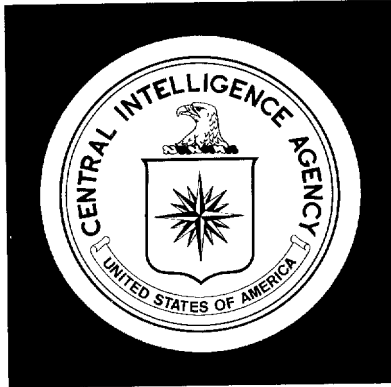


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DIRECTORATE OF
INTELLIGENCE

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

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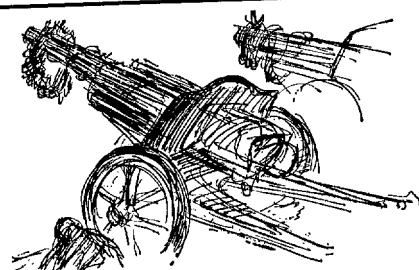
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Moscow and the Georgians

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Looking to a Cease-Fire



From Thieu's Vantage Point

7 [President Thieu this week reiterated his tough public stand on the peace negotiations; at the same time his government continued to prepare for a cease-fire period. In an address to the National Assembly, Thieu repeated Saigon's standard demands that any peace agreement provide for the withdrawal of all North Vietnamese troops from the South and recognize a clear demarcation between the South and the North. He also restated his objection to the "Council of National Reconciliation and Concord," which he sees as a disguised coalition government. The President did not close the door completely on the announced peace terms and did not criticize the US directly, attempting instead to put the onus on the Communists for pressuring the US into accepting unfavorable conditions.]

7 [Thieu made several new proposals in an effort to create the appearance of flexibility and to make his peace position appear reasonable, but the proposals do not go much beyond what Saigon had offered previously. They include a truce to begin before Christmas and end after New Year's Day, during which Hanoi would release all US prisoners and Saigon would release all North

Vietnamese prisoners. Thieu said Saigon would release more than 1,000 North Vietnamese unilaterally on the first day of a truce. He suggested that Saigon, Hanoi, and the Viet Cong could hold peace talks during the truce and that the truce might be extended if satisfactory progress were being made.]

7 [Although the pro-government press had predicted Thieu would announce a broadening of his government and ask for an extension of his emergency powers, the President did not do so. He did call for closer cooperation with religious and political leaders, indicating that he may still be thinking of bringing some new elements into the government.] A pro-government senator told US Embassy officers last weekend that some cabinet changes do appear likely, but Thieu's past performance suggests that he may deliberate for some time yet before acting.]

2 [Thieu has not yet revealed what he plans to do about the emergency powers, which enable him to rule by decree in several fields and are scheduled to expire on 27 December. In any event, three decrees announced earlier this month

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9 have significantly enhanced the government's ability to operate in a cease-fire environment. The emergency powers were designed to help him deal with the Communist offensive without legislative action; the latest decrees deal with states of "alert," "emergency," and "curfew" and seem aimed more at peacetime problems like demonstrations, strikes, and disorders.]

From the Communist Side

4 Some Communist military units believe a cease-fire will be declared late this month and are preparing a last-minute round of attacks. A Viet Cong regional official told his troops there "will be a cease-fire" between 25 December and 1 10 January and ordered all "available forces" to carry out widespread attacks beforehand so as to control as much of the countryside as possible north and west of the capital.]

4 Recent moves by Communist main-force units in several areas of the country do, indeed, suggest preparations for renewed combat. In northernmost Quang Tri Province, resupplied and reinforced North Vietnamese combat units have been relieving battle-weary units on the front lines. The threat to Hue has eased over the past few months, but major elements of a North Vietnamese division have shifted close to government strongpoints in the Que Son Valley of Quang Nam Province. These elements can call on tank and large-caliber artillery support.]

4 There are signs that the North Vietnamese 2nd Division is preparing for attacks in the coastal lowlands of Quang Ngai Province.] Communist units in the highland provinces of Kontum and Pleiku are shifting, presumably in preparation for new fighting. South Vietnamese forces heavily damaged an enemy unit as it crossed into South Vietnam from Cambodia early this week. No major enemy moves have been detected in the delta provinces.]



North Vietnamese Moving South:
What to do when they return?

Veterans in North Vietnam

1 Hanoi, which has been absorbing North Vietnamese casualties from the South in some quantity during the past four years, seems to be preparing for a much larger influx, perhaps as part of a cease-fire.] According to the North Vietnamese, the Council of Ministers in Hanoi recently issued a new resolution on "wounded and sick combatants." [The resolution does not seem to alter earlier policies or procedures; rather, it reminds the people of their duties toward wounded returnees and urges more strenuous efforts to overcome the problems that lie ahead.]

1 Wounded veterans have been returning home in significant numbers since shortly after the outbreak of the Tet offensive in 1968. The government has tried to rehabilitate as many as possible for useful work, going so far as to set up specialized facilities, such as handicraft industries, for some of the more seriously disabled. Those whose wounds are too serious to permit rehabilitation and whose families cannot support them apparently are sent to camps scattered throughout the country, where they draw government allowances.]

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2. According to one commentary on the new resolution, Hanoi anticipates "many difficulties" over the rehabilitation of "wounded combatants," presumably from the sheer size of the effort. North Vietnam's facilities probably are already strained by the casualties from the offensive that began last March; now, Hanoi must prepare to receive casualties who have remained in fairly large numbers at hospitals in base areas to the south, and it probably also anticipates an influx of wounded prisoners freed by the South Vietnamese. Hanoi has an obvious interest in solving this problem, both because morale in the army and among the people at large would suffer if the veterans were not taken care of and because the returnees would be a useful source of labor if they were rehabilitated.)

2. The North Vietnamese apparently have no new thoughts on how to cope with these difficulties. They do seem to be requiring state organs and factories to ensure that five percent of their staffs are disabled veterans, but otherwise the commentaries suggest more of the same—more "production establishments requiring no arduous labor," more exhortations to the populace to care for the disabled, and more monitoring of the problem by local party officials. Hanoi may be wrestling as well with the possibility that large numbers of non-disabled veterans will also return, but the regime has not yet mentioned this aspect of the problem.)

Aid From the Soviets

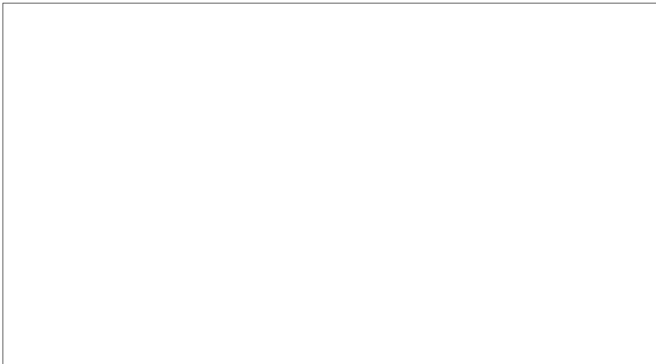
3. The annual Soviet - North Vietnamese aid agreement was signed in Moscow on 9 December without the usual fanfare.)

4. Although no figures were given, TASS emphasized that the aid would include large consignments of goods, equipment, and other property of "great significance" for the development of North Vietnam's economy and the strengthening of Hanoi's "defense potential.")

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SOMETHING TO SIGN IN LAOS

As speculation about a cease-fire in Vietnam spread, the chief Lao Communist negotiator returned to Vientiane from consultations in Hanoi and Sam Neua armed with a draft settlement of the Lao conflict. He presented the document to the ninth session of the Vientiane peace talks; it fleshed out previous Communist proposals and included a specific timetable for implementation. The draft provides for the creation of a broadly based political consultative council and a new tripartite provisional government within 30 days of signature. It leaves the two sides free to administer their respective zones of control until a permanent coalition government can be formed. The proposal also stipulates that Vientiane be a neutral zone, a proviso aimed at protecting Lao Communist representatives from a recurrence of the harassment they received on occasion after the 1962 agreements.¹

On military matters, the draft calls for a cease-fire in place once the agreement itself is signed and promulgated. The cease-fire would be supervised by a joint Lao commission supported by the International Control Commission using the 1962 Geneva Accords as terms of reference.



Lao Communist Negotiator Phoun Sipraseuth and Prime Minister Souvanna Phouma

The Lao Communists also propose a withdrawal of all foreign military personnel and advisers within 90 days after the agreement is signed. This stipulation goes beyond the initial Communist presentation in October, which only called for an end to US [redacted] involvement. They are probably responding to Souvanna's long-standing demand that all North Vietnamese be withdrawn.)

The presentation of a final draft ready for signature indicates the Lao Communists are confident that the government will eventually accept the terms being offered. Government negotiators did not address themselves specifically to the Communist draft and merely reiterated Vientiane's opposition to the Communist formulations concerning an internal political settlement. Nonetheless, Prime Minister Souvanna Phouma, too, seems confident that a negotiated settlement in Laos could come soon after a cease-fire in Vietnam is arranged.

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THAILAND: A FORM OF LEGALITY (18 + 19)

As the Philippines and the Republic of Korea have moved to one-man control, they have attempted to retain a certain measure of constitutional legitimacy. Thailand is in no mood to be different. Ruled by a military group since the end of 1971, a cosmetic return to the forms of constitutional government appears at hand.

A number of senior Thai officials have told US Embassy officers that the ruling National Executive Council intends to end its existence on 21 December and promulgate an interim constitution. An earlier two-year experiment in constitutional government ended in November 1971 when the army leadership, frustrated by parliament's obstructionist tactics and irritated by the forum it provided for attacks on the government, scrapped the constitution and reasserted full control over the country's political life.

Thailand's small and weak civilian political opposition responded to the military's foreclosure with a whimper, not a bang. Although the government has been under no significant pressure to return to constitutional rule, both the chairman of the council, Thanom, and the King have felt uncomfortable without a mantle of constitutional

legitimacy. Consequently, Thanom has been publicly promising a new constitution since last spring. Its promulgation, however, has been delayed because of disagreements over the distribution of power and positions within a new regime and Deputy Chairman Praphat's reluctance to relinquish his powers under martial law. Praphat, who has measurably strengthened his position over the past year and is clearly the most powerful figure in the government, apparently has now dropped his objections.

A new constitutional framework for the Thai Government will not significantly loosen the military's grip on political power. The new interim constitution reportedly provides for a unicameral parliament made up in large part of military appointees. The new cabinet is all but complete and will incorporate much of the present National Executive Council. The only key slot left to be filled is the foreign minister. Praphat is strongly opposed to Thanom's choice, former foreign minister Thanat Khoman; Pote Sarasin, the only senior civilian remaining in the government, may become a compromise selection.

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MALAYSIA: CHINESE CHECKERS (20 - 23)

(Southeast Asian states, sensitive to what they see as an inevitable scaling down of US commitments, are keeping an anxious eye on each other. Kuala Lumpur's long-standing interest in normalizing ties with China and complementary championing of regional "neutralization" have placed Malaysia in the forefront of the search for a new place in the shifting Asian power balance. The Malaysians have been transparently proud of their innovative, if hastily thought out, foreign policy. A gap is developing between the Malaysians and their somewhat more cautious neighbors, and this could set back the timing of their accommodation with Peking.

According to a senior Malaysian foreign affairs official, the prospects for accommodation were enhanced by talks last month between a Malaysian Government delegation and Chinese Premier Chou En-lai. In response to Malaysian queries, Chou assured his guests that Peking has no interest in competing for the loyalty of Overseas Chinese in Malaysia or elsewhere in Southeast Asia. On another major Malaysian worry—Chinese support for Malaysian insurgents—Chou admitted that it was "akin to religion" for Peking to provide moral support to liberation movements. He stressed, however, that Peking will limit its support to propaganda, and even indicated that

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the level of this assistance was negotiable. Although Chou's candid remarks by no means erased Kuala Lumpur's uneasiness over Peking's links with the Malaysian insurgency, the foreign affairs official expressed confidence that the matter could be resolved to Kuala Lumpur's satisfaction.

The pace of Kuala Lumpur's progress toward diplomatic relations with Peking will be strongly influenced by the views of its partners in the Association of Southeast Asian Nations—Thailand, the Philippines, Singapore, and Indonesia.

On 4 December, Prime Minister Razak told parliament that Kuala Lumpur intended to gain the agreement of its partners before it moves ahead on accommodation with Peking. Razak subsequently sought to dispel an impression that these partners held a veto power over Malaysian decisions regarding China, but Kuala Lumpur is nevertheless anxious to stay in step with its neighbors, particularly Indonesia. This would mean that the process of Sino-Malaysian rapprochement will be slow since Jakarta, which is conducting its own dialogue with Peking, is inclined to delay a restoration of diplomatic ties at least until next spring.

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ECONOMIC PROBLEMS DOWN UNDER

24 } The new labor governments in Australia and New Zealand will be faced with economies that, although basically sound, have been experiencing periods of sluggish growth, unemployment, and inflation. Inflation and unemployment were strong campaign issues in Australia, prices having increased some six percent during the past fiscal year and with unemployment hovering around two percent, a ten-year high. Moreover, Australia's gross national product, which grew at six percent annually during the late 1960s, dropped to only three percent in the year ending June 1972.

25 } Growing economic nationalism in Australia is probably an even more important issue than either inflation or unemployment. The massive infusion of foreign private capital during the past few years and the large number of bids by foreign interests for the take-over of Australian firms led to charges that Australia was selling off its national heritage. In response, the last government set limitations on foreign control of Australian resources; the Labor government probably will strengthen this policy. It has plans to establish a secretariat to oversee the flow of foreign investment and all take-overs and mergers involving large firms.

26 } Continued, if gradual, economic improvement during 1972 meant that economic issues

had less impact on the New Zealand elections. Inflation was reduced from 11 percent in 1971 to about six percent in 1972, and an expansionary budget provided tax relief for most New Zealanders. Tight credit policies, however, helped slow the real economic growth rate this year to less than the three-percent annual average of the past few years. The new government probably will maintain tight controls on credit. The question of regional development has become an important issue in New Zealand. North Island has attracted most of the new industry while many parts of South Island have seen their population drift off to industrial centers elsewhere. The new Labor government will need to stimulate industrial development in depressed areas and increase employment opportunities in the South.)

24 } Despite the problems, the economies of both countries will probably show improvement next year. The new governments are not expected to introduce any major changes in economic policy. In Australia there are already signs of recovery as the economy responds to the stimulus of an expansionary budget. Moreover, the demand for Australia's minerals is growing so the country's strong trade balance will very likely improve. New Zealand, still largely dependent on agriculture, will grow more slowly.

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JAPAN: POLAR POLITICS (28, 29)

Sharp gains by the Communists and modest advances by the Socialists in the 10 December elections will further polarize the political scene in Japan. Tanaka's liberal Democrats did well enough, but the moderate opposition was dealt a shattering blow. The Liberal Democrats still enjoy a comfortable majority in the Diet, returning with 282 seats in the 491-member lower House.

Gains scored by the Communist Party make it the third largest in the Diet and qualify it to introduce non-budgetary legislation and to sit on the Steering Committee of the Lower House. Japan's pragmatic and nationalistic Communists captured more than 10 percent of the popular vote. The party increased its strength in urban and suburban areas and received unusually strong support in Tokyo, Osaka, and Kyoto. The Communists failed to gain ground in the Liberal Democrats' rural strongholds.

The Socialists recovered over half of the 50 seats lost in the last general election. They achieved, however, little increase in their percentage of the popular vote, and most of the advance is attributable to an improved strategy in the assignment of candidates.



Prime Minister Tanaka casts his ballot.

Japan's 1972-1969 General Elections for the House of Representatives

	December 1972	December 1969
Liberal Democratic Party	271	288
Japan Socialist Party	118	90
Japan Communist Party	38	14
Komeito	29	47
Democratic Socialist Party	19	31
Minor Parties	2	0
Independents	14*	16
Total	491**	486

* Eleven independent candidates have affiliated with the Liberal Democrats.

** The House of Representatives was expanded to 491 members in 1970 with the addition of members from Okinawa.

cial rival in the party, to join the new cabinet that he appoints later this month. The cabinet is likely also to include a number of politicians who can, hopefully, stem voter dissatisfaction with the conservatives' approach to domestic affairs.

Although Prime Minister Tanaka did manage to strengthen his position within the Liberal Democratic Party the fact that his party is faced with stronger opposition on the extreme left means he will have to rely more on compromise to keep his conservatives united. He will probably invite former foreign minister Fukuda, his prin-

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The Philippines
STAB FROM THE RIGHT

There is a history of violence in Philippine politics which makes the citation of plots and counter-plots against any government leader entirely plausible. President Marcos is now using that climate of belief to move against his political enemies. Although it appears most likely that the assassination attempt on his wife last week was the work of a single, unbalanced individual, Marcos claims that it was part of a broad "rightist" conspiracy allegedly hatched in December 1969 and already responsible for at least nine attempts on his own life.

Even before the attack on his wife, the President had publicly accused unspecified right-wing elements of threats to his regime, and he asserted he had broken an assassination ring financed by prominent Filipino families. In late November, a nephew and a son-in-law of Sergio Osmena Jr., who ran for president in 1969, and a nephew of Fernando Lopez, who is Marcos' vice president, were charged with complicity in the plot.

The President originally cited the Communist threat to justify his imposition of martial law, and earlier arrests have been largely of leftist

elements. Marcos obviously believes he is now in a position to move against enemies in the establishment who could not by any stretch of the imagination be implicated in so-called Communist conspiracies.)

By keeping his enemies on all sides on the defensive, Marcos gains freedom to revamp the nation's political structure. He is already moving to make political parties irrelevant by putting pressure on government officials, legislators and national leaders of all political persuasions to line up behind his new constitution and thus put their seal of approval on Marcos' new order. Politicians are left with few issues to discuss; critics of Marcos fear arrest if they speak out.)

In an effort to mobilize the people behind himself and his "new society," Marcos has announced the creation of a mass national front organization. He apparently intends that the organization will eventually replace the present two-party system. The new organization is working closely with the government in implementing goals of the "new society." If Marcos' plans succeed, he will have established himself as the unchallenged populist leader of the Philippines.

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MALTA: THE NEXT STEP

(33-37)

After several weeks of private talks with representatives of the UK and other NATO countries, Prime Minister Mintoff has explained his views on the sterling issue to the Maltese parliament. He may next publicly threaten to abrogate the base agreement signed last March. The UK has informed Mintoff and its NATO allies that it does not intend to make up the difference between what Malta would have received had the pound held its value and what Malta is getting because the floated pound sank. All of the allies except Italy have said they will stand behind the British decision.

Mintoff told the parliament that, as he recalled it, he and British Defense Minister Carrington agreed last spring that each side would be at liberty to act as it deemed best if devaluation occurred. Despite these recollections, Mintoff was persuaded near the end of negotiations to drop his demand that the devaluation contingency be covered in the agreement. Until this speech, Mintoff had not expressed his dissatisfaction with the present agreement, even to the members of his cabinet.

Mintoff had, however, discussed the issue with British High Commissioner Moreton, who informed Mintoff that London could not entertain his demands for sterling guarantees while Malta was in default in repaying British loans. Mintoff told the high commissioner that the deadline was not his but was imposed on him by the

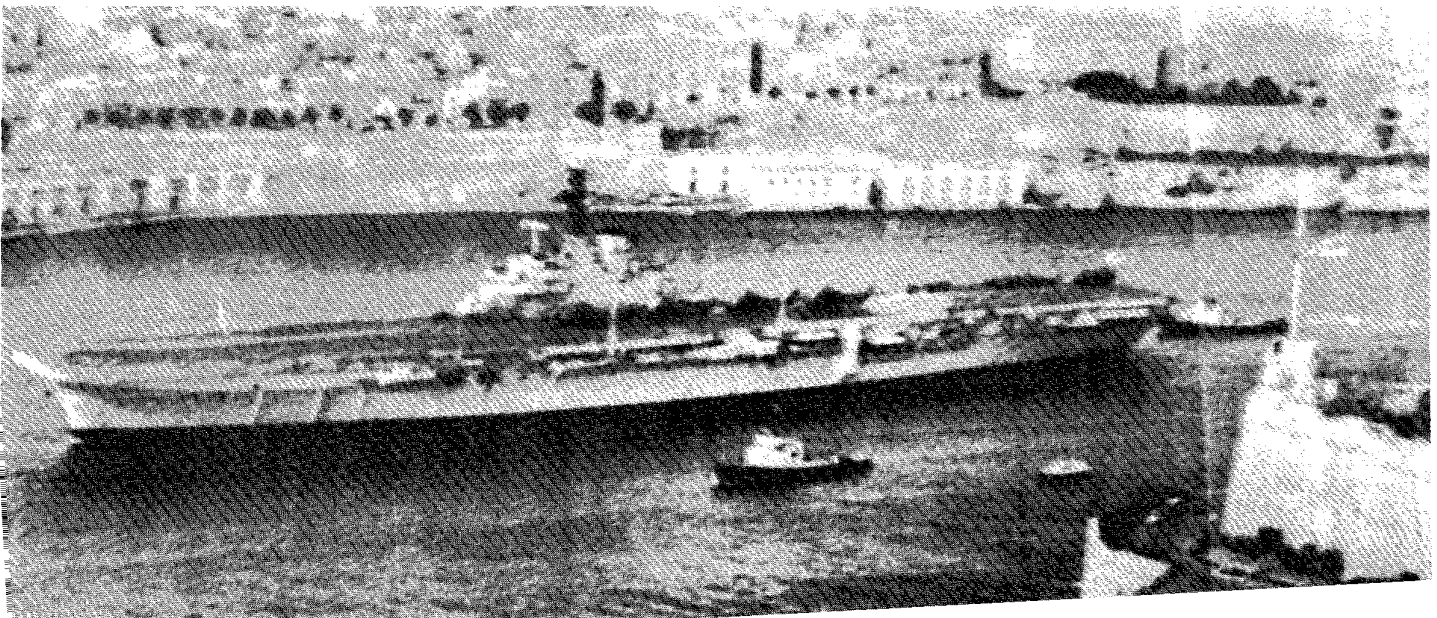
payment falling due on 1 January 1973. He confirmed that he would refuse to accept the January payment. Mintoff proposed that the countries which benefited from the sterling float could make up his losses.

This proposal is similar to one suggested by the Italians. They reason that the NATO countries party to the agreement allocated funds to meet the rental payments, which are made in pounds. When the pound was floated last June and its value fell from \$2.60 to less than \$2.35, each country had to provide less of its own currency to meet the rental payment. The Italians have suggested the UK along with the allies make the annual payment of 14 million pounds and that the other countries make separate bilateral contributions in their own currencies to cover the difference between the present sterling rate and the rate at the time of the agreement.

London does not oppose the Italian suggestion so long as there is no renegotiation of the basic rental agreement and any arrangements between other contributor countries and Malta are on a strictly bilateral basis.

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British Carrier at Malta
Welcome for how long?



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USSR-FRANCE: SOMETHING "SPECIAL" (S)

President Pompidou and Foreign Minister Schumann will go to the Soviet Union on 10 January for two days of talks with General Secretary Brezhnev and Foreign Minister Gromyko. A joint announcement describes the trip as "unofficial,"

Nevertheless, the meeting comes at a time of major East-West negotiations on European matters, and thus underscores the "special" Franco-Soviet relationship that has evolved since the early 1960s.

French sources expect the talks to center on European problems, especially the Conference on Security and Cooperation in Europe and the related talks on force reductions. French and Soviet positions on the former are close, and Brezhnev can be expected to use the meeting with Pompidou to give new impetus to the Helsinki preparatory talks, which are scheduled to resume on 15 January. Other international subjects will be considered; both French and Soviet sources,

for instance, expect an exchange of views on postwar reconstruction in Vietnam.

A complicating factor in the Franco-Soviet relationship is Moscow's ties with the French Communist Party. These ties may be more than usually on the minds of the principals during the visit because French national elections are due next spring. The leftist coalition of Socialists and Communists has got its campaign off to a good start, but the visit will undercut one of its chief campaign themes—that Pompidou has been "sliding toward Atlanticism." On the other hand, the trip may weaken the "Red menace" theme so often sounded by election-seeking Gaullists. Senior Politburo member Suslov, who was in France this week to attend the 20th congress of the French Communist Party, probably used this argument in an attempt to make Pompidou's trip more palatable to the French Communists. In any case, Moscow seems quite willing to let the French Communists pay whatever price is necessary to keep Franco-Soviet state-to-state relations on the upswing.

Brezhnev and Pompidou in Paris During Brezhnev's 1971 Visit



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YUGOSLAVIA: YOUTH NOT SERVED

41 [The younger generation in Yugoslavia will come under stricter party control as a result of the conference held by the League of Communists last week. The conference did little, if any thing, to ameliorate the country's problems with its youth.]

42 Krsta Avramovic, party executive bureau member in charge of youth affairs, in the keynote address acknowledged that party and youth organizations have failed to create opportunities for youth to participate in the self-management system. On the other hand, Avramovic reiterated official concern that the younger generation has become open to the influence of foreign ideologies. [A conference resolution called on the party to find better means for implementing its leading role among youth and their organizations. The youth and student federations are to be merged into one, thus eliminating the special status now enjoyed by the student organization. Further, Marxist training in the school system will be made the "prime" basis of the curriculum.]

41 [Yugoslav youth is interested in bread-and-butter issues, and these got a good deal of attention from the 100 speakers at the conference. They highlighted as key problems the lack of job opportunities for the young and poor living conditions and educational opportunities for workers. The speakers frequently admitted frankly that the young are vocal in expressing their disappointment. In general, though, few meaningful proposals were advanced for new programs to attack these problems.]

41 [President Tito attended the sessions and delivered the closing speech. He obviously considered the conference another step in the campaign to recentralize the party and again make it the dominant force in Yugoslav political life. Tito expressed general satisfaction with the conference, but said that too little attention had been paid to recent efforts to remove unsuitable elements from the party. He spoke on the need to

find jobs at home for young men of military age, hinting that their freedom to leave the country in search of work might be restricted in the future.]

44 [Youth will find little to cheer about in the conference results. Students will decry the loss of their organization and grumble about closer party supervision. Working youth will not feel that their problems were in any way resolved. All will object to more Marxism in the schools. The generation gap has not been bridged.]

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FRANCE: MOVES TO CURB INFLATION

46 [The government, recognizing the mounting threat of inflation to its political position and to the economy, was goaded into further action when prices rose in October by 0.9 percent. Discontent over food prices has been rising, and the Pompidou government is committed to the EC goal of holding inflation in 1973 to four percent. The new moves are not sufficient to reduce significantly the rate of inflation and probably are not the last in a series of measures begun last summer.]



Prices, November 1971 and November 1972.

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46 [The most immediate impact should come from cuts on 1 January in the value-added tax on industrial products and food items as well as the suspension of the tax on beef. Prime Minister Messmer assured the French public that he would personally see to it that the tax cuts were passed on to consumers—something that has not always happened in the past. If so, the cuts will have public appeal, but will do little to reduce the underlying inflationary pressure which stems from huge increases in the money supply and a strong labor push for higher wages. To make up the revenue lost by the tax cuts, the government will sell \$1 billion of long-term bonds. It also urged labor to limit wage demands next year to six percent.]

47 [Actions to limit credit growth also have been taken. In addition to the 33-percent reserve

requirement imposed in November on lending by financial institutions, a variable penalty rate now will be applied to any institution whose loans rise more than 19 percent in the 12-month period beginning last April. To cut consumer spending and to stimulate savings, interest rates on savings accounts have been increased slightly.]

48 [Noticeably lacking from the government's program so far has been any form of wage-price controls or any strong action to curb the growth of the money supply, currently rising at about 18 percent annually. The French inflation has not reached the point where it is self-sustaining, but the huge money supply does mean that the public has readily available the means to go on a buying spree should the right psychological spark be provided.]

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UN - SOUTH-WEST AFRICA: SQUARE ONE

49 [The Security Council last week extended the secretary general's mandate to try to move South-West Africa toward independence, but council members are far from happy with what Waldheim has done to reach that goal.]

50 [The council referred in passing to the activities of Alfred Escher, Waldheim's personal representative for South-West Africa, but most members regard Escher's mission to South and South-West Africa during October and November as a fiasco. He was generally clumsy and made embarrassing public statements on several occasions. At the conclusion of his visit, Escher drew up an "agreement" with South African Prime Minister Vorster which the UN envoy apparently intended only as a memorandum of conversation. Pretoria, however, seized on the document as a great victory for its concept of what should constitute "independence" for South-West Africa.]

51 [The views of the UN and South Africa are, in fact, as far apart as ever. The Security Council has reaffirmed the inalienable right of

the people of South-West Africa to "self-determination and independence" based on "national unity" and "territorial integrity." This is a far cry from what South Africa has in mind. Foreign Minister Muller, however, has commented only that his government is "disappointed" with the Security Council action and wishes to continue the dialogue with the UN. Pretoria presumably sees in the extension of Waldheim's mandate a chance to maintain a facade of flexibility while proceeding with separate development for the 11 tribal homelands that compose South-West Africa.]

52 [Whatever Waldheim does to carry out his renewed mandate, it is virtually certain that he will not reappoint Escher. Waldheim may name a new personal representative, or he may respond to the wishes of some African countries and involve himself directly, as he did last spring when he traveled to Pretoria. Unless he has considerably more to show for his efforts when he reports back to the council, the current attempt to solve the problem through mediation could grind to an end.]

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ROMANIA: GROWTH VS. TRADE

52 Growing concern about the continuing large trade deficit with the West led the Romanian plenum, which approved the 1973 economic plan last month, to agree to improve controls on imports and to push harder to expand exports. Some additional flexibility in dealing with Romania's growing debt to the West should result from its acceptance by the World Bank, which is likely to follow Romania's membership in the International Monetary Fund.]

51 In addition to setting higher import duties and a "review" of imports from the West, the plenum called for increased export prices to swell the return on current exports. These moves represent an attempt to retard the growth of Romania's debt to the West—now running over \$1 billion. Although the details are not known, higher export prices, if applied to manufactured as well as agricultural products, could backfire; Romania already has trouble selling industrial products in the West, and higher prices would not help. The demand for Romanian agricultural exports will remain high, but poor weather this fall threatens winter wheat output and reduces prospects for next year's exports. The debt burden, however, may be eased by short-term debt relief resulting from membership in the Fund and longer term development loans from the World Bank.]

53 Import controls should not seriously inhibit economic growth in priority areas. Perhaps reflecting the need for these new controls, there was no official mention of President Ceausescu's earlier hopes of achieving the goals of the 1971-75 plan ahead of schedule. The 1973 plan calls for a 16-percent increase in gross industrial output; cutbacks in investments being discussed so far will affect largely the so-called "unproductive sectors" of the economy such as school and hospital construction.]

52 The Romanians have been warned not to expect improved supplies of consumer goods. The regime has established a new council whose purpose appears to be the equitable and rapid distribution of the consumer goods that are available. Moreover, Ceausescu is keeping his com-

mitment to rapid increases in wages, and he has announced that incentive payments will be made to employees in sectors that overfulfill the plan goals. 25X1

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India-Pakistan

MOVING AHEAD ON PULLING BACK

[This week Indian and Pakistani troops began to withdraw from all the territory captured on the western front a year ago. Once the withdrawal is complete about two weeks hence, India will have vacated 5,139 square miles of Pakistani territory along the international border south of Kashmir, and Pakistan will have pulled back from 69 square miles of India. The new line of control in the divided state of Kashmir will reflect relatively minor modifications in the prewar cease-fire line.]

[This is the first major step toward implementation of the Simla agreement, signed by India and Pakistan on 3 July, and was made possible by mutual concessions on the 500-mile line of control in Kashmir. India had made withdrawal from any captured territory conditional on agreement on the line in Kashmir.]

[The two sides had been at impasse on the matter for some time, and the breakthrough was only announced on 7 December following a meeting in Lahore between the Indian and Pakistani army chiefs. According to the compromise agreement signed on 11 December, Pakistan agreed to give up its claim to a tiny, strategically insignifi-

cant enclave in exchange for two equally unimportant villages held by India. Until the breakthrough, both sides believed that giving in on the approximately one and one half square miles involved would prejudice their claims to all of Kashmir. The trade off presumably allows each side to consider its 25-year-old claim to Kashmir inviolable. More importantly, the trade off indicates both countries are probably willing to live indefinitely with the status quo. India, holding about two thirds of Kashmir, including the important Vale, has privately made it known it was interested in making the cease-fire line a permanent border.]

[The mutual withdrawals could pave the way for progress on other matters, such as the restoration of trade and communication links and resumption of diplomatic relations between India and Pakistan. There is far less optimism about a break in the impasse between Pakistan and Bangladesh, which in turn is preventing the release of Pakistani prisoners from India.]

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India/Pakistan: Occupied Territory



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EGYPT: BELLICOSITY AND BICKERING

(62) In the past few weeks, the beat of war drums has picked up in Cairo, and there have been singular manifestations of dissatisfaction with President Sadat and his administration. This does not mean, however, that war is about to break out in the Middle East or that Sadat is about to depart.]

(63) The war talk is probably related in part to the government's concern with troublesome domestic problems. Several influential Egyptians have examined these problems and concluded that a resort to limited fighting might serve some useful purpose. On 27 November, Prime Minister Sidqi alleged that the country was prepared for war. Egypt's leading journalist, Muhammad Haykal, recently asserted that armed conflict must be resumed but that Egypt alone is not up to the task. Another influential editor, Ihsan Abd al-Quddus, who, like Haykal, sometimes reflects President Sadat's views, stated that even another defeat would be "more honorable than surrender."]

(64) Many Egyptians remain opposed to exercising the military option, recognizing that the Egyptian war machine is in no condition to take on the Israelis. It may be that Cairo's leaders hope the threat to use force will bring renewed diplomatic efforts to break the Middle East deadlock or at least divert the attention of the Egyptians from domestic ills.]

(65) Similarly the display of dissatisfaction by Egypt's normally docile legislature may be another way of letting off steam. During the meetings, extraordinarily sharp criticism was directed at government policies, primarily at Prime Minister Sidqi. Among other things, the legislators said they were not at all convinced by Sidqi's claim that the government had completed its war plans. Following a rebuttal of the People's Assembly criticism by Sidqi on 12 December, however, the legislature did unanimously approve the prime minister's policy report of 27 November. The unprecedented attack by the legislature on Sidqi would appear to be aimed at Sadat as well, for Sadat bears a heavier responsibility than Sidqi for the bind Egypt is in.]

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(66) The frank coverage given the legislature outburst in the government-controlled press, on the other hand, could point to a plan to dump the unpopular Sidqi. He has faced opposition from the beginning of his term last January, when his so-called confrontation cabinet was derided by students as totally inadequate to the task of preparing the nation for battle.

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BANGLADESH: ELECTIONEERING (65-67)

(67) The campaign for the national elections next March has been going strong for several weeks, even though it does not begin officially until the new constitution goes into effect this weekend. The ruling Awami League is likely to retain a sizable majority—though not its present virtual monopoly—of parliamentary seats. The league has factional problems, but it probably will not fragment before the election.

The party's reputation has been tarnished by allegations of widespread corruption, continuing economic troubles, and an uneasy law and order situation. The Awami League is strongly pro-Indian and has suffered because sentiment against India is growing. Nevertheless, the small opposition parties are disunited and without a leader the people would see as a credible alternative to Prime Minister Mujib.

So far, the best prospect the opposition has been able to throw up is Ataur Rahman Khan, the leader of the tiny Bangladesh National League. Ataur has been relatively temperate in his public pronouncements, but he is trying to persuade several of the more strident leftist opposition parties to form a coalition with his group.

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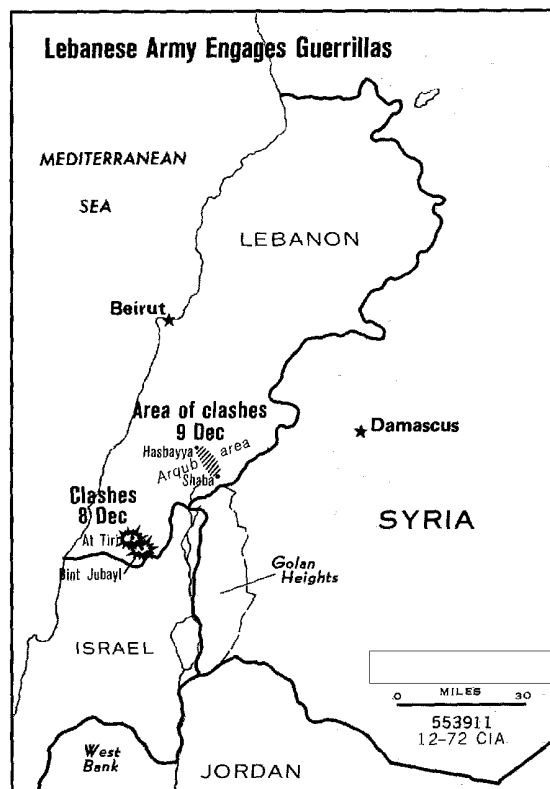
Violence among competing political groups—a chronic phenomenon in Bangladesh—will most likely increase as the campaign gains momentum. Rival parties and candidates also will probably keep trying to link each other with foreign scapegoats such as China, Pakistan, India, or the CIA.

LEBANESE STING THE FEDAYEEN

68 A series of sharp encounters with the fedayeen were triggered when the guerrillas returned to the sensitive area near the border with Israel in violation of the agreement concluded in September. The fighting began on 8 December when an army patrol flushed out a fedayeen band in a forbidden zone two miles from the Israeli border. The fedayeen command made no attempt, as it has in the past, to damp down the situation, but instead ordered its units to resist army efforts to evacuate them. The fighting intensified and the next day spread to the southeastern Arqub area—Fatahland—where guerrilla bases are concentrated.

69 The exchange of small arms and mortar fire on the two days left two soldiers and an estimated nine commandos dead; nine army personnel and 17 guerrillas were wounded. The army used artillery, so guerrilla losses are likely to have been even greater. The fedayeen troublemakers have now left the forbidden zone.

69 Although Lebanon has thus reasserted its authority, Prime Minister Salam is worried about the impact of the Palestinians' current propaganda campaign alleging that Beirut is collaborating with Israel to crush the guerrilla movement. Local reaction to this agitation by pro-fedayeen elements and leftists has been minimal.



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69 Another source of Lebanese concern is the intentions of Fatah leader Yasir Arafat, who is suspected of having deliberately provoked the latest clashes. Arafat, under heavy fire from the fedayeen ranks for acceding to Beirut's restrictions on guerrilla activities, has apparently decided to take on the army in a desperate attempt to shore up his leadership. There is speculation in Lebanese Army circles that last weekend's bloody clashes may be only the first round in a protracted effort by Arafat to force the government to lift restrictions on cross-border operations into Israel. In view of Arafat's tenuous control of Fatah, however, there is some question whether he has sufficient backing to provoke a climactic showdown with the Lebanese. Nonetheless, guerrilla units loyal to Arafat are capable of harassing the army in the south for some time to come.

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AFGHANISTAN: ANOTHER GOVERNMENT

86 [Mohammad Musa Shafiq, whose government won parliamentary approval on 12 December, has said privately and implied publicly that he will act more independently of the King than previous prime ministers. As foreign minister in the previous government, Shafiq did make Afghan policy more activist without departing from the country's basic neutrality.] [Nevertheless, ultimate power will remain with the King, and the new prime minister will probably stop short of any real departures.]

87 [Shafiq may well be more successful in his first months in office than was his immediate predecessor, Abdul Zahir. Ultimately, Shafiq will probably achieve no more than the previous four men who have held the office in the nine-year period since the King initiated his "experiment in democracy."]

88 [Shafiq faces serious problems. The country is poor and undeveloped, and the largely agricultural economy has been staggered by two years of drought. Famine is still a threat in some areas. In foreign affairs, Shafiq's first major test may come over a water utilization treaty with Iran that some deputies have denounced as a sellout to the Shah. Also, revolutionary religious leaders may well react violently if political and economic reforms



Prime Minister Shafiq

are proposed; leftist students may take to the streets if they are not.)



Drought-stricken Afghans await help.

89 [As important as any concrete economic problem is a growing dissatisfaction—at least in Kabul—with Afghanistan's present political system. The corrupt and inefficient bureaucracy is unable to function effectively. A lack of organization and factional infighting have prevented the passage of important legislation in the lower house of parliament. As a matter of fact, a quorum is rarely achieved in this house. For several years, the King has declined to sign a bill that would allow parties to be organized as in most Western democracies. He apparently prefers to work behind the scenes, often not giving his prime minister the support he needs. He thus ensures his own continued domination of Afghan politics but increases the likelihood of frequent changes of government.]

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IRAN: RULING THE WAVES

28 [In the year since the British withdrew from the Persian Gulf, the Shah has established Iran's military pre-eminence in the area and announced his ambition to extend his naval reach into the Indian Ocean. This ambition may be made easier by an offer last week of port and communications facilities on the island of Mauritius.]

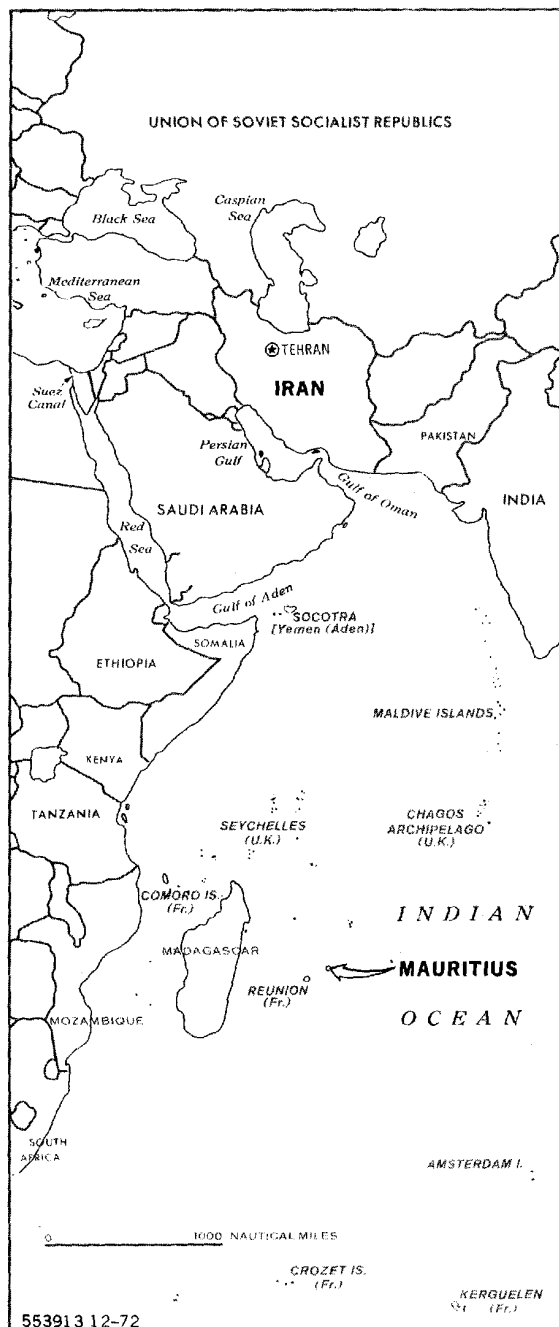
97 [The Shah has long been determined to develop enough armed strength to deter adventures by hostile neighbors and to ensure egress through the Persian Gulf for Iran's vital petroleum exports.] Several years ago he thought largely in terms of defending the Persian Gulf, but he extended this to the Gulf of Oman in anticipation of the British departure. In a Navy Day speech last month, he made public his intention to more than double the navy's striking force, alluding to the additional need of looking to the Indian Ocean, which "recognizes no frontiers."]

89 [For some time the Shah and his prime minister have said that the Indian Ocean must remain free of big-power hegemony and competition. Prime Minister Ramgoolam of Mauritius, who has voiced similar sentiments, announced during an official visit to Tehran last week that his government would grant naval facilities to Iran, although Mauritius was not giving military bases to the big powers. The Iranians have not commented publicly, but are bound to be receptive.]

91 [In line with his expanding view of Iran's defense responsibilities, the Shah has dramatically increased his air and naval weapons procurement, with some emphasis on developing a longer range



Port Louis, Mauritius



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96 capability.} Since July, he has signed arms contracts with the US totaling about \$1.6 billion, roughly 15 percent more than the figure for the 16 years ending in 1971. The new equipment is to be delivered within the next several years and will supplement already substantial purchases—
 97 including two British frigates equipped with Sea Killer missiles and two US Sumner-class destroyers—from the US, the UK, and the USSR. The cost of the new weapons can probably be absorbed by an economy that has averaged an annual growth of 11 percent since 1964 and enjoys steadily increasing oil revenues and access to foreign credits.
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KENYA: A SEA OF TROUBLES

93 Even though Kenya is in pretty good shape compared to most other African countries, President Kenyatta is not without his problems as he leads his country into its tenth year of independence.} Kenyatta, who spent the 1960s dealing with threats to his rule from the Luo tribe, now faces a tough challenge from his own Kikuyu. Kenyatta is disturbed that anti-establishment Kikuyu—and in Kenya this means against Kenyatta—seem to be gaining acceptance. He finds it difficult to halt this trend since, if he moves to neutralize the Kikuyu who oppose him, he may split the Kikuyu in such a way as to weaken the tribe's dominance of the country.} 95

93 Much of the criticism of the government in parliament this year has been spearheaded by northern Kikuyu who resent the way Kenyatta and his clique of southern Kikuyu run Kenya. Disaffected Kikuyu are courting support from disenchanted Luo and other tribes. The disputes in parliament between pro- and anti-government Kikuyu will move into the local arenas if party elections—reportedly promised early next year—materialize.} 94

93 Meanwhile, Kenyatta is concerned that Somalia may intensify old claims to territory in northeastern Kenya inhabited by ethnic Somalis. Uganda's President Amin, by expelling Asians and threatening other expulsions, created an atmosphere of uncertainty in East Africa that has hurt

Kenya's lucrative tourist industry. He also created another problem for Kenyatta, since Asians are no more popular in Kenya than they were in Uganda. Kenyatta precipitately canceled Amin's visit to Kenya's independence day celebrations, in apparent displeasure with Amin's demand that Ugandans in Nairobi be extradited because they constituted a threat to his security. Apparently to appear even-handed, Kenyatta also canceled a long-planned visit by Cypriot President Archbishop Makarios, who was to have held a mass baptism that would hardly fit in with Amin's anti-Christian mood.} 97

95 The 80-year-old Kenyatta, who is still revered by the Kenyans for his role in leading the country into independence, will probably be able to keep control of the situation. Upon his death, however, the struggle to succeed him will almost certainly bring out the worst of tribal and other differences.} 25X1



Jomo Kenyatta

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CHILE: BACK TO THE GRIND (NOT SOURCED)

President Allende's two-week trip is unlikely to have a substantial effect on his situation at home or on his coalition's chances in the March 1973 congressional elections. His vanity was fed by the attention he received, and he refurbished ties with the Communist regimes, the third world, and influential Latin American countries, but he returned to Santiago on 14 December to the same knotty problems he faced when he left.

The President probably realized before he arrived in Moscow that there was small chance of his receiving the hard cash credits that are Chile's prime current need, and there is no indication that he received a pleasant surprise. The Soviets committed themselves to expand aid in the joint communique issued on 10 December, but the commitment is vague. After the visit the Communist chief of the Chilean trade union confederation tempered his claim that Soviet help would have "positive results for Chile" with a warning that socialist states could not give technical and economic aid without extensive planning. The president of the Chilean Central Bank, who took part in the Moscow talks, said that a "program of permanent and definitive" exchanges would be set up to make parts of the Chilean economy complementary with the Soviet economy.

At home, the President's coalition is still in disarray as the election campaign begins. The

Communists have already done extensive and methodical groundwork and expect to capture from 20 to 25 percent of the vote. This is not a happy prospect for the less disciplined parties in the coalition, whose electoral chances look far drearier. The Socialists [redacted] recognize that their deeply split party's dwindling membership and voter appeal no longer support the party's claim to primacy in the coalition. In fact, the Socialists are so widely blamed for the irresponsible economic policies and extensive corruption in the administration that Allende may consider the Socialist Party—at least under its present leadership—a political liability. The small extremist groups in the coalition are outspoken in their criticism of certain administration tactics and, like the Socialists, opposed the inclusion of the military in the cabinet.

General Prats, acting chief executive in Allende's absence, and his two military colleagues in the cabinet are showing energy and satisfaction in carrying out their new duties, somewhat to the dismay of coalition leaders. The Communists agree with Allende that the insertion of the three generals into the government was a necessary counter against the recent prolonged economic shutdowns. On the other hand, the Communists recognize the pervasive military mistrust of their party and fear that General Prats may expand and prolong military influence in the government at their expense, possibly with Allende's tacit approval. [redacted]

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BOLIVIA: BANZER SLIPPING

101 [The inept handling of the recent devaluation by the Banzer regime has exposed its basic vulnerability.]

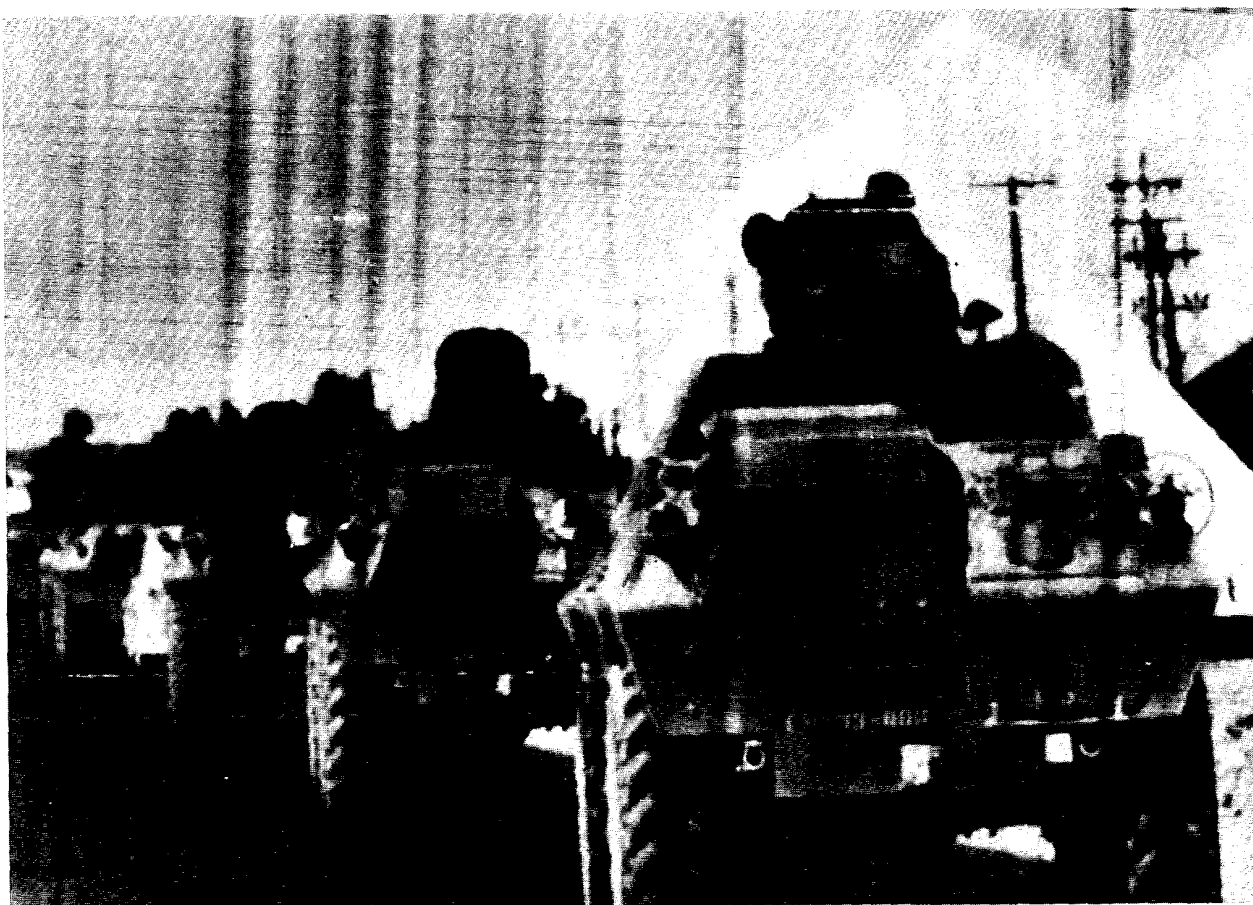
102 [a change of government could occur at any time, perhaps within a month.]

103 [The catalyst for a change could be wage demands by unionized labor. Because Banzer's price controls are not effective, merchants have been able to pass almost the entire burden of

devaluation to salaried workers, both industrial and white collar. Neither negotiations nor repression by the government has stilled union demands for additional wage increases, and the current calm could end soon after the large year-end bonuses are paid.]

104 [President Banzer confided to the US ambassador that he has decided to oppose future wage demands, especially from the miners, by force and arrest labor leaders and "agitators." Banzer insists that these demands are being spurred by politically inspired agitation, not real economic needs.] [This is often an accurate assumption in

Bolivian Troops on the Move



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Bolivia, but the current plight of the salaried worker is unmistakable, and union leaders are responding to pressure from the ranks. Moreover, arrests of unionists in La Paz last month precipitated a strike and hardened labor's position. There is little reason to expect that further arrests would have better results, but presidential advisers, such as Interior Minister Adett-Zamora, seem to feel that the workers must be "taught a lesson." Nevertheless, some room for negotiation still remains.

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COLOMBIA: SOLDIERS AND POLITICS

106 [The military is becoming more of a factor in politics as the National Front coalition begins to phase out. Since late summer, President Pastrana and other leaders of the Conservative Party have been attempting to retire or reassign a number of key military officers who are members or known supporters of the Liberal Party. Liberal sympathizers, like the defense minister and the three highest ranking members of the army command, have managed to retain their posts, however, and launched a counter-campaign to recruit Liberals into military ranks.]

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107 [Relations between the politicians and the military have been further strained by the circulation of a memo prepared by the judge advocate general of the army calling on political leaders to attend to the nation's social ills so that the military will not have to. Pastrana's latest move has been to weaken the military's representation on the National Security Council, prompting armed forces leaders to begin withholding sensitive information from non-military members of the government.]

108 [During the past several weeks, intense political pressure has forced the army to release a number of prisoners suspected of being guerrilla sympathizers. More than anything else, this abridgment of the armed forces' constitutional powers under the state of siege has raised military hackles.]

2 [The Colombian armed forces have avoided political involvement since the establishment of the National Front in 1958. Even before 1958, their participation in politics was infrequent. Against this background, the government's moves suggest a deliberate effort to politicize the military as the campaign for the 1974 presidential election gets under way. As a result, the armed forces have become a factor in the political arena and are likely to remain so throughout the campaign.]

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CUBA: MORE ARMED FORCES REDUCTIONS

113 [Recent remarks by Armed Forces Minister Raul Castro indicate that Cuba's ground forces have been reduced and will be cut still further. To fill in the gap created by the demobilization of regular troops, the ready reserves are being expanded and are training more with regular units. The air defense force has also been reduced, but the air force and the navy are likely to escape major cutbacks.]

114 [Speaking on the anniversary of the founding of the Rebel Army on 2 December, Raul complained that the "aggressiveness" of the US "forced upon us a need to have armed forces whose size was—and still is—higher than our demographic possibilities and economic development permit."] The theme of Castro's speech—greater dependence on reserves to supplement a smaller regular army—was also expounded in a speech delivered last month by chief of the General Staff Major Senen Casas Regueiro]



115 [The shift toward an enhanced role for the reserves has been in process for several years. For example, units called permanent infantry divisions were created in 1971 and placed under the command of armed forces vice minister Major Oscar Fernandez Mell. The men in these divisions are given basic infantry training, but spend most of their time performing agricultural tasks such as planting and cutting cane. This eases the requirement on other military units to provide men for agricultural work and permits these units to concentrate on training and operational requirements.]

115 [In addition, all academic and vocational training institutions at the senior high school level now provide basic military training, and all students are organized into either anti-tank or anti-aircraft artillery units. The students receive full credit for this training which is deemed to satisfy their draft obligation of three years of military service. In the event of hostilities, these students would function as artillery units, and the

agricultural divisions would provide the infantry. Other reserve units staffed by demobilized regular troops, university students, former members of the militia, and similar personnel would be available.]

115 [The reduced role of regular forces cannot but have a detrimental impact on Cuba's over-all military capability. In relationship to actual defense needs, however, the impact will be minimal. The army has long been bloated out of all proportion, and the reduction was long overdue. It must rank as a plus for the Castro regime.]

This would release a significant force for more productive tasks but retain the core of an apparatus capable of meeting Cuba's normal internal security and external defense requirements.

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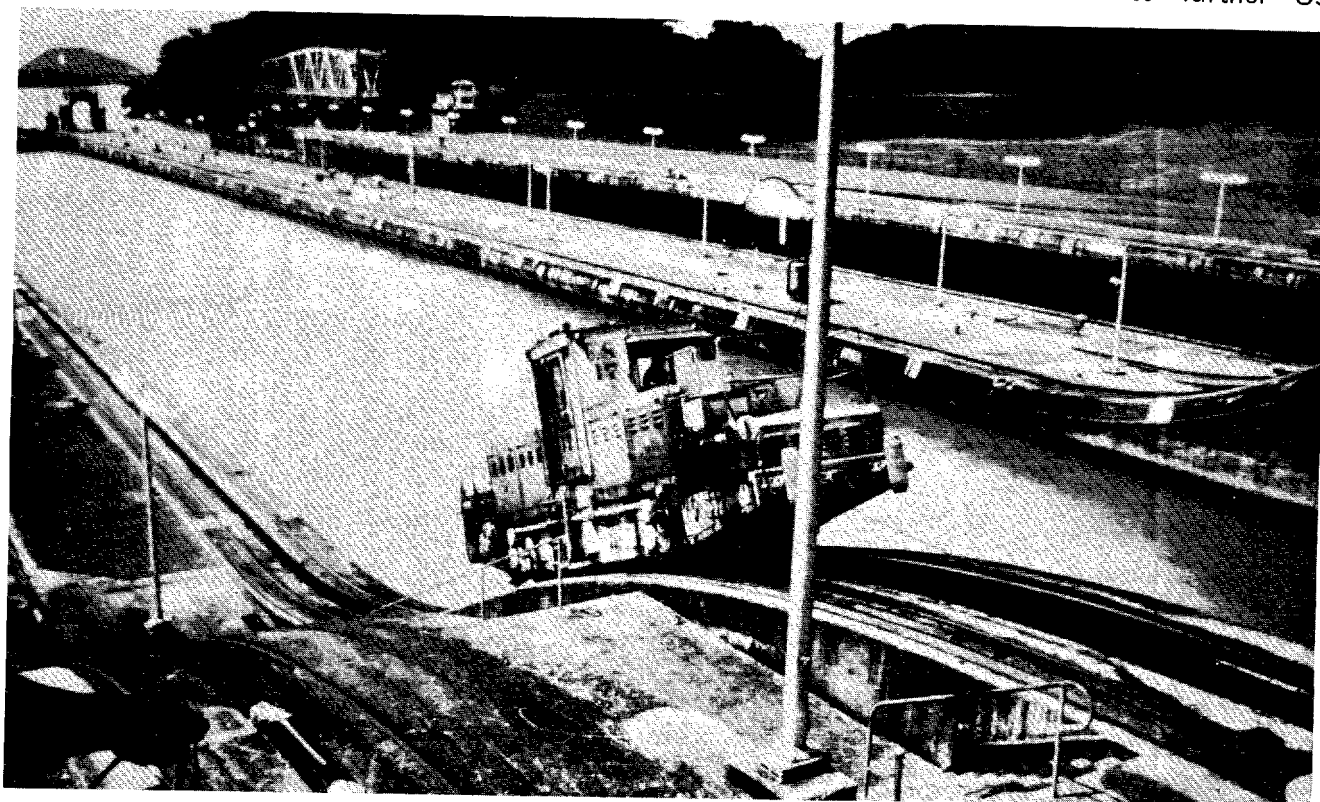
PANAMA: NEGOTIATIONS

117 [Efforts to get the canal negotiations back on track failed last week as Panama refused any compromise and exhibited little beyond a willingness to entertain additional US concessions.]

120 [Any hope that the meetings with top Panamanian officials would narrow the differences was dashed, however, when the Panamanians presented an uncompromising paper that reflected their previous demands. Their paper called for total Panamanian jurisdiction over the Canal Zone within five years and Panamanian control over the canal itself within 22 years. Panama also demanded greatly increased economic benefits, the immediate return of much of the land and many of the installations in the Zone, the removal of the US Southern Command from Panama, and a greatly reduced US defense role. Panama expressed a willingness to grant the US an option to construct a third set of locks or a sea-level canal, but insisted that the US take up the option within five years or it would be revoked.]

119 [The US negotiators went to Panama City on 3 December at the invitation of Foreign Minister Tack to resume talks that had been stalled for nearly a year, largely because of Panama's inability to formulate a counteroffer to the US proposals of December 1971. A potential roadblock was averted before the US negotiators arrived when Torrijos returned all of the buses that had been taken from the Canal Zone by striking Panamanian drivers. The US, for its part, agreed not to prosecute any of the individuals involved, if they do not drive buses in the Zone until the three-year statute of limitations runs out.]

121 [Torrijos continues to believe that Panamanian pressure will lead to further US



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concessions on a canal agreement. He may focus greater domestic attention on the issue over the next couple of months. The government gave its sanction, for example, to the Communist-dominated student federation to hold a major rally on 12 December that concentrated on the canal problem. Additional rallies by student and other organizations may be allowed. In an apparent attempt to demonstrate the government's commitment to its latest negotiating position, it publicly stated in full detail the demands it is making on the US.]

122 [Peron's departure and his well-publicized announcement were initially scheduled for 13 December, but were delayed at the last moment. No explanation was given, but Peron appears to be having considerable difficulty in selecting a candidate who will not seriously divide the Peronist movement.]

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118 [On top of this, Foreign Minister Tack told US officials last week that Panama would not under any circumstances back down from its efforts to have a Security Council meeting in Panama in March. He stated that the meeting had nothing to do with the canal negotiations and that the US would not be harassed. These assurances should not be taken at face value since Torrijos may not be able to resist the temptation to bring new forms of pressure on the US even before March.]

124 [Peron himself has been barred as a candidate for president by a decree setting 25 August as the date by which all candidates had to be resident in Argentina. He has no desire to run anyway and has sought an arrangement whereby a non-Peronist—a military man or a member of the Radical Party—would head a joint ticket. Peron hoped in this way to hold the Peronists together under his leadership and avoid the power struggle involved in naming a Peronist. That individual would carry the party banner in the elections and thus inevitably become the favorite in the battle for party leadership when Peron finally steps down.]

ARGENTINA: PERON

122 [The rumors and speculation surrounding the timing and circumstances of Juan Peron's departure from Buenos Aires have been almost as confused as they were prior to his arrival nearly a month ago. Rank-and-file Peronists as well as political observers waited all week for a statement from Peron that was billed as of "transcendental importance." It was generally expected that the old dictator would, in his statement, decline his party's presidential nomination, name another candidate, and then depart on a trip that would take him to Paraguay, Peru, and eventually back to Madrid.]

124 [Such an arrangement has eluded him so far, but the delay in his trip plans suggests last-minute efforts are still being made to reach an agreement. If this fails, the old man, weary from a month of tension and political infighting, may give in to pressure from his advisers and give the nod to a Peronist. Or he could decide to continue the fight by maintaining his own candidacy until the supreme court rules on the constitutionality of the residency requirement. A ruling would not be likely until late January or February, and this would give him more time to maneuver.]

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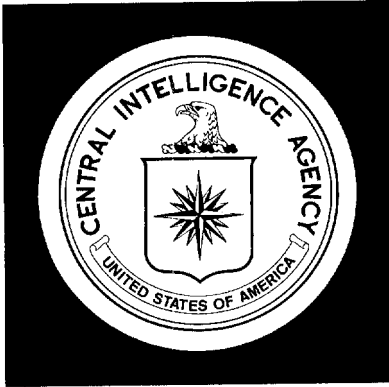
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Moscow and the Georgians

Secret

№ 46

15 December 1972
No. 0400/72A

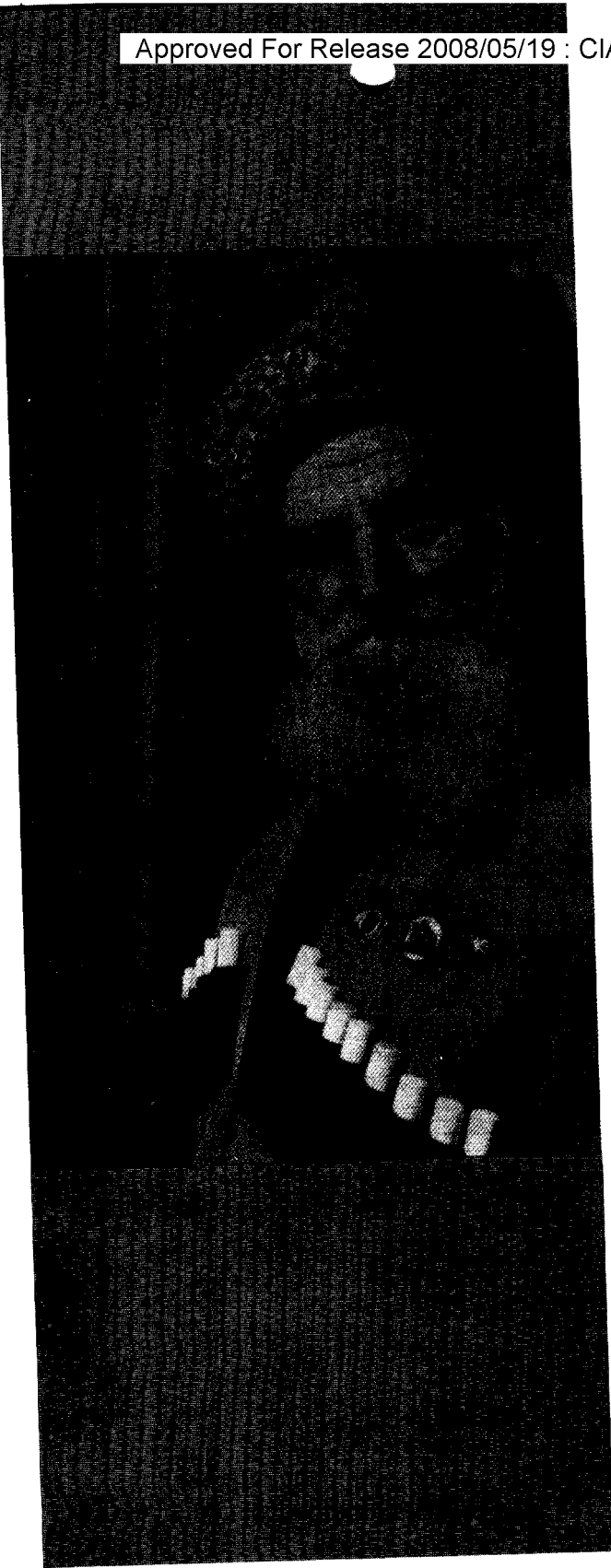
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Moscow and the Georgians



A major crackdown appears under way in Soviet Georgia following the retirement of long-time republic party boss Vasily Mzhavanadze and the exposure of economic mismanagement and corruption of major proportions. Mzhavanadze, like Shelest in the Ukraine, was one of the few regional leaders who seemed to resist Brezhnev's emergence as the dominant man in the Kremlin; both went into political decline after Brezhnev consolidated his position at the 24th Party Congress. Although Mzhavanadze has not thus far been personally implicated in the charges of corruption in Georgia, there are rumors that his wife was involved, and it is clear that he is being held responsible for the situation there. He will probably be relieved of his candidate membership on the politburo at the next central committee plenum.

The scandal that engulfed Mzhavanadze involved the revelation of a vast network of individuals, in and out of official positions, who had amassed personal fortunes by misappropriating state funds, materials and land and by manufacturing and selling consumer goods, all quite illegally. Bribery, influence peddling, and kickbacks ensured the cooperation of those in the party and government whose job it was to prevent such activity. While corruption of this sort is not unusual in other parts of the Soviet Union, it was especially flagrant in Georgia, where a free-wheeling life style has combined with fierce national pride to breed indifference—if not outright disdain—for the finer points of communist ethics.

The character of Mzhavanadze's successor is good evidence that Moscow is serious in its intent to root out corruption in Stalin's homeland. The new party boss, Eduard Shevardnadze, earned his reputation as a tough crime-buster during his many years as head of the republic militia. His appointment to head the party is reminiscent of the choice in 1969 of Azerbaydzhan KGB chief Aliyev to take over and clean out the party after the exposure of widespread corruption in that republic. Shevardnadze's performance since he took over in September suggests that similar

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house-cleaning in Georgia is getting started. Given the aggressively independent nature of the Georgians, however, it is unlikely that he will be able to do more than eliminate the most glaring excesses unless he resorts to really harsh measures.

The Georgian Scene

The swashbuckling, colorful Georgians are immensely proud of their rich and ancient Christian heritage. Although their homeland was repeatedly overrun by foreign invaders—Byzantines, Persians, Arabs and Turks—their culture and language have been preserved intact. The Georgian language, for example, has changed so little

that school children today can easily read 12th century Georgian poetry.

Thanks to Stalin, the republic has always occupied a unique position in the Soviet Union. Although Stalin quelled all Georgian strivings for any real measure of independence from Moscow, the republic enjoyed a privileged economic status during his time, and the people are stubbornly—if somewhat perversely—loyal to his memory. For them, Stalin is still a national hero and a symbol of Georgian greatness. Khrushchev's secret speech in 1956 denouncing Stalin touched off riots in Tbilisi that still stand as the worst civil disturbances in recent Soviet history. Since the riots, Moscow has made an exception of the Georgians and has permitted them to continue to honor the memory of their native son. Two years ago, for instance, the esplanade in Tbilisi was renamed after Stalin and his portraits now appear on city buses.



11th Century Church in Mtskheta

Furthermore, the Georgians were never Russified to the same extent as other Soviet minorities, and the republic's leaders are almost entirely native Georgians. There are only seven Slavs among the 123 full members of the Georgian central committee. Georgia is also unique in that it is the only republic where the number of Russian inhabitants has declined in the last ten years. The exodus was undoubtedly prompted by the strong anti-Russian sentiment among the Georgians, who have become increasingly outspoken in their practice of disparaging Russians and things Russian. There is, however, more sound than real fury in this attitude.

Life in Tbilisi has an air of vitality, gaiety, and permissiveness, both in the style of living and in the style of business. Georgia has the strictest anti-narcotics laws in the USSR and probably has a greater narcotics problem than any other area. Mzhavanadze is the only regional leader of consequence who has ever publicly mentioned the problem. Judging from the frequent complaints in the press, there are probably more illegal firearms in Georgia than anywhere else.

But most of all, it is the air of conspicuous consumption that marks Georgian life. There are

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reportedly more private cars per capita there than in any other republic. Collective farmers make a good living peddling produce from their private plots throughout the Soviet Union and the Georgians, particularly the residents of Tbilisi, seem to have money to lavish on good food and wine. The fact that Georgian affluence is often the result of shady business dealings is an open secret, and the citizens take pleasure in insisting that there are still millionaires in Georgia.

After Khrushchev, Provincialism

For the first few years after Khrushchev's ouster, Moscow's control over the provinces was relatively lax and assertiveness grew noticeably not only among the Georgians but among the other nationalities as well. The diffusion of authority within the collective leadership and the consequent difficulty in reaching agreement on any question kept the Kremlin from taking strong action against errant officials in the hinterlands. Regional leaders were able to find high-level patrons in Moscow and to play one leader off against another to protect themselves and their own regions.

Mzhavanadze was one of the more independent republic leaders and there was certainly little interference from Moscow in his handling of Georgian affairs. [redacted]

Mzhavanadze, who loved to drink and hunt, built himself luxurious private dachas in Tbilisi and in various resort areas in Georgia. He lived in high style. While he allegedly did not engage in corrupt practices himself, he did not prevent others from enriching themselves, with the result that underground business blossomed. [redacted]

[redacted] Mzhavanadze was on friendly terms with the Georgian intelligentsia and was tolerant of Georgian nationalism. In public his attitude was reflected in prideful remarks about the Georgian people; e.g., at the 24th Party Congress in 1971, most regional leaders echoed Brezhnev in extravagant praise of the Great Russians, but Mzhavanadze blithely took the opposite tack, pointing out that the recent Moscow celebration of the 800th anniversary of Georgia's greatest poet, Shota Rustaveli, had shown "enormous respect" for the "ancient and original Georgian culture."



Georgian Night Life

While there is no good evidence as to who Mzhavanadze's allies were on the politburo, his frequent references to close ties between the Georgians and the Ukrainians suggest a special relationship to Shelest. Mzhavanadze and Shelest—along with Kebin of Estonia—were the regional leaders who took a dim view of Brezhnev's efforts to enhance his own authority. Their opposition was reflected in the rather perfunctory references to Brezhnev in their speeches, in contrast to the lavish praise heaped on the general secretary by his supporters. While there were other reasons, a key factor may well have been the recognition by these regional bosses that any weakening of collective leadership would mean the emergence of a strong leader in the Kremlin who would in turn restrict their freedom to maneuver. Their fears were well founded; Mzhavanadze and Shelest found themselves isolated at

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**Statue in Moscow of 12th Century
Georgian Poet Shota Rustaveli**

the 24th Party Congress. Their positions were further weakened when Brezhnev emerged with his authority significantly enhanced.

Moscow Lowers the Boom

The first sign of serious trouble for Mzhavanadze came with the publication in *Pravda* on 6 March of a Central Committee decree criticizing the Tbilisi party organization for a wide range of shortcomings, including corruption, improper personnel policies and ideological and nationalist deviations. The appearance of the decree on the day after the anniversary of Stalin's death lent a particularly ominous note to the criticism.

Tbilisi party first secretary Otar Lolashvili, a close associate of Mzhavanadze, acknowledged the criticism at a meeting on 14 March. Calling for an improvement in cadres work, Lolashvili admitted that "criminals" had turned up as leaders of industrial enterprises and as store managers. He also revealed that a Georgian historian named Sidomonidze had come under attack—whether in the central committee decree is not clear—for writing a nationalistic book which claimed that the declaration of Georgian independence in 1918 was a good thing. In a subsequent Georgian party decree, a whole group of officials was reprimanded, along with the author, for permitting publication of a book that clearly violated the proper Marxist-Leninist approach to history.

Mzhavanadze twisted and turned. On the one hand he attempted to curry favor with Brezhnev. In a speech in February, before the decree was adopted but when the work of the Tbilisi party unit was under scrutiny in Moscow, Mzhavanadze referred to the "Politburo headed by Brezhnev"—a formulation theretofore used only by Brezhnev's most ardent supporters. Mzhavanadze also toned down the nationalistic bite of his subsequent speeches.

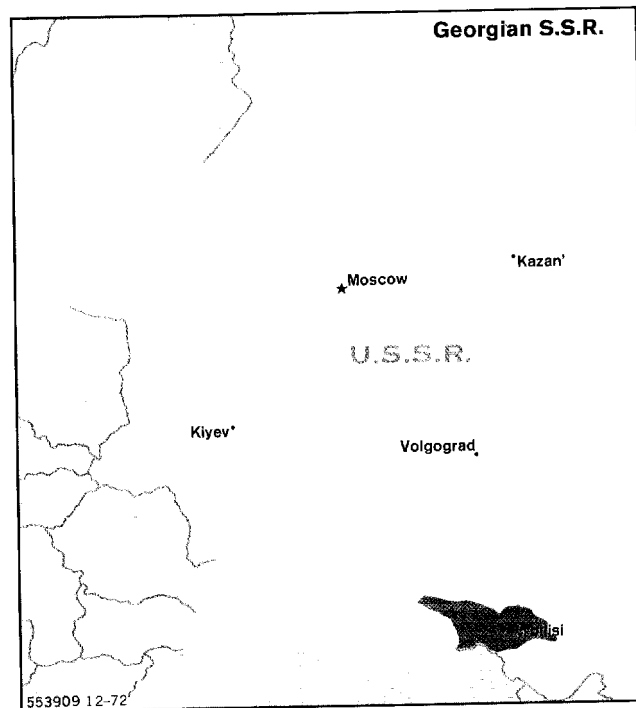
On the other hand, Mzhavanadze sought to protect Lolashvili and other subordinates from further attack. He spoke at the 14 March Tbilisi party meeting. Although he argued for tough measures, he pronounced the Tbilisi party organization "healthy" and "capable of coping with any difficulties." At a republic central committee plenum in early April, Mzhavanadze again expressed confidence in Lolashvili, repeating his earlier remark that the Tbilisi leadership was "healthy and able to cope." Mzhavanadze specifically praised Lolashvili's earlier speech for showing that he correctly understood how to overcome the shortcomings.

Moscow officials evidently thought otherwise and were doubtless looking for more action and less talk. The ax began to fall. In May, city party secretary Nikolay Tskhakaya was removed for "errors" in his work. Tskhakaya was secretary for industry and was probably held responsible

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for much of the corruption uncovered in Tbilisi. Toward the end of July, Lolashvili was demoted and finally, at the end of September and two weeks after his 70th birthday, Mzhavanadze himself stepped down. Although TASS reported that he resigned at his own request because of age, he clearly left under a cloud. The praise accorded him on the occasion of his birthday was considerably cooler than he had received at the time of his 60th birthday, and the choice of Georgia's MVD chief rather than one of Mzhavanadze's own political cronies to succeed him spoke loudly of Moscow's lack of confidence in his leadership. Since his retirement, Mzhavanadze's reputation has been further damaged by additional disclosures of the economic corruption that existed during his tenure. The exclusion of his name from a list of Politburo members who signed an



obituary in *Pravda* on 19 October suggests that, for all practical purposes, he is no longer considered a member of the top party body. He will almost certainly be formally removed at the next central committee plenum.



Mzhavanadze

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Shevardnadze and the Georgian Rascals

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Shevardnadze

Shevardnadze is 44 and graduated from a pedagogical institute where he majored in history. He was described as erudite, attractive, polite, and unpretentious. In contrast to Mzhavanadze, Shevardnadze was said to live simply in a modest apartment and to take public transportation to work. He did not engage in drinking bouts with other highly placed officials.

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Shevardnadze earned his reputation by rooting out illegal businesses in Georgia. He was known particularly for his long struggle with underground operator Otar

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25X1 Lazishvili, described as one of the most powerful and wealthy of the Georgian millionaires. [redacted]

[redacted] Lazishvili was a phenomenon which could only appear under the Soviet system and then only in the specific conditions of Georgia. [redacted]

[redacted] Lazishvili reportedly began his career as a driver who distributed illegal goods to stores. Thanks to enormous energy and talent, he became one of the richest people in Georgia with a far-flung network of underground factories. In the factories he manufactured a variety of consumer goods which brought in large sums of money.

Lazishvili allegedly exercised enormous power, and it was widely believed that he could



name and remove secretaries of the Tbilisi city party committee and even secretaries of the Georgian central committee, some of whom were reported to be his henchmen. [redacted]

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The first clashes between Lazishvili and Shevardnadze apparently came when the latter was head of the Georgian Komsomol (1957-61), or shortly thereafter when he was Tbilisi district party secretary. It was claimed that many illegal enterprises were concentrated in his district and that Shevardnadze set himself the task of rooting them out. In so doing he incurred the wrath of Lazishvili, who succeeded in having him transferred to a less important post. Published Soviet data on Shevardnadze's career do not quite jibe with this story, but it is evident that he did suffer a setback at about that time. He was dropped from the Georgian central committee in 1964 and was not re-elected until 1966, after he had been appointed MVD chief.

[redacted] Politburo member Aleksandr Shelepin. [redacted] was still head of the all-union Komsomol in 1957 when Shevardnadze was head of the Georgian Komsomol and thus was acquainted with him. During one of Shelepin's trips to Georgia, perhaps in early 1965, he reportedly remarked at a meeting that he did not see among those present "that remarkable lad, Shevardnadze." Possibly, [redacted] these words had some effect as Shevardnadze was named head of the Ministry of Public Order, now the MVD, soon thereafter. At this time Shelepin was at the peak of his power and could easily have arranged

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such an appointment. Shevardnadze continued his struggle against underground business and corruption.

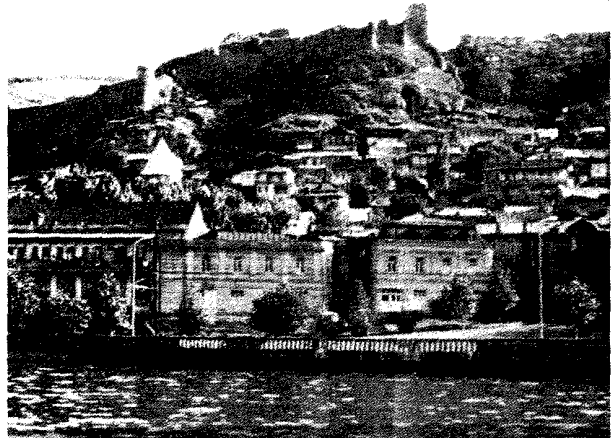
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[redacted] Mzhavanadze feared Shevardnadze because MVD files contained enough material to compromise both Mzhavanadze and his wife. Mzhavanadze was unable to remove Shevardnadze from the MVD post because the latter had strong support in Moscow. On the other hand, Shelepin was in eclipse by this time and could not have been much help to Shevardnadze. It is also hard to believe that Mzhavanadze was not powerful enough, at least up until 1970, to effect his removal.

[redacted]

[redacted] Shevardnadze began arresting Lazishvili's cronies. Lazishvili reportedly went raging to Moscow to seek the support of the procurator general of the Soviet Union, Rudenko, with whom he had been on very friendly terms. Rudenko, so the story goes, had learned by then of Lazishvili's fading fortunes and would not receive him. Indeed, Lazishvili's fortunes had faded so far that he was arrested in Rudenko's reception room.

The arrest probably came some time in late 1971 or early 1972, and the investigation of the case may have had considerable bearing on the March central committee decree criticizing the Tbilisi party leadership. An article exposing Lazishvili's shady dealings and stating that the Georgian was being tried appeared in the Soviet press on 1 March. The article appeared in *Trud*, Shelepin's trade union newspaper, suggesting Shelepin's continuing support for Shevardnadze. Furthermore, the publication of the article only a few days before the central committee decree on Tbilisi was issued served to focus attention on the aspect of the Georgian problem that was Shevardnadze's particular forte, crime. It also gave him a personal boost that may have helped him get the



Dacha

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assignment first to replace Lolashvili as Tbilisi party boss in July and then Mzhavanadze as republic party boss in September.

The New Broom

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The drive against corruption quickened following Shevardnadze's elevation to the top job. The most scandalous case so far broke on the pages of *Pravda* on 19 October, the same day Mzhavanadze's name was omitted from the list of Politburo members. The case involved construction of private dachas on land outside Tbilisi assigned for workers' private plots. According to *Pravda*, many citizens, including high officials, used phony documents to sign on as workers and, under the pretense of erecting light garden sheds, built luxurious houses, some of baronial dimensions. Certain of the housebuilders allegedly used their official positions to divert building materials, equipment, and even labor for the construction of the dachas.

Among those fired as a result of this scandal were the party secretary and the chairman of the executive committee of the Tbilisi district where the illegal construction occurred, a deputy minister of local industry, the chief of the Transcaucasus gas pipeline administration and numerous lesser fry.

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Further revelations came at the Georgian party plenum held in early November. In his first major speech as party boss, Shevardnadze painted a black picture of conditions in Georgia and laid the blame squarely on Mzhavanadze's doorstep. He charged that a dulling of vigilance and an "atmosphere of liberalism" had permitted corruption to spread among top-level officials with serious economic consequences.

Statements at the plenum revealed that Georgia, always at the bottom of the list of republics in terms of economic growth, was lagging more seriously than ever this year. The industrial growth rate for the first nine months fell from 5.8 percent in 1971 to 2.2 percent in 1972. The planned target was 6 percent; the national average was 6.7. Furthermore, Shevardnadze noted, last year's quotas were fulfilled only because they were reduced by 103 million rubles. Shevardnadze blasted this "alchemy of numbers" and warned that the plan has the force of law. He also complained about the poor quality of consumer goods and blamed shortages of fruits and vegetables on profiteering by collective farmers. Other leaders spoke glumly about the Georgian economy.



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all the goods manufactured and sold on the side. One look at the affluent scene in Tbilisi would suggest that this is true and, as Georgians privately insist, the best quality goods can only be bought "under the table." It would seem that if Shevardnadze and his backers in Moscow are bent on knocking out underground business in Georgia, they must be prepared to accept considerable economic dislocation for some time to come.

Georgian Nationalism

The criticism of Georgian nationalism in the March central committee decree and subsequent public reprimand of historian Sidomonidze suggested that Moscow's ire would focus equally on the twin problems of Georgian nationalism and corruption. Since then, little attention has been paid to the problem. Shevardnadze has concentrated almost exclusively on corruption. He did not even mention the sin of nationalism in his 1 November speech. He did not do so in the one bland article he has contributed to the forthcoming 50th anniversary of the Soviet Union. The anniversary is being used as an occasion for acclaiming the friendship and unity of the Soviet

peoples, concentrating, of course, on the leading role of the Great Russians.

Moscow, too, must have found it easier to reach a decision to tackle corruption in Georgia, particularly since it had so obviously gotten out of hand, than to go for the more sensitive and divisive issue of nationalism. Shevardnadze himself may be deliberately seeking to avoid treading on too many Georgian toes at one time, but there is also reason to believe that he may not be the 100-percent Moscow man in Tbilisi.

[redacted] the Georgians seemed pleased with the choice of Shevardnadze to replace Mzhavanadze, despite the former's connections with the police apparatus. In particular they considered him one of their own, since he has spent his entire career in Georgia, whereas Mzhavanadze lived outside the republic until he was named party boss in 1953. If these Georgians are right about Shevardnadze, then his task will be indeed monumental—to root out corruption without attacking the errant nationalism which underlies it. [redacted]

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