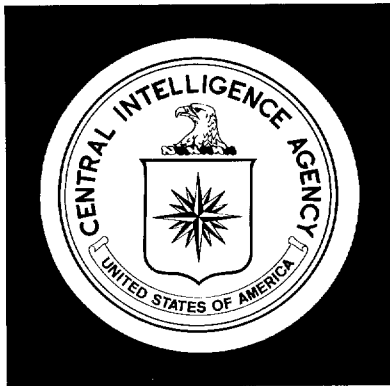


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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21 July 1972

No. 0379/72

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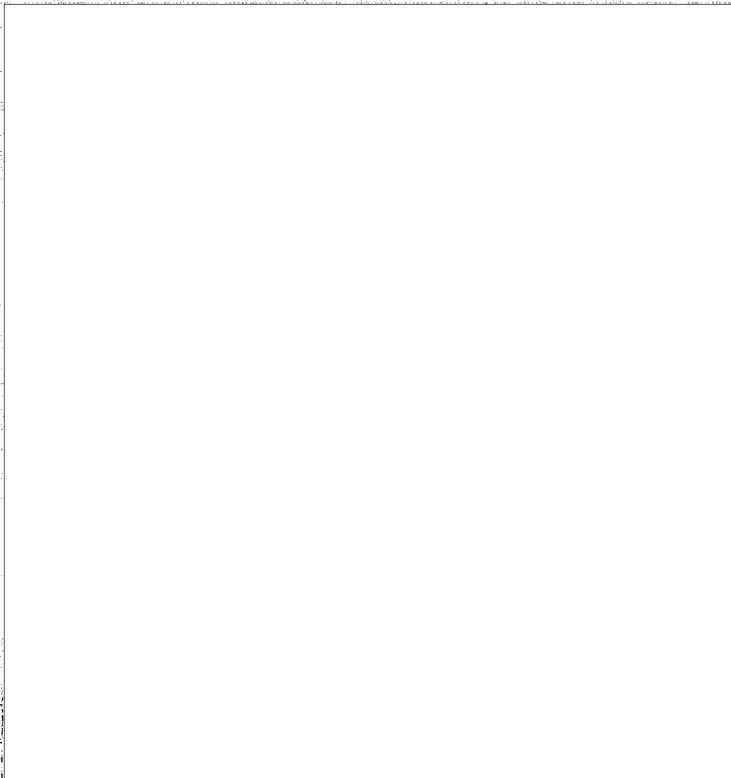


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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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

WARNING

The WEEKLY SUMMARY contains classified information affecting the national security of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.



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~~SECRET~~**EGYPT-USSR: IVAN GO HOME**

President Sadat startled most of the world on 18 July by publicly announcing that he was asking the Soviet Government to withdraw its training and advisory personnel from Egypt. He added that Egypt would take control of Soviet installations and equipment. TASS, using some of the same terminology, the next day acknowledged that the USSR was indeed withdrawing its personnel, that the Soviets had "completed their functions," and would "shortly return" to the Soviet Union. Moscow explained that these forces were to remain in Egypt for only a "limited period" and that, following an exchange of opinions, both sides had "deemed it expedient" to bring them home. Moscow had nothing to say on the issue of Soviet equipment in Egypt.

Almost as soon as the news was out, the Egyptian press began waffling on the extent of the Soviet withdrawal. Statements have ranged from flat predictions that all Soviet military personnel are going home to reports that those ad-

visers whose skills are vital to Egypt will remain. The semi-official *al Ahram* quickly noted that Cairo did not want to damage Egyptian-Soviet relations and was eager for the bilateral treaty of friendship and cooperation to continue in force, it being the "faithful expression" of the great cooperation between the two countries.

The number of Soviet military personnel in Egypt is estimated at about 13,000. Some 1,000 are with the Soviet naval air squadron, 6,500 in Soviet air and air defense units, 200 in the Foxbat reconnaissance detachment, 800 attached to Egyptian air defense units, and 4,500 advisers to Egyptian air, army, and naval units. About 2,000 personnel associated with SA-3 battalions are believed to have left Egypt since late 1971.

President Sadat said his action was taken in order to facilitate consultations on a "new stage" in the Soviet-Egyptian relationship. Sadat's



Still laughing?

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argument, which follows that of a series of articles by *al Ahram* editor Haykal, was that Egypt now requires complete freedom of action in dealing with Israel. Sadat alluded to a disagreement with Moscow over the supply and control of Soviet weapons, and he said that he could not accept restrictions on Egypt's ability to make its own political decisions. Sadat observed that Cairo did not want "friendly advisers" to fight Egypt's battle, and he implied that by taking over missions and equipment formerly controlled by the Soviets, he would free the USSR from responsibility for Egypt's future actions.

The Soviets learned of the Egyptian decision in advance. Soviet party chief Brezhnev himself was very likely given the news by Egyptian Prime Minister Sidqi in Moscow on 14 July in the course of a five-hour discussion. Sidqi's trip was prepared hastily after a series of unusual meetings in Cairo involving the Soviet ambassador and came as a surprise to the Egyptian Embassy in Moscow. Foreign Minister Ghalib had to cancel a trip to

Belgium in order to join Sidqi in Moscow. Final arrangements were made only a few days before Sidqi left for the USSR on 13 July. Moscow's relations with Cairo had been deteriorating for some time so the Soviets may not have been too surprised.

Many factors went into Sadat's decision, but Soviet refusal to release new advanced weapons to his armed forces, Soviet reluctance to endorse military action against Israel, and the abrasive relations between some Egyptian officers—notably Defense Minister Sadiq—and their Soviet advisers clearly weighed heavily. Both the Soviets and Egyptians in their public statements have gone to some lengths to emphasize that the friendship and cooperation between the two countries remained unaffected by the termination of the mission. Given good will on both sides, this may turn out to be more than a pious hope, but much remains to be sorted out between the two countries and among the Egyptians themselves.

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CHINA: TAMPERING WITH THE IMAGE

For some time now, efforts have been under way in China to de-emphasize the cult of Mao, reportedly with Mao's personal endorsement. A *People's Daily* editorial on 6 July seemed to go beyond this earlier limited objective. In calling repeatedly for party cadre to acquire a thorough knowledge of the "Marxist stand, viewpoint, and method," the editorial seemed to be saying that Mao's thought was no longer the focal point of political study in China. Broadcasts to the home audience have reinforced this impression.

In playing down Mao's theoretical contribution, the regime could be laying the groundwork

for a China without Mao, a notion that was suggested by a *People's Daily* article of 11 June. While clearly preserving Mao's historical position, the article went to unusual lengths to explain that no leader is irreplaceable. Surfaced in the midst of a month-long series of leadership meetings in Peking, the article may indicate that the succession question was on the leaders' agenda. In any event, the deliberate way in which the regime is moving on this score does not suggest any particular urgency at this juncture.

The declining attention given to Mao's ideological utterances could also signal another phase

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Mao meeting Mrs. Bandaranaike, 28 June.

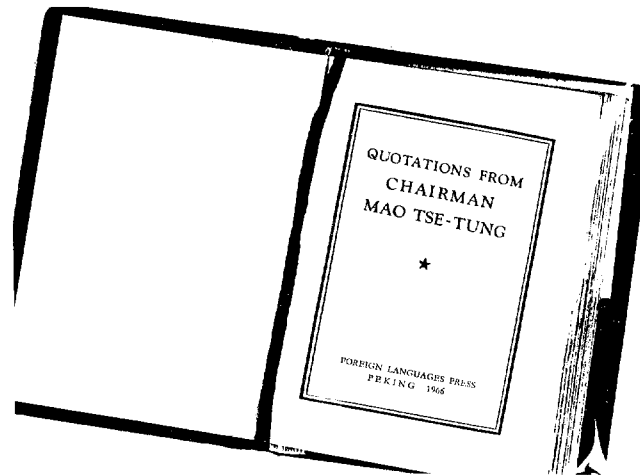
in the continuing struggle against extremist elements in the hierarchy in Peking. During the Cultural Revolution, these ideologues made selective use of Mao's thought to justify various "revolutionary" excesses. During his period of political ascendancy, for example, former defense minister Lin Piao sought to popularize the study of Mao's thought through the wide dissemination—notably in the famous little red book—of quotes, selected by him, from Mao's written works and speeches. In recent months, Peking has severely denounced the book, asserting that cadre should not attempt to take "shortcuts" by learning "individual phrases, sentences, and conclusions," and the little red book has conspicuously fallen from public use.

Lin Piao was removed from power last autumn amid charges that he had launched a coup to seize power and had several times tried to assassinate Mao. But other important political figures who were closely identified with the promotion of Mao's thought remain active on the political stage. These leaders could be expected to oppose any further efforts to put less emphasis on

Mao's doctrinal leadership. Indeed, the appearance of an article in the July issue of the party theoretical journal extolling Mao in language reminiscent of the Cultural Revolution may be an expression of that position. At the same time, however, the curious "571 document"—a manifesto allegedly drafted by Lin's supporters and containing some unusually harsh criticism of Mao's stewardship—is circulating throughout China.

Taken together, these developments have touched off a good deal of speculation among ordinary Chinese. In recent weeks it has been rumored that Mao is seriously ill (he will be 79 in December), that another attempt was made on his life, and that he will soon relinquish all of his party positions. Mao's recent reception of two foreign visitors has temporarily laid to rest rumors about his ill health, but the obscure and often conflicting political signals emanating from Peking are likely to feed rather than dampen popular concern over the status of and prognosis for the "great helmsman." [REDACTED]

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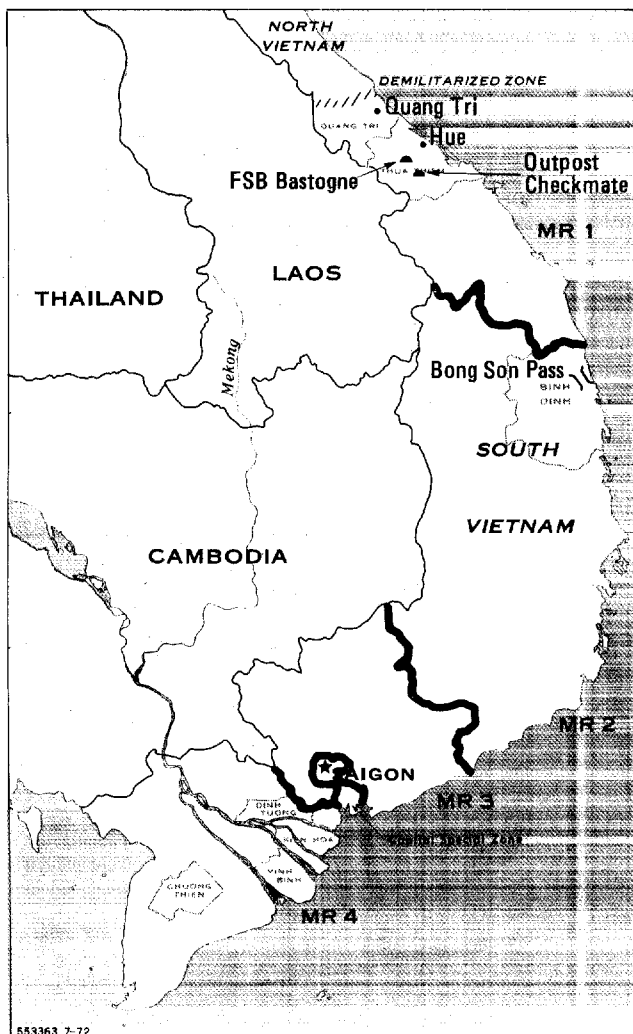
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INDOCHINA

THE BATTLE FOR QUANG TRI

South Vietnamese forces are progressing slowly against continuing strong enemy resistance to their counteroffensive into Quang Tri Province. Some airborne units are inside Quang Tri City and are reportedly moving closer to the Communist-held Citadel, the fortress in the city's northern

section. Other South Vietnamese airborne units north and south of the city have been heavily shelled, as have marine units on the east. During the weekend, a marine force linked up with a marine battalion airlifted last week to a point just northeast of the city, and the combined force is about a mile from the city.



Both sides appear determined to carry on a sustained battle for control of Quang Tri Province. Government forces apparently intend to concentrate as much on the longer task of pushing Communist forces back from outlying areas of the province as on a quick recapture of the province capital. The Communists, for their part, are making an all-out effort to defend their positions. They are also sending in more forces to reinforce units that have suffered heavy casualties in ground action and air strikes during the counteroffensive.

And for Hue

The Communists are maintaining considerable pressure on government positions in Thua Thien Province. Hue has been shelled fairly regularly since early July, and government bases on the city's southwestern flank have come under ground and artillery attack. The seesaw battle continued for Outpost Checkmate, a strongpoint near Fire Support Base Bastogne and, following a Communist ground attack on 14 July, government forces abandoned the outpost for the third time in two weeks. There is still no direct evidence of enemy plans to launch a major attack on Hue in the near future.

Action Elsewhere

The situation farther south has been generally quiet. On the central coast, government forces have launched an offensive in Binh Dinh

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Province to retake the three northern districts that fell to the Communists over two months ago. The government troops have met with some enemy resistance in the initial stages, chiefly at Bong Son Pass on the Route 1 entry point to the northern districts. In the Mekong Delta, enemy harassment in Chuong Thien Province, which was

at a high pitch last week, has continued, as has fighting in Dinh Tuong Province. In addition, some of the action in this area has shifted eastward to Vinh Binh Province and to Kien Hoa Province, where a district chief was killed in an enemy attack on a government outpost on 17 July.

THE PARIS TALKS

As the open Paris talks resumed on 13 July, the Communists sought to create an appearance of reasonableness. At the talks themselves and at their post-meeting press conferences, they tried to convey the impression that once military and political issues were settled in general terms, they would be willing to discuss creation of a new Saigon government directly with the South Vietnamese themselves. Such discussions, they implied, would be predicated on the withdrawal of US forces and the termination of US "political and military" support for the Saigon government. This nuance—which was also reflected in Communist statements at the Paris session this week—seems designed essentially to outflank the US refusal to impose a coalition government on Saigon.

The Communists have generally maintained in the past that the US must formally agree in principle, if not in detail, to both the political and military aspects of their negotiating proposal before a cease-fire could take place. It has long been evident that the Communists would be willing to establish a coalition government themselves without any US involvement, if the nature of the US military withdrawal and termination of support for the Thieu regime created conditions in which this could easily be achieved on their terms. It is Hanoi's view that the Saigon government would not last long without US arms and political backing.

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~~SECRET~~**SLUGGING IT OUT IN SOUTH LAOS**

Government troops appear to be gaining the upper hand in the fight for the Khong Sedone area of south Laos. In early June, Lao forces quickly pushed Communist troops from Khong Sedone town, but the North Vietnamese have stoutly resisted efforts to clear them from the surrounding countryside. Low morale, supply problems, and heavy air strikes are taking their toll of the Communist troops, and the intensity of Communist shellings from east of the Se Done River has diminished. Government forces last week finally drove North Vietnamese troops from several strategic positions north and west of the town. The area is still not completely cleared, and elements of four North Vietnamese battalions are expected to contest further government advances.

Lao forces are faring less well in the Bolovens Plateau area. Elements of the 9th North Vietnamese Regiment have thwarted government efforts to push east along Route 23 or north on Route 231.

In the north, the government offensive to capture Phou Pha Sai mountain southwest of the Plaine des Jarres ground to a halt last week as poor weather curtailed both combat and supply flights. Four irregular battalions, which had been attempting for more than a month to move on Phou Pha Sai from the south, gave up and withdrew, apparently because of supply problems. Vang Pao will allow these troops to return to Savannakhet Province and will replace them with indigenous forces. The advance of another irregular task force moving on the mountain from the west was also halted temporarily because of insufficient supplies.

Communist Envoy Back in Vientiane

The Lao Communists' special envoy for peace talks, Souk Vongsak, arrived in Vientiane

on 15 July and three days later delivered a letter to Prime Minister Souvanna from Communist leader Souphanouvong. Neither side has yet revealed the content of the new Communist message.

CAMBODIA: NEW POLITICAL ROW

The political atmosphere in Phnom Penh is beginning to heat up again. Opponents of President Lon Nol are charging that the rules established by the government for the national assembly elections on 3 September will favor regime candidates. The key criticism is that the city of Phnom Penh, which voted heavily against Lon Nol in the presidential race earlier this year, will be under-represented in the new assembly. Although it has a population of 1.5 million, the capital has been allotted only ten seats, while Koh Kong Province, with 8,600 registered voters, has four. Other points at issue include a requirement that members of the military have the approval of the high command to run in the election and the procedures for counting and validating the votes.

The proportionally greater representation awarded to rural areas in the legislature is obviously intended to compensate for the weak support the regime has in Phnom Penh. Only the energetic backing of the military—particularly in the countryside where the electorate is more susceptible to government pressure—enabled Lon Nol to win a majority in the presidential contest.

The press is giving wide circulation to charges that the apportionment of assembly seats is unfair, and the leaders of both the opposition Republican and Democratic parties are reportedly considering boycotting the elections. It seems unlikely that they will leave the election to Lon Nol and the splinter parties he is currently organizing unless they are certain that the government is intent on rigging the results.

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In the Countryside

Cambodian and South Vietnamese troops seeking to reopen a section of Route 1, the main highway between Phnom Penh and Saigon, have bogged down just short of their first objective, the Communist-held town of Kompong Trabek. The joint operation, which began on 4 July, has been plagued by bad weather and poor logistical support in addition to enemy resistance. Elsewhere in the country, fighting during the week continued at a relatively low level.

The Communists appear to be working to build up their political infrastructure. In an apparently methodical and systematic campaign to extend control over the peasantry, the Com-

munists, according to the government, have forced an estimated 2,000 families to leave their villages since 1 May and move to enemy-controlled areas. The majority of these families have been taken from villages within a 15-mile radius of Phnom Penh and apparently are being resettled in a sparsely populated area some 20 miles southeast of the capital. The Communists may intend to release some of the captives after giving them training and indoctrination in hopes that they will return to undermine support for the government in their native villages. The removal of people from around Phnom Penh and other urban areas also makes it easier for the Communists to carry out surprise attacks against such population centers. [redacted]

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~~SECRET~~**NETHERLANDS: GOVERNMENT FALLS**

Prime Minister Biesheuvel and his cabinet tendered their resignations to Queen Juliana yesterday. The Queen will probably ask Biesheuvel to form an interim government to prepare for national elections before the end of the year.

Disagreements within the cabinet on how to deal with inflation and the \$1-billion deficit expected in next year's budget brought the one-year-old government to an early end. Biesheuvel failed this past week to save his fragile five-party coalition after two cabinet ministers representing the small but pivotal Democratic Socialist party resigned on 17 July in protest against his efforts to economize. The two men argued that reductions in ministerial budgets would not have been necessary if the government had tackled inflation by instituting wage and price controls. Democratic Socialists have called for controls since last fall and have repeatedly criticized Biesheuvel for failing to impose them.

Biesheuvel could reconstitute the coalition without the Democratic Socialists. Although this four-party arrangement would be two seats short of a working majority in the 150-member parliament, Biesheuvel could rely on the tacit support of a handful of ultraconservative Calvinists. There are, however, too many contentious issues among the remaining coalition parties to permit agreement on anything other than the necessity for new elections. The government parties will try to schedule elections as late as possible, probably in the spring of 1973.

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GROMYKO VISITS BENELUX

Soviet Foreign Minister Gromyko sailed through a busy round of diplomatic activity in the Netherlands, Luxembourg, and Belgium, but left little of consequence in his wake. He signed

routine bilateral agreements, elicited vague promises of closer cooperation, and got some support for beginning preparations for a conference on security and cooperation in Europe.

Despite Gromyko's efforts to maintain harmony during his 5-12 July tour, controversy emerged, particularly in the Netherlands, where his unimaginative style and Dutch firmness led to difficulties in drafting a joint communique. As a result, the bilateral declaration contained nothing on interstate relations or inter-German relations; Gromyko had proposed the inclusion of both points. Also, the communique described the Berlin Agreement as the "four-party agreement of



Gromyko (r.) greeted by Dutch foreign minister.

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3 September 1971" despite the usual Soviet efforts to label it the "agreement on West Berlin."

In presenting the Soviet position on a European security conference in Luxembourg, Gromyko urged Helsinki as the site of both the preparatory talks and the conference itself, but he reluctantly acknowledged that the US elections would put off preparations until at least mid-November. The foreign minister also outlined a proposed format and agenda for the conference and plugged for a "consultative" organ to continue the conference work. He clearly opposed linking the conference and the question of mutual and balanced force reductions. The Belgians found Gromyko's outline of a quick, non-controversial security conference superficial and simplistic.

Gromyko avoided any implication that he viewed the Benelux countries as a unit, which might have been construed as a precedent for Soviet dealings with the European Communities as an entity. While the problem of how to handle the EC was probably one of Moscow's considerations in Gromyko's undertaking the trip, he adopted a sardonic tone in his brief comments on it, implying that it was impossible for the USSR to know how to deal with the EC because of its disunity.

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PORTUGAL: POLITICAL CHARADE

The expected re-election on 25 July of President Thomaz to a third term will confirm Premier Caetano as the top political man in Portugal. Under Thomaz, who will be 78 in November, the presidency will continue to be a largely ceremonial office. Caetano will exercise the real power.

The President's only important duty is to appoint and dismiss the premier. Admiral Thomaz

has used this authority only once—in September 1968 when he relieved the gravely ill Salazar and appointed Caetano. Once in office, Caetano took a strong hold and, by the force of his personality and by issuing decree laws, legalized many powers that Salazar had informally assumed.

Since indirect election of the president by a government-controlled electoral college began in 1959, it has been a cut-and-dried affair. The candidate is selected in advance by the government, and the electoral college, composed of regime supporters, does what is expected of it. This year, there was some behind-the-scenes politicking for the post by General Antonio de Spínola, the dynamic governor and military commander in Portuguese Guinea, and by General Kaulza de Arriaga, the able military commander in Mozambique.

Caetano himself reportedly considered running for president, but gave up the idea when senior military officers objected to losing the post traditionally reserved for one of their number. Caetano was unwilling, however, to serve as premier under strong characters like the two generals. He believed they would seek to move the presidency toward France's Gaullist model. Consequently, the generals' tours of duty in Africa were extended, and Thomaz was nominated. The decision was announced earlier than usual in an effort to cut off speculation about the choice of the government candidate.

The decision to run Thomaz again permits Caetano to go on dominating the political scene and may give the premier a chance at the presidency later on if he wants it. Caetano has used the pre-election period to make a strong defense of Portugal's retaining its African provinces. In a recent TV and radio speech, Caetano cited President Thomaz as the symbol of national unity and asserted that voting for him will affirm Portugal's determination to remain united and committed to a peaceful future for its overseas provinces.

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USSR-France

TRADE PROSPECTS BRIGHTENING

Soviet orders for plant and equipment from France jumped sharply during the last six months to some \$425 million; this represents almost one third of the nearly \$1.4 billion of orders thus far placed in 1972 in the developed West. These large contracts, which include \$205 million for pipeline equipment and \$65 million for six sea-going container ships, put France well ahead this year in the intensifying competition for Soviet trade. They highlight the resurgence of the Soviet-French "special relationship" since Brezhnev's visit in late 1971.

France, benefiting from a pioneering economic cooperation agreement signed by De Gaulle in June 1966, averaged about \$140 million in Soviet orders annually during the 1966-69 period, a level that topped most of the developed West. Orders dropped off sharply in 1970, however, and fell even lower last year. The decline pointed up the dissatisfaction of both the USSR and France with the operation of their economic agreements. Although the Soviets profited from the acquisition of advanced technology and know-how, they complained of large trade deficits with France as well as the lack of success in getting French businessmen to use Soviet equipment in major French projects. French industrialists remain critical of the quality of Soviet manufactured goods.

To shore up sagging Soviet-French cooperation and economic activity, a new ten-year pact was signed in Paris last October during the Brezhnev visit. The pact stresses cooperation in each other's economic development programs and, while it does not set right, the trade imbalance underscores an intent that may help reach the doubling of trade called for by the 1970-74 Soviet-French trade pact. Much of this planned increase probably will continue to come from French exports. The French will have to explore thoroughly Soviet export capabilities in order to increase purchases from the USSR if they are to maintain their current sales advantage. As matters stand now, there is little that France wants to import from the Soviet Union other than fuels and raw materials. [redacted]

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Soviet Orders for Plant and Equipment

(In Million US\$)

	1966-69	1970	1971	Jan-Jun 1972
France	545	80	74	424
West Germany	120	45	186	346
Italy	785	20	70	85
Sweden	150	10	7	4
Japan	310	165	138	71
United Kingdom	410	40	100	56
United States	50	90	228	143
Other a/	215	50	55	223 b/
Total	2,585	500	858	1,352

a/ Austria, Denmark, Switzerland, Netherlands, Belgium, Canada, and Finland.

b/ Includes the first \$151 million hard-currency contract with Finland for the expansion of a paper mill at Svetogorsk.

MOSCOW PUSHES US TRADE HOPES

Occidental Petroleum Corporation's highly touted agreement for extensive commercial relations with the Soviet Union may be less than meets the eye. The agreement is similar to others signed by the Soviets with Western firms and governments. Typically, these pacts are generalized statements of intent, but trade depends upon the future conclusion of contracts. Also, Occidental's small size, lack of market outlets, and inexperience in arctic operations make it a poor choice for assisting in gas and oil exploration and production in that area.

Occidental officials told the US trade mission, which arrived in Moscow on 20 July, that a contract calling for 50-percent financing of a \$300-million chemical fertilizer plant in return for part of the plant's production may be concluded within two weeks. The Soviets may hope that dangling the prospect of a variety of such contracts before the US trade negotiators may persuade them to resolve quickly—and on terms favorable to the USSR—outstanding US-Soviet economic problems. These include lend-lease settlement, US credits, and licensing technology as well as a trade agreement. [redacted]

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~~SECRET~~**WESTERN EUROPE: TOGETHERNESS**

Representatives of the European Communities and five European Free Trade Association states not seeking EC membership—Sweden, Switzerland, Austria, Portugal, and Iceland—are due to sign industrial free trade agreements in the next few days in Brussels. Although Finland—also a member of the EFTA group—was also scheduled to sign an agreement, signing will now be delayed pending the formation of a new coalition government in Helsinki. These agreements, the culmination of over seven months of negotiations, prevent the re-establishment of tariffs on most industrial products between the enlarging EC and the remaining EFTA group.

The pacts call for the elimination over five years of most tariffs on industrial goods traded between the EC and the remaining EFTA group. The reductions on so-called sensitive products, such as ferrous metals, paper, and clock movements, will be stretched out for as long as 11 years in order to ease adjustment for certain EC industries. This provision was the subject of long negotiations. Helsinki, especially, was concerned over its paper industry. Other issues were resolved only this week. These included the "rules of origin," which determine the eligibility of goods for reduced tariffs and certain agricultural concessions on the part of the EFTA countries—other agricultural trade provisions were put off for future consideration. The agreement provides special treatment for Portugal's farmers and developing industries. The agreement with Iceland will be held in abeyance pending resolution of the fishing rights issues raised by Reykjavik's 50-mile territorial waters claim.

The six EFTA countries hope to secure ratification of the agreements by 1 January 1973 so that they will come into effect when the EC is enlarged. There is opposition to the agreements in all EFTA countries, but so far it has taken on meaningful proportions only in Austria and Finland. Austrian farmers may force the Peoples' Party, which they strongly influence, to block the needed two-thirds majority unless Vienna provides more protection for Austrian agriculture. In



Finns protest EC negotiations.

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Finland, the minority Social Democratic government resigned this week so that a majority coalition could take responsibility for signing the agreement. Even if the new coalition, which will probably be some time in forming, does sign, chances for ratification may hinge on whether the Soviet Union intervenes by opposing the EC ties. In 1970, such action by Moscow discouraged Finland from joining an economic union with the Scandinavian countries.

If the six agreements are approved, all of Western Europe will in effect be within the EC's trading system next year. Greece, Turkey, and Spain already have preferential trading arrangements with the EC. Ireland has ratified its accession treaty, and the vote in Commons last week ensured that Britain will follow suit. The new pacts will maintain Nordic trading ties, which should help facilitate approval of EC membership in Norway and Denmark where referendums will be held this fall.

Despite the diversity of these arrangements and the lack of strong institutional ties, the economic interdependence to which this trading system will give rise may over the long run draw the participating countries closer together. For the US, Japan, and other countries outside the trading area, however, the new agreements—like some of the older ones the EC has negotiated—raise difficulties. The agreements are of questionable compatibility with GATT criteria and, while these agreements will contribute to the growth of trade among the signatories, established trade patterns and export outlets involving non-participants may well be hurt. Disputes over these issues will agitate international trade circles for some years.

MOVES ON MONETARY REFORM

Community financial experts are trying to fashion specific international monetary reform proposals based on the broad agreement on principles recently established by the finance ministers of the ten countries that will constitute the enlarged EC. The finance ministers will convene

again in September, just prior to the Group of 20 and International Monetary Fund meetings, but Chancellor of the Exchequer Anthony Barber has indicated that he does not expect the EC to have agreed on all the specifics of reform by then.

The ministers agreed on eight conditions as requisites for a new international monetary system:

- fixed but easily adjustable parities;
- general convertibility of currencies;
- effective control of international liquidity;
- adequate balance-of-payments adjustment;
- reduction of the destabilizing impact of short-term capital flows;
- equal rights and obligations for both surplus and deficit countries;
- recognition of the interests of developing countries;
- compatibility with the progress of EC economic and monetary union.

Their agreement left unanswered many difficult questions, such as the role of Special Drawing Rights, how to control international liquidity, and the consolidation of reserve currency (dollar) balances. They apparently did not discuss the development of EC economic and monetary union.

Although the finance ministers did not address last week's flight from the dollar, the results of the meeting had a decided calming effect on international exchange markets. Heavy dollar selling had been triggered by reports that the French appeared willing to consider a joint float of EC currencies against the dollar. As a result, European central banks were forced to absorb more than \$2 billion in US dollars to keep their currencies within their internationally agreed exchange-rate ceilings. However, after the finance ministers indicated continued support for fixed rates, pressure on the dollar eased considerably, and subsequent US dollar purchases gave additional support.

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LAW OF THE SEA: PROBLEMS

The session of the UN Seabeds Committee that began this week will run into mid-August. It could determine whether a Law of the Sea conference will be held in 1973. The main order of business before the 91-member committee is to agree on a list of issues to be discussed at the conference. If the committee fails to reach agreement, the General Assembly may well vote this fall to postpone the conference for at least a year. Although the committee chairman has suggested compromises on items in a list drawn up last March by 56 committee members, many of those he has talked to think his proposals are worse than the original ones.

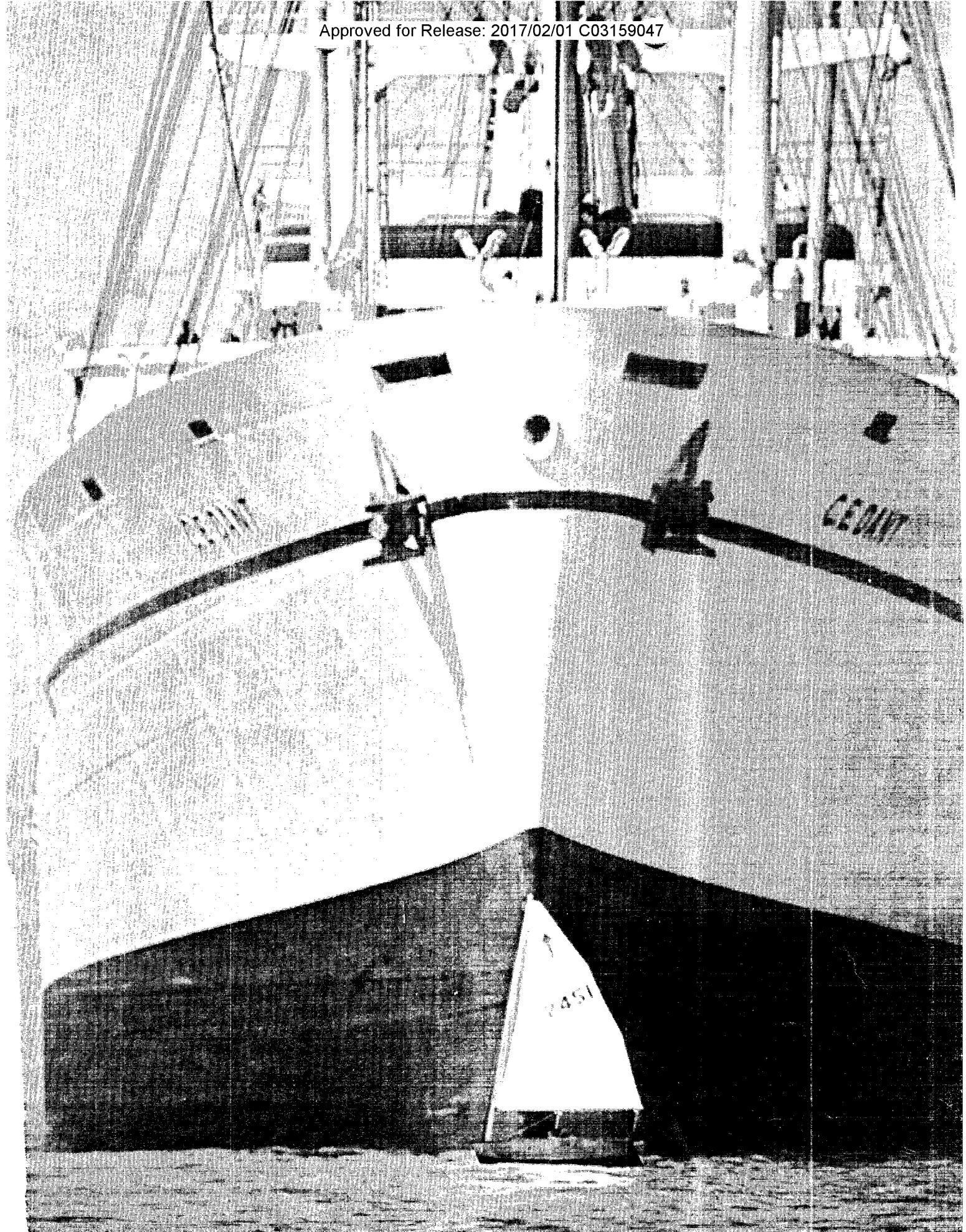
The high degree of controversy stirred up over how to word agenda items testifies not only to the importance of the issues at stake, but to the difficulties they give rise to. One involves the rights of states to the ocean resources that lie off their shores. Some Latin American countries have been advocating territorial seas of 200 miles. The declaration issued after the recent Caribbean Law of the Sea conference, however, spoke in terms of a 12-mile territorial sea and a broader "patrimonial sea" in which the coastal states would have exclusive rights. Even if this does—as some people believe—indicate that an international consensus for a 12-mile limit is emerging, the exact rights coastal states would have over resources beyond the territorial seas remain to be decided.

Another issue for which agreed agenda wording has yet to be obtained is the right of passage through straits. Because of its interest in the Straits of Gibraltar, Spain has taken the lead in pressing for substantial control by coastal authorities over transit through the more than 100 straits that would be enclosed if territorial seas were extended to 12 miles. Many states, including the US, fear that under these circumstances the right of innocent passage under international law would not be adequate to ensure the movement of their vessels. The US and others, therefore, are pressing for the right of free passage through straits.

The Seabeds Committee is trying hard to produce an agreed agenda, believing that little can be gained from postponing the Law of the Sea conference. Delay, it is reasoned, may lead to unilateral action or regional arrangements, both of which would complicate the process of bringing an international conference to a successful conclusion. This would, in any case, be hard enough since, apart from the territorial sea and straits issue, the conference would be dealing with other intractable questions such as fishing rights, marine pollution, and international machinery to regulate the exploitation of the deep seabeds.

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~~SECRET~~**YUGOSLAVIA: ECONOMIC OUTLOOK CLOUDED**

Economic performance in the first half of 1972 was markedly better than last year, but prospects for a strong showing during the latter half of the year are not bright. Belgrade's success in restricting imports and in stimulating exports led to a dramatic turnabout in the trade balance. During the first six months, exports rose 30 percent above the 1971 level, while imports declined by 17 percent. As a result, some officials are predicting a current account surplus this year compared with the \$320-million deficit registered last year.

Trade prospects for the second half of 1972 are not as favorable as official predictions indicate. Large imports of wheat, corn, and vegetable oil will be necessary to supplement domestic supplies, which will be reduced because of the drought last spring. Moreover, import controls are now beginning to affect raw material supplies. This, in turn, is contributing to a general slowing of industrial growth and may curb the regime drive to expand exports.

The government's attempts to stabilize the economy at home have been largely unsuccessful.

Despite an extended freeze, consumer prices are expected to increase at more than double the planned rate. The cost of living, fueled in part by a 16-percent increase in food prices, rose during June and is continuing to rise this month. This normally is the season when prices decline. Moreover, government efforts to control the money supply and personal incomes are being opposed by the republics and the trade unions.

Implementation of recent economic reforms has been delayed by the lack of consensus on basic goals and foot-dragging by the republics. Creation of a domestic foreign-exchange market, for example, which had been slated for this month, has been postponed until at least November, and steps to restrict investments of unprofitable firms have had little effect. Neither the government's stabilization program nor the most recent round of decentralizing reforms attacks the basic causes of Yugoslavia's economic instability. The "boom-bust" pattern that characterized the 1960s probably will continue in the 1970s. [redacted]

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**A NEW VICE PRESIDENT**

On 1 August, Rato Dugonjic, a 56-year-old Serb from Bosnia-Herzegovina, will succeed Macedonian Krste Crvenkovski as vice president. Dugonjic, the second man to hold the office, is experienced in youth work, an area of prime concern since the student strike that precipitated the political tension in Croatia last year.

The collective presidency was set up to provide for a smooth transition in the government. Tito remains president for life, but in the event of his resignation or death, the vice president would take over as caretaker president. Still, power in Yugoslavia is centered in the party, and it is here that the struggle to find Tito's real successor will take place. And here, there is as yet no clear-cut order of succession or any heir-apparent. [redacted]

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GHANA: THE COUP THAT FAILED

The government last week thwarted a coup group that was trying to restore former prime minister Busia and the disbanded Progress Party to power. The plot was only one of several conspiracies the jittery military leaders had under investigation at the time, an indication that they are well aware—six months after they themselves seized power—that their own position is far from secure.

The conspirators' final meeting on the eve of their planned coup had been penetrated by officers friendly to the government, and the security forces moved swiftly the next morning, arresting five civilians, eleven enlisted men, and one junior officer, all of the Ashanti tribe. The civilians included a former director of the Ghanaian intelligence service and the deputy inspector general of police. Also reportedly involved in the plot were some 300 enlisted men, who were to have arrested their officers. Enlisted men have been unhappy since the military take-over last January because they believe that only officers have benefited from the coup.

The coup leaders had intended to form a constitutional committee to run the country for two weeks, at which time Busia was to reassume office. Busia is in exile in London, but reportedly would have returned to Accra if the coup had succeeded.

An official statement charged that "disgruntled businessmen" and officials of the former Progress Party had attempted to overthrow the government. The statement said that foreign troops were to have been brought in to overcome resistance—a clear reference to the government's suspicion (without much evidence) that Ivory Coast was mixed up in the affair. The government has said that everyone connected with the plot would be brought to trial, and there are indeed indications that it is going to crack down hard on its opponents and critics. On 18



July, the regime banned two independent newspapers, one of them Ashanti-oriented, and decreed death by firing squad for persons convicted of subversion. The pro-government press has been playing up the coup as an attempt by "businessman, intellectuals, and academic opportunists" to regain the privileges they lost following the military take-over early in the year.

Other plotters may be deterred by the fact that the coup was nipped in the bud. It is clear, however, that the government is in trouble and has a long way to go before it gains the support it needs to govern effectively. As the country's economic problems deepen, coup plotting and dissatisfaction with the government's performance will doubtless increase.

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~~SECRET~~**ZAIRE: MOBUTU REDISCOVERS AFRICA**

President Mobutu Sese Seko, having achieved a measure of stability at home, is again showing interest in African affairs. Recently, he has taken a number of steps to improve Zaire's—and his own—stature in Africa.

At the Organization of African Unity heads-of-state conference last month, Mobutu took the lead in defeating the re-election bid of former secretary general Diallo Telli. Many African leaders had long been dissatisfied with Telli, but they hesitated to act against him until Mobutu stimulated them. Mobutu also was instrumental in the election of Telli's successor. He picked up for Zaire one of the three assistant secretary-general posts, through which he hopes to exercise a moderating influence over the organization.

Mobutu has been courting two states, Guinea and Algeria. His acceptance there provides especial satisfaction since leaders of these countries have viewed Zaire as the "sick man of Africa." Last June, he made his first visit to Guinea, where he noted the similarities between his own philosophy of "authenticity" and Toure's long opposition to imperialism. The two leaders agreed in principle to pool Guinea's alumina and Zaire's electric power resources. Toure will repay the visit in November, and will help mark the seventh anniversary of Mobutu's rise to power.

Mobutu is planning a state visit to Algeria, and the Algerian foreign minister will travel to Kinshasa next month to make arrangements. The visit holds a special significance for Mobutu and Zairians. Former prime minister Tshombe was hijacked to Algeria in 1967 and imprisoned there in protest against his use of mercenaries.

Mobutu is also endeavoring to polish his image as an African nationalist, tarnished somewhat by his ambivalence toward the Zairian-based Angolan Revolutionary Government in Exile. Although he supports the group, he firmly restricts its activities to avoid jeopardizing his discreet contacts with the Portuguese. Last month, he cooperated with Congolese President Nguabi in bringing about a reconciliation, in principle, between the two major anti-Portuguese nationalist movements. Although the reconciliation seems doomed from the start, it has helped Mobutu finesse African suspicions of his sincerity in the cause of African nationalism.

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BURUNDI: A NEW CABINET

President Micombero appointed a new cabinet last week to replace the one he threw out on 29 April. Although it is weighted in favor of Tutsi moderates and includes several Hutus, it is not likely to bring an early end to the tribal slaughter of the past ten weeks.

Tribal and factional bitterness, always strong in Burundi, has been so intensified in recent months that it will be a long time before any government, whatever its intentions, can begin to restore stability throughout the country. Micombero dismissed his previous cabinet because it had been paralyzed by the intrigues of a group of Tutsi extremists from southern Burundi who were plotting against a moderate faction from the north. Despite the dismissals, the extremists were the major force behind the current Hutu

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repressions because of their strong influence in the army and the bureaucracy. They can be expected to continue their vendetta against the Hutus and the moderates too if they get in the way.

Micombero returned the leader of the extremist faction to his former position as foreign minister. He also appointed extremists to the posts of education and public works. Tutsi moderates got the justice and interior posts. As a conciliatory gesture and to counter growing Western criticism, Micombero appointed Hutus to the posts of civil service, information, and social welfare. Apparently, the government had protected these particular individuals throughout the repression for just this purpose. They are not likely to have much authority, as the bureaucracy is now completely dominated by Tutsis.

Micombero revived the post of prime minister, which he had abolished when he seized power in 1966. He appointed Ablin Nyamoya, who served as prime minister in the mid-1960s. Nyamoya is not a forceful personality, and he will have trouble keeping the heterogeneous new cabinet in harness.

So far, the announcement of the new government has had little effect on reducing the climate of fear throughout Burundi. The Tutsis apparently remain at fever pitch. They fear a Hutu invasion from neighboring Rwanda, where the Hutus are in power. The Tutsis also fear reprisals from Hutu refugees who have fled to Tanzania. Even after the new government was formed, Hutus were still being executed in the capital, and no let-up of the slaughter in the countryside is expected.

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ETHIOPIA: INSURGENCY DAMPENED

The easing of military rule in part of Eritrea suggests that the province's insurgent movement has been run down by internecine fighting and by stepped-up government military and propaganda efforts. During the past several months, the government has lifted certain travel restrictions and abandoned or removed some road checkpoints in northeastern Eritrea in effect since December 1970. The province's governor general has returned to a limited form of civilian administration in some parts of the province that had been under martial law. At least 70 veteran insurgents have surrendered with their weapons in recent months, taking advantage of a new government amnesty program.

Despite the improved security situation, the insurgents may prove tenacious. They still can pull off hit-and-run raids, minings, and terrorist activities. The government has not scored any recent, dramatic victories over insurgent units and it has not captured any high-level rebel leaders. Nevertheless, the Addis Ababa government, always cautious, would not have eased its controls unless it believed it could keep the lid on.

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LIBYA: QADHAFI PACIFIED FOR NOW

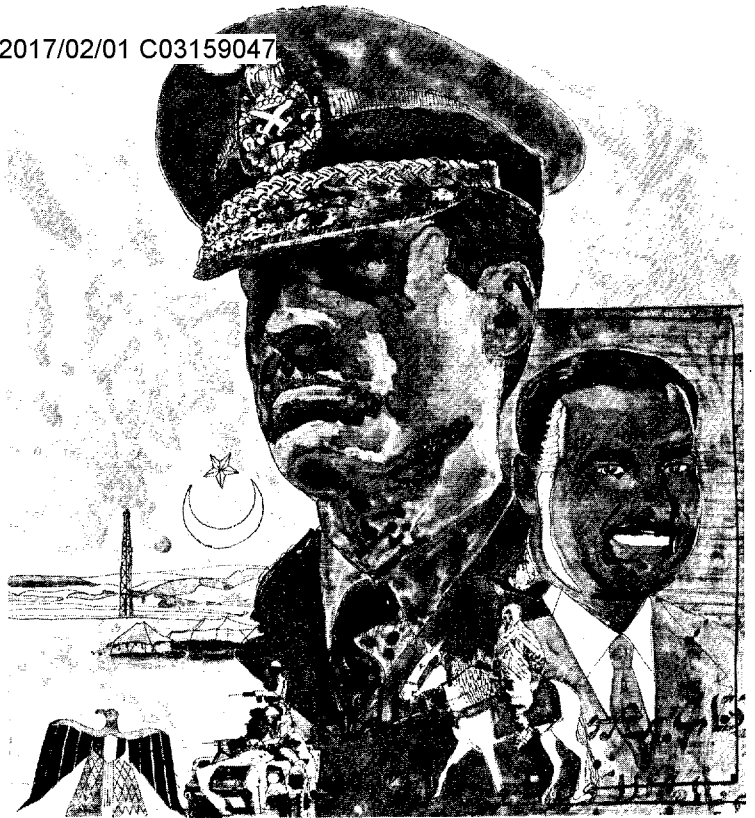
A serious dispute within Libya's ruling Revolutionary Command Council has been resolved by the appointment of a predominantly civilian cabinet with Major Abd As-Salam Jallud, a leading member of the council, as prime minister. The council, however, is still the major instrument of power, and Colonel Qadhafi remains chairman.

The council had been promising a new cabinet for some time, but early this month a major split developed among council members. Qadhafi apparently demanded that an all-civilian cabinet be named as a first step toward the abolition of the council and the establishment of a political structure similar to those of Libya's confederation partners, Egypt and Syria. A majority of Qadhafi's colleagues, including Jallud and other influential council members, resisted, insisting that the military retain key portfolios in the new cabinet. The response of the temperamental Libyan leader was typical—he threatened to resign and sulked in seclusion for nearly two weeks.

Qadhafi has, for some time, wanted to replace the council with a president, prime minister and cabinet, backed by a legislative assembly and the Arab Socialist Union as the country's sole political organization. The recent agreement to merge the Arab Socialist Union organizations in Libya and Egypt probably inspired Qadhafi to step up the pace of domestic reorganization to prepare for closer political ties between the two countries. Many of his colleagues favor a more cautious approach toward their powerful neighbor, and they are not ready to relinquish the exclusive power the council has held since the overthrow of King Idris in 1969.

Despite their differences with Qadhafi, other members of the council refused to accept his resignation and a compromise was reached by which the council would remain the major policy-making body between the cabinet and

New York Times Magazine



Qadhafi as president. The Egyptians probably helped to arrange the compromise, and they reportedly are pleased with Jallud's increased executive responsibilities because he is a more consistent and effective administrator than the unpredictable Qadhafi. Nevertheless, Cairo still favors Qadhafi for the top political position, presumably because of his liberal financial assistance to Egypt—too liberal for most of his colleagues.

The new cabinet will have little political power, but it will probably try to steer Libya on a more practical and responsible course. Seven of the 16 civilian ministers announced so far are holdovers from the previous cabinet. Two others—the foreign minister and the planning minister—are seasoned professionals in their respective fields. Qadhafi formerly managed foreign affairs without holding the portfolio, and he is expected to continue to take primary responsibility for Libya's external policies. Major Jallud and Major al-Huni, who remains as minister of interior, are the only two council members in the cabinet unless, as the press has suggested, Qadhafi remains as minister of defense.

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IRAQ: KURDS AND BAATHISTS

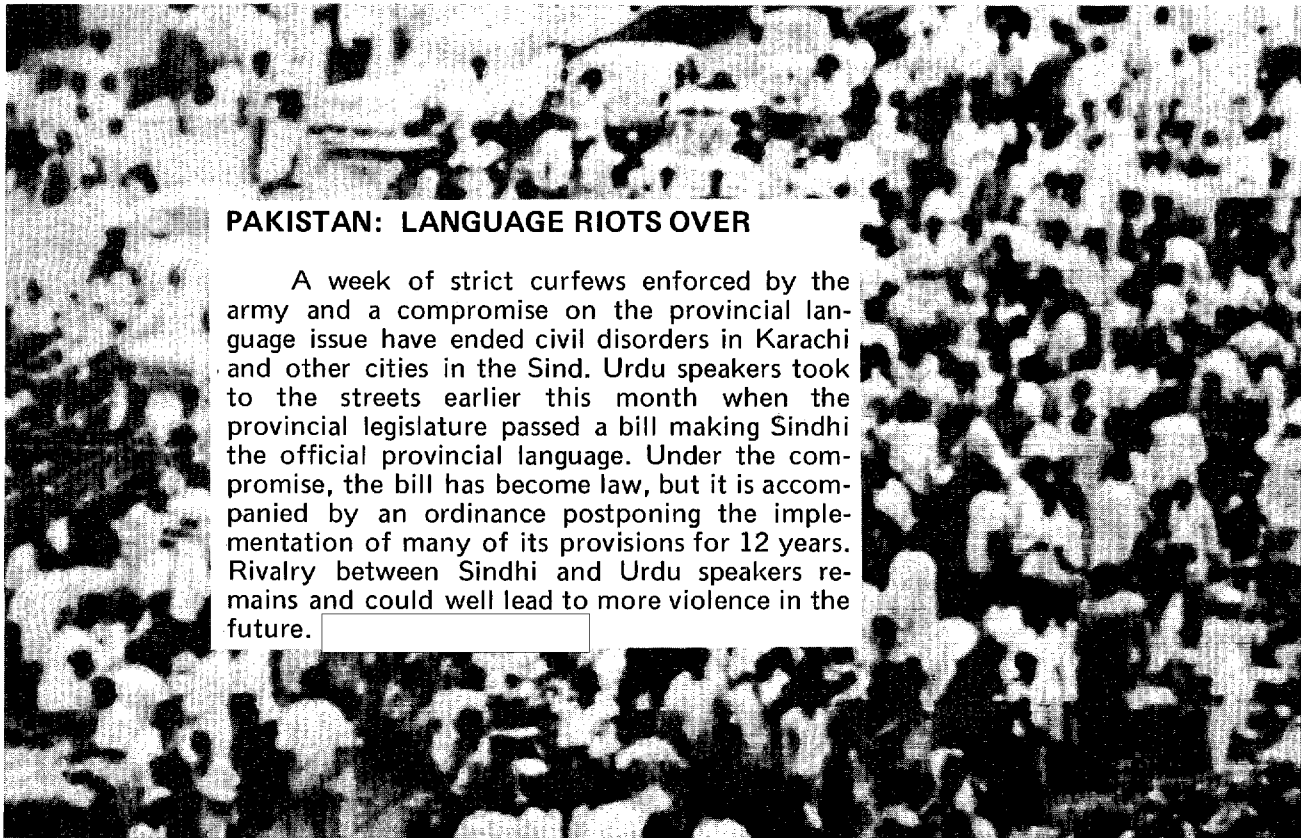
Government forces and Kurdish irregulars clashed last week in northern Iraq. An uneasy peace, which generally has held since the peace accord was signed in March 1970, has been restored for the moment, but the potential for renewed fighting is high.

tapha Barzani. In turn, Barzani has resisted both Baathist and Soviet pressure to bless a national coalition government with his participation. He continues to plot the overthrow of the unpopular Baghdad regime and has sought assistance abroad for his plans.

Although the perennial fighting that marked the 1960s has not recurred, neither the Baathist rulers in Baghdad nor the Kurdish rebels have given up their efforts to do the other in. The Baathists have yet to implement all of the political provisions of the 1970 agreement—including the granting of limited self-government to the Kurds—and are reported, probably correctly, to have tried to liquidate Kurdish leader Mulla Mus-

Kurds in the mountains have shown contempt for the Arabs on the plain since antiquity, and the Baathist regime negotiated the peace agreement only after repeated failures to pacify the rebels by force. Baghdad needs and wants an end to internal strife, but ethnic hostility may again prove stronger than political perception and increase the danger of a resumption of another sputtering war on the fringes of the Arab world. [redacted]

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PAKISTAN: LANGUAGE RIOTS OVER

A week of strict curfews enforced by the army and a compromise on the provincial language issue have ended civil disorders in Karachi and other cities in the Sind. Urdu speakers took to the streets earlier this month when the provincial legislature passed a bill making Sindhi the official provincial language. Under the compromise, the bill has become law, but it is accompanied by an ordinance postponing the implementation of many of its provisions for 12 years. Rivalry between Sindhi and Urdu speakers remains and could well lead to more violence in the future. [redacted]

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~~SECRET~~**ARGENTINA: LANUSSE PREVAILS**

President Lanusse's new rules for the presidential election next March have evoked tough statements from Peronists but have attracted support from other quarters. Peronists and anti-Peronists alike have interpreted Lanusse's challenge to Peron to return by 25 August if he wants to run for president as an indirect proscription of the old dictator's candidacy.

The military has officially endorsed the President's proposals, although Lanusse apparently feared that he had opened himself to the charge of being "soft on Peron." He told a group of businessmen that when he left home to outline his plan to the military he was not at all sure that he would still be president when he returned. In retrospect, he seems to have regained the initiative with respect to his opponents in the military and to Juan Peron in Madrid.

The Radical Party—second largest in Argentina—was especially pleased with Lanusse's challenge to Peron, his actions against the Peronist labor confederation, and his fixing of 25 August as the date by which government officials, including Lanusse himself, must resign if they wish to run in the election next March. The Radicals see Lanusse's statements as improving their chances of having a major voice in the next government.

[redacted] Lanusse favors a Radical for president, probably with a military man as vice president. [redacted] [redacted] reportedly has assured Ricardo Balbin, the long-time Radical leader, that his party will have its man in the presidency when the 1973 elections are over. With this thought foremost in his mind, Balbin is prepared to support the military on almost anything, although he will continue to make occasional noises aimed at attracting at least some Peronist support.

Lanusse's announcement that all potential presidential candidates must be in Argentina before 25 August and remain in the country until the election on 25 March has put Peron in a

difficult position. It is unlikely that he will risk returning to his homeland, even though he has tried to keep that possibility open to improve his bargaining position with the military government and to maintain unity within the Peronist movement. Top Peronist leaders are already claiming that the residency requirement is illegal and nothing more than a thinly disguised attempt to prevent Peron from winning the election.

Despite Peronist objections, 25 August has become a crucial date in the presidential race. The two main adversaries in Argentine politics today—President Lanusse and Juan Peron—must make a definitive move by then. [redacted] (b)(3)

CUBA: HARVEST AND TRIP REPORT

Cuba's annual 26 July celebration will probably be highlighted by a Fidel Castro speech on recent developments in Cuban policy. The Cuban leader has not delivered a speech in Cuba since 1 May, and he almost certainly will take this occasion to expound on a number of subjects.

Castro may devote a major portion of his speech to Vietnam. Mrs. Nguyen Thi Binh, leader of the Viet Cong delegation at the Paris Peace Talks, reportedly will attend the 26 July rally. Her presence could easily inspire a lengthy criticism of US policies in Vietnam by the Cuban leader. (b)(1)

Another topic might be his recent trip to Africa, East Europe, and the USSR. Since his return on 6 July, Havana has maintained a virtual silence on this subject. This lack of comment may indicate that Fidel is not completely satisfied with the outcome of his trip. The US-Soviet summit meeting and its implications for Cuban security may still bother him despite Soviet (b)(1)

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There will be little to cheer about when Castro turns to domestic matters. The sugar harvest will probably be only about 4 million tons and could be as small as the 3.8 million tons achieved in 1963—the record low during Castro's rule. To mollify a weary and disappointed population, Castro will probably have to give elaborate explanations of the poor harvest and may call for even greater sacrifices to overcome Cuba's continuing agricultural problems.

Castro's main problem is how to boost flagging morale and restore vitality to the Cuban revolution. To renew enthusiasm, Castro may employ a combination of tactics, including a temporary relaxation of austerity measures and promises for a better future. (CONFIDENTIAL)

MEXICO-US: PROBLEM SOLVING

An interim agreement has been signed to reduce the salinity of Colorado River waters delivered to Mexico, and the Echeverria administration now is turning its attention to the status of Mexican migrant workers in the US.

The US has already begun diverting over half of the relatively saltier drainage from the Wellton-Mohawk irrigation project away from the Colorado River and replacing it with better quality water. This arrangement will satisfy Mexico until the end of the year.

The illegal Mexican workers in the US pose a more complicated and emotional problem. Last year, the US deported over 300,000 Mexican workers. The issue was discussed during Echeverria's recent visit to Washington, and it was agreed to undertake a study of the problem. Mexico is forming a study group, and Foreign Minister Rabasa has requested that the US take similar action.

Both issues are hot potatoes for Echeverria, and moves toward solving them would justify the optimistic cast given his visit to the US.

attempts at reassurance. The central problem, however, may well be the economic advice Castro received from the Soviet leadership. The Soviets may have extracted a promise for more orthodox economic programs in lieu of the haphazard approach Cuba has followed in the past. However Castro may cloak it, Cuba's recent admission to CEMA provides the Soviets with another means for influencing Cuban economic decisions. The Cuban leader, however, is unlikely to be critical of the Soviets in public.

Fidel will undoubtedly express great satisfaction with the re-establishment of diplomatic relations with Peru. The renewal of ties further undermines the 1964 OAS sanctions, which until recently have isolated Cuba from most other nations of the hemisphere. This, in Castro's view, is a major victory for Cuba against "imperialism," a theme heavily emphasized by the Cuban media in recent days.

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URUGUAY: TUPAMARO PLOY FAILS

The Tupamaros, who seem to be in real difficulties, reportedly have tried to make a deal with the military and have been turned down.

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[Redacted]

The Tupamaros may have been trying to exploit recent dissatisfaction within the armed forces over congressional criticism of their role in counter-terrorism. A group of irate army officers had issued a proclamation, "Any action that tends to defame conduct by members of the armed forces in their struggle against subversion is treason." In addition, the Tupamaros may have seen a chance to try a different approach to their stated objective of forcing a military coup d'etat, which they believe would result in a more repressive government and thus create the next stage in the revolutionary process.

[Redacted]

BRAZIL: HELPING OUT

Brazil, convinced of the need to influence events in nearby countries, is giving support, [Redacted] to the governments of Bolivia and Uruguay. The Medici government regards instability in these countries as a potential threat to Brazil's own security. Furthermore, Brazilians probably regard the ability to influence events in Bolivia and Uruguay as a victory in their rivalry with Argentina, and as a warning that no country in the area can permit a leftward drift without risking some form of Brazilian involvement.

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[Redacted] The Medici

government is expected to deliver small arms and tear gas in the near future. Brazil also plans to provide medical services in the interior of Bolivia, apparently hoping to bolster President Banzer's political support at home.

For some time, Brazil has been supplying Uruguayan security forces with arms and financial aid. It may have been helping Uruguayan authorities in their recent offensive against urban terrorists. Uruguay's naval attache in Brazil has indicated, for example, that the leader of an anti-Tupamaro unit in the navy received some of his training in Brazil.

As a result of the self-confidence being generated by political stability and economic growth, Brazil's interest and involvement in the affairs of neighboring countries will almost certainly grow. Brazilia must be cautious, however, as many Latin American countries are already concerned about Brazil's power and ambition.

[Redacted] (b)(3)

COLUMBIA: TERRORIST SETBACKS

The army's intensive three-week-old campaign against the pro-Cuban National Liberation Army has led to well over 100 arrests and substantially reduced the group's potential as a guerrilla force. Most of the arrests have taken place in cities in mountainous Santander Department, where the guerrillas have successfully mounted hit-and-run operations against military patrols and outposts for years. Few, if any, active insurgents have been affected as yet, but their prospects for eluding capture in the future have been reduced. Those arrested were members of an urban support network, which reached from the cities of Bogota and Cali in the south to Barranquilla in the north.

The relatively benign Revolutionary Armed Forces of Columbia and its parent organization, the pro-Soviet Colombian Communist Party, have not been included in the army's current campaign.

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The army's current operation has taken the entire left by surprise and reflects a significant strengthening of the government's counter-insurgency position. [REDACTED]

they actually won the second spot, but Socialist and Communist vote counters apparently overcame their mutual animosities to juggle the opposition party into third place.

CHILE: MORE HEATED POLITICS

The political temperature, rising for several weeks, is high. The government's response to the challenge from the opposition congress is picking up steam, and the electoral victory of the Communist candidate in Coquimbo last weekend boosted morale on Allende's team. The President himself has publicly criticized the legislature and the judiciary, claiming both have acted unconstitutionally against his government.

Taking to the streets last week to defend the government, followers of the Popular Unity parties were harangued by suspended Interior Minister Del Canto and later disrupted the deliberations of congress and the Supreme Court. Larger demonstrations have been promised. Allende is resisting attempts by the opposition to limit his use of the considerable power of the Chilean executive; he has counter-attacked with constitutional argument and intimidation. Allende has been portraying himself as the defender of the constitution against an irresponsible congress, a situation reducing his reluctance to make use of extra-legal means of pressure on occasion.

The momentum of the government's counter-offensive was sustained by the victory of the Popular Unity candidate in Coquimbo. While the victory in this generally leftist province was anticipated and the specific implications are still being debated, the psychological importance of the triumph remains. Adding to the government's optimism, the results of the labor confederation elections held last May were finally announced. The Communists and Socialists were in first and second place. The Christian Democrats believe

Attention is turning to the March 1973 elections. Allende has eliminated legal alternatives to the existing election federations, causing additional problems for the Christian Democrats. They have been forced, reluctantly, into a close but fragile association with the right, a situation already being exploited by the government. Public squabbling between the Nationals and Christian Democrats in Coquimbo, especially the youth brigades, was a limiting factor on the opposition campaign. The Socialists are also uncomfortable with the federation concept, but have less trouble with it than the Christian Democrats. The Socialist Party leader recently pointed out that in elections held in 1972, where only two candidates were presented, the government has not always won a majority, but has at least come close to 50 percent. This is ten percent more than the left was able to obtain prior to 1971, and the leftist parties hope to be able to garner enough additional support to win a definite majority in 1973. Their success is by no means assured. US Embassy officials calculate that government popularity is declining, and may hit a low of 40 percent by election time. [REDACTED]

AID FROM MOSCOW

Moscow's extension of significant new long-term credits to Santiago gives a big boost to the Allende government and the hard-pressed Chilean economy. It follows a thorough evaluation by the USSR of the political and economic situation in Chile. The credits will be used for the purchase of machinery and equipment and for project assistance. Additional sums will be forthcoming from the USSR and the East European countries to finance Chile's current trade. Moscow had already given Santiago a \$50-million short-term, hard-currency credit and two long-term credits totaling \$97 million for project assistance and machinery exports. [REDACTED]

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