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Weekly Summary

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The following is a summary of the contents of the Weekly Summary, published by the Central Intelligence Agency, Washington, D.C., on August 10, 1973. The summary is organized into sections by region, with the following items listed:

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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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Street fight in Santiago

CHILE: NEW CAST, SAME ROLES

(6)
The re-entry of military officers into President Allende's cabinet will help calm growing lawlessness and military unrest. As was the case last October, the military officers are likely to find themselves in a circumscribed position despite the strong conditions they have been demanding for re-entering the cabinet.

Strikes and violence, as well as growing military resentment over conditions in general and the activities of leftist extremists in particular, led Allende to name the chiefs of the armed services to his cabinet on 9 August. There has been strong resistance to this move in his Popular Unity, and the coalition's concurrence probably places restrictions on the concessions Allende can make to the military. In most of his many crises, Allende has been intimidated by threats of extremists in his Socialist Party to break with the government if he did not meet their demands; this time is not likely to be an exception.

In any case, the military chiefs' desire to restore order is stronger than their wish to curb Allende's program. Their concern over political and economic deterioration, terrorism, and the widespread arming of civilians reached a peak this week when new strikes broke out. Outraged military officers seemed again on the verge of

trying to trigger a military coup. By acting together, the commanders hope to project at least a facade of military unity where little in fact exists.

The Christian Democrats' warning on 8 August that the military must demand substantial influence through control of administration posts at all levels indicates that opposition politicians are skeptical that the officers' return to the cabinet will bring real alleviation of Chile's serious problems. The Christian Democrats are continuing to accuse Allende of accepting the guidance of Cuban officials.

Allende has again managed to give himself room to try some new maneuvers and compromises. The Chilean talent for finding a way to avoid all-out confrontation will help his efforts, but faith in the effectiveness of this talent is eroding. Shielded by the excesses of rightist terrorists, extreme leftists who despise Allende's moderation are flexing their muscles more openly and more often. They are at present testing their effectiveness against opposition forces and the military. If the extremists decide the time has come for armed confrontation, the Communist Party will face a dilemma on how to use the party's own paramilitary forces.

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ISRAEL

Election Warmup

voter has so far been one of the most consistent in the world.]

7 [Under Israel's proportional representation system, a single-party government is almost impossible to elect, although Labor almost turned the trick in the last elections in 1969. By 1977, modifications in the voting system, if approved by the electorate, will make it easier for the Labor Party to win a clear majority, but this year Israelis will again vote for a party list, and most likely another Labor-dominated coalition government will come out of the election.]

9 [The primary problem for Mrs. Meir is to keep the differing and competing factions of her party together. The 75-year-old prime minister postponed a bitter party struggle for succession—between Defense Minister Dayan and Finance Minister Sapir—by agreeing to run again despite a personal desire to step down. Dayan is using his wide public popularity to try to extract a more vigorous program of Israeli settlement and economic development in the occupied Arab territories. He has publicly threatened that he might not be able to run on the Labor Party list unless his demands are met.] Mrs. Meir has set about the task to keep the independent Dayan in the party fold, and since he does not really want to bolt, she is likely to succeed. The annexationist line being taken by the other two main political blocs—the right-wing Gahal and the National

7 [The campaign for the Eighth Knesset, to be elected on 29 October, opened officially on 1 August, and shots of political battle are again heard in the land. As in previous elections, the campaign is more important as a way of forcing policy changes on the ruling Labor Party than in causing shifts in party loyalties, for the Israeli

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Religious Party—will help to push the Labor Party further to the right on the issue.]

10 [Mrs. Meir and the Labor Party will take credit for the continuing peace, but she wants to point the campaign debate to Israel's domestic problems for two reasons:

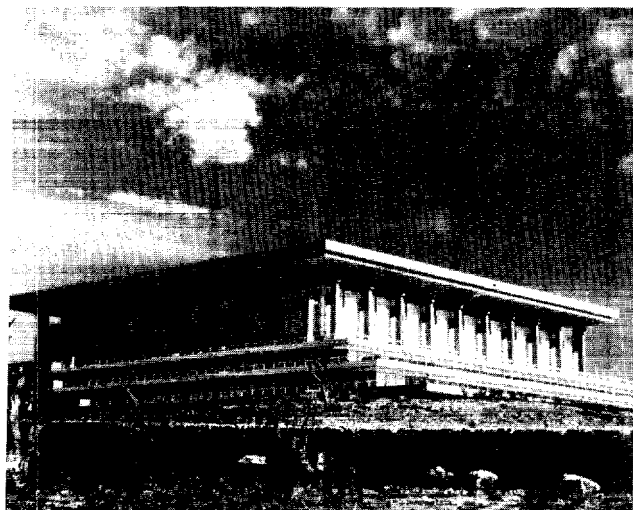
- the Labor Party as the main party in power is vulnerable to attack on a host of social and economic issues, which she sincerely wants the party to solve;

- the issue of what Israel should do in and with the occupied Arab territories is a divisive one and best avoided. A real battle on the issue could in extreme circumstances—e.g., if Dayan split with the party—bring an end to Labor Party dominance of the government.]

11 [As the second largest parliamentary bloc, the Gahalists are again trying to broaden their appeal and promote their party as an alternative to the Laborites. They have recruited a popular ex-general, the former chief of the Southern Command, to run for the Knesset and are pushing an out-and-out annexationist line. Their efforts to woo several splinter groups back into their coalition are likely to fail because of the scars, animosities, and persisting political differences of past political wars.]

12 [The National Religious Party, the third largest party, insists that it will maintain its independence. The party has usually allied itself with Labor in government coalitions in exchange for a free hand in determining religious policies. It is a troublesome but essential partner because of Labor's inability to win a majority. Recently, the party has denounced the Allon Plan and adopted a tough annexationist line toward Jordan's West Bank, which includes many sites of importance to religious Jews.]

7 [The generally innate conservatism of the Israeli voter, expressed through his close ties with



The Knesset building in West Jerusalem

party, has produced an unusually consistent voting pattern over the last 25 years despite a great increase in voters and widening cultural backgrounds.] This year, approximately 200,000 young people will go to the polls for the first time as will 80,000 new immigrants, mostly from the Soviet Union. No one knows how they will vote, but a recent poll commissioned by Israel's largest newspaper, the independent *Ma'ariv*, indicated that Gahal would move up from 26 to 29 seats, while Mrs. Meir's Labor Party would drop from 57 to 55. In answer to the question, "Will you vote differently this year?", 55.4 percent questioned said "the same," 15.5 said "differently," 14.4 percent said they had not voted before, and another 14.7 percent declined to reply or said they didn't know.]

7 [A pre-election trial run will occur on 1 September when Histadrut, Israel's giant General Federation of Labor, holds its own elections. The issues there are more economic than political, the voters are only Histadrut members, not all parties are included, and the number of voters is much smaller. Nevertheless, political observers will be looking carefully at the results to try to detect voting trends.]

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EUROPE *Labor Talks*

15 [The leaders of six European trade union federations—three from Communist countries and three from the West—met in Vienna in late July and took an important step toward establishing closer working relations. Representatives of the major trade unions of the UK, West Germany, Sweden, the USSR, East Germany, and Hungary reached tentative agreement to hold a European trade union conference next January in Geneva, as an adjunct to the European regional conference of the International Labor Organization. West European trade unionists will convene in Stockholm this weekend to discuss prospects for the Geneva meeting.]

15 [The Vienna agreement represents a qualified victory for Soviet trade union boss Aleksandr Shelepin, who was the principal negotiator on the Communist side. He had long pushed for a formal gathering of East/West European trade unionists, and at private meetings in Helsinki in 1971 had secured preliminary agreement to the meeting of the "group of six." No follow-up steps were taken until early this year, however, because the Soviets maladroitly sought to exploit the labor contacts by trying to drum up support for their political objectives, especially the convening of a European security conference. Furthermore, the Soviets hoped to avoid any link between the pan-European meeting and the ILO, which includes employers. Moscow compromised on the latter point, and the Western labor representatives want to keep in step with their governments, which are trying to improve relations with the Communist countries.]

15 [The three Western negotiators represent federations that belong to the International Confederation of Free Trade Unions. Two of the representatives, Vic Feather of the UK and Heinz Oskar Vetter of West Germany, have been in the forefront of those advocating improved relations with the East. They took account of the strongly anti-Communist stance of some confederation members, however, by stressing that each national affiliate is to make its own decision about at-

tending the session next year in Geneva. Moreover, they publicly warned that the Geneva meeting can succeed only if differences in political systems are respected and the agenda is limited to practical problems falling properly in the trade union domain.]

15 [The Vienna conferees agreed to invite nearly all national trade union federations—from both Eastern and Western Europe—to attend the Geneva meeting. Most top West European officials of the labor confederation will probably attend the meeting]

France's socialist-controlled Force Ouvriere is expected to be the most prominent absentee now that the nation's largest labor organization [the Communist-controlled General Confederation of Labor, will attend. The relatively relaxed relations among the Italian unions should prevent any rumpus over attendance by Italy's largest labor federation, the Communist-controlled Italian General Confederation of Labor.]

15 [The French and Italian Communist labor organizations, for their part, welcome the invitation to attend. They maintain limited contact with individual non-Communist unions, participate in the International Labor Organization, and enjoy a degree of representation on committees of the European Communities. Nevertheless, they have been more isolated from the mainstream of European labor affairs than they would like because of the international confederation's persistent cold shoulder toward multilateral contacts. Participation alongside non-Communist unions in Geneva will represent a step forward in the campaign by the Communists to increase their regional impact. In addition, it might also offer an opening for a new demarche on affiliation with the European Trade Union Confederation, at present composed of non-Communist unions in 14 West European countries.]

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INDOCHINA

HANOI VIEWS THE CEASE-FIRE

18 Judging from its public statements six months after the cease-fire, Hanoi seems reasonably satisfied with the implementation of the agreement so far. On the positive side, the North Vietnamese tout the "victory" achieved in the withdrawal of US military forces, the return of communist prisoners, and the consolidation of the communist hold on the liberated areas of the South. Hanoi scores the continued fighting in the South and predictably blames it all on Saigon with US connivance. The negative aspects, however, are treated in a low key, suggesting that Hanoi is not attempting to build an excuse for a return to large-scale fighting.]

18 [In contrast with the tone set by Hanoi, there have been reports that key communists in the South, disappointed with the gains made by their side since the cease-fire, are hopeful that Hanoi will return to a more militant policy. Those who entertain such thoughts will find little comfort in Hanoi's propaganda, which may be designed to let the rank and file know that North Vietnam is prepared to live with the cease-fire accord for the time being. Moreover, Hanoi calls for continued adherence to the cease-fire by "all" parties. Hanoi goes on to assert that the struggle will go on and will be "protracted, hard, and difficult," but the communists will ultimately win.]

18 [The propaganda makes it clear that Hanoi is sensitive to the US position that the North Vietnamese must stop the fighting in the South and withdraw their forces from Laos and Cambodia before any agreement on US aid to North Vietnam can be reached. Hanoi claims that these "preconditions" are a delaying tactic on the part of the US, but its moderate language suggests that Hanoi may eventually be willing to make concessions to the US stand.]

Le Duan and Pham Van Dong

18 [After being out of the public eye for more than two weeks, North Vietnamese party boss Le

Duan reappeared on 3 August, when TASS reported that he had left Moscow for the Crimea. A subsequent press announcement indicated that Le Duan had met with Soviet party chief Brezhnev, who was vacationing there. The two leaders discussed "questions of further developments of relations" between their countries, although no announcement has yet been made on a formal economic aid agreement for 1974.]

18 [North Vietnamese Premier Pham Van Dong continued his round of visits to communist countries in Eastern Europe and concluded military and aid agreements with Bulgaria on 6 August. Following the Soviet lead, the Bulgarians promised to help in restoring the North Vietnamese economy and agreed to cancel repayment of all economic loans to Hanoi extended during the war.]

A FLURRY IN THE SOUTH

20 [Fighting has now tapered off after some sharp clashes early in the week as the communists stiffened their resistance to government clearing efforts in several parts of South Vietnam. The Viet Cong radio threatened some sort of counteraction to the government's "nibbling" operations into communist-held territory.]

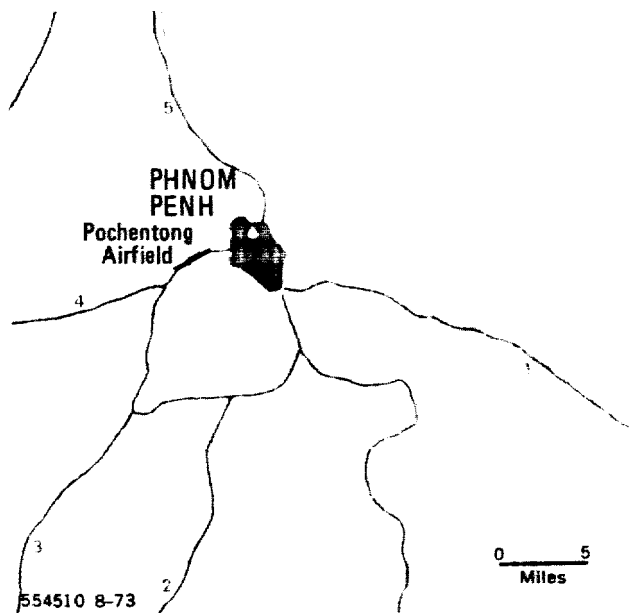
20 [The heaviest fighting came in the northern provinces, where both sides are trying to adjust defensive positions. North Vietnamese artillery and infantry elements in the highlands have so far thwarted government efforts to retake two villages west of Kontum City that were lost to the communists in early June. Northwest of Hue, communist artillery fire forced South Vietnamese regulars to abandon several observation outposts overlooking a major infiltration corridor leading to the coastal lowlands. Both sides have avoided pushing the fighting much beyond the present, tolerable levels.]

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SECRET**CAMBODIA: AROUND PHNOM PENH**

22 [The Khmer Communists late last week opened up another new front between the Bassac and Mekong rivers southeast of Phnom Penh. Cambodian Army reinforcements were moved up to contain the new threat, but not before the insurgents had advanced to within three miles of the capital and briefly surrounded several government battalions farther south on Route 1. Government clearing operations made slow progress southwest of the capital. Elsewhere, small insurgent units eluded government sweep operations between three and five miles northwest of Pochentong airport and launched sporadic ground attacks against government positions in this area. A sapper attack on 7 August knocked out the telecommunications station at Kambol, ten miles west of the capital.]

22 [The fighting on these fronts has not disrupted Phnom Penh's supply lines. Truck convoys

**CLOSE TO AGREEMENT IN LAOS**

(25)
Government negotiators in Vientiane are predicting that an agreement will be signed on implementation of the February peace accord sometime next week. The few remaining minor points at issue between the government and the Lao Communists apparently will be discussed privately between Prime Minister Souvanna and senior Pathet Lao envoy Phoumi Vongvichit. Souvanna is still under pressure from senior Lao Army officers to hold out for additional concessions, but he is likely to over-ride their objections in order to get an agreement before his self-imposed deadline of 15 August.

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are moving rice and other goods to the city over Routes 4 and 5, and a Mekong River resupply convoy delivered ammunition. If the next ship convoy arrives safely on schedule early next week, the city will have a two-week supply of fuel and a 45-day supply of rice. The government, meanwhile, is negotiating with Bangkok for 5,000 tons of rice—a ten-day supply—to supplement a similar amount purchased earlier this year from Thailand.]

24 [The Lon Nol government's initial efforts to bolster the supply of military manpower have been less than successful. When eligible draftees in Phnom Penh failed to respond in any numbers to a new law calling for compulsory military service, the national police quickly resorted to press gang methods to scoop up likely looking recruits. The public outcry over the strong-arm tactics sparked new political friction when Cambodian Army Chief of Staff Fernandez blamed Prime Minister In Tam for the police indiscretions. The general dissatisfaction over conscription, coupled with another resignation threat from In Tam, produced a revised recruiting policy that seems certain to be equally ineffective.]

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SECRET**MALAYSIA: LEADERSHIP GAP**

(26)
 The sudden death last week of Deputy Prime Minister Tun Ismail leaves a void that will be hard to fill. Ismail's able and impartial leadership helped to mute racial tensions and intraparty feuding and kept these nagging problems from seriously intruding into the operations of government. He was Prime Minister Razak's most trusted lieutenant. Besides serving as backstop for Razak as prime minister, he headed three ministries and was deputy president of the United Malay Nationalist Organization, the main component of the ruling alliance. There is no one who can step in to handle the broad range of his functions.

Filling Ismail's home affairs portfolio, a key job concerned with Malaysia's touchy communal problems, will be particularly difficult. Few Malay politicians have the trust of the Chinese community that Ismail enjoyed. The Chinese will be sensitive to any indication that Ismail's successor represents an increase in the influence of Malay militants who intend to take a tougher stand with the Chinese.

The party and government vacancies created by Ismail's death will set off a new round of contention within the United Malay Party.



Tun Ismail

Razak's distaste for contention, plus his preference for party consensus, may incline him to appoint only interim replacements for Ismail, leaving final decisions to a special party congress that had been scheduled some time ago for November.

JAPAN: BACK HOME AGAIN

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27 [As a foreign policy venture, Prime Minister Tanaka's summit trip to Washington is judged a success by his supporters in Japan, but its benefits may not last long in domestic politics.]

27 [Japanese media noted with favor the proclamation of a "new and equal" partnership between the two countries, though they did question the validity of Japan's "equal" role. Not surprisingly, the opposition parties attacked the summit as a sign of the "increasing" Japanese subservience to the US. They pointed to the blandness of the communique and to its lack of specifics on how US-Japanese problems might be resolved as proof that Tanaka had achieved little. Popular attention in Japan has quickly shifted back to the unyielding domestic issues like inflation and pollution.]

28 [With Tanaka's return to Tokyo, there are signs that the opposition parties may end their boycott of the Diet. Their return would not mean that they would no longer seek to block key government legislation, but that they wish to force Tanaka to defend his summity diplomacy and domestic policies in parliamentary debate. They hope, for example, to exploit such government moves as a recent rise in the price of rice, which has added fuel to popular resentment over inflation.]

29 [In about a month, Tanaka will make another foreign policy foray with visits to France, the UK, West Germany, and the Soviet Union. In the meantime, the opposition will probably be able to create enough difficulties to prevent him from making headway against his problems on the 25X1 home front. If so, he may be more vulnerable to pressures in the Soviet Union for concessions on foreign policy issues.]

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SECRET**CHINA****MORE CIVILIANS IN CIVIL AFFAIRS**

30 Before the Cultural Revolution in 1966, Peking was careful to keep the People's Liberation Army out of domestic politics. The widespread confusion and disorder engendered by the Cultural Revolution, however, forced China's leaders to order the military into provincial politics. Now, civilian cadre are making a comeback, but it is proving a slow process.]

tary men, and the few civilians who did sit on them were generally isolated from real power.]

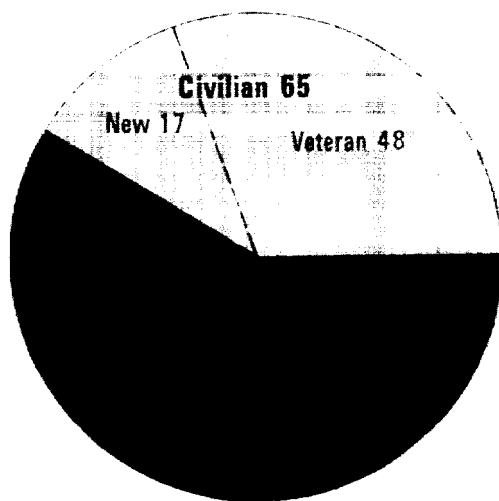
31 [The situation proved to be embarrassing for China's leaders, who had long prided themselves on having a party that "ruled the gun." Beginning with, and spurred by, the Lin Piao crisis of September-October 1971, Peking began to take steps to lessen the military's influence.]

30 [The extent of the armed forces' "temporary" intrusion into provincial politics was clearly reflected in the composition of the new party committees formed in late 1970 and 1971 in the wake of the Cultural Revolution. Of China's 29 provinces and independent municipalities, only two, Peking and Shanghai, did not have a military man in one of the top two party jobs. The committees themselves were made up mostly of mili-

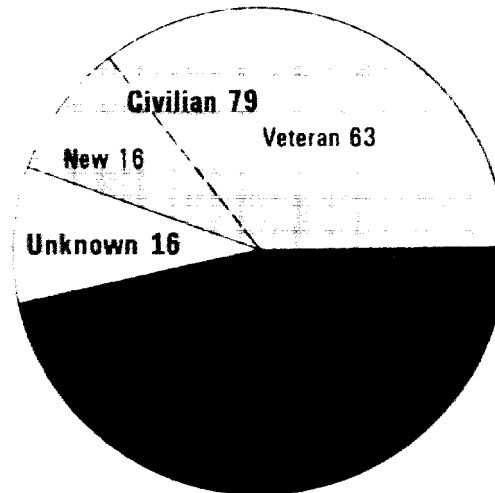
30 Today, although there is a rough parity between civilian and military representation on the party committees, the military still has an overwhelming number of the top slots. A total of 16 top provincial figures—all PLA men—were purged after the Lin affair; only nine of the 16 replacements were civilians. Furthermore, aside from Shanghai, only Hunan and Honan provinces are without a military man in either of the top two positions.]

Composition of Provincial Party Committees

**Original total at formation,
September 1971 158**



**Current total,
July 1973 178**



*Veteran cadre are cadre who held a party or government position prior to the Cultural Revolution

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30 [The military's influence has, however, been diluted by the addition of civilians, particularly former party cadre who were purged during the Cultural Revolution. On the whole, the returnees are second-level officials, who were for the most part provincial party secretaries and vice governors. All are experienced administrators, and many have special expertise in rural and agricultural matters—especially valuable talents given the clouded agricultural outlook and the drive to rebuild the party organization.]

30 [With few exceptions, pre - Cultural Revolution regional and provincial party bosses have not been rehabilitated. The decision on their return presumably is now being made, and may be aired at the Tenth Party Congress. If rehabilitated,

these old bosses would pose a greater threat to the military's influence in local politics.]

31 [In the immediate future, the current trend toward increased numbers of party veterans returning to provincial committees and a corresponding decline in the percentage of military will probably continue. The committees, however, will still face many problems. Divisions between younger and older cadre, the tendency to add people without removing others, disagreement over the liberalizing trend, and other vexed issues will inhibit the political initiative and efficiency. Peking appears to be seeking. A clear indication of a united leadership in Peking remains the key—as it always has been—to smooth administration of the provinces.]

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The funeral was as much a show of communist unity as a tribute to Ulbricht's memory. Even the official obituary played down the former leader's role in the building of East Germany.]

39 [The 80-year-old Ulbricht had been without power since Erich Honecker took over the reins as party first secretary in May 1971. Ulbricht had remained chief of state. He is expected to be succeeded by Premier Willi Stoph, at one time considered a rival of Honecker, with politburo member Horst Sindermann succeeding to the premiership. In any event, a shuffling of these positions will not affect Honecker, who will keep the real levers of power in his own hands.]

39 [Its public grief notwithstanding, the Honecker regime probably felt a sense of relief at Ulbricht's passing. No longer will it be haunted by his persistent advocacy of a hard line on foreign policy issues and an equally unbending stand on domestic problems. Moreover, the many messages of condolence from around the world permitted the regime to bask in its recently won international acceptance. For his part, Ulbricht in death was deprived of witnessing the opening of preliminary talks this week between the US and East Germany on establishing formal diplomatic relations.]

EAST GERMANY: ULBRICHT DEPARTS

38 [The death of Walter Ulbricht on 1 August hardly disturbed the smooth running of the state he was instrumental in creating. The World Youth Festival, an anti-imperialist propaganda gala, continued on its well-orchestrated way in East Berlin.

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Warsaw Pact



NATO: GETTING READY

40 [The allies have begun in earnest to prepare for the force reduction talks this fall. Last week, they decided that the paper submitted by the US would provide the basis for developing a common position]

41 [The paper proposes that NATO's goal should be the imposition of a "common ceiling" on NATO and Warsaw Pact ground forces in central Europe. The goal would be attained by a 10 percent reduction in NATO manpower and an accompanying reduction to bring Warsaw Pact manpower to the lower NATO level. Reductions during the first phase would reduce US and Soviet forces to a level sufficient to obtain the withdrawal of a Soviet tank army. Objectives in the second phase would be left undefined at this point, but would probably include a reduction of indigenous European forces. Most of the allies have expressed general approval of the US paper,

but nearly all are seeking revisions of specific points]

40 [The British, who have been more negative than the others about the force-reduction talks, have the most problems. In London's view, the allies would lose negotiating flexibility by using the "common ceiling" concept, since it would lead inescapably to a second phase in the talks. More generally, London maintains that the allied position should not be presented to the Soviets early in the negotiations, as the US and some of the others propose. London prefers a more cautious approach that would allow time to sound out the Soviets. The Canadians point out that such an approach would postpone the start of meaningful dialogue.]

40 [The West Germans, still troubled by disagreement within their government over the

41



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relationship between stationed and indigenous forces, support the "common ceiling" concept, but will be probing to determine how it would be woven into the negotiations. A spokesman in Bonn stressed last week that agreement on the "common ceiling" approach must be reached during the first phase and that a close link must be established between the first and second phases.]

40 [The new Dutch government tends to regard the force reduction exercise as a way of cutting the Dutch defense budget. The Dutch are anxious to get agreement to proceed to a second phase, which would involve the reduction of indigenous European forces. On the question of enforcement of a force-reduction agreement, the Dutch believe that verification by the US and Soviet Union would be sufficient during the first phase but not during the second. The Canadians have also stressed the need for multi-national verification.]

40 [The Turks and Greeks are concerned that an agreement along the lines of the US paper would increase the threat to NATO's flanks. The Turks have already suggested adding language to the effect that reductions would be "without prejudice to the undiminished security of the alliance as a whole."]

41 NATO's Senior Political Committee began meeting this week in an effort to settle these matters so that an allied position can be hammered out by the time the force-reduction negotiations open in Vienna at the end of October.

EUROPEAN SPACE POLICY

(42-45)
Eleven European governments last week gave the go ahead to a joint US-European space program and also made decisions on Europe's own space research activities. West Germany, France, and Britain will play the principal roles, with Belgium, Denmark, Italy, Netherlands, Norway, Spain, Sweden, and Switzerland in support—provided certain apparently minor obstacles are overcome.

As their contribution to the US in the post-Apollo space shuttle program, the Europeans will

develop the manned orbiting workshop that will be carried aloft in the space shuttle. Both vehicles will be re-usable. The Europeans will gain access to the considerable American technology necessary for building the workshop. The West Germans, who have been particularly insistent that Europe should accept the US offer of post-Apollo participation, will pay more than half of the cost themselves. The interdependence of the space shuttle and the manned workshop will result in unprecedented collaboration between the US and Europe in space activities.

The Europeans will also work together on the French L-3S satellite launcher vehicle, which Paris views as an appropriate vehicle for orbiting French military reconnaissance and navigation satellites as well as European communication satellites. Paris will provide most of the financing, with West Germany the other major contributor. Inasmuch as development and production of the launch vehicle will be primarily a French responsibility, Paris has indicated that it will have little hesitation in using the L-3S—or its components—for strictly French purposes. Development already is begun, and the first-stage motors have undergone static test firings.

Agreement by the UK to develop the inertial guidance system for the L-3S broke a deadlock on the European space program. France in return agreed to contribute at least minimally to the post-Apollo program and to the development of a maritime communications ship-to-shore satellite desired by the British.

Finally, a European Space Agency—particularly favored by the British—will take over the functions of the European Space Research Organization, the European Launcher Development Organization, and other European space activity on 1 April 1974.

Business interest in the spin-off from space technology accounts in large measure for the decision of the European governments to cooperate on space programs. Concern about preventing a brain drain is another factor, although some scientific groups, particularly in France, deplore the slighting of research-related funds in favor of the L-3S launcher.

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ALBANIA: MORE ORTHODOXY

46 [The powerful Tirane party organization met last week and branded its secretary for propaganda, Fadil Pacrami, and the director of Albanian state radio and television, Todi Lubonja, as "anti-party elements." Both men have been central committee members for about 20 years, and each served a stint as editor of the party daily *Zeri i Popullit*.]

46 [This blistering criticism of two central committee members is rare and could point to larger differences at the top over the tough campaign against Western influences, which has been going on in Albania since spring. Both men were denigrated for supporting "modernistic" artistic trends and failing later to recant.]

46 [In a related show of displeasure with the poor way its stringent ideological and cultural guidelines are being implemented, the regime shuffled the leadership of the youth and writers organization in late July. Lesser bureaucrats in the propaganda apparatus have been criticized, and further personnel changes may well be in the offing.]

46 [Meanwhile, the campaign for orthodoxy has spilled over into the economic field, taking its cue in part from an unpublished speech by party leader Hoxha in late June. Various economic shortcomings—including low productivity, too much investment, and stagnant production—have been directly attributed to "alien liberal influences." Unnamed individuals have been criti-



Party Leader Hoxha

cized for encouraging imports of foreign products with little regard for Albania's monetary and economic capabilities. The accompanying defense of Tirane's "self-reliance" policy was worded so strongly as to suggest that differences exist on these economic issues.]

46 [Amid this orgy of strict orthodoxy at home, Tirane continues its slow, pragmatic efforts to diversify foreign commercial relations. Albanian officials sat down with the Austrian trade minister late last month to explore ways of expanding trade. The only immediate result of the session appears to have been a trucking agreement, which increases Tirane's meager transport links with Europe. The Swedes were in town earlier to conclude a two-year trade protocol.]

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YUGOSLAVIA: VETERANS OUT OF STEP

5 One of the problems that may demand Tito's attention is the conflict between party and veterans organizations in Croatia and Serbia. This knotty problem, with its crosscurrents of nationalism, defiance of the party's claim to supremacy in all spheres, and jockeying for position, is not new but it is getting worse.

5 Party officials from Belgrade cannot ride roughshod over the veterans without running the risk of alienating an important segment of the population. Veterans number around a million, and they still command substantial respect for the contributions they made during the war. Furthermore, there is a community of interests between the regular military and the veterans organizations, and this shared outlook gives the veterans weight in higher councils.

5 In the mid-1960s, party reforms and economic modernization broke the veterans' grip on the federal bureaucracy, but their influence in local and regional affairs is still strong. Since then they have tried to use Tito's campaigns against liberals and nationalists as a vehicle to reimpose their "firm hand" philosophy. In some cases, they over-reached themselves. In Vojvodina, for example, Serb veterans successfully demanded

that deposed liberals be thrown out of the party. The parent Serb party has taken a more moderate tack and is angry about excesses in Vojvodina. Serb party boss Vlaskalic toured the province last month and warned local party officials to take firmer control before the regional party congresses convene later this year.

4 In Croatia, the party organization has flatly accused the veterans of taking an anti-party line in their agitation for a return to old practices. The veterans rejected the charge last month, however, and party leaders in Belgrade are confronted with the sensitive problem of having to choose sides. The decision apparently has not yet been made. The Croat situation was further muddled by the purge in June of the Yugoslav internal security boss, Colonel General Ivan Miskovic. He has strong personal ties to veterans in northeast Croatia, a stronghold of vociferous conservatives.

5 The party in Belgrade undoubtedly wants to project an image of unity and stability in the run-up to the party congress and national elections early next year. Tito's heir apparent in the party, Stane Dolanc, a latecomer to Yugoslavia's political wars and to federal party posts, stands midway between the old guard and the post-war generation.



Tito (center) with Partisans, 1942

5 Dolanc and other leaders, including Tito, want to "renew" the party by turning over many posts to younger people, and the factional activities of the veterans may help to accelerate the process. The federal party is already moving to bring the regular military into line, and success in this venture would free its hand to deal with the more obstreperous spokesmen of the veterans' organizations.

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CYPRUS: SUMMER MADNESS

53 General Grivas through word and deed this past week has managed to increase the tempo of his struggle with President Makarios. Although strong words have dominated the current go-round, Grivas is threatening to increase the violence and there is little chance that additional terrorism can be avoided. 7

53 In the war of words, the two leaders have exchanged charges and countercharges of treason to the Cypriot cause of enosis (union with Greece). Grivas set the stage by threatening a fight to the end if the Archbishop does not submit to new elections and relinquish either the presidency or the leadership of the Cyprus church. Grivas insisted that he would stop his lawlessness and release the kidnaped justice minister if these steps were taken and other freedoms were guaranteed. Makarios rejected the general's demands and called on him to come out of hiding

and engage in a "democratic" confrontation. Makarios has pledged to crush Grivas' terrorist campaign. 7

53 Further escalation of the violence by Grivas and his supporters is not likely to force the Archbishop to give up his position and could turn Greek Cypriot opinion against the general, whose real support on the island is believed to be small. As the struggle goes on, however, the minority Turkish Cypriots become increasingly worried that the antagonism could eventually be directed toward them. They and Ankara hold little love for either man and will urge Athens to use whatever influence it may have to quiet the smoldering problems in the Greek Cypriot community. The mainland Greek Government, which has no more than a questionable hold on Grivas and virtually no leverage over the Archbishop, will do its best to stay clear of direct involvement. [redacted]

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Bomb attack in Nicosia



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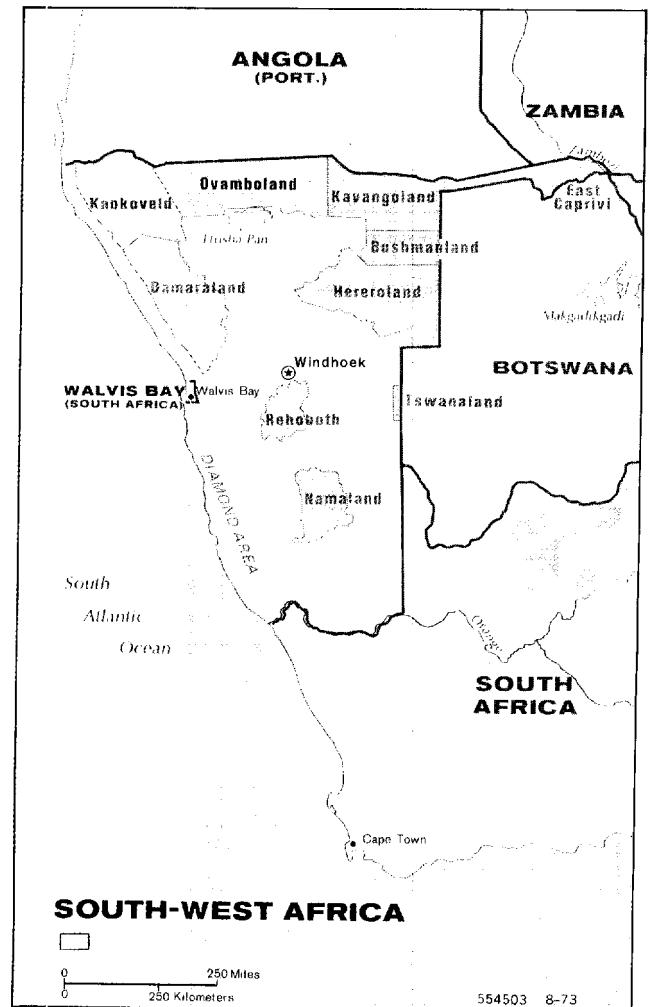
SOUTH-WEST AFRICA: TRIBAL REBUFF

61 South Africa's policy of separate development for tribal homelands in South-West Africa received a blow last week when Africans boycotted the elections to the newly constituted legislative council of Ovamboland. This clear-cut show of disapproval—only three percent of the
62 registered voters went to the polls—will almost certainly stimulate further opposition to continued South African control of the territory.]

62 South Africa has been especially anxious to make its version of self-government work in Ovamboland. The Ovambo tribe, some 350,000 strong, accounts for almost half of South-West Africa's population and provides the bulk of the labor force in the vital mining industry. Ovamboland's legislative council was to have been the first popularly elected representative body for any non-white group in South-West Africa. Despite the boycott, Pretoria will have the council installed and eventually go ahead with plans to extend the same pattern to the territory's nine other tribal homelands.]

61 The election was doubly embarrassing to Pretoria. First, the tribal chiefs who benefit from separate development formed their own political party and prohibited opposition groups from holding public meetings. The chiefs were backed up resolutely by the South African police and were thus made to look like puppets.]
62 Second, the boycott organizers demonstrated surprising strength and ability. The most prominent leaders of the boycott belong to the South-West African Peoples Organization, which would like to unite all non-white ethnic groups in a violent revolt against South African rule.]

62 Pretoria's grant of increased autonomy to Ovamboland was denounced last May in an OAU summit resolution. The African leaders called for cancellation of UN Secretary General Waldheim's mandate to negotiate with Pretoria on preparing South-West Africa for independence as a single



state. The success of the boycott probably will provoke further pressures against any renewal of Waldheim's mandate when the issue comes before the Security Council, probably in September. The proof that the South-West African Peoples Organization wields broad popular influence also could bring increased international support for the organization's hitherto ineffective guerrilla movement.

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SECRET**AFGHANISTAN: NO POLICIES YET**

66 Afghanistan's new rulers, four weeks after their coup, have yet to give a clear indication of their plans. The signs of drift are many:

- President Daud has ordered lower prices but has not said, even in general terms, how he will deal with the alleged economic crisis he says forced him to seize power.

64 • It took ten days before the first ground rules for the new administration emerged. The powers of the king and parliament were vested in Daud, and the judiciary was placed under the Ministry of Justice.

- Plans for developing a more permanent system or the "real democracy" Daud promised have not been announced.

63 • It took two weeks to name a cabinet, which the US ambassador describes as a "peculiar hodgepodge." Daud holds the most important posts—prime minister, defense minister, and foreign minister—and several other ministers are close to him.

66 • The junior officers who carried out the coup and civilians sympathetic to them got finance, interior, and a few lesser portfolios. It is doubtful that the cabinet will be either very effective or capable of united action.

66 • Daud has made no moves on foreign policy, even toward his neighbors. He is a long-time advocate of independence for Pakistan's frontier provinces, but no action has been taken on this issue; he has a pro-Soviet reputation, but so far has made no move toward Moscow; he has not gone through with the ratification of the water agreement made with Iran a few months before the coup.

65 • The apparent lack of direction may stem from the nature of the coup that brought Daud forward on 17 July.

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The New Rulers (President Daud second from left)

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[redacted] It is by now evident that those who seized power had no clear program and that there are disagreements among them.]

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66 [In the short run, Daud will probably be able to exploit the inexperience and disunity of his associates to augment his own position. In time, Daud may be able to sort things out and set a more definite course for his government. Most Afghans would probably be content with a slow pace in reform and do not expect any government to meet high standards. Nevertheless, the government's performance so far, its failure to announce any plans or any but the vaguest goals, and the composition of the cabinet do not augur well for its solving Afghanistan's many problems.]

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67 [There have been raids into Burundi from Tanzania. The raids have strained relations between Burundi and Tanzania and have led to several clashes along the border involving the armies of the two countries. The hostilities also resulted in a government-encouraged boycott of Burundi goods by Tanzanian dock workers, which was highly damaging to landlocked Burundi. To get Tanzania to end the boycott, Micombero was forced to take the blame for the border clashes. Another boycott could cause such havoc in Burundi that resulting internal pressures could bring down the government.]

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BURUNDI: CANCEROUS GROWTH

67 [The government of President Micombero is as shaky as ever a year after the tribal slaughter that cost thousands of lives. The ruling Tutsi minority and the Hutu majority, which has suffered most in the carnage, are irreparably divided.]

[redacted] the President also must wrestle with bitter differences within his own Tutsi tribe.]

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67 [Last month, Tanzania and Burundi signed an agreement to ease the situation. Other African leaders—particularly Zairian President Mobutu, who helped bring about the agreement—are beginning to appreciate the potential dangers Burundi's problems pose to central Africa and may be more willing to intervene than they have been in the past. Dar es Salaam, however, does not have the resources to move all of the 20,000 Hutu refugees away from the border area, and more incidents may occur that would jeopardize the agreement.]

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68 [Micombero is more conciliatory toward the Hutus than most Tutsis, but during the past year he has failed to take the social and economic steps that might have helped to reconcile the two tribes. Repression of the Hutu population by Tutsi civilians and soldiers has continued, although it has not reached the scope and severity of last summer.]

67 [At home, Micombero must continue to deal with the endemic factionalism that has plagued the Tutsi elite since independence. Political rivalries between northern and southern elements of the Tutsi oligarchy have only been slightly eased by the need to unite against the Hutu "threat." Micombero survives because he has been able to balance off the two factions, which are fairly evenly divided. Moreover, Tutsi politics have always managed to absorb factionalism, personal rivalries, and even violent intrigues, and this will probably be the case for some time to come. Micombero could fall and be replaced by another Tutsi, but the major threat to stability in Burundi, and in the area, still comes from the growing Hutu challenge.]

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SECRET**ARGENTINA: ALL IN THE FAMILY****(NO SOURCES)**

25X1 The election process edged forward with the Justicialist Party's nomination of Juan Peron and his wife Isabel as candidates for president and vice president. Most observers see the inclusion of "Isabelita" on the ticket as an interim move.

third runner-up in the election that brought Peron home, has tossed his hat into the ring for the new election, now set for 23 September. Manrique was nominated by the Popular Democratic Party convention and has launched his campaign despite widespread doubts about his prospects for tapping anti-Peronist sentiment. If the Radicals run a candidate, the two parties would split the opposition vote.

While uncertainty over Peron's plans and speculation about his health continued, the government pushed forward in several controversial directions this week. A press leak of a US memorandum expressing concern over the impact of pending economic legislation caused a public uproar and led to congressional demands that the US charge be declared persona non grata. The incident clearly demonstrated the highly charged nationalist mood of the country. Although provisional President Lastiri apparently intends to let the matter drop, Congress has expedited action on a series of draft economic bills, some of which have a definite nationalist flavor.

In all probability, Peron has decided not to commit himself to a deal with Radical Civic Union leader Ricardo Balbin, whose demands may have convinced Peron that a joint slate would pose more problems than it was worth. The Radicals now face the problem, when the party convention reconvenes on 11 August, of deciding whether to put up a separate slate.

In the only other fresh development on the election scene, Francisco Manrique, who was



Peron and wife

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Discretionary powers granted to the executive branch under the foreign investment law, for instance, would allow the government wider powers in dealing with foreign investors. The law gives the government enough latitude to subject US business interests to more stringent restrictions than that accorded other foreign firms. The passage of these measures, combined with the upsurge in political assassination and kidnaping, is unlikely to bring any improvement in the existing investment climate or change the pessimism with which US business in Argentina contemplates the future. Indeed, new investment has reached a virtual standstill since the Peronists assumed power in May.

In another move that underscored Peronist efforts to chart a clearly independent foreign policy, Argentina announced extension of a \$200 million credit to Cuba for the purchase of trucks, tractors, machinery, and agricultural products. The loan, similar to one for \$100 million granted to Chile earlier this year, is in line with Argentina's interest in increasing demand for its products abroad and boosting industrial activity and employment. The decision is likely to place new strains on relations with Washington because of probable pressure to have US subsidiaries in Argentina supply goods to Cuba.

The government at least is searching for methods to cope with the terrorist problem and restore order. It promulgated two laws regulating the possession of firearms and explosives and curbing the use of paid advertisements in the media by terrorist groups. Still, there has been no letup in the level of politically motivated violence, and the principal terrorist organization—the People's Revolutionary Army—has once again gone on record condemning Peron for his “capitalist tendencies.” The terrorists appear to be more active than ever, and a recent kidnap victim—a British financier—told the press after being freed that his captors planned to use accumulated ransom money to purchase arms with which to start a “civil war.”

URUGUAY: WEAKENING THE LEFT

69 [President Bordaberry and the military, having at least temporarily reduced a threat from labor, are pressing ahead with plans to undermine other strongholds of leftist influence.]

69 [One of their next goals is an extensive reform of the education system. Ostensibly, the reform would improve the quality of education, but its underlying objective would be to prohibit political proselytizing among students—and thus to deny the Communists and other leftist groups one of their chief recruiting grounds.]

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71 [Meanwhile, the government has reaffirmed its determination not to cave in under demands and protests from outlawed labor leaders. The Communist-dominated National Convention of Workers called off a strike last week after it became clear the walkout would not succeed. The government attacked labor leaders by labeling them “anti-national” and involved with the Tupamaros.]

71 [Efforts to organize political opposition to the government are still feeble. A “Democratic Front,” formed by elements of the Colorado Party and the once pro-government factions of the Blanco Party, hopes to wear down the government through a low-key, long-term campaign. As yet, it is no more than an irritant to the Bordaberry regime. A similar alliance under negotiation between the leftist Frente Amplio coalition and the largest Blanco faction is being delayed by the reluctance of rank-and-file Blancos. Unless the government blunders badly, there is little prospect that the opposition will be able to pull together and challenge Bordaberry.]

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PANAMA: TROUBLES FOR TORRIJOS

72 A sharp collision between communist and conservative forces in a remote provincial capital has mushroomed into a significant political test for Torrijos and his government. The incident demonstrates how politically unsure of itself the government is—even after five years in power—and points up some of the contradictions within the administration. 7

73 Chiriqui Province is conservative, independent, and relatively wealthy, and it has long been a potential trouble spot for Torrijos. In late June, a few students at a high school in the provincial capital began clamoring for the ouster of the principal for refusing to permit them to attend a leftist-backed youth festival. The students, who were members of the communist-dominated Panamanian Students Federation, apparently had the tacit support of the provincial governor, a communist placed in the post by Torrijos. The leftists' demands were vigorously countered by conservative students and their parents—including many wealthy businessmen and ranchers—who demanded that the principal remain and the governor be fired instead. Clashes between the opposing student factions and the possibility that all businesses would close down finally convinced Torrijos to send his right-hand man, Lt. Colonel Noriega, to try to solve the problem. Apparently in response to Noriega's advice, Torrijos ousted the principal as well as the governor and his cabinet and named a friend of Noriega to govern the troublesome province.]

74 Strong man Torrijos, apparently surprised by the way the dispute developed, blames both the left and the right and says he intends to take steps to show that he will not permit any group to frustrate his plans for the country. Moves against the left could include the arrest of Communist Party leaders, the removal of communists from positions in the government and schools, and a crackdown on the student federation. 72 75

72 It is likely to be more difficult for him to move against the right, since he is already concerned about the business community's lack of confidence in his regime. His domestic difficulties seem to be mounting, and the administration seems unable to solve pressing problems. Torrijos' own reluctance to make decisions also hampers his regime's effectiveness.

SOVIET NAVY VISITS CUBA AGAIN

(78) The Soviet naval detachment that arrived at Havana on 4 August is the tenth such group to visit Cuba since 1969.

An E-II - class cruise missile submarine with the group is the first nuclear-powered submarine of any class to tie up at Havana. In the past, diesel-powered F-class submarines have visited Havana and nuclear submarines have confined themselves to the more remote bases of Antilla and Cienfuegos. In addition to the E-II, two guided-missile ships—a cruiser and a destroyer—are in Havana. According to the Soviet and Cuban press, all the ships will call at other Cuban ports after 9 August.

Cuba may also receive additional Osa-class guided-missile patrol boats soon. Two Soviet merchant tugs, each towing an Osa, left the Baltic on 5 August and are believed heading for Havana. The first delivery of Osas to Cuba took place in January 1972, when two of them were towed across the Atlantic and turned over to Castro's navy.

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SECRET**THE MONEY MARKETS**

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Since the dollar rallied in early August, it has stabilized about 3 percent above the July lows. The main source of dollar strength stems from rapidly rising US and Eurodollar interest rates. The interest rate picture is inducing money managers and speculators to switch back into dollars from marks and other currencies as well as from gold. The price of gold has dropped sharply from its high of \$127 an ounce on 6 July 1973. On 9 August alone, it fell \$3.75 to close at \$110.00.

Central bank intervention has again become a major factor in international money markets. In the past week:

- The US and German central banks intervened to support the dollar;
- Substantial intervention was required, mainly by the Bundesbank, to maintain the European joint float;
- The Italians and the British intervened heavily in the market to support the falling lira and pound.

The major central banks spent the equivalent of about \$2.5 billion in these interventions. The

Bank of Italy paid out the equivalent of about \$1 billion; the Bundesbank about \$800 million; and the Bank of England approximately \$500 million. The greater part of the intervention was carried out without public announcement, since the central banks did not want to create the impression that they were the only source of strength for weak currencies.

Resumed intervention to support the dollar reflected official concern at the growing instability in the exchange markets. The intervention was designed to minimize the short term fluctuations and slow the rise of the German mark and the slide of the dollar, the lira, and pound. No country was willing to undertake the multi-billion dollar effort needed to defend the existing exchange rates against powerful market forces.

Intervention this time around did help to blunt currency fluctuations. Nevertheless, the mark continued to appreciate, and the Bundesbank, under considerable pressure from other governments, had to relax its tight money policy. It was not until the German inter-bank interest rate dropped sharply on 30 July that pressure on the dollar and the joint float eased.

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Changes in the Dollar Value of Foreign Currencies Since 19 March
(in percent)

	9 August	2 August	27 July	11 July	6 July
Mark	+19.0	+21.0	+23.1	+17.6	+25.1
French Franc	+ 9.5	+10.9	+12.5	+11.6	+19.9
Sterling	+ 0.8	+ 2.3	+ 1.9	+ 3.6	+ 3.9
Yen	- 0.1	+ 0.3	- 0.2	+ 0.2	+ 1.1

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