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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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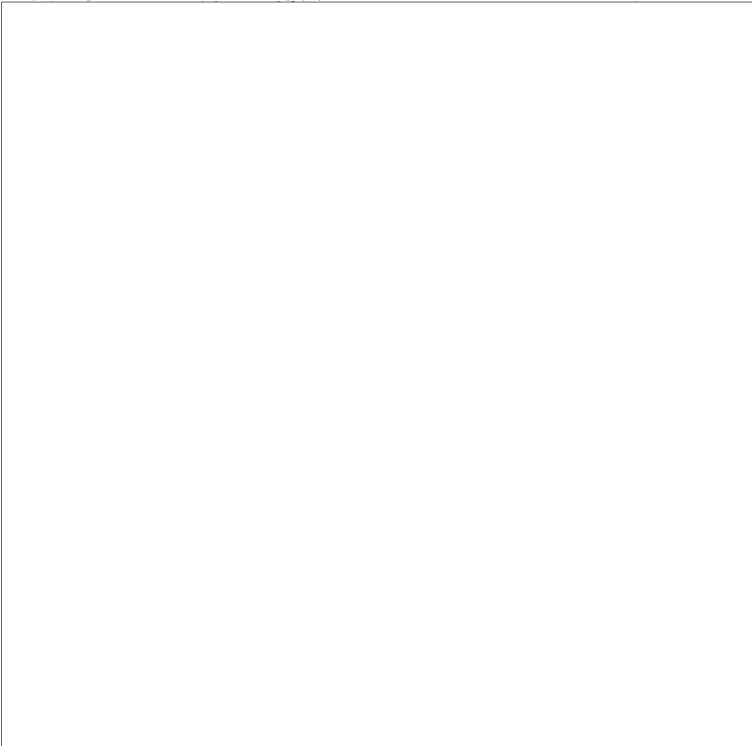
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CHILE: A TIME FOR EXPEDIENTS (1,2,3)

As Chileans and their president totted up the score at year's end, there were plenty of minuses but also a few pluses. The theme struck by President Allende last week was the need for drastic economic remedies to defend the people from shortages and speculation.

Although Allende has warned of impending austerity before, the realities of Chile's economic position are now grim. Over the past two years, the country has been on a consumption spree that has cost it some \$550 million in foreign reserves, a large part of its material inventories, and a serious deterioration in both productive capacity and international credit rating. Nevertheless, Allende will not necessarily get his comeuppance in the March congressional elections. Many Chileans are still better off now than before his election, and Allende should be able to stave off severe belt-tightening for another two months or so. Moreover, the election coincides with the peak of the harvest season. Food will be relatively plentiful, and the annual summer slowdown should permit some easing of distribution problems.

Since coming to power, Allende has used economic levers to alter Chile's power structure in an attempt to make his socialist revolution irreversible. His populist policies, while causing massive government deficits, excessive consumer demand, and soaring inflation, have also markedly eroded the opposition's economic base. Government ownership and control, already widespread in the pre-Allende period, has about doubled in the past two years and now accounts for at least one half of national output.

Allende's actions have encountered little effective resistance except when they have threatened to cut deeply into middle-class interests. The month-long strike that nearly paralyzed the economy in October was triggered by independent truckers and small retail merchants, who were later joined by professionals and larger entrepreneurs. Although violence flared intermittently, Allende was supported by the military, and the subsequent entry of the military into key cabinet posts, opposed by Allende's more radical coalition partners, may lessen turmoil in the months just ahead.

Allende has been able to boost popular support by granting huge wage increases to public employees and fostering even larger hikes in the private sector. With controlled prices, the average Chilean enjoyed an increase of some 25 percent in real income in 1971. Last year, wage increases and bonuses were outpaced by increasing prices. The shortages common in recent months have, however, hit hardest at the living standards of the upper and middle classes. Low-income people with extra money in their pockets for the first time probably have not yet begun to worry much about the lack of things to buy and have been delighted with the leveling of Chile's old elite.

Sobering realities are, however, coming closer to home. Prices began to spiral in August, raising the inflation rate for the year to more than 150 percent, and shortages of essential consumer goods are widespread. Production in almost every sector of the economy is stagnant or declining. Private farm output has been hurt by expropriations, and illegal seizures of farmland have created fear and frustration throughout the shrinking private sector. The lack of competent technicians and managers has seriously hurt output on the more than 50 percent of Chile's farmland now controlled by the government. Poor weather, shortages of seed, fertilizer, and credit have compounded the problem. Because the farms taken over had provided much of Chile's marketed output, foodstuff deliveries to urban areas have dropped sharply.

Production from the long-established large copper mines has declined largely because their nationalization triggered an exodus of skilled personnel, both foreign and local. In addition to inept management, featherbedding, and poor labor discipline, the mining industry in recent months has been afflicted with machinery breakdowns and supply bottlenecks.

Allende has already gone much farther than expected in liquidating Chile's assets to satisfy consumers at home. He probably can maintain imports until the election by running net foreign reserves further into the red and by permitting commercial arrears to increase. Some emergency assistance will be forthcoming from Communist

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countries. The Soviets adopted a surprisingly hard attitude during Allende's recent visit to Moscow, perhaps in part because it now appears that support to Santiago cost them \$103 million in hard currency in 1972—about twice the amount reportedly agreed upon earlier in the year. The meager \$26 million in foodstuffs now offered by Moscow contrasts sharply with the \$300-500 million Allende was seeking.

Communist assistance is not likely to stave off import cutbacks for very long. These cutbacks will mainly be in foodstuffs and industrial raw materials. A continuation of economically reckless budget and wage policies in the face of contracting resources would make runaway inflation, rationing, or some combination of the two inevitable.

The Generals in Politics

The heating up of the campaign for the legislative elections on 4 March has placed the three military officers serving in the cabinet in a few awkward positions. General Prats, the interior minister, is under special challenge. Both the opposition and government parties have been loud in their praise of what they see as the "true" role of the armed forces, but they differ greatly on what this role should be. The political parties are in this way forcing the military into defining more clearly its position vis-a-vis the government, an unwelcome task for the officers involved.

The Christian Democrats took off the gloves during parliamentary moves to impeach the Communist minister of finance, Orlando Millas, on charges that he had violated the terms that settled the October protest strike. The Christian Democrats' decision to join the National party in this venture was prompted by both opportunism and the desire to see Prats squirming when forced to defend his Communist colleague. The general took up the challenge, declaring the charges "lacked constitutional or legal grounds" and vigorously defending Millas. The general, unaccustomed to having his word doubted, had to sit through a wide-ranging attack on his performance as interior minister by Christian Democratic president Fuentealba during a special senate session.

Prats considered that most of the points raised were irrelevant and remarked icily that he must have come to the wrong session. Another Christian Democratic senator's needling of Prats was dismissed by the general as "unacceptable insolence."

Earlier, a National Party newspaper was suspended for three days after comparing General Prats to "General Insa" (a brand of tire, the implication being that both were full of air). So far opposition criticism has only angered Prats; it may, however, have reinforced the opinion of many military officers that Congress is an unnecessary body made up of irresponsible politicians. Such rough handling could reduce Prats' reputed desire to try his luck in presidential politics after retirement.

To make the point once again that Congress can harass, but not force substantive changes, President Allende had Millas switch posts with the minister of economy after the lower house approved the impeachment motion on 28 December. Millas had just completed drawing up the 1973 budget, and his forced departure from the Finance Ministry will provide Allende with another argument that the administration's poor economic showing can be blamed on opposition obstructionism.

In spite of opposition fears that Prats has sold out to Allende, he continues to be very much his own man.

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The year-end promotions and command changes for the army, undoubtedly closely monitored if not determined by Prats, seem most favorable to officers personally loyal to the army commander himself. In elaborating on how he sees the military role in government, Prats has stuck to the doctrine that the military is non-partisan but not always neutral on particular political issues. The general has told the Congress he will not allow the country to be thrust again into the chaos of the October shut-down. While this dictum applies to all political forces, the practical effect is to inhibit the opposition.

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INDIA: WINTER OF DISCONTENT

The failure of two successive monsoons to bring enough rain has dealt India an economic blow of major proportions. The government's emergency response—the importation of food grain, the initiation of large-scale relief efforts, the distribution of food, and the coordination of the efforts of the central and state governments—has generally been well received. There is real danger, however, that once the immediate emergency is over, nascent popular discontent with Prime Minister Gandhi's failure to find a way out of the nation's long-term economic morass will gather enough momentum to pose a threat to her present, near-total control of the body politic.]



Mrs. Gandhi

Political oratory throughout the six-week winter session of parliament, which ended last month, reflected rising popular disenchantment. The government was scored by members of her own Congress Party, among others, for failure to control inflation, to stem student violence, and to eliminate corruption in both the central and state governments. Unable to offer satisfactory explanations or to unveil a credible remedial pro-

gram, the government fell back on rhetoric, and malevolent "outside forces," including the CIA, were offered as scapegoats.]

[Politics—not economics—has always been Mrs. Gandhi's long suit, and in 1972 she devoted herself to reshaping the Congress Party. In state elections last March she saw to it that, wherever possible, only politicians loyal to her were allowed to run on the party ticket. This resulted in the election of officers loyal to her, but in many instances with little personal political strength. It produced weak state officials who bucked all major, and many minor, problems back to the already over-worked prime minister. Mrs. Gandhi found herself embroiled in messy and politically damaging local situations, such as the recent squabbles between groups in the states of Andhra Pradesh and Assam. As a result, there has been a lack of authoritative direction on national issues and factionalism between moderates and radicals within the Congress Party. While Mrs. Gandhi still manages easily to elect her people to the party's powerful Working Committee, the continued intra-party rivalry makes the Congress a less effective and innovative policy-making organization.]

[On the national level, the political opposition, until recently cowed by two massive Congress victories at the polls, is stirring. Even the pro-Moscow Communist Party of India, which received Congress help during the last election, has begun to criticize the Gandhi government on bread-and-butter issues. The Congress, at its plenary meeting late last month, managed only a call for implementation of previously approved policies and a vow to end further pie-in-the-sky promises, such as Mrs. Gandhi's earlier campaign pledge to "eliminate poverty." Mrs. Gandhi can count on a substantial measure of goodwill and tolerance from among the Indian people, but she has yet to offer them the kind of economic leadership they demand—a situation which, if uncorrected, can only hurt her and the Congress Party.]

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MALTA: DEADLINES AND DEMANDS



Prime Minister Mintoff delayed at least temporarily his threatened termination of the base agreement with Britain by "freezing" the situation while trying to find a face-saving way out of his current difficulties. The time for action is short, however, and the parties involved may be heading for a showdown this weekend.

few weeks has been erratic. He has responded to Prime Minister Heath's notes rejecting Maltese demands with angry outbursts, often hurling bitter invective at one or more of the allied ambassadors. At the same time, his formal responses to Heath have been polite and even conciliatory. Moreover, his addresses both to the Maltese legislature and to the public have been calm and give the people little reason to fear that he cannot successfully resolve his differences with London. Mild support from an influential Catholic Church newspaper, as well as the unwillingness of the opposition Nationalist Party to challenge the prime minister, has contributed to the seemingly optimistic outlook of the average Maltese citizen.

In a series of meetings in the last two weeks with various allied representatives, Mintoff has several times shifted both his deadlines and his demands. The one unchanging—and key—condition is that any new agreement provide for the equivalent of a ten percent surcharge as compensation for losses caused when the pound sterling was floated. Details, he has implied, can be worked out later. Mintoff also wants a guarantee against any further weakening in sterling. He has rejected the regular British payment of 3.5 million pounds due on 1 January because the ten percent surcharge was not included.

The Italians have taken the lead in trying to persuade the allies that they should accommodate Mintoff.



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Although many Maltese accept the demand for compensation as legitimate, they nonetheless hope to avoid termination of the base agreement. Mintoff has backed down a bit this week, suggesting that he is under pressure from his cabinet and party to avoid a complete break. Public concern doubtless stems from the fact that Mintoff—by his own admission—has failed to come up with an alternative to British and allied money or another way of gainfully employing the nearly 6,000 workers whose jobs grow out of the British presence on the island. On 4 January, Mintoff flew unexpectedly to Libya—the country he has implied will be his "safety net" should the UK withdraw. He may want to determine what conditions Libya would impose on any aid to Malta.

The Maltese leader has thus far insisted that any additional payment be in cash, since he interprets grant aid as "charity."

Mintoff's inflated perception of Malta's value may have led him to believe that his demands will be met. If he is operating under such a premise—as seems likely—he may shortly find himself locked into a public posture from which it will be impossible politically to retreat. In such a situation, he may allow the British to depart from Malta, knowing full well that the withdrawal will cause long-term damage to the island's already shaky economy.



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As was the case during the last period of negotiations, Mintoff's behavior during the past



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Planning for the New Year

(12-24)

[The Communists may be planning a new round of attacks in South Vietnam to coincide, more or less, with the renewed Paris negotiations. Reports to this effect are coming in from around the country. Some indicate the attacks will be in retaliation for the heavy bombing of North Vietnam; others suggest that the Communists hope to increase anti-war pressure in the US. So far the fighting countrywide is still light, though there has been some increase in the action in the central highlands and northern Quang Tri Province.

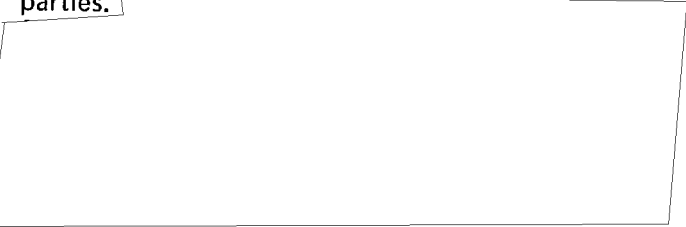
Except for northern Military Region 1, the Communists do not now have either the strength or the field positions for attacks of the magnitude of their offensive this past spring. Most of the enemy's main combat units in fact have reported recurrent logistics and morale problems over the past several weeks, and these will probably take some time to straighten out. Much of the current rhetoric about increased fighting may indeed be aimed at bolstering troop morale, which has flagged in many front-line outfits since the promised October cease-fire failed to materialize. The Communists appear to believe that claims of their own combat readiness offset the adverse effects of allied military action, such as the recent bombing in North Vietnam and South Vietnamese advances in Quang Tri Province.

New Controversy in Saigon

President Thieu's emergency powers expired last week, but before they did he issued a series of decrees dealing with defense, finance, and commerce. Many of the measures were technical in nature, but one—a decree stiffening the requirements for legal political parties—has stirred up Saigon political circles. The measure is designed in part to force greater unity on the heretofore highly factionalized non-Communist political

spectrum. To operate legally, parties will henceforth have to have chapters containing at least five percent of registered voters in at least half of South Vietnam's provinces and municipalities. Existing parties have three months to meet the membership requirements; new parties must comply within a year after they begin operating. To maintain legal status they will also have to win at least 20 percent of the vote in elections for the Senate, as well as 20 percent of the seats at stake in Lower House elections.

Only a few of the country's 26 current legal parties have any hope of meeting the new criteria. Many smaller parties will thus be forced either to go underground or to seek alliances with stronger parties.



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Some independent and opposition political figures are charging that Thieu's primary objective is to force everyone to join his Democracy Party, but the administration appears unworried by the clamor. One of the President's key political operatives has told US Embassy officers that he expects shrill protests, but believes that after a period of agonizing, most significant political elements will either join the Democracy Party or merge into one or two opposition parties. Thieu would like to consolidate anti-Communist forces in time to face a political struggle with the Communists.

Tho Returns to Paris

Hanoi propaganda treated the renewed bombing and the hiatus in the Paris talks in a

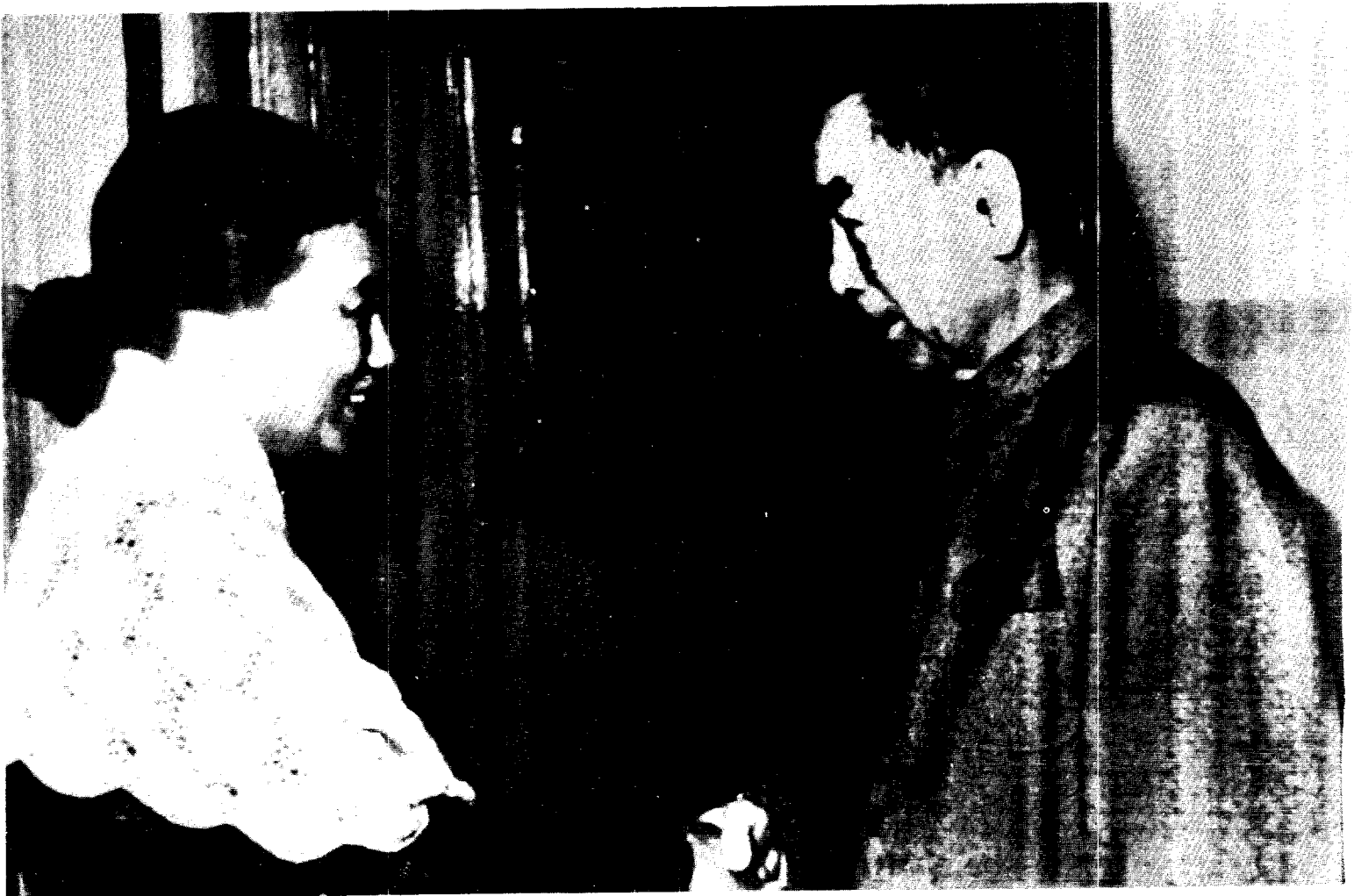
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fully predictable fashion, and the line on the cutback in the bombing and Le Duc Tho's departure for Paris produced no surprises. When the US stepped up its air attacks, Hanoi condemned the bombing, vilified President Nixon, and asserted its determination to persevere. On the substance of the negotiations it marked time. Public pronouncements did little except reiterate Hanoi's position that basic changes in the agreement of 20 October were not to be considered and that the US must sign that agreement.

Le Duc Tho is headed for Paris, and Hanoi is advancing the ritualistic propaganda claim that it has forced an end to the bombing above the 20th parallel and has compelled the US to return to the negotiating table. Pronouncements on the negotiations themselves are fairly free of polemics, but continue to avoid any detail on the talks. Radio Hanoi, for instance, in a commentary marking Tho's departure for Paris, simply praised the Communists' negotiating record in general terms and said that further progress in the talks was up to Washington.

Madame Binh and Chou En-lai



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Peking's Rhetoric Heats Up

The Chinese said nothing officially in the days following announcement of a resumption of the talks and the reduction in the bombing, but Peking clearly welcomed the moves. In the wake of the resumed bombing and the impasse at the talks, Peking had signaled a growing concern that the bombing might imperil a settlement. The first Chinese reaction was restrained and low-key, apparently because of Peking's overriding interest in avoiding damage to Sino-American relations. The Chinese avoided really harsh criticism of the Nixon administration, and more importantly, did not directly link Vietnam with Sino-American ties even on 21 December when they protested bomb damage to a Chinese ship in Haiphong harbor.

By the end of December, however, heightened Chinese concern about the course of events in Indochina coincided with the visit to Peking of the Viet Cong's Madame Binh, and the combination produced the strongest Chinese language on the war in over a year. In response to an American journalist's question, Chou En-lai explicitly linked the bombing to Sino-American relations. Later, Mao himself received Madame Binh at his residence—an extraordinary gesture, since his appearances in previous months had been limited to infrequent meetings with visiting heads of state and government. The Chinese also staged a rally for Madame Binh attended by much of the top leadership and some 10,000 persons. The rally was not large by Chinese standards, but it was the first such demonstration on Vietnam in Peking in 13 months. Chinese rhetoric at the rally and at two receptions for Madame Binh produced harsh formulations not heard in Peking for some time.

While Chinese statements during this period, especially the joint communique at the end of Madame Binh's visit, edged Peking closer to the Vietnamese Communists on some key issues, the statements also implied that there was no change in Peking's basic view of the situation in Indo-

china, and that the Chinese still strongly favor an early negotiated settlement. In effect, Peking embellished the Viet Cong's prestige, strengthened its standing with Hanoi, and registered its concern over the war.

Temperate Reaction From Moscow

Soviet media have handled the de-escalation of the bombing and the resumption of the talks in a routine fashion, but the bombing raids in December did generate a temporary increase in Moscow's attention to Vietnam. Soviet leaders condemned the bombing and demanded that the US immediately sign the cease-fire agreement. The language was pro forma, the minimum the Soviets felt they could get away with.

The two-week visit of Truong Chinh, the second-ranking man in the North Vietnamese hierarchy, was handled in very low-keyed fashion. Chinh spent a few days touring the Soviet countryside after attending the anniversary celebrations and departed on 30 December after only one publicized meeting with politburo member Suslov. It is unusual that Chinh did not meet with either Brezhnev or Kosygin.

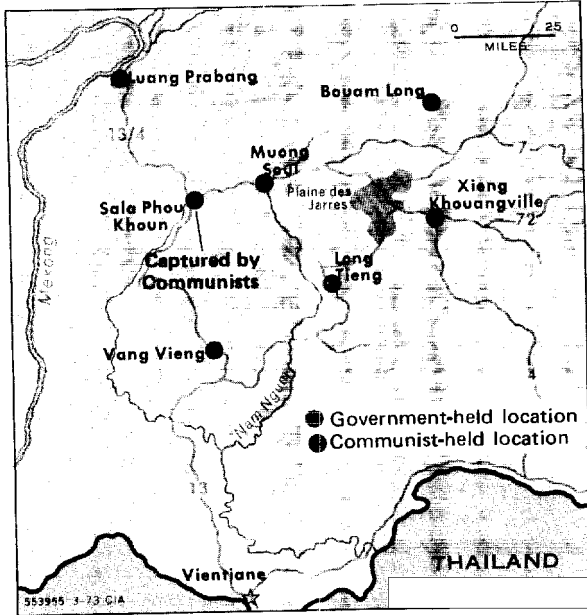
To the general observation by Brezhnev on 21 December that the prospects for US-Soviet relations could be endangered by developments in Vietnam, Moscow added an indirect warning that one specific consequence might be a delay in the party chief's visit to the US. In the London *Evening News* of 29 December, Soviet newsman Victor Louis, a sometime unofficial spokesman for the Kremlin, stated flatly that a visit to the US by party leader Brezhnev "was out of the question" until a Vietnam agreement had been signed.)

Laos: Little to Cheer About

3.0 Government leaders greeted the new year with expressions of hope that the bogged-down

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which the Communists have occupied temporarily several times in recent years, does not pose a direct military threat to the government, but it does strike a politically sensitive nerve and prompts a quick government reaction. Irregular units already are moving from Luang Prabang toward the road junction, while the dispersed Lao Army units are being regrouped for a counter-attack.

Combat in the south was at a low level as government troops consolidated recent gains and the Communists reorganized their battered units. Irregulars on the Bolovens Plateau have cleared the last enemy units from Route 23 west of Paksong and the road should soon be opened to traffic for the first time in over a year.

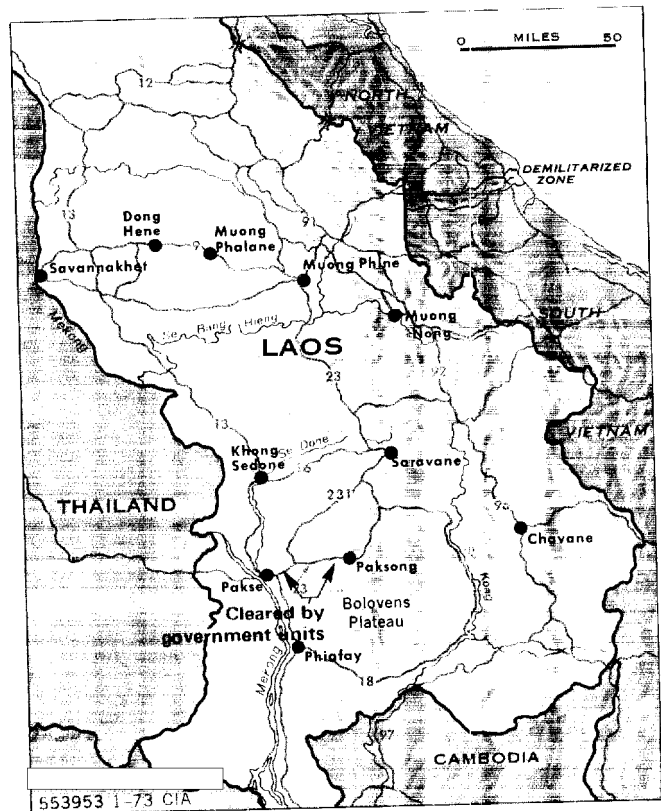
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peace talks in Vientiane will yet lead to a settlement of the Laos conflict. In the field, Lao soldiers had little to celebrate as the fighting continued on several major fronts.]

The long anticipated Communist assault against Bouam Long, which began with light shelling last week, has developed into a full-fledged siege. Irregular defenders have abandoned several outlying positions in the face of Communist ground attacks, falling back to well-fortified defenses on the base perimeter. Daily shelling by the Communists has caused few casualties, but did close the Bouam Long airstrip to all but helicopter traffic. Heavier fighting is still to come—only three of the seven North Vietnamese infantry battalions near Bouam Long have been committed so far.]

To the west, Pathet Lao and dissident neutralist units began the new year by routing a 1,000-man Lao Army force from positions around Sala Phou Khoun, astride the only road link between Vientiane and the royal capital of Luang Prabang. The loss of Sala Phou Khoun,



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CHINA: TROUBLES AT HOME

31 [The end of the year in China is a time for proclaiming past successes and projecting future goals, and this week the regime's three major publications dutifully produced a year-end assessment in the form of a joint editorial. While it devoted more attention than usual to internal political affairs, once again the language was vague and the tone subdued. To add to Peking's problems, the decline in the 1972 harvest was the sharpest in over a decade.]

31 [Much of the political strain in China today can be traced to Peking's almost paranoid preoccupation with the campaign to denounce former Defense Minister Lin Piao. Designated at one time as Mao Tse-tung's official heir, Lin fell in September 1971 and has subsequently been accused in not-so-secret party documents of a variety of sins including a conspiracy to assassinate Chairman Mao. Most of China's provincial administrators are military professionals, and many evidently fear that they may still somehow be implicated in Lin's alleged coup plot.]

31 [The New Year's editorial this year provided scant consolation for these administrators. It declared that the campaign against Lin and his supporters was the primary task facing the nation in the new year. It said, however, the approach should be one of "criticism first and rectification of work style later," a formulation that suggests some elements in the regime wish to temporize on a confrontation with local administrators. The editorial did retain many of the regime's harsh admonitions directed at these local leaders, including one sharp criticism directed specifically against army men who hold civilian positions. This ambivalent language could be another indication of a lack of unanimity in Peking.]

31 [Consistent with its projection of only limited progress at home, the editorial omits any reference to the convening of a National People's Congress, the government forum that would supposedly put its imprimatur on the many personnel and institutional changes wrought by the Cultural Revolution. The editorial's exhortations to strengthen party leadership were routine; in fact, the only specific political task laid down was

"step-by-step" consolidation of the trade unions, the youth league, and other mass organizations.]

Economic Woes

31 [Although the New Year editorial was equally vague about last year's economic performance, earlier official reports admitted a four-percent decline in grain production. Output of the most important industrial crops—cotton and oil seeds—was also down, and the regime is being forced to make economic adjustments on a scale not required since the early 1960s. So far, these adjustments have been limited to moderate increases in imports of grain, cotton and vegetable oil, accelerated inter-regional transfers of grain, and introduction of programs to save and conserve grain. Ration levels apparently are being maintained in most areas, although consumption is reportedly down in rural areas where food crops were poor.]



31 [In contrast to the poor showing in agriculture, increases in industrial production, according to the editorial, were paced by gains in steel, coal, crude oil, electric power, and chemical fertilizer. The failure of the editorial to cite specific figures suggests that the increases were less than in the previous two years, when industry was recovering from the dislocations caused by the Cultural Revolution. The shortfall last year in industrial crops will adversely affect light industrial production in 1973, especially the output of cotton textiles.]

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KOREA: SLOWER PACE THIS YEAR

74 [The two Koreas entered 1973 with newly reorganized governments ostensibly committed to unification, but with old antagonisms and suspicions that dim the prospect. In fact, the year-old, North-South dialogue may be slowing down after the meetings late last year.]

75 [It is the South Koreans who have put the brakes on what had appeared to be rather rapid progress. After publicly rejecting persistent North Korean requests for a mutual reduction in arms and an end to Seoul's anti-Communist legislation, the South Koreans have privately ruled out for the present a summit or the expanded political contacts Pyongyang has been urging. In addition, President Pak has instructed his principal negotiator to adopt a very gradual approach even to less sensitive issues, such as economic and cultural exchanges.]

76 [Seoul's caution reflects President Pak's concern that if the talks move too rapidly, some of South Korea's domestic or international positions may be placed in jeopardy. In particular, Pak seems anxious to avoid any agreement which would undercut the rationale for a continuation of extensive US military assistance. Pak's attitude may be influenced by a belief that he can afford

to limit the scope and pace of the talks now that the constitutional changes, which he claimed were made necessary by the negotiations, have given him a mandate for six more years.]

78 [Despite this lack of enthusiasm in Seoul, neither side wants to see a breakdown in the talks at this point, and both have implied that progress in the negotiations can still be made.] [In public statements in the past several weeks, President Pak has underscored his willingness to move ahead on issues which will contribute to national unification.] [North Korean spokesman Pak Song-chol has pointed out that the dialogue is making "definite progress" and has suggested that Pyongyang believes further advances can be made in time.]

79 [Although neither capital anticipates any major developments, both are sufficiently flexible to allow limited progress on economic, cultural, and perhaps humanitarian exchanges. Action on even these matters is certain to be slow. The next significant high-level meeting will probably not occur until February at the earliest.] [redacted]

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the ambassador-designate. The other political parties—some of which had been less willing to criticize the US in the past—found it politic to follow Palme's lead. Even the Swedish Trade Union Confederation, which criticized Palme last fall for his flagging economic policies, sided with him and supported the now aborted Nordic Trade Union proposal for an all-European boycott of US goods and shipping.

Palme's Social Democrats face a serious challenge in elections next September. Recent popularity polls showed them trailing the three bourgeois opposition parties. Seemingly unable to reduce inflation and high taxes, the government will attempt to divert popular attention from those domestic issues upon which it is vulnerable for as long as possible.

Denmark's government, also run by Social Democrats, reacted strongly at first, but responded with "unspeakable relief" to the news of reduced bombing. Nevertheless, the cabinet proposed on 2 January that parliament allocate \$725,000 in "extraordinary aid" to the Red Cross for use in North Vietnam. While numerous NATO countries have donated humanitarian aid to both North and South Vietnam through the International Red Cross, Denmark, along with France, is among the first to channel government funds solely to Hanoi. This may strengthen the Danish leftists, who also advocate defense cuts.

The furor over the bombing in Finland is subsiding, but the government, always seeking ways to placate Moscow, seized the excuse to recognize Hanoi. Helsinki may hope this will help assuage Soviet displeasure over an eventual Finnish tie with the European Communities.

Leftists in Iceland condemned the bombing at a pro-Hanoi rally on 31 December. One Communist minister reiterated his party's call for the withdrawal of the American-manned Icelandic Defense Force, which he termed an "occupation force." The mini-coalition in Norway, which would like to hold together until elections in the fall, kept its initial protest mild, though it did join an all-party declaration, similar to the one in Sweden, calling for a halt in the bombing and an end to the war.

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Scandinavia BOMBING YIELDS POLITICAL FALL-OUT

Some Nordic leaders, particularly of the center-left, are trying to turn pro-Hanoi sentiment over the bombing of North Vietnam into domestic political gains.

In Sweden, where Prime Minister Palme compared the bombing to Nazi atrocities, Washington's strong reaction came as a surprise. The US Embassy in Stockholm has been without an ambassador since last August, and the Swedes were informed that the deputy chief of mission would not return to his post from home leave. It was also suggested that the new ambassador slated to replace Hubert de Besche ought not to come to Washington as scheduled.

Palme countered by spearheading a drive for signatures on a petition calling for cessation of the bombing and a quick peace settlement. He declared that he had no intention of recalling the Swedish ambassador or delaying the departure of

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EC FACES TRADE ISSUES

(46-50)

57 Trade policy and preparations for a series of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) will be high on the agenda of the newly enlarged European Community this year. At issue in some of these talks will be how much compensation is due the GATT partners of the EC as a consequence both of the inclusion of new members in the EC customs union and of the establishment of free-trade agreements with those EFTA states who have not joined the community. Perhaps before the end of 1973 a more far-reaching round of talks is scheduled to begin, and the US hopes that they will result in action to lower tariff walls still further, start eliminating non-tariff barriers, and reduce agricultural protectionism.

57 The community's overall attitude on these issues is aggressively defensive, in part reflecting a feeling that, taken together, the upcoming negotiations could have the effect—if not the intent—of undoing the enlarged EC. The French, particularly defensive, argue that the EC's remaining tariff protection contributes to its cohesiveness, that the common agricultural policy is fundamental to EC unity, and that there is a need for strong regional blocs like the EC, if there are ever to be negotiations between "equals."

57 French views will probably be somewhat tempered by Britain, West Germany, and other members with strong interests in trade outside of Europe. Initially, however, the normal slowness of community procedures, complicated by problems of reorganizing work in the new EC Commission, is likely to create delays that will serve Paris' recalcitrance.

57 The community's initial position on the GATT negotiations over the consequences of EC enlargement is simply that no compensation to third countries is required. In the case of Britain, for example, the EC argues that the increased protection for agricultural products will be more than offset by lower tariffs on industrial items. A vast community work load has been largely responsible for the EC's tardiness in providing

GATT with the relevant statistical information on the EC-EFTA arrangements. There is also uneasiness in the community over both these earlier sets of negotiations, however, due to concern that in them the EC will in effect be called upon to make concessions that could be used for bargaining purposes in the later, broader talks.

57 EC preparations for the general trade liberalization round are still in an early stage. At the working level, the Commission has established a special committee to study the issues, but consultations with the member states have not yet begun. The GATT preparatory committee for the multilateral trade negotiations will hold its first meeting at the end of January in an attempt to draw up a calendar for the work which must precede the actual negotiations. There seems little doubt that the EC as a whole will be wary of these preparatory exercises, at least until it is clearer what authority the US negotiators will get from Congress. In addition, the EC will not be very forthcoming on such grinding bilateral issues as US citrus exports.

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PORTUGAL: HOLDING ON

55 [New administrative statutes, which became effective on 1 January, attest Lisbon's determination to retain strong control of its overseas territories. The statutes will do little to help Portugal meet pressures for a dialogue with independent black African states on the future of its African provinces.]

55 The statutes amplify the "Organic Law for the Overseas" enacted last April to implement a 1971 constitutional amendment which promised autonomy in provincial affairs. The subsequent organic law provided for only limited changes, and the enabling statutes indicate that the changes are in fact window dressing.

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Although texts of the statutes for the seven overseas territories may not be identical, the statute for Mozambique is probably typical. It spells out the duties and powers of the governor general and the provincial government, conferring on them somewhat more prestige than they formerly had. Lisbon's ultimate veto power and political control remain essentially unchanged. The governor general has been given the rank—but not the title—of a cabinet minister and will henceforth report to the government in Lisbon rather than to the overseas minister alone. The provincial legislative and advisory organs have been expanded and renamed, but the governor general retains virtually unlimited legislative authority. He may, if he wishes, delegate some authority to these bodies.

Elections to the new legislative bodies are to be held by 31 March. As in the past, some rep-

resentatives will be directly elected. The rest will be chosen by various corporative, special interest groups, or the governor. New election regulations are expected to increase participation by African voters although they will remain a minority.]

SS (The new statutes are unlikely to satisfy the provincial administrators who prefer diminished control from Lisbon. Neither will the statutes appease foreign critics of Portugal's determination to retain its overseas possessions. Furthermore, the failure to provide for any real autonomy in the future will complicate any effort by Lisbon to comply with the UN Security Council resolution of last November. The resolution calls upon Portugal to negotiate with the "parties concerned" with a view to ending the present armed confrontation and granting the territories the right to self determination and independence. [redacted]

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CYPRUS: FIVE MORE YEARS

President Makarios has announced that he will seek re-election on 18 February. Under the constitution, the archbishop faces an electorate made up entirely of Greek Cypriots; Turkish Cypriots simultaneously elect the vice president. Makarios' election to another five-year term is assured, and there is even a possibility that nobody else will file by 8 February, the official deadline. This would give him the presidency without the formality of balloting.

The archbishop's enemies will, nevertheless, try to discomfit him, since they cannot defeat him. They may attempt, for example, to force balloting by putting up a relatively unknown opponent and then urge large numbers of abstentions. They would hope thereby to demonstrate Makarios' dependence on the island's substantial pro-Communist vote. [There is also a chance that

supporters of General Grivas, who see Makarios as an obstacle to union with Greece, will create disturbances. There have already been minor shooting and bombing incidents. Security forces can probably cope with the Grivasites, but there is a danger that pro-Makarios forces will reply in kind, building up to a level of violence that would be worrisome on Cyprus.]

A race for vice president was averted in the Turkish community when the incumbent, Fazil Kucuk, announced he would not stand for re-election, leaving Rauf Denktash as the only candidate. Denktash has been for some time the real leader of the Turkish community. He is also chief Turkish Cypriot negotiator in the inter-communal talks, which are now largely dormant pending the election outcome. [redacted]

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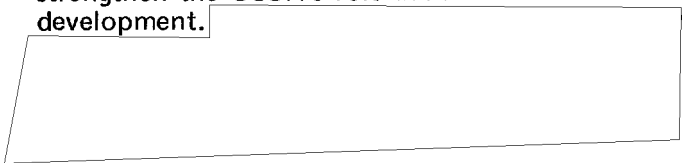
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USSR: AID FOR TURKEY

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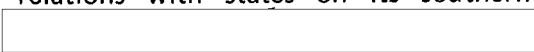
Moscow's largest foreign aid credit to a non-Communist country in 1972 was extended to Turkey in December, and the loan should strengthen the USSR's role in Ankara's economic development.



Construction of the one-million-ton steel plant at Iskenderun was begun in 1970; completion of the first phase is scheduled in 1974. The new credit will be used to double the plant's capacity by 1978 and eventually expand it to four million tons. Despite the isolated location of the mill, which will make it a high-cost producer, it is estimated that it will save Turkey \$13 million in foreign exchange annually. The plant, now employing some 30,000 Turkish construction workers, will provide permanent employment for 12-15,000 people when completed.



This largess has done much to improve Soviet-Turkish relations, but it has not completely dispelled the distrust of the Soviets so deeply ingrained in the current generation of Turkish leaders. While the atmosphere surrounding President Podgorny's visit to Turkey last April was properly cordial, negotiations over the language of the communique were very tough. The constant Soviet push for more consultations and visits has had some success, however, and reflects the importance Moscow attaches to satisfactory relations with states on its southern border.

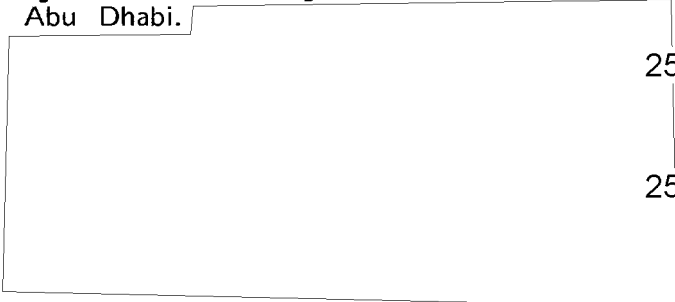


INTERNATIONAL OIL

73 [After a year of negotiations, Saudi Arabia and Abu Dhabi have initialed an agreement with Western oil companies that provides for participation in company operations within their borders. Participation was set at 25 percent beginning this month; by 1 January 1982, it is to reach 51 percent. Although Qatar and Kuwait have delayed signing similar agreements, they probably will do so soon.]

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75 [Libya, which has been pursuing its own vision of participation, has summoned three more US oil companies to Tripoli next week for negotiations. The companies believe the Libyans are prepared to open serious discussions now that an agreement has been signed with Saudi Arabia and Abu Dhabi.]



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74 [Negotiations between Iraq and the Iraq Petroleum Company will resume next week, and company officials are hopeful an accord can be signed this month. The two sides reportedly reached an agreement in principle last week, but at the last minute the Iraqis asked for a delay so that they could overcome opposition to the agreement by leftists who describe it as capitulation to the West. As a result of the progress made in the negotiations, the company has extended until 31 January its moratorium on taking legal action against buyers of oil from its nationalized holdings.]



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EGYPT: A BAD START

President Sadat's concern with domestic problems in his speech to the nation on 28 December was appropriately prophetic, preceding by two days a fresh outbreak of student unrest. In his speech, Sadat warned against further religious feuding and stressed the extent of the freedom allowed students in Egypt, vowing not to permit the polarization of the nation's youth. But Sadat's tolerance of "real democracy" in his speech was not meant to imply tolerance of student agitation; shortly thereafter the Cairo press announced that a number of students and other malcontents had been arrested.

The arrests led quickly to renewed demonstrations. Protests against the arrests began at Cairo University on 30 December, and spread to other campuses in the capital and to Alexandria on 1 January. Demonstrators in the capital on 2 and 3 January attempted unsuccessfully to break through cordons of police surrounding the campuses, in order to carry their protest to the center of Cairo. Reports of up to 120 new arrests have circulated in Cairo.

The government initially attempted to placate the protesters by promising speedy disposition of the cases of those arrested and by giving assurances that student rights would be protected. This was not enough to defuse the situation, however, compelling Sadat to suspend all university classes on 3 January, a week before the mid-year academic break. The closing of the schools will probably help restore order, but further protests are likely before the students are dispersed.

Anti-regime sentiment among the students has never been far below the surface. Unhappiness over the government's failure to deal forcefully with preparations for "the battle" is endemic and the contradiction between promises of greater freedom and the student arrests fed already serious doubts about the credibility of the Sadat regime.

The Egyptian President addressed another troublesome domestic issue in his speech when he

returned to the subject of "the battle" with Israel. Trying to answer recent domestic criticism that the nation was not prepared for war, Sadat announced that he had ordered the cabinet to prepare for the "outbreak of fighting." He further decreed the establishment of committees for "war affairs" in every province and one at the national level that he himself would supervise. Additional efforts to enlist the aid of Syria, Libya, and the other Arab states in "the battle" were promised. On the diplomatic front, Sadat pledged an "international move" that would remind the rest of the world of the responsibilities it bore for Egypt's current uncomfortable situation.

Sadat has, of course, spoken in these terms before; this time, at least, he did not set himself any potentially embarrassing deadline.

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RHODESIA: SMITH AND THE GUERRILLAS

The sharp increase in counter-guerrilla operations during December reflects in part Prime Minister Smith's fear that recent terrorist raids could be forerunners of serious insurgency. Smith may also be seizing the opportunity to dispel complacency among his white constituents and rally flagging support for his attempts to gain international acceptance for his rebel regime.

The publicizing of heightened terrorism began in early December when security authorities reported skirmishes with a guerrilla band near Rhodesia's northeastern border with Mozambique and discovery of a sizable arms cache. Shortly before Christmas, guerrillas reportedly raided the homes of two white farmers in the frontier zone and placed land mines which injured members of two security patrols. Announced counter-measures included "a massive counter-terrorist sweep," extension of compulsory military service for white youths from 9 to 12 months, and cancellation of Christmas leave for all police and army personnel.

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64] The government has stressed that the pre-Christmas raids were the first concerted attacks on whites since early 1970, that the guerrillas had "sophisticated" weapons of Communist origin, and that captured raiders have admitted that they intended to subvert black Rhodesians.]

65] Even more disconcerting, the raiders were able to move freely from their bases in Zambia through Mozambique because a frontier corridor had been opened by Mozambican guerrillas. Although spokesmen in Salisbury assert that Rhodesian and Portuguese security forces work together smoothly, Rhodesian officials have implied deepening doubts of Portuguese capabilities for suppressing the Front for the Liberation of Mozambique. Rhodesian pessimism apparently reflects the fact that Portuguese authorities do not regard the border with Rhodesia as a high-priority area.

Although Mozambican guerrillas have greatly extended the infiltration routes available to their Rhodesian counterparts, the Rhodesian nationalist organizations in Zambia have not significantly increased their limited paramilitary capabilities. Last March, under prodding from the OAU, the two main organizations—the Zimbabwe African Peoples Union and Zimbabwe African National Union—agreed to a joint military command.

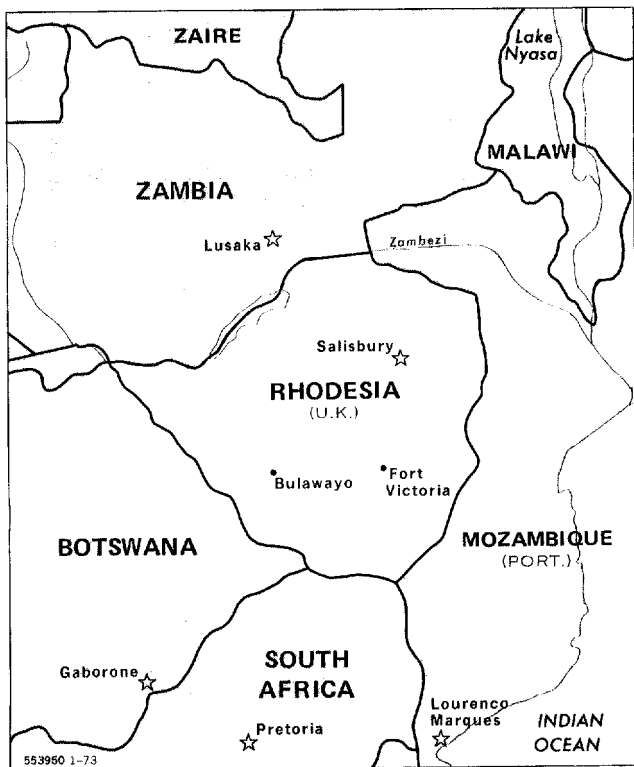
The guerrilla band that tangled with Rhodesian patrols in late November reportedly was one of four that had been independently dispatched by the Zimbabwe African National Union, the smaller of the two. Presumably, the raiders were hoping that a few hit-and-run strikes would yield enough publicity to attract more international support.]

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Smith probably is stressing the terrorist menace to help hold white Rhodesians to his strategy for gaining Britain's recognition and ending economic sanctions. Steadfastness, he tells them, will eventually regain Britain's concurrence in the settlement negotiated in November 1971, which London rejected after the Pearce commission concluded that most black Rhodesians were opposed. Steadfastness, Smith hopes, will induce "responsible" black spokesmen to approve the 1971 accord—or a slightly modified version—which in turn will bring the British around. Apparently Smith also believes that stressing the grim alternative of mounting terrorism will induce the right wingers in the ruling Rhodesian Front Party to swallow whatever concessions must be made to win over enough black spokesmen.

Focusing on terrorism could, nevertheless, stir up countercurrents of repression and resistance. For instance, last fall Smith's government sponsored legislation that requires black Rhodesians to carry identity cards and tightens restrictions on their physical mobility. The new laws were denounced by moderate black leaders, and the current anti-terrorist campaign may intensify white sentiment for harsh enforcement.

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ISRAEL-SYRIA: STILL SPARRING

The Israeli-Syrian border area heated up as the New Year approached, after about five weeks of inactivity. In the last week of December Israeli aircraft twice bombed army and fedayeen bases in Syria in reprisal for shellings, mining operations, and attempted ambushes in the Golan Heights. On 2 January, a Syrian MIG-21, which was trying to intercept an Israeli air reconnaissance flight, crashed when the pilot ejected after being out-manuevered and evidently before any shots were fired.

The incidents from the Syrian side—some fedayeen-inspired and one involving Syrian Army artillery—have been minor, and none of them produced any Israeli casualties. Indeed, Damascus' actions appear almost perfunctory. Although Damascus pays lip service to "throwing the Israeli occupier out" and permits the fedayeen to lob an occasional shell, it is unlikely that the Syrians intend to push the Israelis to the point where they respond on a major scale.

Meanwhile, the frustration of the fedayeen at their failure to mount a credible military threat against the Israelis is forcing the guerrillas more and more into terrorism. Their latest spectacular, the 19-hour occupation of the Israeli Embassy in Bangkok by four Black September terrorists, was less than a rousing success. Although the guerrillas did grab the headlines momentarily, they failed to secure the release of fellow fedayeen held in Israel, their avowed purpose. The Egyptian ambassador in Bangkok interceded to persuade the guerrillas to turn over their six Israeli hostages in

return for safe passage to Cairo.

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BANGLADESH: DACCA INTIMIDATED

The government, with an eye on the current election campaign, has been reluctant to move against young leftists who have been attacking US government installations. During the past two weeks, mobs of students and other youths, many of them affiliated with leftist opposition parties, have seriously damaged USIS centers in three district capitals and have been demonstrating at the USIS building in Dacca, part of which they have occupied. They have been protesting the resumption of US bombing in Vietnam; they are also trying to embarrass the ruling Awami League as campaigning for the parliamentary elections in March picks up steam.

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The government response has been erratic. Only on 1 January, after demonstrators reportedly injured nearly 60 policemen at the USIS building in Dacca, did the police act resolutely, firing on the mob and killing two students. Otherwise, the government has made little effort to block or apprehend the marauding youths. The government has been unresponsive to official US requests for better protection and has indicated that it is reluctant to issue any public expression of regret for the damage already done. In fact, many Awami League leaders even are publicly claiming that American and Chinese "agents" are somehow responsible for stepped-up agitation against the government by student groups and opposition parties following the New Year's Day shootings.

Although the Bangladesh police are poorly trained and ill equipped, they probably have the capacity, with the assistance of paramilitary units, to provide adequate protection for US installations. The government apparently believes that

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strong action against the protesters could lead to unmanageable unrest or seriously hurt the Awami League's election prospects. These fears seem somewhat exaggerated. Leftist opposition parties have considerable strength among students and can generate further anti-government and anti-American demonstrations, but they probably do not have enough public backing to pose a serious threat to the regime. Prime Minister Mujib remains widely revered, and his Awami League, despite having lost some of its popularity over the past year, is still the country's largest and strongest party.

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THE YEMENS: UNITY CLAIMS VICTIM

The uncertain prospect of uniting the two Yemens has resulted in the downfall of the man who started it all. Under fire from moderates at home since he signed the unity agreement with Yemen (Aden) in October, Muhsin al-Ayni submitted his resignation as prime minister of Yemen (Sana) on 15 December; two weeks later he was replaced by Abdallah al-Hajri, a member of the three-man ruling Republican Council. Al-Hajri has opposed many of al-Ayni's policies and looks with skepticism on the possibilities for unity with Aden under its current leftist regime.

Named as al-Hajri's deputy in the cabinet shuffle was Muhammad Ahmad Numan, son of a past prime minister and himself a former ambassador to France. Numan will also serve as foreign minister, taking over that portfolio from al-Ayni. Two leaders of the Adeni exile community in Sana also assumed cabinet posts, joining a third exile leader held over from the previous cabinet. The presence of these Adenis is probably intended to give an aura of unity already

achieved, in the event the Sana-Aden talks break down.

Al-Ayni has long had powerful enemies among conservative elements who distrust his leftist inclinations. He has never had a power base which would enable him to deal effectively with these opponents, and his recent dealings with Aden, culminating in the unity agreement, gave them all the ammunition they needed. Saudi Arabia's conservative government also sought al-Ayni's removal.

Although the new cabinet is already being criticized as a tool of the Saudis, moderates in Sana are probably satisfied with the new regime and particularly with al-Hajri; they will probably feel reassured that their interests will be better protected against Aden's leftist machinations. Pouring salt on al-Ayni's wounds, the government appointed him "adviser on unity affairs" in an effort to ensure that, should the talks falter, he would be around to take the blame, but al-Ayni has declined the honor.

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Dominican Republic MILITARY SHAKE-UP

President Balaguer, aiming to prevent key military subordinates from developing independent power bases, has once again shaken up the top levels of the security services. The most prominent figures involved are Brigadier General Neit Nivar and his archenemy Major General Enrique Perez y Perez.

Nivar was removed on 25 December as chief of national police and is yet to be reassigned. Perez y Perez was transferred from the largely ceremonial position of secretary of state of interior and police to the more powerful post of army chief of staff. The new police chief is Brigadier General Jose Cruz Brea, a colorless Perez y

Perez supporter who formerly headed the armed forces intelligence section.

Nivar reportedly was angered by his removal, but Balaguer has since announced that Nivar would receive "an appropriate high position" in the government. On 29 December, the Dominican Senate in "emergency session" created the new cabinet post of secretary of state of the presidency. The incumbent would be directly answerable to Balaguer. This makeshift position looks like a good, safe spot in which to neutralize the politically ambitious Nivar.

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NICARAGUA TRIES TO STAND UP

96 [As the shock of the earthquake abates and essential public services are gradually restored, Nicaraguans are beginning to return to their old jobs or to find new ones, and a food-for-work program, now in the planning stage, should encourage this trend. One sure sign that normality—at least as a state of mind—is returning is the resumption of political sniping by the opposition.]

97 [A transportation bottleneck initially slowed distribution of relief food shipments, but the system now appears to be operating smoothly around Managua, as well as in cities like Leon and Granada where nearly 200,000 Managuans have sought refuge.]

98 [The medical situation has improved to the extent that the US Army is phasing out its medical personnel, leaving the equipment for use by Nicaraguan and foreign volunteers.]

99 [Nicaraguan technicians have repaired enough power lines and water mains to restore services to the fringe areas of the stricken city,

and some 60 to 70 percent of the area's limited industrial capacity is back at work.]

99 [With the first stage of disaster relief winding down and attention turning toward plans for recovery, the opposition is starting to criticize General Somoza's handling of the emergency. The Conservative Party has accused the military of usurping civilian functions, of barring opposition leaders from participation in the effort, and of distributing aid on a partisan basis. Somoza, who feels he has done his best for the country in the emergency, bitterly resented this criticism. He did say that he would try to draw the three-man executive council into the relief operation as circumstances permit. He also said that the constituent assembly would soon resume sessions, thus increasing civilian presence in the government.]

99 [With essentials such as food and water now reaching the needy, criticism is abating, and the opposition appears to have missed its chance.]



Quake Relief Supplies

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The earthquake alone would have caused serious dislocations. Coming as it did on the heels of a lengthy drought that destroyed a large portion of the crop, the quake has left Nicaragua in a serious condition that will continue for the better part of 1973. Food relief, for example, will be necessary until the September harvest, and the cost of rebuilding the capital will be a staggering burden to Nicaragua's small economy.

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ARGENTINA: VIOLENT POLITICS

Terrorism and politically inspired violence have risen rapidly and maneuvering for the coming elections has intensified since Juan Peron departed for Madrid in mid-December. President Lanusse has assured the nation, however, that "nothing and nobody can stop the process of constitutional normalization."

The Christmas holidays are normally quiet in Argentina, but during the Christmas week there were two assassination attempts (one successful), a kidnaping, and several minor attacks. The attempted assassination of a Peronist union official stemmed directly from the conflict in the Peronist movement over which faction will dominate the election slates. The slaying of Admiral Berisso, on the other hand, appears to have been motivated by his alleged involvement in the massacre of imprisoned terrorists last August. The kidnaping of Vincenzo Russo, an executive of an Argentine subsidiary of ITT, has also been attributed to terrorists who asked and received more than \$500,000 for his release.

This upsurge in terrorist activity is probably designed in part to stampede the military into a

heavy-handed response that could lead to cancellation of the elections or at least make a mockery of the term "free elections." President Lanusse has reiterated his intention to lift the state of siege and permit free and open campaigning. The state of siege will, however, be replaced by a presidential order giving the military wide authority in dealing with subversives.

In the midst of this surge in violence, Argentine politicians have been scrambling to meet the 2 January deadline for nominating candidates for all national, provincial, and local posts to be contested in the March elections. Presidential tickets now seem set with nine parties or coalitions offering candidates. Of the nine, only four seem capable of pulling the 15 percent of the vote necessary to participate in the realignment of slates for the two-way runoff that seems certain to be needed on 8 April.

The Radical Civic Union seems certain to make it into the second round with Ricardo Balbin as its candidate. The Peronists, too, are assured of going at least that far despite the mass disenchantment with a ticket headed by Hector Campora. Former welfare minister Francisco Manrique also seems to stand a good chance of pulling at least 15 percent of the vote despite President Lanusse's efforts to drain off his support with the last-minute nomination of air force General Ezequiel Martinez. The naming of Leopoldo Bravo, a political leader in San Juan province, as Martinez' running mate indicates that Lanusse will continue to try to undercut his former welfare minister, who is dependent on the provincial vote. At the moment, Martinez appears the weakest of the four candidates given a chance of making it into the runoff, but Lanusse may still be able to channel enough funds and support to his man to make him a serious candidate.

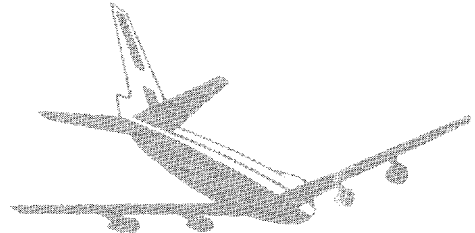
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THE HIJACKING NETTLE

107 [Following on the UN General Assembly's failure to begin meaningful consideration of measures against terrorism, the legal committee of the International Civil Aviation Organization (ICAO) will meet next week in Montreal to seek progress on the specific problem of hijacking. The committee will consider ways to enforce the provisions of anti-hijacking conventions that are already on the books.]



105 [The US has proposed that the discussions center on the draft it circulated in Washington last September. That draft calls for a graduated response against any country that gives refuge to hijackers, with the suspension of international air service being the ultimate sanction. Canada, Italy, the Netherlands, New Zealand, Nicaragua, and the United Kingdom have joined the US in asking the legal committee to discuss the draft, although some of these countries are not in total agreement with it.]

document governing ICAO. Any member of ICAO which violated the new amendment could be expelled from the organization, a step that would represent "sanctions" of a sort. Paris fears that stronger provisions would oblige it to take action against Arab states it has been courting. The Arab states violently oppose the strong sanctions the US has in mind and have hinted that the French idea might be more palatable. The Soviet Union is against the US proposal on grounds that international sanctions can be imposed only by the Security Council. The Soviets might also find the French idea appealing.]

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104 [Faced with these varied approaches, the legal committee—which concludes its meeting at the end of January—is not likely to come up with a generally agreed draft, or even with a draft to serve as a basis for discussion. If it can produce a favorable committee report, however, the way will be cleared for the international conference scheduled to draw up an anti-hijacking convention next summer. Even if that conference should agree to a convention, ratification by the individual signatory countries would be a drawn-out affair.]

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106 [The French—who have opposed the US proposal from the outset—have come up with an ingenious diversion. They suggest that those provisions of The Hague Convention obligating a state either to extradite a hijacker or to prosecute him in its own courts be added as an amendment to the Chicago Convention of 1944, the basic



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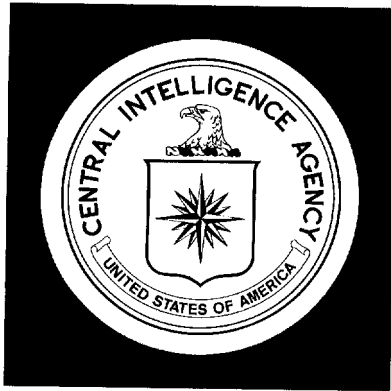
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Zaire: Shaba Comes Back

Secret

No. 45

5 January 1973
No. 0351/73A

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ZAIRE • SHABA **comes back**



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Less than two weeks after independence, the new Republic of the Congo was faced with a cluster of serious problems—its army had mutinied, its European functionaries were leaving, and its richest province was on the brink of secession. On 11 July 1960, three days before the central government broke diplomatic relations with Brussels, the leader of that province—then called Katanga—proclaimed its independence and called for “close economic community” with Belgium. Under Moise Tshombe's direction the secession lasted 30 months, until UN military operations forced the breakaway regime to surrender.

Now, almost ten years after the end of that secession, the province (renamed Shaba, the Swahili word for copper, in January 1972) has lived down its past and is well on the way to being fully integrated into the Republic of Zaire. The authority of the central government is unchallenged—although sometimes resented—and is slowly making itself felt in even the remotest areas of the region. Domestic and foreign investment in Shaba's important mining industry has been rising steadily since 1969. The economic boom has been lessened somewhat, however, by a slump in world prices for copper, which provides the vast bulk of Shaba's (and Zaire's) exports.

AFRICANIZED NAMES	
Republic of the Congo . . .	Republic of Zaire
Leopoldville	Kinshasa
Katanga	Shaba
Elizabethville	Lubumbashi
Alberville	Kalemie

These economic improvements are felt largely in the mining belt of southern Shaba. The rest of the province is still suffering from the disruptions brought on by the secession. Agricultural production is expanding only slowly, transportation and communications facilities continue to rust away, and social services are virtually non-existent. Survivors of the Simba revolt in 1964 have turned to petty banditry and prey on

the local populations along Lake Tanganyika, often in competition with the army troops sent to weed them out.

From Secession...

This independence is total. May God protect independent Katanga.

Moise Tshombe, 11 July 1960

The territory known as Shaba has always been a special case. Its vast mineral wealth earned it the status of a semi-autonomous enclave within the Belgian Congo. Through a complex system of holding companies and affiliates, private Belgian economic interests managed for years to keep administrative and political control of the area from falling into the hands of either Brussels or the colonial government at Leopoldville. In 1933, however, administrative control passed from the special provincial vice governor to the bureaucracy in Leopoldville. The move provoked a violent reaction from the area's Europeans who regarded Leopoldville as the symbol of administrative “megalomania” and financial irresponsibility.

Belgian and Congolese officials assumed that, after independence, the new Congolese Government would take control of the Katanga mining industry, crucial to the Congo's economic survival. Moise Tshombe and his powerful Katanga Confederation Party had close ties with the Belgian economic community and resisted such a take-over. Katangans—both native and European—distrusted Prime Minister Patrice Lumumba and his government and saw ample evidence of its inability to maintain order. Taking advantage of the mutiny of the Congo Army, the breakdown of central authority, and the outbreak of local disorders, Tshombe on 11 July 1960 raised the flag of secession. Belgium quickly sent in troops, ostensibly to protect European lives, but primarily to restore order and ensure the continuation of economic and administrative activities. The Congolese Government, in turn, requested military assistance from the United Nations to counter Belgium's “aggression.” Although Belgium quickly withdrew its troops upon

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the arrival of a UN peace-keeping force, it continued to give political and material support to the Tshombe regime.

With support from the United Kingdom and the Republic of South Africa as well, the Tshombe government was able to maintain political control and, above all, continue mining operations. Although the provincial government was "Africanized," Belgian technical assistance remained at a high level. Belgian personnel in Katanga remained at their posts, in sharp contrast to the mass exodus that took place throughout the rest of the Congo. With mineral production and sources of revenue thus intact, the Tshombe government was able to support extensive technical and administrative staffs plus a large army led by foreign mercenaries and Belgian advisers.

While things were fairly settled in the mining belt, unrest flared elsewhere in Katanga. For example, the Tshombe regime was unable to suppress a large-scale revolt by the Baluba in North Katanga. In response, mercenary-led Katangan gendarmes carried out a reign of terror from which the area has not fully recovered. In the South, Tshombe carried out a ruthless and systematic purge of all political opposition.

...to Integration

We are ready to proclaim before the world that the Katanga secession is ended.

Moise Tshombe, 14 January 1963

The Tshombe government finally collapsed in January 1963, following a series of highly successful military operations by the central government and the UN. Faced with an imminent march on Elizabethville, the provincial capital, Tshombe struck his colors and shortly thereafter went into temporary exile in Spain. A smooth reintegration of the province into the republic was held back by mutual suspicion and bitterness between Leopoldville and Katanga. The central government, under the leadership of Prime Minister Cyrille Adoula, feared that Tshombe would be able to rally his supporters and make a new bid for power.

Even the return of Tshombe in the summer of 1964 for a brief sojourn as prime minister at President Kasavubu's request did little to lift the pressure against Katanga. Tshombe, realizing that his presence in Leopoldville provoked fears of a "Katangan take-over" among old-line Congolese politicians, bent over backwards not to show any favoritism toward his home province. He called for national unity and stated repeatedly that secession was a thing of the past. Tshombe notwithstanding, Congolese officials, bureaucrats, and the army were more intent on revenge than rehabilitation. With the exception of the southern mining belt, the province was virtually ignored. Katangans were treated as pariahs; local politicians were jailed or kept under preventive detention. Central government officials and military personnel assigned to Katanga were given free rein to run the province, and the government closed its eyes to their excesses.

Political Rehabilitation

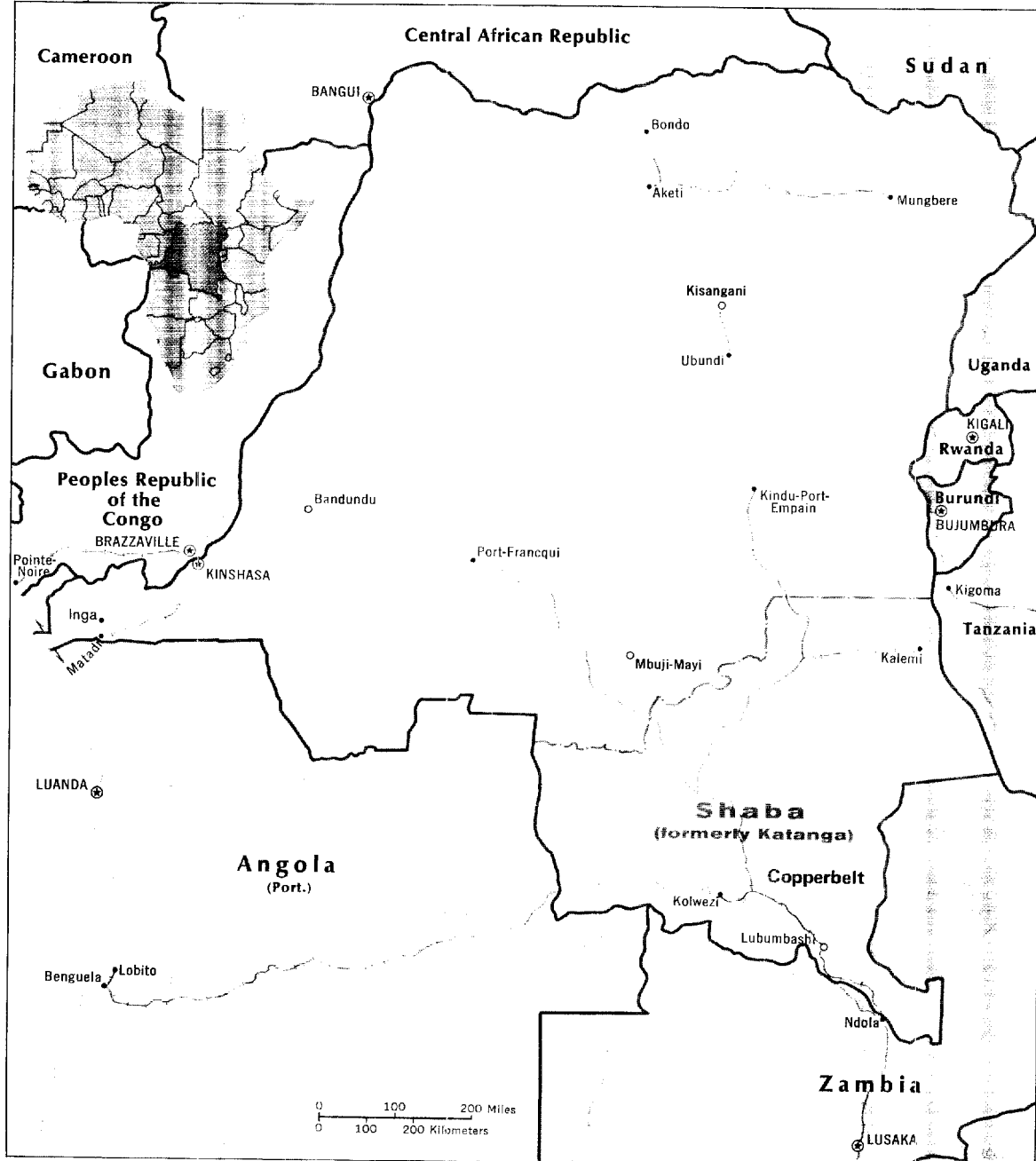
President Mobutu's seizure of power in November 1965 did little at first to change the situation. Then a gradual shift in the central government's attitude toward Katanga began. The turning point came in 1967 when Mobutu completed his nationalization of the Belgian copper mines, and Katangans refused, to the evident surprise and delight of the central government, to support an abortive invasion by foreign mercenaries from Angola.

Moreover, in 1967 President Mobutu established a countrywide official political party, the Popular Movement of the Revolution. This act brought to an end his two-year moratorium on political activity which he regarded as having been at the heart of the Congo's instability. The party, besides being designed to bolster Mobutu's authority, served also to absorb former political leaders, including those from Katanga, who were considered to be ready for rehabilitation. Katanga got its fair share of appointments to the party's political bureau and regional organizations.

The national election campaign in late 1970 gave the central government, through the party,

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its first major opportunity to reach rural Congolese, many of whom had only minimal contact with the government since the collapse of the Belgian administrative system in 1960. In Katanga, as well as other regions of the country, party officials stumped the countryside seeking to instill a degree of political consciousness in a heretofore largely apathetic population. Although Mobutu and the party-approved regional slate for the national legislature ran unopposed, a heavy voter turnout pointed to a new-found party ability to mobilize people, if nothing else.

Since then, the party has concentrated on swallowing up the village and tribal structures that provided governmental services during the secession and its aftermath, and on transferring regional and tribal alliances to the central government. Success has been uneven, because tribal loyalties are strong and the central government is viewed with deep suspicion. Nevertheless, the government has enjoyed a measure of success in enlisting the support of tribal chiefs, even those who once supported the secession. The government has even managed to line up the brothers of Moise Tshombe and well-known associates like Godefroid Munongo, minister of interior and security chief of the secessionist regime. The latter was appointed to a government job by Mobutu in 1971.

The tendency toward regionalism, a major problem throughout the country's history, has been weakened now that all important governmental posts throughout the country, and particularly in the province, are Mobutu appointees. They are not natives of the region in which they serve and owe their primary loyalty to Mobutu and the central government. The capital keeps a watch for signs of corruption and mismanagement, though the watch is not always kept with even-handed dedication. The heavy influx of civilian and military personnel from the central government, while useful for Mobutu, has also increased the chances for political clashes. In early 1972, for example, a three-way political feud developed among the provincial governor, the mayor of the capital city, and the area army commander. The feud gave rise to a tangled snarl

of accusations and counter-accusations and eventually resulted in the dismissal of the mayor on grounds of mismanagement and corruption. Despite the charges, the real reason was that the mayor came out second best in a personality clash with the governor.

The governor's victory was not very long lived. Shortly after the mayor's dismissal, the governor himself, regarded by Zairian and foreign observers alike as one of the country's best administrators, was recalled to Kinshasa for "grave failures" in the performance of his duties. In September 1972 he was sentenced to a one-year prison term for "anti-revolutionary acts," specifically for spreading "malicious rumors" about Guinean President Sekou Toure at a time when Mobutu was trying to improve Zairian-Guinean relations. The new governor, taking his cue from the fate of his predecessor, is keeping his head down.

As a result of this sequence of events, many provincial leaders have been left with the uneasy feeling that the central government, dependent upon a president who often seems capricious and intemperate, may not be as stable as it appears. It certainly makes the central government more difficult to deal with. Local politicians, for example, were dumbfounded when Mobutu decided to change the name of the region in order to "Africanize" it, even though the old name, Katanga, is as African as the new one. Then, Mobutu's attacks early this year on the Catholic Church, which *inter alia* provides the bulk of the province's social services outside the mining belt, and party propaganda that attempts virtually to deify him add to the uneasiness of local officials. The feeling is general, but so far has evoked little more than resigned shrugs; it is not at this time likely to be translated into active opposition.

Another source of uncertainty is the conviction around that Kinshasa does not keep as tight a rein on the local army as it does on civilian officials. This is particularly true along Lake Tanganyika where survivors of the late 1964 Simba revolt carry on a low scale but irritating insurgency that is little more than banditry. The

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unrest fostered by these dissident groups has been increased rather than abated by the abuses of ill-disciplined Zairian troops sent in to suppress the bandit rebels. In November 1972, army commander General Bumba recalled the sector's army commander and his staff and the commander of the lake guard to answer charges of exceeding their authority and mistreating civilians in the area of Kalemie. The sector commander's predecessor had been relieved of duty on similar charges five months earlier. Lack of discipline and a general contempt for civilians have long characterized the ranks of the army, however, and will not be eradicated by isolated disciplinary actions like this.

Economic Progress

The economic heart of Shaba is the mining belt. The belt provides about 80 percent of Zaire's exports and generates 45 percent of the

Copper Mine



central government's revenues, primarily from copper. At the time of independence, mining in the belt accounted for 75 percent of Zaire's entire mineral production. An extensive and well-developed rail and road network supported the mining operations, which employed one third of the province's 1.6 million people. Shaba also had the largest population of European technicians and administrators of any province, around 30,000. The industry was valued at \$236 million.

Since 1967 President Mobutu has sought to internationalize and diversify mining operations, not only as a means of finding additional capital but also to offset the pervasive Belgian presence throughout the industry. The government hopes that by 1976 domestic and foreign investment in mining and related activities will reach \$1 billion.

The state-owned Gecamines (La Generale des Carrieres et des Mines du Zaire), established in 1967 to replace the Belgian-owned Union Miniere, is in the midst of a five-year development program designed to increase copper production, which reached 406,000 tons in 1971, by at least five percent a year. The program calls for an investment of \$100 million to be jointly financed by Gecamines, the Export-Import Bank, and the European Investment Bank.

The largest single foreign source of new investment has been and is Japan. In 1967 President Mobutu awarded a copper concession to a Japanese consortium led by the Nippon Mining Company. Operating through its Zairian affiliate, Sodimiza (Societe de Developpement Industriel et Minier du Zaire) the consortium hopes to produce about 50,000 tons of copper per year from two sites and is expected to begin work at a third site in the near future. Total Japanese investment is likely to reach \$200 million by 1975. At present, Sodimiza employs about 300 Japanese technicians and administrators, although this number is expected to decrease gradually as African technicians are trained.

An international consortium, led by Standard Oil of Indiana and including British, French, and Japanese interests, was awarded a concession

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by Gecamines in 1970 and hopes to be producing at least 150,000 tons of copper a year by 1976. By that time its total investment is expected to approach \$300 million.

Thus, the once-dominant Belgian presence has been drastically reduced. Brussels no longer participates directly in copper mining operations. Through a highly complex system of interlocking directorates and subsidiaries, Brussels does operate a number of small affiliates, such as a manganese mining operation near the Angolan border. Apart from these affiliates, Belgium no longer invests in the mining industry, although it continues to handle the international transportation and refining of ore from Gecamines. The 30,000 Belgian technicians and administrators who once made Shaba their private preserve have been cut to about 1,600.

Development of the mining industry has spurred development in related areas. Top priority is being given to the Inga-Shaba power project designed to meet the increasing power needs of Shaba's industrial growth. The government is studying bids for construction of a 1,000-mile-long transmission line between the Inga Dam near the mouth of the Congo River and the Shaba copperbelt. The line is expected to be completed by 1976 at a cost of \$300 million. General Electric, Westinghouse, and an Anglo-Belgian firm have expressed interest in the project. In addition, the government plans to spend about \$100 million expanding and modernizing the rail system that serves the mining areas. Japan has proposed construction of a rail line from Port Francqui to Kinshasa at an estimated cost of \$400 million. Completion of the project would provide a direct rail link between Shaba and the port of Matadi on the Congo River.

Not surprisingly, the rest of Shaba has been virtually orphaned by the central government. Kinshasa prefers to allocate the province's share of national resources to the mining belt. Agricultural production is rising very slowly. The widespread agricultural network that existed in northern Shaba was largely destroyed during the disorders of the secession and has not been restored.

Most of the area remains tied to self-supporting agriculture and barter economies. Transportation and communications facilities are slipping downhill since the rate of repair does not keep pace with the rate of decay. At present, the only bright spots outside the mining belt are a number of sizable cotton plantations in northern Shaba, and cattle ranching, which has been growing continuously since 1967.

Economic Futures

In the longer term, Shaba is likely to be caught between over-development of its mining industry and under-development of its other resources. Although copper production was expected to be up slightly last year, revenues were down sharply because of a decline in copper prices. Prospects for a resurgence in the world market do not appear good at the present time and this colors the economic outlook in Zaire. Zaire supplies only about six percent of the world's copper and will face stiff competition as it tries to increase that percentage.

Already, the government is finding it difficult to attract foreign investors to set up industrial plants that will draw on the Inga-Shaba project. Since there is a world surplus in those minerals like aluminum that Zaire would like to exploit and since prices for these minerals are low, potential investors have been reluctant to set up shop in Shaba. The mining industry is steadily becoming less and less profitable, but the government is doing little to develop alternate sources of income like agriculture and fishing.

Although the banditry and related arms smuggling in the Lake Tanganyika area, combined with the government's failure to maintain military discipline, has fostered instability in that area, it is more of a fragmented nuisance than a cohesive threat, and is not likely to spread beyond its present limits.

In spite of all these difficulties, there is a sense of confidence in the future of the mining belt, both in Kinshasa and Lubumbashi. Kinshasa's past indifference to Shaba's needs,

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Inga Dam

motivated by a belief that the province had to be punished for its secessionist transgressions, has been replaced by a desire to send capable and reasonable officials and civil servants into the province. The picture is marred by the occasional capriciousness of Mobutu or by intra-regional rivalries, and by a lack of attention to areas in Shaba outside the copper belt. In this part of

Shaba, most of the services normally provided by governmental agencies have to be supplied by religious missions, and development, left to local initiatives and resources, lags badly. Kinshasa is doing little in the way of building needed schools, clinics, and development projects. As a consequence, much of Shaba is left in the position of being in Zaire but not of it.

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