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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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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.

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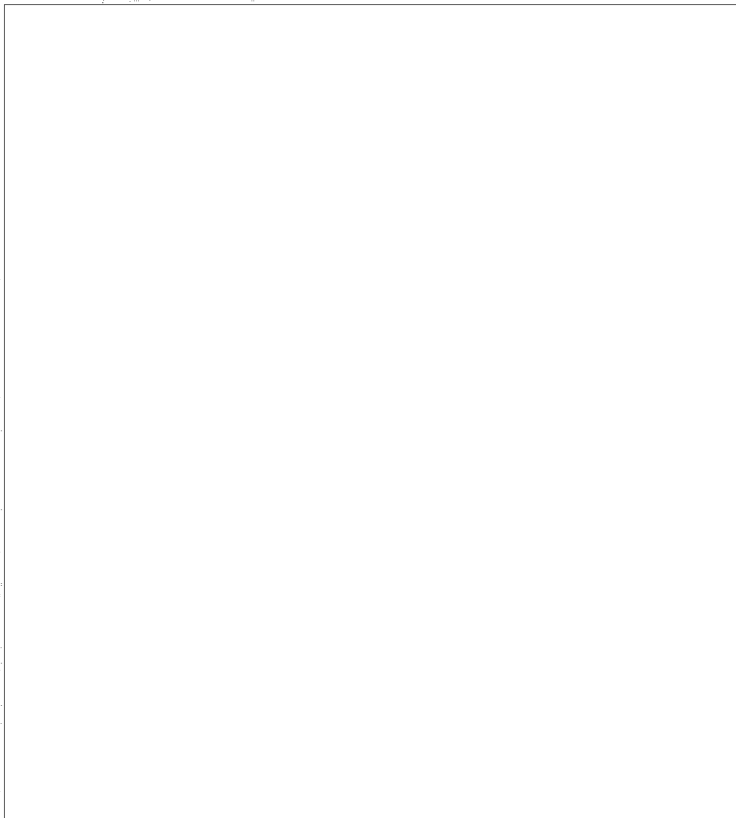
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**SPECIAL
REPORT**

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- A Conference on Security and Cooperation in Europe: Overture

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1 [Peron's stay in Argentina, expected to be between three and seven days, carries with it considerable risk. Moderate Peronists and top military officers share a desire to move toward some manner of national accord that will facilitate a return to elected government, and both groups hope that Peron's visit will contribute to such an accord. Peron's presence in Argentina, however, will fan political passions, providing dissidents on the right and terrorists on the left with the best chance they are likely to get to sabotage the election. Likewise, a failure of Peronist leaders to control the activities of the old dictator's mass of followers or an overreaction by security forces charged with crowd control could set off a chain reaction of violence desired by neither side.]

2 [It is unlikely that Peron would have agreed to make the trip at this time if he did not believe that President Lanusse could make good on his guarantee of safety and if most of the work on a political agreement had not already been completed. Neither Peron nor Lanusse was willing to confirm publicly that they were even close to an agreement. Peron told reporters in Rome earlier in the week that he was "available for a draft" in the presidential election scheduled for next March. For his part, Lanusse denied that there was an agreement and made arrangements to be out of the capital viewing military maneuvers during at least part of Peron's stay.]

2 [An air of tense expectation hung over the Argentine capital this week as both Peronists and the military government prepared for the return of Juan Domingo Peron. The 77-year-old former dictator termed the trip a "journey for peace," but the government, trusting neither Peron nor Peronist nor anti-Peronist, ordered elaborate security measures so strict that a Peronist spokesman suggested that Peron's plane might have to be diverted to Uruguay.]

1 [While the generals and the Peronist leaders worried about possible provocations by extremists of the right or left, the rest of the nation enjoyed a paid holiday as a national strike was called to release workers to attend the homecoming festivities. The government ordered all public and business establishments closed down as a security precaution.]

2 [President Lanusse still hopes that when the Argentines see the elderly Peron and his third wife, Isabel, the memory of the young and energetic Peron with beloved Evita at his side will finally recede. Indeed, many observers, including many Peronists, believe that Peron will turn down the presidential nomination, signal his willingness to cooperate in moving the nation toward elections and then return to Spain. This, for all practical purposes, would write finis to Peron's long and active political career. It is a nagging fear that Peron, caught up in his own mythology, will not be willing to fade away that is worrying Lanusse and a good many other Argentines today.]

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WEST GERMANY: TO THE POLLS

[The election campaign will grind to an end this Sunday when approximately 40 million Germans cast their ballots. Although recent polls indicate that the governing coalition of Social Democrats and Free Democrats holds a slim lead, the outcome will be determined by which way the large number of undecided voters end up voting.]

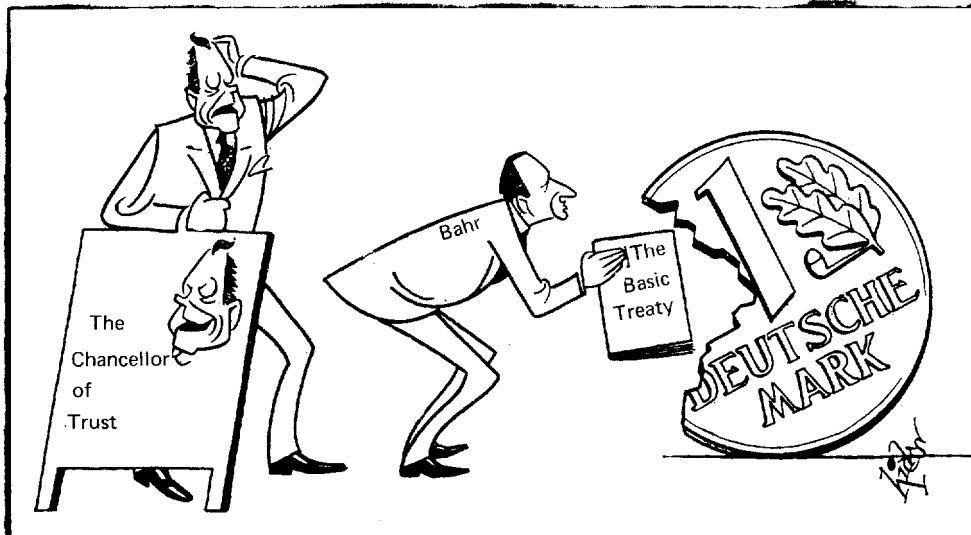
[With less than two weeks to go before the election, the coalition parties grabbed the headlines and diverted public attention from domestic issues—particularly inflation—by effectively exploiting the general political treaty with East Germany initialed on 8 November. Chancellor Brandt and other government spokesmen strongly emphasized the practical improvements promised by the treaty and its ancillary agreements. It was all front-page material—the announcement that negotiations had been completed, the cabinet decision to accept the draft, the initialing of the pact and, finally, the text in full. Even though some newspapers, particularly those of the anti-government Springer press, criticized the treaty, the net result was that the coalition basked in the limelight.]

[The opposition's guarded reaction to the treaty did little to further its campaign. After

being taken to task by the Springer press for his failure to adopt a clear position, Christian Democratic leader Barzel attacked the treaty in some detail on 11 November. He appealed to coalition leaders not to sign the accord unless East German guards stop shooting at refugees attempting to cross the border and ridiculed government allegations that Bonn had obtained as favorable terms as possible. It is doubtful that Barzel's criticisms will have much effect on an electorate that has generally supported Brandt's Ostpolitik.]

[The opposition prefers domestic issues and moved in the past week to refocus public attention on inflation. Barzel met twice with Karl Schiller, the former economics and finance minister in Brandt's cabinet, who represents economic stability to many German voters. Schiller reportedly agreed to support a Christian Democratic government in combating inflation, but his precise role has yet to be announced. The amount of support Schiller brings to the opposition has been widely debated in West German media, but the opposition was at least able to gain much-needed publicity in the final campaign week.

[As the campaign drew to a close, some de-



"Actually this should fill in the gap."

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the governing coalition would emerge with a 20-seat majority in parliament. The election, which is likely to be close, is in the hands of the

16 percent of the voters who have still not expressed their preference.

SALT II: A DIFFICULT JOB *(NOT TO BE USED)*

The second phase of the Strategic Arms Limitation Talks will begin in Geneva on 21 November. The opening round of SALT II will try to set the guidelines for future discussions of a treaty to limit strategic offensive weapons systems. SALT I, which ended in May, produced an ABM treaty and an interim agreement limiting offensive arms.

The opening round will also seek to establish the Standing Consultative Commission called for in the ABM treaty. This commission is intended to handle questions and problems concerning compliance with and implementation of the May agreements.

The Soviets have said very little about what they will seek to accomplish at SALT II. A number of unresolved problems are left over from SALT I. Among these is the Soviet insistence that US forward-based military systems be included in some manner in limitations on strategic offensive systems. Achieving agreement on aggregate levels of offensive arms also promises to be a long and arduous task. There have been some hints in the Soviet press of interest in considering qualitative limitations on arms at SALT II, but these have been tenuous and inconclusive.

The consensus in the Soviet leadership that led to the agreements reached at SALT I appears to be holding. Speakers defending the SALT I agreements before the USSR Supreme Soviet on 29 September included President Podgorny, Deputy Foreign Minister Kuznetsov, senior party theoretician Suslov, and Defense Minister Grechko. Speaking for the Soviet leadership on 6 November, First Deputy Prime Minister Mazurov praised the accomplishments of the US-Soviet summit meeting last May, when the SALT agreements were signed. He did not mention the agree-

ments as such, but noted that "tangible, practical" solutions were possible for "even the most complex international problems."

Placards lauding SALT and disarmament were in evidence during the military parade in Red Square on 7 November. Grechko used that occasion to endorse the search for detente with the West and to express satisfaction with measures being taken to strengthen Soviet defenses.

The defense minister's public support for detente and SALT policies doubtless strengthens the hand of SALT supporters against any in the hierarchy who remain skeptical of arms limitation agreements with the US. That such skepticism still exists was suggested by Podgorny's defensive comment before the Supreme Soviet that only a "blatantly biased politician" would assert that the international situation had become worse since the achievement of the accords.

Soviet press reaction to President Nixon's re-election indicates a strong desire to continue the present course in US-Soviet relations, of which SALT is an integral part. TASS quickly publicized the President's stated determination to move ahead in SALT II, and Brezhnev pledged the Soviets to continue the improvement in relations on 13 November. Soviet criticism of the US congressional amendment calling for equal levels of offensive weapons in any future treaty has died down, although occasional rumbles are still heard. Most recently, a public lecturer in Moscow, after citing the Soviet numerical advantage in intercontinental ballistic missiles and in submarine-launched ballistic missiles in the interim agreement, claimed that such an amendment would hinder future talks and put a brake on US-Soviet relations.

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INDOCHINA

THE COMMUNISTS AND A CEASE-FIRE

127 The Communists are telling their supporters in South Vietnam to press for a cease-fire and, once attained, to use it to prepare for a rapid take-over of the country once the US has withdrawn. [redacted] the Communist high command in the south, COSVN, has told lower level cadre that the US is stalling on a cease-fire agreement in order to ship in more war material and improve its bargaining position. COSVN claims that it is essential for the Communists to apply "maximum pressure" on the US to force the signing of the agreement in the near future and to effect the complete withdrawal of US forces.]

128 COSVN also assures its followers that Communist objectives and policies remain unchanged. 130 Enemy forces are to continue trying to expand areas under their control and to work at breaking down the government's administrative machinery. 127 When the cease-fire comes, the Communists must be ready at a moment's notice to launch all-out attacks to seize land and control people. The 126 Communists were assured that the party has completed "all" military plans so that, after about two months when US forces have been pulled out in toto, the Communists will be prepared to overthrow the Thieu government.]

128 These latest instructions seem to go beyond earlier reported COSVN directives, which talked of the cease-fire period as a time of intense "political struggle," although the ultimate goal—Thieu's ouster—remains the same. 130 In these instructions, as in most Communist directives, there is a good measure of rhetoric, and one of COSVN's aims doubtless is to keep its forces ready for anything in the uncertain period ahead, even including a Communist-triggered breakdown in the cease-fire arrangements.]

[redacted] the Communists do not think they have much chance of winning the struggle for control unless they use military force. At the same time, however, they seem to have doubts about their chances in many areas of South Vietnam even if they use all the military force available to them.]

Saigon Sticks to Tough Line

127 The Saigon government is maintaining its firm stand, at least in public, against the announced peace terms. A government-controlled newspaper, quoting a "highly placed source" in the administration, has claimed that the rumor that a peace settlement will be signed in the near future "is completely groundless." In a speech this week, Foreign Minister Lam stated that some of the peace terms "appear insufficiently clear." He asserted that "no agreement will be valid without our signature." Despite some earlier indications of flexibility on Saigon's part, the government is still publicly insisting that all North Vietnamese troops must withdraw from the South and reiterating its standard objections to any coalition government.]

123 The pro-government press is taking the line that President Nixon's re-election puts the US in a stronger negotiating position so that concessions to the Communists are not necessary. The press also claims that General Haig's visit to Saigon immediately after the election showed that the US was paying more attention to South Vietnam's views on a peace agreement.]

Rail Repair in the North

127 The North Vietnamese have taken advantage of the restrictions on bombing to repair rail lines north of the 20th parallel. The Hanoi-Haiphong rail line has undergone rapid repair and is now serviceable. Except for the Paul Doumer bridge at Hanoi, the vital northeast rail line to the China border station of Pinghsiang is open. Two bridges on the rail line south of Hanoi have been reconstructed, and two others are under repair.]

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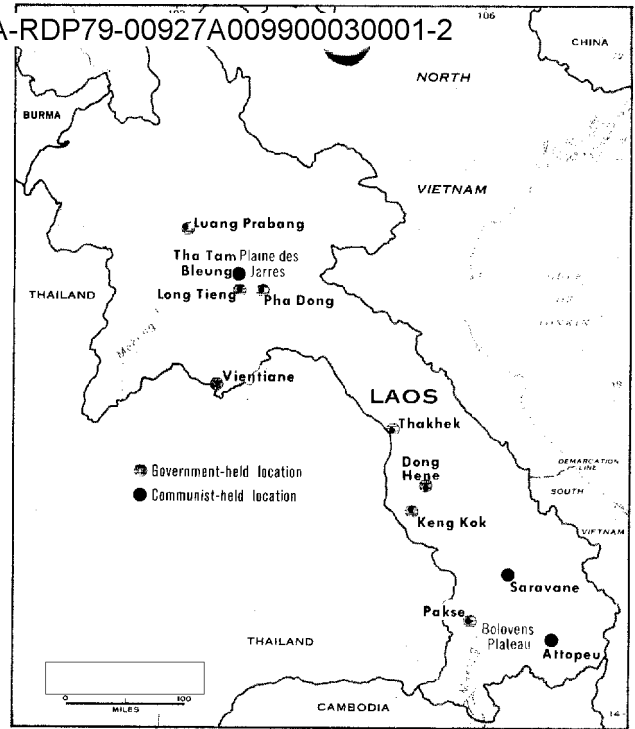
LAOS: PEACE AND WAR

12 [Forward movement was discernible this week in the peace talks in Vientiane. For the first time since the talks got under way five weeks ago, government spokesman Pheng Phongsavan addressed himself to the Lao Communist five-point peace proposals.] Ample ground for agreement appears to exist on the points dealing with foreign intervention, Lao neutrality and foreign policy, and the resettlement of refugees.]

13 [Major stumbling blocks between the two sides remain. One of them concerns the mechanics of an internal political settlement. Pheng rejected the Communist contention that the Souvanna government has outlived its legitimacy, but he did advance ideas on how a new government might be created within the existing constitutional framework.]

13 [The government's presentation is an invitation to the Communists to move the talks beyond polemics and to start working out the specifics of a settlement. In another apparent effort to make progress, Prime Minister Souvanna has called for a meeting with Souphanouvong in Luang Prabang, the royal capital, presumably to work out details of a settlement as they did in 1962. The Communists have not yet reacted to these recent government initiatives. Following his first private meeting with Souvanna late last week, Phoumi Vongvichit, the high-ranking Lao Communist "special adviser" to the negotiating team, left for consultations with Souphanouvong in Sam Neua.]

9 [Meanwhile, in an obvious attempt to remind Vientiane that military pressure can still be increased, the Communists staged surprise attacks during the week on two widely separated fronts.] Communist gunners on 11 November fired a number of rockets at Luang Prabang airfield, destroying one aircraft and damaging nine others. The following day, the Communists attacked Thakhek, a provincial capital on the Mekong about 60 miles north of Savannakhet, breaking a long period of quiet in the area. A small Pathet



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Lao force entered the town, but made no effort to hold it.]

10 [The Communists also kept up their attacks against irregulars operating near the Plaine des Jarres in north Laos. North Vietnamese ground attacks and shell fire on 13 and 14 November caused two of Vang Pao's task forces to give ground. The task force north of the Plaine was pushed out of its positions along Route 71, while another, near Khang Kho, had to fall back toward Pha Dong.]

9 [The government's efforts to retake territory in south Laos met with mixed results. After several days of sharp fighting, irregular troops on 11 November drove the Communists out of Dong Hene in the central panhandle. While the town is of little military significance, its reoccupation capped the successful government counteroffensive that began with the recapture of the nearby town of Keng Kok early in the month. Farther south, however, government units on 15 November gave up Saravane in the face of Communist artillery and ground attacks. Irregular units remain close to the airstrip near the provincial capital, but Communist artillery is checking any government move to retake the town.]

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THE PHILIPPINES: NO WAVES

17 The first two months of martial law have passed almost without incident. Despite occasional grumbling, anti-Marcos elements have been unable to organize an effective challenge to the President, who is pressing forward with his program and apparently plans to call a national referendum early next year on the new constitution he is writing.

18 Government fears that urban students and rural Maoist guerrillas would mount a concerted attack against martial law have so far not materialized. Some leftist students have made token protests—chanting slogans, painting posters, distributing pamphlets—but these have been uncoordinated and short-lived. Opposition politicians have remained conspicuously silent, except for a few who have publicly praised the reformist goals of martial law. Selected media have been allowed to reopen but under strict censorship; they may not print editorials or embroider in any way on government press releases.

16 The only serious violence since the imposition of martial law has been in Mindanao, where Muslim insurgents have ambushed government patrols and overrun a police headquarters. Tension in Muslim areas has increased as a result of government efforts to collect private stocks of firearms. Many Muslims are convinced that the Christian-dominated armed forces would exterminate them once they were disarmed. Marcos has sent personal emissaries to reassure Muslim leaders, but the situation remains explosive.

18 Apparently satisfied that his program is proceeding apace, President Marcos has accelerated his timetable for instituting a new parliamentary system of government that will get around the present constitutional limitations on his tenure. A draft of the new constitution, prepared at Marcos' dictation, was presented to constitutional convention delegates in late October—along with instructions to complete action on it by December.

17 The new document provides for an interim government in which Marcos will exercise the combined powers of the president under the present constitution and the prime minister under the new one. According to the terms of the draft,

Marcos will decide when and how to introduce the parliamentary system—which means he may, if he chooses, retain supreme authority indefinitely. Marcos evidently believes he must move quickly to get public ratification of the new government before disillusion with his martial law regime can set in.

JAPAN: BRIGHT PROSPECTS FOR TANAKA

20 The Liberal Democratic Party should retain a comfortable Diet majority in the general elections on 10 December. The last Diet was dissolved earlier this week, and more than 800 candidates for the new one are blanketing the country with intensive media and mailing campaigns. Japanese law restricts the campaign to three weeks.

14 Prime Minister Tanaka's immense personal popularity has dimmed the opposition's hopes of recouping the losses suffered in the last election three years ago. Moreover, broad support for his self-assurance in dealing with the US and for his normalization of relations with Peking has robbed his critics of much ammunition. Lacking other issues, the opposition parties are being forced to focus on charges that the defense build-up plan and the Mutual Security Treaty with the US contradict trends toward a relaxation of world tensions. The opposition will attempt to exploit friction related to US bases in Japan.

19 Although the Liberal Democrats might lose up to 15 of their 297 seats in the 491-member House of Representatives, there will be no significant shift in the balance of party power. The Socialists, Japan's second largest party, have largely suppressed their ideological feuds and overcome their earlier identification with the excesses of student radicals, which caused their severe electoral setback in 1969. A shortage of funds, however, will limit their ability to increase their Diet seats at Tanaka's expense. The small, but well-organized Communist Party may pick up a few seats, but the Komeito and Democratic

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Jack Nicklaus and Tanaka

Socialists appear resigned to keeping close to their present strength.]

20 [With these rather modest prospects for opposition gains, the Japanese are turning their attention to the locus of real political competition in Japan—within the Liberal Democratic Party. The single-ballot, multi-member election district system pits ruling party candidates against each other as well as against opposition party hopefuls. Several of the Liberal Democrats' largest factions will try to increase their influence within the party. Tanaka, in particular, is making a concerted effort to enlarge his own faction by running candidates in several districts for the first time. A resounding victory for his followers will decrease his dependence on the other factions, and a victory for the ruling party will give him a strengthened hand to implement controversial environmental clean-up and trade adjustment programs.]

NORTH KOREA: TRADE WITH JAPAN

2.1 [A North Korean economic mission has completed the first tour of Japanese industrial facilities in recent years, but the tour is not likely to have much impact on bilateral economic ties in the near future. The trade mission's claim that 2.2 Pyongyang is prepared to import 20 whole plants for the production of iron and steel, chemicals, and automobiles is doubtless exaggerated, but some deals were very likely discussed with private Japanese investors.]

[Redacted]

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The delegation failed to meet with Japanese officials, however, indicating that the thornier questions of Japanese trade credits and relaxation of trade controls remain unresolved.)

2.1 [Although still small, Japanese - North Korean trade has grown in recent years. The total value increased from \$28 million in 1966 to almost \$60 million in 1971. It may reach \$100 million this year. For the most part, Japanese exports—consisting largely of specialized steel products, plant equipment, and machinery—have grown more rapidly than Korean exports, and in 1972 the bilateral balance may shift to Japan's favor for the first time. North Korea has been selling primarily semi-finished metal products.]

2.1 [Pyongyang is anxious to secure long-term credits from Japan to support further industrialization under its current six-year plan. Tokyo apparently is still reluctant to provide such credits, fearing that it would irritate South Korea, where the Japanese have extensive interests. Seoul may be a bit less concerned than in the past about other countries' trading with North Korea. In any case, Japanese officials have indicated that long-term credits will not be offered to North Korea, at least until such credits have been extended to China.]

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THE UNITED NATIONS

SATELLITE TV

23 [The political implications of satellites that can beam television broadcasts directly into private homes around the world are being debated in the UN. So far, neither the US nor the Soviet Union got what it wanted. There was little support for US efforts to protect the principle of freedom of information.]

23 [The Soviets had originally proposed to the General Assembly's political committee a broad treaty giving each country the right to prevent direct transmission of television broadcasts it considered "offensive." The proposal was eventually sidestepped by the committee, which merely requested the UN Outer Space Committee to formulate principles governing direct television broadcasts from one country to another. This request was passed overwhelmingly by the full General Assembly.]

[The General Conference of UNESCO recently went further than the UN General Assembly and adopted, by a substantial majority, a declaration prohibiting direct transmission of any television programs not authorized by the government of the receiving country. Although the declaration has only moral force, its overwhelming passage reflects the growing conviction of less-developed countries that protecting their cultural heritage is far more urgent than preserving an abstract principle like freedom of information.]

25 [Any eventual treaty will probably be a compromise between the restrictive Soviet position and the more liberal US attitude. Soviet representatives in New York said recently that although Moscow and Washington have been almost diametrically opposed on the matter, they hoped cooperation would be possible when the Outer Space Committee begins to develop principles governing the use of direct broadcast satellites.]

SOUTH-WEST AFRICA

30 [At its meeting on 24 November, the UN Security Council must decide whether to authorize Secretary General Waldheim to continue his policy of moving South-West Africa toward independence through "quiet diplomacy" or to consider more stringent measures, such as sanctions against South Africa.]

30 [The council's decision will be based on careful study of the "agreement" on South-West Africa concluded in early November by South African Prime Minister Vorster and Waldheim's personal representative, Alfred Escher.]

30 [The document does not represent a significant softening of the views either of Pretoria or of the UN on how South-West Africa should achieve independence. The UN maintains that Pretoria's present control over the territory is illegal because it violates UN resolutions and an International Court of Justice opinion. The UN believes that South-West Africa should become independent on a territory-wide basis. Pretoria, on the other hand, is instituting a "homelands" policy that would move the regions individually toward independence, thus leaving them almost totally dependent on South Africa for survival.]

28 [Waldheim, who may have some qualms about the Escher-Vorster document, has, nevertheless, been arguing privately that the statement serves as a good basis for continuing discussions with the South African Government. The British and French think the document represents a modest step forward. The three African members of the Security Council are dubious, however, and may be able to build support for their position.]

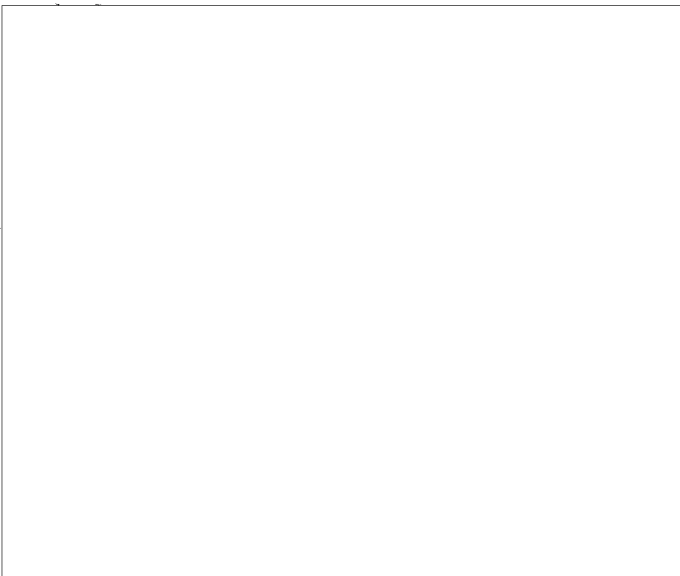
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tober critical of the government's economic policies. The federation charged that the unemployment—about 3 percent, but high by Swedish standards—was acutely embarrassing to labor leaders. The report urged Stockholm to make an all-out effort to stimulate the sluggish economy. The hesitant measures taken so far have been denounced by the opposition as "too little, too late."

Union leaders are not the only ones unhappy with the state of the economy. Several wildcat strikes have pitted workers against management and trade union alike.

Activities of this sort, conducted outside normal labor channels, have caused some unease among traditional Swedish unionists accustomed to settling disputes through the labor-management-government mechanism.

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SWEDEN: TROUBLE FOR PALME (41-42)

The Social Democratic Party, which has governed either alone or in coalition since 1932, is in serious political trouble. Public dissatisfaction with taxes and prices, criticism from organized labor—upon which the party relies for support—and pressure from the party's far left pose seemingly insoluble problems for the party chairman, Prime Minister Olof Palme. Indeed, if cooperation among the three bourgeois opposition parties continues, there is a distinct possibility that the Social Democrats may not be returned to power next September.

The Social Democratic Party congress in October provided some clues to the direction the party may take in the future. Palme steered the congress with a sure hand, and the outcome was a victory for the "old guard." The youthful left wing was, however, larger and more vocal than at the previous congress. The current leadership's policy of "functional socialism," as opposed to the more doctrinaire Marxist philosophy of complete control of business and industry, will prevail at least until the next congress in 1975. If the present leaders wish to retain control, however, they will probably have to shift to the left at some point.

Two major causes of voter dissatisfaction are inflation, with prices this fall 6.4 percent higher than a year ago, and rising taxes, which many Swedes already regard as all but confiscatory. Stockholm housewives have demonstrated against high food prices, which rose 12 percent in the past year. Government efforts to slow inflation have brought increased unemployment and business failures. Despite Palme's troubles with taxes, he still intends to double the payroll tax on employers in January.

The three opposition parties began to cooperate during the past year, and this in itself could prove Palme's undoing. Together, these parties control 170 seats in the 350-seat parliament. The Social Democrats have 163 seats and rely on the 17 Communists for a majority. Current polls show the bourgeois parties running ahead of the Social Democrats. If this trend persists, the Social Democratic - Communist majority could lose its edge in the elections next September. Campaigning has already begun. The decision, of course, will largely depend on whether the bourgeois parties can convince the Swedish voter that they can better the Social Democrats' record of 40 years of milk and honey.

The powerful Swedish Federation of Trade Unions, which has always supplied the core of Social Democratic support, issued a report in Oc-

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EUROPE: SOMETHING FOR EVERYBODY

50 [Meeting against a background of bitter disagreement between West Germany and France, the European Space Conference last week produced a compromise designed to satisfy all parties concerned. The conference 51 agreed, as Bonn has strongly advocated, to permit interested member governments to conduct studies to define the extent of European participation in the US post-Apollo program. France's favorite project, the independent European launcher, was also endorsed. In addition, Britain got support for its proposal to merge the separate European space research and launcher development agencies into a single agency comparable to the US National Aeronautics and Space Administration. These agreements are expected to be formally endorsed at a meeting in mid-December.] In the meantime, Bonn will send the US a note stating its firm intention to participate in the post-Apollo program.]

50 [West Germany, which has long argued for cooperation with the US, was largely satisfied with the outcome of the meeting. At present, Italy, Belgium, and Spain are expected to join Bonn in the European portion of the post-Apollo program.] The project to develop an independent European launcher will be continued, but Paris may have to devise plans for a "simplified" launcher in order to win broad support. It is questionable whether France could finance the project without significant aid from the others.]

50 [In any case, the compromise produced a bonus—the endorsement of a European space agency, which could provide the central management missing from past European efforts. The UK has in fact made central management a requirement for British re-entry into the European space picture.]

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USSR-YUGOSLAVIA: WALKING SOFTLY (NOT SOURCED)

The Kremlin, though tempted to exploit current political and economic upset in Yugoslavia, is walking softly, doubtless anticipating greater opportunities in the post-Tito era. For the present, Moscow is taking pains to maintain cordial relations with Tito and to avoid blatant moves that would revive anti-Soviet feelings.

The Soviet press has carefully shied away from taking pot shots at Yugoslavia's problems. The only significant comment thus far has been a dispatch from *Pravda's* Belgrade correspondent published on 1 November. The correspondent refrained from criticizing what is going on in Yugoslavia and applauded those aspects of Tito's reform program that are in accord with Soviet precepts. Thus, Tito's calls for a greater role for the party, for more centralism, and for a struggle against such ideological sins as opportunism, factionalism, and "petit-bourgeois spontaneity" received special notice. The article sought to con-

vey, but only by implication, that the Yugoslav experiment was in trouble and was not a desirable model for other socialist countries.

On the economic front, Moscow and Belgrade recently concluded a major credit deal after almost a year of negotiation. The Soviets will extend up to \$540 million in credits for industrial development at a two-percent interest rate. The Yugoslavs will not begin repayment until a year after all equipment for a given project is delivered. The projects, which range from oil refineries to a subway in Zagreb, will be located in all parts of Yugoslavia, but concentrated in the poorly developed south.

It was reported earlier that the aid would run to \$1 billion or more, but the negotiators could not agree on 21 of the 59 projects Yugoslavia originally proposed. Eleven of the rejects, worth a total of \$450 million, require further

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discussions on details. At the conclusion of the negotiations, Soviet Deputy Premier Novikov praised the agreement as a contribution to the welfare of "the whole socialist community," while the Yugoslavs cited the growth of their economic ties with the West to ease fears that they were being drawn back into the Soviet orbit.

It became evident during the Tito-Brezhnev exchange of visits in 1971 and 1972 that the Soviets are concentrating on the future. The communiqués on the visits spoke of long-term improvements in bilateral contacts at various party, regional and institutional levels. A number of these general statements of intention have not been converted into specific agreements—and may never be—but there has been a marked increase in Soviet-Yugoslav exchanges, and the framework for a further increase exists. Moscow's desire to build for the future is also reflected in its effort to keep anti-Tito Croat emigre groups at arm's length, despite the willingness of these groups to accept support from any quarter.

The Soviets are thus laying a groundwork that they hope will give them a favorable position in the post-Tito period. They may hope to have more influence with Tito's successors by building a base of friendly relations that would counterbalance less friendly memories of the past. Meanwhile, the various trade and credit arrangements give Moscow entree into individual Yugoslav republics and enterprises. These and the other bilateral contacts that ensue will provide the Soviets with numerous opportunities to exercise and expand their influence. [redacted]

YUGOSLAVIA: TAKING A BREATH

SO Tito has slackened his purge of party leaders as he tries to assess the demoralization it has caused and to restore unity. The basic drive to recentralize the party is not in question, and it is only a matter of time until the purge hits the middle and lower ranks. }

Over the past week, two opportunities for extending the housecleaning of top functionaries passed without event. Tito visited Macedonia [redacted]

In Serbia, the new party leaders held their first plenum, and party boss Vlaskalic sought to stress unity. He refused to raise the question of confidence in holdovers and rejected the resignation of still another Serb representative on the federal party presidium. }

While in Macedonia, Tito talked with workers at several factories as part of his campaign against regional party barons and economic tsars. He emphasized that the average worker need have no fear the party intends to limit the achievement of a higher standard of living and that he is not trying to reshape Yugoslavia in the Soviet mold. He specifically mentioned good relations with the US as an example of the continuing balance in foreign policy. He condemned Bulgaria for "intrigues" against Macedonia, and Austria for failing to prevent anti-Slovene demonstrations in areas adjoining Yugoslavia. }

The decision not to broaden the purge at this time, and the effort to counter speculation that Yugoslavia is drawing closer to Moscow are designed to overcome uncertainty about the implications of Tito's recent moves. The resignations of several top leaders who disagree with his course have shaken public confidence, and the threat of expropriation of "illegally acquired wealth" has created considerable unease among the growing middle class. Furthermore, the editors of the most important journals have been sacked, and the new ones have been enjoined to stick to the party line in their editorials. As a consequence, the rumor mill is working overtime, and this further unsettles the situation. }

Another reason for the slowdown is Tito's desire that the third party conference go smoothly. Disruptions caused by the purge have already forced a two-week postponement to 6-7 December, and primary party organizations still have much to do to prepare for the meeting, which is to concentrate on youth policy. }

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56]Tito took a calculated risk in setting loose the purge, and he may have anticipated most of these disruptions. Further personnel changes appear inevitable if his recentralization of domestic political power is to avoid sabotage at the hands of party and government functionaries. It now appears, however, that these changes will be protracted. He indicated at a presidium session two weeks ago that he wants the purge completed a year from now, a deadline that allows ample time for tactical adjustments to the popular mood.]

56]In any case, it is clear that Tito has not changed his demand that the system submit to the party. He is determined to see that the League of Communists maintains unity, even at the expense of angering "false progressives" at home and abroad. [redacted]

improved political climate between the US and the USSR, as well as the Soviet grain shortage, enhances the possibility that Poland may be working up to its first multi-year grain import agreement with the US.)

57]Poland's sudden interest in negotiating a long-term agreement to import large quantities of agricultural products is undoubtedly prompted by uncertainty over future Soviet deliveries. The Soviets have provided the Poles with as much as two million tons of grain a year, but are committed by contract to supply less than one million tons. The Poles may have surmised, prudently, that, during the next few years, they cannot expect more than the long-term contract specifies.]

57]Poland has assigned high priority to boosting livestock production and is, as a result, faced with the task of assuring a reliable source of feedgrains. The rising incomes of Polish workers and the recently announced freeze on retail prices of livestock products for at least another year mean that the demand for meat is likely to be greater than anticipated in the current five-year plan. The Gierek regime is committed to trying to meet this rising demand, even at high cost.]

POLISH TRADE BID

57]Uncertain how much grain the USSR will be able to provide, Polish trade officials are looking for an alternate supplier. In recent discussions with US officials the Poles talked of imports, to be financed by Commodity Credit Corporation (CCC) credits starting in mid-1973, of 1-1.5 million tons of grain a year—some 40-60 percent of their estimated annual import requirements. The

57]In discussions with US Department of Agriculture officials, the Poles also mentioned buying US soybeans and cotton on Commodity Credit Corporation credit. Because of current tight supplies, none is now available on those terms, but the Poles displayed interest in an offer of some 25,000 tons of edible oils. Polish officials made no final commitments on any of the commodities, but left the impression that, if satisfactory credit arrangements can be worked out, a grain deal would be signed. Over the past five years, Poland's imports of US grain have averaged less than 300,000 tons a year. A long-term contract for the quantities of agricultural products broached in these talks could double Polish imports from the US which reached some \$60 million last year. [redacted]



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ISRAEL

HITTING SYRIA HARDER

[Israel's post-Munich campaign to destroy the fedayeen as an effective element and to punish their Arab hosts continues. On 9 November Israeli planes took a heavy swipe at Syrian Army positions near the Golan Heights cease-fire line in response to earlier fedayeen actions nearby. Syrian officials publicly insisted that the Israeli attacks would not deter them from supporting the fedayeen, but guerrilla activity in the area has been minimal since the latest raids. A senior Israeli military official declared that what happens next is "up to the Syrians." He added that if Damascus continues to assist the fedayeen, Israel will continue to punish both guerrillas and Syrians.]

[The Israeli-Lebanese cease-fire line has been quiet since mid-September, but Syrian-based fedayeen had been sporadically harassing the Israelis in the Golan Heights despite a string of Israeli air attacks starting in early September. On 8 September, the Israelis hit eight fedayeen bases in Syria, and on 15 October one more. Two weeks later on 30 October, four fedayeen bases very close to Damascus were hit. When the Syrians responded to the air attacks with an artillery barrage into the Golan Heights, the Israelis carried out a deep penetration raid on a Syrian Army post along the northern Lebanese-Syrian border. The air attacks of 9 November were described by an Israeli military spokesman as retaliation for two specific incidents, an attempted guerrilla ambush and a recent mining incident in which an Israeli civilian was wounded.]

[The latest Israeli reprisals began as an air strike against two platoon-sized Syrian Army posts close to the Golan cease-fire line near where the incidents occurred. The Israelis argued the fedayeen could not operate in this area without the knowledge and approval of Syrian Army headquarters. As on 30 October, the Syrians responded with an artillery barrage into the

heights. This time, the Israelis mounted the heaviest air strike against Syrian Army positions since the 1967 war. Using close to 70 aircraft—including F-4 Phantoms, A-4 Skyhawks, and Mysteres—they used some 800 bombs and rockets. The targets included an SA-2 site, nine artillery positions, three other army positions, and—again—the two positions in the Golan Heights. The damage is estimated as considerable and included the downing of two, and probably three, Syrian MIG-21s.]

FENCING WITH JORDAN

[Top Israelis recently have been again wrestling in public with the "occupied territories" and the closely related problem of a formula for a settlement with Jordan.]

[The latest round in the debate was kicked off by Defense Minister Dayan, often outspoken on the issue. He said that since Israel cannot get everything it wants in a peace settlement with Jordan now, Israel should in the interim step up its program of economic investment, social improvement, and fraternization with the Arabs, particularly in the West Bank and Gaza Strip. Dayan's objective is to bring about a situation in which Arabs and Israelis could freely "live, work, and pray" in an atmosphere of co-existence without the need for total Israeli military control, as is now the case. Dayan has long believed that some form of Arab-Israeli co-existence would be possible in time, and he thinks that in these two heavily Arab-populated areas, Israel will need something more than just territorial security. Dayan hopes that better wages, services, and other social benefits will create such a strong Arab commitment to co-existence that Amman would be faced with popular discontent if it sought to revert to the pre-1967 situation.]

[Dayan's proposals are probably acceptable to the religious and right-wing parties, who want

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Israel to keep the West Bank, but are largely rejected by the majority of the Labor Party. Finance Minister Sapir—a potential successor to Mrs. Meir—backed by Deputy Premier Alon, sharply attacked Dayan's proposals on economic and demographic grounds. They fear that economic and social integration implies political integration. They argue that Israel cannot permit the status quo to become permanent and that



Defense Minister Dayan
Co-existence

Israel should not close off any options for a peace settlement. The Sapir-Alon rebuttal smacks somewhat of electioneering against the widely popular Dayan, but both men, like Mrs. Meir, are greatly concerned over the problem of changing the character of the Jewish state. Mrs. Meir has frequently

declared that she does not want to have to count the population every morning in order to find out if the country is still Jewish.)

68 [Mrs. Meir has called for an end to public debate, but, with parliamentary elections due next year, statements on the problem will be heard with increasing frequency. Still, there is an element of artificiality to the debate. Israel has already effectively annexed the Golan Heights and East Jerusalem, has vowed it will retain control of the Gaza Strip indefinitely, and is adamant about holding control of and access to Sharm ash Shaykh at the head of the Gulf of Tiran. Tel Aviv has, moreover, already established 44 Israeli settlements in the occupied Arab territories and upward of 40,000 Arabs are currently employed in Israel, where they receive Israeli wages and benefits.]

69 [Meanwhile, Prime Minister Meir has complimented King Husayn almost effusively for his courage in stating publicly that he was opposed to more wars and was ready to make peace. She stated flatly that she believed Husayn was sincere, but warned that he still does not go far enough: he does not seem to realize yet that he cannot return to the pre-1967 situation.]

65 [While King Husayn does indeed emphasize Jordan's dedication to peace, he also reiterates that the West Bank and the Old City of Jerusalem must revert to Jordan as part of a settlement. On 1 November, Husayn told Parliament that talk of partial settlements and one-sided deals was "nonsense." He noted that under his proposed United Arab Kingdom, Jerusalem would become the capital of the Palestinian region. In a *Le Monde* interview on 4 November, Husayn said that any territorial annexation by Israel is "out of the question."]

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TUNISIA: CALL FOR REFORM (70-13)

The liberal faction of the governing Destourian Socialist Party, after a year of virtual inactivity, is again pressing President Bourguiba for political reform. Prominent liberals have sent a letter to Bourguiba charging that the political situation has deteriorated as a result of his refusal to carry out the resolutions adopted by the party congress on October 1971. The resolutions called for less of Bourguiba's strong personal control, expanded powers for the cabinet and National Assembly, and direct election of Bourguiba's successor; the liberals also want party officials elected democratically.

Bourguiba, backed by the party's conservatives, has insisted on maintaining a strong presidential system and has refused to alter the existing provision that the prime minister take over the presidency if the incumbent dies before the end of his five-year term. Bourguiba may, however, have decided to carry out some of the reforms without openly acknowledging that they are concessions to the liberals. Prime Minister Hedi Nouira has announced that a constitutional amendment, making the government responsible to the National Assembly as well as to the presi-

dent and strengthening the constitutional position of the cabinet, will be submitted to the assembly soon.

The liberals clearly intend to use the assembly, which opened its fall term on 24 October, as a forum to press for reform. They demonstrated their strength on opening day by forcing the first secret ballot in the assembly's history. Bourguiba's apparent willingness to give ground on some of their demands probably will not dissuade them from pressing for a change in the manner of presidential succession.

The liberals' initiative comes at a time of renewed activity by dissatisfied elements. University students are restive because the party insists on controlling their organization. Supporters of Ahmed Ben Salah, the former economic chief convicted of treason in 1970 after Bourguiba repudiated his ambitious agricultural reforms, are circulating petitions calling for Ben Salah's release. The liberals might join forces with some of Ben Salah's adherents. In the meantime, students and supporters of Ben Salah add to the unrest.

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INDIA-USSR: NO NAVAL EXERCISE

78 [The combined exercise involving the Indian and Soviet navies, which reportedly was to begin in late October in the Indian Ocean, apparently will not take place. There have been no ship movements indicative of an upcoming exercise.] and the US defense attache in Moscow now believes that the exercise never got beyond the planning stage.]

78 [New Delhi has long sought to obtain information on the proper tactical procedures for use by its Soviet-built Petya-class escorts, F-class submarines, and Osa-class guided-missile patrol boats. So far, both sides seem to have balked at a mutual exchange of sensitive information on naval tactics for a combined exercise.]

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PAKISTAN: LEFTWARD HO

79 [Pakistan's decision to withdraw from SEATO and to recognize North Vietnam, North Korea, and East Germany had long been under consideration. In part, the action stems from a desire to strengthen relations with Peking and, at the same time, improve cool relations with Moscow. The decision to recognize Pankow was made before the announcement of the basic political treaty between the two Germanies. One further move is under study—recognition of Cambodian Prince Sihanouk's "Royal Government of National Union." In the case of Pyongyang, Presi-

dent Bhutto may also have been demonstrating gratitude for recent modest amounts of arms aid.]

79 [The Pakistanis—who want good relations with all the great powers—had delayed the Asian recognition moves to avoid creating problems for the US during the election campaign. Bhutto was also seeking, with these moves, to placate leftists both in the opposition and in his own party who have been critical of his "pro-American" policies, such as Pakistan's increased participation in CENTO.]

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SIERRA LEONE: MORE PROBLEMS

Party disunity, rivalries, and President Stevens' close ties to the radical government of Guinean President Toure are roiling the political waters in Sierra Leone. The government's problems are compounded by the constitutional requirement that it hold parliamentary elections before May of next year.

Since Stevens took power in 1968 following a mutiny in army and police ranks, he has survived challenges from the army and from within his own party. He has, in response, drastically altered the constitution to augment his powers as chief executive. He has purged the army and created a popular militia as a counterweight to the army. He has strengthened his country's ties with Communist governments and with his neighbor and supporter, Sekou Toure of Guinea. Despite short-term gains, Stevens' popularity has been badly eroded, and intra-party squabbling is again disrupting the loose alliance of northerners he depends on.

New divisions within Stevens' party are developing around a struggle between Vice President



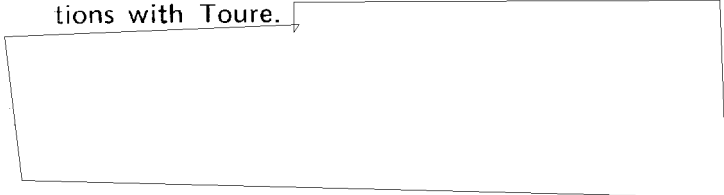
Vice President Koroma

Koroma and Stevens' former chief lieutenant, Kamara-Taylor, for the position of heir apparent. The leftist Koroma, who is influential among the Communist-trained militia and party toughs in the capital, was elevated to vice president because of his strong support for Stevens during the unsuccessful army coup attempt in March 1971. Koroma favors a one-party state and has ruthlessly hounded opposition politicians. Supporters of the more moderate Kamara-Taylor believe Koroma planned a recent car accident involving their man. Apprehensions about the ambitious Koroma have been increased by reports that the 67-year-old Stevens is planning a month's vacation abroad soon. The vice president could be designated to take charge in Stevens' absence, and critics question how Koroma would use these broad powers.



Kamara-Taylor

Koroma is a strong supporter of close relations with Toure.

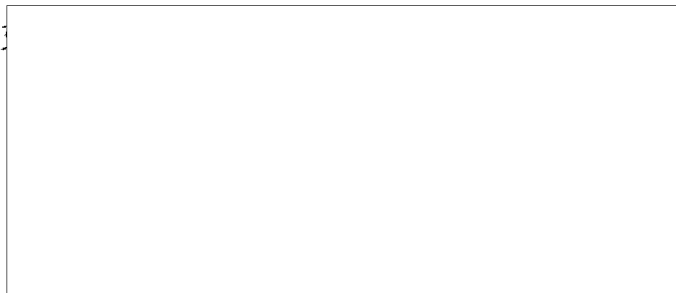


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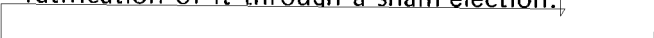
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dent Toure's ideological commitment to government participation.]

96 [The government's bargaining position is strengthened by the fact that larger Boke operations will begin production fairly soon, reducing Guinea's dependence on Fria for foreign exchange earnings. Previously, a threat to interrupt Fria's production—it has the country's only alumina plant, which yields a higher-valued export than bauxite ore—was economically too devastating for the government to risk. Although Guinea has 20 percent of the world's known bauxite deposits, it ranks only seventh in production. Development of its richest ores has only just begun. Communist countries are also involved in developing the bauxite, their largest project being a \$92-million enterprise at Kindia just east of the capital.]

92 [Even Stevens' supporters concede the unpopularity of his government and its probable defeat in a fair election. Equally clear, however, is Stevens' determination to stay in power. Stevens probably would prefer to avoid violence and may use the single-party state ruse to dodge the problem of elections.] Parliament recently repealed a law requiring a member to resign his seat if he changes party affiliation. This allows harassed opposition parliamentarians to switch to the ruling party without penalty. If enough of them take the hint, the way would be open for Stevens to declare a one-party state and seek popular ratification of it through a sham election.]



97 [Ironically, a striking aspect of the Fria operation is its highly successful "Guineanization" program. The government insisted from the first that "Guineanization" reach 100 percent, and this goal was incorporated into company plans. Latest figures show that only 148 of 1,400 employees are foreigners. The company's training programs, in fact, are used as models in other bauxite projects for increasing the proportion of local employees and improving their skills.]

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GUINEA: TOURE MOVES IN

95 [The Toure government is moving to acquire part ownership of Fria, Guinea's only major enterprise entirely owned by foreigners. Fria has been the country's major bauxite producer and the source of over two thirds of its annual foreign exchange earnings since 1960. Negotiations with the company are to begin in December, and the government probably will demand at least 49-percent ownership. This is the same share it holds in the Western-financed Boke bauxite project, which should begin production in late 1973 or early 1974. American capital predominates in both ventures, although a French company that discovered the Fria deposits is in charge of its daily management. Bargaining will be tough, but a near-equal partnership seems inevitable, given the precedent set by the Boke agreement and Presi-

97 [Fria's relations with the government were quite good until late 1970 when a Portuguese-led attack on Conakry led to heightened government concern with security and the activities of foreigners in Guinea. Since then, the enterprise has experienced labor problems, government interference in daily operations, and harassment of foreign employees. Work stops when political officials conduct mass meetings of workers, and this has led to neglect of the alumina plant and increased operating costs. As a result, production this year may well be below last year. Fria officials hope that partnership with the government will reduce these labor and operating problems.]



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CUBA: SOME ARE NOT WELCOME

The 28-hour hijacking last weekend of a Southern Airways DC-9 was a harrowing experience for the Cuban Government. No previous hijacking received such high-level and prolonged attention from the Cubans, and Castro personally directed the negotiations with the hijackers at Jose Marti airport. Cuban workers were effective in their handling of the crippled plane's emergency landing and went out of their way to provide assistance to the passengers. The episode came only two weeks after the hijacking of an Eastern Airlines flight involving the murder of an Eastern employee. In the same two weeks, a Mexicana Airlines domestic flight was commandeered to Cuba in an effort to obtain the release of five guerrillas held by Mexican police.

In the past, Castro has always linked the hijacking question with the problem of illegal movement into and out of Cuba and insisted that Cubans who flee be returned to Cuba since they

are common criminals. Havana has also linked the air piracy problem with harassing raids by exiles on the Cuban coast and with the OAS policy of isolating Cuba. Thus, Castro apparently has hopes to use the hijacking issue to reduce Cuba's isolation in the hemisphere.

Castro, of course, also has his revolutionary image in mind when dealing with hijackers. When "genuine" revolutionaries hijack planes to Cuba, they are normally granted asylum even at the risk of strained relations with the affected government. The hijackers of the Mexicana flight will undoubtedly fall into this category.

The Cuban Government however, is not hospitable to the undesirables who hijack planes to escape criminal prosecution.

Although Cuba has never formally extradited any hijacker to the US, at least eleven have been allowed to return through Canada. The three hijackers of the Southern flight will probably be singled out for especially harsh treatment because of the difficulties they caused as well as their criminal records.

The Cuban Government's response on 15 November to State Department requests for the return of the hijackers of both planes underlines Havana's determination to continue its past policy of insisting upon a broad formal agreement rather than dealing with specific hijacking cases individually. Castro may also be concerned that a sudden departure from past policy would be widely interpreted as an initiative for improved relations with the US. At the same time, Havana undoubtedly anticipates considerable criticism for its refusal to cooperate and has begun to portray itself as a victim of hijackings rather than a culprit. Despite what must be a growing exasperation with the problems caused by hijackers, Castro apparently intends to stand fast in the hopes of obtaining arrangements beneficial to Cuban interests. Eventually, however, the hijackers of the two US planes may be quietly returned through Canada.



Castro
Selective Reception

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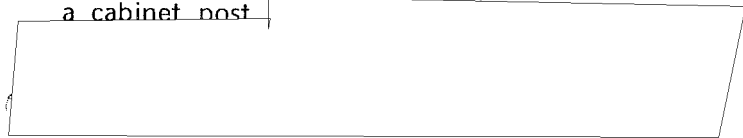
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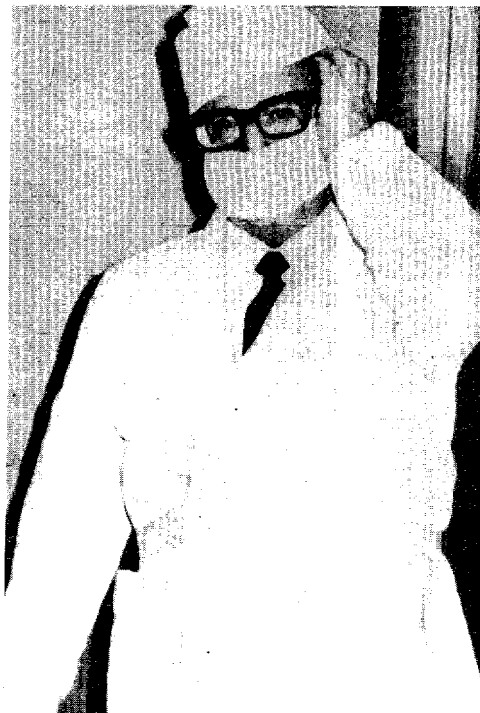
CHILE: MILITARY AT THE FOCAL POINT

104 [The three military officers in the Allende cabinet remain an issue two weeks after they accepted the posts. The Socialist Party, which opposed President Allende in this matter, reluctantly endorsed his decision at its latest plenum. The party's grudging conclusion was that military cabinet members would not necessarily impede the accomplishment of Popular Unity programs. The Communists retain their strong position in the cabinet, but the shake-up that made room for the generals left the three non-Marxist parties in the coalition bitter. The Radicals lost one seat, and only one of the other small parties still holds a cabinet post.]



107 [Most of the criticism being directed at Interior Minister General Prats from within the coalition, as well as from the opposition, concerns his "no reprisal" guarantee offered as part of the strike settlement. The guarantee clearly is not being honored in some cases, and the opposition is grumbling aloud over the resulting abuses. The government parties are anxious to press their advantage. Continued small-scale terrorism by anti-government extremists—such as bombing attempts on the homes of the Socialist Party chief and the minister of public works—serve to keep alive the desire to crush "opposition insolence." With such attitudes on both sides, Prats' hopes for political peace until the March 1973 elections will be difficult to realize.]

107 [So far, Prats has performed well in his new job. With his short-range goal of ending the strike achieved quickly, he has been able to resist pressures for a policy of massive retaliation. Prats, apparently by design, has monopolized the public stage, and his announcements demonstrate political acumen. He has not yet had a head-on collision with the Socialists or Communists and does not expect them to antagonize the army. The test

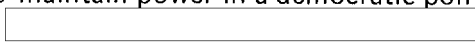


Allende



will come when he is acting chief executive next month during Allende's two-week trip abroad. Politicians who do not want the military in the cabinet can be expected to try to make him look bad.]

105 [Allende's travel plans include four stops—Mexico City, UN headquarters, Moscow, and Havana. The largest block of time evidently will be spent in the USSR. Allende's address to the UN General Assembly most likely will be a blast at US-based multi-national corporations. His blasts at the US could be followed by a Chilean request for short-term Soviet credits when Allende reaches Moscow. He needs such aid if he hopes to maintain power in a democratic political system.]



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VENEZUELA: GUARDING THE FLANKS

In their zeal to establish Venezuela as a major Caribbean power, government leaders are not overlooking the potential threats that they perceive from neighboring Colombia and Guyana.

The border dispute with Guyana has been shelved, at least temporarily, but Caracas keeps a wary eye on developments in that country and on its initiatives toward nonalignment. During the past several months, Caracas has embarked on a strenuous courtship of Surinam, which is also embroiled in a long-standing border dispute with Guyana. Caracas has sent a steady procession of cultural performers and exhibits to Surinam, and has officially invited large numbers of Surinamese to Caracas. For example, a large government-

business mission led by Minister of Economy Rens, was given red-carpet treatment, including lavish receptions and a long meeting with President Caldera. It impressed the Surinamese and probably left them reassured of Venezuelan support should border problems with Guyana escalate.

Venezuela's difficult negotiations with Colombia over territorial seas and continental shelves show no signs of an early solution. Both sides believe that the seabed in the disputed area contains substantial oil deposits. Other roadblocks to the three-year-old talks include the illegal emigration to Venezuela of hundreds of thousands of Colombians. In Venezuelan eyes,



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they are a potential fifth column, and their presence leads to substantial contraband operations over the border. The talks have been complicated in both countries by nationalistic sentiment and the approach of general elections.]

Banking and financial indicators are positive, but popular discontent remains high as hoarding, price speculation, and shortages of basic foodstuffs have not been checked. A government attempt to eliminate middlemen by encouraging La Paz residents to purchase commodities directly from campesinos at the legal price has been a fiasco, and consumer patience is wearing thin.]

111 [President Caldera is under heavy pressure to maintain a hard line]

120 [Trade unions so far have postponed strike deadlines and continue negotiating with the regime, but they are still demanding either further wage increases or price rollbacks. Pay raises acceptable to the unions would avert the resumption of violent protests, but would negate most of the potential benefits of devaluation and cost Bolivia the support of the International Monetary Fund.]

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114 To mollify the military, Caldera has agreed to reinforce military units along the border to match the buildup of Colombian forces already under way. Although responsible elements in both countries would like to defuse this explosive situation, the possibility of a minor incident involving border patrols remains.]

121 [The government has rejected demands by private business for relief from certain stabilization measures, and claims privately that it is determined to hold the line on wages as well. It has asked the US to provide foodstuffs for emergency distribution to workers in the hope that free food will mollify them. Despite the government's brave talk of a willingness to resort to force if necessary, it is more likely to grant a wage increase than risk political suicide.]

113 [Recent optimistic press reports in Venezuela alleging a breakthrough in the talks with Colombia, although probably spurious, may be designed by Caracas to lessen tensions and lay the groundwork for a postponement of further negotiations until after elections in both countries.]

124 [It is, of course, possible that the Banzer regime will not be around to make such a decision.]

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BOLIVIA: DEVALUATION BLUES

124 [The military-civilian government is having considerable difficulty coping with the consequences of its massive devaluation of the peso.]

A deterioration of the labor situation would heighten the chances of Banzer's political demise. (SECRET NO FOREIGN DISSEM)]

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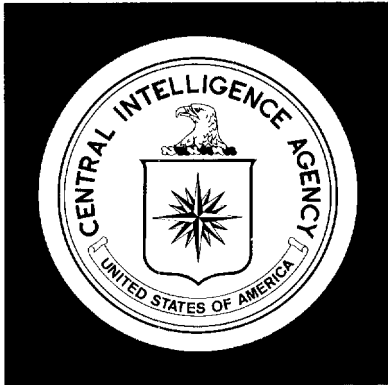
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

*Conference on Security and Cooperation
in Europe: Overture*

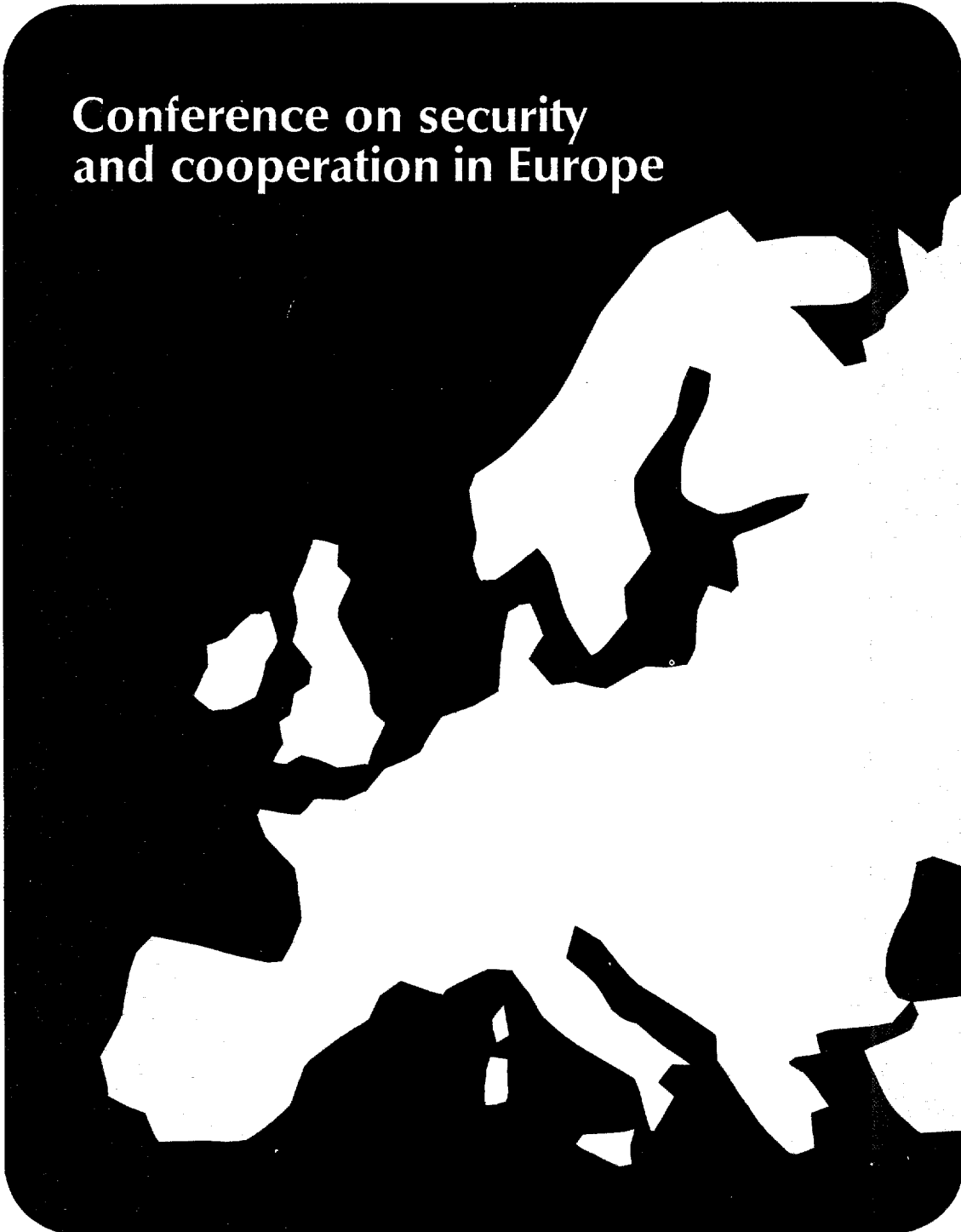
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Conference on security and cooperation in Europe



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On 22 November, representatives of East and West European states plus the US and Canada will gather in Helsinki to begin preparations for the first general conference on European security affairs since World War II. In fact, what are normally considered "security" issues will be taken up only marginally at the security conference; these matters will be discussed largely in East-West talks on mutual and balanced force reductions. Security conference preparations are the product of some 18 years of on-and-off campaigning by the Soviet Union. The campaign was designed to gain international acceptance of the division of Germany, the post-war European borders, and the Soviet sphere of influence in Eastern Europe. For years, a major obstacle to the conference was the unwillingness of the West Germans to acknowledge what most of the other states of Western Europe had accepted: that

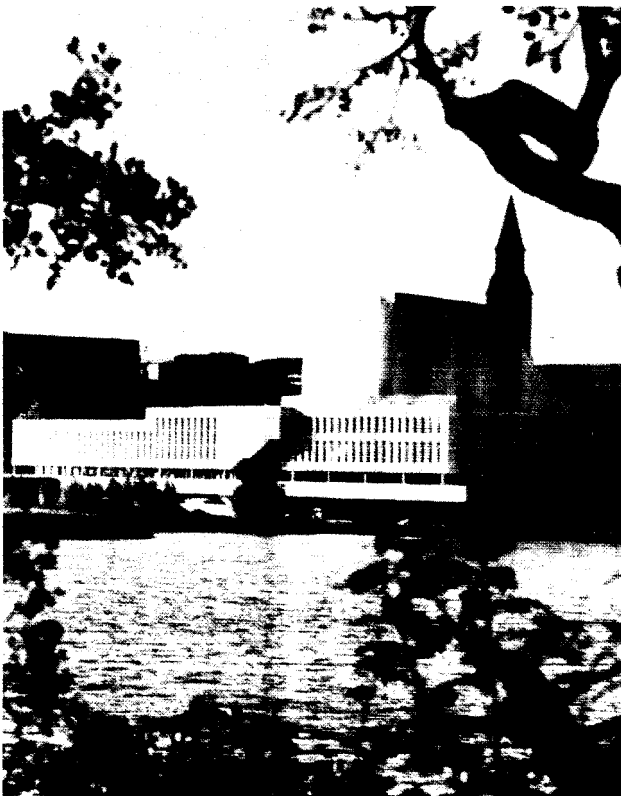
neither East nor West could change the post-war status quo. Once Bonn was willing to acknowledge this, as it did in a bilateral non-use of force treaty with the Soviets, a major source of Western opposition to the conference was removed.

The important question now is what impact the conference itself will have on longer term Eastern and Western objectives. The Soviets hope that, in addition to winning confirmation of the post-war status quo, they can capitalize on differences between the US and its European allies in order to lessen US influence on European affairs while increasing their own. The Soviets would like also to minimize the chances that Western Europe will choose to create a political and military "third force" on their western flank. The East European states share the Soviet desire to ratify the post-war European borders, but at the same time would like to expand their contacts with the West, hoping to expand trade and, ideally, lessen their political and economic dependence on the Soviet Union. The West hopes to take advantage of this East European desire for greater flexibility and expand East-West cooperation while also protecting the unity of the Western Alliance and the integrity of the European Community.

The Conference on Security and Cooperation in Europe itself could open in the middle of 1973. It is unlikely to conclude in obvious failure, because none of the participants would see their interests thus served. The outcome will not be totally one-sided, although the long-term impact on European affairs is not likely to be discernible for many years. Even then, it may be difficult to separate the influence of the conference from the larger process of East-West conciliation.

Curtain Time

Multilateral preparatory talks will open in Helsinki on 22 November. Moscow probably would like to wind up preparations before Christmas, while the West will try to extend them into 1973. The date for beginning the conference itself will be decided during these talks. It is anticipated that the target date of June 1973 set by Moscow will be met. The location of the



Proposed Helsinki Site for Conference

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conference will also be determined during the multilateral preparations. The Soviet Union supports the Finnish bid to host the conference, but the US and other NATO allies want to observe how the Finns perform during the preparatory stages to determine whether Helsinki will be sufficiently "neutral."

The delegations to the preparatory talks will for the most part be headed by principal officers of the participants' diplomatic missions to Helsinki. Most delegations, therefore, will be headed by ambassadors; most of them will be supported by experts from home. The two Germanies will be represented, at least initially, by the heads of their respective trade delegations in Helsinki—also backed by experts from home. One criterion making Helsinki acceptable to the West was that East and West German participation would be equal but not on a par with that of the other participants, so that Pankow's claim to sovereignty would not be gratuitously reinforced. This rationale is less important now that Bonn has initialed a general treaty with Pankow. Moscow, possibly hoping to take advantage of this, has hinted in recent weeks that it wants to send a representative who outranks its ambassador in Helsinki.

The security conference itself will involve at least the foreign ministers of the countries involved. Moscow would like the final session of the conference to be at the "highest level." The Western allies remain uncommitted on this point, preferring to wait to see whether conference results warrant a summit gathering.

The Conference Format

The Soviet Union would like to conduct the conference in three stages. Following the preparatory talks, the foreign ministers would meet in the first stage and appoint working groups. These groups would develop, in the second stage, the texts of agreements. The third stage would be a summit meeting to approve the agreements. This approach is essentially the same as the French have advocated—except that the French see the third stage as another gathering of foreign ministers and not as a summit. Most of our European allies support the three-stage French approach.

Special Report

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17 November 1972

PERSPECTIVES

The positive changes which have taken place recently in Europe do not mean that problems inherited from WWII have been fully solved. What must be undertaken in order to continue the improvement in the European situation is to move forward in the matter of providing collective security in Europe, in the development of cooperation both on a bilateral and on an all-European basis. An improvement in the situation in Europe as a whole could be served by calling an all-European conference.

Soviet Party Secretary Brezhnev's report to the 24th CPSU Congress, 30 March 1971

If such a conference is carefully prepared and will address substantive issues, the United States favors it.... It is not enough to agree on cooperation in the abstract. How will cooperation be implemented in practice? Will it include freer intercourse among the European peoples, East and West? How would a conference promote economic relations other than through existing institutions and means?

President Nixon's Foreign Policy Report to Congress, February 1972

Irrespective of the results, the security conference will be a major achievement.

Polish official in talks with West Germans, August 1972

The US, on the other hand, has advocated lengthy preparatory talks, possibly including the appointment of working groups, followed by a single meeting of foreign ministers. In this scenario, the preparatory talks would develop the texts of agreements for the foreign ministers to sign.

It appears likely that decisions by consensus will govern the preparatory talks and the conference itself, though the West may argue for taking votes on purely procedural questions. The Finns will chair the preparatory talks, but the

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chairman will not be a member of the Finnish delegation to the talks.

The Conference Origins

The preparatory talks for a security conference are a culmination of years of patient effort by the Soviets and their allies. Since 1954, when the Soviets first proposed the conference, the idea has had its ups and downs, but seldom seemed close to acceptance. The proposal seemed to be gaining some momentum by 1968, but the invasion of Czechoslovakia set it back.

The relative brevity and mildness of the Western reaction to the invasion encouraged Moscow to revive the idea in March 1969. The Western allies, most as yet unconvinced that the Soviets were seriously committed to a policy of detente in Europe, set out to test Moscow's sincerity. The NATO countries, at US urging, imposed various "linkages" or preconditions—in particular, the Four-Power agreement on Berlin—without which conference preparations could not begin. Soviet party chief Brezhnev's close personal association with detente proposals helped to persuade many Western skeptics that Moscow's espousal of detente was more than a temporary tactic.

By May of this year the Soviets had fulfilled the various preconditions. Many Western allies were by then convinced of the merits of a conference—particularly given West Germany's Ostpolitik and the US-Soviet dialogue. Thus, after 18 years, the US and the USSR agreed on a sequence in which preliminary talks would begin on 22 November in Helsinki and, assuming a satisfactory conclusion, the actual conference would begin in mid-1973. It was also agreed that talks on mutual and balanced force reductions would proceed in a similar fashion, but with preliminaries starting in January 1973, and the actual negotiations in the fall. The two sets of talks would be in sequence, giving the West a chance to test Soviet intentions in respect to force reduction before opening the security conference at the foreign minister level.

The Soviets still apparently see mutual force reduction talks as a potential threat to a suc-

cessful security conference. The original NATO force reduction proposals were intended in part to counter Soviet security conference proposals. When Soviet silence on force reductions became increasingly incompatible with Brezhnev's detente program and even threatened to block the security conference, Brezhnev reversed his field and, in May 1971, announced Soviet readiness to discuss force reductions. Since then, the problem has been to relate the two subjects in a way satisfactory to the proponents of each.

There has always been a question whether the Soviets' interest in mutual force reductions is sincere or whether they regard acceptance of talks on the subject as merely a necessity to ensure the security conference. Whatever their feelings about the merit of force reductions as such, there is no doubt that the security conference has priority in their eyes. The Soviets have not reneged on their commitment to discuss force reductions, but they have done everything possible to give the security conference precedence. Soviet diplomats at one point suggested an approach under which force reductions would be handled by a body set up by the security conference, thus making force reductions subordinate in both time and status. Moscow's advocacy of short, non-controversial preliminary and negotiating sessions of the security conference is based on the hope that security conference matters will be successfully concluded before the equivalent stages of mutual force reductions get under way.

Soviet Objectives

The persistent Soviet push for a European conference is rooted in the special historical circumstances of the post - World War II period. In contrast with the situation after the Napoleonic Wars and World War I, there has been no general conference to define power relationships in the wake of World War II. The Soviets at first keenly felt the lack of a legal endorsement of their gains. As time went on, however, the probability of forcible change in European boundaries has faded, and the Soviets have now acquired formal acceptance from West Germany—the state for many years deemed the most likely to challenge the boundaries. Thus, from Moscow's perspective,

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the conference has lost some of its original meaning. But, while this was going on, other motives began to emerge.

For one thing, Moscow has come to feel a need to adjust to and perhaps mold the new order emerging in Europe. In particular, the growing strength and unity of Western Europe and its enduring attractiveness to Eastern Europe is seen by the Soviets as a potential threat to Moscow's interests. The failure of the Soviets previous policy of confrontation inspired them to turn to a more conciliatory approach. The Soviet dispute with China likewise encouraged Moscow to seek stability on its western flank. Some Soviet commentators have linked Western opponents of the security conference with the nefarious Chinese.

The more fluid and subtle strategy of detente presents Moscow with risks as well as opportunities. The Soviets appear confident that they can manage the risks and turn the conference to their advantage. The tightly controlled Soviet diplomatic and information apparatus was ideally suited to conduct a persistent, plodding campaign for a security conference against Western opposition and indifference. But in the give-and-take of actual negotiations, the apparatus may be less effective.

A threat to Moscow's control in Eastern Europe is an inevitable concomitant of detente in general and the security conference in particular. Just as some Western countries see a security conference as a chance to pry away barriers to the East, some of their Eastern counterparts look upon the conference as an opening through which will blow fresh breezes from the West. Poland has hinted at its willingness to take a more liberal position on the freer movement issue. Romania has made no secret of its hope that the conference will produce a declaration of principles that will demolish the Brezhnev doctrine. Moscow, aware of this, has sought to preserve its position by stressing the need for greater bloc unity and coordination as the conference approaches.

Years of incessant Soviet propaganda have made it appear that the conference is an end in itself, but it remains only one aspect of the over-

all Soviet policy in Europe. In the view of the Soviet leadership, the conference represents the culmination of a lengthy process of development, almost a reward for their good behavior since 1968. Looking ahead, they see the conference as opening the way to further detente achievements. Failure of the conference would set back Moscow's policy, but would not necessarily mean its abandonment. Brezhnev's prestige, which has been heavily committed to the security conference, would suffer if the conference cannot be billed as a clear success.

Western Objectives

The Western allies, forced to react to the repeated Soviet conference proposals, began by searching for areas in which the Soviet desire to hold the conference could be used to gain Soviet concessions. In a sense, the conference has already served the West tactically by putting pressure on the Soviets to reach a Four-Power accord on Berlin. For the conference itself, two positive objectives have come to be shared by most of the allies. They hope to encourage East European foreign policies more independent of the Soviet Union and East European internal policies with more individual freedom. The allies also hope to

CONFERENCE INVITEES

NATO:

- | | | |
|------------|----------------|------------------|
| 1. Belgium | 6. Iceland | 11. Portugal |
| 2. Canada | 7. Italy | 12. Turkey |
| 3. Denmark | 8. Luxembourg | 13. UK |
| 4. France | 9. Netherlands | 14. US |
| 5. Greece | 10. Norway | 15. West Germany |

WARSAW PACT:

- | | | |
|-------------------|------------|------------|
| 1. Bulgaria | 4. Hungary | 6. Romania |
| 2. Czechoslovakia | 5. Poland | 7. USSR |
| 3. East Germany | | |

NON-ALIGNED

- | | | |
|------------|-----------------|-----------------|
| 1. Albania | 6. Lichtenstein | 10. Sweden |
| 2. Austria | 7. Malta | 11. Switzerland |
| 3. Cyprus | 8. San Marino | 12. Vatican |
| 4. Finland | 9. Spain | 13. Yugoslavia |
| 5. Ireland | | |

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expand practical areas of cooperation with the East and, in the process, to reap economic benefits.

In a less tangible area, many Western allies and neutrals share another objective. They see the US and the Soviet Union moving toward a less-antagonistic relationship, a new association epitomized by the Moscow summit. They favor this trend, but they want to participate in it, both politically and economically. The security conference offers them an opportunity to play at least a small role in a process intimately related to their interests. Many of the smaller allies are feeling domestic economic and political pressures for them to increase momentum to detente and thus provide a rationale for decreased defense expenditures. They are motivated to work for a successful conference.

The West has some defensive goals as well, notably to preserve the unity of the Western alliance and protect the integrity of the European Community. The NATO allies have prepared their positions for the conference during extensive consultations over the past year, attempting to formulate conference goals and tactics to encompass their sometimes disparate and conflicting national objectives. They will enter the preparatory talks with agreements among themselves on a vast number of issues. Nevertheless, just as the conference process may produce some centrifugal tendencies in the East, so will Western unity be tested. The French are the most likely source of difficulties.

As much as any other ally, the French hope to encourage independence and liberalization in Eastern Europe. If the price for such relaxation is a lesser cohesion in the Western bloc, Paris, unlike most other allies, might be willing to pay that price. Indicative of this inclination is France's claim that it will not join a NATO caucus during conference preparations, even though it is prepared to participate in a caucus of the nine members of the European Community when matters affecting the community arise. In practice, France will stay in close touch with its NATO allies through consultations in the North Atlantic Council in Brussels. But the French are leaving

themselves free to take independent initiatives without prior consultation.

Bonn, too, has a vested interest in the conference which it sees as a complement to Brandt's Ostpolitik. Bonn, under the Social Democrat - Free Democrat coalition, sees a need for close Western cohesion until the detente process develops much further. A Christian Democrat government would also adhere to close Western coordination, but would probably pursue a different set of objectives than the Brandt coalition. The Christian Democrats, for example, would be much more concerned about the East Germans' anticipated attempts to portray attendance at Helsinki as their debut on the European political scene, although the Christian Democrats may not be able to do much about it.

The Conference Agenda

The most important task of the multilateral preparatory talks will be to establish an agenda for the conference itself. The agenda debate will uncover the varied and often contradictory Eastern and Western objectives and should provide some indication of what results the conference may be expected to produce.

The NATO allies have identified four general topics they would like included on the conference agenda: relations among states; military security; freer movement; and cooperation in economic, scientific, and technological areas. They would hope to use the subject of state relations to challenge the so-called Brezhnev doctrine. They would attempt to do this through conference declarations upholding national sovereignty, the inviolability of national borders, and the non-use of force.

Under the item on military security, the allies would hope to point to some of the threats to stability in East-West relations and possibly to negotiate some agreements that could engender greater mutual confidence in each other's intentions. The West would try to win agreement on prior announcement of major military maneuvers and troop movements and exchanges of observers at military exercises. Some allies want to go

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beyond these measures to give the conference a more extensive military-security content. They would prefer that the conference discuss a mutual limitation of forces and possibly issue a joint declaration on mutual and balanced force reductions. Motivated by a concern that the Soviet Union will not negotiate seriously in separate talks on mutual force reductions, they think something should be worked out at the security conference, where the West's leverage is enhanced by the Soviet desire for a successful conference. The US, the USSR, and France strongly oppose consideration of detailed military security measures at the conference. The US is concerned that such discussions would prejudice Western positions during force reduction talks. Moscow does not want such detailed and potentially difficult considerations to delay or block the conference. And France opposes the very concept of mutual force reductions.

All the Western allies agree that one agenda item should involve an attempt to push for a more liberal Eastern approach to the movement of people, ideas, and information. The allies differ still on tactics. A number feel that the terminology "freer movement" is too provocative and are convinced that the Soviet Union will reject such an agenda item out of hand, thereby denying the West an opportunity to obtain practical

improvements in this area. The US has argued that the West should not give up this terminology before the bargaining has begun. In any case, all the allies hope to achieve an increase in bilateral exchanges in the fields of education and tourism and an expansion of traditional cultural exchange programs.

The fourth subject the West wants on the agenda—cooperation in the economic, scientific, and technological areas—promises to contain the greatest potential for successful negotiation. Economically, the allies hope to promote East-West trade through balanced and reciprocal concessions. Particularly, they hope to discuss cooperation in the development of natural resources, joint manufacturing projects, improvement of access to markets, and financial cooperation in the funding of East-West projects. The West will trade on the Eastern desire to obtain Western science and technology in order to obtain better access to Eastern markets. The allies also hope to expand cooperation in the environmental area.

Soviet agenda proposals, naturally enough, reflect Moscow's interest in a smooth, non-controversial conference which, while tidying up after World War II, creates mechanisms through which Moscow can have a larger say in European

PROPOSED CONFERENCE TOPICS

EAST

- The guaranteeing of European security and the principles of relations between the states in Europe;
- "Cooperation"—extension of trade, economic, scientific-technical, and cultural relations on the basis of equality;
- Creation of a permanent body for consideration of questions on security and cooperation in Europe.

WEST

- Questions of security, including principles governing relations between states;
- Certain military aspects of security;
- Freer movement of people, ideas, information, and cultural affairs;
- Cooperation in economic, scientific, technical, and environmental fields.

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affairs. The Soviet agenda would have just three items: security and principles of relations among states; cooperation; and creation of a permanent post-conference organ. Under the security item, the Soviets apparently would like to move to a conference declaration on the inviolability of frontiers and non-use of force, thus giving "legal" endorsement to the existing boundaries in Europe and to Soviet hegemony in the East. The status of East Germany would be enhanced, and reunification with West Germany made even more remote, yet without antagonizing West Germany.

Under "cooperation," the Soviets envision declarations on the expansion of trade, economic, scientific, technological, and cultural relations. Whereas the West will attempt to press the freer movement issue, Moscow undoubtedly will try to restrict conference consideration to cooperative projects and government-controlled cultural exchanges. By lumping "cultural relations" with agenda items on other types of cooperation, the Soviets hope to reduce the likelihood of conflict over freer movement.

The third Soviet item embodies their concept that the conference should not be a one-shot affair, but should establish permanent machinery that would "institutionalize" the results. The Soviets hope that they would be able to use such a forum as an instrument to influence future developments in Western Europe, particularly to undermine NATO and the European Community.

The various neutral and non-aligned participants in the conference are all likely to find acceptable a de facto recognition of post-war borders. They would also welcome any weakening of the Brezhnev doctrine. They are also likely to support and want to participate in the various "cooperative" aspects of the conference. On questions of military security, they will be inclined to support extensive discussions of military security measures, for the simple reason that none of them will be involved in talks on mutual force reductions.

Few initiatives are expected from the non-aligned states, but those that are advanced could make an important impact on the conference. The Swiss, for example, may propose a European system of arbitration and peaceful settlement of

disputes. This may be considered by the conference. Spain would like the conference to take up Mediterranean security. The Austrians and the Yugoslavs may want to introduce the question of the Middle East and the role of the superpowers in the Mediterranean—a subject not likely to gain much support from either side.

Outlook

It is unlikely that the preparatory talks will be as short or as non-controversial as Moscow wants. Diplomatic formalities, opening speeches, questions of procedure, and the holiday season in addition to potentially prolonged discussions of the agenda ensure that the preparatory phase will extend into 1973. The talks may not finish before March, thus ensuring an overlap with the beginning of talks on mutual and balanced force reductions in January. The varying Eastern and Western expectations for the security conference promise some hard bargaining on the agenda items, particularly should the West push for substantive discussions in the preparatory talks.

None of the participants will want to come away from the conference empty-handed. There are areas, however, where East and West may not be able to find complete agreement—for example, aspects of "freer movement." In other areas, results not completely satisfactory to either side will have to be accepted; for example, in the formulations concerning principles of state relations. There are other questions, particularly in the area of cooperation, on which the participants will find more than sufficient ground for agreement.

Whatever agreements are reached, it is misleading to expect the conference to produce a new security system for Europe. The conference will barely touch on questions of military security. NATO, the Warsaw Pact, CEMA, and the EC are likely to remain virtually unchanged after the conference. The conference, nevertheless, could set the tone and provide the starting point for the next phase of East-West relations in Europe. In this sense, there are as many uncertainties for the East as there are for the West, and equal requirements for caution as they enter this period.

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