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1 DEC 1972

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DIRECTORATE OF
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SOUTH VIETNAM: Government military and civilian security officials are continuing preparations for a cease-fire.

The Military Security Service is investigating officers and soldiers with known or suspected connections with the Viet Cong [redacted]

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[redacted] Lists of the suspects are being compiled, and some soldiers may be transferred to other units to avoid concentrations of potential subversives. The investigations [redacted]

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[redacted] are mainly intended to pinpoint soldiers most susceptible to enemy blandishments. There will be no mass arrests.

In almost every province, the South Vietnamese have been conducting meetings recently at various administrative levels to explain the government's position and to prepare for a cease-fire. Directives have been sent to regional and provincial security commands prodding officials to strengthen their units before the announcement is made. In addition, cadets from the military schools are being sent into the countryside to explain the cease-fire and to try and bolster popular support for the government during the period of intense political competition expected to follow. (SECRET NO FOREIGN DISSEM)

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BANGLADESH: Americans suspected of being involved with the CIA are coming under increasing attack by officials of the governing Awami League.

In the last few days leaders of Prime Minister Mujib's party, including his nephew, have repeatedly accused an American Foreign Service officer of being a CIA agent and have demanded that he be expelled from the country for holding "secret" meetings with a leftist opposition leader. Yesterday the League's senior vice-president charged that the CIA and other foreign agents, aiming to cripple the economy, were responsible for a recent spate of fires in jute warehouses. The fires were probably set by jute shippers who, failing to meet shipment deadlines, frequently resort to arson to obtain insurance money.

The League seems likely to continue and even to intensify its attacks in the hope that opposition leaders can be linked with foreign "subversive" elements and discredited prior to national elections scheduled for next March. Additionally, foreigners in Bangladesh are handy targets to blame whenever undesirable events, such as the fires, occur. (CONFIDENTIAL NO FOREIGN DISSEM)

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ECUADOR: Quito is forcing a showdown with foreign oil interests while simultaneously attempting to resolve an internal dispute over its petroleum policy.

Minister of Natural Resources Jarrin has ordered foreign companies to pay rentals on concession areas by 30 November. Texaco-Gulf, the largest investor, is not involved because it has already made the payments. Although most companies are expected to accede to the ultimatum, the US-owned Minas y Petroleos Cia may risk an annulment of its concession contract rather than pay the rentals. If the contract is annulled, the company is likely to claim expropriation and seek recourse in the US against the Ecuadorean Government.

Quito has nullified a concession in the Gulf of Guayaquil, granted to a consortium of US companies in 1968. The consortium, which has invested some \$25 million to date, is hopeful that its concession can be converted into a service contract, in accordance with a new Ecuadorean petroleum law. Negotiations apparently will be conducted with the more conciliatory manager of the state oil company, Colonel Duenas, who is Jarrin's main opponent in a struggle for control over Quito's oil policy.

An unsatisfactory resolution of these separate conflicts could jeopardize new foreign participation in developing Ecuador's petroleum resources. Most of the companies have been less successful than Texaco-Gulf in exploratory drilling, and the threat of more stringent contractual terms could prompt many to abandon their concessions. (CONFIDENTIAL)

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PERU: The Velasco regime's recent creation of a labor confederation is the first overt move in a concerted government campaign to gain control of the labor movement.

The military government wants to eliminate existing labor confederations, including the Communist-dominated organization it has favored as well as the group controlled by its archenemy, APRA. The plan is to substitute a new group controlled through Sinamos, the "social mobilization" apparatus designed to build an independent base of support for the regime and to ensure the permanence of its programs. The Communists have supported the government, but oppose its encroachment into the labor field. In a speech cleared at the highest official levels, the head of Sinamos recently castigated the Communists for their attitude and pointedly reminded them that traditional political parties "cannot become the political heirs of the revolution."

The government's next move will be to offer individual unions various inducements to cut their ties to other confederations and join the new group. If this strategy is unsuccessful, a labor law which would abolish the old confederations reportedly will be issued early next year. If the strategy seems to be working, however, promulgation of the law may be delayed. (SECRET NO FOREIGN DISSEM)

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YUGOSLAVIA-US-CANADA: Croat emigre demonstrations in the US and Canada--planned for today and tomorrow--will draw sharp protests from Belgrade if there is violence or excessive harassment of Yugoslav consular personnel.

The Chicago-based emigre journal Danica has called for demonstrations to commemorate the nationalist student strike in Zagreb last year. Protesters are expected at Yugoslav consulates in New York, Pittsburgh, Cleveland, Chicago, and San Francisco as well as in Toronto.

On 28 November, the Yugoslav Foreign Ministry called in a US Embassy officer to ask that the demonstrations be discouraged, if not prohibited, by local officials. Belgrade is aware of the legal impossibility of meeting such a request, and is probably laying the groundwork for a strong protest if there is violence or disorderliness. The Yugoslavs specifically warned that some of the expected participants also took part in violent acts against their consular personnel in New York last month.

Unlike similar situations in the past, the Yugoslavs will expect Washington to act if the emigres violate the new federal law on protection of foreign diplomats. (CONFIDENTIAL)

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FEDAYEEN: A Palestinian congress held in Beirut on 27 and 28 November has established a broad pro-fedayeen front, but it is already beset with serious divisions.

Organized by several fedayeen groups and Arab political parties, the conference was attended by representatives of a variety of "progressive" political groups, including a Viet Cong delegation. Uruguay's Tupamaros were invited but did not come.

Deep divisions quickly emerged among the conferees. Led by a Palestine Liberation Organization representative, most fedayeen rejected a peaceful settlement of the Middle East conflict and demanded that the conferees denounce UN Resolution 242. Less radical conferees--placed in a delicate position because of their governments' acceptance of negotiations and specifically the UN resolution--urged the formulation of a platform which would not rule out a peaceful solution. This was ultimately accomplished by the adoption of a front platform rejecting "all capitulatory plans."

The front, dubbed the "Arab Front for Participation in the Palestinian Revolution," will have a 46-man central committee composed of Arab participants in the congress, as well as an 11-man permanent secretariat headquartered in Beirut. Kamal Jumblatt, a leftist Lebanese politician who was largely responsible for engineering the compromise platform, has been elected secretary-general.

The idea for the front was originally conceived at conferences of the Lebanese Communist Party and of the fedayeen early this year and is one of several attempts, so far largely futile, to unite the fedayeen. (CONFIDENTIAL)

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SOUTH AFRICA: Prime Minister Vorster has privately held out the prospect that his government will cede seaports to two of South Africa's eight bantustans. He apparently intends to make the offer as an inducement for the leaders of these quasi-autonomous "African homelands" to negotiate "independence" without fully realizing their demands for additional land.

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During an [redacted] interview [redacted] last week, Vorster said that he had told Chief Matanzima of Transkei and Chief Buthelezi of Kwazulu that independence settlements might include the cession of white-occupied ports on the Indian Ocean. The first, Port St. Johns, is a tiny white enclave in Transkei territory. The second, Richards Bay, is situated amid several Kwazulu reserves; Pretoria is pursuing extensive plans to construct modern industrial port facilities there for industry. Vorster told [redacted] that he definitely offered Port St. Johns to Matanzima, but merely suggested to Buthelezi that Richards Bay might be negotiable.

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Both Matanzima and Buthelezi have repeatedly asserted the need of their respective homelands for a seaport and also for additional land. All the homeland leaders also expect considerable economic aid from Pretoria. Vorster's government has not hitherto shown much responsiveness to such demands. The area now allotted to eight bantustans amounts to some 13 percent of South Africa's total territory, and lifting the bantustans out of their subsistence economy would be prohibitively costly. Independence for the black "homelands" is basic to the ruling National Party's policy of apartheid, and the government is anxious to persuade at least one bantustan leader to ask for independence.

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Substantial concessions to either chief would reinforce similar demands from hitherto less articulate bantustan leaders. There would also be bitter outcries from whites who oppose any "giveaways" to non-whites.

It is doubtful that cession of the seaports would dissuade Matanzima or Buthelezi from insisting that additional land be included in an independence settlement. In any event, Vorster would be hard pressed to persuade his white constituents that he had not paid too high a price for inducing Matanzima and Buthelezi to begin negotiations for independence. Perhaps for that reason, Vorster's comments may be only a trial balloon. (CONFIDENTIAL)

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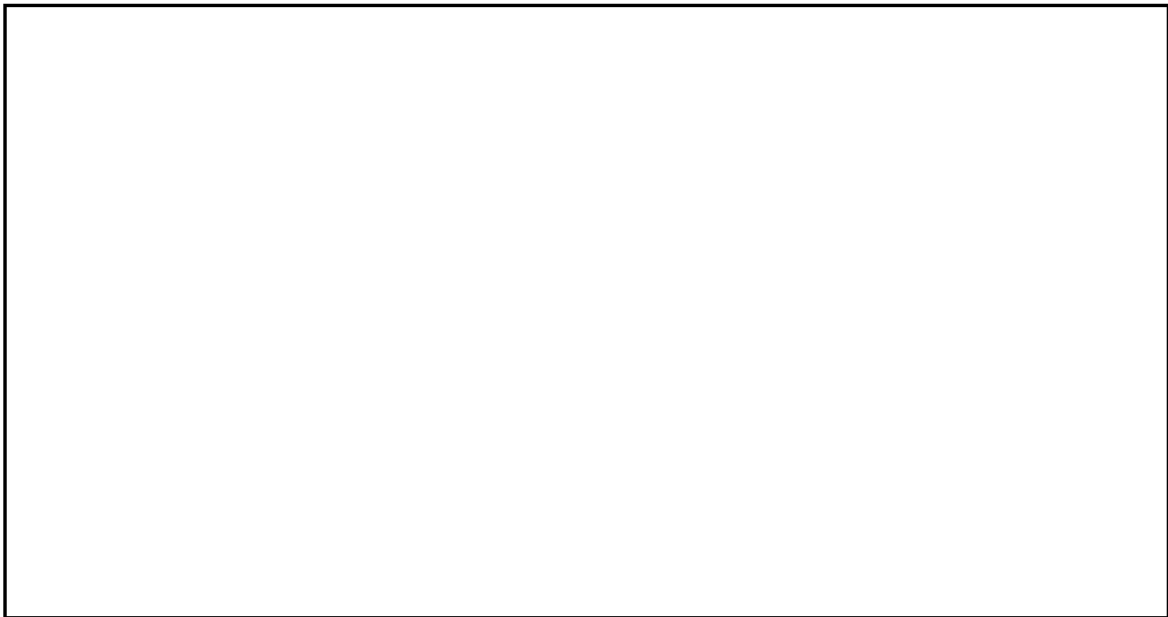
NOTES

NORTH VIETNAM: Two North Vietnamese coastal merchant ships have eluded the mines around Haiphong and have been recently seen by the US Navy in Chinese waters. Both were photographed in Haiphong harbor as late as 20 November. These are the first two merchant ships to depart Haiphong since the harbor was mined in May. Both ships are relatively small and, if they left the port empty, could have taken advantage of high tides in late November to skirt the minefields. The main channel into Haiphong is still mined and could not be used by ocean going ships. (SECRET)

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PANAMA: The seizure of 17 Canal Zone buses last week remains a problem, although the government, in an apparent gesture of good will, has returned seven of the buses. The government appears to have tied its settlement of the issue to a US agreement providing immunity from prosecution for the men involved, including those accused of using arms in the hijacking of two buses on 21 November. The US-owned bus company, meanwhile, has agreed to sell out to a Panamanian firm. Details of that agreement may depend in part on the prior settlement of the immunity issue. (CONFIDENTIAL NO FOREIGN DISSEM)

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