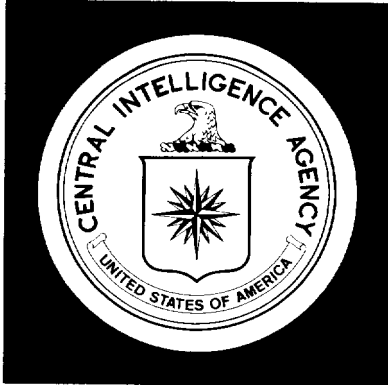


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

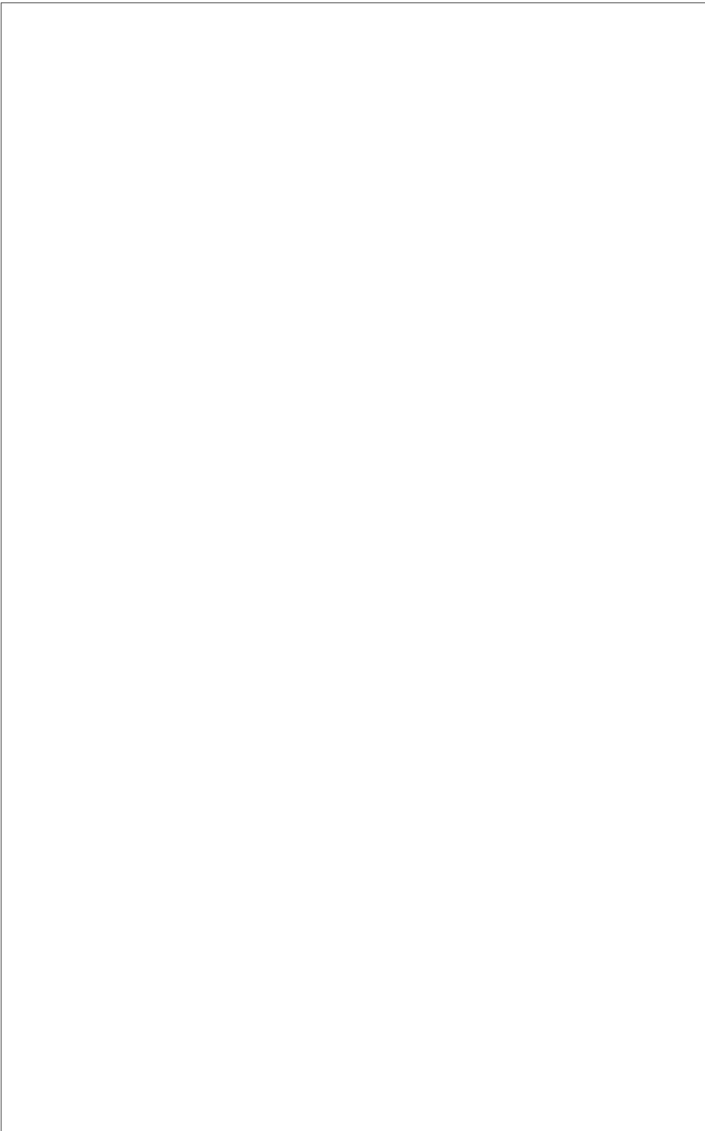
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16 February 1973
No. 0357/73

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France: The Race Is On

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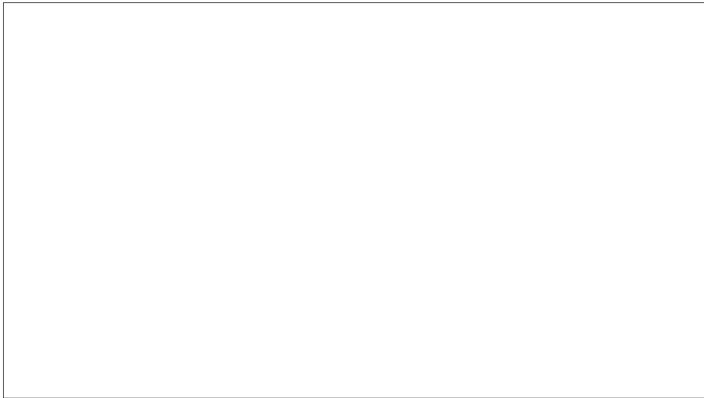
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THE MONEY MARKETS

REACTING TO THE DOLLAR

[Foreign reaction to the dollar devaluation itself has been generally favorable, although some skepticism over its long-term success is evident as well as an undercurrent of concern over the manner in which the US acted. When official currency markets reopened Wednesday, the Bank of Japan was forced to intervene heavily to hold down the yen, but by Thursday the yen had been effectively revalued by about 16 percent relative to the dollar. The dollar showed a mixed performance in European markets.]



[The West Europeans have accepted the dollar devaluation as the best solution under the circumstances; some applauded it, although some are cautious about long-term prospects for monetary stability since danger of speculation persists.]

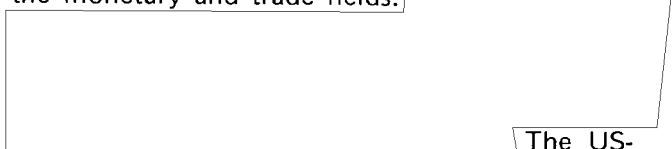


British officials have also been complimentary to the US, but some of the French press, politicians,

and businessmen are critical of the US action and concerned about future US trade policy.]

[The US decision to devalue was preceded by discussions among the members of the EC of the feasibility of a "joint EC solution." The Germans proved more willing than before to consider a split exchange rate and the French were less opposed to a common float of EC currencies vis-a-vis the dollar. These discussions thus brought out a greater sensitivity to the need for EC solidarity than was evident in the money crisis of 1971.] For several reasons, however, notably the practical difficulties Bonn would have in administering a two-tier system and London's reluctance to repeg the pound, neither "European" solution was a viable alternative. The dollar devaluation thus spared the EC members another test of their ability to cooperate. The floating of the Italian lira in both exchange markets is a further blow to the effort to narrow the exchange margins among EC currencies.] EC finance ministers met this week to consider the Italian decision and its consequences for the Common Agricultural Policy. The ministers also reaffirmed the EC objective of economic and monetary union. The Benelux states still are distinctly unhappy that the EC Big Four failed to communicate with them during the decisive phases last week.]

[One result of the recent experience has been to refocus attention on the connection between the monetary and trade fields.]



The US-announced intention to submit trade legislation to Congress in the near future will remove an argument for foot-dragging on the part of the EC

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Finance Ministers Schmidt (West Germany), d'Estaing (France), Barber (UK) meet in Paris.



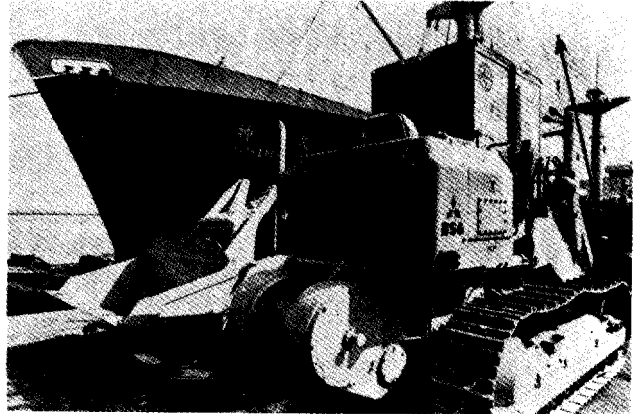
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as the preparations for these talks go forward. Commentaries in the European press are already expressing concern that some of the specific legislation may raise new problems for the negotiations.

Most of the less developed countries are sitting tight. Many have not yet decided if they will leave the gold parity of their currency unchanged and thereby increase its value relative to the dollar.

Most major foreign currency markets were closed on Monday and Tuesday.

In Europe trading was slow and steady on Wednesday. The mark had gained in Frankfurt by about 7 percent relative to the dollar.



Japanese Equipment for Export

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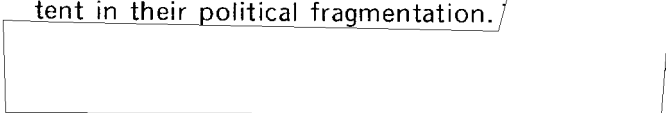
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FRANCE: EUROPE MULLS AN ELECTION

The Socialist-Communist alliance is generally expected to make substantial inroads into the huge Pompidou majority in the French National Assembly in the elections next month. While the reactions will, of course, vary with the strength of the leftist showing, important repercussions are likely only in Italy and to a lesser extent in the Netherlands, which resemble France to some extent in their political fragmentation.



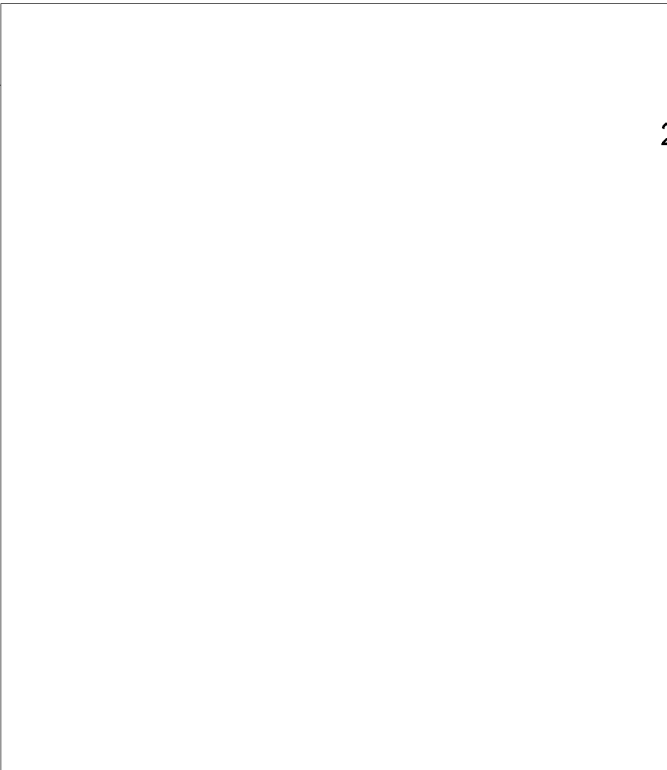
Moscow, for its part, is decidedly cool toward the prospect of gains for France's leftists.

A strong performance by the French Communist Party, under its present condition of provisional acceptance by the French electorate as a democratic political party, would be of considerable interest to Italian political leaders as they debate the possibility of full entry into the political arena for the Italian party. The greatest impact, however, may be on the Italian Communists.

A good showing by France's Communists in the face of Soviet preference for the Pompidou coalition might raise Italian party hopes that the French Communists would be willing to join the Italian and Spanish parties in insisting on domestic policies independent of Moscow's direction. The Italian party has long faced the nearly insoluble problem of needing to retain its ties with Moscow and the international movement while at the same time moving toward a closer identification with Italian national aims. A regional European grouping of Communist parties with loosened links to Moscow might resolve this dilemma. An effort at the time of the Czechoslovak crisis of 1968 to set up some such grouping, at least on an ad hoc basis, stumbled over the docility of the French party under Soviet pressure.

In the Netherlands, the impact of a strong leftist performance in France might indirectly reinforce the present leftward drift in Dutch politics. The stable constellation of center-right parties, which has governed the Netherlands for most of the past 15 years, has given way to a more fluid situation and an inability to form a new

government since the elections last fall. Should this interregnum extend into March, a strong leftist showing in France might well embolden Dutch Socialists in their bid for control of the next government.



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As seen from Moscow, cooperation between Communists and Socialists runs counter to Marxist ideology and, in more practical terms, risks weakening Soviet control over the French party. On the other hand, Moscow can only welcome developments that strengthen local parties and in some instances, give them a shot at becoming a part of the government. Under present conditions, as the USSR cultivates a sense of detente in Europe and maintains generally good relations with the non-communist governments of Western Europe, the Soviet interest in encouraging popular front coalitions is reduced. The very cool Soviet attitude toward the leftist coalition in France is an outstanding example.

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THE INDOCHINA STORY

HAZARDS OF A CEASE-FIRE

12 [With the international truce teams still not fully operational and both sides determined to defend or expand their holdings, the fighting goes on in South Vietnam for the third week after the signing of the Paris agreement. Most of the military action is concentrated in a few widely scattered trouble spots, and much of it is the product of South Vietnamese efforts to clear territory seized by the Communists just before the cease-fire. The Communists have also kept up scattered small-scale shelling and light ground attacks through much of the country.]

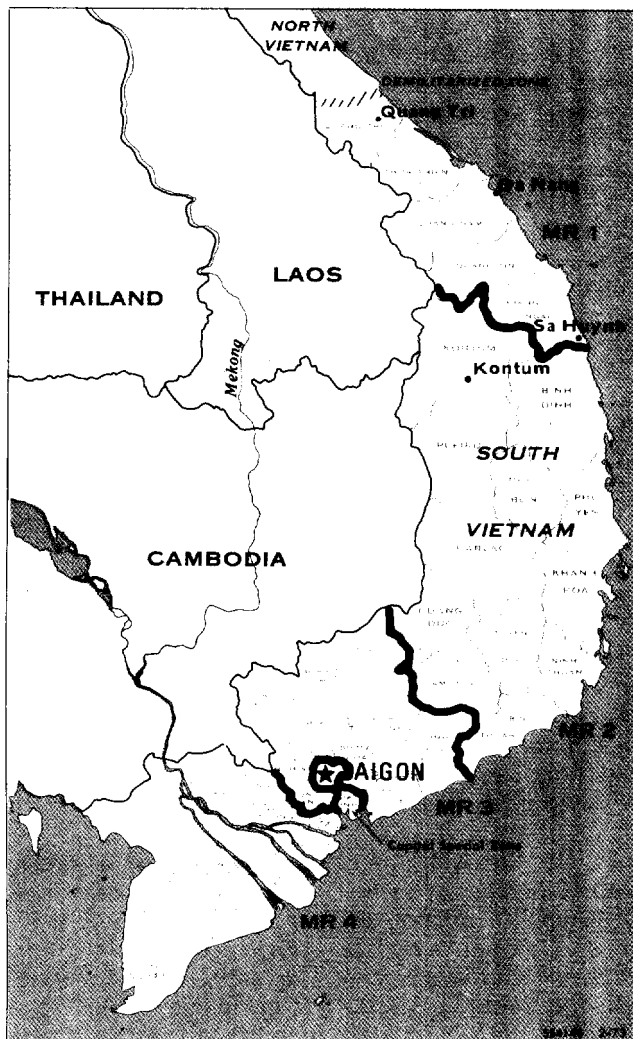
12 [On the Quang Tri battlefield, the two sides continue to trade artillery fire, but neither has gained much territory. Communist units in southern Quang Ngai Province are resisting South Vietnamese efforts to dislodge them from their foothold in the Sa Huynh area. The South Vietnamese regional commander has ordered the 2nd Division, which has been reinforced with Ranger units from the Saigon area, to clear Route 1 and retake Sa Huynh ["at all costs."]

12 [In the highland provinces, the Communists still have Kontum City isolated, although government forces have opened a few more key roads.]

Trying to be Proper

12 [Saigon is making efforts to be cool but correct in dealing with the truce commissions; the South Vietnamese want to minimize the commissions' contacts with the public. In one province north of the capital, government officials ordered a "no man's land" established around the compound for the Communist members of the Joint Military Commission.]

12 [At Ban Me Thuot last weekend an angry crowd pushed through police lines and threw rocks at Vietnamese Communist members of a truce team. In the wake of this embarrassment, Saigon moved rapidly to put a stop to such incidents. The chief of the South Vietnamese delegation, General Ngo Dzu, was promptly sacked and replaced by the commander of the Airborne Division, General Du Quoc Dong. Saigon apologized for the incident and the South Vietnamese prime minister issued orders directing



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Looking for Peace



top: South Vietnamese

center: Truce Supervisory Team

bottom: Viet Cong

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South Vietnamese demonstrators burn effigy of Madame Binh.

12] all province chiefs to assure maximum security for all international organizations. Nevertheless, small demonstrations against Vietnamese Communist delegations have taken place in several other cities this week.]

Communist Resupply Efforts

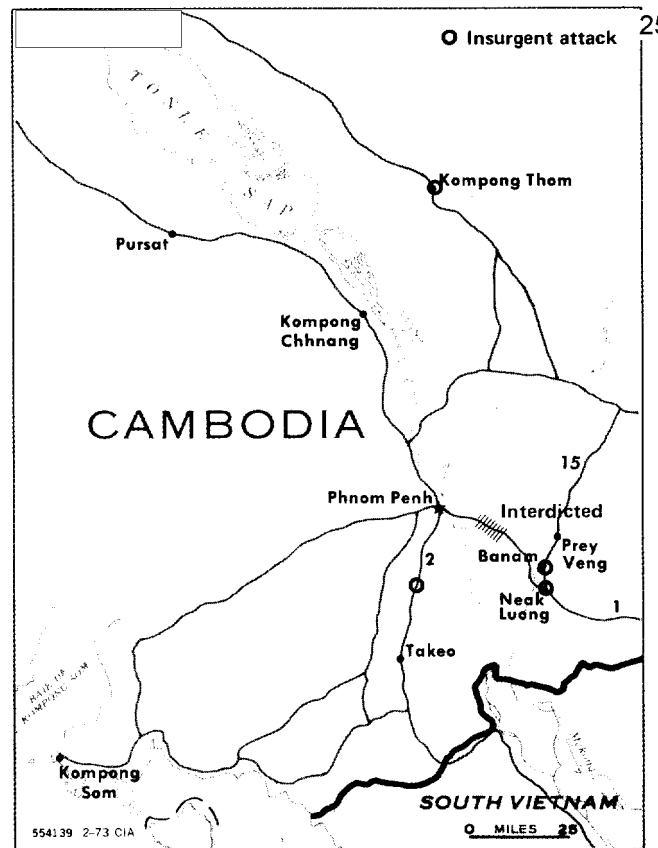
17] \$ The North Vietnamese are sustaining a high level of logistical activity]

13] The heaviest truck activity of the current dry season is apparently under way in the border area of North Vietnam and southern Laos.

The level of truck traffic going from southern Laos to South Vietnam's Quang Tri Province is also up.]

CAMBODIAN INSURGENTS FIGHT ON

21] [Khmer insurgent forces throughout the week demonstrated their resolve to go on fighting with attacks against government positions in widely scattered areas. On the east bank of the Mekong River, the government base at Neak Luong and nearby Cambodian positions on Route 1 were harassed. North of Neak Luong, the insurgents drove government troops from Banam and threatened government outposts on Route 15 between that village and the town of Prey Veng. Cambodian Army reinforcements from Phnom Penh made little headway in trying to regain the initiative in this sector.



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Cambodian Troops

On the Phnom Penh side of the Mekong, the insurgents cut a short stretch of Route 1 about 15 miles from the capital and effectively resisted government efforts to reopen the highway. To the southwest, the insurgents harassed Route 2 and once again closed portions of the road north and south of the town of Takeo, perhaps to facilitate the movement of their own supplies across Route 2.

In the north, the insurgents sustained the pressure against government defenses ringed the isolated provincial capital at Kompong Thom. Despite air strikes, the insurgents drove the remnants of a government battalion from a small town just south of Kompong Thom and continued to shell Kompong Thom itself. Current government strength there stands at 3,500 troops; the insurgents have about eight battalions—most of which reportedly still have Vietnamese Communist advisers.

Enlisting the Political Opposition

After successfully enticing former Democratic Party chief In Tam to rejoin the government as a special adviser to the President, Lon Nol has been working hard behind the scenes to secure the appointment of Republican Party leader Sirik Matak as his vice president. Although Matak has resisted repeated requests to accept that office, there are indications that he is now willing to go along with the President's wishes. His new-found willingness to serve probably derives from Lon Nol's efforts to quash opposition

to the nomination within the National Assembly and the progovernment Socio-Republican Party. Matak's accession to the vice presidency would result in more administrative efficiency and would also raise the spirits of the isolated and demoralized opposition politicians.]

POOR TIMING IN LAOS

[The slippery nature of deadlines in Laos was displayed anew this week when the heralded cease-fire dates passed without the promulgation of an agreement ending the fighting. Despite the delay, it still appears that a settlement is not far off. As the official delegations to the Vientiane peace talks went through the motions at their formal negotiating session on 13 February, the real hard bargaining continued between senior Lao Communist negotiator Phoumi Vongvichit and government plenipotentiary Pheng Phongsavan.]

[The major stumbling block to a cease-fire centers around political rather than military considerations. The Communists have refused to accept Prime Minister Souvanna Phouma as the head of the neutralist faction—claiming instead that their "Patriotic Neutralist" allies are the only "true" neutralists.] Because the ministers holding the neutralist portfolios in a new coalition government will control the balance of power between the right and the left, both sides so far have refused to bend on this issue. Once it is resolved, the two sides should be able to surmount quickly their differences on the modalities of a cease-fire and produce a document for signature.]

Second Wind in the South

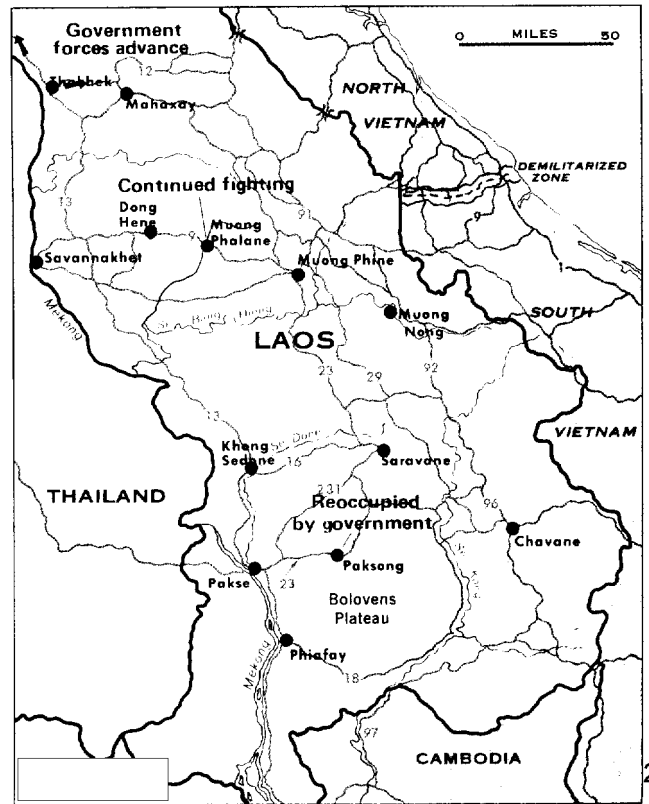
[While the negotiations wound on, government troops backed by heavy air support were trying to regain territory in the south. On the Bolovens Plateau, irregulars moved back into Paksong unopposed early in the week after intense air strikes forced North Vietnamese troops to pull back from the town, but the Communists are resisting irregular efforts to gain control over hills around Paksong.]

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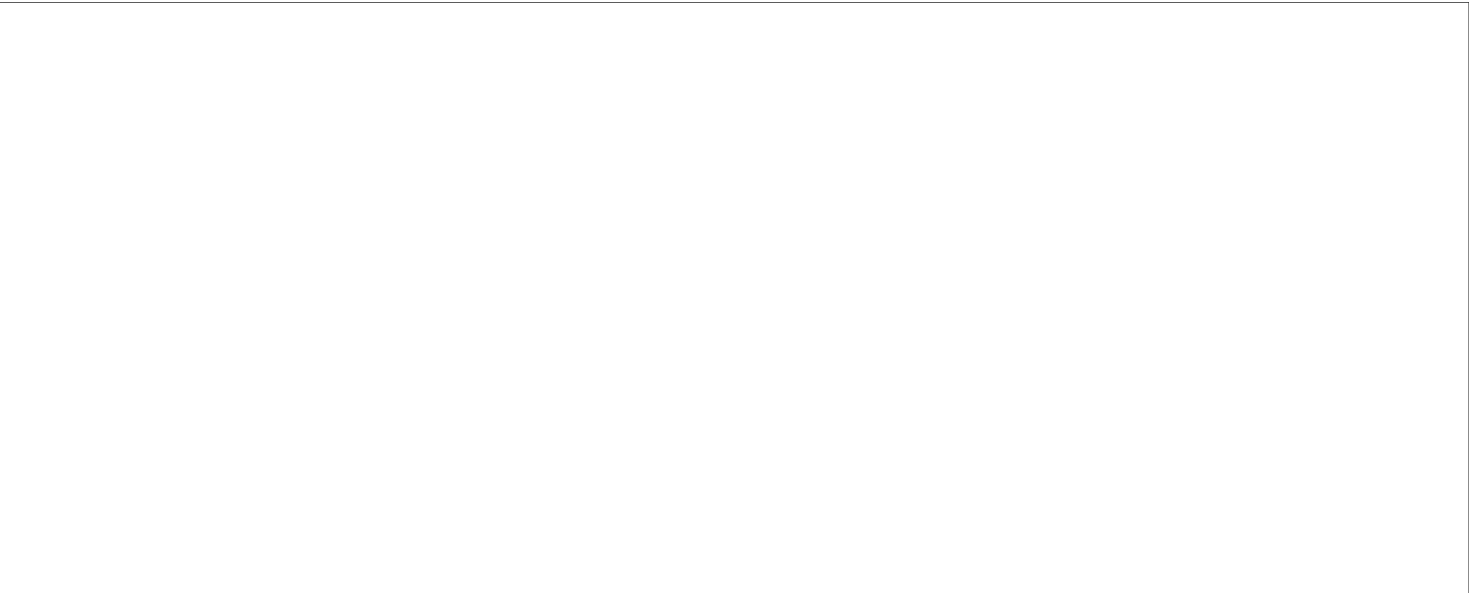
29 In the central panhandle, bombing kept elements of at least two Communist regiments pinned down near Muong Phalane and enabled irregular troops to move back toward the west bank of the Se Sangsoy River which runs through the town. Farther north, government troops from Thakhek edged up Route 13 while other units moved toward the Communist administrative center at Mahaxay.

30 There was little change in the military situation in the north. Communist troops put up a dogged defense at Muong Soui and used artillery and mortar fire to keep Vang Pao's troops from encroaching on the Plaine des Jarres. (Potential cease-fire lines around the Plaine are likely to hold, as the Communists seem capable of withstanding current government operations in that area.)



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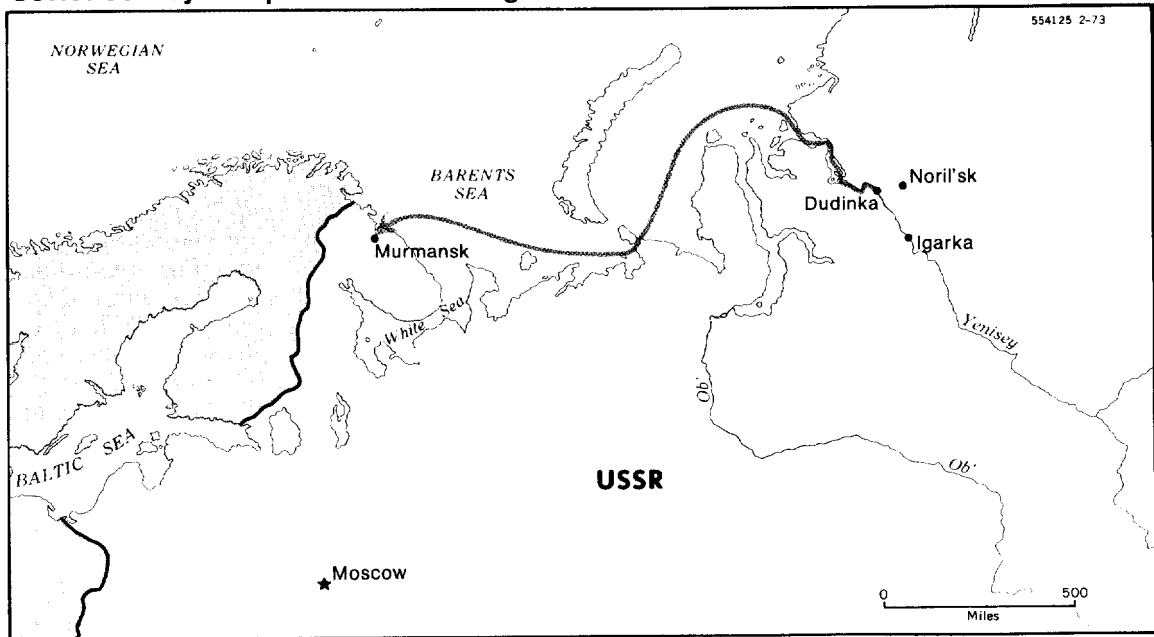
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Soviet Convoy Completes Winter Navigation of Northern Sea Route

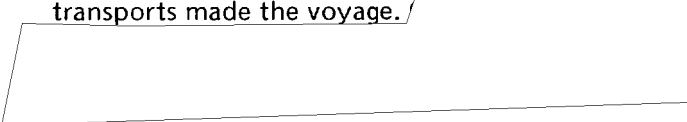


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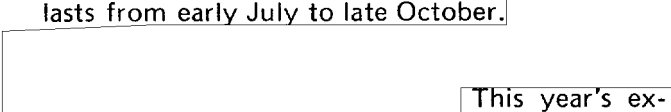
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BREAKING THE ICE

The arrival in Murmansk on 29 January of a nine-ship convoy from Dudinka, a port on the Yenisey River, marks a milestone for winter navigation in the Soviet Arctic. Five icebreakers, including the nuclear-powered Lenin, and four transports made the voyage.



The navigation season in this area, the western portion of the Northern Sea Route, usually lasts from early July to late October.



This year's extremely late sailing date was possible because unusually warm weather in the far north during December slowed the formation of heavy ice. The 1,300-mile trip took 17 days—compared with the normal five days in summer. The ships reportedly had to contend with ice ridges up to 20 feet high.

Soviet efforts to extend the normal navigation season play an important part in the economic development of the Noril'sk area. Moscow has called for substantial expansion of mining and metallurgical activities in the vicinity of Noril'sk and Talnakh. Adequate logistical support for this complex, as well as for the lumbering center at Igarka, requires improvement of bulk transport facilities both on the lower Yenisey and along the northern seas.

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The USSR has long had an extensive program to improve navigation in the western sector of the Northern Sea Route. It includes a widespread network of polar and weather stations, the use of aircraft and helicopters to survey ice conditions, and the continued construction of icebreakers. Five new icebreakers are now in various stages of planning and construction. The Arktika, the Soviets' second nuclear-powered icebreaker, is scheduled for completion in 1974, and the keel of another ship of this class, the Antarktika, is expected to be laid this year.

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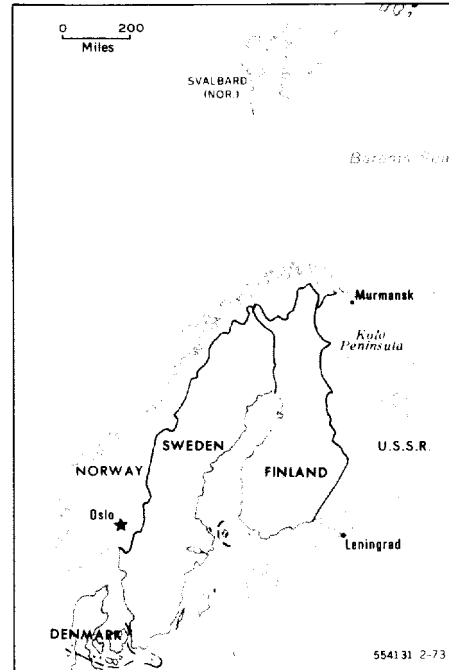
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SPARRING OVER SPITZBERGEN

Spitzbergen (the Svalbard Islands), a desolate archipelago well above the Arctic Circle, has long been a problem in relations between the USSR and Norway. Spitzbergen, a Norwegian possession, is of interest to Moscow because it lies across the Barents Sea from the Soviet submarine base near Murmansk and because the region may contain important petroleum deposits.

At issue now is Oslo's plan to start building an all-weather airfield on Spitzbergen. The Treaty of Paris in 1920 recognized Norway's sovereignty over the islands, but required that the islands be permanently demilitarized. For half a century the Soviets cited this provision in opposing an airfield. In 1971, however, Moscow agreed that one could be built provided Soviet civil aircraft had access to the field and Soviet servicing personnel were stationed there.

Bilateral talks on the details for such an arrangement have not made much headway over the past two years. The Norwegians have agreed to extend the runway to accommodate Soviet TU-154s, but are balking at the Soviets' desire to station six people at the field. Oslo will accept only four. The Soviets also want their own communications equipment there, and the Norwegians object to this as well. In the background are Soviet hints that they may build their own airfield; the 14 signatory states to the 1920 treaty,



including the USSR and the US, are given equal commercial rights on the islands.

Geological exploratory teams from the USSR and the West believe there are vast oil resources in the area. Several Western firms have already started drilling in the Spitzbergen archipelago and its continental shelf. Norwegian attempts to assert ownership of the resources in the shelf apparently have aroused Moscow's concern;



The 2,000-man Soviet community in Spitzbergen is twice as large as the Norwegian and has remained almost entirely independent of even nominal Norwegian control. The Russians run a coal-mining operation that began in 1925. The coal is of very poor quality and is not mined on a paying basis. The Soviet mining personnel presumably are on hand for more than coal; they could take over the archipelago rapidly in a crisis.

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On Spitzbergen: Coal Mining?

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PAYING THE PIPER

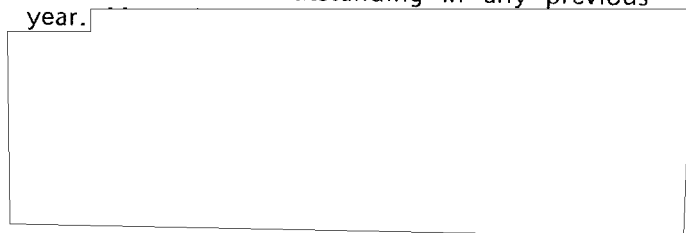
17 Moscow is importing record quantities of grain, and this has focused attention on its ability to finance these purchases, to increase its imports of Western machinery and equipment, and to service its steadily growing debt to the West, now over \$2 billion. In 1973, the USSR will import about \$1.6 billion in grain, some \$150 million in sugar and the largest quantity ever of Western plant and equipment.

17 Soviet exports are not keeping pace, and a record hard-currency deficit, estimated at roughly \$1.8 billion, is expected. If additional grain is needed this year, the deficit may go even higher. To help cover this deficit the USSR is expected to borrow heavily in the West, increasing its medium- and long-term indebtedness by up to 50 percent. The USSR will utilize US medium-term Commodity Credit Corporation credits for some of its grain imports (about \$400 million will be available in 1973). The USSR also is likely to utilize \$500 million in net Western government guaranteed credits to help pay for capital equipment purchases. Gold sales may cover about \$400 million of the deficit. The remaining deficit probably will be financed chiefly by short- and medium-term non-guaranteed Western credits.

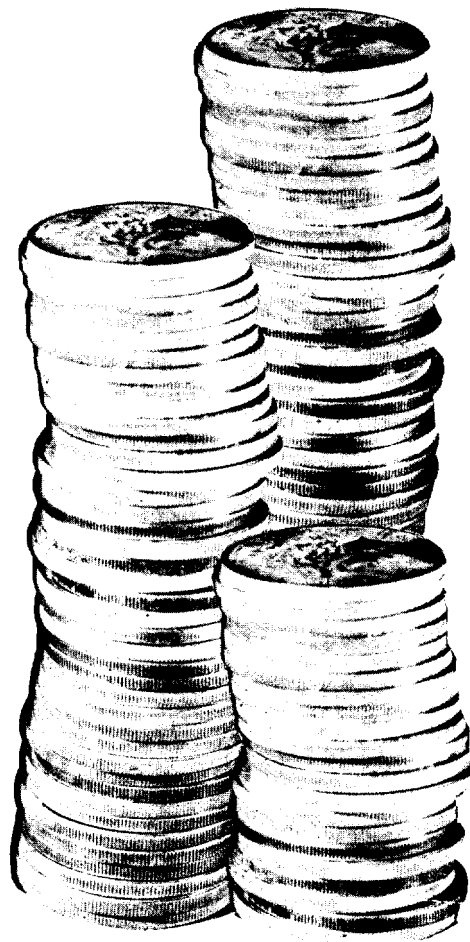
17 To help meet its large financing requirements during 1973, the USSR is likely to tap the Eurocurrency market in a variety of ways. The Foreign Trade Bank of the USSR has already secured a \$50-million Eurodollar medium-term standby credit and undoubtedly will obtain others. In this connection, its network of banks in the West, especially the Moscow Narodny Bank in London, will be useful—as in the past—in helping the USSR attract Eurodollar funds as well as undertaking some direct financing of Soviet imports from the West. The USSR also has access to the facilities of CEMA's International Bank for Economic Cooperation.

17 In 1972, the US emerged as a significant creditor of the USSR, but is still a virtually un-

tapped source of credit for Moscow. Last year, more than \$800 million in US credit facilities, including the \$500-million Commodity Credit Corporation line of credit, were made available to the USSR compared with less than \$10 million in short-term credits outstanding in any previous year.



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TRADE NEGOTIATIONS: A TOUGH TASK

The member countries of the General Agreement on Tariffs and Trade have agreed to a tentative schedule for the multilateral trade talks to be held in the fall, but the negotiations promise to be long and difficult. The preparatory committee, which was set up at the organization's annual meeting in November, plans to discuss such specific items as tariff reductions, elimination of non-tariff barriers, and developing country participation at the committee's next meeting in May. The committee also plans a major session for July when it hopes to agree on an outline to present to the multilateral meeting in Tokyo in September. At that time, a trade negotiations committee probably will be established to begin formal negotiations.

The European Community's defensive attitude toward the negotiations was again demonstrated at the meeting last week of the Working Party of the General Agreement on Tariffs and Trade on Community enlargement. The EC declined to associate itself with any method of examining import duty schedules, which is crucial in determining the protective effect of the Common Agricultural Policy's variable import levy. The Community also stood firm on its position that no compensation is due third countries as a result of EC enlargement. It argues that increased protection for agricultural goods is more than offset by lower tariffs on industrial goods for new members.

The EC is reluctant to make any major concessions on enlargement at this time, particularly for grains, preferring instead to hold these bargaining chips for the multilateral negotiations in the fall. In another attempt to improve its bargaining position, the EC council next week probably will ask for an investigation by the General Agreement on Tariffs and Trade of the US Domestic International Sales Corporation, a tax device intended to stimulate exports. The French have been pushing for action since last fall, but the other EC members first wanted further consultation with the US. [redacted]

YUGOSLAVIA: TRIMMING THE TOP

President Tito, concerned over making his political heirs effective after he is gone, has ordered a streamlining of the party and state hierarchies.

The collective state presidency, the supreme state body, will be reduced from 22 members to six. [redacted]

The precarious balance of regional and ethnic representation on the collective presidency was intended as a virtue but became an obstacle to real effectiveness. Empowered to arbitrate deadlocked issues, the collective presidency generally failed to act quickly enough because it was too cumbersome. Unimpressed by the body's performance since August 1971, Tito has ordered that it be revised during the next round of constitutional amendments scheduled for passage this fall.

The change will probably be announced next month and will cause a public stir. The two provinces, Vojvodina and Kosovo, probably will lose their direct representation on the presidency. The northern republics, Croatia and Slovenia, will be unhappy, suspecting that Serbia will more easily dominate the new, smaller collective. Additionally, a scramble for the six seats could upset power balances within other republics.

Party power may also be concentrated in fewer hands. Last week the presidium passed a "directive" on the party's operational command structure during a war. No details are available, but it is likely that central party authorities will be given a greater measure of direct control over the membership in case of war and during periods of serious domestic instability. Tito will also have to improve the party apparatus at the center. Like the presidency, the party presidium, with 52 members, moves slowly. For example, it has played only a minor role in Tito's drive to re-centralize the party. Among the major centers of power, only the military is capable of speedy and efficient decision-making, and Tito wants the party to be assured of control over the military in any crisis.

The fourth annual conference of the party is scheduled for April and will examine the activities

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of the presidium and executive bureau. Tito will probably press his lieutenants for more speedy and efficient conduct of important business. Personnel moves—five presidium seats are empty—will add spice to the session. Stane Dolanc, Tito's alter ego on the powerful executive bureau, will probably stay on beyond the normal end of his term. This may agitate some of the other leaders. [redacted]

The admission of unions from European Free Trade Area countries as founding members is also a British success: the British had insisted that such unions be included to denote the goal of broader European unity over the preferences of the other EC members that the organization be closely tied to the Community. Membership fees were also significantly lowered as desired by the British union.

EUROPEAN LABOR: A NEW CLUB

Leaders of 17 labor organizations from 15 West European states met last week in Brussels and founded the European Trade Union Confederation. Representing 29 million workers, the organization could become an important force in dealing with multinational corporations and the EC.

British dominance is not assured. The German federation will oppose the British on numerous issues. Because the Germans strongly support trade union involvement with the EC and the British confederation continues for domestic political reasons to boycott the EC, relationships between the new body and Community institutions and between unions of EC and non-EC member states are certain to be edgy. Feather's tenure may also become an issue. He retires from his own confederation this year, but may attempt to stay the full three-year term on the new European confederation.

The founding meeting culminated more than a year of controversy over the new organization's financing, structure, and scope. The meeting itself, however, went relatively smoothly. Most issues had either been hammered out beforehand or were referred to the executive board. Even the election of Vic Feather of the British Trade Union Confederation as president came about amicably after Heinz Vetter of the West German Trade Union Federation withdrew.

Despite such internal problems, European trade unionism is at a new stage of development. As the vehicle of labor's efforts to act on a regional level, the European confederation will force consideration of issues beyond, and often in conflict with, the usually parochial attitudes of the national federations.

The British confederation—the largest affiliate—scored several other successes at the meeting. Over French and German opposition, the word "free" was omitted from the organization's title; the British and their supporters wished to avoid that term as implying too close an association with the International Confederation of Free Trade Unions whose European regional organizations the new confederation replaces.

The long-standing issue of relations between the "free" unions and the Communist-controlled unions of Eastern and Western Europe has been put in a new light. Although the founding congress took no action on Soviet labor boss Shelepin's bid for East European membership, the question of East-West meetings among the unions will not disappear. Furthermore, the eligibility of the large Communist unions in France and Italy to affiliate with the new confederation has only been set aside. [redacted]

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SECRET**ICELAND: TIMELY REMINDER** (56-61)

Emergency assistance by the US-manned Icelandic Defense Force during the volcanic eruption on Heimaey Island coincided with the opening of preliminary base talks in Washington. The US response to the disaster served to remind Reykjavik of the many uses of the base.

Foreign Minister Agustsson arrived in Washington for preliminary talks about the base on 22 January, just a few hours before the eruption began. The talks failed to draw out precisely what the present Icelandic leadership proposes in connection with a base agreement. Instead, Agustsson, who is not badly disposed to the base, requested further argumentation for maintaining the facility. He appeared to be marking time, perhaps aware that his government might be ousted before summer if the Organization of Liberals and Leftists were to bolt the coalition and form a new government with the two parties now in opposition. Such a development would eliminate both Agustsson's party and the Communists from the government. The new government probably would negotiate a slightly modified agreement on the base. Agustsson would be spared the onus of having negotiated such an agreement and thus preserve his party's integrity by not having to renege on an earlier promise to oust the American personnel from Iceland.

When Mount Helga erupted, nearly all of the 5,200 residents of the island were evacuated within hours. The local fishing fleet accomplished most of the evacuation, but US personnel airlifted the sick and aged to hospitals on the mainland. The US Embassy immediately made \$25,000 in disaster relief available, and both the embassy and the base command at Keflavik have continued to provide assistance. The latest measure involves airlifting valuable fish-processing machinery to the main island.

Eruptions continue and lava threatens to close the harbor, the country's most important fishing port and the only deepwater facility along the southwest coast. If the harbor is destroyed, about 17 percent of Iceland's fish-processing capacity will be lost.



US Servicemen on Heimaey Island

Fish exports are important to Iceland, and in 1972 Heimaey Island accounted for more than 11 percent of the country's total. Because much of the island's fish production can be landed at Reykjavik and elsewhere, export earnings in 1973 may decline only five percent. Relocation of plant facilities will be expensive, but the industry is expected to recover. Government sources estimate the disaster may reduce 1973 gross national product growth by two or three percentage points. Another big problem facing the government is housing the refugees.

The stormy North Atlantic is adding to Iceland's difficulties. The loss of a fishing vessel earlier this week caused a wide air-sea search involving the Icelandic Coast Guard cutter Aegir and the British trawler support ship Othello. Cooperation of this type is not unusual during emergencies, however, and it probably will not soften Icelandic-British positions in the "Cod War." 25X1

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FEDAYEEN: THE UNKINDEST CUTS

47 [So far, 1973 has been a bad year for the fedayeen. A series of mishaps added momentum to the slippage in fedayeen fortunes, and a new stridency has crept into their public pronouncements, clearly indicating that they are worried.]

67 [A serious blow fell in January when Damascus, following heavy Israeli air raids in retaliation for guerrilla attacks, restricted fedayeen operations in Syria, thus effectively cutting the guerrillas off from their last accessible staging area for attacks into the occupied territories. Even Libyan President Qadhafi, one of the fedayeen's most vociferous supporters and a heavy financial backer, criticized fedayeen disunity in a speech on 1 January.] He has subsequently sought to set the public record straight by affirming his commitment to the Palestinian movement.

defense council also furthered, however tenuously, moves toward an Arab rapprochement with the fedayeen's Arab archenemy, King Husayn. The King's subsequent public rejection of any reconciliation which would involve a return of the guerrillas to Jordan added insult to the fedayeen's mounting injuries.]

71 [Fedayeen spokesmen are lashing out, in terms venomous even for the fedayeen, at this treatment from the Arab governments. The fedayeen consider it a betrayal not only of the Palestinian cause, but also of the whole Arab struggle with Israel. What is really bothering the fedayeen is that they fear a trend is setting in Arab countries toward negotiating a peace with Israel.]

67 [The fedayeen do not appear to have a clear idea of what to do, and their own disunity, quite apart from their difficulties with the Arab governments, are a restraint on effective action. Arab prohibitions on operations into Israeli-occupied territory leave them with little choice but to continue terrorist operations abroad, as fedayeen spokesmen have publicly indicated. Some of these operations have been thwarted in recent weeks, and the fedayeen leadership itself is divided on the merits of international terrorism.]

67 [The unfavorable developments were capped by the late January session of the Arab Defense Council, which highlighted the fedayeen's growing isolation. The council meetings confirmed fedayeen fears that the major Arab states, particularly Egypt, have abdicated the role of protector of the Palestinian movement; the

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70 The fedayeen could also turn their attention to targets in Arab countries like Jordan and Saudi Arabia. In the fedayeen books, both are reactionary. Even most fedayeen, however, recognize that attacking Arabs does not further the larger battle against Israel.)

67 The fedayeen are thus crippled—by the restraint of their former Arab benefactors, by their own disarray, by financial problems, and by a variety of other ills. Crippled, but not dead, the fedayeen will continue their terrorist operations. Nevertheless, some of their recent statements indicate that hopes are ebbing.) They have been taking up the theme that the battle will not be won in the near future. Victory must be left for the next generation, said a fedayeen leader in a recent interview; "We are content for now," he added, to know that terrorist operations are effective enough "that Mrs. Meir has to make her will" whenever she travels abroad.

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25X1**Sadat***Seeking Victory in the "Struggle"***EGYPT: QUESTIONS BUT FEW ANSWERS**

76 In a recent spate of activity, President Sadat has set afoot new diplomatic moves designed to break the impasse with Tel Aviv and has introduced new austerity measures designed to prepare Egypt for the coming "battle" with Israel. The flurry itself is designed to show that he is doing something about Egypt's prime problem and thus impress the recalcitrant students, another of his many worries.)

73 In a review of foreign affairs before Egypt's legislature on 12 February, Foreign Minister Zayyat described the new stage of "political struggle" and promised further international action to promote progress in resolving the dispute with Israel. Zayyat denied knowledge of any US initiative and urged the five major powers to new efforts to restore peace to the Middle East.)

76 Cairo has given no indication of the specific goals in its current campaign or of any new con-

cessions it is willing to make. What Cairo is doing is trying at a minimum to create the impression of progress for Egyptians disheartened with the prolonged impasse. If its diplomacy does help push the impasse off dead center, so much the better.)

74 Prime Minister Sidqi, meanwhile, addressing the nation's legislature on 11 January outlined a series of austerity measures he claimed were necessary to mobilize the economy for the coming "battle.") In recent months Sidqi has been criticized for not adequately preparing the country for war, and the belt-tightening steps were partly an answer to those charges. Cairo's search for additional Arab financial support may also have played a role; the austerity measures could be designed to convince potential donors that Egypt deserves additional aid. The cutbacks may also help remedy some economic problems.)

76 Egyptian students have been demonstrably unhappy with the regime's lack of success in dealing with Israel as well as its inability to cope

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with economic problems, particularly those which directly affect the student population. These concerns probably served to exacerbate student discontent over arrests and restrictions on freedom of expression, two of the more immediate causes of the most recent student agitation.

75 The protests, which were renewed shortly after the universities reopened on 3 February, have continued sporadically. The unrest is centered in two major universities in Cairo, but by 12 February minor incidents had spread to Alexandria and Asyut. 76 The majority of students apparently have not participated in the agitation and have been content to watch the proceedings. Although Egypt's labor groups have so far not 75 come out in support of the students, the regime is clearly concerned. In an attempt to head off such a development, Prime Minister Sidqi addressed a group of workers on 12 February. [redacted]

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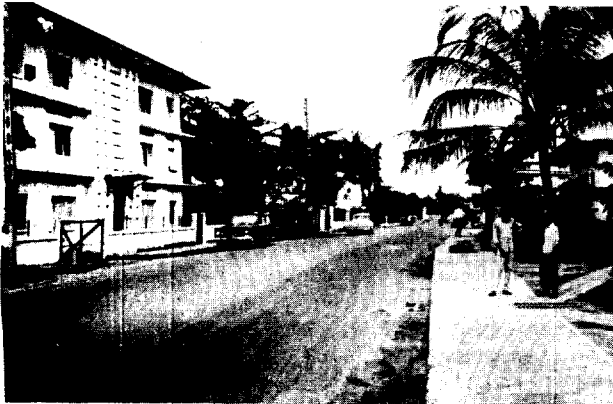
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SECRET**GABON: BONGO COMES OF AGE**

77) President Bongo, who came to office in 1967 upon the death of his predecessor, will assume the office in his own right after a national election to be held on 25 February. The 38-year-old Bongo and his legislative candidates are unopposed in the elections, which Bongo has moved up 13 months in order to cash in on his present strong political position.)

79) Bongo, representing one of Gabon's smallest tribes, was hand-picked by his dying mentor, Leon Mba, and the local French ambassador. In the years since he succeeded Mba, Bongo has grown in effectiveness and political strength, and he seems at present to have the internal situation well in hand. Bongo wants the elections over with before tribal opponents can organize and in case a politically important railroad project is not realizable. The single party last month accepted Bongo's nominees and endorsed his program for the future. The national assembly has been increased from 49 to 70 seats, and the new list includes many of Bongo's younger and more dynamic proteges.)

82) Although Bongo's growing independence indicates that his tutelage by the French ambassador is over, France's paramount position is hardly threatened. Gabon has important mineral resources and has attracted substantial French



Libreville Street Scene



President Bongo

investment as well as over \$120 million in American capital. Bongo is intent on some readjustment of Gabon's economic and cultural ties with Paris, but he probably still needs French troops in Libreville.)

80) Meanwhile, though unopposed, he has launched his presidential campaign with a display of government vigor. Bongo has frozen prices and granted a pay raise to public employees, a category that includes most wage earners. He has also ceremonially opened construction of the first mile of an ambitious "Trans-Gabon" railroad.)

82) Bongo's post-election fortunes will hinge largely on the fate of the costly railroad, for which sufficient international financing has yet to be lined up. The US has made a tentative commitment of \$20 to \$30 million on which Gabon is counting heavily. Bongo has staked his prestige on the project, which is intended to open up huge iron ore deposits and timber reserves necessary to maintain Gabon's healthy growth rate. Bongo could face a major political test should the railroad project collapse for want of funds.

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PORTUGUESE GUINEA: FIERCER REBELS

9/1 A more aggressive insurgent movement may emerge from the assassination of rebel leader Amilcar Cabral. Guinean President Toure, in whose country the Portuguese Guinea rebels are based, is trying to steer the movement in that direction.] 25X1

9/6 [Before his assassination, the pragmatic Cabral had devoted much attention to cultivating support among non-Communist states in the hope that his independent government, when formed, would receive broad backing. The effort had met with some success. If the new leadership were to

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PAKISTAN: PRESSURE ON WALI

adopt a harsher ideological stance or closer ties to its Communist supporters, it would jeopardize those gains.

Aristide Pereira, the provisional rebel leader, lacks the prestige and forcefulness to counter Toure's guidance, which may be one reason he was chosen. Pereira, who is a mulatto as was Cabral, cannot be expected to heal the deep racial divisions within the movement. He may be no more than a temporary compromise until a stronger figure with wider support emerges—possibly one of the more successful military commanders. This could take some time.

One of the first concerns of those now guiding the rebel movement is to demonstrate its continued viability. That was the purpose of a rebel communique issued on 10 February, claiming insurgent forces launched sweeping offensive military operations inside Portuguese Guinea beginning in late January. The rebels, no doubt, would like to mount a more dramatic action, something big enough to capture international attention and reassure foreign supporters of insurgent capabilities and will to persevere. Hence, the more aggressive posture toward which Toure is pushing the rebels may first become evident through military action. On the political side, the communique said that preparations are being made for the first meeting of the national assembly elected late last year. No date was given, however, and the meeting is not expected soon.

President Bhutto has used the recent discovery of clandestine arms in the Iraqi Embassy in Islamabad as an excuse for his strongest action so far against the opposition National Awami Party of Wali Khan. On 15 February he removed the provincial governors in Baluchistan and the Northwest Frontier—the two provinces Wali's party controls; Bhutto has imposed direct rule in Baluchistan.

On 10 February Pakistani police,

raided the Iraqi Embassy, seizing several hundred Soviet-made automatic weapons and thousands of rounds of ammunition. Just what the Iraqis intended to do with the arms has not yet become clear, but the most likely of several possibilities is that they were destined for dissident tribes in Iranian Baluchistan. The Shah's recurrent efforts to stimulate trouble among Iraqi Kurdish minority may well have led Baghdad to try to repay the Iranians in kind.

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Officials of Bhutto's Pakistan People's Party have charged that the National Awami Party was planning to make the two frontier provinces independent and that it was plotting direct action against the central government. The National Awami Party denied any involvement and charged that Bhutto's party had been fomenting the recent tribal unrest in Baluchistan Province.

The major real issue for the government may be opposition to provisions in the proposed constitution which the National Awami Party claims unduly limit provincial autonomy. The government has the votes to adopt the constitution in the session which begins on 17 February, but may hope to limit the impact of National Awami Party arguments—especially in the frontier provinces—by tying the party to treason and foreign conspirators.

In the past year there have been a number of confrontations between President Bhutto and the National Awami Party. All were resolved at the last minute, but Bhutto is acting with less caution this time.

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Toure probably would like to see fewer insurgents in Guinea, in part for his own security reasons. Moreover, he probably will allow those who remain less operational freedom than was the case before Cabral's death.

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Uruguay

BORDABERRY KNUCKLES UNDER

(98-103)

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The military has taken virtual control of the government in Uruguay. President Bordaberry is staying in office to avoid a complete collapse of constitutional government, but remains at the sufferance of the generals.

Bordaberry was forced to agree to govern under the military's aegis after it became apparent that further resistance to rebellious military officers could strengthen the hand of the "gorillas"—those who favored a complete military take-over. The "gorillas" indeed seemed to be gaining the upper hand as the demands on the beleaguered President escalated. At first, the military simply asked for the dismissal of the defense minister, who had been appointed to curb military meddling in politics. Later, the demands expanded to include presidential acceptance of measures to stamp out corruption in government and business, to restore vitality to a deteriorating economy, and to institute several Populist-style reforms. The reform demands apparently were a calculated attempt to attract popular support, especially if the armed services were forced to assume direct control of government.

Whatever the exact terms of the understanding between Bordaberry and the military, it is apparent that all meaningful power now resides in the armed forces. As a face-saving gesture, the military has publicized only the broad outlines of the understanding, apparently relying on the President quietly to implement its demands by executive decree.

Thus far the public has reacted cautiously to the military's assumption of the power once held by civilians. Leftist groups and labor unions have



Bordaberry: Manages to Stay, But Managed by Military

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adopted a wait-and-see attitude, apparently in hopes that the military programs will coincide to some extent with their own. The Blanco and Colorado parties have been weakened by their failure to support Bordaberry. Some of his own political colleagues were actively seeking his resignation to avoid a direct military take-over. The military's desire to work for governmental

changes within a semblance of a constitutional framework will probably forestall any immediate criticism of its new position. Given the failure of Bordaberry and other civilian politicians to make an aggressive attack on the nation's numerous ills, Uruguayans may welcome what amounts to a military coup d'etat. [redacted]

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PARAGUAY: STROESSNER WINS AGAIN

President Stroessner and his ruling Colorado Party, as expected, won an overwhelming victory in the elections of 11 February. Stroessner was assured of a fifth term as president, and the

Colorados held their dominant position in both houses of the congress.



Stroessner
The Victor Again

In the nationwide balloting, Stroessner and his party retained control of the government, reaping an all-time high of about 83 percent of the popular vote. This margin exceeded even the expectations of party leaders, who had anticipated 75 to 80 percent. The Colorados won easily because the Radical Liberal Party, the main opposition, is badly divided and led by lackluster figures. Furthermore, the Colorado Party benefited from its superior organization, control of patronage, and the very real popularity of its leader, President Stroessner.

Prior to the elections Colorado leaders tried hard to arouse public enthusiasm, largely without success since the result was a foregone conclusion. Colorado officials are widely believed to have resorted to ballot stuffing, not to ensure re-election but rather to pile up a record victory. Since the opposition had no chance, the only real victory the Colorados could seek was a best-ever election triumph. Just what Stroessner and his colleagues will do next time to achieve a still greater victory margin is difficult to envision. The US Embassy notes that it is bad form—and bad mathematics—to exceed 100 percent. [redacted]

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Guards at Bosch Residence Last Week

DOMINICAN REPUBLIC: CALMING DOWN

107] Government harassment of the major opposition party, generated by a belief that it was involved in the recent guerrilla landing, had relaxed somewhat by week's end]

107] The strongest sign of this relaxation is the public announcement that the search for Juan Bosch, leader of the Dominican Revolutionary Party, had been called off and that there is, after all, no official order for his arrest. The government did not go so far as to offer guarantees that might persuade Bosch it is safe to emerge from hiding, but it has released many of his followers who had been detained after the landing.]

107] Bosch's followers see the announcement as an indication that the government is backing off

from its efforts to link him with the small invading party. Despite this feeling, Bosch announced that the party would henceforth operate "clandestinely" as a result of what he called the government's "unjustified persecution." Bosch's statement may have largely been rhetoric designed to embarrass the government, both nationally and internationally, by making it appear that legal political activity cannot exist in the Dominican Republic. The party has, in fact, continued to operate rather openly in Santo Domingo and many members probably feel that clandestinity could cost the party its legal status.]

110] The executive committee agreed on 14 February to return to the talks with other legal opposition groups on pre-election strategy that had broken up with Bosch's withdrawal on 29 January. This would point to a decision to abandon "clandestinity" rather quickly.] but even so there is little

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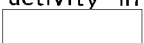
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likelihood for an early return to the once tolerant relationship between Bosch's party and the government.)

The government's growing confidence that the guerrillas will soon be captured has not caused it to let down its guard. Security forces are still very much in evidence in the capital, and the university remains surrounded by troops. Government spokesmen blame the guerrillas' ability to evade the government dragnet thus far on rain and fog.



They probably cannot hold out much longer, but the longer they do the greater the inspiration they give the extreme left to embark on more daring activity in the cities.



not getting what they bargained for when the election process was initiated. So far, Lanusse has been able to obtain support for a decree barring Peron from returning to Argentina before the elections and for formally charging Peronist candidates with incitement to violence in the campaign.



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Sentiment against holding the elections surely exists within the military and is likely to surface soon since the elections are only three weeks away and time for the military to block the Peronists is growing short. Hector Campora continues to lead the pack of nine candidates for president and has even succeeded in turning the government's harassment of his party into a campaign advantage. His campaign rhetoric, which prompted the charge of incitement to violence, has cooled somewhat, but he has not retreated from his strong anti-government stand. Campora has even enlisted the support of his chief opponent, the Radical party's Ricardo Balbin, in attacking the government's court action against the Peronists.

Some Peronists believe that they have an unwilling ally in the person of General Lopez Aufranc, second in command of the army, who has led the opposition to any possible Lanusse power play. Lopez Aufranc and his fellow senior generals have no love for the Peronists, however, and their commitment to elections could evaporate rapidly if Campora's strength goes on growing at its current pace and if he persists in refusing to play by the military's rules.

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ARGENTINA: PROSPECTS DIMMING

President Lanusse is advocating stronger measures against the Peronists, leading many in the government and military to speculate that he is maneuvering to postpone the elections scheduled for next month and thus remain in power. Lanusse reportedly is intent on preventing the Peronists from regaining power even if it means canceling the election. The President so far has been unable to line up the support of his top officers, most of whom continue to believe that the election must be held.

The President has played heavily on the military's growing fear of a Peronist victory in his effort to convince the top generals that they are

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PERU: MERCADO MOVES IN

On 1 February Edgardo Mercado Jarrin became prime minister, minister of war, and commander of the army, filling posts left vacant by the retirement of Ernesto Montagne. Adjustments in the government's decision-making apparatus will follow and the all-important unity of the armed forces could be strained in the process.

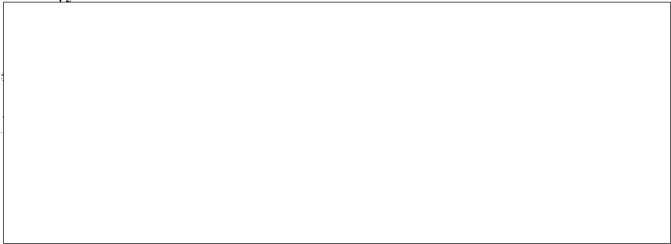
Unlike Montagne, who never exercised power commensurate with his lofty titles, Mercado intends to play a dynamic role in the government and his record suggests that he will. As foreign minister, he had a major hand in shaping Peru's aggressively nationalistic foreign policy. In the four years since the coup that brought President Velasco to power, Mercado has done nothing to cast doubt on the genuineness of his oft-proclaimed support for the regime's revolutionary domestic reforms.



General Mercado

Through skilled use of his presidential prerogatives, Velasco has been the key figure in bringing balance to radical-moderate controversies and making out of them generally pragmatic policies. A forceful move by Mercado to alter this policy-making process drastically could bring on a clash of two strong personalities that could disrupt the military unity on which the stability of the government depends.

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ANDEAN PACT: NOW THERE ARE SIX

Venezuela has joined Bolivia, Chile, Colombia, Ecuador, and Peru in the Andean Pact. Venezuela actually helped create this economic group in 1969, but then changed its mind about entering. President Caldera signed a "Consensus of Lima" on Tuesday and the Venezuelan flag was finally run up on the idle sixth flagpole reserved for it outside the pact's headquarters.

Last minute signs that Venezuelan entry would not come about during Caldera's visit to Peru were probably part of a public relations strategy designed to maintain the suspense until the last moment. On the other

hand, genuine technical obstacles may have been overcome by personal rapport between Caldera and Peruvian President Velasco.

The consensus modifies the Andean foreign investment code by liberalizing rules concerning the reinvestment of profits and makes a number of other adjustments in pact policies that Venezuela has considered important. Planning for a regional petrochemical industry and other programs held in abeyance can now move forward. While there could be pitfalls in the process of incorporating the new member, the pact has greatly expanded its economic base and consumer market, and its future looks promising.

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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

France: The Race Is On

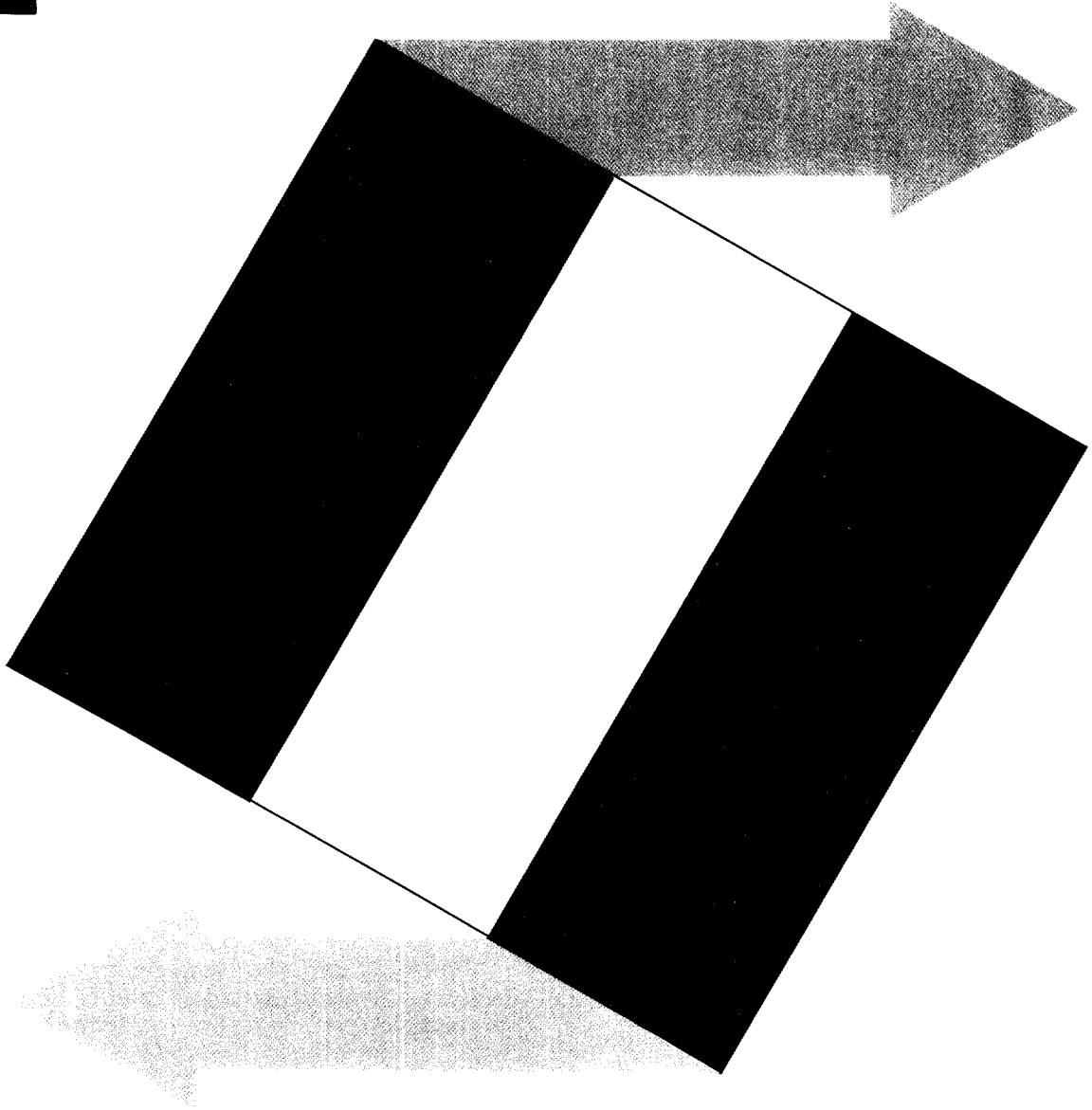
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FRANCE



the race is on

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Sans De Gaulle

On two successive Sundays next month, the Gaullist party faces its first elections without De Gaulle. It has been watching with gathering gloom what the poll-takers have been telling about voter preferences.

Since the campaign got under way last fall, the government has been plagued by persistent scandals, by internal dissension, and by lackluster campaigning. Most of all, it has been handicapped by inflation, on which it is plainly vulnerable. The left, on the other hand, has put on a good show of unity and has managed to capture the headlines on numerous occasions. As a result, the left has surged into a substantial lead in voter-preference polls.

These polls oversimplify the complex French election system, and the structure of the election districts favors the government. France has a single-member district, two-round election system—one which favors large, nationwide parties like the Gaullists that can appeal not only to the ideologically faithful but also to the uncommitted voter. The present election districts are drawn to give less representation to urban and suburban areas, where the leftist voters reside, than to rural regions that usually support the government coalition. This means that voter preferences do not always translate into assembly seats. Still, the elections on 4 and 11 March are certainly going to reduce the size of the huge bulge in assembly seats won by the Gaullist coalition after the 1968 troubles. The losses will come primarily from the Gaullist ranks because their coalition partners are mostly running in safe

districts. As matters stand now, the Pompidou team stands to lose between 70 to 140 seats of its present 365-odd seats in the 490-seat assembly.

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The Pompidou Coalition

Since President Pompidou's ouster of controversial Jacques Chaban-Delmas as premier in favor of simon-pure Gaullist Pierre Messmer last June, the Gaullists at least have enjoyed a greater sense of cohesion, but rifts in the coalition remain and sometimes come into the open. In December, for example, it became clear that relations among the secretaries-general of the three parties—the Gaullist Union of Democrats for the Republic, the Independent Republicans, and a small centrist party—were growing acrimonious. Gaullist party secretary Alain Peyrefitte came under heavy fire; it was said he could not make decisions and lacked vision in planning election strategy. Pompidou was forced to intervene personally, warning party leaders against the dangers of narrow partisanship in the face of growing public support for the united left. Despite his admonition, it took weeks of semi-public wrangling before the coalition members could agree on single candidates for most of the election districts. While the lion's share of those selected were Gaullists, the lineup represents a more equitable distribution than in previous elections. More important, the agreement means the coalition will pose a single opponent to the left in some 433 of the 490 election districts. Nevertheless, serious problems remain.

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French Public Opinion Polls					
	1972			1973	
	Oct.	Nov.	Dec.	Jan.	Feb.
Government Coalition	45	42	38	37	35
Leftist Alliance	42	43	46	47	47
Centrists	13	13	15	16	17

Sticky charges of corruption among the Gaullists have contributed to the friction within the coalition. A series of scandals—the latest broke in September—has rocked the party almost continuously since mid-1971, and each has explicitly or implicitly involved Gaullists in fraud, abuse of public confidence, influence peddling, extortion, or outright theft. The government was able to dampen publicity on the September

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incident, but taken together the scandals have compromised the party's image after 11 untainted years under De Gaulle.

The government is deeply in trouble over inflation. Prices are increasing at the fastest rate in ten years, and the French electorate traditionally votes its concern on bread-and-butter issues. The government is, of course, aware of this and announced new measures aimed at slowing inflation. These measures are not likely to have much effect—and in any case not before the election. Pompidou feels he must avoid anything so unpopular as wage controls, even though they might be more effective. Government leaders are attempting to minimize the impact of the price increases by stressing that other industrialized nations also suffer from inflation, some to a greater extent than France, and that the competitive position of French exports thus far has not been imperiled. These explanations have not impressed the voters, many of whom feel the fruits of economic growth are not being equitably shared. At any rate, the opposition is getting considerable campaign mileage out of the alarming situation.

The campaign has been dragging along since early fall, and government and opposition alike face a serious risk of overexposure. The government-controlled television network has been flooded with complaints about too much political reporting during prime-viewing time. The surfeit could well lead to voter apathy, which would be a serious problem for the Gaullists and their partners. The election this year will in no way be a repeat of 1968, when public reaction to the student and labor crisis helped swell the Gaullist vote to record proportions. With no specter of revolutionary chaos to confront them, French voters are likely to revert to their more usual voting habits. A high rate of abstention would tend to hurt the governing coalition because the leftists—the Communists in particular—are highly efficient in getting their supporters to the polls.

So far, coalition forces have had a tough time demonstrating the superiority of their policies. This being the case, they have resorted to

GOVERNMENT COALITION LEADERS**President Georges Pompidou****Economics and Finance Minister
Giscard d'Estaing****SECRET**

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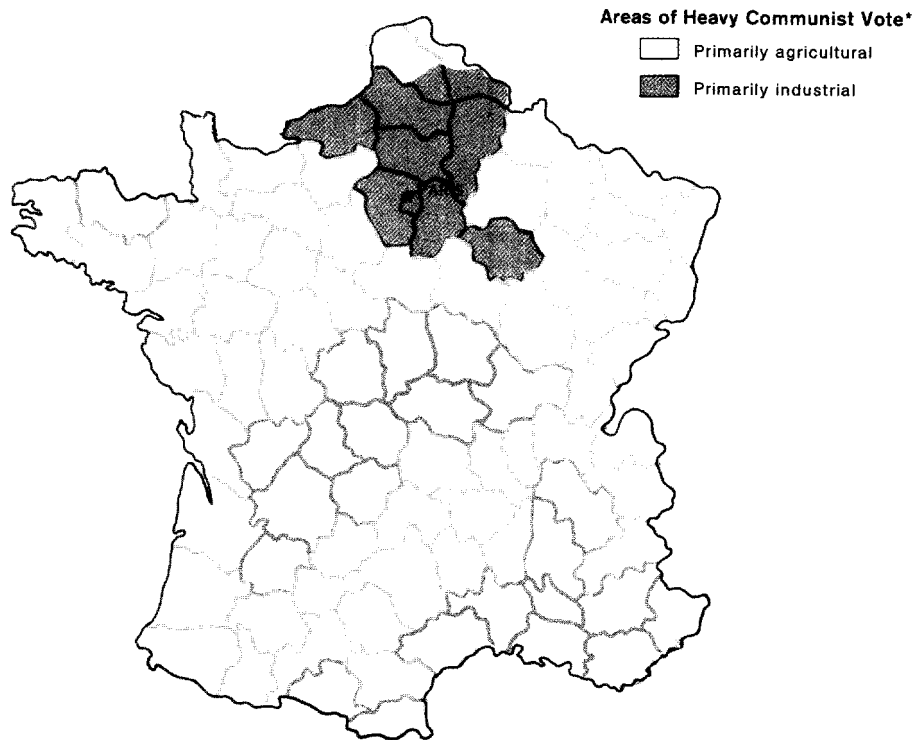
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the time-honored campaign theme of the leftist menace. They reportedly suppressed a late January poll by a respected agency that showed the Communists—but not the Socialists—had slipped to an all-time low in voter preference. Although government spokesmen loudly proclaim that only an anti-Communist regime can maintain France's special, but independent, relationship with the USSR, polls show that the left no longer is a bogey to the middle-of-the-road voter. For its part, the opposition continues to attack the government for corruption, inefficiency and indifference to the society's under-privileged. The central theme of the government's campaign is support for President Pompidou and his policies. The election results will be regarded as a test of voter sentiment and could affect his decision on whether to try again for the presidency in 1976.

A United Left

The left in France is generally as fractious and divided as elsewhere, but last June French leftists got together on a precedent-setting "common accord for governing." While the accord got off to a slow start, by November the leftists were beginning to show that they could give the government a good run for its money. More tightly organized than the government coalition, the leftist alliance—the Communists, the Socialists and the left-Radicals—has been better able temporarily to submerge deep-seated differences in the interests of the campaign. Many Communists, for example, believe that their party leaders compromised their ideals by agreeing to the accord, and many Socialists feel impelled to

Communist Electoral Strongholds



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*Areas of over 20% Communist vote of total registered electorate.

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counter allegations that they have become dupes of their ally.

Although there appears to be no personal rivalry between Communist leader Georges Marchais and Socialist chief Francois Mitterrand, most French Communists realize the latter hopes to become the uncontested spokesman for the left in preparation for a presidential bid in 1976. To the French electorate in general, he is seen as a shrewd opportunist who gave De Gaulle a close run in the 1965 presidential race and who pulled the disunited left together last year. Twice in the past six months, Mitterrand has artfully grabbed the spotlight. He convened a regional meeting of the Socialist International in Paris on 13-14 January, attended by Israeli leader Golda Meir. The meeting increased his stature as a national and international figure. Earlier, in August, he publicly traded insults with the Soviet ambassador over Jewish emigration from the USSR and Soviet policy toward Czechoslovakia. The Communists, boxed in by their own ambiguous position and conflicting loyalties, came off a poor second.

Regardless of the outcome of the election, the prestige of Francois Mitterrand would be significantly enhanced. He hopes that, by presenting a credible leftist alternative to the present government, he will, over time, be able to wean away from the Communists a number of voters who want fundamental change but who are not ideologically committed to communism. Mitterrand's strategy calls for cooperating with the Communists in attacking the government and in defending the common leftist program, while differentiating himself from the Communists on questions of individual liberty, democratic procedures, and certain foreign policy issues. Mitterrand has shown great skill in juggling these conflicting demands and has already emerged as the foremost leftist leader. If under his stewardship the Socialists win more impressive gains in the elections than the Communists—and some polls indicate that is possible—Mitterrand will be in a strong position for 1976. In the 1965 presidential contest, he forced De Gaulle into a runoff ballot and won 44.8% of the vote on the second round.

THE UNITED LEFT

Communist Leader Georges Marchais



Socialist Chief Francois Mitterrand

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Moscow has long been an election cross for the French Communists. Mitterrand is anathema to the Soviets, who consider him a narrowly ambitious politician. To Moscow, the alliance of the French Communists with such a man illustrates the underlying inconsistency of their position. The Communists feel they must keep their ideological fences with Moscow in good repair; at the same time, they must emphasize their willingness to abide by the rules of French democracy. They must maintain their opposition to the government coalition even though Moscow gives them little help. The speech of Kremlin ideologist Suslov at the French Communist Congress last month implied Soviet reservations about the joint leftist program. Marchais subsequently met with Soviet party chief Brezhnev in Moscow, but evidently got nowhere. On the contrary, by continuing to cite Franco-Soviet relations as a model for other West European nations and by scheduling the Brezhnev-Pompidou meeting in mid-January, Moscow has emphasized that it prefers to deal with a Gaullist government.

President Pompidou may attempt to exploit his Russian trip as an indication of his government's ability to deal with the USSR, but since the visit centered on foreign policy issues—in which the French electorate is notoriously uninterested—he may not get much mileage out of it.

The Centrist Connection

The centrist parties constitute a small but pivotal grouping. They formed a coalition of sorts some 18 months ago. Baptized the Movement for Reform, it brings together what the Gaullists call the left-overs of the Fourth Republic, i.e., leaders and voters unable to find a place in the polarized politics of the Fifth Republic established in 1958 by De Gaulle. The reformers are led by Jean Lecanuet and Jean-Jacques Servan-Schreiber. The Lecanuet faction is more conservative on economic and social issues than many Gaullists, while its partners are slightly left of center. The movement agrees on the need to decentralize government administration; to shift budget priorities

THE CENTRIST COALITION



Jean Lecanuet



Jean-Jacques Servan-Schreiber

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from prestige projects like the Concorde to social and economic projects at home; to move more rapidly in developing European Community political institutions. The two leaders differ on tactical goals. Lecanuet is intent on blocking a leftist victory and enjoys relatively good relations with Pompidou and other government leaders. Servan-Schreiber is committed to defeating the government and is considered a *bete noire* by many government supporters.

The Gaullists are losing ground, and Pompidou could find himself in a situation after the election in which he would have to negotiate with the centrists—most likely with Lecanuet, who wants to enter the government. Even if Pompidou retains a working majority in the new assembly, he may still wish to develop a relationship with some reformers. He would have the option of formally inviting some of them into the government or of developing an informal working relationship with certain deputies. Most reformers would prefer to enter the government—a move which would reunite the old centrist bloc. Some, however, still have lingering hopes of translating their dream of a true centrist regime into reality and are hesitant about being co-opted into Pompidou's fold.

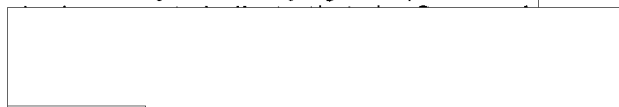
System May Favor the Government

The French election system of single-member districts and two rounds of voting favors large, nationwide parties like the Gaullists that can appeal both to the ideologically faithful and to the uncommitted voter. French election districts have been drawn to give less representation to urban and suburban areas, which are predominantly leftist, than to rural regions that support the government coalition. Extensive gerrymandering and a substantial population shift from rural to urban areas result in great disparities in the number of voters represented in various districts. On the average, it takes a little over 30,000 votes to elect a Gaullist deputy in rural France but nearly 130,000 to elect a Communist in a Paris suburb.

Few contests are settled on the first round because a candidate must have an absolute

majority to win right off. In 1968, for example, only 154 out of 487 races were decided on the first round. Those candidates who receive at least 10 percent of the vote on the first ballot can run on the second. This requirement tends to eliminate splinter parties and set up a head-on contest between the left and right in most districts. After the first round there will be a critical week of bargaining as candidates decide whether and under what conditions to run on the second ballot. The government parties may gain more in the runoff contests than the left, whose percentage of the vote has dropped between rounds in every legislative contest except one since 1958.

The government parties have already agreed on a single candidate to represent them in over three-fourths of the election districts and hence will not have to engage in potentially divisive bargaining. The coalition may try to strike a few informal agreements with opposition Reformist candidates, whose presence in the runoff race could draw votes from the government. In contrast, the left still faces critical decisions on which candidates will represent it on the second ballot. Although each of the leftist parties has theoretically agreed that its candidates will withdraw in favor of the one "best placed" to win, the formula is subject to varying interpretations.



The question of withdrawal will be particularly difficult in cases where the Socialist candidate obtains fewer votes on the first ballot, but is in a more promising position to attract support from center-left voters in the second round.



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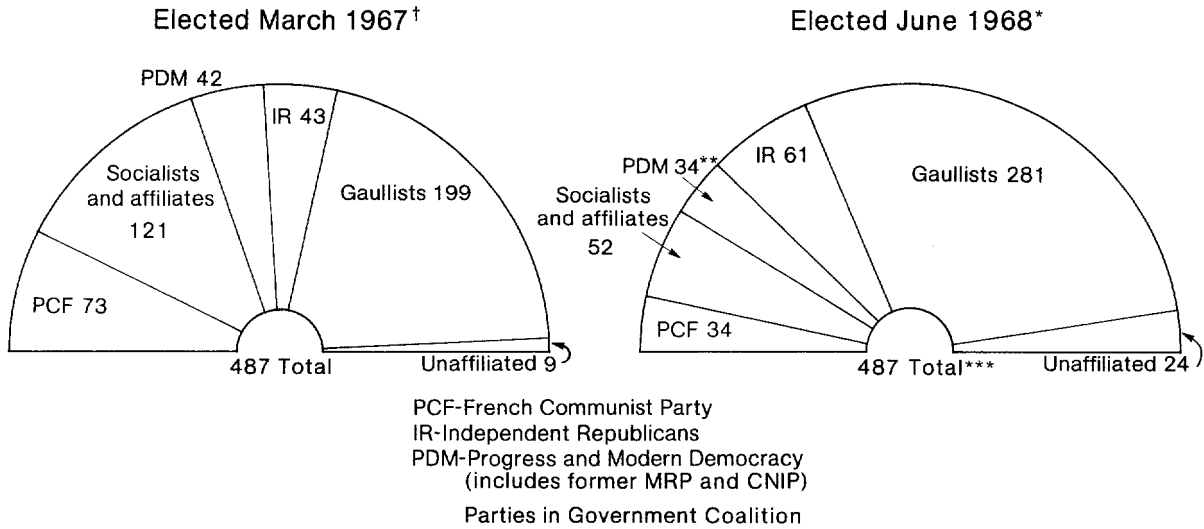
The Communist stance on withdrawal will be particularly significant because of differing voter reactions when there is a choice between a Pompidolian and a Socialist as opposed to a decision between a Pompidolian and a

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Party Strength in the National Assembly



[†]The Gaullists and their coalition partner the Independent Republican Party were two votes short of a majority but on most issues could count on additional votes from the PDM or the unaffiliated deputies.

*Figures as of 1972.
 **Some of the PDM are considered part of the Government coalition.
 ***One seat in the Assembly is presently vacant.

Results of National Assembly Elections, 1967-1968

Party or Federation	Percent of vote	
	First ballot	Second ballot
1967		
Gaullists and affiliates	37.8	42.6
Socialists and affiliates	21	25
Communists	22.4	21.4
Democratic Center	12.8	7.1
Others	6	3.9
1968		
Gaullists and affiliates	43.65	48.8
Socialists and affiliates	16.50	21.6
Communists	20.03	19.9
Progress and Modern Democracy	10.34	8.1
Others	9.48	1.6

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Communist. The middle-of-the-road centrists and uncommitted voters, the latter make up some 30 percent of the electorate, will hold the key. Recent polls indicate that centrist votes on the ballot will split nearly seven-to-one in favor of the Pompidolian who is opposed by a Communist, but almost evenly if the contest is between a Pompidolian and a Socialist. Other polls indicate that two out of five Socialist voters would opt for the government parties rather than vote for a Communist on the second ballot. For the left to make significant gains, then, Socialists rather than Communists must lead the ticket after the first round, or the Communists must withdraw in unprecedented numbers even if their candidates are out in front.

The depth and breadth of the anti-Communist reflex among the uncommitted voters has never been tested. The fact that the French vote in the first round against their grievances and in the second against their fears should work in favor of the government coalition, particularly if it can exploit the latent, though evidently diminishing, public fear that a leftist victory would radically change the French system.

Preferences measured in public opinion polls, while generally quite accurate in predicting percentages of votes in the first round, do not reflect the makeup of the ensuing assembly. In the election of March 1967, the Gaullists and Independent Republicans won 42 percent of the vote and 242 of the 485 seats, the left won 45 percent of the vote and 194 seats, while the centrist parties won 13 percent of the vote and 41 seats. This was very close to the pre-election polls, and current polls are similar to those in 1967. Even if the voting pattern were repeated, it would not necessarily bring about a parallel distribution of seats. In 1967 there was a general swing to the left throughout the country. Today, the left's strength is less evenly distributed geographically. The left is particularly strong in the south and southwest and in the industrial suburbs of the major cities, but relatively weak elsewhere.

Possible Outcomes

Basically, the election this year could turn out in one of four ways. First, the present coal-

tion could emerge with a reduced but workable majority in the assembly and lose some of its Gaullist coloration. Second, the government could lose enough seats to force it to broaden the coalition by including some centrist opposition elements. Third, the government's losses could be so extensive that it would have to rally the right wing of the Socialist Party as well as most of the centrists now in the opposition. Finally, the left could win a majority.

The first situation—a reduced but workable majority—is still the hope of the governing coalition. In this event, Pompidou probably would make only minor changes in the government and its policies. Because the Independent Republicans may well gain seats and the Gaullists lose some, power within the coalition would be more evenly distributed. Valéry Giscard d'Estaing would be given a greater voice in formulating national policy. While a government based on such a division of power would not discard major Gaullist tenets such as national independence, a strong national defense and a distrust of supranational institutions, it would not be as wholly Gaullist in outlook as the present government. Giscard and his party hold slightly more favorable attitudes toward the European Communities and the Atlantic Alliance than the Gaullists, and are generally less strident on the Middle East, Vietnam and other aspects of Gaullist foreign policy. Perhaps the most significant aspect of this outcome would be the personal implications for Giscard d'Estaing. He has never concealed his presidential ambitions, and opinion polls consistently put him at the top of the list of French politicians with a good political future. Giscard clearly hopes the election results will enhance his prestige and bargaining power within the coalition. In certain circumstances, President Pompidou might even consider offering him the prime ministry.

In the second situation—losses heavy enough to deny the coalition a working majority—the President would be forced to change the composition of the government rather extensively. He would probably seek a new prime minister, and it is almost certain that the center parties would insist on several portfolios, including a major post for Jean Lecanuet. Pompidou could live with this.

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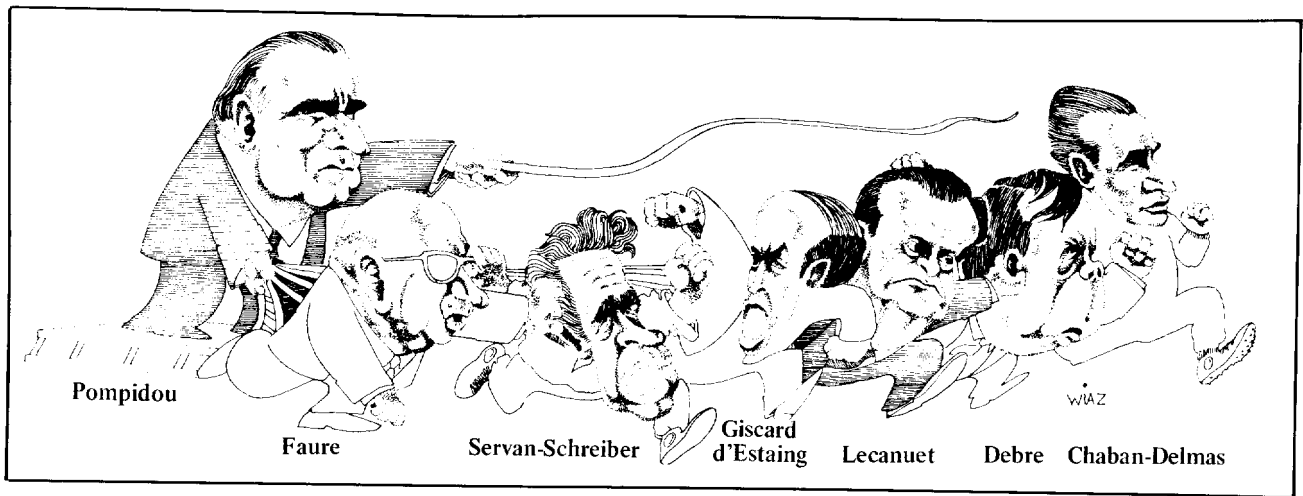
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The immediate impact on government policy probably would not be profound. He would still remain in full command, and he might even take the opportunity to absorb some centrists to dilute Giscard's influence. Over time, however, the influence of the centrists would undoubtedly be felt, and both domestic and foreign policy would undergo changes. Centrist forces have not clearly spelled out the specific policy changes they desire. It is reasonable to assume, however, that the increased influence in such a government of moderate political leaders—who are basically more favorably disposed toward the US than many Gaullists—would have a benign impact on Franco-US relations. A government so composed would be more cooperative within the Atlantic Alliance, take a less intransigent stand in Brussels on many aspects of EC relations with the US and, perhaps over time, take a more positive line on the Middle East and other foreign policy issues. The degree of influence the centrists could exert, however, would depend on how crucial their support is and on what ministerial posts they occupy.

In the third situation—even heavier Gaullist losses—the President might well resort to the so-called “Edgar Faure solution.” He would turn to Faure, who, though not a party member, is the acknowledged leader of the Gaullist left wing. Faure would be asked to form a government whose support would range from the right wing

of the Socialist Party through the center to the left wing of the present coalition. Such a solution would have some appeal to those Socialists who feel uneasy in harness with the Communists. Under such a government, if one could be formed and survive for any length of time, fairly radical departures in economic and social policy could be expected. In foreign affairs, it would probably emphasize to a much more pronounced degree French independence from the US and “special relationship” with the USSR. Still, the US would probably be able to maintain a reasonable working relationship with a Faure government, but it is difficult to imagine that the cooperation would be very close. There might be some improvement, from the US point of view, in certain areas where Paris is at odds with Washington, since a Faure coalition might perceive French interests in a fashion different from the present government and be less rigidly attached to certain “Gaullist” principles.

The fourth situation—a leftist victory—would bring a prolonged period of political and institutional turmoil. There would be a prolonged hostile confrontation between the President and the parliament. The constitution of the Fifth Republic provides no sure guidelines. France, for example, now has a popularly elected President endowed with significant powers, and this fact makes it most unlikely that the old predominance of parliament would be revived.



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Although the assembly could refuse to pass desired legislation, that would presuppose a continued unity of views on diverse issues in the opposition. Moreover, the assembly no longer has unlimited competence in the field of legislation. Its rights have been restricted to more basic pieces of legislation and to the budget, so that the government can often get along without assembly concurrence. The executive takes the initiative in proposing most bills which eventually become law and has rather broad powers to issue implementing decrees and ordinances. There is even authority for the cabinet to adopt an interim budget if the assembly fails to act in time. Many other detailed provisions of the constitution make it easier for the cabinet to manage the lawmakers, including the government's power to restrict the active agenda of parliament, which is in regular session less than six months a year.

The President has other options for dealing with a leftist assembly. He could name a minority government of his own supporters and challenge the left to overthrow it by censure procedure. In late December, Prime Minister Messmer stated categorically that, regardless of the election results, the President would pick one of his own supporters to lead the new government. Pompidou himself has hinted broadly that the appointment of Mitterrand—much less Marchais—is out of the question. If the left doesn't like this, it will find that censure is a difficult procedure because a majority of all deputies—not just those present and voting—is necessary and only a limited number of censure motions can be presented during a session. A move for censure would immediately test the cohesiveness of a left coalition which, in the absence of a substantial majority in the assembly, might find it difficult to impose the necessary discipline on its heterogeneous troops.

If the left did manage to pass a censure motion, the President would be obliged to dissolve the government. He would be in an unhappy dilemma. On the one hand, he has acknowledged, "The authority of a state which does not rest on the confidence of the French people and on democracy would not be tolerated for long." On the other hand, it seems highly unlikely that he

would try to govern in tandem with a leftist prime minister. Although Pompidou has not specified what he would do if his coalition cannot form a majority, he has said, in cryptic fashion, "I will draw my conclusions" from a leftist victory.

He might instead dissolve the assembly and call for another election. He would proceed cautiously in this direction, since the left could make further gains in a second election. The leftists could call upon trade unions to harass the government through strike activity and protests. They would be constrained in such tactics, however, by their efforts to develop an image of conformity to the norms of democracy and by their recollection of how the government exploited the disruptions in 1968. In choosing whether to push for a second election, the leftists would also have to weigh the possibility that the electorate might well have second thoughts when faced with the reality of a strong leftist position in the assembly.

Pompidou has a number of other weapons at hand to block an attempt by a leftist assembly to force a change in government. He could exercise one of several presidential prerogatives in addition to dissolving the assembly. Article 16 of the constitution provides that the president may rule by decree under extraordinary circumstances. He alone decides when the situation is sufficiently extraordinary to justify such rule and when the circumstances have passed. Although the assembly cannot be dissolved during this period, there is no mechanism by which it can impose its will on the president and thus virtually no constitutional checks which set limits on the decisions of the President. Pompidou would be likely to use this power only if a leftist victory at the polls were followed by a very serious breakdown of public order.

Article 11 of the Constitution provides that the President, on the proposal of the government during an assembly session, may submit to the people a referendum dealing with "the organization of the governmental authorities." [redacted]

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The President is prohibited by the Constitution from dissolving the assembly more than once in a 12-month period. Therefore, if a leftist government were returned to power in a second legislative election, Pompidou would either have

to accommodate himself to it or resign from the presidency. If he resigned, new presidential elections would have to be held within two months. Only after all of these steps were taken and a leftist candidate were elected president would the left have "come to power." France is still far from such an eventuality. [Redacted]

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