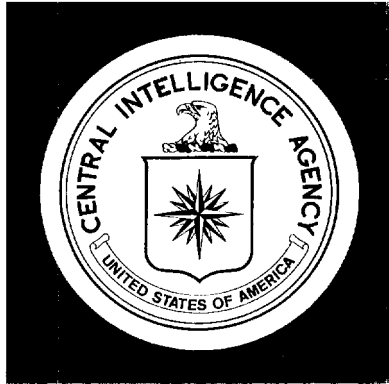


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# Weekly Summary

Navy review  
completed.

State Dept. review  
completed

**Secret**

24 August 1973  
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REPORT**

(Published separately)

New Departures in Burma

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

# INDOCHINA

## CAMBODIA: PHNOM PENH DIGS IN

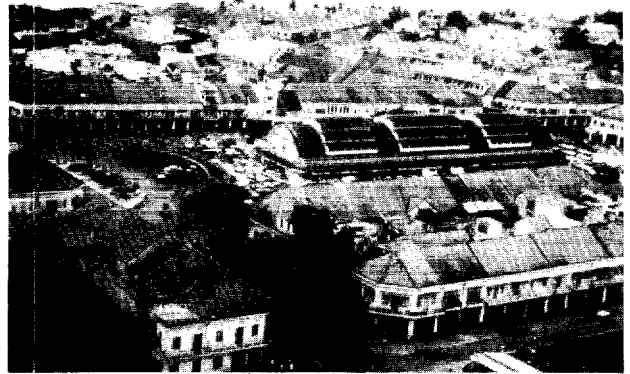
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During the past week, Phnom Penh continued to brace for anticipated Communist attacks. Although little significant fighting has occurred since the bombing halt, major Khmer insurgent forces remain within striking distance on at least two fronts—the Routes 2 and 3 sector and the Mekong River corridor.

Despite Sihanouk's recent claims to the contrary, the insurgents are likely to attempt some sort of initiatives in the near future, but it is doubtful whether it will be an all-out effort against the capital's defenses. Many Communist units in the Phnom Penh area were battered by the last round of US bombing and have had only a short period to rest and refit. Rainy season flooding is probably hampering resupply efforts.

Even a modest series of attacks, however, will provide an early and important test for Phnom Penh's defenders. The psychological impact of the cessation of US air support as well as the Cambodian Army's ability to make effective use of the artillery recently provided by the US for Phnom Penh's defense should rapidly become apparent.

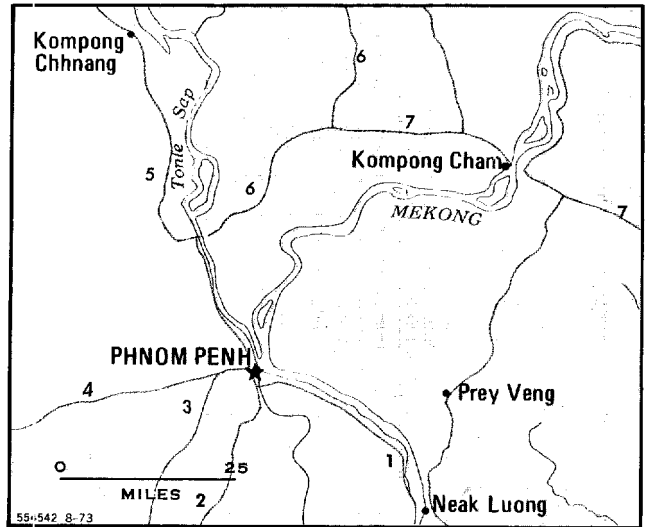
In the meantime, Cambodian Army leaders have been distracted by the insurgent threat to the provincial capital of Kompong Cham, 45 miles northeast of Phnom Penh. A number of units from the capital's defense force have been sent north to bolster the defenses around Kompong Cham. Several outlying positions around that provincial capital were overrun during the week, others were evacuated, and Communist gunners are now threatening to close the city's airstrip. At week's end, Kompong Cham's defenders were manning a perimeter between two and five miles from the city's outskirts. While Kompong Cham does not appear in danger of imminent collapse, a prolonged insurgent siege does seem likely.



Kompong Cham



Communist troops



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Souvanna Phouma



General Ma

LAOS: MA FAILS AGAIN

5 [The collapse of General Ma's quixotic putsch will probably strengthen Souvanna's hand in completing a Lao settlement. In the early hours of the 6 coup attempt, the US charge voiced his strong opposition in conversations with the plotters and with key right-wing political and military leaders. The collapse of the coup was due in no small measure to this action. More important, it put the rightists on notice that the US is firmly behind Prime Minister Souvanna and his efforts to form a new coalition government with the Communists.]

5 [General Ma's latest attempt at a coup was even more poorly organized than his previous 6 effort in 1966. Ma, who had been in exile in Bangkok since that failure, crossed the Mekong with only about 60 supporters and reportedly was joined by some 200 others in Vientiane. His move completely surprised the Lao Army commanders, and he managed to seize control of the capital's radio station and main airfield. Within seven hours, however, these installations were recaptured and Ma was executed.]

5 [There is no evidence to link rightist political and military leaders with Ma's plot. Ma, however, 7 almost certainly acted in the hope of attracting the right wing to his cause. He knew that many rightists have been dissatisfied with the draft agreement worked out between Souvanna and the Communists. Souvanna suspects that the plot was backed by the Thai Government and was intended to restore former right-wing strong man Phoumi Nosavan to power. Phoumi has been in exile in Thailand since 1965 and may well have been involved, but there is no evidence of Thai Government complicity.]

5 [After he clears away the fallout from this episode, Souvanna will move quickly to urge a speedy end to right-wing opposition regarding the draft accord. The rightists may again broach their familiar arguments, which just before the coup provoked a threatened resignation from Souvanna, but they now must realize they are in an even poorer position than before to oppose him.]

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## The Nonaligned Meet Again

10 [Representatives from more than 60 self-styled nonaligned nations will meet in Algiers from 2 to 8 September. They hope to demonstrate to the great powers that the nonaligned movement is a force not to be forgotten in today's changing world. In reality, the concept of nonalignment has been losing momentum in recent years, and the trend is not likely to be reversed by the Algiers meeting, which will be marked more by rhetoric than by accomplishment.]

10 [The nonaligned movement was a stepchild of the cold war, and it has lost its original purpose and thus its cohesiveness. A crucial issue the delegates will have to face is what, if any, role their movement can play in the multipolar world of the 1970s.]

10 [Major changes have also taken place within the movement. Of the four original promoters of nonalignment—Nehru, Sukarno, Nasir, and Tito—only Tito is still living. Since the third nonaligned summit in Lusaka in 1970, states like Algeria have taken the lead in efforts to keep the movement alive.]

10 [The first two days of the meeting will be devoted to consultation among foreign ministers, at which time the questions of seating and most conflicts concerning draft resolutions will be resolved. Prince Sihanouk's delegation and one from the Provisional Revolutionary Government of South Vietnam are expected to be seated. The heads of state will meet from 5 to 8 September.]

9 [The agenda is broad enough for all participants to accept and will yield a wide assortment of resolutions. The assembled nonaligned leaders will:

- condemn Israel and call for more support of the Arab cause;
- denounce the Portuguese, Rhodesian, and South African governments and call for more support of African liberation movements;

- castigate US policies in Indochina;
- call for closer economic cooperation among nonaligned states.]

10 [Most delegations will prefer resolutions that reflect consensus, and this desire will help moderate them. The tone of the final declarations will depend, in large measure on how forcefully these voices for moderation are raised and whether the moderates are well enough organized to deal with constant pressure from radical delegations. The resolutions will almost certainly be presented to the UN General Assembly in October, but there is

### Selected Delegates Expected To Attend The Nonaligned Conference

Algeria	President Boumediene
Cambodia (exile gov't)	Prince Sihanouk
Chile	President Allende
Cuba	President Dorticos
Egypt	President Sadat
Ethiopia	Emperor Haile Selassie
India	Foreign Minister Singh
Indonesia	Foreign Minister Malik
Ivory Coast	President Houphouet-Boigny
Kuwait	Amir Sabah
Liberia	President Tolbert
Morocco	King Hassan II
Nigeria	General Gowon
Saudi Arabia	King Faysal
Sri Lanka	Prime Minister Bandaranaike
Syria	President Asad
Tanzania	President Nyerere
Tunisia	President Bourguiba
Yugoslavia	President Tito
Zambia	President Kaunda

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no assurance that all nonaligned states will support them there.]

8 [Algerian President Boumediene, who has devoted much time and effort to the preparations, believes Algeria's role as a leader among developing nations and his own stature will be greatly enhanced by the meeting. He has dispatched

numerous special envoys to attract the largest possible attendance by heads of state. A large number of Algerian ambassadors have been called home to help with the meeting, and the entire protocol office of the Foreign Ministry has been assigned to assist. Algeria's total expenditures may run as high as \$25 million.

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## CHILE

ON DEAD CENTER

(11 + 12 + 13 + 14)

[The return of military officers to President Allende's cabinet, far from easing Chile's unhappy situation, has added to the tensions both among civilians and in the armed forces. Divisions within the government, the opposition, and the military, however, have thus far checked cohesive or decisive action. Right now, leftist extremists, including increasing numbers of Socialists, appear to be best prepared to exploit the confusion.

When General Ruiz resigned in frustration on 17 August as minister of public works and transportation, Allende maneuvered him out of his post as air force chief as well. There was immediate pressure from within the navy and air force to defy Allende's latter move, but Ruiz' own confusion over what had happened delayed and ultimately defused any military response. The President responded by finding two other air force generals to take Ruiz' jobs and by refusing the resignations proffered by the navy and army chiefs.

Resentment of Allende's self-serving manipulation of the military's dedication to constitutional government is spreading rapidly in the armed forces. Mistrust and jealousy still split the services, however, and even the officers most anxious to act are uncertain of support and fearful of what would follow an unsuccessful coup attempt. Allende has been adept at culling out of the service officers who might become effective opponents.

Poor timing and deep divisions also fritter away the chances of the many political, economic, and professional groups that oppose the Allende government for varying reasons. Protest stoppages by retailers, doctors, and others were piecemeal and largely uncoordinated and were not even called in Santiago until a month after the truckers' strike began. The National and Christian Democratic parties vie to write ineffectual legislation in the wistful hope it will stiffen the military resolve. Squabbling among the Christian Democrats gives Allende an opening to cultivate the party's leftist stalwarts. Further revelations of the irresponsible antics of rightist extremists are another government advantage.

Women are beginning to play a larger role on all sides of the struggle. Among the most active are many radical Socialists like Senator Maria Elena Carrera. Along with the Movement of the Revolutionary Left and many other Socialists, these radical women are trying to force Allende into a harder line against the opposition and the military malcontents. They would like him to abandon his obsession that his moves to socialize Chile must have a legalistic facade. The leftist extremists have been concentrating on organizing and arming workers, and the Communists are using the same methods to compete for major labor influence. These methods also carry a growing threat of more serious violence, and this deeply concerns the armed forces, which so far have done little about them.]

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General Ruiz

#### THE PRICE OF STRIKES

17 [Already plagued by the world's most rapid inflation rate, by proliferating black markets, and by widespread shortages, Chileans now face new privations brought on by the transport strike. For four weeks, the bulk of the nation's trucks have been sidelined; food, fuel, and raw material shortages are becoming serious and are forcing many factories to close. The Allende government has done better in organizing other means of transportation this time than during the truckers' walkout last October, but stocks of many essential materials were much lower when the latest

strike began. As a result, construction activity is grinding to a halt, and seed and fertilizer deliveries to farm areas are lagging.]

15 [The strike could be working to Allende's advantage by giving him a ready excuse to explain away many shortages that would have occurred in any event. This may not do him much good, since more severe shortages of foodstuffs, particularly bread, and other essential consumer goods appear inevitable. Even though Buenos Aires has now agreed to honor its commitments to provide wheat, the delay caught Chile with inadequate stocks and the country could run out of grain before Argentine shipments begin to arrive.]

17 [The truckers' strike will make Chile's shortage of foreign exchange even more critical. As of March, Chile was \$360 million in the red, and net reserves have since fallen further. Record copper prices this year offered some prospect of improving Chile's trade deficit, but strikes have sharply reduced copper shipments. An 11-week walkout by miners at the large El Teniente mine forced Chile to renege on most of its contracted deliveries for June, July, and August. Copper output was just beginning to recover when the truckers' strike intervened to prolong the recovery period.]

16 [Because of this shortfall in export earnings, Chile reportedly has been desperately seeking financing for imports. Until now, Chile's creditors have been remarkably forbearing, but they appear to be adopting a more hard-nosed attitude. The Paris Club denied Chile's request for debt refinancing. Although Allende may be able to delay severe import constraints for a few months by further borrowing, a severe curtailment of imports combined with the drop in domestic output makes a period of severe belt-tightening inevitable.]

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# WESTERN EUROPE: WHAT TO SAY

**22** [Four months after the US call for a fresh look at the Atlantic relationship, Europe has lingering doubts that a "declaration of principles" will be ready for the expected fall visit by President Nixon. The political committee of the EC agreed in July to work out US-European discussion topics for the ministerial meeting on 10-11 September, but no progress will be made until working groups meet at the end of this month. Meanwhile, NATO has been looking at various draft declarations and will meet again on 27 August. The Europeans may in the end prefer two declarations: one from NATO covering defense issues and another from the EC dealing with trade and monetary problems.]

**18** [The Dutch offered a draft NATO declaration in late June. It was a comprehensive document calling for common defense but emphasizing an Alliance commitment to social justice and human rights, particularly in the developing world. The draft also aimed at safeguarding a "European personality" within the Atlantic relationship.]

**20** [The British early this month offered a shorter, more general draft to NATO. London did, however, go beyond defense questions to suggest eliminating conflicts in economic policies and encouraging economic collaboration.] London's effort may raise objections from others among the Nine that the draft has an insufficient "European" focus. Despite an earlier reluctance, Rome is now developing its own ideas for early submission in NATO.]

**19** [On 16 August, the West Germans circulated at NATO a wide-ranging draft declaration. While noting the contribution that the EC "as a separate entity" can make to international politics and the "special endeavors" of the European members of NATO for an increased common defense effort, the German draft insists that the presence of US forces in Europe is indispensable for maintaining a balance of power. The draft calls on the US to reaffirm that it will keep its forces in Europe and make reductions only within the framework of mutual reductions with the Warsaw Pact. The declaration also calls on the NATO allies to give priority to the issue of burden-sharing, with particular reference to US forces in Europe.]

**19** [The French, obviously surprised at the German initiative, commented that the drafting process had proceeded more rapidly than Paris had anticipated. The German move may add to the recent, widely publicized French anxieties over German foreign policy. French concerns appear to be based in part on Bonn's readiness to support US initiatives. Thus far, however, Paris has given little inkling of how it intends to respond, except to raise questions about the North Atlantic Council's authority to draft a document on Atlantic relations.] [The Paris press, meanwhile, has taken the position that reports of President Nixon's European trip and a prior visit to Brussels by Dr. Kissinger are intended to force the pace of European discussions on a set of Atlantic principles.]

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## SOUTH VIETNAM: SAIGON SET FOR SWEEP

23 [The Senate election, to be held on 26 August, is virtually certain to result in an impressive victory for the Thieu government. Four slates of candidates are competing for 31 of the Senate's 60 seats. The slate composed of members of President Thieu's Democracy Party and one headed by former foreign minister Tran Van Lam, also closely identified with the government, are heavily favored.]

23 + 24 [The two nongovernment slates consist of little-known figures. One of these lists, however, has enlivened an otherwise lackluster campaign by demonstrating considerable vigor and, while its prospects of winning are poor, it could cut into the government's margin. It has focused on economic and financial issues, attacking government corruption and inefficiency.]

23 + 24 + 25 [Despite the apparent certainty of the outcome, Thieu and his advisers are taking no chances and are running a tightly controlled campaign. The campaign has been scheduled in such a way as to allow the candidates relatively limited contacts with the voters and with the press. Thieu wants a clear pro-government majority in the Senate, which has been almost evenly divided between pro- and anti-government forces, so that he can strengthen his position by putting through certain constitutional amendments. Moreover, he wants a large turnout in order to demonstrate his strength throughout the country.]

23 + 28 + 29 [It seems unlikely that either the Communists or non-Communist opposition groups will make a major effort to disrupt the election or to embarrass the government. Reports from scattered areas indicate that the Viet Cong will try to persuade voters not to go to the polls or to cast blank ballots if they are forced to vote. Similar reports

have cropped up prior to virtually all recent national elections, but the balloting has almost always gone off quietly. The government reportedly believes that some An Quang Buddhist leaders are trying to persuade their followers not to take part in the election. The Buddhists and other opposition groups chose not to run candidates in the election, but there are few signs that they are doing much to block the government effort to dominate the election.]

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*DESPITE THE APPARENT CERTAINTY OF THE OUTCOME, THIEU AND HIS ADVISERS ARE TAKING NO CHANCES.... THIEU WANTS A CLEAR PRO-GOVERNMENT MAJORITY IN THE SENATE....*

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## Action at Hue

30 [On 21 August, North Vietnamese gunners launched their heaviest artillery and mortar barrage since June. The attacks against government positions south and west of Hue were intended to discourage the government from strengthening its defenses in the area. South Vietnamese troops have been trying to secure mountain-top observation posts that overlook Communist infiltration routes, and engineering units have been pushing to complete all-weather roads to the posts before the monsoon rains start in October. Although this action shows that the Communists are prepared to react sharply to government operations that they consider a threat to their security, there is no evidence that they are ready to resume any large-scale operations.]

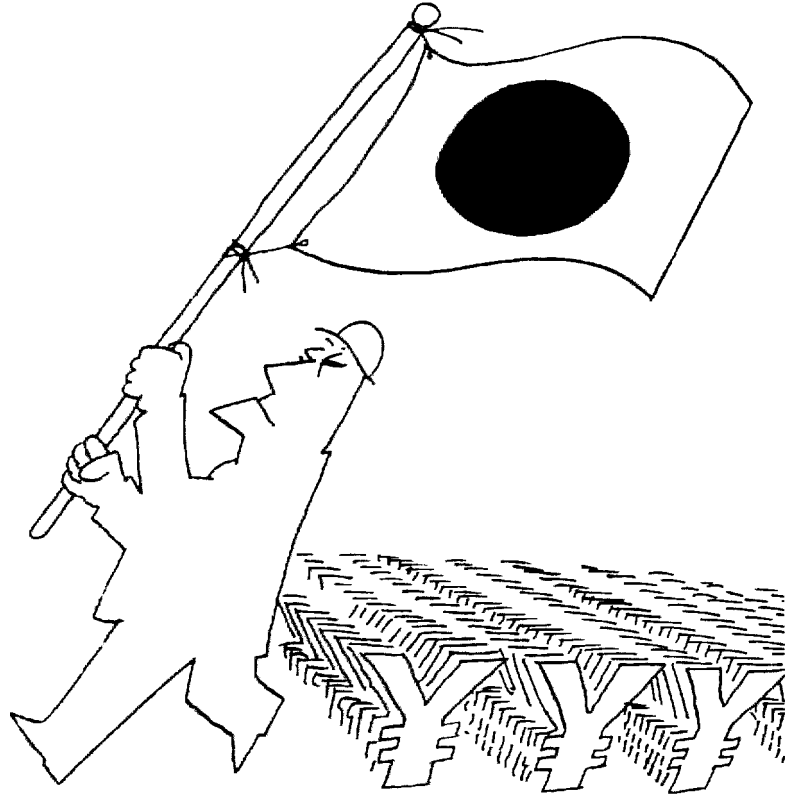
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**SECRET****SOUTH KOREA: LINKS TO JAPAN**~~NO SOURCE~~

Japan's involvement in South Korea's economy is growing as trade, aid, and investment activity expand. The trend is not likely to be altered either by Japanese moves to expand economic ties with North Korea or by the reaction in Japan to the kidnaping in Tokyo of a Korean opposition leader.

Japan has overtaken the US to become the leading foreign investor in South Korea; indeed, during the first half of the year, Japan accounted for nearly all of the record \$170 million in new foreign investment approved by Seoul. Almost all Japanese investment has been in export-oriented industries, notably electronics, textiles, and toys. In fact, of the 95 firms admitted to the Masan Free Export Zone, a new industrial complex, 76 are Japanese and another 11 are joint ventures by Japanese and Korean firms. Recent currency realignments, which make it difficult for producers of light manufactured goods in Japan to compete with low-cost Korean suppliers, have encouraged Japanese to shift operations to South Korea.



Japanese-owned firms now produce about one fourth of South Korea's exports of more than \$2 billion a year. A large share of these—40 percent—go to the US market, but the portion being shipped to Japan is growing. Last year, roughly 25 percent of South Korean exports went to Japan and the figure could exceed one third this year. Japanese sales reached almost \$1 billion in 1972. A large part of these are intermediate products, such as synthetic fabrics and fibers, which are processed in South Korea into finished goods for Japanese use or for export to the US.

South Korea now obtains about 40 percent of its imports from Japan. Although Japanese sales to South Korea are increasing rapidly, Japan is losing ground to the US, partly as a result of the currency adjustments that have strengthened

the US competitive position. Moreover, Seoul is actively encouraging purchases from the US by sending out special buying teams.

So far, Seoul has shown few reservations about its heavy economic reliance on Japan and, in fact, is looking to Tokyo as a prime supplier of aid funds during the next several years. The South Korean Government is seeking \$3 billion in trade credits, export-import loans, and development loans. Although Japan's offer of funds usually falls short of what Seoul requests, large sums should be forthcoming. Seoul's recently announced Heavy and Chemical Industry Development Plan presupposes large-scale investment from both Japan and the US.

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## CHINA: MORE MEETINGS

33] China's leaders continue to meet nightly in small sessions, as they have since early August. Peking has maintained a tight clamp on the proceedings, but some Central Committee members from the provinces have probably participated in the sessions. However, other members, including one Politburo member, have remained in their respective capitals, raising doubts whether a Central Committee plenum has been in session.]

33] Party congresses require extensive preparations, and these meetings are probably prepara-

tory to a congress this year. Moreover, the current propaganda debate over a number of side issues indicates that agreement on the major problems will not be easy and that the preliminary work now in progress could well be protracted. False alarms can also be expected, such as occurred last weekend when several thousand people met in Peking's Great Hall of the People. This particular meeting was over in three days, and its brevity and size suggest that it was not a major party gathering.

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## UN: COMBATING AIR TERRORISM

38] [The International Civil Aviation Organization, a non-political agency of the United Nations, is embroiled in two of the UN's most difficult political issues: air terrorism and the Middle East conflict. This week the council of the international civil aviation group met in extraordinary session and condemned Israel for its hijacking of a Lebanese airliner and requested that the organization's assembly consider "measures" against Tel Aviv. The assembly—which begins a scheduled three-week meeting in Rome next week—is likely to apply sanctions against Israel and approve broader powers to take such actions in the future.]

39] [The problem of air terrorism has long deadlocked the political organs of the UN. For more than a year the General Assembly has failed to agree on any steps against terrorism, and the Security Council was able last week to condemn the Israeli hijacking only because it referred the more difficult sanctions issue to the non-political aviation group.]

39] [Even before receiving this mandate, however, the aviation group was embroiled in the problem of air terrorism. Both the airline industry and member states have demanded that the organization act to discourage and prevent hijacking; the Israeli incident only added impetus to these demands. Next week, the international pilots association plans to dramatize its demands for punitive action against hijackers by imposing a 24-hour ban on air service to Israel. Arab members will meet to draft proposals for expelling Israel from the International Civil Aviation Organization. At present, however, it appears that the assembly will vote only to deny Israel a voice in regional air navigation and technical planning, but not to prevent its use of the airways.]

39] [Of more lasting significance may be the proposals which would give the aviation group greater regulatory powers. Proposals to levy specific sanctions against future violators of civil aviation agreements and possibly create a body to implement punitive action seem likely to be accepted.]

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**SECRET****CEMA: ROADS TO MOSCOW**

(42-45)

[The flurry of consultations involving East European premiers reportedly focused on future economic planning and particularly the need for CEMA countries to integrate their economies further. The consultations may also be related to recent Soviet expressions of interest in a dialogue between CEMA and the EC.

The series of talks began when Hungarian Premier Fock visited Poland on 11-12 August; Polish Premier Jaroszewicz went to Moscow on 14 August, and was followed by Fock on 16-17 August. Their East German counterpart, Stoph, spent a day in Moscow on 20 August, and Bulgarian Premier Todorov arrived on the same day.

Kosygin headed the Soviet delegation in each of these affairs, and the lists of participants were heavily weighted with officials concerned with economic matters and with CEMA. Official reports on the meetings stressed the integration of East European economies and the use of the 1976-80 national economic development plans as a means to that end. Vital aspects of the integration problem, such as Soviet raw material supplies to its partners and production specialization, were considered, according to a Moscow broadcast to Poland following the Jaroszewicz visit.

The reports of the meetings also refer to decisions taken by the party leaders at the Crimea meeting in late July where economic integration was discussed. Only the Romanians and Czechs among the European CEMA members have yet to send economic delegations to Moscow. According to a Soviet diplomat in Bucharest, Romanian Premier Maurer is supposed to have his turn in September; it could be a difficult session.

The recent Soviet expressions of readiness to begin a CEMA dialogue with the EC have apparently given new impetus to the long-term Soviet effort to increase CEMA cohesion and perhaps

make it more compatible with the EC. Some of the urgency in the current round of meetings may be explained by the fact that CEMA Secretary General Fadeyev is supposed to leave in a few days for a vacation in Denmark that is expected to include informal contacts with the Danes on EC-CEMA relations.

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**YUGOSLAVIA: LOOKING AHEAD**

48 [Succession politics in Yugoslavia now include a plan for reshaping the Foreign Ministry in order to institutionalize nonalignment before Tito leaves the scene and to tighten federal control over foreign policy in yet another attempt to strengthen the central bureaucracy in preparation for the post-Tito era.]

46 [The reorganization will probably take place after next month's nonaligned summit in Algiers, which Tito is slated to attend. The timing suggests that Belgrade expects the Algiers meeting to revitalize nonalignment and thereby enhance Yugoslavia's stature in the European security deliberations to follow.]

46 [In the reorganization, the ministry's geographic arrangement will be replaced by a framework that groups the nonaligned states together.]

48 [The Foreign Ministry decision to take nonalignment into account is in many ways long overdue. Tito was a founding father of the non-aligned movement. From Belgrade's point of view, however, the new arrangement also reflects Yugoslavia's search for mechanisms that will contribute to stability in the post-Tito era and at the same time show that Belgrade's commitment to nonalignment transcends personalities.]

47 [The draft platform for the party congress slated for next

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spring describes nonalignment as an "indispensable criterion" for Yugoslavia's activity in international relations.]

47 [Another objective of the reorganization is to strengthen Belgrade's central authority over the conduct of foreign relations. Foreign Minister Minic has allegedly found it difficult to wrest control of some aspects of foreign policy from the republics and provinces, which got a say in foreign affairs under the decentralization of 1971. Their subsequent interventions in minor disputes with Yugoslavia's neighbors irritated the Foreign Ministry. The answer is the establishment of a "neighboring countries" group at the Foreign Ministry to take care of such matters.]

48 [Minic has stumped the fringe republics and provinces in an effort to make the pill as palatable as possible. Minic is probably prepared to sweeten the new accumulation of power in Belgrade with assurances of prior consultations with the republics on touchy issues. ]

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#### FRANCE: NEW LOOK IN AID

49 [Aid does not always buy commensurate influence, and Paris has responded to the steady erosion of its influence among French-speaking African states by adjusting its aid policy so that they will get a smaller part of French aid than in the past.]

49 [The French decision, reached at a 2 August cabinet meeting with President Pompidou presiding, preserves the priority position of the French-speaking African countries, but provides for a substantial increase in assistance to other developing countries over the next two years. The terms of French loans to these countries will be eased and the government's investment guaranty program revised to encourage private investment. French aid contributions to international organizations like the United Nations will be increased.]

52 [The French aid program to Africa was begun in the late 1950s in an attempt to preserve France's political and economic influence in its former colonies. The policy was successful at first, but in recent years many leaders of French-speaking African states have come to regard their special ties with France as a political liability. They now see the link to France as inconsistent with the demands for Africanization sweeping the continent and an obstacle to the development of closer ties with other African nations.]

50 [Moreover, French control over African monetary policies through the mechanism of the franc zone is now thought to have been responsible for the slow pace of economic development. As a result, several African states have left the franc zone and the Afro-Malagasy Common Organization, an alliance of countries with strong economic and political links with France. At the same time, support for the OAU has been increasing at the expense of what remains of French influence.]

50 [Paris has not yet indicated in which new areas it will provide aid, but commitments already have been made to increase existing government assistance and private investment in Indochina. In any case, the aid programs are likely to be implemented slowly and administered with a close regard for their contribution to French policy objectives.]

51 [During 1972 France disbursed some \$1.3 billion in aid to the underdeveloped world, second only to the US among the Western nations. This aid amounted to 0.7 percent of the French gross national product, placing France well ahead of other major donors in this respect. About 40 percent of this development aid went to the overseas departments and territories, whose residents are French citizens, thus placing France in the somewhat unusual position of providing foreign aid to its own citizens. Other franc zone and Maghreb countries account for another 45 percent of the French aid budget. Algeria continues to be the major recipient, receiving considerably more aid than the 25 poorest countries combined.]

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**SECRET****LAW OF THE SEA: STAGNANT WATER**

(53)

[The UN Seabed Committee met this week in Geneva in its final session prior to the Law of the Sea Conference scheduled for early next year in Santiago, Chile. As in earlier sessions of the committee, progress toward agreement was slow and piecemeal. Although the US draft treaty was generally well received, discussion focused upon specific items rather than on an overall rule of law governing all aspects of maritime transport and mineral and organic resources. The modest progress the session made was primarily in the area of defining positions, often broadly, on the width of territorial waters, the navigation through straits, the basis for and permissible extent of economic zones, and resource ownership and exploitation rights in the deep ocean.

Delegates of the 91 states represented in Geneva have made little progress in reconciling the divergent interests of coastal, landlocked, archipelago, developed, and developing states. Speculation is already being heard about a second Law of the Sea Conference, perhaps in 1976.

While the attempt is being made to draft an international Law of the Sea treaty, a common law is being created by the practices of nations and industries. States are claiming, and industry is exploiting, more and more of the "international" ocean areas which the treaty is supposed to govern. Since preparations for the conference began, the number of states claiming resources more than 200 miles off their coasts has more than doubled. Deep-sea mining, meanwhile, has gone well beyond the 200-meter depth, where, some hoped, international regulation would begin. The diplomatic pace thus lags far behind that of technology, which is expanding the potential access—by the richer countries—to ocean resources.

**CEAUSESCU TO LATIN AMERICA**

(56-60)

[President Ceausescu is slated to depart late this month for a month-long tour of eight Central and South American countries. The trip is clearly intended to strengthen Romania's international position and promote trade with these nations. A more subtle objective of the visit is to involve Romania more deeply with nations that may share its sensitivity to real or imaginary manipulation by big-power blocs. Ceausescu hopes that the trip will at a minimum give him some leverage to counter Soviet pressure on Romania to retreat from its hard won freedom of maneuver. This would take the form of joint declarations stressing such principles as sovereignty, equality,



Fidel Castro will have a chance to repay the hospitality accorded him by President Ceausescu in May 1972, when the Romanian leader begins his tour of Latin America with a stop in Havana.

**Countries Ceausescu will visit**

Cuba	Ecuador
Costa Rica	Peru
Venezuela	Chile
Colombia	Argentina

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independence, and non-interference in internal affairs.

Ceausescu will also seek to increase Romanian trade with Latin America, and may provide additional aid to these nations. Until now, Bucharest has provided only token development aid to Latin America, and its trade has been very small. Ceausescu hopes to increase sales of railroad and agricultural equipment and to expand the scope of Romania's involvement in Latin America's petroleum industry.

At the top of his list is a joint venture with Venezuela for the exploration and development

of oil resources in Venezuela's Orinoco Basin. Romania is also exploring the possibility of joint ventures with Chile to develop that country's petroleum potential, and similar offers have been made to Ecuador, Costa Rica, Peru, and Colombia.

The trip has the added advantage of emphasizing the balanced nature of Bucharest's approach to international relations. No dramatic developments, are expected; however, Ceausescu's absence from Romania for a full month does demonstrate his confidence in the stability of his regime.

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### EGYPT: SADAT IN MOTION

<sup>(73-74)</sup>  
President Sadat will be busy the next few weeks. The union with Libya is scheduled to be proclaimed on 1 September, and if all goes amicably, Sadat will meet with President Qadhafi in either Tripoli or Cairo around that date.

Sadat was scheduled to make a quick trip to Saudi Arabia late this week, and he will probably meet with UN Secretary General Waldheim during the latter's visit to Cairo 31 August - 2 September—simultaneously with the scheduled union



Sadat

declaration. Sadat will then attend the nonaligned conference in Algiers on 5 September, and meet with a number of Arab heads of state who pass through Cairo on their way to Algiers. Sadat may be working up to an Arab summit conference sometime after the nonaligned meeting. His efforts to improve relations with Jordan could lead, although this is somewhat more doubtful, to a separate summit with King Husayn and Syria's President Asad.

Most of this activity will detract measurably from the fanfare surrounding the Egyptian-Libyan union proclamation, and this could well be deliberate on Sadat's part. His recent efforts to generate greater pan-Arab cooperation have broader purposes, but they are intended in part as an insurance policy against the failure of merger and to demonstrate that Egypt can get along quite well without Libyan money.

Sadat's activities stand in direct opposition to Qadhafi's policies: Qadhafi rejects the negotiating process that Waldheim represents, will probably not attend the nonaligned conference, and regards Saudi Arabia and Jordan with outright hostility. Sadat obviously does not mind, and indeed may relish, whatever ire his actions are raising in his Libyan neighbor.

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**SECRET****SYRIA-LEBANON: OPEN BORDERS****(75 - 78)**

Syria reopened its border with Lebanon on 17 August after Beirut had acquiesced in at least some of Damascus' conditions. The Asad government closed the frontier during the fighting between the fedayeen and the Lebanese Army last May, both as a show of support for the fedayeen and to prevent them from being driven into Syria where they are not welcome.

Once the border was sealed, Damascus put pressure on Lebanese President Franjiyah to come to terms with the fedayeen and to make a number of other concessions, including better working conditions for Syrian laborers in Lebanon. Damascus reportedly also demanded that the Lebanese hand over several dissident Syrian exiles and arrest a number of Lebanese politicians hostile to the Asad regime, but this condition seems to have been dropped.

The formation of a Lebanese cabinet with a prime minister and interior minister acceptable to the fedayeen paved the way for border talks that began early this month. The Lebanese negotiators' major concession appears to have been on improving the lot of Syrian workers, but a series of post-settlement meetings has been scheduled to draft agreements on other matters. The border reopening will ease pressures on the Lebanese economy. Conservative press and business interests have charged that the government has capitulated,

however, and that the wage and benefit increases promised Syrian workers will in time place an unacceptable burden on the Lebanese economy. Foreign Minister Naffa has sought to quiet domestic critics by implying that he gave minimal ground. [redacted]

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**YEMEN: IRYANI MAKES A MOVE****(79 - 80)**

President Iryani of Yemen (Sana) has submitted his resignation. Since it cannot become effective until it is accepted by the legislature, which began a two-month recess last week, Iryani has room for maneuver and plenty of time to withdraw the resignation if he wishes.

Iryani's action may be a tactical maneuver to gain political advantage. He has employed the same stratagem on a number of occasions in the past. He may now anticipate that action will be taken to persuade him to remain in office. He would then be in a stronger position to deal with rivals within his regime—including Prime Minister Hajri—and with pressures from abroad.

Iryani's move may, in part, have been precipitated by Saudi meddling in Sana's domestic politics. Stories have appeared recently in the Arabic press alleging that the Saudi ambassador to Sana is maneuvering to bring down the present government and replace it with one that will support a more aggressive stance toward the leftist regime in Aden.

Should Iryani's resignation be accepted, serious domestic repercussions would be likely to follow. Iryani is virtually the only Yemeni leader on the scene today with any chance of bridging the country's political and sectarian divisions. [redacted]

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Lebanese border post

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**SYRIA: ELIMINATING THE OPPOSITION**

(S1-84)

The government reportedly arrested a number of dissident Syrian Nasirists and members of the Muslim Brotherhood late last month. The wave of arrests followed a spate of reports and rumors of an assassination attempt on President Asad and an earlier round of arrests of army officers. The Syrian security service may, in fact, have moved to pre-empt a coup plot, or simply to purge Asad's opponents, particularly in the army, before they could mount a serious challenge to the regime.

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**GREECE: GUIDED DEMOCRACY**

NO SOURCE

George Papadopoulos marked his investiture as Greece's new president this week with a flurry of action to demonstrate the newest brand of controlled democracy. In his inaugural speech on 19 August he announced the end of martial law, the activation of certain constitutional guarantees, and a general amnesty for political prisoners. He also directed the constitutional court that is to supervise the development of political parties to begin its work in September and promised to advance the date of parliamentary elections to late 1974.

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These measures, intended to give the impression that the new republic is off to an auspicious start, do not signify great change in the nature of Papadopoulos' rule. The sweeping amnesty was apparently granted over the opposition of some military members of the cabinet who stand against any move toward more liberal government. This and the ending of the state of siege are aimed at critics at home and abroad who have railed against the allegedly repressive nature of junta rule. Those pardoned will be closely watched; effective opposition by them in the near future is unlikely. The recent naval mutineers will almost certainly be cashiered or retired. Many of the regime's most vociferous opponents are in

exile abroad, where they engage in loud but generally ineffective anti-junta activities; such critics as actress Melina Mercouri and Andreas Papandreou, who have lost their Greek citizenship, will not share in the President's inaugural largesse.

The constitutional court very likely will not charter political parties that espouse objectives that differ from Papadopoulos' goals. Consequently, approved political activity will be minimal, and potential candidates for elective office may have little choice but to join what in effect will be a government party.

The seemingly self-assured President is not without his problems. A delay until October in forming a promised "political" cabinet suggests that the removal from the government of military members who were Papadopoulos' colleagues in the 1967 coup is a delicate task. These men are not eager to leave their positions, and the liberalization measures announced by the President may increase their desire to stay on and slow the movement toward the "new Greece" envisaged by Papadopoulos. The prospect for recruiting hopeful politicians to take part in the promised elections is not very bright; most politically ambitious Greeks doubtless would rather avoid serving with the junta government in any of its incarnations.

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Papadopoulos takes oath of office

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**SECRET****PAKISTAN****DISASTER**

(85-88)

Punjab Province has been devastated by the worst floods "in living memory." The government relief commissioner estimates that 1 million homes were destroyed, leaving 8 million people homeless. Roads, rail lines, bridges, power lines, and irrigation canals were all severely damaged. About one half of the area planted to summer crops has been affected. Damage to standing crops may exceed \$250 million; cotton and rice, the country's major foreign exchange earners, were the hardest hit. In addition, over one million tons of stored wheat has been lost or damaged. Flood waters, now receding in the Punjab, are moving south down the Indus River into Sind Province.

Islamabad has appealed for food, blankets, tents, medicines, clothing, and boats and helicopters for rescue operations. Airlifted relief shipments are already arriving. Medicines have been donated by the UK, Iran, and various UN agencies. The US has provided six helicopters, ten rescue boats with crews, and the equivalent of about \$100,000. Islamabad estimates that to compensate for lost food stocks and damaged crops, food imports next year will have to be increased by a million tons of wheat, 500,000 tons of corn and sorghum, and 30,000 tons of edible oil.

On the Indian side of the border, the floods were less severe. In Kashmir and Punjab states about 20,000 persons are homeless; food losses, however, were minimal. New Delhi appears to have the situation under control and is not seeking outside relief.)

**CRACKDOWN IN BALUCHISTAN**

(89-92)

Prime Minister Bhutto has once again resorted to the stick in his dealings with the opposition, arresting a number of anti-government politicians in the province of Baluchistan. Reaction

has been strong both from opposition groups in Pakistan and from neighboring Afghanistan, where Mohammed Daud, a long-time advocate of independence for Pakistan's frontier provinces, recently returned to power.

Last February, Bhutto dismissed the opposition-controlled government in Baluchistan, a sparsely populated area where politics is dominated by the tribes. In the following months he limited himself to political maneuver in an effort to secure a majority in the provincial assembly for his supporters. He was not successful, and the arrests last week—including the former governor, the former chief minister, and the head of the largest political party in the province—signal the beginning of a tougher approach to the politics of the province.

Several factors influenced Bhutto's decision to crack down:

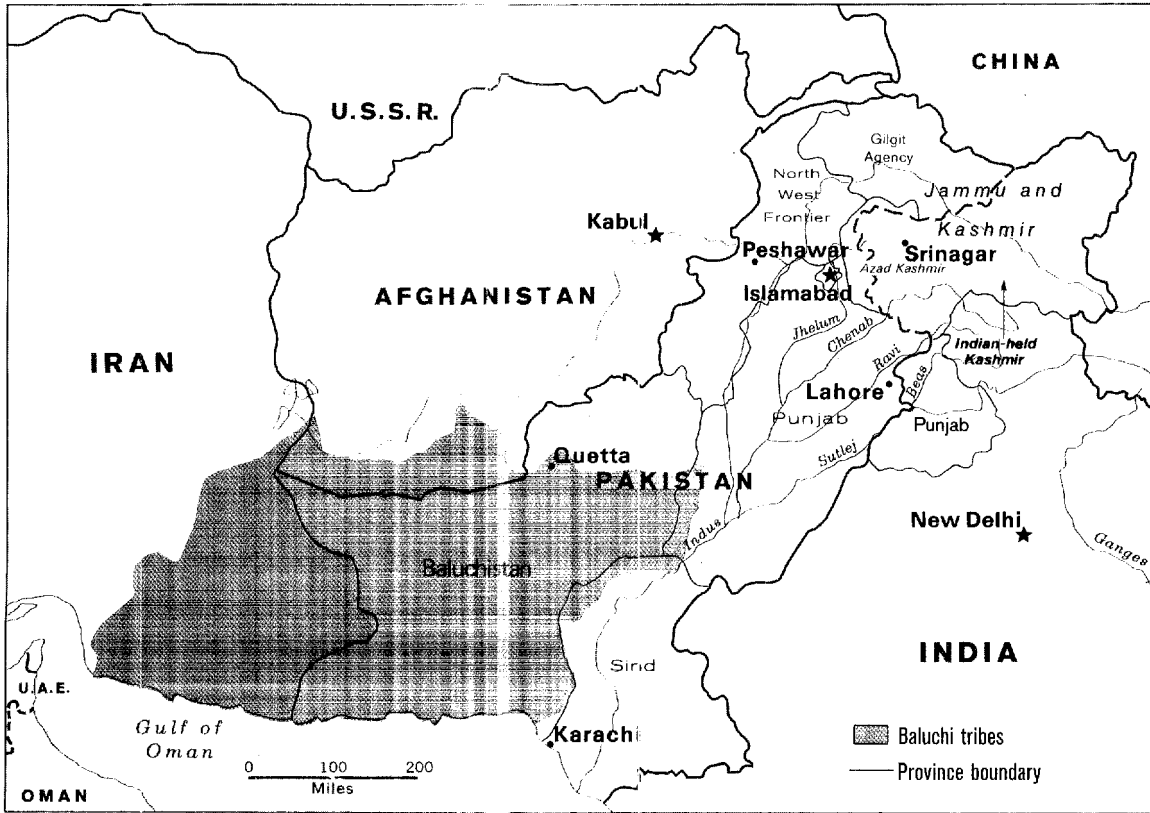
- Under the new constitution, which went into effect on 14 August, the provincial assembly elects the chief minister; with Bhutto's supporters still in a minority it was likely that the opposition would return to office. Now Bhutto has arrested enough provincial assemblymen to give his followers a majority, and his choice to head the provincial government has been sworn in.

- The combined opposition planned to begin a nationwide protest on 24 August against Bhutto's "repressive" policies. Bhutto may have intended the arrests partly as a warning to other opposition leaders.

- Bhutto has long suspected that the USSR and Afghanistan are in league with his opponents in Baluchistan and the neighboring Northwest Frontier Province. There is no good evidence to support his view, but his sensitivity to the problem was heightened by

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the coup last month in Afghanistan. The new rulers in Kabul are more disposed to meddle in Pakistan than their predecessors and have a reputation for being more pro-Soviet.

In recent months tribal violence in Baluchistan has increased, although fighting has not approached the level the province has experienced at times over the past two decades. Two of those arrested, however, are chiefs of major tribes, and a further, perhaps significant, increase in violence is a distinct possibility.

Kabul has so far limited itself to a strongly worded protest and requests to the US, USSR, and Iran to use their good offices to prevent a

wider deterioration in Afghan-Pakistani relations. Afghan leaders warn that if fighting breaks out in Pakistan, Afghanistan may have no choice but to become involved. President Daud tried to foment tribal rebellion in Pakistan when he was in power in the early 1960s. Although he failed then, he may be tempted to try again.

There is deep distrust between Bhutto and his opponents, and both the Afghans and Pakistanis have a long history of political miscalculation and overreaction. Although Bhutto has previously been able to resolve a number of confrontations through last-minute compromises, the possibility remains that the interaction of the various parties to the dispute could lead to a showdown in which all would lose.

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Juan Peron and Isabel; Radical candidates Ricardo Balbin (R) and Fernando de la Rúa

## ARGENTINA: OFF AND RUNNING

(94-97)  
 Juan Peron formally accepted the presidential nomination last weekend and kicked off his campaign with a dramatic speech before the Justicialist Party convention. He made another strong pitch for the support of moderates who form the backbone of his diverse movement, defended the Peronist administration from charges that it is disorganized, and stressed that reconstruction could not be accomplished overnight.

Peron's emphasis on the importance of party unity was intended to reassure the mainstream of his supporters at a time when militant left-wing Peronists reportedly are planning violence in pursuit of their "revolutionary" objectives. By urging "naive youths" who disagree with the government to be patient until "we are firmly in power," Peron seemed to be holding out the promise of a more radical program in the future. The youth wing has grown disillusioned with Peron, his advisers, and his policies—all of which the youths regard as reactionary. Meanwhile, Peron left no doubt as to his antipathy for the left-wing terrorists when he stated that the task of pacifying the country must continue if disaster is to be avoided.

Peron recounted the economic mistakes of previous governments and repeated earlier charges

that the Peronists had inherited a disastrous situation. He clearly was cautioning those who would push for immediate radical solutions and appealing for more time to find remedies for Argentina's ills.

Though Peron talked of national unity and called opposition leaders "friends," his recent actions suggest that any thought of consensus politics has been abandoned in favor of the highly partisan battling that has always characterized Argentine politics. Radical Party leader Balbin, the major opposition candidate, has begun to hurl invective at the Peronists, and many Radicals reportedly are disgusted at being outmaneuvered by Peron who led them to believe he wanted a political alliance.

The only other politicians to join Balbin so far in opposing the team of Peron and wife are the Popular Democratic Party's candidate, Francisco Manrique, who has been weakened by defections to Peron, and Juan Carlos Coral, the flag bearer of the minuscule Socialist Workers Party.

Peron was spared a challenge from the left when firebrand Marxist union leader Agustin Tosco in Cordoba declined to run. Tosco might have made inroads into the Peronist vote by

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attracting dissident left-wing youth, but Peron's commanding margin and the Communist Party's warning against splitting the left apparently caused Tosco to back away. Tosco's withdrawal will leave leftists—particularly dissatisfied Peronist youth—with little recourse other than to cast blank ballots.

In fact, the only doubt about the outcome of the election is whether Peron can play his cards well enough, now that he has turned his back on a national front, to equal or top the 50 percent of the vote awarded Campora in March. Anything less would require a second round of balloting—an embarrassment that Peron would certainly prefer to avoid.

likely in agriculture and fishing, and may have discussed additional purchases of Guyanese timber. The first shipment of timber under the agreement signed in June is now scheduled to leave Guyana in September. Regular air service between Havana and Georgetown—with probable eventual onward passage to Africa—is expected to begin before the end of the year.

An air service agreement was also signed this month with Trinidad and Tobago. The Cubans already have such an agreement with Barbados, and one with Jamaica may be in the offing. A Cuban delegation now in Kingston is probably pressing for an exchange of ambassadors to formalize relations established last December.

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### CUBA: BREAKING ISOLATION

(98-106)

(Fidel Castro's trip to Guyana early next month may presage an exchange of diplomatic missions. Havana also appears to be on the verge of re-establishing commercial ties with Honduras, an action that would have considerable impact on the OAS and the sanctions it imposes on Cuba.

The details of Castro's trip to Guyana probably were smoothed out during the visit of a Cuban delegation to Georgetown earlier this month. Arrangements were also made for the establishment in Guyana of a base for Cuban fishing boats working the waters off South America's northeast coast. The Cubans conducted a similar operation several years ago from French Guyana, but the limited facilities made available to them in Cayenne forced them to terminate it. Crews for the fishing boats will be shuttled between Havana and Georgetown by Cubana Airlines—thanks to the recently signed Cuba-Guyana air transport agreement—and the catch presumably will be processed in Guyana and shipped directly to European markets.

In return, the Cubans apparently promised to provide Guyana with technical assistance, most

Havana has responded favorably to feelers from the government of Honduras, which wants to buy 10,000 tons of sugar. Although Cuba's production this year is already committed, Havana is said to be willing to use sugar previously earmarked for domestic consumption in order to close the deal. Cuba obviously attaches political significance to trade with Honduras, a country which has heretofore stood firmly behind the OAS sanctions imposed on Cuba.

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**SECRET****VENEZUELA: CATCH-UP POLITICS**

(107-116)

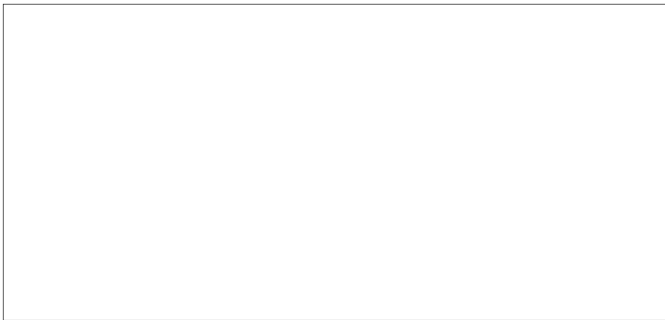
President Caldera appears to be planning a number of moves to attract leftist and nationalist support for his party's presidential candidate in the election on 9 December.

According to recent public opinion polls, Lorenzo Fernandez of the incumbent Social Christian Party, Copei, trails his major opponent, Democratic Action's Carlos Andres Perez, by a substantial margin. Copei leaders see a need for some spectacular, probably nationalistic, moves to redress this situation. Their aim would be to divert attention from issues such as corruption, food shortages, and inflation in the hope of ensuring that the party will stay in power for another five years.

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25X1 Some announcement regarding relations with Cuba is probable in a few weeks. [redacted]

[redacted] Caldera plans to meet Fidel Castro when his plane refuels at the Havana airport on his way to the UN General Assembly session in September. Caldera reportedly will invite Castro to come to Caracas this fall.



Campaign posters in Caracas

caution of informing them in advance of major policy changes.

Suggestions that the government party may take action against the US oil companies seem less likely. Some party officials have advocated nationalization, but there is little evidence that the government is planning such an extreme move now. Recently, the petroleum minister said that a formal decision had been taken to nationalize the oil companies before 1983, the date when their concessions begin to revert to Venezuela. Although the minister's remarks were later retracted, the government may be attempting in this way to intimidate the oil companies into contributing to the Social Christian campaign.

25X1 The reaction of the anti-Communist Venezuelan military would likely be reserved. Military leaders remember the losses suffered by counter-insurgency units in the 1960s, and a Castro visit would irritate some of them. The Caldera government, aware of the armed forces' concern, [redacted] has taken the pre-

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Political tensions will increase as the election draws nearer, and unless there is marked improvement in Lorenzo Fernandez' prospects, the Caldera government could turn to desperate measures. The Democratic Action party is preparing for the worst, and the oil companies, caught in this quinquennial exercise of political pressure tactics, can only hope for the best. [redacted]

vigorous man still capable of active military leadership. Moreover, he has by and large retained the support of the military, despite some discontent among younger officers. All in all, Banzer, Bolivia's 187th president in 148 years of independence, has shown he can maneuver well enough to remain in office for longer than the average presidential tenure of nine months. [redacted]

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**BOLIVIA: BANZER THWARTS FOES**

(117 - 118)

President Banzer's handling of an alleged coup plan last weekend seems to have strengthened his government. The dissidents, led by erstwhile government supporter Carlos Valverde, have gone into exile in Paraguay and Brazil.

Valverde, a right-wing fanatic, reportedly planned to launch an attempt against the government on 18 August, while Banzer was celebrating the second anniversary of his rise to power. Unfortunately for Valverde, however, police who had been watching his house saw ammunition being delivered and moved to arrest him on 17 August. Valverde escaped, and with about 200 armed supporters retreated to a nearby ranch. They were surrounded by security forces, personally commanded by Banzer. When the troops finally entered the ranch, the rebels had fled.

For some time Valverde has been seeking to insert himself as leader of one of the two main parties now supporting the government. At the party convention, however, Valverde was expelled from the party, which restated its support for the President. His coup plan appears to have been a last-ditch effort to galvanize opponents of the Banzer regime. It was a dismal failure.

Banzer, who is scheduled to visit Washington later this year, now seems to be in a reasonably strong position for a Bolivian president. He has not only demonstrated an ability to discover and thwart plots, but has also kept together the fragile coalition of parties that forms the basis of his government. In addition, by taking personal command of the situation, he projected himself as a

**TRINIDAD-TOBAGO: STIRRINGS**

(119 - 121)

Prime Minister Williams, faced with an increasing number of thorny domestic problems, is attempting to divert public attention with verbal attacks on the US.

Trinidad's security forces have been unable to track down a small band of self-styled guerrillas that has been attacking government facilities in recent months. While the band poses no threat to the government's existence, the continuation of these hit-and-run raids will further undermine public faith in the government's effectiveness. This faith has already been weakened by rising prices and the declining quality of public services.

Meanwhile, Williams, who has dominated the governing People's National Movement for 17 years, faces a growing challenge from younger party members. Attorney General Hudson-Phillips, announcing that he will campaign for election as party chairman, lashed out at the "aging" party establishment. Although the 40-year-old Hudson-Phillips did not criticize Williams by name, the Prime Minister already has moved to derail the campaign. Hudson-Phillips' candidacy has triggered intra-party maneuvering in anticipation of Williams' eventual retirement.

The Prime Minister's inability to resolve these problems has been accompanied by his growing obsession with "foreign interference" and frequent attacks on the US. The Prime Minister also reportedly has become distrustful of his cabinet ministers and may decide that a reshuffling of his cabinet is in order. [redacted]

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**SECRET****NICARAGUA: OPPOSITION OPPORTUNITY****(122-126)**

Nicaraguan politics and labor are beginning to change as a result of the earthquake in Managua last December.

Discontent with the slowness and inefficiency of the recovery effort has given opposition politicians their best chance in decades to put together an effective anti-Somoza coalition. Such efforts have failed in the past because they were unable to offer a positive alternative to Somoza's policies and were equally unable to bury the hatchet and support a single candidate. The opposition now has a better chance to formulate a positive approach in the coming campaign for the election next year, and the first steps are being taken to select a single candidate.

The opposition plans to build its campaign around need for more efficient government under the demanding circumstances of reconstruction and a rapidly changing society. Prior to the earthquake, the government could be run by one person, but the opposition will emphasize the present need for wider participation and greater expertise, as well as a general overhaul of out-moded administrative machinery. The opposition hopes to play on the changing attitudes among Nicaraguans. These changes are nowhere more apparent than among the workers; strikes are mushrooming as they realize more and more that their skills are in great demand right now. The apathy that perpetuated an economic gulf between the wealthy upper class and the docile, poverty-stricken lower class is vanishing.

If the opposition politicians can stick together long enough to nominate and back a candidate, they must then try to hammer out a constructive alternative to the Somoza regime. Somoza is still personally popular with many—perhaps a majority—of Nicaraguans and will be hard to beat. There is, of course, no assurance that the electoral registration system will be sufficiently modernized by election time to prevent the usual irregularities. Even so, if the opposition takes full advantage of the opportunities it has been given, it should at least emerge from the contest with more unity and with a stronger voice in national affairs.



Earthquake in Managua

**SOVIET NAVY IN CARIBBEAN****127 + 128**

The Soviet naval group that arrived in Havana on 4 August is in port at Cienfuegos after 12 days of exercises in the Caribbean.

The group, consisting of two guided missile ships—a cruiser and a destroyer—and a nuclear-powered cruise missile submarine left Havana on 10 August to practice gunnery and refueling at sea and to conduct a joint anti-submarine warfare exercise with Cuban naval units.

This is the tenth visit of a Soviet naval force to Cuba since 1969. If previous patterns are followed, the group will remain in the Cuban area for another six or eight weeks.

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## INTERNATIONAL MONEY

129 + 130

The dollar fluctuated sharply in heavy trading during the past week, showing a small net overall advance against most major currencies. A sudden fall in the dollar's value on Monday reflected dealers' expectations of continuing strong West German trade performance and uncertainties

about US political developments. Higher short-term dollar and Eurodollar interest rates remain an important factor operating in the dollar's favor. Sharp fluctuations also occurred in the gold market, although gold prices showed little net movement.

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

	23 August	16 August	9 August	27 July	11 July	6 July
Mark	+13.8	+13.9	+19.0	+23.1	+17.6	+25.1
French franc	+ 4.5	+ 4.8	+ 9.5	+12.5	+11.6	+19.9
Sterling	- 0.1	0.0	+ 0.8	+ 1.9	+ 3.6	+ 3.9
Yen	- 0.1	- 0.1	- 0.1	- 0.2	+ 0.2	+ 1.1

## EDITOR'S NOTE

In the accompanying special report, *New Departures in Burma*, these corrections should be noted:

-The date in the penultimate sentence of the Summary, Page 2, should be 1962.

-The full title of ASEAN, as discussed on Page 5, is the Association of Southeast Asian Nations.

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DIRECTORATE OF  
INTELLIGENCE

*WEEKLY SUMMARY*  
*Special Report*

*New Departures in Burma*

**Secret**

**№ 42**

24 August 1973  
No. 0384/73A

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# *New Departures In* **BURMA**



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**Summary**

Over the past decade, the government of Prime Minister Ne Win and his military colleagues has been known for its strikingly inept economic management, its xenophobic withdrawal from world affairs, and an indigenous brand of "Burmese socialism" along with repressive political control. Since the first of the year, a number of important changes in Burmese policies have altered this picture. On the home front the government has abandoned a key domestic economic policy of the past seven years—government control over the domestic rice trade. Peasants can now sell their stocks legally and at the best obtainable price.

Abroad, Rangoon seems to be coming out of its shell—responding like its neighbors to a rapidly changing regional and international political environment. Burma has called for a conference of Southeast Asian nations to work out ways to establish a durable peace throughout the region. Ne Win himself has recently visited Bangkok, Jakarta, and Kuala Lumpur in an effort to improve relations with some of his Southeast Asian neighbors. Rangoon has also become more cooperative in supporting US and UN efforts to deal with the international narcotics problem. In foreign economic policy, the long-standing hostility toward foreign capital has been modified. Burma has joined the Asian Development Bank, accepted new loans from the World Bank and from Japan, and—perhaps most significantly—invited private foreign oil firms, including some 35 American companies, to compete for contracts to explore and develop Burma's offshore oil resources.

These changes do not mean that the Ne Win regime has abandoned its commitment to socialism or its fear of foreign entanglements. In large measure, the changes are pragmatic attempts to deal with the country's fundamental and long-standing economic problems—symbolized by declining rice exports and dwindling foreign exchange reserves. The new departures may not last long enough to have a long-term impact on domestic political developments. But after years of stagnation, a process of change is under way. It is being firmly orchestrated by Ne Win and the same group of army officers that have governed the country since 1972. There is no indication that they will not continue to be the arbiters of power in Burma.

Special Report

- 2 -

24 August 1973

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**Prime Minister Ne Win**

### **Shoring Up the Economy: Rice and Oil**

The economic motivation—indeed necessity—for new departures in Burmese policy was signaled last April in Ne Win's remarks to an extraordinary congress of the ruling Burma Socialist Program Party. In his opening address, the Prime Minister candidly outlined the failures and inadequacies of the country's economic performance. To get the economy moving, he argued, the government would need the help of private business—thereby reversing the regime's customary practice of attacking, expropriating, and even imprisoning private businessmen. (Subsequently, some 380 businessmen who had been jailed for economic crimes were released from custody.) In his closing address to the congress, Ne Win called for a more pragmatic approach to foreign economic policy, noting that the Western powers are technologically superior to the Communist nations and that Burma must choose from each system that which can best be adapted to Burmese socialism.

The need for these significant changes is directly related to Burma's severe rice shortage, which is perhaps worse than the one in 1967. At that time rioting became widespread once people became aware that the government was continuing to export rice while people were going hungry. Burmese official statistics are always suspect, but they show paddy production falling from about 8 million tons last year to 6.8 million tons this year. It may have been even lower. Rice exports, 500,000 tons in 1972, will probably not exceed 100,000 tons this year. Government procurement has been a perennial problem. Prices offered the peasants by cooperatives are considerably below those obtainable on the black market. In June the government reportedly had only 350,000 tons of rice in reserve to help meet domestic needs until the next harvest, which begins in December.

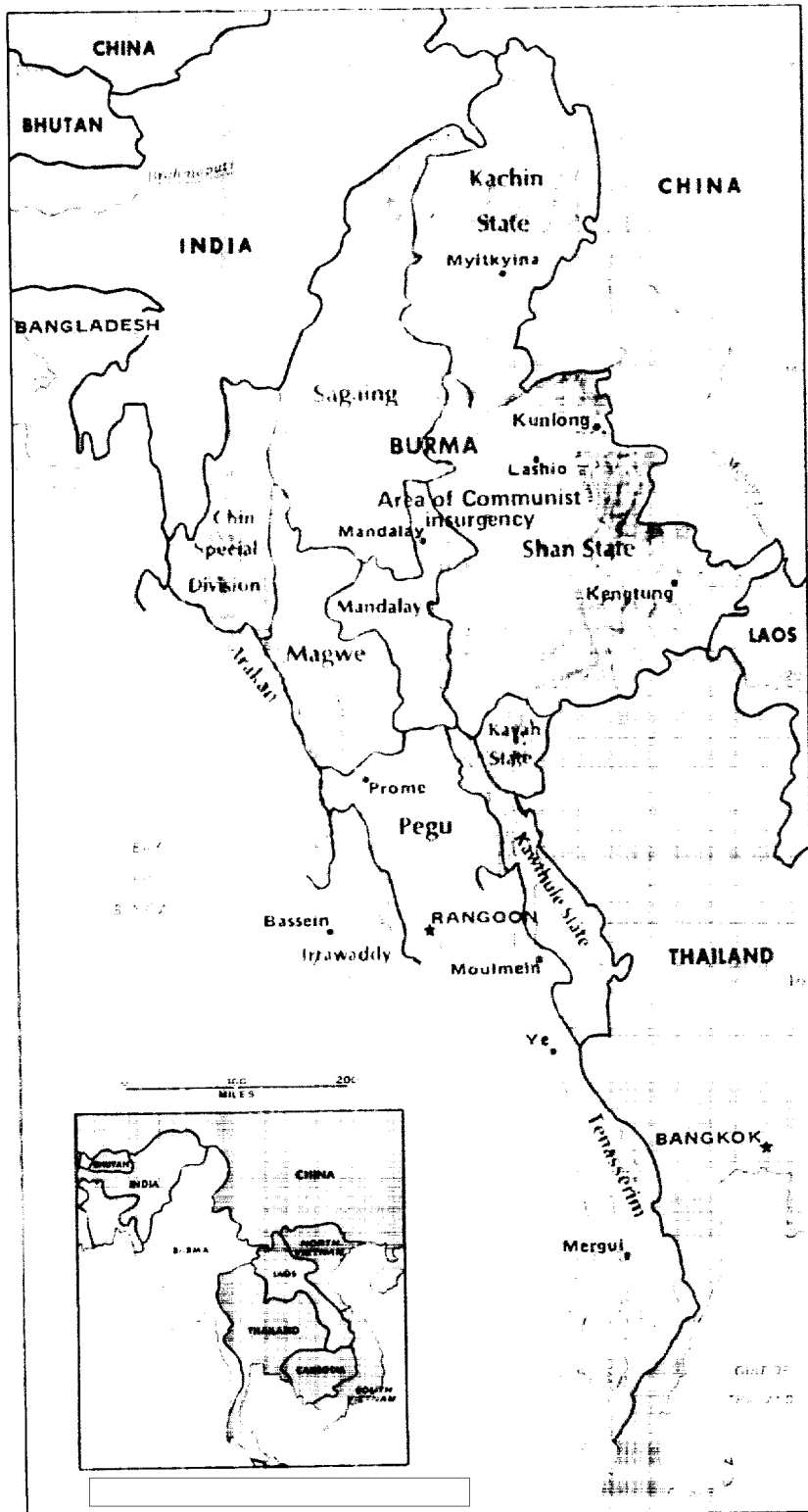
In an effort to circumvent the rice problem, Ne Win accepted the pragmatic advice of a number of his military and ex-military colleagues: first, on 21 April, he stripped the Ministry of Cooperatives of its monopoly over rice procurement and distribution; then, effective 12 May, he lifted controls on internal trade in rice and wheat, in the hopes of moving more grain to the market place. These economic liberalization measures appear to offer some prospect for bringing the Burmese economy out of the doldrums.

At the party congress Ne Win also set the stage for a new departure in foreign offshore oil exploration. On the day that he closed the conference, top American, Japanese, and West German diplomats in Rangoon were informed that Burma intended to invite private foreign oil companies to compete for rights to explore and develop Burma's offshore oil resources. In the past, Rangoon had insisted that any external financing for offshore exploration come from foreign governments, not private oil companies. Drilling had been undertaken in the Gulf of Martaban by a Singapore-based American firm financed by a \$10-million loan from the Japanese Government. The drilling had gone on for a year and a half, but it had produced only five dry wells.

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Special Report

24 August 1973

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New offshore surveys by one Japanese and two American oil firms (Gulf and Amoco) may have helped increase Burma's confidence in striking oil in commercial quantities. Ne Win also may have acted under some pressure from pragmatic Burmese military leaders—such as Brigadier Tin U, the deputy minister of defense and vice chief of staff of the armed forces—who are counting on oil revenues to provide the foreign exchange needed to buy new military equipment. Burma's foreign exchange reserves have dropped to their lowest level in 25 years, but there is little chance that oil will make any significant contribution to earnings for the next several years.

### A More Outgoing Foreign Policy

The gradual emergence of Rangoon from its diplomatic shell—dramatized by Ne Win's call for a Southeast Asian peace conference—is probably also related to the country's economic ills. Minister of Planning and Finance U Lwin has long argued that Burma must expand its contact with other nations in order to become solvent and that such an expansion is possible without endangering Rangoon's independence. But his recommendations ran up against the government's fear—based largely on its long border with China—that the only way to preserve Burmese independence is "noninvolvement" with the great powers and strict "neutrality" in conflicts arising out of differences between Communists and non-Communists in Asia.

U Lwin's advice became less objectionable with the announcement of the Vietnam cease-fire and the great power moves toward detente. Ne Win saw the shifting power balances as an opportunity to move back into the diplomatic community with little risk to Burma's "neutralist" credentials. He also saw in these shifts a chance for Rangoon and the Southeast Asian states to work out some sort of modus vivendi with China. As Ne Win sees it, the process would hopefully draw Thailand and the other countries participating in the Association of Asian States (ASEAN) away from what Rangoon regards as "the association's pro-Western orientation." In this sense, Ne Win can interpret his new flexibility



**Loading rice**

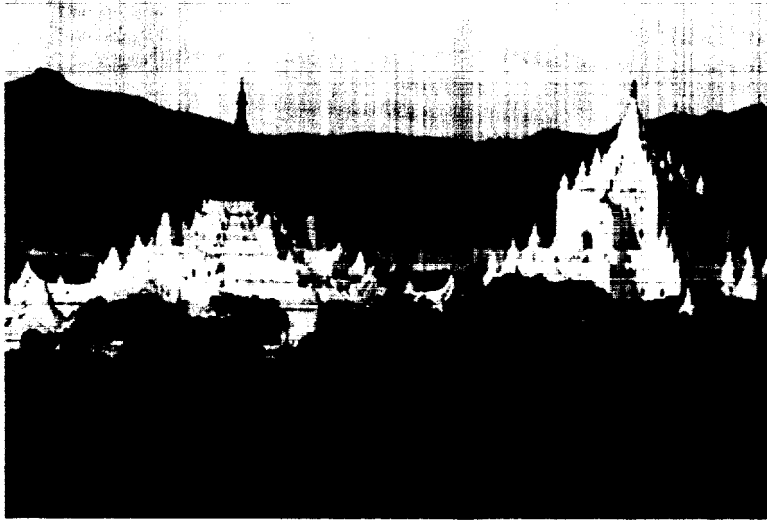
as being in line with Burma's long-standing policy of nonalignment.

Nothing has yet come of Ne Win's proposal for a peace conference, but he has not given up. During his visit to Jakarta in June, he reiterated his belief that the nations of Southeast Asia should get together to discuss ways and means of maintaining peace and stability in the region. He has said that he wants all the states of Southeast Asia to attend, along with the communist and neutralist elements contending for power in Indochina—the Viet Cong in South Vietnam, the Pathet Lao in Laos, and the Khmer Communists in Cambodia. He has said he would exclude the big powers (China, the Soviet Union, the US and Japan), but he has not been consistent about China. When he first discussed the conference idea he definitely excluded China. Six months later in Jakarta, he told the Indonesians he wished Peking would take the initiative in convening such a conference. Ne Win apparently believes that the Burmese reputation for neutrality and nonalignment will attract Communist groups to his

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**Temples at Pagan**

proposal. In fact, his proposal is so amorphous and ill-defined that it has stirred little interest in any quarter.

Ne Win's long-range goals are to keep all the big powers out of the region and to bring his small neighbors closer to his own concept of neutrality. He is troubled by Chinese support of insurgency in the area and believes that a strong regional forum not susceptible to great power manipulation is the best way to discourage Peking from this course. He is also intent on moving his non-Communist neighbors away from close ties with the US. He considers Thailand and the Philippines as much too closely associated with the US and is increasingly suspicious of Singapore now that Prime Minister Lee Kuan Yew has become such an outspoken advocate of a continuing US military presence in Thailand.

An improvement in relations with Thailand will prove difficult. The Thai and the Burmese have never been friends, and in recent years the irritation level has increased because of Thailand's willingness to allow former Burmese prime minister U Nu to base an insurgent movement in Thailand. Bangkok supported U Nu mainly because it profited from the sale of arms and supplies to the U Nu group. Now, after several years of very

limited results, U Nu's prospects do not seem to be getting any better. U Nu has dropped out of the movement, and the flow of money to the rebels—primarily from foreign oil concerns—seems to have dried up. For these and other reasons, some elements of the Thai Government seem receptive to rapprochement with Burma. Ne Win was warmly received during his recent trip to Bangkok, and the Thais used the occasion to announce U Nu's departure from Thailand. Nevertheless, there remain formidable obstacles in the way of better relations—particularly Thai support for ethnic insurgencies in Burma as well as Chinese irregulars and Chinese nationalist intelligence forces.

The maintenance of good relations with Peking overshadows all of Rangoon's foreign policy concerns. Indeed, Rangoon's strict adherence to a nonaligned foreign policy is an outgrowth of this need. Perplexed and disturbed by China's support for the Burmese Communist insurgent movement, Ne Win took up the issue with Chou En-lai when he traveled to Peking in 1971. The Burmese seem to have accepted the fact that there is little they can do about it and that they must defer to China's power. In view of Peking's current desire for improved relations with its Southeast Asian neighbors and its rapprochement with the US, Ne

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Ne Win visits Mao

Win probably believes that his limited policy departures will not cause Peking concern. The Chinese have not in fact given any sign of displeasure over Rangoon's new economic or foreign policy moves.

#### The Limits of Change

The new departures in Burmese policy suggest a basic shift of influence within the circle of advisers surrounding Ne Win. The pragmatic technocrats and generals such as U Lwin and Brigadier Tin U, seem to have gained Ne Win's ear. The left-wing ideologues who argue for political and economic institutions patterned on the Soviet model and who had the upper hand are certainly unhappy with the changes. They lack the strength to challenge Ne Win's authority.

The "Burmese road to socialism" and other roots of Burmese policy are not being scrapped. Rice policy, for example, could easily revert to the old ways when the current shortages ease, or the regime could turn to a more coercive approach to the Burmese peasant if the new policy does not work. Recent reports of rice looting and other problems indicate that the new approach is hardly a panacea. Rising prices or more serious rice shortages could easily lead to rioting. The

government, by removing itself from the rice trade, may manage to deflect part of any such discontent from itself to private rice merchants—who have never been popular in Burma.

The new receptivity to foreign capital is also limited. Rangoon is turning to private foreign firms essentially for their technology and capital. Burma plans to emulate Indonesian-style profit sharing arrangements in order to maintain the government's ownership and control over its offshore oil resources. Burma is entering the competition at an advantageous time because the oil companies are eager to gain rights to new resources. Rangoon has a good chance of obtaining the favorable terms from the companies that it is now seeking. Even if oil is discovered offshore in large commercial quantities, it would take at least five to seven years before the oil could have a substantial impact on the Burmese economic scene.

The effort to organize a conference which will promote neutrality, Burmese-style, for the region as a whole suffers from the same ambiguities and lack of focus that characterizes much of the talk about neutrality throughout the region—whether it comes from Rangoon, Kuala Lumpur, or Jakarta. The nations of the area do seem to

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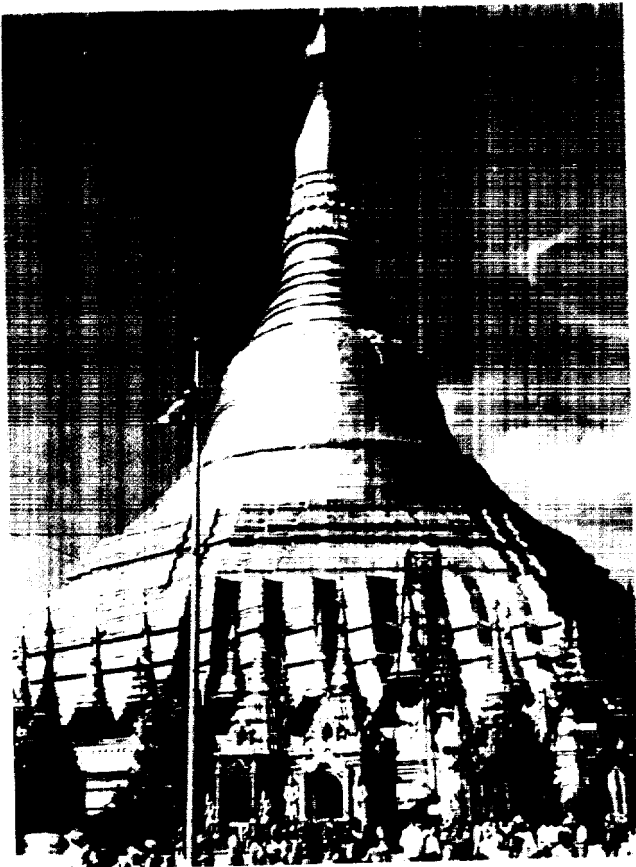
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recognize that it is a time of change in Southeast Asia and in the world and that they must somehow promote their own self-interest by greater cooperation with one another.

Ne Win recognizes that this is a time of transition in Burma, too. The government is thinking in terms of new policies and changes in form. In September, the Burma Socialist Program Party is scheduled to hold a party congress at which the draft of a new Burmese constitution will almost certainly be approved. Around December, a national referendum will be held to gain the people's formal assent to the new constitution. Under its terms, elections are to be held early in 1974 for a People's Congress (or Parliament) and for People's Councils (lesser assemblies on a state and local level). If all goes according to

plan, the new constitution of the "Socialist Republic of Burma" will be promulgated on 2 March 1974, exactly 12 years after Ne Win took power.

The process will be carefully orchestrated by Ne Win and the men who govern the country today. The party and the people will be told how to vote, and candidates for office will be carefully screened and selected. Military influence may be more subtle in the new government than in the present one, but former military men who resigned their military commissions—as Ne Win has done and has directed others to do—will almost certainly retain key roles. They will continue to be the arbiters of power in Burma—and will probably continue to do the bidding of Ne Win.

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