

Declassified in Part - :5X1 <sup>1 of 1</sup> 0033/75  
Sanitized Copy Approved for  
Release 2011/11/15 :  
CIA-RDP86T00608R00030002

Declassified in Part -  
Sanitized Copy Approved for  
Release 2011/11/15 :  
CIA-RDP86T00608R00030002

**Secret**

25X1



# Weekly Summary

**Secret**

No. 0033/75

August 15, 1975

Copy No 1387

**CONTENTS** (August 15, 1975)

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, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

**EUROPE**

- 1 Portugal: Military Split Widens
- 3 Spain: New Problems for Arias
- 4 Turkey: Arms Embargo and NATO
- 5 CSCE: An Effusive East
- 6 Yugoslavia: Slowing Economy

**MIDDLE EAST  
AFRICA**

25X6

- 8 Angola: Luanda Quiet
- 9 India: Gandhi vs. the Courts
- 10 Rhodesia: Talks to Begin

**EAST ASIA  
PACIFIC**

- 11 Cambodia: Sihanouk Marks Time
- 12 Laos: Quarrels with the Thai
- 13 Timor: Waves in a Backwater
- 14 Thailand: Tension on the Rise

**WESTERN  
HEMISPHERE**

- 15 La Paz Meeting: Sea Nettles
- 16 Honduras: Leadership Vacuum
- 17 Cuban Trade: No Change
- 18 Peru: Government Repression
- 19 Argentina: Another New Cabinet
- 20 Panama: Torrijos Seeks Support

25X1

**SECRET**

Goncalves

Costa Gomes

Carvalho

## PORTUGAL: MILITARY SPLIT WIDENS

The retention of Vasco Goncalves as Prime Minister and his announcement of a cabinet composed mostly of radical military officers and Communist sympathizers have forced an open breach with less radical members of the Armed Forces Movement. According to a document released last week, the dissident faction wants to oust the Goncalves group and return Portugal to a more temperate, democratic, pro-Western orientation.

The document, written by former foreign minister Melo Antunes, and circulated to military units throughout the country, denounces the present regime for betraying the revolution and the people's trust. It reportedly now has been signed by 1,000 officers and has the support of 80-90 percent of the Portuguese military.

Nine Revolutionary Council members among the initial signers were dropped from the council by the ruling executive and were ordered to report for reassignment. They have

ignored the order. Two of the signers, the commanders of the Central and Southern Military Regions, have retained their posts.

The loyalties of several key figures in the Movement leadership could have an important effect on the outcome. President Costa Gomes is said to have agreed with the document but to have disapproved of its timing and the manner in which it was presented. The influential Admiral Rosa Coutinho has not indicated his support. General Carvalho, the powerful security chief, reportedly is searching for a compromise which would both preserve the unity of the Movement and advance his own political ambitions. He is said to have called for an antiparty populist action plan to resolve the political crisis and at the same time put an end to the current wave of violence. The plan, which places equal blame for the situation in Portugal on the Communists, the Armed Forces Movement, and the non-communist parties, is not likely to be endorsed by the Antunes group and its supporters, even though Carvalho too favors the removal of Goncalves.

**SECRET**

SECRET

The dissidents had hoped for Carvalho's support, but they represent a formidable threat to Goncalves with or without the security chief. They have the strong backing of the Socialist and Popular Democratic parties, as well as the militant anti-communists who continued their attacks on Communist Party offices in the north this week.

Rumors that the dissidents had already laid down an ultimatum calling for Goncalves' resignation have been denied.

25X1

The dissidents hope that Goncalves will comply without a struggle, but the Prime Minister and his Communist supporters are not likely to relinquish their power without a test of strength. The dissidents have implied that they will use force if necessary.

Meanwhile, the Communist Party—which has pursued a strategy of maintaining very close ties with the Movement—has now charged that the military is allowing a witch hunt. The party,

which accused the military of indifference and even complicity in the numerous incidents of violence against its headquarters and officials, has virtually been forced underground in the populous north.

The gravity of the Communist position was again reflected in a speech by party leader Alvaro Cunhal on Sunday. Cunhal called for changes in the new government to broaden its support, and he renewed an earlier commitment to work with all groups supporting the revolution. He stressed the need to overcome rifts between civilian organizations and even called for cooperation with capitalist countries, particularly those of the EC. Cunhal's concern was echoed in Moscow by *Pravda*, which noted that the Soviet Communist Party—which has been harshly critical of the Socialists in recent weeks—now favors "unity of action" by all forces of the Portuguese left, including the Socialists.

25X1

Portuguese troops face anti-Communist demonstrators



SECRET

**SECRET****SPAIN: NEW PROBLEMS FOR ARIAS**

Political activity in the military has compounded Prime Minister Arias' problems just when his leadership is being challenged by Jose Solis Ruiz, the recently appointed minister secretary-general of Franco's National Movement.

Arias and the military authorities have tried to play down the significance of the recent detention of some 10-20 officers suspected of membership in secret political discussion groups. Senior officers have stressed the determination of the armed forces to exclude political activity from its ranks.

tion undermined by Solis. He and other rightist forces have seized the political initiative. Forced on Arias by Franco when the incumbent National Movement minister was killed in an auto accident in June, Solis has packed the secretariat of the Movement with his rightist cronies and has assumed some functions of other ministers.

The Council of the National Movement last month approved Solis' Union of the Spanish People as the first fully accredited political association. Although Solis nominally gave up leadership of the group when he was named to the cabinet, he remains its guiding force. This fact and the Movement's conservative reputation have kept democratic opposition groups from applying for association status.

Solis also appears to have been behind the recent decision to extend the present Cortes four months beyond its normal expiration date in November. Postponement of parliamentary elections until next March gives Solis and the rightists more time to manipulate the election laws to determine how the associations will participate. Solis will also play a key role in nominating the 100-odd national councilors of the Movement who are deputies to the Cortes. Thus the rightists have a better opportunity to ensure their continued dominance of the Cortes and the 17-member Council of the Realm, whose complexion Arias had hoped to change with his now-stalled program of political liberalization. The council is authorized to advise and clear all important actions of the future king, and its president will have a key role during the period after Franco departs.

The delay in electing the parliament will give Franco a chance to appoint a new council president from nominations submitted by the present council. The incumbent rightist Alejandro Rodriguez de Valcarcel is close to Franco and is eligible for reappointment.

The authorities have not yet decided how to deal with the detained officers. To overreact might widen the gap in the armed forces between those who support Franco's policies and those who would like to see some movement toward democracy. But to be too lenient might undermine the ban on political activity. Summary dismissal of the union's ringleaders from the service is a likely choice.

Meanwhile, Arias has seen his authority and his policy of broadening political participa-

**SECRET**

**SECRET****TURKEY: ARMS EMBARGO AND NATO**

Six months after the imposition of the US arms embargo, the capabilities of the Turkish armed forces are declining, and Turkey would have difficulty meeting its obligations as a NATO ally. Ankara is trying to obtain spare parts and materiel from Europe and probably the Middle East, but efforts in this direction have not had much success. Apparently no comprehensive plan has been drawn up by either civilian or military leaders, who continue to hope that the US Congress will reverse itself in a new vote on the embargo.

**The Impact So Far**

Information on the immediate effects of the termination of US military assistance has been limited because of new restrictions on the access of US military personnel in Turkey. Also, the impact appears to vary from service to service.

The air force is the most vulnerable service, despite the arrival of 18 F-104s purchased from Italy and some spare parts from West Germany. For example, 75 aircraft were reported grounded for repairs one week this spring, compared to an average of about 16 per week last year. Flight operations, including training, have been reduced considerably. There have been unconfirmed reports of pending aircraft purchases, but the only additional aircraft Turkey is scheduled to receive are 18 more F-104s from Italy and two F-104 trainers from West Germany.

The army is resorting both to cannibalization and to reduced use of equipment to keep a high percentage of major items operable.

The army is receiving limited quantities of parts and other materiel under a West German aid program.

The navy has been the least affected of the three services. Whatever spare parts are needed,

the Turks either have in stock, can manufacture, or are purchasing elsewhere.

Cannibalization and Turkish manufacture of small parts will not be sufficient to sustain Ankara's military capabilities much longer.

**Policy Reassessment**

As one reaction, the Turks have begun to reassess their defense policy. Ankara is attempting to keep its problems with the US separate from its relations with NATO as a whole, but it is having difficulty. Although the Turks are not seriously considering a withdrawal from NATO—no political leader has called for this—it seems likely that their role in NATO will be subjected to increasing scrutiny and possible revision.

Any review of Turkish policy toward NATO is likely to be directly linked to the arms supply question. The continuation of the US embargo gives Turkey little choice but to turn to non-US sources. Ankara prefers to acquire arms from Western Europe and the Muslim states in the Middle East, but it will examine all prospective sources closely. In fact, Ankara has given the go-ahead to a Soviet offer to demonstrate two types of helicopters in Turkey this fall.

The Turks as recently as last month assured their NATO allies that they would do all they could to meet their NATO commitments, but added that increased support from the allies would be required. So far, the West European states have not been forthcoming enough on arms requests to suit the Turks. The West Europeans are uncertain about the duration of the US embargo, what Turkey actually needs, and the effect of the embargo on equipment produced under US license. If the arms embargo continues and their NATO allies fail to fill the gap, the Turks may in the long run decide at least to follow the French or Greek example of partial withdrawal from NATO.

**SECRET**

25X1

## SECRET

## CSCE: AN EFFUSIVE EAST

## USSR

Brezhnev is on the Black Sea resting from the rigors of Helsinki, but back in Moscow the propagandists are hard at work interpreting the CSCE agreements in ways that are congenial to Soviet interests. The effusive Soviet media coverage of Helsinki points to the MBFR talks in Vienna as the next item on Moscow's European negotiating agenda. Not surprisingly, the Soviets have given no sign that they will be more conciliatory as a result of CSCE.

Soviet commentators are saying that the Helsinki summit created a climate conducive to ongoing disarmament negotiations, including SALT. There has been little evidence that the Soviets are planning any other major disarmament initiative at this time, although they are dusting off their world disarmament conference proposal for display at the UN next month. The commentaries have given no hint of what else Moscow has in mind for its European diplomacy, nor is there any sign that the Soviets are going to use CSCE to push soon for regional conferences elsewhere.

The Politburo communique blessing CSCE refers to the humanitarian exchanges in the context of the "observance of the laws and traditions of each country." This wording had been specifically rejected by the West during the negotiations and is not included in the final document.

The Soviets are also taking the offensive on the noninterference clause of the CSCE document. They used it in *Pravda* on August 7 to excoriate the EC for what Moscow argues is Western interference in the internal affairs of Portugal. This line is clearly intended to be pre-emptive. Moscow has already shown its sensitivity to allegations that it is materially supporting the Portuguese Communists and the radical elements of the Armed Forces Movement. The Soviets undoubtedly anticipated that the West will sooner or later claim they are violating the Helsinki agreements.

## Eastern Europe

The treatment of Helsinki by the East Europeans has been equally effusive, with Moscow's loyalist allies dutifully sticking to the Soviet line. There have been enough differences, however, to suggest the absence of a common vision of what comes next. Each regime has focused as much on its own needs and expectations as on the broader interests of the socialist commonwealth.

East Germany, for example, has made clear that security considerations head its list of priorities, and party chief Honecker has flatly stated that the CSCE declaration on peaceful change of frontiers does not apply to his regime "because we have no border problems with our neighbors." With an eye to their own western frontier, the Poles also honed in on the border question, asserting that the results of the summit signify "once and for all" the rejection of all territorial claims.

Warsaw and Prague have emphasized increased economic contacts with the West. The Czechoslovak media in particular have stressed the "enormous importance" Prague attaches to cooperation in the economic sphere.

Predictably, the Bulgarians have virtually copied Moscow's output. Romania, marching as usual to a somewhat off-beat drum, has stressed the need to abolish blocs and to observe the principles of state-to-state relations.

Most of the East Europeans have been notably skittish and defensive about humanitarian exchanges; media treatment of the freer movement issue has generally been soft-pedaled. The most serious concern over the dangers of increased contacts has been expressed by the East Germans, the Czechoslovaks, and the Bulgarians.

At Helsinki, however, Hungary's Kadar discussed provisions for humanitarian exchanges in generally favorable terms. He subsequently

SECRET



**SECRET**

indicated that Budapest would implement its provisions when "the political situation improves and we succeed in liquidating the remnants of the cold war and lack of trust." There is some speculation in Budapest that Kadar had been designated to take some of the sting out of the harsher line adopted by Moscow and its other allies.

Yugoslav media have generally reflected Tito's cautious assessment of Helsinki as "a good beginning" and his warnings that the situation in the Middle East, the arms race, and the existence of military blocs constitute major threats to peace. The summit coincided with a budding improvement in Yugoslav relations with the West. Belgrade moved promptly and somewhat surprisingly to invoke the "spirit of Helsinki" in a sudden bid to resolve its long-simmering dispute with Vienna over the Slovene minority in Austrian Carinthia.

25X1

### **YUGOSLAVIA: SLOWING ECONOMY**

Belgrade is broadening its economic stabilization program but so far has been unwilling to take stronger steps because of effects on employment and growth. Rapid inflation and last year's record trade deficit with the West have forced the Yugoslavs to impose increasingly strict credit and import controls. The growth in imports from the West dropped partially because of these controls: 16 percent in the first six months of 1975, compared with a 60-percent increase for the same period last year.

Industrial production also grew more slowly in the first half of the year, contributing to a 19-percent increase in unemployment in the 12 months ending in July. Moreover, the program was unable to curb inflation, which is increasing at a 25-percent annual clip as a result of unbridled spending by the republics and booming investment expenditures.

Recession in the West and the EC ban on meat imports have cut deeply into traditional Yugoslav exports to the West such as beef, textiles, metals, and wood manufactures. Exports to the West declined 20 percent during the first six months of 1975 compared with the same

period last year, and the trade deficit with hard-currency trading countries reached an estimated \$2.1 billion—up 40 percent over the comparable period last year. Remittances from workers abroad and earnings from tourism have not increased enough to cover the higher deficit. The current account deficit had reached \$220 million by February.

25X1

Belgrade has secured enough credits to maintain its foreign reserves at the level of two months of imports, but credits are becoming harder to get. Belgrade petitioned the International Monetary Fund in May to defer repayment of about \$25 million until 1976.

the Yugoslavs claim to have covered at least two thirds of the \$2.7 billion they will need this year to meet hard-currency obligations, including debt service.

Belgrade is responding to its inflation and balance-of-payments problems by tightening controls on foreign trade and investment. In June, tougher import restrictions were imposed on 256 categories of investment and consumer goods. Banks are being held responsible for projects they guarantee, and unfunded investment is subject to criminal penalties. Legislation passed in August requires a 50-percent deposit on non-economic investment.

New measures will probably be added to the stabilization program during the rest of the year. Senior Yugoslav financial officials have indicated, however, that the regime will continue to resist sharp cuts in imports because of the regime's political interest in maintaining economic growth and employment. Belgrade selectively eased credit policy for the purchase of consumer durables this month to help lagging consumer goods industries.

The economic slowdown will continue this year as the restrictive measures of June and August take hold. Hard-currency earnings probably will suffer at least through the remainder of 1975. Exports to the USSR and Eastern Europe are up this year, and the Yugoslavs are likely to turn to CEMA countries for more of their imports.

25X1

**SECRET**

**Page Denied**

**SECRET****ANGOLA: LUANDA QUIET**

The battle for Luanda has come to a close after almost a month of fighting in and around the city. On Monday the National Front for the Liberation of Angola, at the insistence of the Portuguese military commander, withdrew its last contingent of troops, leaving the city in the hands of the Portuguese and the rival Popular Movement for the Liberation of Angola. At the same time, the forces of both major liberation groups withdrew from Nova Lisboa, Angola's second largest city.

Portuguese military officials showed uncharacteristic firmness in demanding the withdrawals, largely because they had a major stake in the outcome. A sizable contingent of Front troops had barricaded itself in an old fortress just north of Luanda's port and petroleum storage facilities. At Nova Lisboa, the fighting had interfered with the planned evacuation of some 30,000 whites to Lisbon.

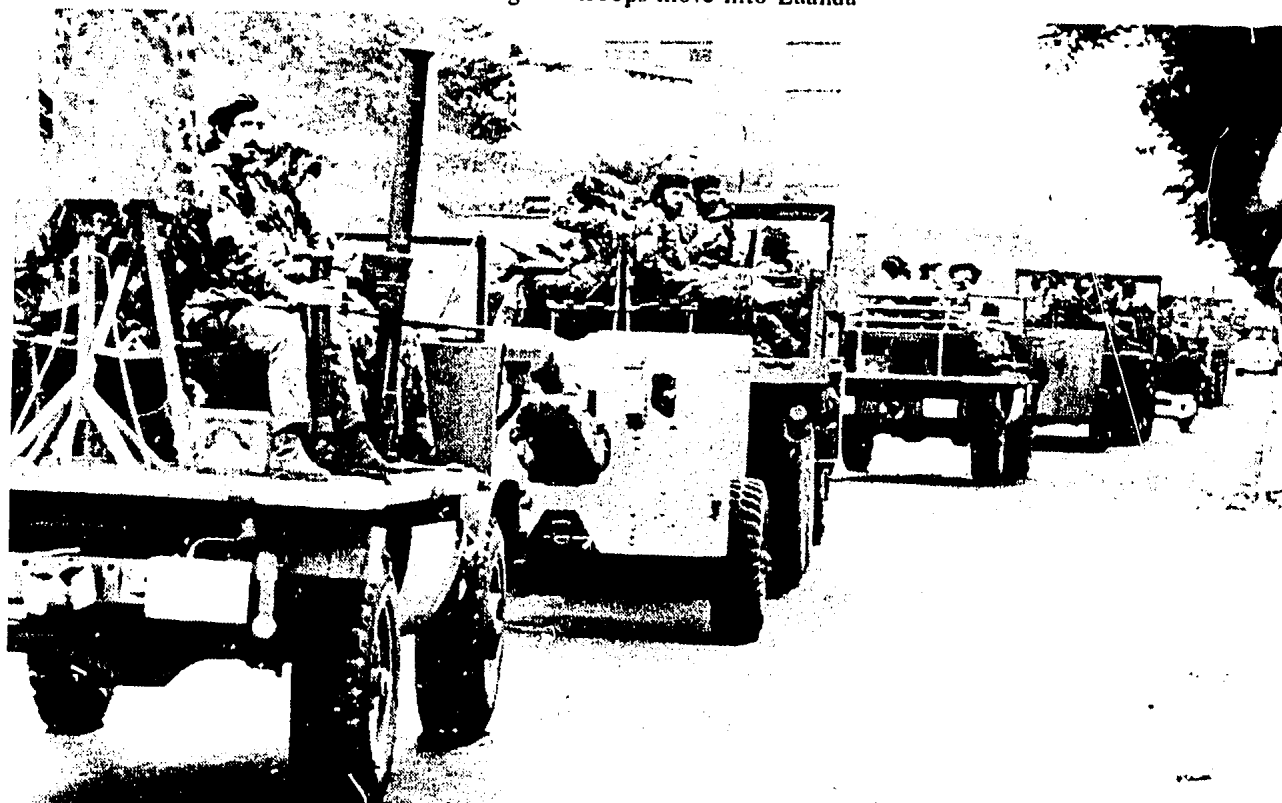
What happens next in Angola is likely to be determined by the outcome of the political struggle in Lisbon. The Popular Movement, which has close ties to radicals in the Armed Forces Movement, is apparently considering declaring Angola independent under its own banner. To succeed, the group would need at least the acquiescence of the regime in Lisbon.

It may not get this if Prime Minister Goncalves is ousted. Anti-Goncalves dissidents in Portugal, who apparently have the support of the military in Angola, would prefer to see a return to something resembling the now-defunct transitional government established under the independence agreement.

The Popular Movement has begun a quiet effort to assume political responsibilities defaulted by other liberation groups. On August 11 the Movement announced it was taking charge of the Ministry of Labor and Social Services, which was run by a representative from the National Union for the Total Independence of Angola when the transitional government was functioning.

The fighting has created a massive refugee problem that will have long-term social and economic effects on the territory. Lisbon plans to evacuate the entire white population—some 270,000 persons—by the end of October. It clearly does not have the resources for such an undertaking and will have to depend heavily on international assistance. Many of the whites who are leaving are taking with them technical skills that Angola badly needs; few whites would have the confidence to return even if a political solution were found.

Portuguese troops move into Luanda



**SECRET**

Large numbers of blacks also have been uprooted by the fighting. Portuguese military officials estimate that at least 15,000 blacks fled to northern Angola following the heavy fighting in Luanda last month. The refugee problem has been further complicated by the return of some 200,000 persons to northern Angola from Zaire since the transitional government was established in January. They were drawn back by the prospect of independence and the hope of reclaiming traditional lands abandoned when the insurgency broke out in the early 1960s.

The UN High Commissioner for Refugees in Angola recently estimated that a proper refugee relief program for the territory's uprooted blacks would cost as much as \$50 million. The money is not available in either Angola or Portugal.

25X1

The disputed amendment also removes from the court's jurisdiction several important pieces of existing legislation, including provisions for preventive detention, nationalization, and land reform. It is one of several recent moves by Gandhi to reduce the power of the judiciary through the use of her party's overwhelming majority in Parliament and its control of most state legislatures. Other amendments soon to be enacted or already in force give the prime minister immunity from criminal or civil proceedings and prohibit court challenges to the state of emergency proclaimed in June.

India's judiciary has a reputation for independence, and the Supreme Court has made several efforts in the past to block moves by Gandhi's government. She usually has thwarted these attempts by having Parliament enact constitutional amendments. She argues that Parliament should have supremacy over the courts because legislators represent a majority of the people, while the judiciary speaks only for a privileged minority.

## **INDIA: GANDHI VS. THE COURTS**

A decision this week by India's Supreme Court is an irritant but not a serious reversal for Prime Minister Gandhi. The court rejected a request by Gandhi's lawyers that it immediately dismiss her conviction by a lower court of illegal campaign activities in her election to Parliament four years ago.

Gandhi's attorneys maintained that the lower court verdict should be disallowed because of a constitutional amendment approved by Parliament last week that retroactively bars challenges in the courts to the election of a prime minister. Lawyers for the candidate she defeated in 1971 argued that the amendment violated an earlier Supreme Court ruling that Parliament could not alter the "basic structure" of the constitution. The court decided to reconvene on August 25 to consider the constitutionality of the amendment.

Four of the five justices on the Supreme Court panel that will hear arguments in the current case have been described by the US embassy in New Delhi as the "most committed" to Gandhi of the 14 on the court. A finding that upholds the amendment barring court challenges to her election thus would not be surprising. Such a verdict could be based on an article of the constitution that authorizes parliament to amend "any provision" therein.

Even if the Supreme Court were to void the amendment at issue, it could take other action that would have the effect of invalidating Gandhi's conviction. If the court fails her completely, or if she fears that it may do so, she can once again have Parliament take action to assist her—possibly through the creation of a constituent assembly that would make major new changes in India's governmental structure.

25X1

**SECRET**

**SECRET****RHODESIA: TALKS TO BEGIN**

25X1

Prime Minister Ian Smith and the black Rhodesian nationalists have agreed to begin settlement talks this month. An agreement announced on August 13 shows new flexibility on both sides, but neither Smith nor the black nationalists appear ready to compromise on the basic issue of transferring power to the black majority.

These arrangements are similar to proposals that South African Prime Minister Vorster prevailed upon Smith to adopt when the two leaders met in Pretoria last weekend. Zambian President Kaunda's special aide, Mark Chona, also visited Pretoria last weekend, then relayed the Vorster-Smith proposals to President Kaunda and black Rhodesian leaders in Zambia.

Smith and leaders of the African National Council agreed last December to a truce and an early settlement conference, but they have since wrangled over arrangements. Smith has insisted that the conference take place in Rhodesia, while the black nationalists have claimed that their exiled leaders might be arrested if they returned.

The new agreement, as announced by the Rhodesians, provides that:

- the initial meeting will take place midway between Rhodesia and Zambia on a bridge spanning the Zambezi River;
- at the meeting, one or more joint committees will be set up to formulate the specific terms of a settlement;
- the committees will adjourn to Rhodesia for detailed negotiations;
- after the committees have completed their work, a final conference will convene at a mutually acceptable site to conclude a formal settlement;
- the governments of South Africa, Zambia, Tanzania, Mozambique, and Botswana will ensure that the settlement agreement takes effect.

The rival factional leaders have not formulated a common bargaining position for dealing with Smith. Conducting the negotiations in several joint committees will afford Smith opportunities for playing off rival black leaders against each other. Prolonged negotiations could provoke the black nationalists to resume all-out guerrilla warfare.

South Africa and the four black states that have pushed Smith and the nationalists into the present agreement can influence both sides, however, if they continue the quietly concerted efforts they began last October. Their sustained pressures might eventually bring black and white Rhodesians to a genuine political accommodation.

25X1

**SECRET**

**SECRET****CAMBODIA: SIHANOUK MARKS TIME**

Prince Sihanouk may be having second thoughts about returning to Cambodia soon. According to an AFP correspondent, who cited a reliable diplomatic source in Peking, the Prince is deliberating on an invitation from communist leaders in Phnom Penh to return to Cambodia at a convenient time after August 1. The invitation was reportedly delivered to Sihanouk, who has been in North Korea since mid-May, by Foreign Minister Sarin Chhak and Thiounn Prasith, an official of the Royal Government of National Union embassy in Peking.

The AFP report indicated that Sihanouk would leave Pyongyang for China in late August, but that he would not decide on a return to Phnom Penh until he consulted with Chinese leaders. In early August, Deputy Prime Minister and Defense Minister Khieu Samphan sent a message from Phnom Penh to Sihanouk wishing him "great success" in his patriotic work but failing to mention the Prince's return.

A recent NCNA item reported that Khieu Samphan and newly named Deputy Prime Minister for Foreign Affairs Ieng Sary will make an official visit to China beginning August 15. They may intend to meet with Sihanouk if he is back in China by then.

If he decided to accept the invitation, according to AFP, Sihanouk would visit Phnom Penh briefly in September and then make an official visit to several friendly countries. Diplomatic sources in Pyongyang have reported recently that Sihanouk might attend the UN General Assembly session in September.

Sihanouk's hesitancy may also reflect his concern with conditions in Cambodia and his wariness at placing himself even temporarily under the control of Phnom Penh's communist



**Khieu Samphan (l) and Sihanouk**

authorities. The Cambodian communists do have some old scores to settle with Sihanouk, but they probably view his international prestige as a useful symbol of legitimacy and may want to continue to use his foreign contacts.

Although the Chinese, including Sihanouk's old friend Premier Chou En-lai, may be sympathetic to the Prince, Peking's desire to maintain good relations with the Khmer communists probably would preclude any Chinese effort to secure pledges from Phnom Penh in regard to Sihanouk's safety or future role in Cambodia.

25X1

**SECRET**

## LAOS: QUARRELS WITH THE THAI

Despite frequent assertions that they wish friendly relations with all their neighbors, the Lao have lately been going out of their way to pick a quarrel with the Thai. Relations are now strained because of the arrest in Vientiane of two Thai assistant military attaches.

Lao police arrested the diplomats on August 5 and held them without formal charge for nine days. A Lao government spokesman claimed the police have irrefutable evidence that the Thai were engaged in espionage activities. The spokesman on August 14 said that the pair would be declared personae non gratae and be expelled.

Tensions have increased between Bangkok and the communist-dominated government in Vientiane for several weeks. A major irritant is the presence in Thailand of several thousand Lao refugees, including many formerly high-ranking military and government officials. Communist propaganda media have been trumpeting accusations that these refugees are plotting a return to Laos in cooperation with unnamed

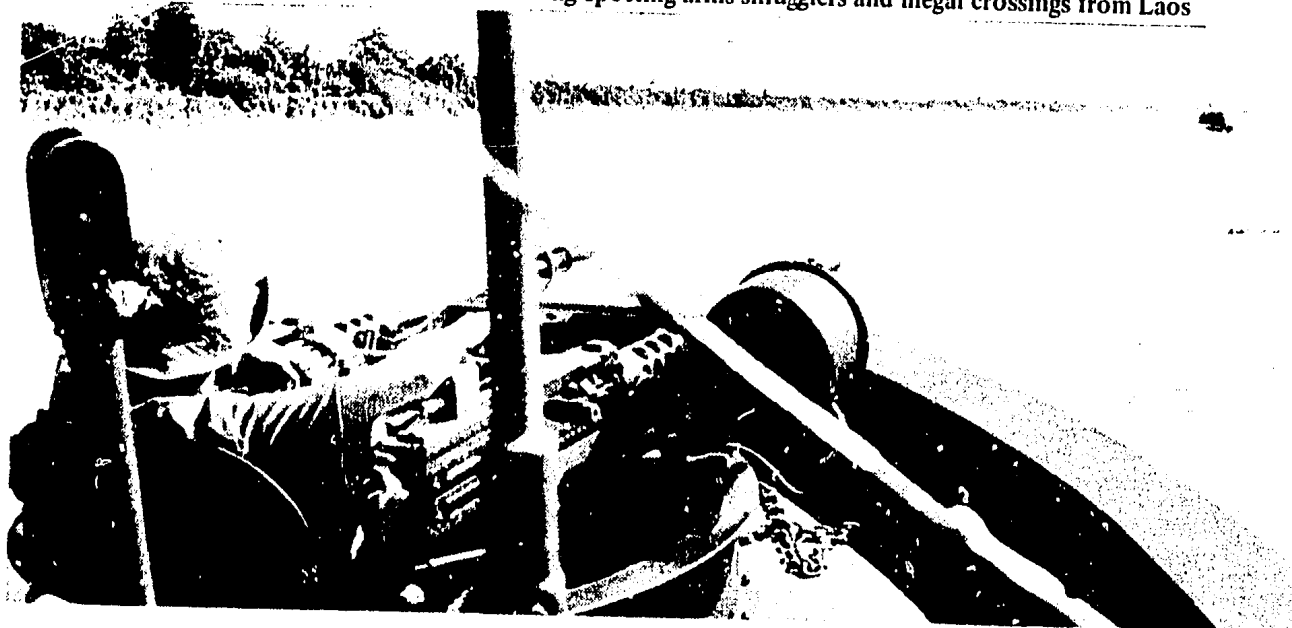
Thai reactionaries. The charges appear baseless, but the Lao have increased border security and forced the Thai to close their consulates. Several skirmishes along the Mekong border have been reported.

The Thai do not wish to see the disputes escalate and almost certainly want to avoid an eventual break in relations. Bangkok seems anxious to avoid any sign of weakness, however, and has remained firm on the detention of its diplomats. The Thai expelled two Lao diplomats from Bangkok in retaliation and have recalled their ambassador in Vientiane "for consultations." Thai government officials publicly denounced the Lao actions as illegal.

The Lao communists will almost certainly stop short of provoking a break in relations. The Lao cannot do without access to the sea through Thailand, and they want continued access to Thai rice and other commodities. Nevertheless, the Thai will find life difficult in Vientiane as the Lao seek to limit Thai influence and activities.

25X1

Thai patrol boat cruises the Mekong spotting arms smugglers and illegal crossings from Laos



SECRET

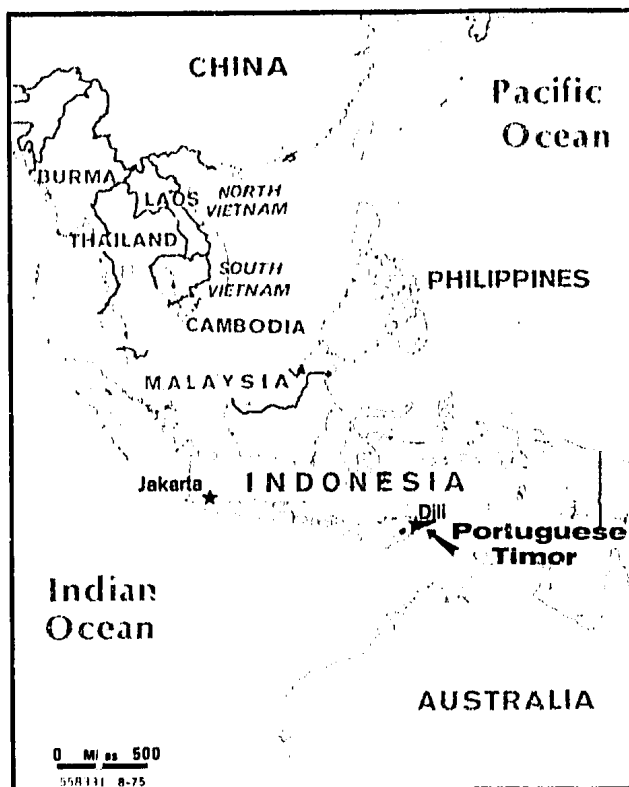
**SECRET****TIMOR: WAVES IN A BACKWATER**

A coup staged by anti-communist, pro-independence forces in Portuguese Timor last weekend has upset Lisbon's plans for peaceful decolonization of its Southeast Asian outpost. Indonesia, which has made no secret of its desire to absorb the territory, is ambivalent toward the present state of affairs. On the one hand, Jakarta sees a chance to turn events to the advantage of pro-Indonesia forces in the colony, but on the other it fears that the breakdown of political stability poses a threat to security for Indonesia.

Information about the situation in Timor is sketchy. Members of the Timor Democratic Union Party, the largest of the colony's three political groups, reportedly moved against local Portuguese authorities on August 9 and 10. They occupied communications centers, the airport, and the police station and laid siege to the military headquarters. They then delivered an ultimatum to the government in Lisbon demanding immediate independence and the arrest of members of the leftist Fretilin Party, the Democratic Union's chief rival for power.

Portuguese authorities in Timor have been trying to arrange negotiations with leaders of various political groups and have ordered troops not to fire on the dissidents. [REDACTED]

[REDACTED] clashes between rival Timorese factions have occurred in and around the capital of Dili, causing some casualties. Dependents of



Portuguese citizens in Timor are being evacuated, and some 300 have already sailed to Australia.

For the past year, Jakarta has been operating a large [REDACTED] campaign designed to assure Timor's peaceful absorption into Indonesia. If the situation in Timor continues to deteriorate, Jakarta will be tempted to move overtly. Indonesia's security chief publicly warned on August 11 that Jakarta will not allow a situation to develop in Timor that threatens Indonesia. [REDACTED]

25X1

25X1

25X1

**SECRET**



SECRET

## THAILAND: TENSION ON THE RISE

The arrest of nine student and farmer activists in northern Thailand last week has prompted a new round of student protest rallies. The students are demanding the unconditional release of those arrested and a full investigation of recent murders of several farmers.

The government has issued a statement clarifying its reasons for the arrests—the charges are kidnaping and arson—and is affirming its intent to see the matter through the courts. Prime Minister Khukrit addressed the nation in an effort to dispel the notion that the arrests presage a government crackdown on students and other leftists. He promised a high-level investigation of the murders.

This even-handed, low-key approach appears to have kept the situation in hand. The atmosphere in Bangkok remains tense, however, and there is a growing polarization between the public and Thai security officials on the one

hand and student activists on the other. Although the government, at least in this instance, clearly is not looking for an excuse to crack down on the students, a provocateur from the political right or left could spark violence.

The student movement, ridden by factionalism and chastened by public disenchantment with student-provoked civil disorder, has been quiescent in recent months. Partly to avoid public attention, student radicals, in concert with former leaders of the movement, have shifted their attention away from political and economic issues in the cities. Instead, they are attempting to organize farmers as a means of forcing Bangkok to pay greater attention to rural problems. It is the membership of one such farm organization, the Farmer's Federation of Thailand, that has been the target of the recent murders, and student leaders suspect the government of complicity.

25X1

Anti-government students march on Bangkok's Thammasat University



SECRET

## SECRET

## LA PAZ MEETING: SEA NETTLES

Chilean, Peruvian, and Bolivian officials attending the 150th independence day celebrations in La Paz on August 6 avoided any new initiatives on Bolivia's long-standing aspiration for an outlet to the sea.

Before the gathering, there was widespread speculation in the press of all three countries that Chile was about to announce some concession that would bring into play the terms of the 1929 treaty. That treaty, which settled issues arising from the War of the Pacific almost 100 years ago, provided that any disagreement over interpretation of certain articles would be arbitrated by the President of the United States. A protocol specified that any cession of territory would have to have the concurrence of the two signatories—Peru and Chile.

Despite fears on both sides that a unilateral decision by Chile would cause military action by Peru, most of our sources have indicated that negotiations between Bolivia and Chile will be prolonged and difficult. Talks between the two countries which began this past spring have encountered rough going so far, and there are no signs that Santiago is prepared for an outright cession of a corridor through former Peruvian territory that would satisfy Bolivia's desire for sovereignty.

For that matter, Chile is beginning to show irritation over what it sees as efforts by enemies and ostensible friends alike to force its hand. The Chilean government obviously resented a self-serving offer by Venezuelan President Carlos Andres Perez to mediate the dispute. Foreign Ministry authorities in Santiago took note of the Venezuelan proposal but refused to comment on it officially. At least one press account claimed that a Chilean official had retorted unofficially that if Perez wanted to arbitrate, perhaps Chile could tender its good offices in

the Venezuelan-Colombian boundary dispute. Chilean authorities denied this, but they—like the Peruvians—would oppose interference by other neighboring countries, and in particular a campaign to force OAS consideration of the problem.

The Pinochet government is concerned about the implications that a settlement with Bolivia would have for Chile's relations with Peru and the difficulties that would result if Lima did not accept the solution.

Peru's interest stems from the fact that any land route would most probably cross the territory Peru lost to Chile in the war. Though Peru understands and sympathizes with Bolivia's desires, it would almost certainly not consent to the transfer of any of its former territory.

Peruvian concern probably was somewhat alleviated by the public assurance of a high-level Chilean military official that Santiago was willing to consult with "other countries" before concluding an agreement with Bolivia. Chile's announcement could pave the way for tripartite negotiations with Peru and Bolivia. Such a meeting could give Peru the means to buy time and possibly seize the initiative by proposing increased Bolivian administrative control of a rail line and port facilities in northern Chile.

Although no progress was made in last week's meeting in La Paz to accommodate Bolivia's aspirations, there will be more discussions. [redacted] visiting 25X1 Peruvian Prime Minister Morales Bermudez proposed a nonaggression pact, and officials of the three countries may hold preliminary talks on this subject when the Andean Arms Limitation Meeting convenes in Santiago on September 1. [redacted] 25X1

SECRET

**SECRET****HONDURAS: LEADERSHIP VACUUM**

The government of Colonel Juan A. Melgar appears incapable of swift and decisive action. The Superior Defense Council, dominated by the reform-minded young officers who appointed Melgar chief of state last April, has been reluctant to grant the colonel and his ministers the authority necessary for effective operation of the government. Moreover, in its deliberations the council seems to have rejected majority rule in favor of consensus because of the diverse political views of its members, and it is thus unable to give the government clear-cut direction. Unless the council decides to improve its liaison with the government, delegate adequate authority to it, or take full charge itself, the country appears headed for further turmoil and bloodshed.

One of the country's main problems, and one that has already led to violence, is agrarian reform. Peasants of the National Union of Campesinos, urged on by drought-inspired hunger and the slow pace of long-promised land reform, attempted a march on Tegucigalpa from the eastern Department of Olancho in late June



Melgar

but dispersed after a clash with the army left five of their number dead. Reform-wary ranchers and farmers largely blame the clergy for encouraging peasant activism. On this occasion two Olancho landowners reportedly collaborated with the local police and military in arresting and later murdering two Catholic priests, two female missionary workers, and at least six peasants.

This incident might have been buried with its victims had not one of the priests been a US citizen and the other priest and one of the lay workers Colombians, causing the US to demand an investigation and Colombia to withdraw its ambassador. Moreover, three Peace Corps volunteers and more than 30 other priests and nuns—several of them US citizens—were rounded up and jailed temporarily. International attention forced the government to investigate, and eventually the two landowners, two other civilians, and eight military and police officials directly implicated in the killings were arrested and taken to Tegucigalpa for trial.

In the wake of the incident, the government and military are being viewed with extreme suspicion and have suffered a loss of prestige, despite what appears to have become an unprecedented effort to pinpoint responsibility for the murders. No matter how vigorously the government pursues land reform the peasants and their organizations are not likely to forget quickly the repression to which they were subjected.

The landowners, on the other hand, were stung by the arrests and by the efforts of the government's investigating commission to link the murders to a "plan" by the National Federation of Landowners and Cattlemen to create a climate of chaos and confrontation. Many landowners are convinced that radical leftists have acquired a strong influence in the government and the Superior Defense Council and are using agrarian reform to divest them of their holdings.

The Catholic Church has probably found little solace in the arrests.

25X1

**SECRET**

**SECRET**

25X1

[redacted]

Whatever the clergy's true role in working with the peasants, the church stands accused—and condemned, in the eyes of the land-owners—of leftist political agitation. The clergy presumably realize tha' many in the military, despite a lack of credible evidence, suspect priests of involvement in arming and organizing peasants into the formidable guerrilla force that is rumored to be in the mountains of southeast Honduras. [redacted]

smaller share for its Latin partners. Most of the exchange consists of Argentine, Mexican, and Peruvian sales of foodstuffs and transportation equipment; Cuban exports are for the most part small, occasional sales of sugar.

Most of whatever growth there is in Cuban-OAS trade will come about because of Argentina's \$1.2-billion credit to Cuba. There is little potential for large-scale Cuban trade with other Latin American countries. Cuba's main export is sugar—a commodity in which almost all the other Latin and Caribbean countries are either self-sufficient or are net exporters.

25X1

The Olancho incident has served as a centrifugal force, alienating the various social sectors from the government and from each other. It has created a climate in which the government, already hampered by its still undefined relationship with the Superior Defense Council, is bound to encounter serious opposition no matter what path it chooses to follow with regard to its land reform commitment.

The Cubans are unlikely to make large direct purchases of Venezuelan or Mexican crude so long as they buy practically all their petroleum needs from the USSR at about half the world price. Neither Caracas nor Mexico City has shown interest in subsidizing Cuban purchases, which total only 185,000 barrels per day.

25X1

The scenario is made even more complex by the prolongation of the severe drought, which reportedly has destroyed 80 percent of the nation's corn crop, a major staple in the Honduran diet. In addition, the national political parties, taking advantage of the military leadership's indecision, are pressing for a return to constitutional rule. [redacted]

25X1

### **CUBAN TRADE: NO CHANGE**

The OAS decision to allow members to trade with Cuba is not likely to result in a major increase in such trade.

Even before the de facto lifting of the 11-year-old embargo, Havana had been trading on a small scale with several of its neighbors. Such trade, however, has accounted for only about 3 percent of Cuba's total and an even

Cuba will continue to emphasize trade with communist and developed non-communist countries. The USSR and other communist countries account for about three fifths of total Cuban trade, providing a reliable market for about 60 percent of Cuba's sugar exports at premium prices and supplying the bulk of its imports of food, intermediate products, and capital goods. The hard-currency proceeds from sugar sales in the West are spent mostly in Japan, Canada, and Western Europe, which supply equipment and technology not available in Latin America.

25X1

**SECRET**

SECRET



Velasco

## PERU: GOVERNMENT REPRESSION

Despite President Velasco's public pronouncement on July 28 that his military regime would engage in "open" and "democratic" competition with civilian opposition groups, the government last week deported over two dozen politicians, journalists, and peasant and labor figures. A far-left magazine was shut down at the same time.

Most of those exiled were radical leftists, but the groups included three leaders of the reformist American Popular Revolutionary Alliance. No Communist Party members were deported, even though Velasco in his speech included "communist groups" among the opponents of the revolution.

Velasco, who has headed the military regime since it came to power in a coup in October 1968, periodically has exiled or jailed critics who overstep the increasingly narrow limits for public dissent. These deportations, the first reported since last November, coincide with the military's efforts to organize its own political movement. Although military leaders probably hope the deportations will facilitate these efforts, public resentment over the repressive measures is more likely to harden civilian opposition.

25X1

Velasco's actions thus appear to be a move to forestall the opposition challenge and to minimize the danger that such talks might increase military dissatisfaction with his policies. The President may also want to demonstrate that he remains in control of domestic policy-making, in spite of the fact that Prime Minister Morales Bermudez has assumed increasingly important government responsibilities since Velasco's stroke last February.

The exiling of the Alliance leaders may upset certain of the less radical officers, but the ousting of the leftist critics probably will go far to balance these concerns; Velasco may have had this in mind in deciding who should be sent abroad. Nor is the army likely to object to the closing of the biweekly *Marka* since this is in line with the military's policy of keeping the news media subservient to the revolutionary process. In practice, this has come to mean virtually no criticism of any government decision.

A number of civilian groups already have called for public demonstrations to protest the deportations and related repressive measures. The regime's actions will add to the population's general dissatisfaction with the military and probably will give rise to strikes and demonstrations, but no widespread, organized opposition is likely to develop in the near term.

25X1

SECRET

**SECRET****ARGENTINA: ANOTHER NEW CABINET**

This week's cabinet shakeup, the third in a month, was designed to create a government with which labor and the military, who share power uneasily, could live comfortably. The reorganization involved the departure of all but two ministers. In the process, the cabinet was purged of the remaining ministers said to be linked to exiled presidential adviser Lopez Rega.

The departure of the previous cabinet's only relatively strong figure, Interior Minister Benitez, is of particular interest. Benitez had emerged as the head of the so-called minicabinet, a trio of ministers who had assumed a growing role in conducting day-to-day government business. Benitez' attempts to take positive but unpopular initiatives in office may well have unnerved both labor and the military, who are unprepared to accept such independence of action.

The kinds of individuals chosen for the new cabinet reflect this concern and indicate that the power groups want people they can control. Two of the new ministers are known to be particularly responsive to the wishes of the armed forces. Another is drawn from the ranks of organized labor. Most of the remaining cabinet officers, such as Defense Minister Garrido,

formerly the presidential scribe, are men of limited personal stature.

Reaction to the new cabinet has been generally positive, if not enthusiastic. Some criticism has been heard, however, of the appointment of an army colonel to head the Interior Ministry. Ironically, that criticism comes from the military, who fear that the appointment will be interpreted as military interference in the conduct of government. They may also fear that the colonel's presence will encourage those officers, still a minority, who do favor military intervention.

The administration so far has failed to fill the particularly demanding post of economic minister, probably because those most capable of taking the job have declined. One who might accept is Peronist economist Antonio Cafiero, who has been summoned from Europe, where he represents Argentina at the Common Market.

There is no reason to believe that the new cabinet will be more able than its predecessors to cope with Argentina's problems. Indeed, the weakness of the cabinet is the very factor that makes it politically acceptable to the important power groups.

25X1

President Peron swears in new interior minister

**SECRET**

SECRET



General Torrijos (second from right) at the conference on forming a Latin American Economic System

#### PANAMA: TORRIJOS SEEKS SUPPORT

General Torrijos, although heartened by the US decision to have Ambassador Bunker return in early September for another round of canal treaty talks, has shown no signs of suspending his search for foreign support of Panama's case.

Concerned about the four-month delay in the negotiations and about hardening attitudes in the US on the canal issue, Torrijos has spent considerable time presenting Panama's case to foreign leaders. Late last month, he signed a joint declaration with the presidents of Colombia and Venezuela calling for early transfer of the canal to Panamanian control. The three leaders also proposed that all Latin American chiefs of state meet in Panama next June on the anniversary of the 1826 Panama Conference—the first pan-American conclave—presumably to focus further attention on the canal issue.

Torrijos has missed only one recent opportunity—the conference on forming a Latin American Economic System—to raise the subject. In that case he may have believed that playing host to the meeting was enough of a boost for Panama's prestige.

The general has announced that Panama will join the nonaligned movement at the conference that begins in Lima on August 25, and the Panamanian delegation there will almost certainly make a strong pitch for Third World support. Previously Torrijos has been reluctant to become affiliated too closely with the non-aligned organization, primarily because he thought he would antagonize the US and jeopardize the treaty negotiations while they were in an early stage.

The faltering course of the negotiations since March, and doubts that a treaty can actually be achieved, have caused Torrijos to decide in favor of establishing diplomatic ties with the USSR and China. Relations with Moscow reportedly will be opened before the end of September. Torrijos also is considering moves to improve bilateral ties with Cuba, and he may travel to Havana later this year for a first meeting with Castro. These steps are calculated to help Torrijos maintain his nationalist credentials and demonstrate his independence from the US.

25X1

SECRET

**Page Denied**