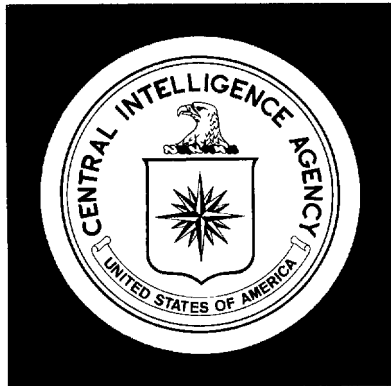


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Weekly Summary

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7 December 1973
No. 0399/73

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CONTENTS (7 December 1973)

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and there-
25X1re published separately as Special Reports are listed in the contents.

- 1 The Middle East
- 5 Korea: Action on the Northern Limit Line
- 7 NATO: The Ministerial Meetings
- 8 USSR-China: The 1973 Harvest

EUROPE

- 10 EC Summit Meets Next Week
- 10 Denmark: Taxpayers' Revolt
- 12 USSR: Unmanned Soyuz in Orbit
- 12 Soviet Dissident Movement Declines
- 13 Eastern Europe: Weathering the Oil Crisis
- 14 Italy: Center-Left Showdown
- 15 Bonn: The High Price of Ostpolitik

EAST ASIA
PACIFIC

- 16 Vietnam: A Couple of Hard Knocks
- 17 Cambodia: A Diplomatic Victory
- 18 Thailand: Bottling the Genie
- 18 Burma: The Counterinsurgency

MIDDLE EAST
AFRICA

- 19 Greece: A Hard-Line Regime
- 20 Brezhnev Returns from India
- 21 Turkey: Still No Government
- 21 Pakistan-Bangladesh: Thawing

WESTERN
HEMISPHERE

- 23 Venezuela: Down to the Wire 25X1
- 24 Honduras - El Salvador: Flash Point 25X1
- 25 Trinidad-Tobago: Williams Stays
- 25 Uruguay: Snuffing Out the Left

INTERNATIONAL

- 26 Monetary Developments 25X1
- 27 UN: Nonaligned Solidarity

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

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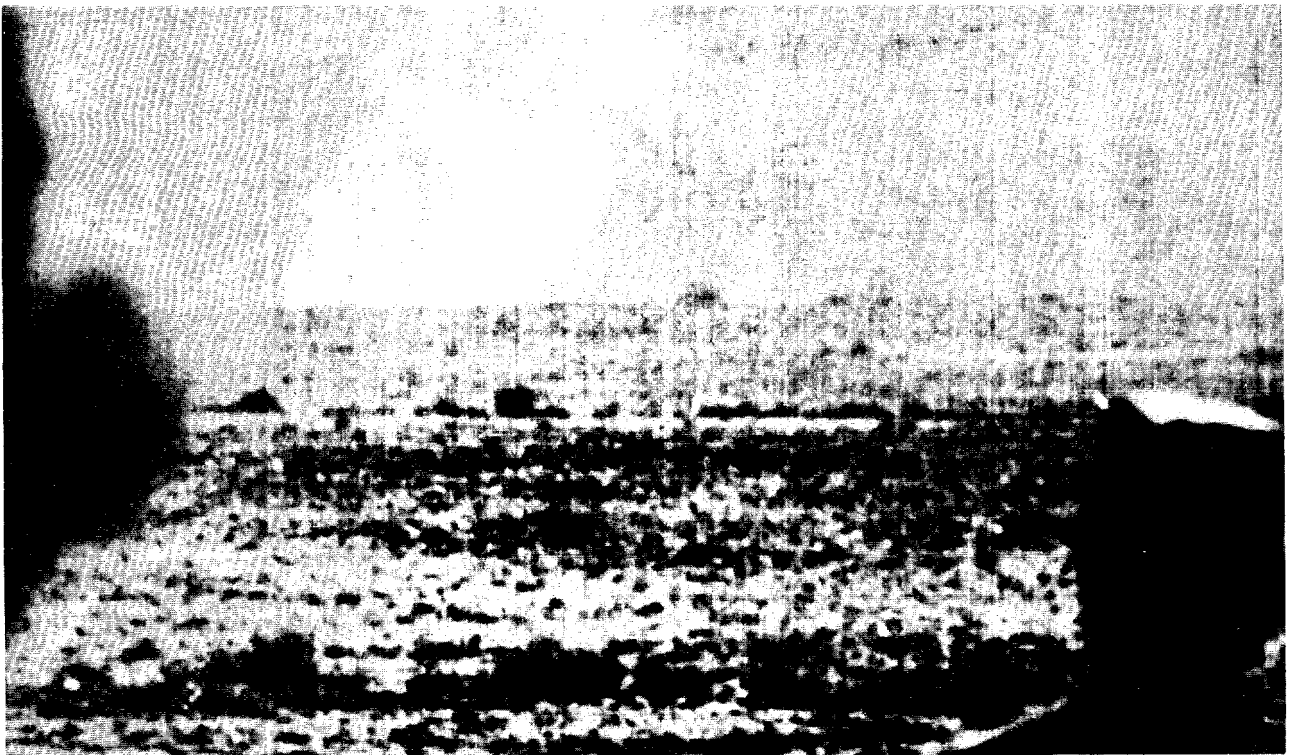
THE MIDDLE EAST

Arab and Israeli military forces were on high alert this week, and cease-fire violations increased as Cairo and Tel Aviv engaged in fruitless indirect negotiations for a resumption of their stalled disengagement talks at Kilometer 101. A round of diplomatic activity early in the week gave rise to some optimism, but this later dissipated as Cairo and Tel Aviv held to their bargaining positions, presumably in hopes of realizing gains from Secretary Kissinger's impending visit to the area. Meanwhile, Israel and the Arab states are preparing for the peace conference, expected to convene later

this month in Geneva. Syria now appears willing to attend, but Jordan is still reluctant.

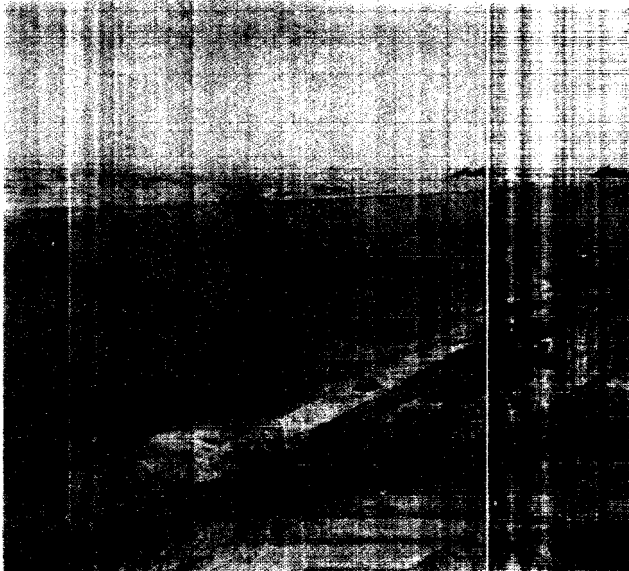
Military Moves

Israeli and Egyptian military forces were, if anything, even more on edge this week, each guarding against precipitate action by the other. There were no firm indications that either side intends to resume hostilities immediately, although the Cairo press continues to stress Egypt's ability and will to fight.



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The Suez near Ismailia

The Egyptians are building an earthen causeway to supplement the three ponton bridges that they constructed earlier this month across the Suez Canal north of Ismailia.

Despite these increased preparations and the touchiness of both sides, cease-fire violations on the Egyptian front this week were few and generally minor. Neither this limited military action nor the stalled negotiations were sufficient to disrupt the continued flow of supplies to Suez city and the encircled Egyptian Third Army.

More serious cease-fire violations were reported on the Syrian front. On 2 December, Damascus claimed to have destroyed an Israeli engineering unit, three tanks, a bulldozer, and an ammunition dump during a three- to four-hour battle. Syrian forces reportedly used small arms, artillery, and tanks, as well as anti-tank missiles, in their attempt to disrupt efforts by the Israelis to solidify their positions in captured Syrian territory. A similar attack was made the next day.

Terrorist activity increased in Israel this week. On 4 December a hand grenade exploded in the Arab section of Jerusalem, injuring about 20 persons. It was the most serious incident in the Arab quarter in more than a year. The following day, 15 people were injured in an explosion on a bus northeast of Tel Aviv. Guerrilla activity in the occupied West Bank area has also increased recently. In mid-November, there were six violent incidents in as many days, up from 17 for all of 1972.

Stalled Negotiations

Egypt and Israel this week talked all around the question of resuming their disengagement talks at Kilometer 101. The meetings were suspended late last week by the Egyptians, who decried Tel Aviv's stalling on the withdrawal of Israeli troops from positions along the critically important Cairo-Suez road. Cairo insisted at the time the talks were broken off that it would not agree to their resumption until Tel Aviv indicated a willingness to change its "intransigent" position on troop pullbacks.

Early this week, the Egyptians were exhibiting cautious optimism. A Foreign Ministry spokesman indicated that indirect diplomatic contacts were under way between Egypt and Israel. He added that results—presumably a reopening of the talks at Kilometer 101—could be expected "perhaps in the immediate future." The spokesman did not claim, however, that Egypt had secured a promise from Israel to implement a troop withdrawal.

A new round of diplomatic activity over the weekend was responsible for at least part of the Egyptian optimism. President Sadat on 1 December consulted with the US and Soviet ambassadors.

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General Yariiv



Posturing for the Peace Conference

Official Egyptian spokesmen as well as the Cairo press repeated this week that the question of Egypt's attendance at the coming peace conference "was complicated" by the lack of progress at Kilometer 101. They have refrained from directly tying the Egyptian presence to progress on the disengagement issue, suggesting that their implied threats to boycott the conference may be part of a rhetorical war of nerves. As the week ended, it appeared increasingly likely that Cairo would delay any decision on either the talks at Kilometer 101 or the peace conference in the hope of reaping diplomatic benefits from Secretary Kissinger's visit.

According to press accounts, Syria's President Asad bowed this week to pressure from his Arab allies and agreed to attend the Geneva talks. Damascus had threatened last weekend not to attend, perhaps as a show of solidarity with Egypt over the impasse at Kilometer 101. Syrian political and military leaders apparently have serious doubts about Israel's interest in peace, however, and are pessimistic about the possibility of reaching a settlement without further fighting.

In a speech last weekend, King Husayn left open the question of Jordan's attendance at the peace conference, but in private he is saying that he sees no reason to participate. The King is especially bitter about the failure of the inhabitants of the West Bank and Gaza to protest the Arab summit's recent decision to designate the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people. Despite the urging of other Arab leaders, Husayn continues to turn aside feelers from high-level fedayeen leaders for possible cooperation between the PLO and Jordan.

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Libyan President Qadhafi's opposition to the cease-fire accord and to Arab participation in a peace conference has triggered a bitter controversy and a diplomatic rift between Libya and Egypt. The press feud that has been going on between Tripoli and Cairo since the signing of the cease-fire agreement escalated last week to the point where a leading Egyptian commentator issued a scathing and direct denunciation of Qadhafi. In retaliation, Libya closed its "relations office" in Cairo and recalled all but three of its diplomatic personnel. This falls well short of a formal break in relations—and both sides seem anxious to avoid an open rupture—but it marks a low ebb in the special relationship between the two states.

Preparations in Israel

This week, as expected, the central committee of the ruling Labor Party gave a strong vote of confidence to Mrs. Meir. It endorsed the modifications in the party's platform that were worked out last week by party leaders in preparation for the parliamentary elections set for 31 December. The platform, which Mrs. Meir hopes will help give her a mandate to try for a peace settlement, is clearly a compromise. It reflects pressures from party doves for new flexibility toward the Arabs, but holds fast to Israel's long-standing demands for defensible borders and a united Jerusalem as the capital of Israel. The platform also reiterates Israeli opposition to any independent Palestinian state on the West Bank of the Jordan River.

Otherwise, government leaders are absorbed in hammering out their negotiating position and tactics for the peace conference, although they do not intend to get into substantive issues until after the elections. In efforts to clarify the extent to which Israel can count on support from the US, Prime Minister Meir and Foreign Minister Eban held long talks with US Undersecretary Rush when he was in Israel for the funeral of its first prime minister, David Ben Gurion. In advance of Secretary Kissinger's visit, Defense Minister Dayan and Finance Minister Sapir headed for the US for bond rallies and talks with US officials.

Press reports indicate that Israel's initial tactic at the conference will be to press the Arabs for some show of "good faith"—for example, an indication of their willingness to recognize Israel and sign a binding peace treaty. Israeli officials are saying that the "nature of the peace" the Arabs are willing to undertake will affect the flexibility of Israel's response to the key Arab demand—Israeli withdrawal from the occupied territories.

Soviet Activity

The Soviets are continuing to stress the need for an Israeli pullback to the positions held on 22 October. Top Soviet leaders told visiting British Foreign Secretary Home this week that Israeli intransigence on this issue might prevent convocation of the peace conference. *Pravda* on 30 November played on this theme, accusing Tel Aviv of placing every possible obstacle in the way of a peace settlement.

The Soviets are backing Cairo's position, but it seems unlikely that Moscow will in fact demand an Israeli pullback as a pre-condition to a conference. A peace conference would again place the USSR in the center of Middle East diplomacy, and the Soviets indicated to Home that they definitely see themselves as permanent guarantors of any peace settlement.

The visit of candidate politburo member Ponomarev to Baghdad late last week appears to have stemmed in part from Iraq's opposition to a Middle East settlement. The joint Soviet-Iraqi communique, however, made no mention of the peace conference, suggesting that any Soviet attempt to move the Iraqis to a more conciliatory policy was not successful.

Moscow also sent a middle-level party delegation to Cairo in late November with the evident purpose of putting a positive face on Soviet-Egyptian ties. The visit also gave the Egyptians the opportunity to show their appreciation for Soviet support and to soothe Moscow's nerves about Egypt's improved relations with Washington. ()

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KOREA

ACTION ON THE NORTHERN LIMIT LINE

A [After several weeks of provocative patrols south of the Northern Limit Line—the unofficial western extension of the Demilitarized Zone—Pyongyang began to justify some of this activity at a meeting of the Military Armistice Commission on 1 December. The North Korean delegate served notice that Pyongyang was claiming the water around the five South Korean-occupied island groups lying south of the line because it is within Pyongyang's proclaimed 12-mile limit. South Korean naval vessels were accused of repeatedly violating North Korean sovereignty by entering its waters, and Seoul was warned to obtain permission from now on before sending any vessel to the islands. South Korea has subsequently sent a ferry to one of the islands without incident, and it was scheduled to proceed to other islands on 6 December.]

Pyongyang's Intentions

A [Pyongyang's objectives in pursuing this line, with its attendant risk of military incidents, are several. At a minimum, the North probably wants to assert its rights to the disputed waters and to help assure unimpeded access to its own developing commercial port at nearby Haeju. The North's moves could also be calculated to make the South and its US ally more cautious in penetrating the area by ship or plane. The North's complaint on 5 December of an SR-71 overflight of its airspace would tend to reinforce this view.]

A [Political considerations, however, are probably of greatest importance in explaining the North Korean actions. By raising the threat of military confrontation in conjunction with the settlement of complex legal questions, Pyongyang may have found an effective wedge to force renegotiation of territorial and other military/political questions—something the South has resisted for over two years in its talks with the North. Pyongyang may even wish to assert a claim to the

islands themselves, if only to press for removal of the South Korean security forces and electronic surveillance installations on three of them. In all this, Pyongyang appears to be proceeding under the assumption that the future of the United Nations Command, which technically controls the five island groups under the 1953 armistice terms, should be reopened for discussion.]

A [Pyongyang could have even broader considerations in mind. In a major speech on 29 October—only a few days after the crossings of the Northern Limit Line began—Kim Il-sung sharply criticized East-West detente, stressing the need for unrelenting pressure on Seoul. The North may be reminding its allies in Peking and Moscow that, despite their improved ties with the US, Korea remains an area of conflict involving the Great Powers. Neither Moscow nor Peking has as yet commented on North Korea's recent naval activity or its territorial claims.]

The Response from Seoul

A [Pyongyang's challenge comes at a time of domestic uncertainty in South Korea. Seoul's response has been measured, however, as the South Koreans are reluctant to see the removal of the UN Command's interest in the territorial situation. They prefer that any challenge to the 1953 arrangements be negotiated through the Military Armistice Commission—in effect, keeping the powers, particularly the US and China, involved.]

A [At this point, neither side appears to want to precipitate an incident, although the chances of one occurring remain high. Propaganda on both sides has been relatively muted in recent days, and the North-South coordinating meeting at Panmunjom on 5 December went off in a businesslike manner; it was positive in tone. Indeed, Pyongyang complimented Seoul for removing CIA Director Yi Yu-rak from his post as chief delegate for the Southern side and implied that this could mean resumption of the dialogue.]

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PAK BENDS

2 Faced with persistent political dissent at home and a tense territorial dispute with North Korea, President Pak this week took his first serious steps to ease the domestic situation. By firing the chief of the South Korean CIA and reshuffling the cabinet, Pak made some concessions to students and intellectuals, but his moves fell short of any basic change in the regime's authoritarian policies. Although he may have eased the immediate situation, Pak has not quelled demands for basic political reform.

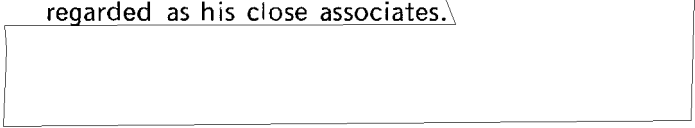
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Sin Chik-su

appointments, particularly CIA Director Sin, are regarded as his close associates.

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Justice Minister Sin Chik-su, a close associate of Pak and a former vice director of the agency, replaced Yi. Sin's appointment will not be popular with the students as he is responsible for prosecuting student dissenters and investigating the Kim Tae-Chung case. Sin is almost certain to be less controversial than his predecessor, particularly if—as seems likely—he lowers the agency's profile. CIA press censorship has already been rescinded.

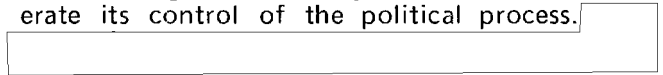
The rest of the Cabinet appointments will not appease the opposition. Most of the changes have been rumored for some time and bring no new faces into the government; all have records of long-standing loyalty to the President. There is already some criticism that Pak failed to remove the ministers of information and education, who have been in charge of much of the recent disciplinary action against students.

The political balance among Pak's chief lieutenants has also been changed by Yi's ouster. Prime Minister Kim Chong-pil—Yi's principal rival—has retained his post, and his position has been strengthened because several of the new

Pak seems confident that the military and security forces, which are firmly under his control, will be responsive to his direction in containing any further anti-government demonstrations. Moreover, he continues to believe that most Koreans prefer the stability of his strong leadership to the uncertainty that would accompany any major weakening of his power. Pak recently reminded the nation that it needed firm leadership to meet the economic problems brought on by the current oil crisis. He has also drawn national attention to the increased tension in relations with the North.

Pak's troubles are likely to continue, nevertheless. Campus demonstrations still occur despite the closing of the schools. Christian groups and elements of the press are also pressing publicly for basic political reforms. Thus, unrest may well persist over the next few months and could take on greater vigor in the spring when the schools reopen—particularly if the government does not come through with some genuine efforts to moderate its control of the political process.

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NATO: THE MINISTERIAL MEETINGS

(NO SOURCES)

The meetings of the NATO defense and foreign ministers beginning this week are expected to provide a major test of the cohesion of the North Atlantic Alliance. The representatives are meeting at a time when the bonds of mutual interest uniting the US and Western Europe are somewhat frayed and the Alliance is facing internal problems as well as discord over attitudes toward the Middle East. The ministerial sessions—the defense ministers on 7 December and the foreign ministers on 10-11 December—will also take place against a background of the Europeans' intensified interest in defense cooperation on their side of the Atlantic. Among the topics the ministers will discuss:

Burden Sharing The US desires a firm commitment that the allies will relieve the balance-of-payments deficit incurred by stationing US troops in Europe. The allies are not likely to make explicit pledges, but several NATO members have indicated they are prepared to offer aid. Some agree that the US share of portions of the NATO budget should be reduced, while others intend to make additional purchases of military equipment in the US. The British and West Germans, however, remain opposed to multilateral burden-sharing efforts, and several other states have refused to make any commitments.

West Germany plays the pivotal role. Bonn continues to argue that its major contribution to burden-sharing is its bilateral offset agreement with the US, but the West Germans have offered less than half of what the US desires for offset in 1973-74. If Bonn maintains this position, the other NATO states will be hard-pressed to make up the difference required by the Jackson-Nunn amendment for a full offset of costs, and probably will be very reluctant even to try. Should Bonn substantially increase its offer, on the other hand, the others will be encouraged to make additional contributions.

The Middle East The alleged failure of the US to consult with its allies concerning US diplomatic

and military moves related to the Middle East war shook the Alliance. The allies undoubtedly will press the US to consult more fully and on a more timely basis in the future, and might request a briefing concerning US tactics for the scheduled peace talks in Geneva. The defense ministers will also examine what implications the Middle East conflict has for the Alliance.

The Atlantic Relationship In response to Secretary Kissinger's call, the allies have been discussing a declaration of Atlantic principles. The drafting process has been protracted, but a French paper has now been accepted as a working document. Several states, including the US, still would like changes, however, so that a final version will not be ready for the ministers to approve. In fact, the Europeans will wish to discuss this subject fully and may request further US comments.

...THE BONDS OF MUTUAL INTEREST UNITING THE US AND WESTERN EUROPE ARE SOMEWHAT FRAYED, THE ALLIANCE IS FACING INTERNAL PROBLEMS...

Other topics that will be discussed include the force reduction talks in Vienna and the Geneva Conference on Security and Cooperation in Europe. Although they have some differences, the allies have generally maintained a united front in these negotiations and should have little difficulty reaching a consensus. The allies may ask the US to play a more active role in Geneva.

Some of the NATO states—Norway and the Netherlands, in particular—wish to raise the issue of democracy in Greece. This potentially divisive issue will probably be handled as before, however, in restricted meetings and with no countries being named. Although not an agenda item, the subject of European defense cooperation might be raised, at least informally. Recent signs that the French are more interested in cooperation have piqued the interest of the other West Europeans, especially the West Germans.

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**USSR and China
THE 1973 HARVEST**

USSR REAPS RECORD CROP

Soviet agricultural production reached record levels this year after a dismal performance in 1972. Although favorable weather during the growing season was the most important reason, the improved showing was also the result of an expansion in sown area, increased inputs of fertilizer, and special campaign tactics used during planting and harvesting.

Grain Official claims put the crop at more than 215 million metric tons, equivalent to about 165 million tons of usable grain. This is 15 million tons greater than the previous record set in 1970.

Potatoes Production surpassed the previous record crop by about five percent. Besides making more potatoes available in city stores, the bumper harvest means a more ample supply of seed potatoes for next year's crop and more for livestock feed—especially in the economy's private sector.

Industrial Crops Sugar beet production is the highest since 1968. The domestic crop—which should yield almost 10 million tons of sugar—plus expected imports of sugar from Cuba should exceed domestic requirements by about 1 million tons, permitting resumption of normal exports or stock replenishment. Production of sunflower seed, the main source of vegetable oil, is up almost 30 percent over last year. Cottonseed oil supplies, another source of vegetable oil, will be bolstered by a record cotton crop.

Livestock The shortage of feed supplies following last year's disappointing harvest did not lead to distress slaughtering of animals as it has in the past. Indeed, at mid-year, herds in the socialized economy were larger than the year before. Although large imports of grain last year allowed herds to be expanded, state livestock procure-

ment lagged early in the year and kept meat production down. Production is now increasing, however, and for the year as a whole may approach last year's level.

This year's outstanding agricultural performance will be felt throughout the economy. Growth will approximate 7 percent this year compared with less than 2 percent in 1972. The major impact on industrial production will not be felt until next year; some industries that depend on agricultural products have turned in weak performances thus far because of the small 1972 harvest.

Consumers can look forward to better fare in the months ahead. Butter and vegetable oil supplies are improving, and fresh fruits and vegetables are more abundant. Although the supply and quality of meat has failed to show a marked improvement to date, availability of meat should improve as production increases in the coming months.

Moscow is now able to export or rebuild its stocks of sugar and to resume normal exports of vegetable oil. Grain imports have fallen sharply, and in FY 1974 are likely to reach only half the level of the previous year—to date, Moscow has contracted for about 12 million tons. Even so, there should be enough grain to rebuild stocks and to export some to non-Communist countries.

LESS THAN EXPECTED IN CHINA

China's grain harvest this year should be somewhat better than last, when the crop reportedly declined to 236 million tons. It is not likely to reach the record 246 million tons of 1971, however, predicted earlier by Peking. Since then, crops have been set back by typhoons in south China and by heavy rains in the Yangtze

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Chinese harvest

and Yellow river valleys, offsetting the positive effects of increased supplies of chemical fertilizers, pesticides, and water pumps.

Improved harvests of coarse grains—corn, millet, and kaoliang—should more than compensate for less wheat and rice than expected. Peking tacitly admitted that the summer grain harvest, mostly wheat, was not as good as in 1972 despite a substantial increase in acreage. Other crops—cotton, oilseeds, and soybeans—fared even worse because of acreage cuts and poor growing conditions.

Peking's claims of a "good harvest of early rice" were not borne out by reports from the major producing provinces. Growing conditions

for the intermediate and late rice crops—which together account for about 60 percent of the harvest—have been generally favorable in the eastern Yangtze Valley, but only fair in south China and in Szechwan Province.

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Peking is continuing to import grain at a record pace. Planned Chinese imports in 1974 already total 8.4 million tons—a new record—and could reach 10 million tons.

almost all Chinese grain imports were used to feed urban areas in north China. Peking apparently has already contracted for sufficient grain to satisfy these needs—except for small purchases to round out deliveries in the fourth quarter of 1974.

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SECRET**EC SUMMIT MEETS NEXT WEEK**

(11)
 Dominating the discussions of the leaders of the nine EC countries when they meet in Copenhagen next week will be the energy crisis and Europe's role in the Middle East. The fact that the meeting will occur in the midst of negotiations with the US over the Atlantic declarations will heighten an impression that the Nine are "defending" their common interests—an impression that will be emphasized by the publication at the summit of a paper defining a "European identity." Moreover, the complex question of European defense—now under intense public and private debate—may for the first time be discussed by all the Nine at the highest levels.

Perhaps as important as these external considerations will be the give-and-take over how this and future summit meetings should be conducted, which may have important implications for the slowly evolving organization of Europe. Although the gains and losses for the "community system" remain to be calculated, France has already made some grudging concessions to allay the concerns of the other eight, who remain wary of possible French intentions to impose a political directorate over existing EC institutions.

Although the summit provides further evidence of the persistence of the idea of the need for a greater degree of European unity, it is also likely to demonstrate that progress will be slow and halting. In reviewing accomplishments since the summit last year, the leaders will have to concede that much of the program agreed to then has been only partially fulfilled. Social and industrial policies and plans for economic and monetary union remain largely on the EC Commission's drawing-board. Measured against the difficulty of overcoming resistance to any encroachment on national prerogatives, even such half-steps as new requirements for coordination of economic policies are gains. But the success of this summit is likely to hinge on the extent of agreement or disagreement over energy policy—and the prospects for a consensus are highly dubious.

In general, the restricted attendance at the summit—only the foreign ministers will accompany the prime ministers or heads of state—should encourage frankness and realistic appraisals of the community's accomplishments and problems, including relations with the US. The principal danger to US-EC relations that might arise at the summit would be the belief—encouraged perhaps by open US-European differences expected at the NATO ministerial that almost immediately precedes the Copenhagen meeting—that "Europe" is under siege.

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DENMARK: TAXPAYERS' REVOLT

(12-14)
 In a massive protest against taxes, inflation, and radical Socialism, Danish voters dealt whopping losses to the country's five incumbent political parties in off-year elections on 4 December. Four new and untried parties of the right and center were the spoilers, picking up a total of 54 seats in the 179-seat parliament. Danish Communists, who have not been in parliament since 1960, won six seats.

The ruling Social Democrats sustained the worst setback in their 100-year history, losing 24 of 70 seats. The Socialist People's Party, which had cooperated with the minority Social Democratic government for the past two years, returned only 11 of its 17 representatives to parliament. Prime Minister Jorgensen and his cabinet resigned on 5 December, but will stay on in a caretaker capacity until a new government can be formed.

Danes have long been disenchanted with the spiraling tax rates required to support one of the most pervasive social security and welfare systems in the world. Some 55 percent of Denmark's GNP is paid out in taxes. As a result, a recent

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government proposal to abolish deductions for mortgage and other loan interest was most unpopular. The re-introduction this fall of the controversial Economic Democracy bill, aimed at creating a huge government investment fund from payroll deductions, also was regarded by many as yet another scheme to take money from the people.

The unorthodox policies of the iconoclastic Mogens Glistrup, founder of the anti-tax and anti-bureaucratic Progress Party, struck a responsive chord with many voters. Glistrup, who captured 28 seats, advocates tax exemption for all incomes below \$10,000, and an eventual abolition of the income tax. He would reduce government spending by cutting 4,500 civil servants a month until only a handful remained and thus free the nation from what he calls "paper-fiddling bureaucrats." On the question of defense, Glistrup suggested that the Defense Ministry be replaced with a telephone recording in Russian saying simply, "We surrender." Despite Glistrup's impressive showing, a coalition including the Progress Party and other right and center parties seems unlikely.

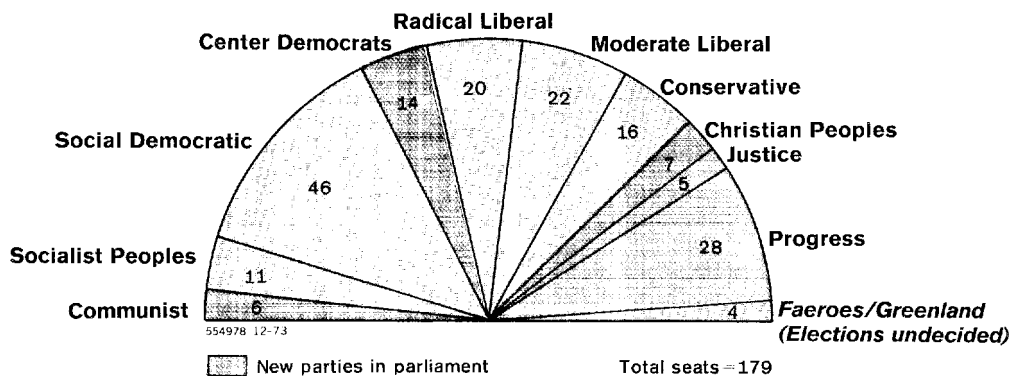
The Center Democratic Party, founded last month by former Social Democrat Erhard Jakobsen, was also a victor. Jakobsen's resignation from the Social Democratic Party on 8 No-

vember caused the collapse of the present government. Many prominent Social Democrats, as well as members of the three bourgeois parties, joined Jakobsen. The new party provided a haven for moderate Social Democrats who were dissatisfied with Jorgensen's radical policies but were not willing to gamble on parties advocating extreme solutions. The Center Democrats, with 14 seats, could flesh-out either a center-right or center-left coalition. Represented in parliament for the first time with seven seats, the Christian People's Party, running on an anti-pornography, anti-abortion platform, reflects a modest backlash to the flourishing traffic in pornography that has given Copenhagen a notoriety disturbing to many Danes. The Justice Party, advocating a single tax, also won representation for the first time with five seats.

The election has so fragmented Danish politics that it may be impossible to put together a coalition of parties with the 90 seats needed to form a majority government. The three non-socialist parties lost a total of 30 seats; although they still include some of Denmark's most capable leaders, they could contribute only 56 seats to a coalition government. The next government, therefore, will probably be weak and new elections may be necessary in 1974.

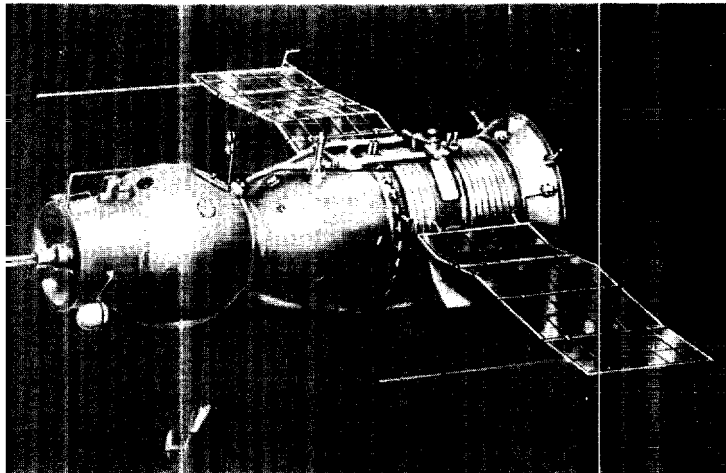
New Danish Parliament

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Soyuz spacecraft

USSR: UNMANNED SOYUZ IN ORBIT

The Soviets launched another unmanned Soyuz spacecraft on 30 November, possibly to test design changes in preparation for the joint US Apollo-Soviet Soyuz mission scheduled for 1975. This is the fourth Soyuz orbited since the ill-fated Soyuz 11 mission in June 1971, when three cosmonauts died while re-entering the earth's atmosphere after having spent 23 days aboard a Salyut space station. Only one of the four missions conducted since has been manned—Soyuz 12, launched last September, carried two cosmonauts and remained in orbit only two days.

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SOVIET DISSIDENT MOVEMENT DECLINES

Moscow's crackdown on active dissidents is having considerable success. Signs of disarray and discouragement among many former champions of the movement are numerous. Many dissident spokesmen have emigrated or are thinking of joining those already in exile. Some who had been arrested have publicly recanted or have collab-

orated with the authorities. The remainder are under intense pressure to conform.

Physicist Andrey Sakharov, one of the pillars of the opposition, told Western journalists on 28 November that he was seeking exit visas for himself and his family. Among the factors that probably persuaded Sakharov to take this step were hints by the KGB that his wife, an activist in her own right, might be tried on criminal charges or be put in a mental hospital. Threats of this sort were given added force on 26 November when Yury Shikhanovich, a Moscow dissident, was ordered into a mental hospital by a Moscow court.

Sakharov's departure from the Soviet Union would add to the present malaise in the dissident movement, which has suffered a series of setbacks in recent months. The example of Pyotr Yakir and Viktor Krasin, two former spokesmen of the Democratic Movement who collaborated in a staged trial late last summer, has now been followed by at least two other well-known dissidents. Irina Belgorodskaya, a Moscow activist, reportedly gave evidence against her former associates. Ivan Dzyuba, a Ukrainian nationalist and author of *Internationalism or Russification*, publicly repudiated his past views. Both were rewarded with their freedom in mid-November.

The regime continues to observe some constraints, particularly those imposed by public opinion abroad. At least one dissident who is not known to have recanted, Andrey Amalryk—author of *Will the USSR Survive Till 1984?*—had his three-year prison term reduced to a period of exile after an appeal. Amalryk's release followed a 117-day hunger strike, and official leniency may have been influenced by concern for the criticism that probably would have attended the death of this relatively well-known dissident. In another show of restraint, on 5 December the authorities did not harass a silent demonstration marking Soviet Constitution Day. It has been an annual event since 1965.

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Eastern Europe

WEATHERING THE OIL CRISIS

(18-20)

Eastern Europe is beginning to feel the pinch of Arab oil restrictions, but the impact is expected to be far less than in Western countries. In an effort to overcome shortages, conservation measures have been introduced and attempts are being made to import more oil from the Middle East and the USSR.

Yugoslavia and Poland have been hit by cutbacks in shipments of petroleum products from West European suppliers, while Bulgaria has been hurt by the interruption of Iraqi crude oil deliveries during the war. East Germany, Hungary, and Czechoslovakia also need new sources of oil because Soviet shipments are not adequate to meet rising demands.

Romania—the only net exporter of oil in Eastern Europe—will feel the impact of the closing of the Israeli pipeline, which supplies half of its imported crude oil. Ceausescu, however, has seized upon the oil shortage and favorable world market prices to boost hard-currency earnings; he has adopted an extensive oil rationing program to divert as much petroleum as possible to exports.

All of the East European countries are trying to limit consumption of oil products, mainly through gasoline rationing and lower speed limits, but also by reducing the use of heating oil in homes and offices.

Yugoslavia raised gasoline prices by 40 percent and limited purchases to 10 liters.

Romania imposed gasoline rationing, lowered speed limits, restricted lighting and room temperatures, and reduced industrial use of electricity and heating oil.

Bulgaria called for a 10-percent reduction in electric power consumption to save liquid fuels, and later announced gasoline rationing for public and private automobiles, higher gasoline prices,

reduced speed limits, and a 15-percent decrease in the use of heating oil in government and business offices.

Poland introduced rationing on gasoline used by official government vehicles and those belonging to collectives and cooperatives, a ban on their use on Sundays and holidays, and a lower speed limit.

Czechoslovakia ordered ministries to cut down on electricity and gas consumption.

Hungary reportedly is considering price increases for gasoline and heating oil.

East Germany has drawn up but not implemented an energy rationing program.

Eastern Europe was not totally unprepared for energy rationing. Winter shortages are common, especially in East Germany and Czechoslovakia, and Bulgaria had already called for conservation of liquid fuels as early as 25 July. Moreover, Moscow has been telling Eastern Europe since at least 1970 to look elsewhere for increased supplies of petroleum. Because the USSR has little, if any, uncommitted oil, attempts to obtain more from the Soviets apparently have only resulted in small emergency shipments. Eastern Europe, except Romania, is trying to capitalize on its pro-Arab policy to boost oil imports; Yugoslavia is having the most success thus far.

The oil shortage—and higher import prices—will put further strains on Eastern Europe's hard-currency balances. Transportation facilities also will be squeezed by the need to switch, where possible, to solid fuels. Poland, for example, is already short of freight cars to handle industrial goods because of the increased need to move coal and agricultural products. Economic priorities undoubtedly will shift more of the burden onto the consumer if shortages persist.

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ITALY: CENTER-LEFT SHOWDOWN

22 [The government's cohesion will face a severe test next week when leaders of the four parties of the center-left coalition—Christian Democrats, Socialists, Social Democrats, and Republicans—meet to thrash out their long-standing differences over social and economic reforms.]

24 Prime Minister Rumor called the meeting in the hope of resolving disputes that were papered over or set aside last July in order to bring the Socialist Party back into the government with a minimum of friction. Since then, however, the government has operated mainly with stop-gap measures, such as a comprehensive price freeze to ease the country's soaring inflation and, more recently, harsh emergency steps to conserve energy. [The Socialists—backed by organized labor and the powerful Communist Party—are now forcing a showdown on their demand that the government implement long-promised reforms.]

23 [The coalition is split along familiar lines. The Republican Party holds that reforms must be put off until inflation is licked and the country is firmly on the road to economic recovery. Ugo La Malfa, Republican leader and treasury minister, is threatening to resign if he does not get his way—a step he has taken in the past to bring down former center-left coalitions.]

25 [The dominant Christian Democrats are having some success with a compromise solution

that would combine the austerity measures demanded by the Republicans with sufficient progress on reforms to mollify the Socialists. They appear to have at least narrowed differences to the question of the means to achieve common goals. As usual, the Christian Democrats' strongest card is the fact that there is still no viable alternative to the center-left coalition.]

22 [The Communist Party and organized labor have indicated that they will abandon the "soft" opposition policy they have followed since July, if the government does not adopt the reforms advocated by the Socialists. Since Rumor took office, the Communists have encouraged labor to hold off on major strike activity and demands for large-scale wage increases. This policy has been largely responsible for the government's considerable progress against inflation, and the Communist Party's leaders have used it to remind the government that major problems cannot be solved without their assistance. The Communist hierarchy and labor leaders have come under increasing pressure from the rank-and-file, however, who want social and economic reforms to compensate for not demanding steep wage hikes. The specific measures being urged on the government are improved public transportation, the creation of new jobs, better welfare services and, above all, raising the standard of living in the south.]

24 [Another factor that should encourage the coalition parties to iron out their differences is the increasing attention being given in public to the availability of the Communist Party for a national government role. Communist boss Enrico Berlinguer recently argued that the way to break the country's political impasse is through a "great historic compromise" among the three largest parties—Christian Democrats, Communists, and Socialists. Berlinguer knows that such a deal is unlikely in the immediate future, but he is using the current deadlock to play on a familiar theme—that the Communists' demonstrated ability to aid the government in the resolution of key problems means that, in a de facto sense, they participate in the governing of the country as much as the parties comprising the coalition. Therefore, according to Berlinguer, it is only reasonable to move toward a more open form of cooperation.]



Rumor (l) and Socialist cabinet member

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BONN: THE HIGH PRICE OF OSTPOLITIK

26 In a sudden about-face, Bonn has agreed to sign the "reconciliation" treaty, and to establish diplomatic relations with Prague, prior to negotiating the Federal Republic's claim to represent West Berlin's legal interests. Chancellor Brandt and Foreign Minister Scheel are expected in Prague for the ceremonies on 11-12 December. Although this will get Brandt's stalled Ostpolitik under way again, the price may be high in terms of the future problems Bonn is likely to face.



Brandt

25 The reversal apparently was prompted by Bonn's desire to counter the public's growing disenchantment with Ostpolitik, as well as a need to respond to reported Soviet concern over West Germany's preoccupation with its ties to the West. Brandt is not likely to win kudos from the German public for going ahead with the treaty at the price of weakening Bonn's claim to a special relationship with West Berlin.

26 The Prague-Bonn dialogue had broken down in early November over last-minute Czechoslovak objections to a compromise that would have permitted West Berlin—as well as West German—courts to deal directly with their East European counterparts. Resolution of the legal assistance problem will now have to wait until Brandt visits Moscow early next year.

Bulgaria. Both countries had stalled until the West German - Czechoslovak impasse was overcome. Bonn now appears confident that formal ties will be established with Sofia and Budapest soon, possibly by the end of the year.

Even if Bonn is willing to compromise, the East Germans appear in no mood to give any ground on West Berlin. Having gained most of their objectives—international recognition and UN membership—the East Germans are prepared to take their time in order to wring the most they can from Bonn.

27 As for "the Berlin issue," Brandt may be gambling that a temporary loss of popularity at home will be more than offset if he can nail down the Federal Republic's special relationship to West Berlin when he meets with Soviet party boss Brezhnev next spring. Brandt apparently reasons that, having demonstrated his flexibility, he is now in a position to press Brezhnev for concessions on West Berlin's legal status—perhaps making the package more attractive by offering low-interest credits, which the Soviets are known to want.

25 Over the short run, Brandt has opened the door to establishing relations with Hungary and

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VIETNAM: A COUPLE OF HARD KNOCKS

78 The Communists went on the attack last week. They fired a barrage of rockets into the country's largest oil tank farm, south of Saigon, and used artillery, tanks, and infantry to overrun the Kien Duc District capital in Quang Duc Province.

79 The assault in Quang Duc is a severe setback for Saigon. Government forces had been completing preparations for a campaign of their own to retake several border camps captured by the Communists in early November. A one-day delay in the government's offensive, caused by the late arrival of reinforcements, apparently enabled the North Vietnamese to beat the government to the draw.

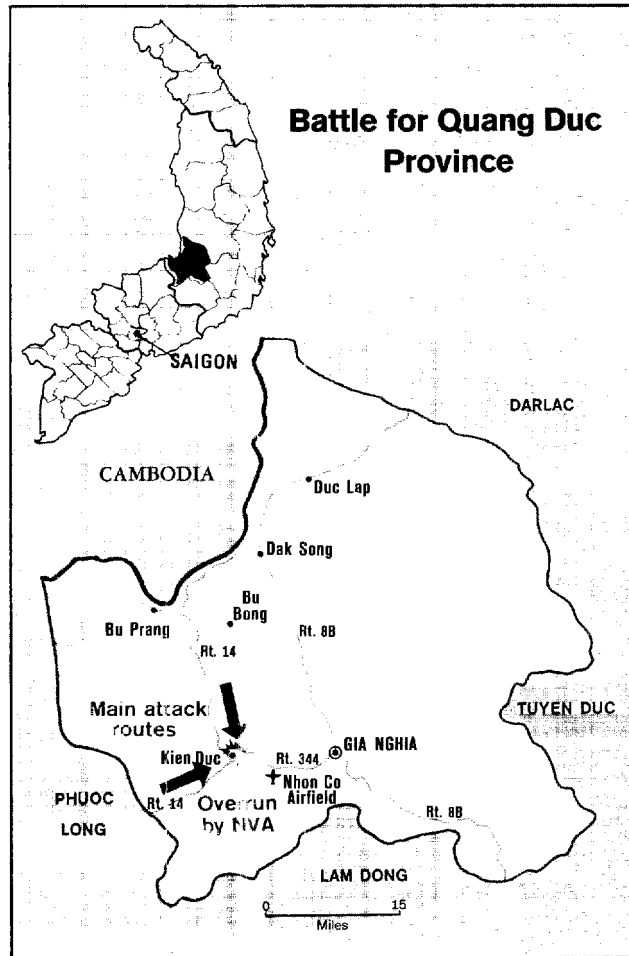
IF THE COMMUNISTS HOLD THEIR GAINS IN QUANG DUC, THE REMAINING LINK IN THE NORTH-SOUTH SUPPLY CORRIDOR WILL BE SECURED.

33 The loss of Kien Duc, the first district town to be captured by the Communists since the start of the cease-fire, is a psychological blow to government units in the highlands. The Communists may press on with their campaign in hopes of capturing the provincial capital at Gia Nghia, 12 miles away. The South Vietnamese have the equivalent of one full division in Quang Duc, and observers in the field believe that once these units have recovered from the initial setbacks, they will rally and regain the initiative, at least to the extent of retaking Kien Duc. Their chances of retaking the three border camps lost in early November are minimal at the moment.

33 If the Communists hold their gains in Quang Duc, they will have secured the remaining link in

their north-south supply corridor to bases north and west of Saigon. They also will have served notice of their readiness to respond strongly to any further government attempts to attack so-called "liberated areas." Although there are no indications that they intend to extend the current stepped-up fighting to other areas, additional Communist moves could be triggered by government retaliatory actions elsewhere or by continued Communist successes in the highlands.

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CAMBODIA: A DIPLOMATIC VICTORY

The Lon Nol government will continue to represent Cambodia in the UN—at least for another year. The UN General Assembly voted late on 5 December to defer action until next fall on an Algerian resolution to seat Prince Sihanouk's representatives. Despite the slim three-vote margin of victory, the postponement is an important victory for Phnom Penh and its Southeast Asian supporters.

The Sihanouk challenge had been endorsed by the Algiers nonaligned conference, and had strong support in the assembly from China and the nonaligned states. Although several African states joined the vote for deferment, Latin American members were the primary defectors from the nonaligned leadership's stand against postponement. Parliamentary maneuvering, which permitted the motion for deferment to take priority over the substantive resolution, was vital to Phnom Penh's success; the Algerian resolution might well have carried had it taken precedent. Some nonaligned states that were willing to support deferment would have felt compelled to stand with the caucus of developing states in a clear substantive vote. Concern over the precedent of seating a non-resident government may also have contributed to Phnom Penh's success. Nevertheless, the inscription of the Algerian resolution on next year's assembly agenda and the closeness of the vote this week seem to ensure a renewal of the Sihanouk challenge next fall.

The Shooting War

35 [Khmer Communist propagandists are indulging in an orgy of self-congratulation following the fall on 30 November of Vihear Suor, a small provincial capital on the east side of the Mekong ten miles from Phnom Penh. The Communists apparently captured more than half of the town's 500-man military garrison, 1,500 civilians, and significant quantities of military equipment. Despite heavy seasonal flooding of the marshy area



Sihanouk

around the town, elements of two Communist regiments had kept steady pressure on it since mid-August.

35 [The loss of the provincial capital poses no direct threat to Phnom Penh, but it does give the Communists a base from which to operate against other government positions on the Mekong's east bank upstream from the capital. The government still holds some ground a few miles south of Vihear Suor and is preparing to make a stand there.]

35 [South of Phnom Penh, the Communists edged closer to the larger provincial capital of Takeo. They also maintained firm control over stretches of key overland routes to the capital. The Mekong River remains open to shipping, however, and a large convoy arrived in Phnom Penh early in the week. At mid-week, government militia forces foiled an attempted Communist sapper raid on the Route 1 bridge linking the capital to the east bank of the Bassac River.

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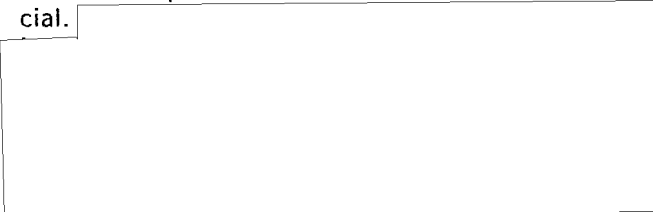
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THAILAND: BOTTLING THE GENIE

27 [The overthrow of the Thanom-Fraphat regime last October is now history, but the fledgling civilian government still has not fully succeeded in putting the genie of popular unrest safely back into the bottle. An unprecedented level of strikes and labor unrest, protesting inflation and government inefficiency, has led to violence and vandalism uncharacteristic of Thailand's normally docile and well-disciplined society.] On the student front, demonstrations continue against corrupt provincial and district officials. The growing influence of activists within the once-conservative student movement suggests that student agitation will remain a feature of Thai politics for the foreseeable future.]

37 [The reaction of the military, unaccustomed to its new position on the sidelines, will be crucial.]



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41 [For his part, the King probably would sanction a limited move by the military if he were convinced that it was essential to bolster the current government. The King's concern over the possibility of renewed turmoil may have been a factor in his sudden decision to be out of Bangkok during the traditional festivities for his birthday on 5 December.]



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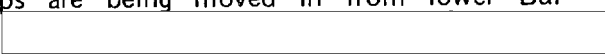
Protests continue

44 [The current unrest does not at the moment constitute a major threat to public order, but there is a danger that the new and inexperienced government will over-react to minor provocations. Last week, for example, Prime Minister Sanya warned workers that he would resort to "drastic" measures if they did not stop their strikes and negotiate their differences with employers.] A joint appeal from all unions for a ten-day moratorium on strikes has quieted the situation, but the atmosphere remains edgy.]

BURMA: THE COUNTERINSURGENCY

42+43 [Rangoon's counterinsurgency campaign in the northeast, now more than two months old, is running into new difficulties. Heavy rains are complicating supply efforts and have grounded the air force. The Communists have inched to within eight miles of the regional administrative center of Kengtung, and panicked civilians are fleeing the area. It is not clear that the Communists intend to take the town, but they do hope to cut its already tenuous road link to the rest of Burma. Government forces around Kengtung outnumber the Communists two to one, but the insurgents have the advantage of greater familiarity with the terrain, and some army commanders feel the Communists are better armed than government forces.]

Despite the gloomy picture at Kengtung, the Burmese military feel the situation can be stabilized eventually. Army morale was buoyed by a successful offensive last month against Communist forces in northern Shan State, and fresh troops are being moved in from lower Burma.]



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GREECE: A HARD-LINE REGIME

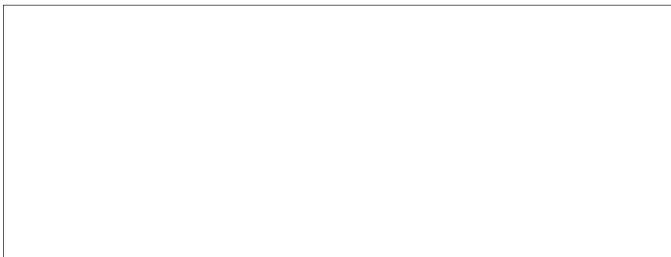
44 [As the military-backed government continues to consolidate its hold through new appointments and a controlled purge of unfriendly elements, it is revealing more of its strategy and character.]

44 [With most ministerial posts now filled, it is evident that Brigadier General Ioannidis intends to play the role of *eminence grise* and that the civilian cabinet will serve as a facade to deflect political and popular pressures.]



44 [Ioannidis' retention of his position as military police chief will aid him in maintaining his power base within the military, from which any real threat to the new junta would probably come.]

52 [Restoration of discipline in the army is an urgent concern of the junta. Some of the younger officers are even more eager than Ioannidis to root out Papadopoulos' supporters and senior officers involved in corruption. There are also signs that some of those who opposed Papadopoulos are not enthusiastic about the new leadership. They could prove to be troublesome for Ioannidis, especially if he continues his tendency toward excessive centralization of power, which many resented in Papadopoulos.]



43 [The new rulers are likely to be more harshly authoritarian than was Papadopoulos' government. On 1 December, they abruptly shut down the conservative newspaper, *Vradyni*, one of Athens' major dailies. It was the first such action against a newspaper since 1967 and came only days after an announcement that formal press

censorship had been lifted. *Vradyni*, whose publisher has long advocated the return to power of self-exiled former prime minister Karamanlis, apparently offended by engaging in mild editorial criticism of Prime Minister Androustopoulos' recent policy speech. The paper had also published a statement by retired Colonel Stamatelopoulos, who participated with both Ioannidis and Papadopoulos in the 1967 "revolution," that called for the restoration of constitutional order as soon as possible.]

44 [In a display of confidence, the government reopened the universities on 3 December—about a week ahead of Papadopoulos' schedule. The word was passed, however, that any new student demonstrations would not be countenanced. Several days of such activity last month was the catalyst for Ioannidis' coup.]

44 [The new leaders seem determined to focus on the pressing economic problems of the country. An outline of the national budget for 1974, announced on 1 December, emphasizes austerity and anti-inflationary measures, especially in the public investment sector; these steps had also been promised by the previous government. The new government's capacity for dealing with these problems is questionable.]

50 [The widespread euphoria initially evoked by the fall of Papadopoulos appears to be dissipating rapidly as recognition grows that Ioannidis and General Gizikis, who is now president, do not plan to introduce a more liberal regime any time soon. The continued detention of many students arrested last month, the Prime Minister's statement that the government would rule by decree indefinitely, and the action against *Vradyni* have displeased many Greeks, especially among the civilian elite. Prominent figures from the pre-Papadopoulos parliamentary era are openly critical, and younger politicians have been slow to offer their services. Meanwhile, popular opposition to the new junta has already surfaced; explosions occurred on 3 December at two banks, one of them the Piraeus branch of the Bank of America.]



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BREZHNEV RETURNS FROM INDIA

55 [Moscow and New Delhi have reason to be satisfied with Brezhnev's visit to India last week, although neither got all that it hoped for.]

53 [Soviet gains were primarily political. India endorsed Moscow's policy of detente and lauded Brezhnev's personal contribution to it. India also reaffirmed the value of its friendship treaty with the USSR. Moscow will use these expressions of support to help undercut criticism from other nonaligned countries of super-power diplomacy. The two countries also signed a 15-year economic agreement, a planning accord, and a consular convention that the Russians can portray as a further strengthening of their position in India. Brezhnev apparently had some success in persuading New Delhi that its interests will not be neglected as the USSR pursues detente further.]

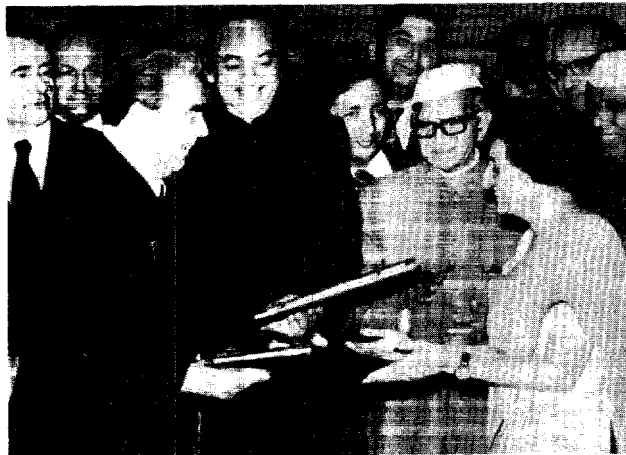
53 [On the debit side, New Delhi failed to endorse Brezhnev's Asian collective security idea despite his strong pitch for it in a speech to India's Parliament. Throughout the visit, Mrs. Gandhi stressed that Soviet-Indian relations were not aimed at any third party (read China) and that India would not mortgage its independence to anyone. The Soviets apparently failed to convince India of the need for closer military collaboration. On the eve of the visit, the Indian Government held a press backgrounder designed to put to rest the notion that the Soviet Navy would be granted exclusive bunkering privileges.]

53 [On matters of interest to New Delhi, Brezhnev

endorsed the Indian stand on Pakistan and Bangladesh, and he also agreed to work "with other countries on an equal basis" toward having the Indian Ocean declared a zone of peace. In the past, Moscow has been distinctly cool to the idea; just last month, the USSR abstained on a UN vote designed to implement the nonaligned resolution aimed at keeping Great Power competition out of the Indian Ocean.]

53 [On economic matters, Moscow apparently did go at least part way toward meeting India's requests, though few binding agreements were signed. The Soviets, for example, agreed to increase exports to India of some scarce commodities, including newsprint, crude oil, and possibly food grains. Moscow apparently also promised to provide some debt relief as well as new assistance in several fields, most notably to help India develop its energy potential. It is not yet clear, however, whether the Soviets agreed to enough non-project assistance to have an immediate impact on the Indian economy. If New Delhi's hopes for a substantial revision in the kinds and amounts of goods provided are not realized, the newly improved atmosphere in Soviet-Indian relations could be short-lived.]

55 [Military aid problems were dealt with primarily by the military representatives during the visit, and there are no hints yet about what Moscow may have agreed to supply. India reportedly was interested in several types of aircraft, modern naval ships, and some of the surface-to-air missiles that proved so effective during the recent Middle East war.]



Exchanging documents

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TURKEY: STILL NO GOVERNMENT

56 [The indecisive parliamentary election on 14 October has left Turkey with a leadership vacuum for the second time this year. Last spring, 25 days and 15 ballots were needed to elect a candidate to the largely ceremonial office of president. More serious now, however, is the failure to form a new government after nearly seven weeks of trying.]

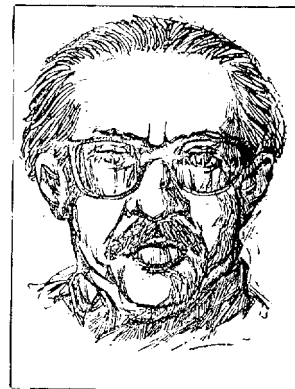
56 [Leaders of the two largest groups in the 450-seat National Assembly, Bulent Ecevit of the Republican People's Party and Suleyman Demirel of the Justice Party, have both failed in successive attempts to form coalition governments that excluded the other group. Each has also refused to participate in a coalition headed by the other. Although a minority government might yet be tried, President Koruturk is not in favor of this solution.] Instead, he has suggested a national coalition representing all parties. The alternative course of holding new elections, Koruturk said, was a question for parliament to decide. Even the national government he advocated, however, could bring an early election, as such a coalition might soon receive the three "no confidence" votes that would force its dissolution.]

58 [Another election may not produce a more decisive outcome. Local elections, to be held on 9 December, could indicate some changes in party strengths that would affect voting patterns in a new general election. The events since 14 October have not gone unnoticed by the Turkish military. The politicians know that the army will not tolerate endless political chaos, and Koruturk's suggestion of a "national coalition" indicates that the politicians may be close to exhausting their options. The army may not yet have made up its mind that it is time to intervene, but it is certain that the possibility of "aiding" the politicians to solve their problem is being discussed.]

PAKISTAN-BANGLADESH: THAWING

63 [Bengalee Prime Minister Mujib is apparently no longer insisting that 195 Pakistani prisoners held by India be tried for war crimes. This shift

may have improved prospects for resolving the problems left over from the violent division of Pakistan in 1971.]



Mujib

69 [The Bengalees have told UN Secretary General Waldheim that they want to begin talks with Pakistan on the fate of the prisoners, but that the talks would have to be on the basis of "sovereign equality." The Bangladesh high commissioner in London has indicated that the number of prisoners to be tried might be reduced in such negotiations. Dacca has demonstrated a less vengeful attitude recently by granting amnesty to about 30,000 residents of Bangladesh accused of collaborating with the Pakistanis in 1971.]

61 [The US ambassador in Islamabad believes that formal talks between the two countries are unlikely unless Dacca has also softened its requirement for prior recognition by Pakistan. Islamabad has so far refused to grant recognition until the 195 Pakistani prisoners are released. The Pakistanis suggest the impasse could be resolved through secret talks in which officials of the two countries would work out a formula for simultaneous recognition and renunciation of trials. At present, there is no indication Dacca is willing to go that far, although some precedents exist for quiet meetings on neutral ground.]

63 [In any event, public opinion in both countries will limit diplomatic flexibility. Additionally, deep mutual suspicions at the highest levels of the two governments will make any progress difficult.]

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VENEZUELA: DOWN TO THE WIRE

66 } Approximately 4.6 million Venezuelans will
+ go to the polls on 9 December to elect a presi-
67 dent, congress, state legislatures, and municipal
councils. Indications are that the longest, costli-
est, and most intense campaign in Venezuelan
history will remain relatively free of violence.7

66 } The outcome of the presidential race, domi-
+ nated by Democratic Action's Carlos Andres
67 Perez and the governing Social Christian Party's
candidate, Lorenzo Fernandez, is still in doubt.
Only two percentage points separate the two in
recent polls and almost a fifth of the voters re-
main undecided. Running a strong third is Jose
Vicente Rangel, an independent socialist sup-
ported by the new marxist Movement to Social-
ism. Although Rangel has no chance of becoming
president, the Movement is expected to gain a
large number of seats in the new congress.7 This
will add to the problems of the president-elect,
66 who as head of a minority government will find
+ his effectiveness dependent primarily on his skill
67 in creating and maintaining a working coalition.7

66 } Whoever wins the election, the new admini-
+ stration will be even more nationalistic than Presi-
67 dent Caldera's and will probably try to adopt
more "progressive" domestic policies aimed at
private industry and foreign investment in Vene-
68 zuela. In particular, the hard nationalist stance on
+ petroleum will continue. Flushed with ever in-
69 creasing revenues from the sale of petroleum,
+ Venezuelans will be in no rush to negotiate a
long-term energy agreement with the US. They
believe the increasing scarcity of petroleum gives
them a strong hand in dealing with oil-consuming
countries.7

66 } Fernandez and many of his followers have
+ strong feelings on the petroleum issue and are
67 likely to be less restrained than Perez in using oil
+ as a political weapon. Party leaders have already
68 indicated that any agreement to explore and ex-
+ ploit oil reserves in eastern Venezuela would re-
69 quire concessions from the US. In exchange for
favorable operating conditions and guaranteed
access to oil reserves in the Orinoco Petroleum

Belt—estimated conservatively at 70-100 billion
barrels—the Venezuelans will demand unlimited
access to US markets, not only for oil but also for
certain other exports such as iron ore.7

66 } The first few days after the election will be
+ the critical period. Both parties fear that if there
67 is a close victory margin—say 50,000 votes—the
loser will cry fraud. This would encourage serious
disturbances by party militants, who are building
themselves up to a pre-election frenzy with rallies 25X1
and parades. Party leaders on both sides are con-
tinuing to lobby with the military to ensure that
it will remain impartial.7

66 } The armed forces generally are expected to ensure
+ that the winner assumes office in early March. 25X1
Terrorist organizations are too weak and disorgan-
ized to disrupt the election to any significant
degree.7

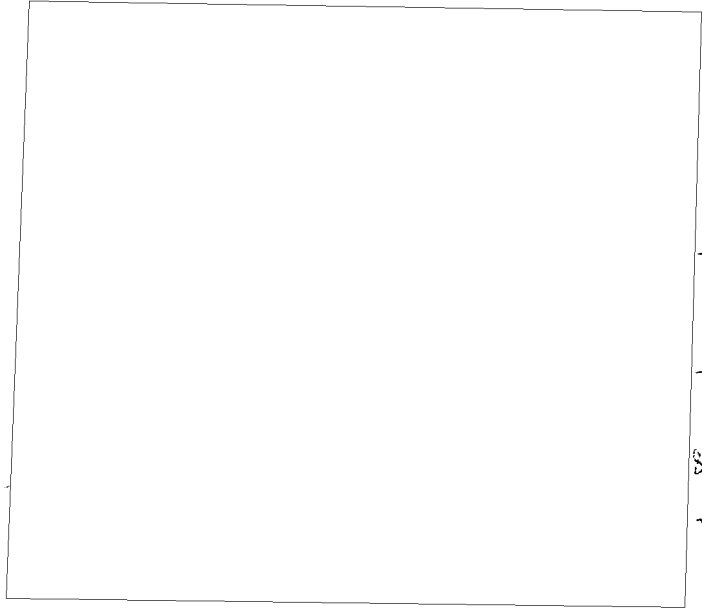
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other hand, fears domestic reaction if it "gives away" territory except as a result of an arbitral award.]

After the present round of talks bogged down over the border question, each country has blamed the other for the impasse, and both have taken steps that make successful negotiations all but impossible. Their armed forces are on partial alert, and El Salvador, to underscore its rejection of arbitration, has renounced the Bogota Pact, which established procedures for the peaceful settlement of disputes. Each government views the other as essentially non-democratic and on shaky ground with its own people. Suspicions are compounded by a lack of good intelligence about each other.]

The deep-seated animosity has been allowed to grow to the point where the media characteristically refer to the other country as "the enemy."



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HONDURAS-EL SALVADOR: FLASH POINT

Far from displaying enthusiasm for the resumption of peace talks that were interrupted in late November, El Salvador and Honduras are once again eyeing each other angrily across their disputed border. Since long-standing differences flared into open war in 1969, various Central American leaders have repeatedly failed to persuade their colleagues that settlement is vital for the political and economic well being of all. Neither side really wants a settlement, in fact, even though both pay lip service to reasonableness.]

Since 1969 they have been involved in an arms race, albeit at tortoise pace because of budgetary limitations and US pressure on potential sellers. Both, of course, stress the defensive nature of their purchases, but in the prevailing atmosphere of mutual distrust a pre-emptive offense can seem the best defense. There are some indications that troops are being edged closer to the disputed areas.]

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The real obstacle to agreement has always been the division of two small border tracts. On several occasions, negotiators have agreed on such important and thorny problems as trade, transportation, migration, and treatment of one another's nationals, only to fall short of a general treaty because of the border issue. Realizing that Honduras has a stronger legal case, El Salvador refuses to submit to arbitration. Honduras, on the

It is possible that the two antagonists will once again resume serious negotiations, perhaps "encouraged" by some arm twisting by other Central American leaders. A peaceful settlement, however, appears unlikely in the near future and, in the present highly charged atmosphere, hostilities could erupt at the slightest provocation.]

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TRINIDAD AND TOBAGO: WILLIAMS STAYS

83 [Eric Williams, in an eleventh-hour reversal, has decided to continue as prime minister of Trinidad and Tobago and to remain as political leader of the ruling People's National Movement until general elections are held.]



Eric Williams

83+84 [Williams' change of mind evidently resulted in part from his intense dislike for former attorney general Karl Hudson-Phillips, who had emerged as his most probable successor. In addition, he appeared genuinely concerned that a change in leadership would generate a sharp racial division between the blacks and East Indians in the party and possibly result in its disintegration.]

83 [The Prime Minister's behavior probably embittered a large segment of the party, but defections are unlikely unless he takes punitive measures against the Hudson-Phillips faction. On the other hand, the long-term viability of the party could be threatened if Williams continues to oppose development of a new generation of party leaders.]

83 [The party's internal developments have aroused little interest among the population, which is more concerned with the country's serious socio-economic problems. Rising prices and the declining quality of public services are being aggravated by dislocations in the petroleum-refining industry caused by a reduction in Arab oil deliveries. The powerful labor unions are becoming increasingly militant and are agitating for drastic solutions. Meanwhile, the trend among opposition parties toward revitalization and possible coalition may present Williams with a strong challenge in the next election.]

83 [Elections must be held by 1976, but will probably be called sooner. A constitutional commission is expected to present its proposals within

a month, and the new constitution will be implemented after several months of discussion and refinement. Williams has promised that elections will be held shortly thereafter.]

URUGUAY: SNUFFING OUT THE LEFT

(85-87) [The government is continuing to press its hard line against Marxism by outlawing the Uruguayan Communist Party and various other left-oriented political and student groups.]

The move caused some surprise, coming as it did at a time when the Communists and their supporters appeared to be trying to avoid any action that would give the government a pretext to ban the party. The government's concern over Marxist influence in the country—particularly in labor and education—has grown since the overthrow of President Allende in Chile.

The decision to move against the left at this time apparently stems from a belief that the Communists are gaining strength among the workers and could hand the government a setback in elections that will be held soon to reorganize labor unions. The unions were disbanded last June when the Communist-dominated labor confederation was outlawed.

Thus far, there has been no mass arrest of Communist Party cadre, although military leaders reportedly are considering such a move. An attempt to pick up some party leaders was unsuccessful, and the party leadership is said to have already moved underground. For the time being, at least, it is unlikely to offer serious resistance to the anti-leftist campaign.]

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INTERNATIONAL MONETARY DEVELOPMENTS

(83 481)
The dollar experienced a rapid, almost uninterrupted appreciation in November and is now at its highest level since May.

Among European currencies, the mark, guilder, and Belgian franc showed the largest drop. The first two currencies replaced the Norwegian crown at the bottom of the European joint float band. The guilder's decline reflected the Arab embargo on oil shipments to the Netherlands. Deterioration in the value of the mark and franc resulted primarily from heavy German and Belgian dependence on oil supplied through Rotterdam; the mark continued to decline in spite of another record trade surplus in October.

The Bank of Japan allowed the yen to depreciate from 270 to 280 per dollar in November. Pressures on the yen were generated by predictions of continuing balance-of-payments deficits and fears of economic disruption caused by reduced oil supplies. Dollar sales of about \$2.2 billion by central banks limited depreciation.

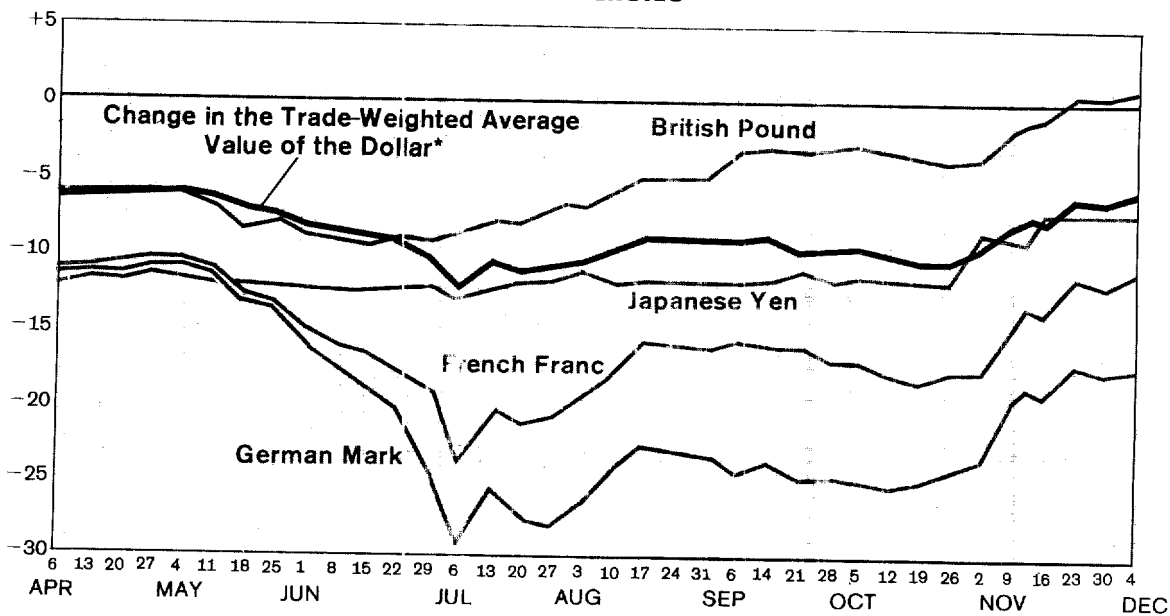
These sales required the Bank of Japan to cash in a sizable part of its holdings of US Treasury bills and to withdraw special government deposits in commercial banks.

Further dollar appreciation is likely to be limited. A major reason is the widespread belief among traders that the "Big Five" agreed in late November to maintain the dollar at the rate prevailing after last February's devaluation, which should lessen speculation.

The gold market was quiet in the first half of the month. On 14 November, the two-tier system was ended, permitting central banks to sell gold on the free market for the first time in five years. The price of gold quickly dropped more than \$10 an ounce to \$90. When central bank sales failed to materialize, however, buyers returned to the market, pushing the price of gold up to its earlier level.

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**PERCENT CHANGE SINCE 2 JANUARY 1973
IN THE VALUE OF THE US DOLLAR
RELATIVE TO SELECTED FOREIGN CURRENCIES**



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UN: NONALIGNED SOLIDARITY

(90-93)
Each session of the UN General Assembly in recent years, and especially the current session, has seen a trend toward greater unity among the developing or "nonaligned" states, particularly the Arab-African bloc. On most issues, the majority of the developing states of Asia and Latin America can be counted upon to support the Arab-African coalition. The growing unity of action among these states reflects in some measure their sense of greater economic strength, stemming from control of key natural resources in the face of growing world demand. The increasing parliamentary sophistication of the developing nations has been another factor contributing to their power to dominate the General Assembly and many other UN bodies when they act together.

The effectiveness of the Arab-African bloc was shown recently by the major role it took in establishing and staffing the UN Expeditionary Force to the Middle East, but it was also evident in other issues such as the protection of diplomats, Law of the Sea, Korean and Cambodian representation, and various disarmament resolutions.

The US UN mission believes that the great danger in this increasing influence lies in the ability of the developing states to challenge the authority of the Advisory Committee on Administrative and Budgetary Questions. This committee, which considers UN expenditures and assessments, is controlled by the ten member states that contribute 77 percent of the UN budget. The General Assembly can override the committee's recommendations, however, and such assembly decisions are binding on all UN members. Thus far, the developing states have successfully challenged decisions involving only minor amounts, but if this were done frequently, it would result in the major contributing states losing control of their assessments.

The US has found itself increasingly in the minority on issues involving the Arab-African bloc. The USSR has generally been able to support the Africans and the Arabs, but it is not assured of indefinitely benefiting from Arab-African cohesion. Recently, for example, pressure from the developing states has forced Moscow to modify its proposal for a world disarmament conference. On issues such as the Convention for the Protection of Diplomats, the Soviets may find themselves in a minority along with the US.

China, which many developing states view as sharing a similar past of exploitation by the West, appears to have gained the most from the increased unity among the nonaligned. Nevertheless, Peking must at times tailor its UN policy to ensure nonaligned support. After refusing to have anything to do with the Soviet-sponsored resolution for a world disarmament conference, the Chinese reluctantly agreed to consider a revised nonaligned proposal because it had the overwhelming support of the developing states.

Despite awareness of their strength in unity, the nonaligned are not always immune to fragmentation. Even on strictly African political issues, fissures have appeared. During a recent vote on the Portuguese territories, for example, an open fight developed between supporters of a moderate stand, designed to attract international support, and those favoring a hard line calling for use of force. This year's General Assembly session has not considered issues involving significant divergent national interests of the developing states, but a test of their solidarity is likely in such forums as the Law of the Sea conference, which will tackle substantive issues involving competing economic claims.

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