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Weekly Summary

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CONTENTS (3 August 1973)

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25X1

- 1 Detente in Eastern Europe: Reassurances and Warnings; Pact Meeting; Bulgaria
- 3 South Asia: Little Progress
- 4 Visiting Prime Ministers: Japan; Australia

**EAST ASIA
PACIFIC**

- 5 Indochina
- 7 China: A Quiet Army Day
- 7 Philippines: Marcos Progresses
- 8 Oil in Southeast Asia
- 9 Thailand-Burma: The End of Lo Hsing-han

EUROPE

- 10 UN: Middle East Handover

- 12 EC: Talking about Defense
- 12 CEMA Approaches the EC
- 13 GATT: Ready to Begin
- 14 Italy: A Decisive Rumor
- 15 USSR: The Economy at Mid-Year

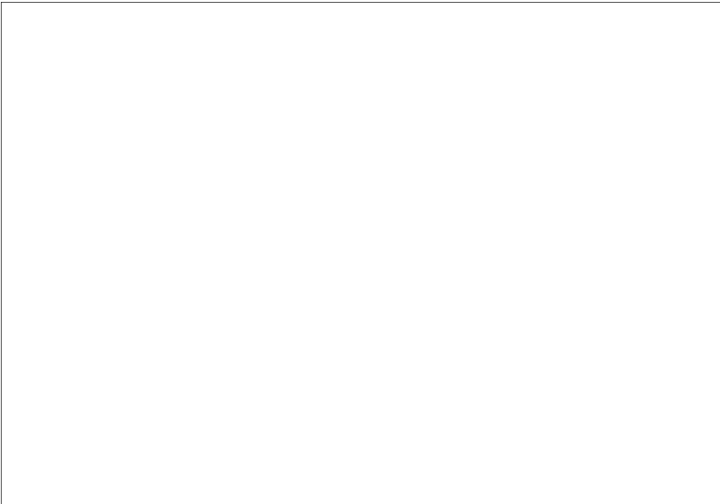
25X6

**MIDDLE EAST
AFRICA**

- 16 Greece: A Confident President
- 16 Cyprus: New Stresses

**WESTERN
HEMISPHERE**

- 17 Cuba: Celebration, Castro Style
- 18 Peru: Steady as She Goes
- 19 Ecuador: Political Battlefield
- 20 Chile: Stuck on Square One

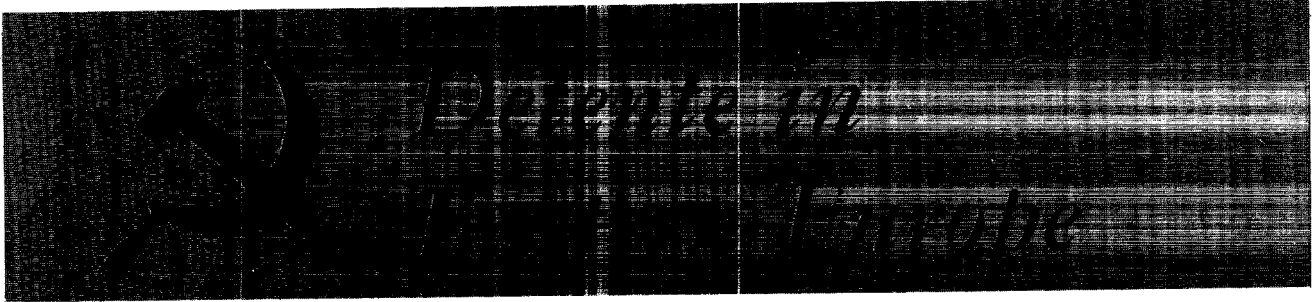


Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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REASSURANCES AND WARNINGS

2 ¶The Soviet leadership is trying to walk the thin line between extolling detente's virtues and convincing the Soviet people and Communists everywhere of the need to remain vigilant against ideological subversion. The task would be difficult under any circumstances, but the variety of audiences to be dealt with makes it all the more complicated.]

1 ¶A number of Soviet leaders have already
+ taken part in the campaign. Brezhnev, party ideologist
2 Suslov, and Defense Minister Grechko have all spoken out since Brezhnev's return from his trips to Bonn, Washington, and Paris. None of them has expressed any reservations, however, about the wisdom of the detente policy itself, nor has there been any evidence of important institutional opposition to that policy. Even the military has taken a strong stand in support of detente.]

1 ¶Brezhnev, nevertheless, has hinted that
2 reservations about detente exist in the USSR and among its allies. In his Lenin Peace Prize speech on 11 July, he observed that moving from confrontation to peace is not easy. He offered implicit reassurances to the doubters that the leadership would remain vigilant, but reaffirmed his commitment to detente and said that the USSR must also be ready to head off any attempt to resume the cold war.]

1 ¶Brezhnev returned to the charge on 13 July,
2 in a speech marking the 70th anniversary of the birth of Lenin's Bolshevik Party. Addressing communists at home and abroad, Brezhnev pointed

out that the USSR's foreign policy "ensures the further deepening of fraternal relations" with other socialist countries and "promotes the strengthening of the unity of the communist movement and of all anti-imperialist forces." Only then did he note that implementation of the "Soviet peace program" is likely to diminish the danger of a new war.]

1 ¶Speaking at the same celebration, Suslov
2 reminded his audience of Lenin's bitter quarrels with other leftist leaders over political and organizational questions. Suslov insisted that communist parties must always be highly centralized and disciplined organizations dedicated to the goal of a dictatorship of the proletariat. He emphasized that membership must be restricted to politically active people, whose actions and beliefs are in keeping with party principles. While endorsing detente, he pointed out that the central committee plenum last April had called for greater vigilance against the imperialists' "hostile ideological diversions."]

1 ¶Many Soviet commentators have directly
2 addressed questions that have been raised about detente. They have said that it will endure, that it represents the best interests of the USSR, the other socialist countries, the international communist movement, and the non-communist world, and that benefits are already flowing from it. They have also reassured critics that the leadership will not be "too trusting" vis-a-vis the "capitalists," that Soviet military strength will be preserved, and that trade with "capitalism" will not open the door to "penetration" or "exploitation" of the Soviet economy. In addition, the

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USSR will not desert its "socialist" allies and will continue to support "national liberation" aspirations.]

1 [These commentators have also warned that
8 the recent relaxation of international tension does
2 not mean peaceful coexistence on the ideological
front. Efforts to protect the purity of communist
beliefs and the strength of the commitment to
communism's long-term goals must be increased
as detente goes forward on a state-to-state level.
Moscow has also insisted that discipline must be
tightened in the international communist move-
ment, and that individual parties must not lose
internal discipline if they choose to cooperate
with social democrats and other leftists.]

MEETING IN THE CRIMEA

4 [The third annual meeting of the party
leaders of the Warsaw Pact countries plus Mon-
3 golia was held in the Crimea on 30-31 July.] In the
absence of frequent meetings of the Warsaw
Pact's Political Consultative Committee, the
Crimea meetings provide an informal setting for
discussing policy coordination; they have become
an institution themselves.]

3 [The meeting gave Soviet party chief Brezh-
2 nev a chance to describe his recent visits to Bonn,
Washington, and Paris. As expected, the other
4 party leaders expressed firm support for Mos-
cow's detente policy and singled out Brezhnev's
personal contribution for special praise. If con-
troversy arose, the bland communique issued at
the end of the meeting did not show it.]

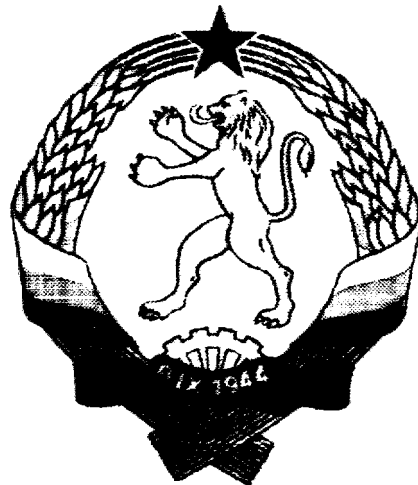
4 [The party leaders restated their goal of
ending the European Security Conference this
year, with the final session at the summit level.
They made a bow toward Western concerns over
freer movement in Europe by calling for "wide
and varied contacts between the public of all
countries," but they took it all back in the next
sentence, which stipulated that these contacts
must develop with strict respect for "sovereignty
and noninterference." The leaders also made a
standard reference to the "great importance" of
force reductions in Europe, but did not elaborate.]

4 [China, potentially the most controversial
topic, was treated only obliquely. The communi-
que warned that constant vigilance is necessary
against those who are "creating distrust and
hostility among peoples," but this was probably
aimed at both Western and Chinese opponents of
detente. On relations among Communists, the
participants adopted the Romanian formulation,
which calls for "close fraternal cooperation of
communists of all countries."]

UNANSWERED QUESTIONS IN BULGARIA

6 [The air of secrecy surrounding the central
committee plenum on 17-19 July and the sudden
revival of anti-American propaganda last week
10 suggest that some elements of the party leader-
ship still harbor strong reservations about detente.]

8 [The plenum, which was devoted to foreign
policy, failed to produce the strong endorsement
of closer ties with the West expected in the wake
of Brezhnev's visit to the US. Fragmentary re-
ports indicate only that the meeting reaffirmed
Sofia's close ties to Moscow, while new openings
to the West received but a passing nod. Indeed,
10 the regime's failure to publish the plenum
speeches of party boss Todor Zhivkov or anyone
else suggests that Zhivkov is still prodding some
of the faithful to join the era of detente.]



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8 The forced retirement of candidate politburo member and former interior minister Angel Tsanev also points to differences within the leadership. The brand of communism advocated by Tsanev and his followers apparently so far exceeded the conservatism of Zhivkov that they had to go.

and hope for better US-Bulgarian relations made by the deputy minister of foreign trade during his mid-July tour of the US. The contradiction indicates more than a lack of political sophistication on the part of the Bulgarians, and appears to be another reflection of disagreement about detente.

10 On top of this, anti-Americanism has, for no apparent reason, suddenly reared its head again. On 24 July, charges first made last April of US involvement in the Israeli raid into Lebanon reappeared in the Bulgarian press. The next day, a North Korean anti-American display, commemorating the 20th anniversary of Pyongyang's "victory" in the Korean conflict, appeared in the Bulgarian People's Army House. These two events contrast sharply with the expressions of good will

10 Nevertheless, Zhivkov's recent speeches—including his toast to visiting French Premier Messmer on 20 July—have reasserted Bulgaria's commitment to detente as defined by Moscow. The more conservative elements in the Bulgarian leadership, however, seem to be using Moscow's expressions of concern over those who may misuse detente as an excuse to express their own opposition to closer ties with the West.

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SOUTH ASIA: LITTLE PROGRESS

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72 A week of hard bargaining by high-level Indian and Pakistani negotiators in Islamabad has resulted only in agreement to meet again in New Delhi on 18 August. The negotiators seem to have made a major effort to find areas in which compromise is possible, but with little success.

the admission of Bangladesh to the UN, blocked last year by a Chinese veto.

subsidary bilateral problems—the resumption of trade, for example—could not be dealt with because Islamabad insisted that the major issues be settled first.

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69 Discussions centered on the issues raised in the India-Bangladesh joint declaration of 17 April. The Pakistanis stuck to their position that all prisoners of war must be returned immediately and that Bangladesh must not try some of them for war crimes.

72 Prospects for success in the next round of talks appear bleak. The Pakistanis are unlikely to change their stand. The Indians, who have been acting essentially as representatives of Bangladesh, may make another effort to soften Dacca's demands, but their chances of progress in that direction are slim. If the negotiators fail to reach agreement, another summit meeting between Bhutto and Mrs. Gandhi may be sought in an attempt to break the impasse.

70 The Indians have denied Pakistani press charges that they raised "extraneous" questions such as the recognition of Dacca by Pakistan and

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Visiting Prime Ministers

A NEW START IN JAPAN

(12)

July was a good month for Prime Minister Kakuei Tanaka. Early in the month, Tanaka's Liberal Democratic Party confounded the political forecasters and held its own in the Tokyo municipal elections. Tanaka had personally campaigned for party candidates, and the party as a whole appeared to take heart from the success. In mid-month, the high-level meeting of the US-Japan Joint Economic Committee in Tokyo provided an official forum for the Japanese to claim that trade account problems had been generally eliminated. The Japanese media liked the economic talks and gave the Prime Minister's scheduled visit to Washington lots of favorable coverage.

Tanaka is taking back home with him a new affirmation from President Nixon of the importance of Japan to the US. The two have met twice in 11 months, and the joint proclamation of a new era of relations, with stress on equal partnership and cooperation, will enhance the Prime Minister's improved domestic position. The Prime Minister will have to move quickly and effectively if he is to capitalize on the gains from his US trip.

His major problem is the Diet, which he was forced to re-extend until 28 September. The

opposition parties are still boycotting the sessions, and some critics are already calling it the least productive of all postwar Diets.

Tanaka must find some way to get his remaining major legislation enacted without forcing his bills through while the opposition is still out. This sort of railroading is considered bad political form in Japan. If he fails to get his legislation, his detractors in his own party as well as in the opposition will be out again in full cry.

A NEW SLANT IN AUSTRALIA

Prime Minister Whitlam's effective public performance during his working visit to Washington this week will bolster his position back home, already strengthened by his deft handling of the recent Labor Party conference. His discussions with President Nixon and other US officials have received favorable treatment in the Australian press. Whitlam's deportment probably also heartened his more conservative countrymen, who feared that his abrasive nature might damage US-Australian relations. In publicly reaffirming the importance Australia attaches to its US ties, Whitlam insisted that Australia under his leadership is a friend and partner of the US—but one that has independent interests of its own.

13

14

[Redacted]



Whitlam



Tanaka

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INDOCHINA

VIETNAM: IMAGE BUILDING IN THE SOUTH

18 [Communist regimes of varying stripes have been calling attention recently to their direct ties with the Viet Cong's Provisional Revolutionary Government in South Vietnam. In addition to the publicity attending the accreditation in early June of several Communist ambassadors who presented their credentials somewhere in Quang Tri Province, the subject of aid is figuring prominently in Communist propaganda. The USSR, China, Mongolia, and Yugoslavia have announced that they will be providing aid to the South Vietnamese Communists directly, whereas in the past, foreign assistance has been channeled through the North Vietnamese. To drive home the point, a Mongolian delegation has just presented Communist officials in northern South Vietnam with some 2,400 tons of goods. In the sphere of political support, Soviet leaders recently told visiting Hanoi leaders Le Duan and Pham Van Dong, that the Provisional Revolutionary Government "alone" represents the genuine aspirations of the South Vietnamese people.]

18 [Efforts to enhance the status of the South Vietnamese Communists as distinct from the North Vietnamese were apparent before the cease-fire agreement was signed last January, and the trend has accelerated since then. Madame Binh, for example, received a gala reception from Peking on one of her trips from Paris late last year and was similarly feted in Moscow in March and April. For the Communist countries, beating the drum for the Provisional Revolutionary Government undoubtedly serves as a cheap and convenient means of partially offsetting the unpalatable messages they have been giving their Vietnamese allies.]

18 [Indeed, except for publicizing the aid agreements and showy receptions, the Communist countries are still treading carefully, with one eye on Washington, when it comes to backing up the Vietnamese Communists on specific issues. Only Hungary echoed their recent charges concerning US and South Vietnamese cease-fire violations, and their line on the political impasse has fared even worse. In an award ceremony for the "ambassador" from the revolutionary government in Moscow last week, President Podgorny merely expressed vague "solidarity" with Vietnamese

Communist positions, and added a pointed reminder that the USSR expects all parties to abide by the cease-fire agreement.]

Aid Mission From the North

16 [The delegation, headed by Premier Pham Van Dong, concluded visits to Poland and Romania on 28 and 31 July, respectively, and departed for Bulgaria.]

16 [In Poland, the chief topic of discussion was apparently post-war reconstruction of North Vietnam. There were few public references to the US or to the ICCS, and nothing about Poland's problems on the ICCS. The joint statement issued at the end of the visit was bland, with much mutual praise but little substance. A Warsaw paper reported that industrial cooperation would increase, and Radio Hanoi claimed that the two sides signed "agreements on loans, deferral of payment on loans, and exchange of goods." The Poles apparently did not follow the lead of Moscow and Budapest in canceling Vietnamese obligations to repay loans. The language also suggested that, like the Soviets but unlike the Hungarians, the Poles did not conclude a formal aid agreement.]

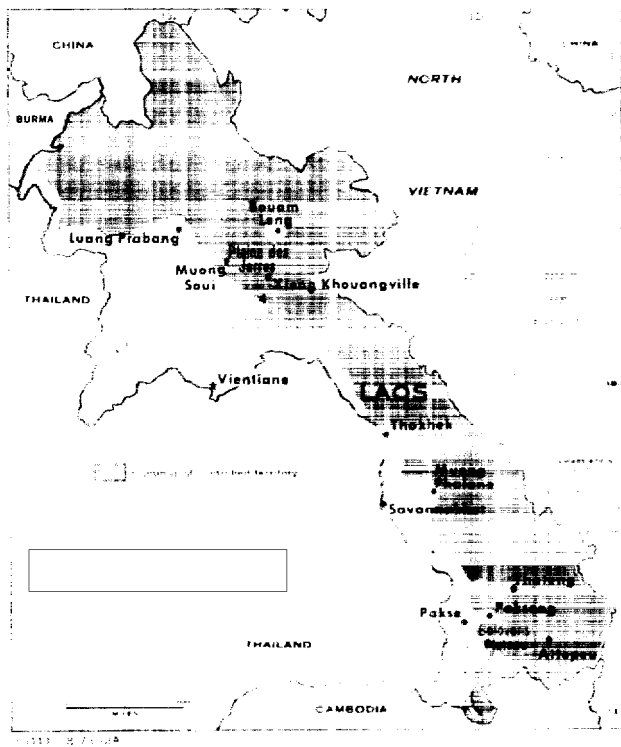
17 [The delegation paid a brief visit to Romania and signed several agreements there, including one on economic and military assistance.]

LAOS: AGREEMENT IN SIGHT

19 [Government and Communist negotiators in Vientiane this week sat down to draft the actual text of an agreement on how to implement the Lao peace accord signed in February. Both sides are saying that the major issues have been resolved and that a signing ceremony is near at hand.]

20 [The sudden surge toward agreement was the result of some significant Communist compromises on provisions dealing with a coalition government. Communist envoy Phoumi Vongvichit dropped his insistence that Pathet Lao leader Souphanouvong be named sole deputy prime minister. The Communists also stopped demanding the important cabinet portfolios of defense and interior. The last major obstacle was surmounted when the Communists scaled down their demands

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Souvanna, however, clearly seems satisfied. He is already preparing his rightist critics for the agreement. Key members of the National Assembly have been briefed on the terms and similar briefings will probably be given to senior military leaders. Some of the more intractable rightists will object to any agreement, but others appear pleased that the Communists will control little more of the government in Vientiane than they did eleven years ago.

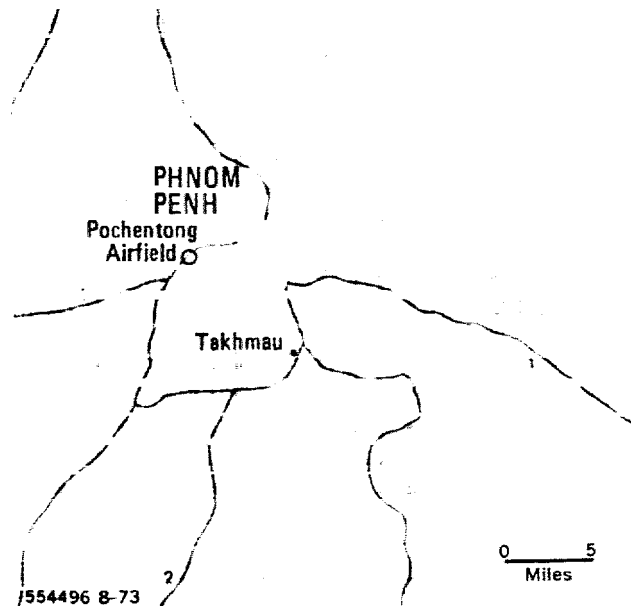
CAMBODIA: THE WAR WINDS ON

The fighting is still close to Phnom Penh, but little ground is changing hands. The city's key lines of communication are open. Northwest of the capital, government units clashed with Khmer Communist elements within four miles of Pochentong airport. To the south insurgent resistance coupled with army command problems disrupted government efforts to push down Route 3 and regain a foothold along the Prek Thnaot River—the only natural barrier in this sector. To the east, small insurgent units skirted government defenses on Route 2 and by midweek had begun harassing outposts on either side of the Bassac River near Takhmau—the capital's largest suburb. Other

on the number of Pathet Lao security troops to be stationed in Vientiane and the royal capital of Luang Prabang.

These concessions from the Communist side followed by about two weeks Souvanna's decision to accept the Communist concept of a delineation of zones of control as well as Communist provisions that could render supervision or inspection of the withdrawal of North Vietnamese forces ineffective. In exchange for accepting less than a lion's share of political power, the Communists will have unfettered control of three fifths of the country—the area important for protection of North Vietnam's border and for Communist supply operations to South Vietnam and Cambodia. Their share of the population is no more than a third.

Last-minute dickering over language and minor issues could delay the signing of the new agreement past the hoped for deadline next week.

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insurgent elements late in the week cut Route 1 twelve miles southeast of Phnom Penh.]

army's image, may account for the absence of an Army Day editorial. Moreover, the Chinese could be deferring further public discussion of the question until the Tenth Party Congress, which may convene within a month or two. [redacted]

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25X1**PHILIPPINES: MARCOS PROGRESSES**

25 [Philippine voters were put through their paces on 27 July and gave the martial-law regime of President Marcos an overwhelming mandate to continue along the same lines indefinitely. Careful preparations produced a 90-percent "yes" vote, although there were good indications that a majority of Filipinos would probably have voted favorably anyway.] This vote of confidence follows the first ten months of martial law, during which Marcos has largely neutralized potential sources of opposition. Philippine security forces have moved successfully against the political apparatus of both the pro-Peking and pro-Moscow communist parties. All but the most intractable of Marcos' opponents have now been released from jail after promises of good behavior.]

27 [Sporadic rumors throughout martial law have indicated that anti-Marcos groups were planning hostile action, but little open opposition ever developed. The only major security problem, the current Muslim rebellion in the south, is rooted in historical social and economic tensions. The Maoist New People's Army on Luzon, while still a dangerous adversary, is currently content to avoid direct confrontation with government forces.]

CHINA: A QUIET ARMY DAY

(24) [Since the Cultural Revolution thrust the armed forces into civilian politics in a major way, Army Day on 1 August has been a major political event in China. This year, however, it passed—as have other recent holidays—without fanfare. The customary editorial did not appear, and the Defense Ministry reception was uneventful. Although there had been much speculation in China that the event would be used to publicize new appointments to the military high command, none emerged.]

As part of its effort to reassert party control, the regime has been attempting, with some success, to disengage the army from politics, though Peking evidently is still formulating specific guidelines on civil-military relations. This problem, together with an apparent desire to deflate the

26 [From Marcos' standpoint, matters are well in hand, and he is ready to begin building a more permanent government structure to replace the ad hoc style that has characterized his rule under martial law. He plans to create a small legislative advisory council of about 100 members. It will be appointed by the President and include representatives of former elective bodies and private interest groups. The council will be charged with the responsibility for appointing a successor to Marcos should he die in office. Marcos apparently believes that the lack of a clear successor has been an important cause for misgivings about the long-term stability of the Philippines, especially among foreign and domestic businessmen. Resolution of the succession problem will be the council's first order of business. [redacted]

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OIL IN SOUTHEAST ASIA

34 [The winding down of the Indochina conflict, combined with the growing world demand for oil, has stimulated new interest in the offshore areas of Southeast Asia. Oil geologists regard these areas as promising, but they have not yet been adequately explored. This situation is changing fast as a number of Western companies are stepping up their explorations and seeking new concessions off Burma, Cambodia, India, Malaysia, South Vietnam, and Thailand. Even North Vietnam's offshore waters are drawing interest.]



29 [The most intense interest right now is in South Vietnam. Thirteen companies, acting either individually or in consortiums, responded to Saigon's recent invitation to bid for offshore oil concessions. The four companies that were awarded concessions—three are American—are required to spend some \$60 million on exploration during the next five years to retain their concessions.]

28 [The Italian state oil company and North Vietnam reportedly have reached an "understanding" providing for exploration in the Gulf of Tonkin.]

31 [Redacted text block]

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30 [Other areas in South Asia are getting attention from oil companies:

32 • In Burma and India, new offshore contracts are being negotiated with Western companies in a startling reversal of earlier go-it-alone policies;

• In Cambodia, the Ministry of Mining recently awarded a concession to an American-run Hong Kong firm;

• In Thailand, two US oil companies have found traces of oil and gas offshore;

• In Malaysia, several promising discoveries recently prompted a government attempt to replace existing concession arrangements with production-sharing plans.]

34 [Conflicting territorial claims by several countries pose an obstacle to further exploration. This is particularly true of the Gulf of Thailand, a very promising area, parts of which are disputed by South Vietnam, Cambodia, Thailand, and Malaysia. In recent bidding for South Vietnamese concessions, the companies avoided the gulf area and concentrated largely on undisputed areas in the South China Sea.]

[Redacted text block]

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Thailand/Burma
THE END OF LO HSING-HAN

35 The capture of a leading Southeast Asian
36 opium smuggler earlier this month has thrown
some elements of the drug trafficking apparatus
in the Thailand-Burma border area into disarray.
The capture also seems certain to put more pressure
on Bangkok to be more aggressive in reducing
narcotics trafficking in the border area. The
smuggler, Lo Hsing-han, was arrested by Thai
police on 17 July when he fled into Thailand to
escape the Burmese Army, which was attacking
his camp just inside the Burmese border. Lo's
brother, the financial mastermind of the operation,
and other key officials of Lo's organization were
arrested a few weeks earlier by the Burmese.
Lo was deported to Burma on 2 August at
Rangoon's request.

35 The collapse of Lo's empire will, for a time,
36 have an intimidating effect on other traffickers
in the area. It also brought to an end Lo's efforts
to ally opium traffickers and armed ethnic dissidents
against the government and the Burmese Communist
Party. The arrests do not mean that the flow of
narcotics out of Burma has been stopped. Two
former Chinese Nationalist generals, who operate
a sizable smuggling apparatus from bases in
northern Thailand, are now in a position to become
the largest opium traffickers in the region—a
development certain to be of considerable
embarrassment to Thai officials.

36 The fact that the Thai were willing to
collaborate in capturing and extraditing Lo is
being played up in the government-controlled
Burmese press as an important step forward in
Thai-Burmese relations. Bangkok could hardly
have refused help in this case, given Lo's
notoriety. Rangoon's stress on the need for
greater Burmese-Thai cooperation is probably
motivated partly by a desire to pressure the
Thais into stopping their support for
Burmese dissident groups and partly to shift
some of the spotlight of international
criticism on the opium traffic away



Lo Hsing-han

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from Burma and onto Thailand.

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UN: MIDDLE EAST HANGOVER

(99)

The UN impasse on the Middle East was solidified last week when the Security Council debate concluded with a US veto. The debate—which had been in recess since June—produced virtually no new initiatives. The only hint of movement, an Egyptian suggestion early in the session that Cairo might consider separating the return of its own territories from the Palestinian question, was lost in a melee of accusations and bitter rhetoric.

Secretary General Waldheim's fact-finding trip to the area seems likely to produce little, if anything; it does continue the illusion of diplomatic activity. Grateful for the US veto, the Israelis are proffering full hospitality, but the Arabs are expected to give Waldheim a cool reception. It is possible that the council will meet again in September to hear Waldheim's report, but the fall activities of the General Assembly should discourage another debate.

This third US veto, within a year, of a non-aligned resolution may lead to some counteraction or issues like the Korean question in the fall General Assembly, where the nonaligned hold a majority and there is no veto. Within the past

week, nonaligned representatives blocked Western initiatives for UN action on terrorism and issued a statement condemning US bombing in Cambodia.

The veto also opened a rift between the US and the other Western members of the council. These states accepted the nonaligned resolution as reasonable and have let it be known that they feel the US was too rigid. They also indicated that they could not permit themselves to be arrayed with the US against countries with whom they have major commercial interests. Some of them see in last week's events evidence of increasing US disinterest in the UN.

In Egypt, the veto brought new disillusionment. It confirmed the Egyptian view, restated by President Sadat in a speech immediately after the conclusion of the debate, that the US and Israel are engaged jointly in a campaign to induce Egypt to sue for peace on Israeli terms. Sadat interpreted the veto as evidence of full US support for Israel, for its negotiating terms, and for its position in the occupied territories. He may now look to other mediators than the US and other forums than the UN.

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EC: TALKING ABOUT DEFENSE

46 Recent meetings of the Nine have highlighted the lingering doubts in major West European countries about the implications for European security of the US-Soviet agreement on the prevention of nuclear war.

46 [An Italian official claims that the French are still more critical of the agreement than anyone else. At a meeting last week in Copenhagen, they reiterated the theme that the two superpowers are intent on becoming world policemen, thus seriously reducing the decision-making role of smaller countries. While the German representatives at the meeting stoutly maintained the official line that Bonn had received all the assurances it required from the US during Defense Minister Leber's visit to Washington, they still seemed to harbor private misgivings. The Italians appeared to be somewhere between the French and the Germans in their view of the agreement.]

46 [The Italians claim that a specific working group has been set up to analyze the US-Soviet agreement in detail. The German version is that all that has been planned is an informal consideration of the agreement prior to meetings of the EC political directors and foreign ministers in early September. Whatever the case, this is the second time this year that the EC's political consultation machinery has discussed a defense topic of major importance. Unlike the talks held in such NATO forums as the Eurogroup, the EC discussions involve the French. If the trend toward EC consideration of defense topics continues, these discussions could assume a more important role in concerting Western European opinion on security questions.]

CEMA APPROACHES THE EC

50 [Soviet officials in Moscow told Prime Minister Thorn of Luxembourg last week that CEMA

recognizes the EC as a reality and has appointed CEMA Secretary General Fadeyev to negotiate with the Western bloc. Having several years ago abandoned hopes that the EC would disappear of its own accord, the USSR has been moving toward recognition of the need to deal with the EC on an official basis. As long ago as March 1972, Brezhnev was acknowledging the "reality" of EC. Last December, Brezhnev said that a way could probably be found for the two blocs to establish business relations if the EC would refrain from "all attempts at discrimination." The appointment of Fadeyev was probably decided at the CEMA council meeting in June.]

49 [In addition to removing a contradiction to their policy of detente, the Soviets probably expect some tangible benefits from a more positive attitude toward the EC. They may anticipate that CEMA's bargaining position will be strengthened if bloc-to-bloc negotiations take place and that concessions can be obtained in areas like agriculture. Eastern European agricultural products have encountered difficulties in the EC market in recent years because of the EC Common Agricultural Policy.]

49 [The USSR undoubtedly hopes that by using CEMA to negotiate with the EC, the Soviets will be better able to control the tendency of individual Eastern European states to deal bilaterally with the West. Some Eastern European countries may for the same reason resist formal bloc-to-bloc relations. Some are also concerned with maintaining their own relations with the EC. Romania, for example, independently applied for the generalized preferences for EC grants to less-developed countries and was accepted by the EC in June.]

49 [Thorn said the Soviets told him that the ball is now in the EC court. Although the Soviet move poses problems for the community, the EC considers Soviet recognition, by itself, a welcome development. The Soviet proposal for direct EC-CEMA negotiations is another matter altogether.]

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The EC has long opposed such negotiations, not only because of a reluctance to acknowledge CEMA as an equal, but also because of the practical problems of dealing with a regional grouping that lacks, among other things, a convertible currency, a payments union, and a meaningful equivalent of the common external tariff.]

that trade in agricultural and industrial products should be handled similarly as the US would like, the EC position that there are "special problems" was also recognized.]

49 [In re-examining this position, the EC Commission may succeed in working out a counter-proposal for negotiations that might rely primarily upon working contacts between the EC and the individual states of Eastern Europe, and reserve a suitably ambiguous, token role for CEMA. The commission will, in any case, take time to achieve a common EC position, especially since the community has not yet really begun to grapple with the substance of the common commercial policy it is supposed to apply to the East after 1974.]

52 [The declaration suggests that participating governments obtain negotiating authority as rapidly as possible in order to allow talks about specifics to start. This preference for speed reflects EC fears that too much may be "given away" in the negotiating preliminaries if US trade legislation is held up in Congress. On the other hand, the EC agreed with the US contention that Washington's lack of authorizing legislation does not prevent analytical work from beginning right after the formal opening of the trade negotiations.]

52 [The question of whether the trade negotiations can move forward only after monetary stability is achieved also remains to be settled in Tokyo. The US position has been that progress in the monetary area is dependent upon progress in the trade negotiations. Paris' extreme version of the monetary-trade link was rejected by its EC partners in favor of a formulation calling for parallel progress in the two areas but would go no further.]

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GATT: READY TO BEGIN

51 [In a month-long meeting at Geneva, top trade officials of some 80 developed and developing countries succeeded in drafting a declaration of principles to guide the coming multi-national trade negotiations. The agreement on a draft makes it all but certain that a ministerial meeting in Tokyo, scheduled for 12-14 September, will kick off the negotiations, which have come to be known as the Nixon Round. The draft avoids decisions, however, on several differences that are certain to re-emerge not only in Tokyo but also during the negotiations themselves. The negotiations are scheduled to get down to specifics in Geneva in November and to end in 1975.]

51 [The active participation by the developing countries at the preparatory committee meetings made it evident that the trade negotiations will involve a rich-poor confrontation. In the bargaining over the draft declaration, the principal points gained by the less-developed nations were a watered-down version of their demand for preferential treatment and a provision calling for special procedures for negotiations between them and the developed countries. A dispute between the Africans and the Latin Americans over special consideration for the least developed countries, a category that includes some African countries but no Latin American ones, will be carried into the Tokyo meeting. The draft reflects wide support on this point for the Africans, particularly from the less-developed countries in Asia.]

52 [Several controversies involving the US, EC, and Japan remain. Language was finally found in Geneva to disguise differences over the treatment of agriculture, but this will remain a very prickly issue between the US and the community. Although the declaration embraces the contention

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ITALY: A DECISIVE RUMOR

(NO SOURCES)

With parliament's long summer recess about to begin next week, Prime Minister Rumor has invoked emergency decree laws to attack the soaring inflation that he regards as Italy's number one economic problem.

Last week he slapped a three-month freeze on the price of food and the output of large industrial firms. Rents for persons with low incomes were frozen until the end of the year. The freeze package deals primarily with the symptoms rather than the underlying causes of the Italian inflation. The freeze should succeed in temporarily stemming the inflation and reducing expectations of further price increases that lead to inflationary hedging. The ultimate success of the measures will depend in part on whether price movements can be effectively monitored and public cooperation enlisted in a country where circumventing regulations is a fine art. The gov-

ernment is unwilling to endanger Italy's precarious economic recovery and hesitates to invoke really strong deflationary measures in support of its anti-inflationary program. In addition, Rumor's commitment to long-awaited social reforms makes significant cuts in government spending unlikely.

Rumor is aided by widespread sentiment in favor of emergency measures. He will probably secure parliamentary approval of the decrees before the recess next week, since he has the support of his coalition partners. Labor leaders have been cooperative so far, and the opposition has maintained a low profile. Only the Neo-Fascists opposed the measures in early parliamentary voting, while the Communists and Liberals abstained. Governmental cohesion will not be tested severely until parliament returns in the fall and has to make some very tough choices on domestic reform issues.

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USSR: THE ECONOMY AT MID-YEAR

58 [The economic report for the first six months of the year pictures a mild recovery from the poor performance of 1972, although shortages of agricultural raw materials, growing out of the poor harvest last year, continue to limit gains in industrial output. Industrial production for civilian purposes grew by about 5.7 percent, much less than the recovery achieved in the first half of 1970 after the bad harvest in 1969.]

58 [The output of all industrial materials, except for electric power and petroleum products, grew at higher rates than a year ago. In the machinery category, the growth of producer durables slipped from the rate achieved a year ago, but consumer durables continued to improve, boosted by expanding production of television sets and refrigerators.]

58 [Other indicators of trends in consumer welfare were mixed. Soft goods posted a modest recovery after near stagnation last year. The output of processed foods slipped; vegetable oils were down 15 percent and processed meat was off by 6 percent.]

58 [The leadership's determination to maintain or expand herds despite shortages of feed grain and fodder led to a decline in meat production. By mid-year, herds in the socialized sector (three fourths of the total) were increased 2 percent above the levels of mid-year 1972. Although meat supplies were inadequate in half of the provincial cities visited by officers from Embassy Moscow during the first six months, the build-up of the herds, together with further imports of grain,

	1970	1971	1972	1973*
Over-all Industrial Production	7.0	6.0	5.0	5.5
Industrial Materials	7.0	5.5	5.0	5.5
Machinery	9.0	10.0	8.0	9.0
Consumer nondurables	6.5	3.5	1.5	2.5

* Midyear.

suggests that consumers can expect supplies to improve in the coming months.]

58 [Industries producing goods for use in agriculture posted a respectable, but not outstanding, performance. Increases in the output of fertilizer, tractors, and agricultural machinery were in keeping with the modest annual goals for the Five Year Plan. Despite recent setbacks in farm output, Moscow apparently feels that the 1971-75 program to support agriculture is still adequate.]

58 [Prospects for 1974 are brighter because of encouraging reports from the investment sector and the 1973 harvest. New plant completions increased by 13 percent in the first half of 1973 compared with the first half of 1972. Crop and livestock production should rebound, ensuring a much larger flow of raw materials from the farms next year.]

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GREECE: A CONFIDENT PRESIDENT

74 George Papadopoulos—the first President of the new republic—appears confident and in control of his government. The 78.4-percent "yes" vote must be officially approved by the Supreme Court within fifteen days of last Sunday. The court is also obliged to consider formal complaints contesting the validity of the vote, and opposition politicians plan to submit a list of voting irregularities. The vote claimed by the regime will be validated, however, despite the official pressure and the usual skulduggery that clearly inflated the size of the affirmative vote.

75 Papadopoulos' victory statement on 30 July included a pledge to fulfill his pre-election promises. One of his deputies, Stylianos Pattakos, stressed to the US ambassador that the regime intends to follow scrupulously its constitutional obligations. Pattakos said that a constitutional court would be set up immediately to oversee the creation of political parties. He added that municipal and national elections would be held by the end of 1974, although the regime has not yet determined which election will come first.

77 The make-up of the republican cabinet is in doubt. The altered constitution will require a major re-organization of the government apparatus, but Papadopoulos intends to move slowly and carefully. Military opposition increased dangerously as a result of his rush to establish a republic, and Papadopoulos wants to avoid generating unnecessary frictions over the appointment of a cabinet. His key military supporters fear that, now that he has increased his powers, he will no

longer have to consider their views and interests. To allay their fears and check their disaffection, Papadopoulos may stretch out the cabinet selection process until fall, particularly if he wishes to weed out some of the more contentious members of the present government.

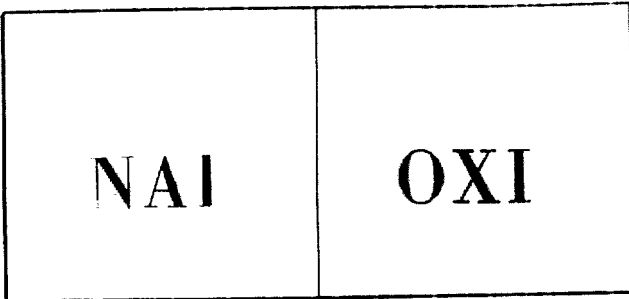
CYPRUS: NEW STRESSES

78 More than 70 bombings, along with the kidnaping of a cabinet minister, are the latest products of the struggle between Archbishop Makarios and George Grivas. One casualty occurred as a result of the bomb attacks, which have come from supporters of both Grivas and the government.

79 Makarios has blamed Grivas for the kidnaping. The kidnapers, who have held Justice Minister Vakis since 27 July, have not made their demands known, but a pro-Grivas daily has called for the resignation of Makarios and the dispersal of his auxiliary police force. Makarios has repeatedly said that he will not yield to blackmail, and after the kidnaping vowed to wipe out Grivas' underground bands.

81 The Archbishop has recently strengthened his security forces, rounded up scores of Grivas adherents, and restricted the pro-Grivas press. Although the aged Grivas' health reportedly is failing and his supporters are heavily outnumbered by Makarios' forces, he and they appear determined to retaliate.

81 One aspect of the rivalry—and the immediate cause of the current incidents—is the controversy in the Cyprus church. A few months ago, Grivas and Athens supported an attempt by three bishops to defrock Makarios unless he agreed to relinquish his presidential powers. The Archbishop responded by convening a church synod that rebuked the bishops and defrocked them instead. In late July, Makarios enthroned the first new bishop. The Archbishop's intention to pursue his purge of those who have challenged him ensures continuing problems, and probably more violence, for the troubled Greek Cypriot community.



Greek ballots
Few Chose "OXI"

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CUBA: CELEBRATION, CASTRO STYLE

83] Unrelenting hostility toward the US was the main theme of Fidel Castro's anniversary speech on 26 July. Although his rejection of rapprochement conflicts with the Soviet policy of detente, his comments on domestic matters revealed policy shifts that clearly show his increased acceptance of Moscow's advice on the home front—even when it entails embarrassing ideological backtracking.]

82] Although Castro did not address the subject of Cuban-US relations directly, in discussing hemispheric politics he cast the two countries in clear-cut adversary roles. He thus reaffirmed his espousal of confrontation as the best means of capitalizing on what he sees as a growing anti-US trend in Latin America. He also reiterated his long-standing rejection of Cuba's reintegration into the Organization of American States and called for a new regional organization, excluding the US, that would enable the countries of Latin America to stand together against the US. He ruled out any reorganization or rejuvenation of the OAS, saying: "It makes no sense to revive it; let us allow it to die a natural death." His remarks were a rebuff to those Latin American leaders who have been working to readmit Cuba as an active participant in the OAS.]

83] 82] While he declined to follow Moscow's policy of detente, Castro had warm praise for Soviet economic and military assistance and defended the USSR against "certain leaders...of the third world" who speak of "two imperialisms." He characterized those who draw parallels between the USSR and the US as servants of the "real imperialism." He probably made these statements with an eye on the conference of so-called non-aligned countries, scheduled for Algeria in September. He may have decided to lead Cuba's delegation himself and was using this speech as a means of getting a leg up on a leadership role at the conference. If he does go, he will undoubtedly attempt to orient the proceedings against the US.]

82] Turning to the domestic scene, he acknowledged the "idealistic mistakes we have made in managing the economy" and called for a careful accounting of expenditures and costs—matters that he has tended to ignore. He also commented



that, because the level of "political awareness" in Cuba remained relatively low, material incentives would have to be added to moral stimuli. He vacillated on this ideological point until 1967, when he shifted to strict adherence to moral incentives. Following the economic problems of 1970, however, material rewards gradually reappeared, and regime spokesmen had to perform convoluted verbal gymnastics to explain them in light of official policy. Castro has now accepted publicly the Soviet line that, although moral incentives are superior, both must still be employed at Cuba's state of political development.]

83] 82] Moreover, Castro hinted that he is playing a smaller role in the regime's decision-making process—yet another trend that the Soviets have been pushing. He put it this way: "If in the uncertain times of 26 July (1953) and in the first years of the revolution, men individually played decisive roles, that role is now being played by the party. Men die; the party is immortal." A lesser role for Fidel has been apparent for some time, but he has never admitted it publicly before. He has not however, lost his grip on power. He still is undisputed ruler and has merely transferred to others a number of responsibilities that he formerly reserved for himself.

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PERU: STEADY AS SHE GOES

84 In his fifth presidential independence day message, President Velasco lashed out against opponents of his regime and declared that the military government will carry on "unflinchingly" with the economic, social, and political transformation of Peru. He made no mention of retirement.

84 Velasco appears to have resumed his role of moderator between radical and moderate factions in the military. He declared that the regime must consolidate achievements attained so far, but that it must also "deepen the course of the revolution." This deepening, he said, will come in the form of action on the government's plans to buy out the US-owned Cerro de Pasco Company and promulgation of a long-awaited law on the ownership of property.

84 In an apparent concession to the moderates, the President reiterated that the state will never dominate the economy. He promised that "small scale" commercial and service enterprises will

remain in private hands and need not be subject to "revolutionary" reforms as larger private businesses have been.

84 As he has done so often, Velasco emphasized that the Peruvian "revolution" is unique and opposed to all dogmatic and totalitarian attitudes. The President went further than usual in disassociating it from communism, but he also denounced blind anti-communism.

84 The counter-revolutionary threat was once again identified as an unholy alliance between displaced oligarchs who want to return to the past and dogmatic leftists who do not really know what they want. Velasco sees the former as the more dangerous, and his bitterest denunciations were for newspapers acting as the "principal spokesmen of right-wing counter-revolutionary extremism." Behind the regime's most virulent critics, according to Velasco, is the powerful hand of unnamed "imperialist foreign interests" which simultaneously encourage the right and finance the ultraleft.

84 In a point-by-point refutation of what he billed as the main lines of attack against the military government, Velasco denounced demands for a return to constitutionality, declared that social mobilization and agrarian reform will move ahead despite "minor mistakes," and hinted at increased government control over the media. More than hints are involved. The Lima daily *El Comercio* is once again under pressure from government-instigated labor trouble,

[Redacted]

84 Velasco said that participatory democracy is still the revolution's goal, but he gave no indication of when the people might start participating. Velasco also asserted that the regime knows where it wants to go, but he failed to mention that most Peruvians do not appear anxious to go along.

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Lima

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ECUADOR: POLITICAL BATTLEFIELD

87 [A war of words has broken out between Ecuador's military rulers and civilian political leaders. The battle threatens to spread, although the regime of President Rodriguez does not yet appear to be in real danger.]

87 [In June, the press began to carry anti-government statements by civilian politicians who had kept a low profile since the military took power in February 1972. The politicians were joined by retired Rear Admiral Valdivieso, who was fired by Rodriguez over a year ago.]

91 [redacted] Criticism from fellow officers is especially disquieting to the armed forces commanders, who believe such dissent reflects on the military as a whole.]

87 [Last month, the Democratic Restoration Front was formed. It includes several of the larger parties, and Valdivieso has come out in support of the front. Although the parties have agreed to oppose the military government, they have not yet been able to overcome political and personality differences or to agree on a plan to replace the current regime.]

88 [President Rodriguez has led the counter attack against this wave of criticism. The government has warned that it will not tolerate the spreading of "false" or "subversive" charges, and has reiterated its resolve to continue in power until its loosely defined goals are met. Minister of Government Poveda has said that Valdivieso probably will be arrested.]

87 [The military government apparently is united in meeting this challenge. There are no signs that Proano or Valdivieso has significant

support within the armed forces, although each probably has a small following among younger, more liberal officers. The government's sharp reaction to the criticism, however, indicates that the leaders are concerned, not only about general disenchantment with military rule, but because the opposition may be growing confident enough to publicize documentation on official corruption.



Quito

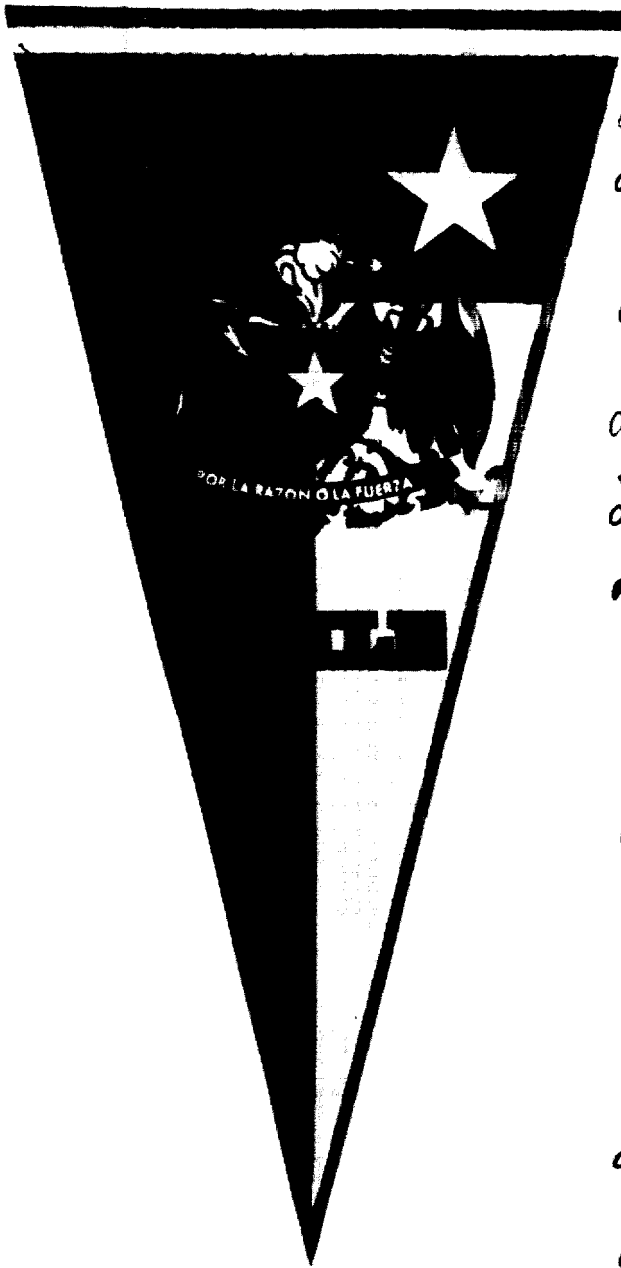
It is highly unlikely that Rodriguez would step down without a fight, and there is no other officer to replace him who commands a wide base of support. The President, however, is likely to find himself under increasing criticism unless he can give at least a semblance of direction to his administration. He may use some nationalistic issue—territorial seas or petroleum resources—to relieve the domestic pressure. [redacted]

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CHILE: STUCK ON SQUARE ONE



93 [President Allende's "dialogue" with Chris-
95 tian Democratic spokesmen this week only com-
96 plicated Chile's prolonged political imbroglio. The
98 opposition leaders rejected Allende's delaying tac-
tics in responding to their demands. They did not,
however, have a firm plan ready to use against the
administration, despite their expectation that the
talks would founder.]

93 [The various plans under consideration by the
95 Christian Democrats are not new. They consist
96 chiefly of congressional action or another nation-
98 wide strike that they hope would pressure Al-
lende to make concessions or create a pretext for
some sort of military take-over of the govern-
ment. Either course of action would require a
degree of coordination, decisiveness, and strong
leadership thus far lacking in most opposition
moves against Allende. Additionally, divisions
within the armed forces still inhibit significant
military action against the government. General
Prats remains the spokesman for military con-
cerns, [redacted]

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98 [Although Allende would like to find a for-
95 mula to relieve political and economic unrest, he
probably believes he has little to gain and much
to lose from making concessions. To the demand
for a military cabinet, he pointed out that his
relations with the military "are not good" and
that officers might not cooperate in the unlikely
event that his Popular Unity coalition would
accept them in the cabinet. The Christian Democ-
rats believe that Allende fears his own Socialist
93 Party would leave the coalition if he were to
appear to moderate the government.]

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92 [Meanwhile, a truckers' strike like the one
97 that touched off a widespread economic shut-
down last October has greatly aggravated already
serious supply problems. The naval commandant
of Valparaiso has been put in charge of Chile's
93 major port, which is also the focal point of a bus
owners' strike. Railroad and fuel lines have been
97 blown up to increase the impact of the truck
98 strike, and violence is once again on the rise
throughout the country. [redacted]

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