these proposals, probably in an effort to cushion their impact. The arrangements include:

- a president chosen for six years by a group of electors selected from local administrations controlled by the government;
- a national assembly, serving concur-

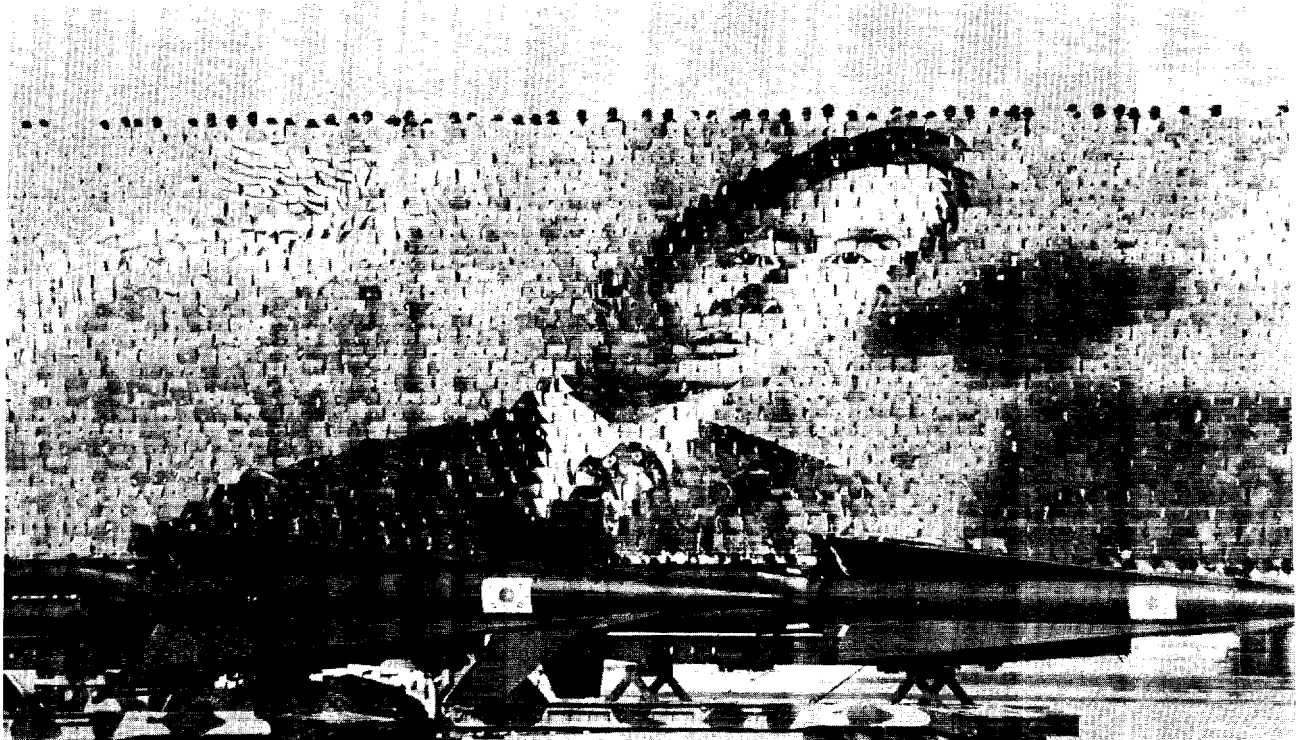
rently with the president, to be partially elected and partially appointed by the new executive.

Members of the Extraordinary State Council, the current governing body composed of the President and his cabinet, have been busy lobbying in business and diplomatic circles to reassure domestic and foreign entrepreneurs that the new measures will not damage the country's economy or affect economic activities. President Pak and his prime minister seem particularly sensitive to the possibility that the nation's economy could suffer as a result of a lack of confidence in the government.

As suggested in Pyongyang's mild propaganda coverage of the martial law decree, Seoul's action has had little direct impact on the progress of the North-South talks. The Red Cross delegations met in Pyongyang as scheduled on 24 October to discuss proposals for putting divided families in touch with one another; no agreement was reached, but further talks are planned. Seoul and Pyongyang have also agreed that the co-chairmen of the higher level Coordinating Committee will meet twice next month. Both appear to be looking to these sessions to iron out difficulties associated with the Red Cross meetings.

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A larger image: Stadium portrait of President Pak during Armed Forces Day parade



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WEST GERMANY: A MIXED BLESSING

34 [The economy, stagnant in 1971, is on the upswing. Industry's order books are slowly filling, profit margins are improving, investment is picking up, and unemployment, which failed to rise as much as feared during the slowdown, has leveled off. These gains, however, are likely to be overshadowed by the acceleration in inflationary pressures. Inflation is a major issue in the November election, and the record increase in living costs last month will fuel opposition charges that the inflation results from three years of economic mismanagement by the Brandt government.]

35 [Real gross national product, which grew by two percent in the first half of this year, is likely to rise at double that rate during the second half. Increases in domestic orders for machinery and equipment reflect the improving investment climate. Growing inventories and orders for raw materials and semi-finished goods also indicate improved business confidence. Export demand has increased significantly, quieting widespread fears that a revalued deutschemark would price German goods out of foreign markets.]

36 [Employment has not yet increased, but the number of workers on reduced work shifts has declined drastically. Unemployment in September was only about 195,000, less than one percent of the labor force, and reported job vacancies numbered nearly 600,000. At the same time, the foreign labor force exceeded 2.3 million, up five percent from 1971.]

37 [Inflation remains the Achilles' heel of the West German economy. Living costs in September were 6.2 percent over the same month last year—the highest increase since the Korean War—and probably will rise five percent next year. Inflation in West Germany is no worse than in other industrial countries—indeed it is less than in most—but this will cut little ice with voters, especially at a time when the specter of unemployment is receding.]

38 [Business, labor, and government agree on the pressing need for anti-inflationary action, but there is no consensus on the measures to be taken. Labor favors increased competition to



On the Move Again

restrain price increases, while business calls for wage and government budgetary restraints. The government has moved to increase price competition by liberalizing imports from Eastern Europe, but the effect probably will be negligible. The Brandt government, heavily dependent on labor support, has steered clear of prescribing wage guidelines.]

39 [As in the past, the Bundesbank has had to assume the principal responsibility for anti-inflationary measures. To slow down domestic credit expansion, the bank recently raised its discount rate and the rate for loans secured by collateral. West German bankers doubt that credit policy alone can correct the inflation and have called for complementary government budgetary action. The main economic research institutes, fearing renewed disruptive monetary inflows, have called for a new deutschemark float, but this has been ruled out by the economic ministry. Bundesbank President Klasen has warned, however, that if prices continue to rise sharply, the bank will not hesitate to take additional restrictive measures.]

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USSR-IRAN: ACCENTUATE THE POSITIVE

47 [The Shah's visit to the USSR from 10-21 October brought a considerable public display of goodwill, but

43 [new Soviet assurances have not dispelled his misgivings about Moscow's ambitions in countries bordering Iran.]

47 [The visit had all the red-carpet trappings necessary to make it a success in public relations. In addition to formal talks with party leader Brezhnev, Premier Kosygin, and President Podgorny, the Shah and Empress Farah were given an extensive tour through several Soviet republics. They stopped in industrial centers, talked to local leaders, and visited the Soviet cosmonaut training center. This sort of activity served to enrich the Shah's position as a major international figure and to show that the Soviets can increase their influence in the Persian Gulf area without completely alienating the Shah.]

43 [Despite the camaraderie, there is no evidence that the basic problems troubling Soviet-Iranian relations are any closer to solution. A lengthy communique catalogued all the similar points of view between the two on a variety of inter-

43 national issues, but did not cover Soviet support for India against Pakistan or the expanded Soviet presence in Iraq—two points that have long troubled the Shah. The communique also failed to mention Moscow's pet plan for Asian collective security, which Podgorny resurrected in his speech at a Kremlin reception honoring the Shah.

43 [The best the Shah could do was to get the Soviets on record as favoring the settlement of Persian Gulf problems by the countries in the area "without interference from outside powers," a formulation that has not relieved his anxieties. After his return to Iran, the Shah expressed his deep concern to the US ambassador over Iran's dangerous position between India and Iraq.]

43 [The Shah's continuing reservations about Soviet policy did not prevent him from signing a 15-year economic and technical treaty plus an agreement to expand cultural exchanges over the next five years. The treaty is the latest step in a series of agreements that have increased economic relations in recent years. In addition, it was agreed that the metallurgical works at Isfahan, would be enlarged. Agreement was reached to

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Empress Farah and the Shah greeted in Moscow by Podgorny and Kosygin.

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cooperate in the electrification of certain Iranian railways and in making preliminary studies leading to the construction of power stations and transmission lines in Iran.]

claimed that Ankara was not entirely satisfied and might still press the Soviets bilaterally to permit flank state "advisers" in addition to rotating representatives.]

42 [The Soviet and Iranian press gave extensive coverage to the visit, particularly to the benefits each side would gain from the expansion of trade and economic relations. The communique notes that both sides are interested in regular consultations and concludes with Podgorny's acceptance of the Shah's invitation to visit Iran.]

46 [So far the Soviets have not stated their position on the participation issue although generally they have followed the earlier US lead in wishing to limit participation to those countries most directly concerned. The Soviets would definitely not wish to see an opening through which the independent-minded Romanians might seek to join in the talks. On the other hand, the Soviets may allow the Hungarians to take part. The USSR's position is keyed to its desire to gain early NATO approval for convening a security conference. To obtain this, Moscow, however unhappily, may accept the NATO view on participation in force reduction talks.]

NATO: CONFERENCE FEVER

44 [The NATO allies have resolved the dispute over who should participate in Mutual and Balanced Force Reduction talks with the Warsaw Pact members. The countries of NATO's southern flank—Greece, Turkey, and Italy—have insisted on an active role at these talks, while the US has sought to restrict participation to those countries with forces or territories directly involved in possible force reductions. The compromise reached this week provides for a rotating representative from both the northern and southern NATO flanks, each having the right to speak by invitation on issues directly concerning the flank states.]

44 [While awaiting the Soviet response, the allies are preparing for both sets of talks. Most of the NATO allies still want some parallelism between the two conferences in order to assure progress in both. In demarches to Moscow, some of the allies—especially the UK—will attempt to rebut previously expressed Soviet preferences for completing the security conference before starting on force reductions. On the other hand, some NATO countries, notably the French, continue to fear that force reductions—which they still view as a long-term and dubious project—will get in the way of progress at the security conference.]

44 [The compromise permits acceptance of the Soviet proposal that preparatory talks for a Conference on Security and Cooperation in Europe begin on 22 November with a formal conference tentatively set for June 1973. In addition, preparatory talks on force reductions are proposed for 31 January 1973 with the formal conference to come in September or October. The participation arrangement, plus the provision for on-site consultations and regular consultations at the North Atlantic Council, should reassure each of the allies that they can share in making decisions affecting their interests. Nevertheless, in accepting this compromise, the Turkish representative

46 [The first multilateral meeting with the East on a security conference now looks to be less than a month away, and the allies still have a good deal of work to do. The multilateral talks in Helsinki are expected to result in the establishment of several commissions to draft agreements on the main topics to be discussed at the conference next year—security questions; freer movement of people, ideas, and information; and economic, technological, and environmental cooperation. Discussion in NATO of the mandates these commissions should be given is barely under way and could well bring out further differences among the allies.]

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ICELAND: FISHING AND THE BASE

*"A collision at sea can ruin your entire day."
Thucydides 471-400 B C.*

Despite incidents at sea last week, high-level fishing talks between Iceland and the UK may still be possible. Leftists in the Reykjavik coalition, who oppose efforts at an interim agreement, probably instigated the incidents, one of which was a collision between an Icelandic naval vessel and a British trawler.

Thus far, London has resisted demands from fishing interests that British naval ships patrolling the North Atlantic be sent in with the trawlers to "protect" them, and the Foreign Office still hopes to get high-level talks restarted. The UK dock workers' union has banned the handling of all Icelandic cargo in British ports and will try to extend the ban to other European ports.

Technical talks had resumed in Reykjavik on 5 October. It was agreed that subsequent high-level discussion would address catch limitations, size of vessels, and three types of fishing zones within the territorial waters claimed by Iceland: permanently closed conservation zones, exclusive Icelandic zones, and areas in which the British would be allowed to fish at specified times. The main issue—Icelandic jurisdiction over a 50-mile limit—was not treated. The Icelanders reacted strongly to the dock workers' boycott and the British have beefed up the number of naval vessels patrolling the North Atlantic. Both governments, however, wish to settle the issue and probably will work to restart negotiations if further incidents do not occur.

In Reykjavik, the rift between Foreign Minister Agustsson and Fisheries Minister Josefsson has widened because of Josefsson's attempts to sabotage the fishing negotiations. Josefsson, a leader of the Communist-oriented Labor Alliance Party, declared that the technical talks ended without results and charged that a further "harangue" with the British would be useless. He said the time was approaching when British trawlers would be seized for fishing within the

limits. Agustsson countered that the technical talks had indeed improved the possibility of resolving the dispute. He did not comment on the division within the government coalition.

If the fishing issue is ever settled, the government will concentrate on reviewing the agreement on the Icelandic Defense Force at Keflavik. Without consulting Washington, Agustsson told parliament on 19 October that negotiations with the US would commence in January. The US ambassador subsequently told Agustsson that a later date might be more acceptable. According to Prime Minister Johannesson, leader of the Progressive Party, the next six months may be difficult for US-Icelandic relations. Another minister, Vladimarsson has said that he expects "substantial revisions" in the agreement. He said he personally felt that the Defense Force should remain on the island, but at a reduced level. Vladimarsson, who represents the Organization of Leftists and Liberals, controls the swing votes in



Icelandic patrol boat *Aegir* and British trawler *Wyre Victory* during an earlier incident.

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the three-party coalition. Along with Johanneson's party, the Leftists and Liberals are basically friendly to the US, and the party leaders' statements probably represent pre-negotiating atmospherics.]

25X1 50 [The Communists are likely to benefit from any eventual compromise that Agustsson can negotiate on the fishing issue. Josefsson's opposition to any concessions will be applauded by many Icelanders, who feel that the government should stand firm. While not directly related to the fishing issue, the Defense Force negotiations will be affected by it. The non-Communist coalition partners would want to show gains in a new agreement to offset any concessions on fishing.]

CANADA: ELECTION DAY NEARS

57 [A Trudeau victory appears certain on 30 October after a lackluster election campaign. Efforts by his opponents to exploit potentially embarrassing issues have had little impact.]

56 [The latest public opinion poll, taken in mid-September, showed that Trudeau and his Liberal Party had the support of 44 percent of the voters who had made a decision—11 percent still remain undecided. Robert Stanfield and the Progressive Conservatives had 31 percent, while David Lewis and the New Democratic Party had 21 percent—a substantial rise over earlier polls.]

56 [Since that poll was taken, several issues have been raised that could diminish support for Trudeau. Two newspapers published a secret government report on the progress of Trudeau's bilingualism program. The report suggested that Trudeau's goals, highly publicized throughout the campaign, may not be reached. Administration officials have tried to refute the conclusions of the report, saying that the data used were not the most recent. Although the publication of this report caused some consternation among administration officials, Trudeau's opponents have not capitalized on it.]

56 [Unemployment and the amount of compensation paid to the jobless still figure as campaign issues, stressed particularly by the Progressive Conservatives. Unemployment reached a record high of 7.1 percent in September. Benefits paid under unemployment insurance went up by 13 percent in August, even though the number of claimants dropped by five percent. Trudeau continues to explain unemployment as a by-product of an earlier "baby boom," and he dismisses as unimportant the high payments being made to the jobless.]

56 [Trudeau's former minister of communications, Eric Kierans, who resides in the prime minister's home district, has written Trudeau a letter explaining that he intends to vote for the New Democratic candidate because of that party's economic position. Kierans has long been an outspoken critic of Trudeau's administration, but his decision could still have an impact on voter decisions. On the other hand, Claude Wagner, an erstwhile Liberal who now leads the Conservative Party in Quebec, earlier was expected to cause difficulties for Trudeau. Latest readings on Wagner's campaign reveal that he is not picking up substantial support even in his own district; he has ceased campaigning in the rest of Quebec in order not to damage his own future.]

56 ["Trudeaumania," a feature of the 1968 campaign, has not been apparent this year. For the most part, the prime minister has kept a low profile. Only occasionally has he been forced to respond specifically to charges made by his opponents. Stanfield, Trudeau's principal opponent, has not been able to catch the imagination of the voters although his campaign tactics have been more lively than in 1968, when one observer described travel with him as "akin to riding in a funeral procession." The third candidate, David Lewis, head of the New Democratic Party, did manage to raise the only emotional issue in the campaign when he blasted the large corporations. The New Democrats may gain a few seats in Parliament, but this will have little effect on the standings of the other two parties or on Trudeau's excellent prospects of remaining prime minister.]

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SECRET**ROMANIA: RECYCLING**

President Ceausescu, in a new round of key personnel shifts, has moved to strengthen his hand in resolving economic difficulties and to increase popular support for his efforts to deal with corruption, inefficiency, and consumer welfare. Further recycling of government and party people is expected as Ceausescu pursues his search for the "correct mix" of expertise in party and state positions.

Although Manescu, along with Trofin, has been appointed deputy premier and given a ministerial portfolio, both the Economic Council and Manescu have been subtly downgraded. The establishment in July of the Supreme Council for Economic and Social Development, headed by Ceausescu, took much of the play away from the Economic Council.

The most significant changes involve Manea Manescu, relieved as chairman of the Economic Council; Virgil Trofin, released as chairman of the Central Council of Trade Unions; and Deputy Premier Paul Niculescu-Mizil, assigned the added post of minister of education and instruction.

In the only change not related to economic performance, George Macovescu replaced Foreign Minister Corneliu Manescu, who had held that post for 11 years. This shift probably reflects Bucharest's recognition that the quickening pace of East-West detente requires the introduction of different skills. The new foreign minister has had long experience in East-West matters.

ROMANIAN PERSONNEL SHIFTS

Name	Member of Permanent Presidium*	Title	Other Post
Maurer, I. G.	Yes	Premier	
Verdet, I.	Yes	First Deputy Premier	
Niculescu-Mizil, P.	Yes	Deputy Premier	Minister of Education and Instruction (vice M. Malita, 13 October 1972)
Draganescu, E.		Deputy Premier	Minister of Transport and Telecommunications (vice F. Danalache, 13 October 1972)
Fazekas, J.		Deputy Premier	
Manescu, M.	Yes	Deputy Premier**	Chairman, State Planning Committee (vice M. Berghianu, 13 October 1972)
Patan, I.		Deputy Premier	Minister of Foreign Trade (appointed 23 February 1972)
Radulescu, G.	Yes	Deputy Premier	
Trofin, V.	Yes	Deputy Premier**	Minister of Home Trade (vice N. Bozdog, 13 October 1972)

*The three remaining members are N. Ceausescu, who is President of the Council of State; E. Bodnaras, a Vice President of the Council of State; and G. Pana, a member of the Council of State.

**Appointed 13 October 1972

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60 [The appointments also highlight personal accountability. Trofin, while a confidant of Ceausescu, has also been a cautious critic of the President's economic policy. Trofin's new assignment as minister of home trade puts him on the firing line where he will be responsible for dealing with critical public attitudes toward food supplies and prices. Ceausescu, however, may also intend the assignment to signal to the public the regime's concern for improving consumer welfare needs.]

62 [With the latest changes, Ceausescu has tightened the lines of authority between the party politburo and the government's executive agencies—the Council of Ministers and Council of State. It thus appears that he is moving toward the fusion of party and state responsibility, particularly with respect to the economy, that he first proposed at the national party conference in December 1967. Further personnel shifts are expected, perhaps as early as next month. They will reflect the decisions to improve economic efficiency and social discipline made at the party conference in July. With the Supreme Council for Economic and Social Development already established, and with the Economic Council now clearly cast in a subordinate role, Ceausescu may let another institutional shoe drop and call for the establishment of a Social Council to deal primarily with youth and minority problems.]

60 [The Serb central committee met on 21-23 October, but did not announce the resignations until 25 October, four days after they were accepted. The plenum failed to name successors to outgoing party boss Nikezic and his second in command, Latinka Perovic.] Many top officials fear a wider purge and they feel threatened by a resurgence of conservatives replaced during Nikezic's four-year reign. The Serb central committee will meet again late this week, presumably to decide the succession question and the extent of the purge of Nikezic's supporters.]

...REPERCUSSIONS OF THE PURGE IN SERBIA MAY FORCE TITO TO INTERVENE AS "ARBITER."

62 [Tito said last week that he did not want to be the "arbiter" of Serb party problems, but he may be drawn in anyway. If the central committee fails to agree on a successor or if Nikezic's supporters should back a candidate not acceptable to Tito, the old leader would certainly be drawn back into the squabble.] Additionally, the central committee has warned of the danger that the purge in Serbia might cause an eruption of personal vendettas, and this would also draw Tito into the controversy.]

62 [Repercussions of the purge in Serbia have threatened to disrupt future activities of the federal party. Communists at Belgrade University, a stronghold of support for the liberal intellectual Nikezic, have asked for postponement of a party conference, now scheduled for the third week in November. They alleged that Tito's reform demands require additions to documents for the conference. The federal party executive bureau is studying the request, but it is likely that Tito would read a delay as an indirect attack on his current campaign against party indecision and inaction.]

YUGOSLAVIA: THE SERB PURGE

60 [Opposition to Tito's demand for the sacking of Serb party leaders crumbled last weekend when the republic's central committee accepted its leaders' "resignations."] Tito, however, may be forced to intervene again to restore order and confidence in the badly shaken Serb party and to limit the side effects of the purge in other areas.]

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COMMUNIST EUROPE: TOURIST BONANZA



Americans Visit the Kremlin

[Tourism is becoming an attractive earner of hard currency for the USSR and Eastern Europe. Communist Europe has come to realize that it is generally easier to increase tourist services than exports of merchandise to the developed West, that the tourist industry requires less investment relative to earnings, and that the industry has a relatively short pay-off period. Soviet tourist revenues increased by about 75 percent over the last five years while those in Eastern Europe grew by 50 percent. In 1971, some 4.6 million Western tourists—about twice the number in the mid-1960s—traveled to Eastern Europe and the USSR where they spent an estimated \$226 million.]

[All indications for 1972 are that earnings from tourism will be at a record level. Indeed, Western tourist experts expect continued growth through the 1970s. The lack of good quality hotel rooms is the most serious impediment to increasing tourism, but programs are under way to build more hotels. The USSR reportedly is engaged in a five-year, \$300 million program that includes the construction of 30 large hotels.

Hungary and Bulgaria are vigorously promoting hotel construction, and Poland has renewed building after years of inactivity. Romania remains the most active and is expanding investment in new tourist facilities around the capital and on its Black Sea coast. Recognizing their own shortcomings in this field, some East European countries have made arrangements with Western firms to supply capital, materials, and management for new tourist facilities.]

[The USSR appears to have relatively little difficulty in attracting Western tourists in spite of poorly managed facilities, scarcely adequate food, and indifferent treatment. Curiosity still draws most of the tourists going to the USSR, where rates are relatively high by Western standards. East European vacations, on the other hand, are attractive because they are cheap. With the exception of the USSR and East Germany, favorable exchange rates are offered. Goods for tourists with hard currency are also priced much lower than for the local populace and can be obtained at special hard-currency shops.]

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PAKISTAN: TOWARD A CONSTITUTION

64 [Leaders of all major political parties have agreed on the broad outlines of a new constitution, a major step toward the adoption of a permanent document. Efforts to produce a constitution have been stymied for months by two basic problems: the merits of a presidential versus a parliamentary system, and the relationship of the provinces to the central government.]

64 [The Pakistanis hope to avoid repeating their past experiences with repressive presidents or unstable parliaments by adopting a system similar to West Germany's. The Pakistani system will have a prime minister responsible to parliament; he can be removed only when another government has been chosen and then only by a two-thirds vote. The president, who has extensive powers under the current interim constitution, will be a figurehead.]

64 [A bicameral legislative system will give some protection to the interests of the smaller provinces. In the senate, which will have only recommendatory and delaying powers, all four prov-

inces will have the same representation. In the much more important national assembly, representation will continue to be based on population.]

64 [The jurisdiction of the provincial and central governments will be approximately the same as under past constitutions, but a council with equal representation from the center and the provinces will be created to resolve disputes.]

64 [Although the agreement represents considerable progress, extended haggling over details is likely before a draft can be completed. Moreover, some important issues may not yet have been resolved; for example, the powers of the provincial governors, who will be appointed by the prime minister, vis-a-vis the popularly elected provincial assemblies. Another issue likely to create further controversy involves the emergency provisions of the constitution. Under the present interim system, the president has almost absolute power in emergencies.]

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THE YEMENS: TALKING IN CAIRO

Fighting on the border between the two Yemens petered out last weekend following the arrangement of a cease-fire. Forces from the Sana side—army regulars, tribal mercenaries, and National Unity Front elements—withdraw from the Adeni town of Mukayras and other areas on 19 October, leaving only small and isolated guerrilla units still across the border. Sana's forces reportedly took heavy losses when they withdrew from Mukayras under air and artillery attacks.

The two Yemens are now engaged in peace talks in Cairo. Should these talks break down, it seems unlikely that Sana and the National Unity Front could regain the military momentum they lost when Sana Prime Minister al-Ayni agreed to Aden's overtures for a cease-fire and negotiations. Some Sana officials, especially those who advocate the overthrow of the Adeni regime, opposed al-Ayni's decision to negotiate. Even these officials now recognize that a renewal of hostilities is out of the question for the near future unless vast quantities of heavy weapons, money, and food are provided to remedy what they describe as severe shortages.

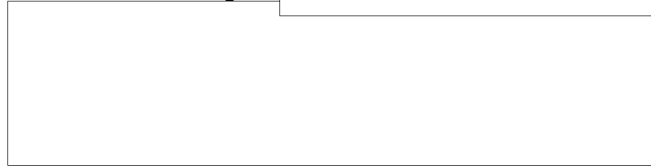


Meanwhile, delegations from Sana and Aden, meeting in Cairo since 21 October under Arab League auspices, agreed Monday night on the broad terms of a draft proposal calling for the eventual unity of the two Yemens. The formula provides initially for the formation of eight committees that will—within one year—draft a constitution and plans for the fusion of the institutions of the two sides. Sana's Prime Minister al-Ayni and Ali Nasir Muhammad, his Adeni counterpart, are scheduled to join the talks on 27 October. The negotiators have yet to deal with such thorny items as the status of political exiles and nationalized property. An Arab League spokesman said they decided to begin the talks with the unity issue, believing that all other disputes would be easily resolved in the wake of agreement on unification.

Neither the National Unity Front nor its backers in Saudi Arabia and among Sana military and tribal circles can be expected to be pleased with the course of the Cairo talks thus far, but opponents of a settlement probably are relying on a belief that great obstacles still stand in the way of an implementation of the unity agreement.

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Meeting in Cairo

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PANAMA: TYING UP LOOSE ENDS

77 [Despite a campaign by Panamanian ambassadors around the world to push Panama's claim to sovereignty over the Canal Zone, there is as yet no evidence that General Torrijos wants a quick resumption of the stalled canal negotiations. Although Torrijos knows generally what he wants, he apparently has not focused on details and has been concerned more with atmospherics than substance. For the next few weeks, Torrijos is likely to concentrate on tying up loose ends at home, but after the US elections, he may begin to give personal attention to his canal negotiating position.]

76 [Torrijos began the "constitutional" phase of his rule last week by reshuffling the cabinet. His objective seems to have been to increase administrative efficiency. Technical competence figured in most of the appointments. Nevertheless, there is some ground for concern in the domestic business community which has long feared Torrijos' reformist impulses. The new minister of agriculture is [redacted]

[redacted] a leftist-oriented minister of labor replaces one who had been anathema to the Communists, and leftists have been retained as minister of government and as rector of the University of Panama.]

76 [These changes represent a further edging to the left, but, even more, they reflect Torrijos' frustration over his inability during the past four years to modernize Panamanian society. He regards the failure of Panamanian businessmen to increase their investment in the economy as a deliberate attempt to sabotage his government. He is upset by the lack of drive and responsiveness on the part of local officials. Finally, he is particularly disappointed by the lack of success of the collective movement, the showpiece of his agrarian reform effort.]

72 [Although financial and other constraints will continue to impede Torrijos' populist program,

the government may begin to explore ways of controlling uncooperative businessmen. The newly created municipal councils and community boards will be used to revitalize local government and improve communication between the national leadership and the people. Torrijos also will probably redouble his efforts to gain peasant support and ensure his control of the countryside. He may concede defeat on his peasant collectives and shift, temporarily at least, his support to the underfinanced but relatively successful cooperative movement.]

78 [Real progress in achieving better distribution of Panama's wealth will take more time and effort than Torrijos is now willing to invest. After setting the course, he probably will turn the helm over to cabinet-level officials, shifting his own attention to foreign affairs. Torrijos has found it politically rewarding to affect an independent foreign policy stance vis-a-vis the US. Recently, he publicly branded the OAS blockade of Cuba as shameful and unjustified. While denying any intention of acting unilaterally, he has betrayed more than a passing interest in establishing diplomatic relations with the Castro government. Torrijos has encouraged increased cultural contracts with the Soviet bloc.]

71 [All this is secondary to Torrijos' real interest—a new canal treaty. Realizing Panama's lack of power and paucity of bargaining chips, he has sought to increase Panama's nuisance potential. To this end, he is trying to have the Security Council meet in Panama in March and is threatening not to accept US canal payments. Torrijos has seemed more interested in developing a position of strength from which to negotiate than in actually negotiating. Foreign Minister Tack has hinted, however, that negotiations might recommence after the US elections and opined that a new treaty could even be achieved within six months.]

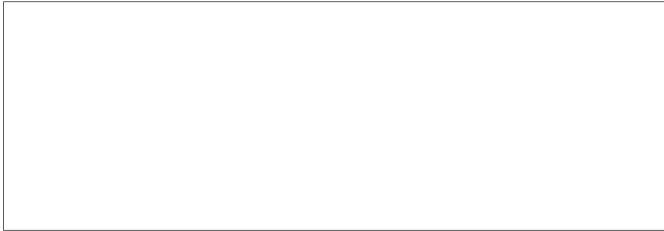
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CHILE: ALLENDE AND THE STRIKE

President Allende may be close to neutralizing the strike of businessmen, shopkeepers, truck owners, and professionals that began on 10 October. Negotiations with strike leaders are now in progress to work out a truce.

Even before the negotiations began, the strikes had begun to peter out. The scheduled high point, a "Day of Silence" that was supposed to demonstrate wide popular support for the strikers, failed to do so; few additional groups adhered to the protest. Financial pressures on the businessmen, especially small merchants, induced some to reopen their shops even without a settlement.

A significant aspect of the strike so far has been the loyalty given the administration by the armed forces, which were assigned responsibility for public order under a "state of emergency." The army controlled radiobroadcasting, imposed a curfew, escorted convoys of truck drivers not participating in the stoppage, guarded important installations, and assisted in the distribution of basic commodities.



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The most serious damage to the economy is not likely to be felt until after the strike is over. Food stocks have been reduced and their replenishment will not be easy. Some factories that remained open have exhausted raw materials on hand, and the transportation system will be hard pressed to resupply them before some workers are forced into idleness. Petroleum reserves have been expended. In a public address, President Allende claimed that the cost of the strike was over \$100 million, a price his country's already battered economy can ill afford.

The political results of the protest could be advantageous to Allende and his coalition, at least for the time being. The President lost no time in placing the blame for the temporary hardships on private business, and he will have a ready scapegoat for future problems as they surface.

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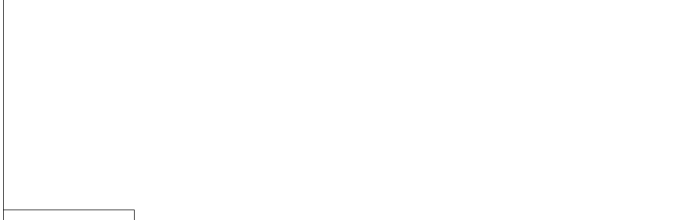
Dampening down the strike: Police riot truck douses demonstrators in Santiago.



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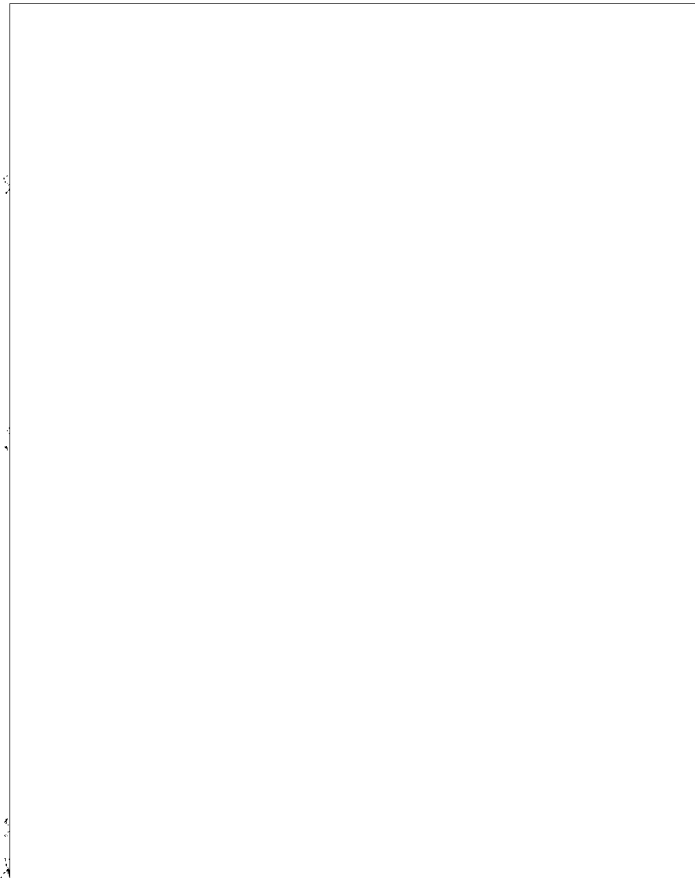
The opposition political parties, having been reluctantly drawn into the protest movement by the businessmen, may now suffer a let-down as they realize that the strikes may be a net loss for them, especially if the emergency economic measures imposed by the government are not rescinded.

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VENEZUELA: PEREZJIMENISMO WITHOUT PJ

A constitutional amendment sponsored by the governing Copei and opposition Democratic Action parties would bar former dictator Perez Jimenez from the presidency, but the political ramifications of such blatant tampering with the constitution will be felt for some time to come.

Last week, leaders of the two parties introduced an amendment to the constitution—the first since 1961—which would bar from high public office anyone sentenced to three or more years in jail for crimes committed in the exercise of official duties. In 1968, Perez finished serving a four-year term imposed on the basis of charges that he took \$14 million in government funds during his administration. The amendment process requires a majority vote of both chambers and approval by a majority of the state legislatures to become law. Since the sponsoring parties command majorities in the congress and in 19 of the 21 state legislatures, ratification will be a mere formality.

Perez and his supporters have reacted angrily, and Perez has even threatened violence if

he is not allowed to run. By waving the bloody banner, he may hope to keep his supporters united while he sounds out the major parties in the hope of working out a political alliance with one of them that will guarantee his followers access to government patronage. It is questionable how much political clout he will be able to exercise from his exile headquarters in Spain. Unless he returns to Venezuela, an unlikely move at this time, the diverse, often-feuding political groups that have marched under his banner will probably look elsewhere for political power. Even if he appoints a surrogate candidate, he might have trouble transferring the allegiance of his supporters.

In the pragmatic world of Venezuelan politics, a political deal is not out of the question. A number of minor parties representing a broad political spectrum have shown their predilection for political opportunism by opposing the constitutional amendment. Their opposition is less a demonstration of belief that this is an unfortunate bit of political intrigue than a realization that it would not be wise to alienate the

CUBA: LESS CENTRALISM

The Castro regime is apparently giving more responsibility to the Communist Party provincial committees by phasing out the position of Political Bureau delegates in the various provinces. Havana domestic radio recently announced that the Political Bureau delegate to Camaguey Province would become a vice minister of the armed forces. The Political Bureau position evidently will remain vacant. The broadcast also stated that the position of Camaguey party first secretary, now vacant, would be assumed by the former vice president of the National Agrarian Reform Institute. A similar shift occurred in Matanzas Province last year.

The Political Bureau delegate system, inaugurated in 1968, was originally designed to

provide centralized control over provinces where local party management was ineffective. The delegates were given authority over the provincial first secretaries and reported directly to the eight-man national Political Bureau. These recent personnel changes indicate that the Camaguey party organization is judged to be ready to resume control of its own political and economic affairs.

Should the Political Bureau delegate system be completely abolished, Havana's control over provincial administration is likely to diminish. Nevertheless, Castro apparently is making at least some concessions to the criticism, particularly from the USSR, that too much concentration of power is counterproductive.

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former dictator's supporters. The leftist parties, in particular, obviously hope to turn *Perezjimenismo* to their electoral advantage by offering a socialist anti-establishment and nationalist program that they hope will provide an attractive substitute in the eyes of the masses. They see the nationwide support for the former dictator as holding promise of a protest vote against the establishment forces.]

Costa Rican intransigence—and Costa Rica even considered alternative trade measures to compensate for what looked like a protracted stalemate.]

94 [Cooler heads have now prevailed. The agreement signed on 18 October returning Costa Rica to the free trade area reflects a new conciliatory attitude by the parties concerned as well as a recognition that the Common Market still offers the best possible road to regional economic prosperity. Under the new guidelines, the other members will provide Costa Rica with the export incentives needed to reduce its foreign payments deficit to manageable limits. Moreover, they will increase to \$25 million the annual amount of credit extended for Costa Rican purchases within the market. On the other hand, Costa Rica has agreed to follow a new stabilization program—something other members have insisted on before normalizing trade with Costa Rica.]

89 [In the coming months, there will be even more politicking than usual as the parties gear up for elections next year and attempt to capitalize on the absence of Perez Jimenez from the

race.

Central America
AND NOW THERE ARE FOUR

94 [An interim arrangement has been reached that re-establishes a free trade area among the five Common Market countries. Costa Rica, El Salvador, Guatemala, and Nicaragua are now in; Honduras remains outside. While the reconstitution of a limited market is a step forward, fundamental difficulties still threaten the market's long-range viability.]

95 [These actions should offer a more favorable climate for discussions scheduled in December to correct inequities in the market's structure. Honduras' refusal to participate in market affairs until its border problem with El Salvador is resolved remains a major obstacle to the market's revitalization. Such a settlement is not in sight, although recent negotiations in Guatemala had reached a point where a little flexibility could have yielded impressive results.]

95 [Normal trade patterns within the market were disrupted by the war between El Salvador and Honduras in mid-1969 and by Honduras' decision in late 1970 to withdraw from the free trade area. Costa Rica, in an attempt to reduce its balance-of-payments deficit, further damaged the integrationist movement early last month by adopting a protectionist trade policy. El Salvador, Guatemala, and Nicaragua retaliated by closing their borders to Costa Rican exports, and the stage was set for—if not a complete demise of the market—a three-member market that would probably have proved inviable. Numerous efforts to negotiate a settlement failed—mostly because of

95 [Despite continued problems, the forces of regional disintegration appear no longer in the ascendency and there seems to be a growing consensus that the market ought to be saved. Nevertheless, prospects for its early revitalization or even restoration to its pre-1969 status are not very good.

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