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No 602
4 November 1971

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INDIA-PAKISTAN: Prime Minister Gandhi, during her talks in Washington beginning today, will probably stress the need to exert more pressure on Islamabad to negotiate an early political settlement of the crisis in East Pakistan.

In Brussels, Vienna, and London, Mrs. Gandhi did not deviate from her insistence that the only solution lies in a political accommodation between Islamabad and the elected representatives of the East Bengalis. She has followed the line that India is the innocent victim of Pakistan's internal conflict and that the continuing flow of refugees into India has forced New Delhi to insist that the international community press West Pakistan to create conditions conducive to the refugees' return. She has dismissed as palliatives suggestions for Indo-Pakistani discussions, troop withdrawals, or the posting of UN observers on the frontiers.

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Mrs. Gandhi admitted she was not enthusiastic about an independent Bangla Desh because it probably would be strongly leftist, but she nevertheless considers independence inevitable.

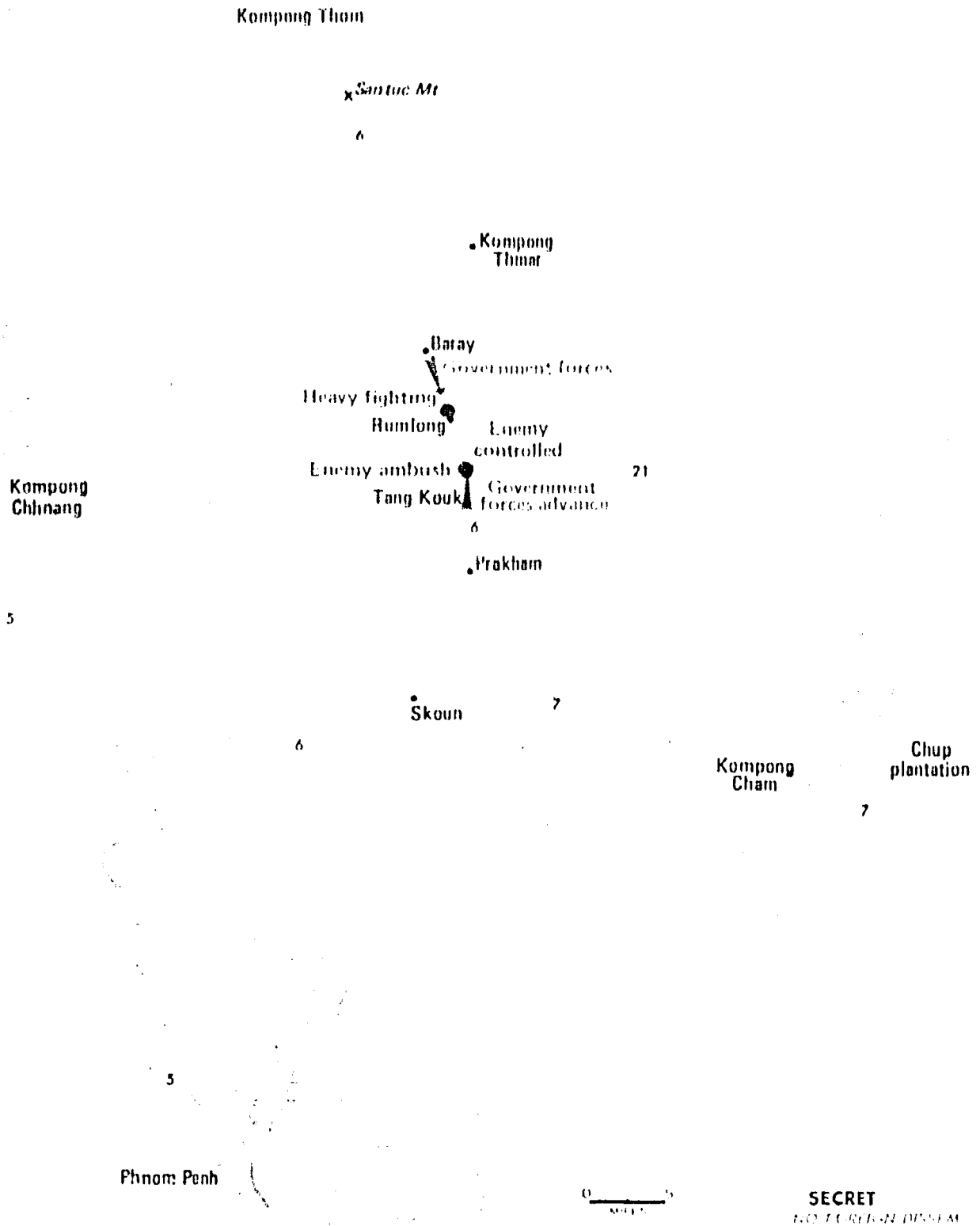
In Washington, Mrs. Gandhi is likely to maintain that support for the government of West Pakistan only delays a political settlement. She may also ask the US to use its influence to obtain the release of East Bengali leader Sheikh Mujibur Rahman. (SECRET NO FOREIGN DISSEM)

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CAMBODIA: Route 6 Area



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CAMBODIA: Government units trying to reopen Route 6 are continuing to meet Communist resistance.

A Khmer Krom task force from Skoun, which had moved up the highway past Prakham and Tang Kouk on 2 November, was ambushed yesterday shortly after it began a two-pronged drive to clear the final four miles of the road below the embattled village of Rumlong. After suffering six killed and 50 wounded, the Khmer Krom troops and their armored vehicles pulled back to allow air strikes on suspected enemy positions. Phnom Penh has ordered this force to make an all-out effort to reach Rumlong today.

A second Khmer Krom relief force moving south from Kompong Thmar apparently is still stalled on the outskirts of Rumlong. In several days of sharp fighting, these Khmer Krom units reportedly have had 30 soldiers killed and another 200 wounded--extremely heavy casualties for the Cambodian war. The morale of government troops still appears to be high, however, and the recent visit by Prime Minister Lon Nol to Baray probably had a salutary effect. (SECRET NO FOREIGN DISSEM)

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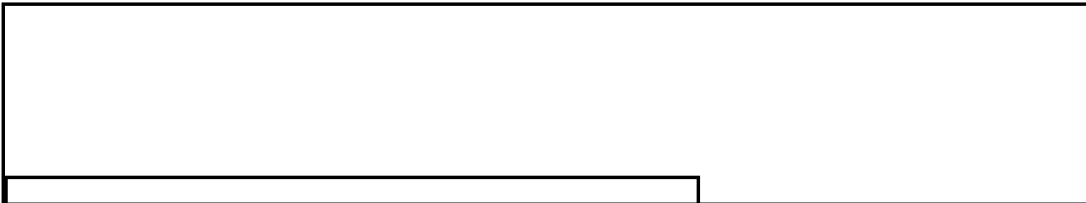
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CHILE: President Salvador Allende is increasingly critical of his supporters and determined to run his own show.

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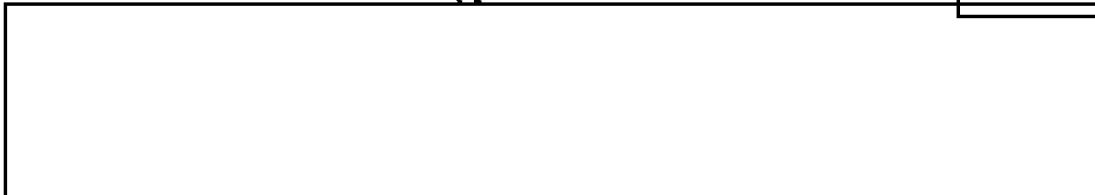


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His annoyance also reflects the growing criticism from leaders of both dominant UP members, Allende's own hard-line Socialist Party and the orthodox Communist Party, that he is too independent and personalistic in his exercise of power. They consider Allende subordinate to the coalition and resent what they reportedly see as his "Caesar complex."

Allende has arrogated growing power to himself following months of pressure from PS and PCCh leaders quarreling over the handling of expropriation and compensation of US copper interests in Chile.

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The worsening of Chile's chronic economic problems and the onset of new ones under the current government are increasingly burdensome to the general public. Allende probably hopes to divorce himself from the adverse political reaction to these problems by blaming those on whom he must depend to govern the country. His persistent overtures to non-Marxist political groups and to the armed forces and his tolerance of the violent activities of the Movement of the Revolutionary Left may be seen by UP leaders as attempts by the President to broaden his base of support to the left and right and to strengthen his hand to act independently. (SECRET NO FOREIGN DISSEM)

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EAST GERMANY: Erich Honecker has been unable to resolve long-standing economic problems that he inherited upon assuming the party leadership last May.

The regime reportedly has admitted that the five-year plan goals approved by last June's party congress for 1971-75 cannot be achieved and that annual goals set for the remainder of 1971 and for 1972 will, in effect, be scrapped. In the late 1960s the East German leadership pushed for too rapid economic growth which led to widespread shortages and foreign trade deficits. Nevertheless, the Ulbricht regime trumpeted Pankow's "developed system of socialism" as a model for other Communist states.

With Ulbricht's exit, some reordering of priorities has been under way, if only in piecemeal fashion, particularly in favor of the consumer. The regime, having learned the political lesson of Poland, will attempt to avoid a recurrence of the chronic winter shortages of food, power, and heating supplies. Honecker has turned off the rhetoric about East German economic "successes."

Although there reportedly have been high-level discussions on the "mistaken" economic decisions made by former party chief Walter Ulbricht and his top economic adviser Guenter Mittag, the new leadership has not attempted explicitly to blame publicly the serious economic situation on the actions of the previous regime. Moreover, officials will be anxious to avoid extensive discussion of Pankow's economic weaknesses while the Berlin talks are going on. (SECRET NO FOREIGN DISSEM)

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IRELAND: Prime Minister Lynch's government faces a vote of confidence next week that could bring it down and lead to new elections.

The opposition Fine Gael party has presented a motion of no-confidence in Agricultural Minister James Gibbons, who was implicated in a scandal last year involving the smuggling of arms and ammunition to Ulster. The question of Gibbons' integrity provides the ostensible issue for a vote of confidence scheduled for 10 November, but Lynch's whole policy toward Northern Ireland will be the real issue.

The vote will be very close. Lynch's Fianna Fail party has 72 of the 144 seats in the Dail and one or two independents may join to provide the necessary majority. Several of the hard-line dissidents in the Fianna Fail could decide to vote against the government, however. They may be constrained by their fear of expulsion from the party and their realization that their chances of re-election would be slim.

Because the government could have delayed the no-confidence vote through parliamentary maneuver, the decision to permit the motion may reflect Lynch's view that elections at this juncture could be useful. If the prime minister were to win a new mandate from the electorate, he would have a much freer hand. Lynch also is aware that the Dail will be forced to redistrict when the latest census results become available in a few months, with the Fianna Fail losing two or three rural constituencies. Moreover, both the extremist Sinn Fein party and the newly organized Aontacht Eireann party will present a much more serious electoral challenge at a later date.

Although pressure for a radical, anti-British line is far stronger than it was a year ago, a majority in the Fianna Fail as well as in the principal opposition parties oppose reunification of the two Irelands by force. (CONFIDENTIAL NO FOREIGN DISSEM)

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ECUADOR-US: The coming tuna season promises to produce further harassment of US fishing boats in waters claimed by Ecuador.

Foreign Minister Garcia Velasco has informed the US ambassador that Ecuador intends to continue its policy of seizing and fining foreign ships operating within its claimed 200-mile territorial limit. During the first three months of 1971 the Ecuadoran Navy picked up 26 American boats and collected fines of more than \$1 million. As a result, provisions of the US Foreign Military Sales Act were invoked suspending sales and hampering the armed forces' efforts to replace their obsolescent equipment. Ecuador took the issue before the Organization of American States, but a compromise was worked out that avoided condemnation of the US for economic coercion. The government, however, expelled the US military group in retaliation.

Garcia stated that if events followed a similar pattern during the coming tuna season, he would make the "largest and noisiest possible issue" of the matter. He added that these protests would not be limited to the OAS but would be made in the UN and any other forum available. He indicated that he expected support from a large number of underdeveloped countries. Ecuador's previous actions in this field suggest that the government will follow through on these threats.



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ROMANIA-IRAQ: Bucharest's first economic assistance to Iraq marks a significant improvement in bilateral relations, which have been poor since June 1967 when Romania refused to condemn Israel during the six-day war.

The agreement calls for Romania to provide \$35 million for the development of the Iraqi petroleum industry in exchange for future deliveries of oil. The Romanians are to undertake surveys, to give technical assistance, and to provide various kinds of machinery and equipment. Because transportation costs would be very high, Romania apparently will not import Iraqi oil as long as the Suez Canal remains closed. In the interim Bucharest may sell or barter the oil to third countries, but only at prices agreed upon with the Iraq National Oil Company.

Romania joins the USSR and several other East European countries in helping to develop the Iraqi oil industry. Most of the assistance these countries are providing also will be repaid with oil from the North Rumaila field, which Iraq expects to begin exporting early next year.

At present Bucharest obtains nearly all of its Middle East oil from Iran via the Trans-Israeli pipeline. Romania, however, would take delivery of the Iraqi oil at the Persian Gulf for shipment to other countries. (SECRET)

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UN - MIDDLE EAST: A sharp reduction in rations in the Middle East refugee camps is raising new problems for the UN Relief and Works Agency (UNRWA) and the host governments.

A number of logistical difficulties, including the US dock strike, have contributed to severe shortages, which may not be eased before late January. The problem is especially acute in Jordan, where UNRWA and the government were forced to reduce the daily ration of flour by about 35 percent on Monday. The refugees have refused to accept the reduction and have sent 60 of their leaders to meet with UNRWA officials and the Jordanian prime minister.

UNRWA flour supplies in the camps of Syria and Lebanon appear barely adequate to meet anticipated needs in those areas. The Gaza Strip and West Bank refugee camps in Israeli-occupied territory are worse off, and in Gaza some ration reductions have started. CARE may provide temporary supplies from its current surplus in the Middle East now that the Israeli Government has agreed to replenish its stocks if necessary.

The US Embassy in Amman has cautioned that a complete cutoff of flour rations would create an "intolerable political problem" for the Husayn government. The General Assembly will soon begin meeting at the committee level to consider whether to extend UNRWA's mandate which expires next June. Before the mandate is extended, the agency's chronic fiscal deficits and recent Israeli security measures against the population in the Gaza Strip camps are certain to be raised. (CONFIDENTIAL NO FOREIGN DISSEM)

YUGOSLAVIA-BULGARIA: Belgrade appears to be increasing pressure on Bulgaria over the Macedonia issue.

Relations, strained by Yugoslav reaction to irredentist propaganda in Bulgaria, worsened last Sunday when it was announced that a Bulgarian citizen in the Yugoslav Macedonian Republic had been sentenced to five years' hard labor for espionage. Newspapers in Macedonia have taken up the cry by attacking Bulgaria for "unconcealed territorial" claims.

The Tito regime suspects Moscow has encouraged past Bulgarian agitation on the Macedonian issue. The Yugoslavs claim Brezhnev agreed to curtail hostile clandestine activities during his visit in September. That Belgrade appears willing to use the Bulgarian spy case to test Moscow's real intentions may indicate the influence of those highly placed Yugoslavs who are dissatisfied with the limited compromises Brezhnev made during his talks with Tito.

Last week Sofia decided--possibly at Soviet behest--to sack an editor guilty of advancing Bulgarian irredentist attitudes. This action may have been a sop to Yugoslav sensitivities, but Belgrade now senses a tactical advantage and is probably going to push for more substantive concessions.
(CONFIDENTIAL)

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UN-PAKISTAN: In a conversation with the US ambassador on Tuesday, Pakistani President Yahya Khan agreed in principle to the stationing of UN relief personnel in East Pakistan along the border with India. The UN teams would be located in more than 20 reception centers for Bengali refugees seeking to return home after fleeing to India. The Pakistani Government had resisted such an arrangement for months, noting that New Delhi refused to permit any posting of UN personnel in its border areas. In late October Yahya wrote Secretary General Thant offering to accept a UN observer mission along the frontier if India also would do so. Yahya's cooperative attitude on this and other subjects raised by the ambassador reflects Pakistan's desire to demonstrate its flexibility to the detriment of India. (SECRET NO FOREIGN DISSEM)

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TURKEY: The threat of military intervention has forced the Justice Party to suspend its decision to withdraw from Prime Minister Erim's cabinet, easing the month-long political crisis. Both President Sunay and armed forces chief General Tagmac made strong public statements of support for Erim and his reforms, and top military officers reportedly have agreed that the continuation of Erim in office was the only alternative to a military takeover. Erim's chances of pushing his reforms through the Justice Party - dominated parliament have been improved by this strong show of support. (CONFIDENTIAL)

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SWEDEN: Sweden's three non-Socialist opposition parties have managed to agree on a draft economic reform program directly challenging Prime Minister Palme's own reform bill in parliament. Palme's stop-gap efforts last month to check a recessionary trend evoked widespread criticism that they were ineffective and clearly provided the impetus, heretofore lacking, for the usually divergent opposition parties to band together. Although the opposition parties' program has not been submitted to parliament, their joint action could bode ill for Palme. His Social Democrats control only 163 of parliament's 350 seats, and have depended upon a divided opposition to maintain themselves in power. (CONFIDENTIAL)