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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Secret

11 May 1973
No. 0369/73

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25X1 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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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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Middle East

RIISING TENSIONS (NO SOURCES)

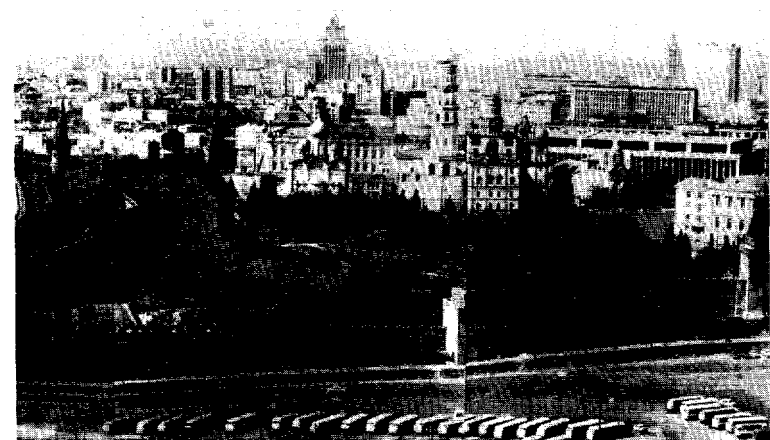
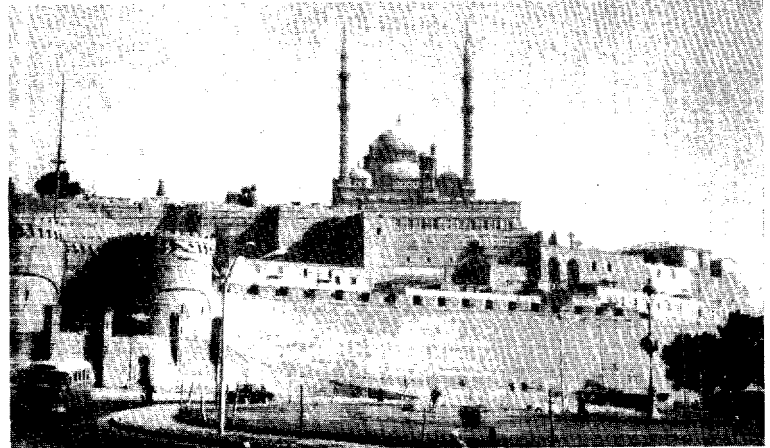
In the past several weeks, Egypt and other Arab states have taken a number of measures that could be interpreted as preparation for hostilities against Israel. These actions could also be taken as part of an effort to arouse international concern and stimulate new pressures on the US to force Israel to be more accommodating on a peace settlement.

There is no conclusive evidence that Sadat has made a decision to attack. Both Sadat and his advisers are aware that their military prospects are poor at best; a fresh disaster might well sweep away Sadat and his regime. His military preparations are not, in any case, complete, and he has not exhausted his political options. The UN session on the Middle East, now set for late May, and the US-USSR summit will be critical factors.

Military moves by other Arab governments seem in harmony with Sadat's purpose. The major gap in the Arab line-up—one to which the Arabs are accustomed—is the refusal of the Jordanian Government to place its forces at the disposal of the "eastern front."

The Lebanese flare-up illustrates the danger that military moves might develop a momentum that Cairo would not be able to control. The events of 1967 argue that most Arab governments are not able to resist giving the situation a shove once it has started rolling. Sadat has said so often that he is now dead serious that it will be progressively more difficult to find excuses for inaction, particularly when other Arab leaders have fulfilled their commitments to his cause.

Israel professes to see no serious threat of war, although Tel Aviv may be less relaxed than it has indicated. The Israelis are watching most particularly for any signs that the Egyptians or other Arabs are developing a serious capability to damage Israel itself. Such a development would lead the Israelis to consider a pre-emptive strike. 7



Top to bottom: Cairo, Beirut, Moscow

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A TOUCHY SITUATION

12 [After a week of fitful fighting with the fedayeen, the Lebanese Army appears to have gained the upper hand.] The Lebanese are cautiously optimistic that the army's forceful tactics and the broad popular support for President Franjyah's tough stand place them in a strong position vis-a-vis the guerrillas]

11 [The air strikes and artillery fire against fedayeen positions in Beirut and the Arqub-Fatahland—in the southeast appear to have had a sobering effect. The army's liberal use of its firepower has inflicted heavy losses.]

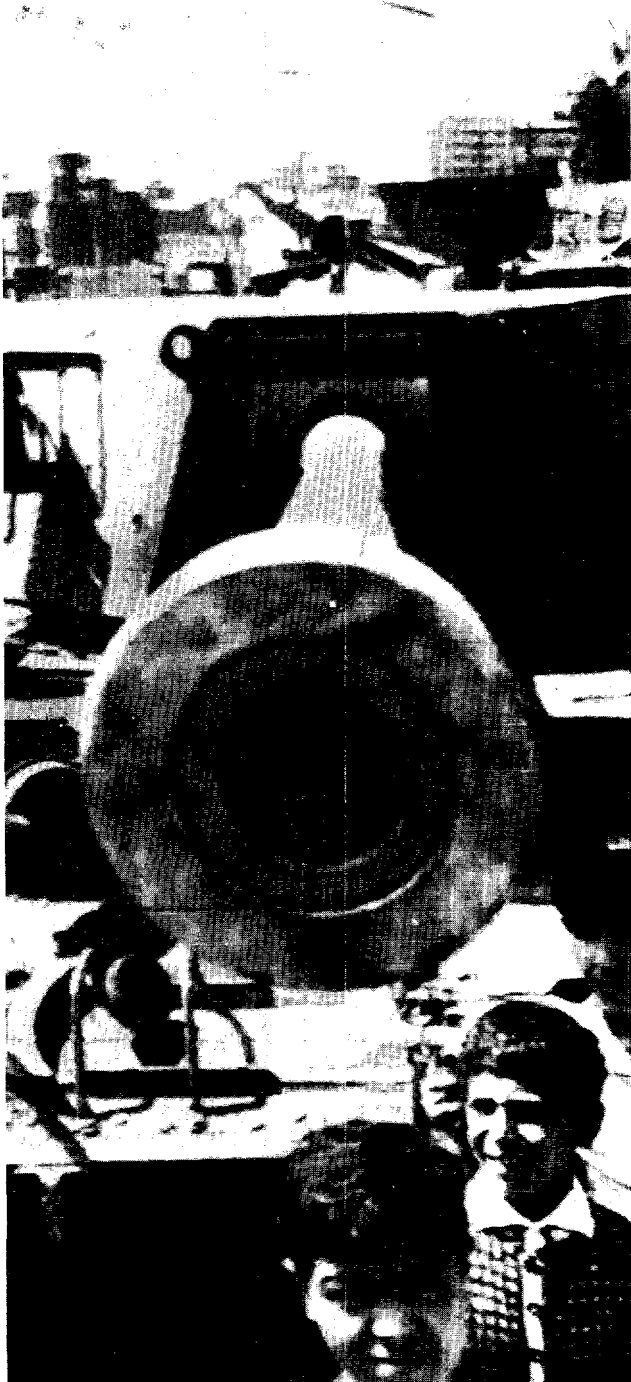
11 [There are still incidents of terrorism staged by extremist fedayeen bent on shattering the truce. Fedayeen-army joint committees have begun enforcing the cease-fire in Beirut, but they will have trouble reining in the extremists.]

[Communal differences have not been a factor in the conflict so far.]

15 [Beirut sees Damascus' limited involvement as no more than might be expected in light of Syria's generally hostile attitude toward Lebanon and pressures from within the Syrian power elite for support of the fedayeen.] Since the fighting began, the Syrians have allowed an estimated 1,000-2,000 fedayeen to infiltrate into Lebanon, but have not committed Syrian regulars.

4 [The uproar in Lebanon is an embarrassment to Egypt and the other Arabs because it distracts international attention from what they see as the broader aspects of the Middle East conflict.]

11 [The Israelis are keeping a close watch on their border with Lebanon. The prime question for Tel Aviv is how far Syria will go in support of the fedayeen in Lebanon.] Israeli Defense Minister Dayan on 9 May indicated that Israel had no intention of acting as a "policeman in an inter-Arab quarrel." At the same time, he issued a public warning to Damascus that Israel would take action if Syrian regular forces entered Lebanon and took up positions on Israel's borders.



Lebanese Children with Abandoned Tank

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Indochina

MODERATION FROM CHINA

~~(NO SOURCES)~~

22 Chinese diplomats have indicated privately for months that Peking favors an end to the fighting in Indochina for several reasons. Prolongation of the conflict would, in China's view, only serve to inhibit improvement in relations with the US while cessation of hostilities would enhance China's prospects for reaching its own political goals in Southeast Asia. Toward this end, the Chinese have urged their allies to the south to avoid actions that might provoke US reinvolve-ment. Some officials have suggested Peking is prepared, if necessary, to press Hanoi harder on this score; one even hinted that China might go so far as to end its military assistance.]

21 [The Chinese apparently have taken another look at the situation in the wake of recent developments which heightened concern that Indochina after all might not be removed as a major issue in big power politics. Following discussions in Peking with Communist leaders from Indochina, the Chinese put out a series of authoritative statements which suggest that Peking has indeed interceded again and called for greater tactical restraint.]

21 [Running through the statements has been a clear implication that it is time for the Communist side in Indochina to show a greater effort at compliance with the cease-fire agreement. An editorial and commentary in *People's Daily* and a message signed by Chou En-lai treated the provisions of the cease-fire agreements dealing with "foreign" forces in a manner suggesting Peking had Hanoi in mind as well as the allied side. By contrast, the Chinese in the past have been explicit that the US and South Vietnamese were at fault.]

22 [The Chinese in private may have told the Indochinese that a more flexible Communist stance would turn to better advantage the rela-

tively strong Communist positions in Laos and Cambodia, while reducing chances for US reinvolve-ment. On Laos, Peking may have urged Hanoi to move ahead with a new government. On Cambodia, Peking clearly hopes that Sihanouk will gain a major share of political power in a postwar government in Phnom Penh. Peking apparently believes, however, that a more flexible bargaining position might be more attractive to Washington.]

21 [*People's Daily* on 25 April used a different formulation than heretofore in outlining Peking's terms for a settlement. The paper called only for an end to US military interference in Cambodia. About a month ago, Chou publicly insisted on an end to all US involvement, political and economic as well as military. A year ago, the North Vietnamese, in a show of flexibility, uncoupled their demand for a US military disengagement from Vietnam from their demand for an end to US political and economic involvement in Saigon.]

THE WET SUMMER MONTHS

23 [The possibility that the Communists might use their newly infiltrated men and materiel in a major offensive this spring is rapidly diminishing. Earlier than normal rains have already begun to slow movement on the Ho Chi Minh Trail and will soon impede the Communists' ability to receive vital combat support from back-country bases. Drier weather prevails along the northern coast during the summer, however, so major combat would be more likely to occur there than elsewhere.]

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23 [redacted] preparations for a big campaign are almost totally lacking at present. The Communists' major military effort during the wet summer months, therefore, seems likely to go into rebuilding, realigning, and consolidating their main forces, their logistic system, and their specialized sapper and artillery units.]

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23 [The Communists probably assume that emphasis on rebuilding their forces and on tactics like artillery harassment and small-scale raids will give them a capability to defend most of what they now control and a much improved military position by next fall's dry season.]

Troubled But Trying

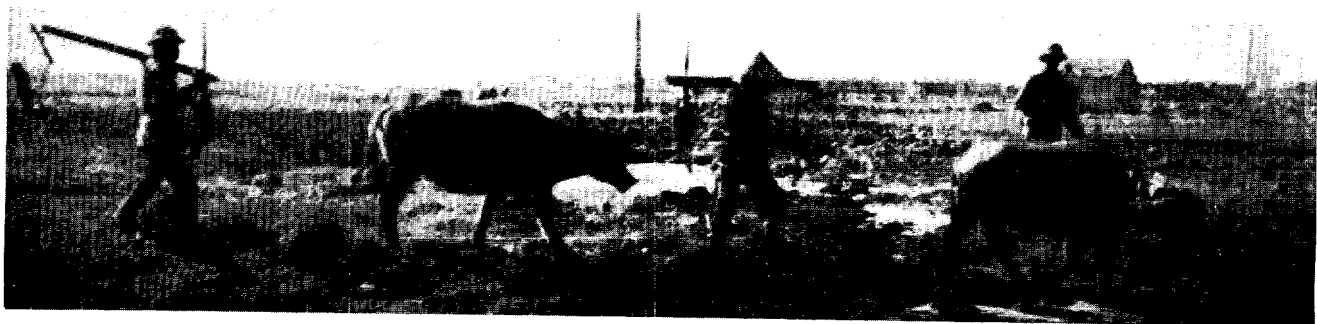
24 [Some of President Thieu's political opponents are becoming more active, but they do not pose much of a threat to the government. Last week Big Minh, still Thieu's most prominent opponent, issued his second recent statement criticizing both Saigon and the Viet Cong for their "meager" attempts to implement the cease-fire agreement. Minh is clearly pointing to his availability to play a role in a peace settlement as a "third force" leader. His statement received some publicity in the Saigon press. It drew a rebuttal from the government that it contained nothing "new, concrete, or reasonable" and that a "so-called third segment" does not exist in South Vietnam.]

25 [The An Quang Buddhists, the most important opposition group, are still divided, in part over political tactics, but they continue to resist pressure to move closer to either the government or the Communists.]

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More Problems in Agriculture

28 [Hanoi is beginning to focus more intently on persistent production problems in agriculture. The North Vietnamese leadership has complained in a series of recent editorials that the people are paying too much attention to private production and not enough to the collective economy—a



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complaint and a problem as old as the regime itself. The recommended remedy is also a familiar one—to increase material incentives, a prescription long associated with party leader Le Duan. This time around the leadership is trying to entice the peasant away from his private plot by making work for the collective more attractive. The articles recommend better pay for better work and increases in peasant income in general.

28 [Concern with lagging agricultural production has increased considerably since the cease-fire, and Hanoi planners are obviously anxious to get back on the road to self-sufficiency in food production as quickly as possible. The prospects in the near term are not promising. The current spring crop is having problems, according to public pronouncements which put the blame as much on the weather as on inadequate collective management. Unusually warm weather has indeed brought on insects and disease, drought has affected several areas, and the peasants are having special difficulty with the high-yield strains that make up roughly two thirds of the crop.]

CAMBODIA: POLITICAL PITFALLS

29 [The selection of a new prime minister in Cambodia is rarely an easy undertaking, and the new ruling body in Phnom Penh—the four-man High Political Council—is finding this out. Since its installation late last month, the council has met frequently with representatives of two of the country's three political parties to try to decide on a new prime minister. Negotiations bogged down early in the week when Republican Party leader and council member Sirik Matak unexpectedly nominated a political nonentity from the pro-government Socio-Republican Party as his choice for prime minister. Matak's move appeared to be a Byzantine bid to enhance his own political position. Whatever the case, council members In Tam and Cheng Heng reportedly are strongly opposed to Matak's candidate. If a compromise is not reached soon, the council itself could founder.]

Aside from the prime ministerial hassle, some progress has been made in dealing with

several policy issues. The council and party representatives have agreed on the need for new elections, but they preferred to avoid additional dispute on this delicate subject and deferred decision on the type and timing. On the military side, they agreed to place the armed forces under civilian control, presumably through the prime minister's office. This move appears to be designed to reduce President Lon Nol's overinvolvement in military affairs—something that the three other council members are determined to achieve.]

The Military Situation

(29) [Meanwhile, the fighting continues along familiar lines. Heavy air strikes have not dislodged Communist troops from their well-entrenched positions along sections of the Mekong. A resupply convoy en route to the capital from South Vietnam was attacked on 6 May, and two of the convoy's nine ships were badly damaged. The Communists also maintained a grip on stretches of most of the principal highways leading to Phnom Penh.]

LAOS: STILL MORE GAMES

30A [If Phoumi Vongvichit brought back new negotiating cards when he returned from Sam Neua two weeks ago, he is holding them very close to the vest.] [In meetings with Prime Minister Souvanna Phouma and Souvanna's personal envoy, Pheng Phongsavan, Phoumi has merely repeated the demands that have stalled lower level talks.] [Consequently, government officials believe that Hanoi will not allow the Lao Communists to conclude a final peace agreement until cease-fire problems in South Vietnam are resolved and until there is some movement toward a solution in Cambodia. This could well be the case. Still, Souvanna is now in personal charge of the negotiations, and agreement might be reached quickly once the Communists are ready. When Hanoi gave the Lao Communists the green light in February, the two sides surmounted considerable obstacles in a matter of days.]

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EC: END OF A WRANGLE

61 The EC Council on 1 May reached agreement on farm prices, but only after one of the EC's most difficult, confused, and bitter meetings. The enlargement of the community this year to include the UK, Ireland, and Denmark contributed to the acrimony, particularly because Britain is opposed to higher farm prices.

61 Concern that a deadlock would paralyze not only the common agricultural policy, but other EC activities as well, pushed the Nine into a compromise. It includes a big price rise for meat, especially beef—which is in short supply—and small increases for grain and beet sugar. The compromise calls for incentives to farmers to encourage them to switch from milk production to beef and veal.



61 The smallness of the increase in the grain support price is good news for US exporters. In addition, the EC apparently refused to discuss a French proposal to include soybeans—a major US agricultural export to Western Europe—in the EC's protectionist farm support system. A new margarine tax, which the US opposes, also failed to materialize, despite considerable European interest in such a tax as a way of tackling the butter surplus.

61 The EC now can prepare for a thorough review of farm policy this fall. Proposals probably will include increased direct national payments for poor farmers to supplement income earned in the market. The present system, based almost entirely on price supports, has become harder to manage because of monetary instability. Moreover, German and British resistance to financing the family farm in France and Italy under the present system is now so strong that it adds force to talk of reform.

61 The extraordinary difficulties of the recent meeting have led to harder thinking about the inefficiency of EC decision-making in general. Danish Economic Minister Norgaard, who takes over as council president for a six-month term in July, told American representatives in Brussels that he had been disgusted at spending 100 chaotic hours negotiating a compromise "which should have taken 10 hours at most." Norgaard is aware of the usual argument that such marathon sessions are the only way to achieve critical EC decisions. He is also well aware of the resistance he will meet if he moves to rationalize council procedures. He has, however, talked with the British who also find council methods annoying and expects their strong support.

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The Netherlands
A GOVERNMENT AT LAST

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61 A coalition cabinet is finally taking form more than five months after the parliamentary

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elections; it is an unhappy compromise that is not likely to endure. For as long as it does last, the new center-left government will have to proceed cautiously.)

68 [After the inconclusive elections in November, the excessive number of Dutch parliamentary parties and the intransigence of their leaders hampered efforts to form a new government. The 150 seats in the Second Chamber are divided among ten parties. Some of these are aligned in two general political groupings. The socialist "Progressives," composed of the Labor, Democrats '66, and Radical parties, hold 56 seats. The moderate-right "Confessionals," composed of the Catholic People's, Protestant Anti-Revolutionary, and Protestant Christian Historical Union, hold 48 seats. Neither grouping could muster a majority without the other. After months of haggling, the progressives were able to break up the confessional group and convince elements of the group to join a new coalition.]

66 [The coalition cabinet, with Labor floor leader Joop den Uyl as prime minister, will consist of ten ministers from the progressive and six from two of the confessional parties. The Christian Historical Union stubbornly refused to take part. Last week, the cabinet-to-be agreed to a program that will satisfy about 80 percent of the pre-election program of the confessional group while moderating part of the progressive program. Neither group will be satisfied with the compromise program, which will not be formally announced until next month, but both sides will have to proceed with it in a businesslike manner if they want their coalition to get anything done.]

FRANCE: MORE MISSILES

69 [Armed Forces Minister Galley confirmed late last week that France intends to build a third

group of nine IRBM silos at the St. Christol complex. The French for many years have planned to have a force of at least 27 IRBMs; the first group of nine became operational in 1971, the second in 1972.]

70 [The announcement presumably means that construction on the third group will now be resumed. Work on this group was halted in 1969, when former Defense Minister Debre announced that completion would await the development of an improved missile with a thermonuclear warhead.]

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ICELAND: A KEY RESIGNATION

74 [The sudden resignation last week of Hannibal Valdimarsson from his two cabinet posts was a sharp blow to the Icelandic Government. If Valdimarsson's party, the Organization of Liberals and Leftists, does not appoint someone to fill the vacated cabinet positions, the government could fall.]

74 [This may have been Valdimarsson's objective. He still has his parliamentary seat and his post as party chairman.]

73 [Valdimarsson used the issue of bringing the fishing dispute with the UK before the International Court of Justice as an excuse for leaving the cabinet. The opposition parties have held that Reykjavik can present a valid case to the court that Iceland's economic survival is dependent upon wider fishing zones, and Valdimarsson agreed. The Communist People's Alliance and the Progressive Party, the primary members of the present three-party coalition, as well as some

members of Valdimarsson's party oppose presenting the dispute to the court.]

74 [Progressive Party leaders, particularly Prime Minister Johannesson and Foreign Minister Agustsson, are in political trouble because they have made no headway in resolving the fishing dispute. In waters off Iceland, the dispute has led to collisions and gunplay in the last two weeks. The latest round of negotiations with the British was broken off on 4 May. The British foreign secretary has threatened to "send in the navy" if further serious incidents occur.]

74 [In the event of a collapse of the present government, its likely successor would be a center-right coalition of the Independence Party, the Social Democrats, and Valdimarsson's party. Such a mix would be less antagonistic to the US on the base issue. Prior to Valdimarsson's resignation, Agustsson had threatened to bring up the base issue formally in NATO. He subsequently promised, however, not to move on the matter until after the Nixon-Pompidou meeting in Reykjavik on 31 May - 1 June.]

TURKEY: BACK TO THE BARRACKS

77 [The course and outcome of the three-week-long presidential race this spring signaled a shift in the balance of power in Ankara from the military commanders back to parliament. Military officers have long been a potent force in Turkish politics and their role became more pronounced after forcing the resignation of Prime Minister Demirel in March 1971.]

77 [The presidential race was not a straight contest between the politicians and generals, although it had that appearance in its initial stages. Had the military been united behind former General Staff Chief Faruk Gurler, touted as the military's choice, he would very likely be occupying the presidential palace today. In fact, the boldness of the political leaders in rejecting Gurler was in large measure due to Justice Party leader Demirel. He perceived, quite correctly, that

Gurler was not especially popular with his fellow officers and that differences existed in the military over its proper role in national political life. Demirel judged that these factors would inhibit the armed forces from moving against parliament if Gurler's candidacy were rejected. Demirel reasoned that the situation gave parliament the opportunity to assert civilian supremacy, to pay back some old scores with the military, and to jettison the practice that the president is chosen from the ranks of active officers.]

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77 Come August, when the annual military promotion and assignment lists are published, it is likely that those general officers identified with Gurler or with anti-parliamentary activity will not get another star or will be sent down to isolated or nonstrategic posts.

78 The officer who will benefit most from the election will probably be General Faik Turun, commander of the First Army in Istanbul; it is possible that he will become commander of the ground forces. Turun was lukewarm to Gurler's candidacy

80 Food supplies are tight throughout India. The situation in hard-hit Maharashtra, where riots broke out in mid-April, improved somewhat in the past few days after the arrival of special "wheat trains" from north India and more ships with imported grain. Four states have had food riots or demonstrations in the past ten days and more are expected. There well may be famine in various areas, and New Delhi is trying to avoid publicity by limiting movement of foreign newsmen in serious drought areas of central and western India.

82 Only about half of the 1.65 million tons of grain India purchased abroad—mainly in December and January—has arrived. Congestion in US ports, winter closure of Canadian ports, and the high cost of ship chartering have delayed loadings. Moreover, normal distribution channels were disrupted when the wholesale grain trade was nationalized on 1 April. In some drought areas, no free-market grain supplies are available. In areas where grain is available, it costs two or three times the price in government-subsidized ration shops.

83 Government collections from the wheat harvest now under way are going badly. The crop

INDIA

FOOD IMPORT NEEDS GROWING

84 New Delhi is using stopgap measures to meet the country's serious food shortages and is still hoping to collect sufficient grain at home to avoid heavy spending for grain imports. There are indications that India will soon try to buy 2 to 3 million tons of food grain abroad. More may be needed. If larger amounts must be imported, Indian officials indicate they will seek long-term credit, perhaps from the US under the PL-480 program.



Indian Laborers

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is estimated to be at least as large as the 26.5 million tons produced last year, but by early May the government had obtained only about 600,000 tons of a planned 8 million tons. Some merchants and farmers reportedly are encouraging and even financing the retention of grain on the farms. They are protesting the take-over and the low government purchase price. Farmers in some grain-surplus areas are threatening to feed their wheat to cattle and sell instead their coarse grain. Prices for the latter are higher because they are not government-controlled.]

80 [New Delhi is studying its options. State food officials are urging that the wheat procurement price be raised to encourage deliveries. If New Delhi agrees, it would have to increase either the ration shop price which would be incompatible with Mrs. Gandhi's program to help the poor, or its grain subsidies. It is likely that even a modest increase in the purchase price would sharply improve deliveries to government purchasing agents and still permit the government to get domestic wheat more cheaply than imported wheat.]

82 [The amount of grain that India will import is still unsettled. On 1 May, New Delhi press reports, apparently based on leaks from the Indian cabinet, stated that India planned to import 6-7 million tons "in the next several months." This leak no doubt was intended to relax tensions among consumers and discourage domestic hoarding and speculative buying. Mrs. Gandhi quickly denied the press stories.]

84 [Foreign exchange considerations will weigh heavily in any decision on food imports. For each

million tons of wheat purchased abroad, India must set aside about \$125 million. Sorghum and corn would be about 25 percent cheaper, but Indian consumers view these as poor substitutes. India's foreign exchange reserves amounted to \$1.1 billion at the end of March, or the equivalent of about six months' imports. The ambassador-designate to the US, T. N. Kaul, has raised the possibility of getting credit for grain purchases in the US.)

MILITARY SPENDING UP

85 [Although severely strained by shortages of food and fuel, the Indian economy is supporting continued heavy military spending. Imports of military materiel have increased by 75 percent in the past three years, while domestic military production has increased by 55 percent. The budget for the current fiscal year (April 1973 through March 1974) calls for \$526 million in military imports. Two thirds of this is allocated for finished materiel; raw materials, components, and license fees for domestic military production make up the remainder. A part of these imports, particularly weapons, is financed by medium- and long-term credits.]

85 Domestic military procurement now constitutes about 70 percent of total military purchases. Non-government enterprises are expected to supply about 60 percent of domestic defense needs in 1973/74, including petroleum products

INDIAN MILITARY PROCUREMENT (MILLION \$ US)

	1969/70	1970/71	1971/72	1972/73	1973/74 (Budgeted)
Total Procurement	768	818	1,150	1,229	1,267
Domestic	570	604	842	882	918
Domestic Input	474	494	718	714	741
Foreign Input	96	110	124	168	177
Foreign	198	214	308	347	349
Total Imports	294	324	432	515	526
Financed by Military Aid	-90	-92	-191	-130	NA
Military Debt Repayments	100	113	120	150	NA
Total Estimated Foreign Exchange Outflow	304	345	361	535	NA

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and foodstuffs. Ordnance factories and enterprises under the Ministry of Defense Production will provide the balance, including jet fighters and other aircraft, naval craft, tanks, artillery, missiles, radar, transport vehicles, ammunition, spare parts, and clothing. Output under the ministry in 1972/73 is estimated to have been \$508 million, with 78 percent going to the Indian military, 19 percent to the civilian economy, and the balance for export.]

New Delhi will endeavor to design and produce military equipment domestically but will still depend somewhat on foreign technology. India is attempting to develop a surface-to-air missile and an armored personnel carrier along these lines. Existing licensing agreements will not be renewed automatically, and all defense plants have been instructed to develop indigenous versions of equipment now produced under license within a fixed period of time. These measures probably will have little impact immediately on foreign exchange outlays. They do, however, add to the cost of India's military program and delay new weapons systems.]

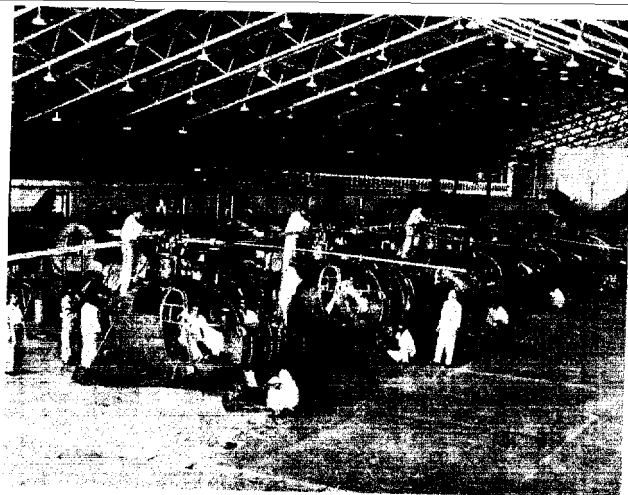
85 [India has relied on foreign collaboration to build its defense industries, and most military equipment is still produced under foreign license agreements. The UK and several West European countries supply most of this assistance. The Soviet role in domestic production has increased, but remains comparatively small. In contrast, the USSR and Eastern Europe are the principal suppliers of finished military equipment to India.]

85 [The government further plans to improve India's capability to produce its own raw materials for the defense industries. It is negotiating with several foreign firms, including Westinghouse, to purchase machinery and technology for a special metals and super alloys plant. This \$64-million facility and a proposed \$67-million special steel plant are expected to provide the defense industries with the ability to produce a wide range of metal products now being imported for defense production.]

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Indian-Built HF-24 Fighter



Indian Helicopter Production Line

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CHILE: ANOTHER TOUGH WEEK

Historically disdainful of political turmoil in the rest of Latin America, Chileans have in recent months come to accept tension and confrontation as the norm in their own country. The imposition of a state of siege in Santiago on 5 May evoked only minor reaction, and this was nearly lost in the shrill public charges and countercharges of conspiracy and treason.

Military officers are now quite concerned over growing public disorder, but they still appear uncertain whether or how to put effective pressure on President Allende. They do not even know whom to trust among themselves. Although recent roadblocks of major Santiago arteries by extremist-led mobs effectively isolated several key military installations for hours, the top military leaders still defer to Allende, who is reluctant to alienate leftist revolutionaries by cracking down on this sort of activity.

The government, of course, claims that the rightists are the real culprits in the deteriorated situation. Ultra-rightist Fatherland and Freedom marchers were shot during a recent demonstration, allegedly by government agents rather than the radical leftist *miristas*. The ultra-rightists promptly lost their psychological advantage from that incident. Two Fatherland and Freedom leaders were arrested in neighboring Argentina where they were trying to fly arms illegally into Chile. The government is also publicizing the arrest in southern Chile of four conservatives carrying 7,000 rounds of Argentine machine gun ammunition. Revolutionaries, hoping to incite



Allende at May Day Parade

another round of land seizures, contend that this is further proof of their claim that farm owners are ready to massacre peasants.

Allende now believes the extreme leftists are growing stronger and less controllable. He may, in fact, see them as posing as great a threat to him as the ultra-rightists. This concern is behind his cautious campaign to wean his own Socialist Party from its radical leadership. At the same time, he does not want extremist Secretary General Carlos Altamirano to make an open break with him.

With Altamirano in the USSR for a month's medical treatment, Foreign Minister Clodomiro Almeyda will soon leave the cabinet to devote full time to his new role as party undersecretary for government relations. Almeyda is the sole survivor of Allende's original cabinet. He is highly regarded, even by his enemies, for his handling of Chile's foreign affairs. Along with two other former Socialist cabinet ministers, who have appeal to the radical left, Almeyda appears to be the nucleus of an effort to make the party more responsive to Allende's leadership.

The President is also moving to improve his image abroad. The appointment of Socialist Orlando Letelier, ambassador to Washington, as Almeyda's successor is construed by Chileans to mean that Allende wants to improve relations with the US and to reach agreement on debt renegotiation. The government's delay on legislation to expropriate ITT properties in Chile can be interpreted in the same light. The appointment of the head of the Central Bank to handle renegotiation of debts to the countries in the Paris Club, now due to meet about midyear, reinforces the impression that Allende wants to give the appearance of good intent in order to re-establish Chile's poor international credit rating.

Chile's military is also stage front in foreign relations. An air force delegation is being wined and dined in Peking, and army commander General Prats and a navy delegation are both due soon in Moscow.

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URUGUAY: GENERALS PRESSURE CONGRESS

25X1 116 [The military is again flexing its muscles. It is now demanding that congress lift the immunity of leftist Senator Enrique Erro so that he can be arrested for collaborating with the once-powerful Tupamaros urban guerrillas.]

116 [The primary opposition to the military's demand comes from the largest faction of the opposition Blanco Party. The leaders of this faction say they hope to force a showdown between congress and the generals in the belief that the generals might back down because they are not prepared to take over the government completely. The Blancos are also concerned that the military may next arrest the Blanco president of the Chamber of Deputies for helping the Tupamaros.]

25X1 118 [The military needs Blanco support in order to arrest Erro legally. If it arrests him anyway and if enraged politicians react as vociferously as expected, the military could order President Bordaberry to close congress.]



Senator Erro
Subject of demands

THE WORLD ENERGY PROBLEM

(119)
[On 18 April President Nixon outlined a new energy policy. The message stressed development of domestic resources, energy conservation, and intensified research and development to solve the longer term energy problems. The President proposed a new oil import program and issued a call for international cooperation to deal with the energy problem. The message has received a generally favorable world-wide response, although some oil producing and consuming countries have expressed reservations.]

There has been surprisingly little official reaction from the major oil producing countries. In the Middle East, only Iran and Kuwait have commented. Iranian officials welcomed the removal of US import quotas and the reduction of most Western Hemisphere preferences; Kuwait officials predicted that the new US program would have little impact on their country. The lack of response by other Arab officials probably reflects both the absence of references to the Middle East in the message and the long gestation period

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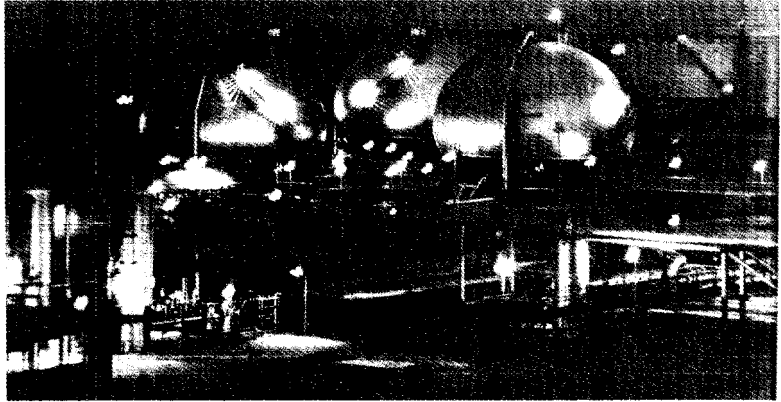
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needed by some Middle Eastern countries to produce an official position.

In contrast, the press in the Middle East responded quickly. Many papers urged that oil be used as a lever to change US policy toward Israel. The Saudi Arabian press linked the President's message to Petroleum Minister Yamani's warning that increased Saudi production depends on a change in US policy toward the Middle East. Yamani's comments were enthusiastically endorsed in other Middle East media. The Arab press has expressed a belief that the United States would intervene militarily to keep Middle East oil flowing to markets in the West. In Lebanon, this theme is finding a receptive audience among some normally pro-US officials and businessmen.

In Canada, the only official reaction thus far has been a statement that the quota removal will have no immediate effect on Canadian crude oil exports. There is fear in the Maritime Provinces, however, that US development of deep-water ports could jeopardize refinery construction in Nova Scotia and Newfoundland.

Venezuela, South America's leading oil producer, has been reticent to voice official reaction. In informal conversations, however, government officials have expressed pleasure at initial reports that hemispheric preferences for heating oil would be allowed to stand and confidence that they could market their oil at favorable prices. They were somewhat disturbed about the loss of preferences in liquefied petroleum gas and in petroleum sales to Puerto Rico and the Virgin Islands. Caracas' reaction to the subsequent US



waiver of heating oil preferences could well be more severe.

Reaction among major energy importers has been generally favorable. Officials and press in the consuming nations realize that the President's first concern is to end the short-term energy pressures at home, but they found evidence of a US desire for international cooperation. The reference to resource conservation pleased those concerned about the limited supply of an asset controlled by a small number of countries.

Some points raised in the speech, however, were less enthusiastically received by the oil consuming countries. There is concern in Europe and Japan that increased US purchases, following the elimination of import quotas, will mean higher prices. Tokyo is worried that increased US oil imports will threaten Japanese supply; in addition such imports will worsen the US balance of payments and thus produce greater US pressures on Tokyo to reduce its trade surplus with Washington.

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