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December and may come up even earlier at the EC Council of Foreign Ministers on 3-4 December. The French have already hinted that support for a diffusion plant could make Paris more amenable on other EC issues, including over-all energy policy. Whatever such promises or threats may be worth, the French are certain to use the enrichment issue as a test of "Europeanness."

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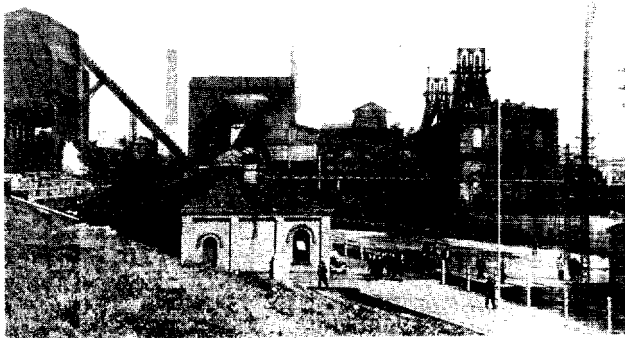
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One of Britain's largest mines

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Security Negotiations  
PROBING CONTINUES

67 At the force reduction talks in Vienna last week, the NATO allies outlined their proposal for a reduction agreement. In Geneva, at the Conference on Security and Cooperation in Europe, little substantive progress has been made although the pace has somewhat quickened.

consider the allies' common-ceiling concept, but only on condition that air forces are included.

67 In Vienna, the allies formally suggested to the Soviet Union and its allies what the Western side desires in a force reduction agreement. Basically, the NATO allies propose two stages of reductions, with Soviet and US ground forces being cut in the first. The second stage would involve reductions by other NATO and Warsaw Pact ground forces to a common ceiling of about 700,000 men each.

68 The Soviet side generally continues to dispute the NATO contention that ground forces and their equipment should be the focus of discussion, and to insist that air forces and nuclear weapons be included. The NATO representatives would like to use the remaining meetings before a mid-December break to elaborate further on their proposal and to criticize indirectly the Soviet draft agreement presented on 8 November.

67 Initial reactions among the Soviet and East European delegates suggested a certain amount of flexibility. Their probing of allied delegates, however, confirmed the impression that one of the Pact's major goals is to reduce national forces—particularly the West German Bundeswehr—as soon as possible. The chief Soviet delegate told US officials that if the Bundeswehr were not reduced, any agreement would be "intolerable" in the eyes of the Soviet people and government.

69 In Geneva, the pace has picked up somewhat, with formal meetings being supplemented by private sessions. Drafting of final documents has not yet begun, but the conferees have started to focus on what should be included. The Soviets and their allies have not shown much give on substantive issues, however, and a speedy resolution of differences is not anticipated. This phase of the conference will probably last at least until March of next year. The Soviets, who had pressed earlier for a rapid conclusion, now appear resigned and even relaxed about the timing.

*THE ALLIES PROPOSE TWO STAGES OF REDUCTIONS; THE COMMUNISTS MAY ACCEPT IF THERE IS A PRECISELY DEFINED LINKAGE BETWEEN THE TWO.*

70 Members of the EC Nine have expressed some chagrin over the US position on confidence-building measures. West German officials have requested US backing for two such items—the exchange of observers at military exercises, and the pre-announcement of maneuvers. According to the West Germans, they and their EC colleagues are wondering whether the US wishes to drop the entire idea of having such measures discussed in Geneva. Further, they have cited a danger that the US might become isolated and that the alliance might split over the military security issue.

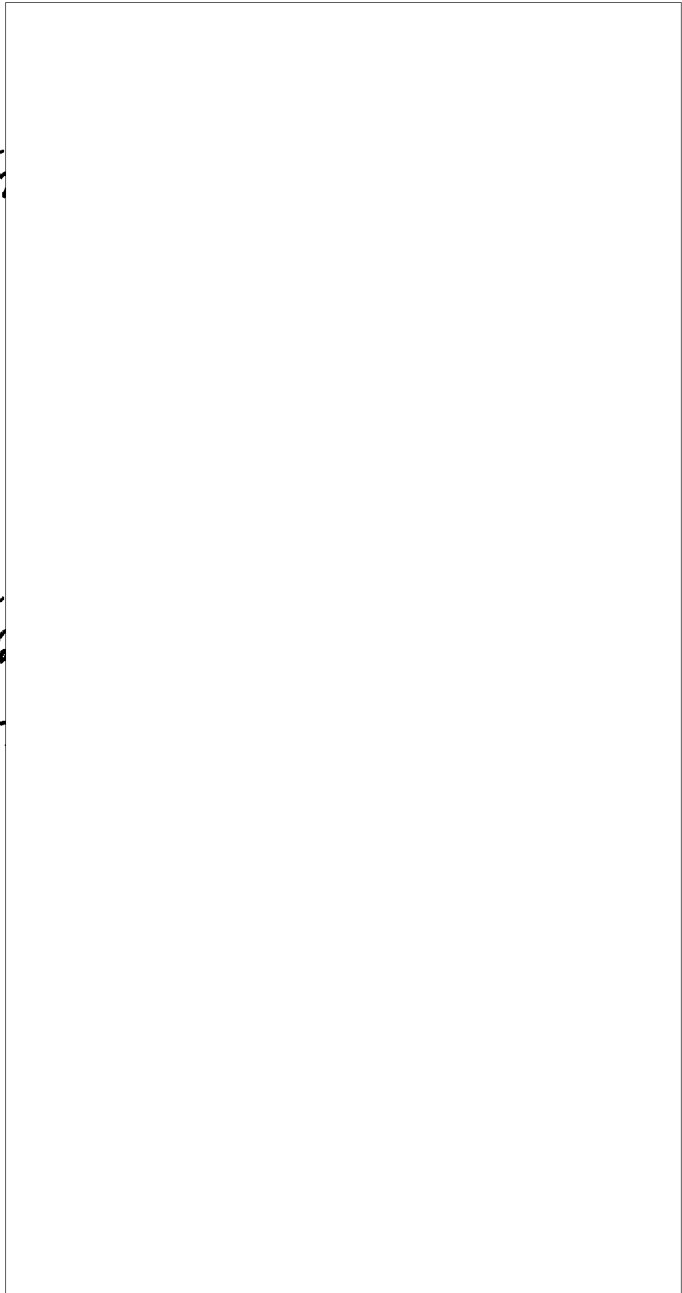
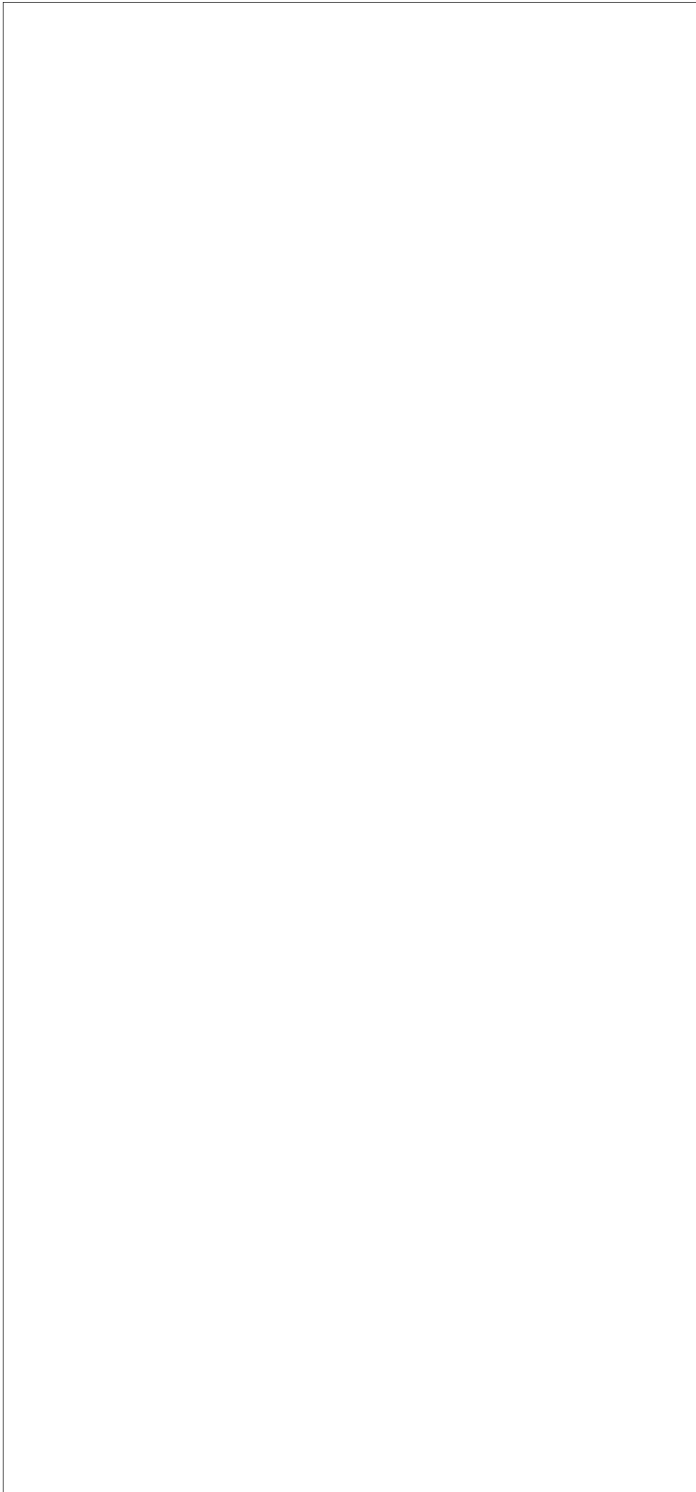
67 Statements by Soviet and Polish delegates suggested that the two-phase approach might be acceptable if a linkage between the two phases were precisely defined. The Western allies intend to explore this interest further. A Soviet representative also suggested that the Pact states would

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**DENMARK: ELECTION OUTLOOK**

78 | With elections just four days away, the traditional Danish parties have been dismayed by polls

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80 that show large numbers of voters flocking to two parties appearing on the ballot for the first time. The Center Democrats, an offshoot of Prime Minister Jorgensen's Social Democrats, were second in a field of seven parties in one recent poll, and the anti-tax Progressive Party was tied for third in another. Danish voters may reconsider before the balloting on 4 December, but significant losses by the old-line parties seem certain.7

78 The campaign got off to a slow start, with the established parties urging voters to choose "safety and security" rather than "a gamble with the future." The three non-Socialist opposition parties—the Conservatives, Moderate Liberals, and Radical Liberals—as well as the small leftist Socialist People's Party all concentrated on attacking the economic situation.7

80 The governing Social Democrats may have difficulty defending their domestic record in view of the high rate of inflation and may stress their foreign policy record instead. The opposition will find holes here, too, and probably will cite Prime Minister Jorgensen's inept diplomatic style—most recently, his alienation of the Arabs by expressing strong public support for the Israelis. Growing popular concern about fuel supplies will further damage Jorgensen and the Social Democrats. Although the government's performance while holding the EC Council chairmanship for the past five months showed imagination and ability, membership in the EC is no longer as popular as it once was with the Danish electorate.7

79 The pre-election popularity of iconoclastic Mogens Glistrup, founder of the anti-tax Progressive Party, may fade in the voting booth. Glistrup's latest gambits include a proposal to reduce the cabinet to eight ministers; in which he would hold the position of "Minister for Liquidation of Public Activities." He told an audience recently that Danes had nothing in common with Greenlanders and suggested the latter seek affiliation with either Canada or the US "so that we are rid of some bureaucracy." Furthermore, Glistrup faces charges on tax evasion and fraud, and is expected to be brought to court in January.

Despite such incongruities, polls as recent as 22 November showed Glistrup still running very well in the provinces.7

80 Erhard Jakobsen's moderate Center Democrats, however, may succeed in taking considerable votes away from the Social Democrats and possibly other parties as well. Despite the newness of Jakobsen's party, he already counts a number of tried and tested politicians among his supporters. Popular dissatisfaction with the Social Democrats might lead many Danes to back a party whose principal appeal is its desire to check the radical trend of Danish socialism. One report claimed that even some of Glistrup's organizers have joined Jakobsen's party.7

80 The three old non-Socialist parties probably would form a coalition government if they win a majority, which is unlikely. The most popular alternative at this time appears to be a coalition of these three parties and the Center Democrats. Despite the severe losses the Social Democrats are expected to suffer as a result of Jakobsen's defection, they probably will remain the largest party. Following the example of the Labor Party in Norway, the Social Democrats might try to form a minority government. The real problem lies in the possibility that votes will be so dispersed that formation of a viable government will prove so difficult that a lengthy interregnum will ensue. 25X1

Party	Sept. 1971 Election	Observa Poll	Borsen Poll
Social Democrats	37	22	21
Socialist People's	9.1	9	8
Center Democrats	—	16	10
Radical Liberals	14.3	14	15
Moderate Liberals	15.6	12	11
Conservatives	16.7	11	12
Progressives	—	10	12
Other Parties*	7.3	6	11

*\*Includes the Danish Communist Party, which is expected to gain representation for the first time since 1960.*

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YUGOSLAVIA-ROMANIA: AT ODDS

82 [During his two days of talks in Be grade this week, Romanian Foreign Minister Macovescu  
83 apparently failed to resolve differences over the Middle East that now threaten the traditional friendship and cooperation between the two countries.]

82 [Macovescu's trip seems to have been hastily  
83 arranged. It was announced only two days before he arrived in Yugoslavia, and was billed as a "working visit"—wording that suggests no formal communique will be issued. The Yugoslav press described the portion of the talks dealing with bilateral issues as "warm and friendly," but the standard mention of unanimity on international affairs was missing. The depth of differences will

determine whether the next Tito-Ceausescu meeting, contemplated for December, will be postponed.]

82 [Middle East issues probably dominated the discussions. While Belgrade has strongly supported the Arabs, Bucharest has carefully maintained an even-handed approach. From the Yugoslav point of view, Romanian mediation attempts have detracted from Tito's efforts to play a major role in finding a solution to the conflict.]

82 [Tito's visit to the Soviet Union two weeks ago must also have caused concern in Bucharest. The Romanians cannot be happy with the communique Tito signed, which included a formula praising mutual "trust and confidence" but omitted references to respect for national integrity and party equality that have been standard in both countries' dealings with Moscow. Macovescu was probably interested in finding out how much support Bucharest can still expect from Belgrade in future ideological duels with the Soviets.]

81 Policy differences have also arisen over the Sino-Soviet dispute. The Yugoslav party is telling other Communists that it is planning to backpedal from its prominent opposition to the Soviet stand on China because good relations with Moscow are more important. The Romanians, by contrast, are determined to stick to their position on China, and may see Belgrade's shift as a sellout of bilateral understandings.]

83 [Both countries have so far muted public displays of disagreements. In the past, each has relied on the other for support, and they would be reluctant to formalize the disagreements by explicitly bringing them to public attention. Ceausescu in particular does not want to create the impression that his initiatives have isolated Romania.]



Tito and Ceausescu  
In pleasanter times

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PAKISTAN: AFTER THE FLOOD

(86-90)

The economic impact of floods late last summer is less severe than had been feared by the government. Principal export crops escaped serious damage, with the cotton harvest down only slightly and the current rice crop apparently heading for more than the record 2.2 million tons of last year. Since prevailing market prices are high, export earnings should top the billion dollar mark, an increase of more than 25 percent over last fiscal year.

Although the flooding left some 8 million people homeless, there was little damage to standing crops. In many areas, in fact, rice crops were improved by the inundations, while a fertile layer

of silt now covers many of the fields being sown to wheat. The government is urging farmers to increase food grain acreage and as an added incentive is promising higher procurement prices. Together with the priority accorded to government efforts to repair flood-damaged irrigation systems, this gives a favorable early outlook for spring wheat.

A good wheat crop following the heavy cotton and rice harvests will ensure economic growth on a par with the 6.5 percent achieved last year. Inflationary pressures have been eased by a slowing of government deficit financing and by the availability of more grain in government-controlled ration shops.

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ARGENTINA: AILING LEADER

91 Despite President Juan Peron's rally from his recent congestive heart failure, he has been forced to curtail his personal diplomatic offensive. His health remains delicate, and the latest setback has raised new doubts about his ability to govern.

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93 Peron's doctors and chief advisers have been publicly optimistic regarding his chances for recovery. In private, they apparently have persuaded him that he must limit his official duties and that any extensive travel might be fatal. Even Foreign Minister Vignes, who had been pushing hard for a visit with President Nixon, reportedly now recommends against it. Although Peron still wants to come to the US, it is unlikely that he will have recovered sufficiently to address the UN, the pretext for his trip, before the General Assembly closes on 19 December. Indeed, the ambassador-designate has informed US officials that the request for the UN visit has been withdrawn.

93 If Peron dies suddenly or is incapacitated for an extended period, it is unlikely that his wife and constitutional successor, Vice President Maria Estela Martinez de Peron, will be able to retain power for long. Although Peron is allowing her to perform diplomatic duties and assume limited executive authority during his convalescence, she has shown few political talents and has little support within the Peronist movement. If she resigns or is forced out, it is not clear who would be next in line. Although the constitution provides that succession should go to the head of the Peronist-dominated Senate, the current leader is only a temporary stand-in. Consequently, the presidency would revert to former provisional chief Raul Lastiri, who still heads the Chamber of Deputies.

94 Such a constitutional successor might not be able to last until elections could be called—if, indeed, he could even be put in office. There is no single Peronist leader sufficiently strong or popular to gain command of the Peronist movement peacefully. A violent struggle for control of the government and the movement would be likely. Even before Peron's attack on 21 November, a number of armed groups from the left wing

of the Peronist movement indicated that they would attempt to take advantage of the situation if Peron should die in office.

94 A violent struggle for power would hasten the re-emergence of the military as the ultimate political arbiter. The generals undoubtedly are working on contingency plans to take over in the event of widespread bloodshed.

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CUBA: CRITICISM OF PERON

95 The Castro regime is showing increased signs of apprehension over recent trends in Argentina. The Cubans, who never completely trusted Peron, now see their old fears being confirmed.

95 Although Havana's expectations were raised by the establishment of diplomatic relations last May and the subsequent granting of Argentine credits to Cuba, recent developments such as the anti-Marxist campaign and the visit of Bolivian President Banzer to Buenos Aires apparently have convinced the Cuban leadership that Peron has shifted to the right. They see these developments as a direct result of the Chilean coup, which was a setback for Cuba, and they fear that they may suffer a second major reversal in Argentina.

96 These concerns have been reflected primarily in the government-controlled media, which have steadily increased criticism of Peron since mid-October. In its 19 October issue, *Bohemia* magazine, which has a fairly wide circulation in Latin America, censured the crackdown on the Argentine left following the terrorist assassination of a high Peronista official. Havana's displeasure was elaborated further in a recent domestic radio broadcast that denounced Peron's actions as a shift to the right, and accused him of "repressing the left." Such actions are unjustified in Havana's view because Peron regained power with the active support of the radical left. The critique concluded with a reminder to Peron that the left can make things as difficult for him as it did for the

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previous military governments if he moves too far to the right. 7

96 T Despite its concern over Peron's current policies, the Cuban leadership is probably even more worried about its relations with Argentina after Peron leaves the scene. There is apparently considerable pessimism in Havana over Peron's age and physical condition. Havana is taking advantage of current trade opportunities, and it will probably avoid any major shifts in policy. At the same time, it is probably laying the groundwork for maintaining contact with agents, guerrilla bands, and leftist groups in anticipation of a possible break in official ties. [REDACTED]

#### BOLIVIA: BANZER GOVERNMENT SPLIT

(98 - 101)  
President Banzer is facing his most severe test since he took power in a coup two years ago. The civilian-military coalition that has served as his political base is already weakened by internal splits and personal rivalries. The Nationalist Revolutionary Movement, Bolivia's largest political party, is on the verge of moving into open opposition. If it does, the President will be left with only the small—and deeply divided—right-wing Bolivian Socialist Falange, and with senior military officers who are in many cases alienated from their juniors and cannot count on their support.

The immediate problem is the makeup of Banzer's new cabinet. On 26 November, Banzer announced that he would not be a candidate for president in the next election, implied that the election would not be held on schedule, and named a "technical" cabinet to lead Bolivia out of its economic troubles.

The Nationalist Revolutionary Movement received a reduced allotment of ministers in the new cabinet, and even those were from a faction that does not support party leader Victor Paz. When Paz' protests were ignored, he pulled his party out of the government. The appointed ministers stayed on in their jobs, however, and were subsequently expelled from the party. Although

there are reports that Banzer was trying to force the Movement out of the coalition, it appears more likely that the President miscalculated Paz' reaction. In any case, the Movement was caught by surprise, and party leaders are still trying to assess the significance of their new position.

Banzer's coalition is made up of old enemies who have feuded for most of a lifetime and were brought together only by a desire to gain power. An eventual split was virtually inevitable. During the early days of his government, Banzer could force them to submerge their differences and work together. Now, after two years of rejuvenation, the Movement probably feels strong enough to strike out on its own and slough off the political liabilities of close association with the former oligarchs, corrupt businessmen, and arch-conservatives who support Banzer. It still lacks strong influence in the military, the ultimate arbiter of Bolivian politics, but its position is improving as time takes its toll of older, conservative officers. In addition, party leader Paz aspires to another term as the country's president, and he may believe that detaching himself from present Bolivian policy will improve his chances if an election is eventually held.

Given the Bolivian capacity for compromise, all parties may yet decide that it is best for the moment to paper over the deep rifts within the government. The rifts will remain, however, and will have a significant adverse effect on the stability and life expectancy of the Banzer regime. [REDACTED]

#### Dominican Republic SPOTLIGHT ON BOSCH

102 T Juan Bosch's sudden resignation from the party he has led for over three decades has provided a spark to the otherwise dull campaign for the presidential election set for next May. Bosch's move, although designed to secure a totally obedient power base, is more likely to play into the hands of President Joaquin Balaguer, who intends to run for a third four-year term. 7

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102 Bosch's announcement on 19 November that he was leaving the Dominican Revolutionary Party—which he founded in 1939—caught both his friends and enemies by surprise. Although there was no real threat to his predominance, some in the party had questioned his autocratic control of even minor details, and Bosch is not one to tolerate any criticism at all. Several leaders of the old party and a large part of its youth sector have followed Bosch into a new party.

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104 Both Bosch's new Dominican Liberation Party and the remnants of the old party are continuing contacts with other parties in the hope of putting together a coalition that could unseat Balaguer. This will be an extremely difficult task, as there are about 15 parties that range from extreme left to far right and share only a desire to replace Balaguer. Bosch's proposal for a "Government of National Dignity" as a coalition platform has gotten only a lukewarm reception, with the conservatives considering it too radical and the leftists believing it does not go far enough. In addition, the leaders of most parties in the potential coalition are ambitious men who will fight to gain the nominations for president and vice president for themselves, and in the event of a victory over Balaguer, would want to control the allocation of cabinet seats and government jobs.

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104 Balaguer himself has not made any public statements about the opposition's problems in achieving unity. Since he will not be officially designated as his party's candidate at least until February, he has plenty of time to use money and influence to win over opposition politicians.



PERU: TRUCE FALTERS

109, 112 The anti-government disturbances that rocked southern Peru since 15 November had

subsided, but new demonstrations by students were reported on 28 November.

106 The strikes, affecting three major cities in the south, began after the government arrested a large number of radical teachers who were protesting the administration's refusal to recognize their union. By mid-November, the demonstrations had developed into a broader confrontation with the military regime. One of the demonstrators' primary targets, for example, was the Cuzco headquarters of SINAMOS, the government's mass mobilization organization. The government, fearing the strikes would spread to other cities and that more powerful opposition groups would join in, apparently decided to negotiate a compromise. The limited force used by the authorities thus far has done little more than incite the rioters, however, and at least seven persons have now been reported killed.

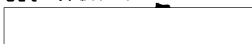
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106 Although there has been no evidence linking the latest disturbances to external events, some Peruvian leaders undoubtedly will see a connection with the coup in Chile last September. The government is concerned that Allende's overthrow will encourage opposition groups in Peru. The uncertainties raised by events in Chile and the trouble in the south are likely to have further effects on the regime's domestic policies, and harsh measures against critics are likely to continue.

106 President Velasco's surprise announcement that Prime Minister Mercado would retire in 1975 and be succeeded by Finance Minister Morales Bermudez probably served two purposes. For one, Morales Bermudez is one of the more moderate ministers, and is well respected, particularly in international financial circles. At the same time, his promotion to prime minister - designate (he will spend next year as army chief of staff) will deflate Mercado's hopes of succeeding as president, which he probably would have done had Velasco died earlier this year. Mercado's appointment, however, is not likely to rest well with some "radical" government leaders.



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## INTERNATIONAL

### FULLER RICE BOWLS

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[The world rice harvest now under way (excluding China and North Vietnam) is likely to produce approximately 200 million tons, about equal to the record set in the 1969/70 crop year. Because production declined during the three intervening years, stocks in all countries are low, import demand has not been met, and prices have risen sharply. Although the current harvest will bring temporary relief, it probably will not be enough to rebuild stocks and more shortages are likely by mid-1974.

The excellent rice crop this year is largely a result of good weather in Asia and increases in the area planted to rice around the world. Most rice is consumed in the producing country, and less than 5 percent normally enters international trade, so that even minor shifts in production or stock levels can have a large effect on world market prices. Such a shift occurred in 1972, when the world rice market moved from one of readily available supplies to one of shortages. By mid-1973, stocks had reached their lowest level while prices were setting record highs. As a result, many importing countries had to use other grains to feed their populations.

Although prices have fallen recently and probably will continue to decline through early 1974, world demand is likely to outstrip supplies and prices will rise again before the next crop becomes available. Demand for rice exports from the US on easy credit terms will continue to be high, but such purchases could drive prices up.

Conditions in the rice market next year could be eased measurably if China increases rice exports as it did in 1966 and 1967, when world prices were unusually high. Peking reportedly has

increased imports of wheat and corn this year to free large quantities of rice for export.

For most countries, rice output depends primarily on the weather. If conditions are average, output in Asia during the next several years will increase at an average of about 3 percent annually, a rate barely sufficient to keep pace with population growth and provide modest improvements in diets. A number of countries—such as Bangladesh, South Korea, and Indonesia—will continue to be heavily dependent on imports, especially in years of poor crops.]

### WORLD TRADE TALKS CONTINUE

(114 - 117)  
[After stalling the multilateral trade negotiations in Geneva for a month on the issue of separate agricultural and industrial discussions, there are indications that Paris may be willing to accept a compromise, which will allow committee work to proceed. The French remain adamant on the establishment of a separate agriculture subcommittee, however.

To end the deadlock, the EC Commission is proposing that subcommittees, including a separate one on agriculture, be set up to begin work on specific, technical tasks. The commission is also proposing that once negotiations begin, concessions can be exchanged among the subcommittees. The commission's proposal is similar to one suggested by the Japanese and accepted by the US and most other non-EC members at the earlier committee meeting. If Paris accepts this compromise, the US, the EC, and Japan will be asked to agree on a work program that could be ratified by the full committee in mid-December. If approved, detailed work could begin in January.

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