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WEST AND EAST EUROPEANS DISCUSS EUROPEAN SECURITY

The Belgian and Dutch governments, responding to domestic pressures, have recently discussed European security with Polish, Hungarian, and Yugoslav officials. The East Europeans have shown interest in carrying on these talks, each for his own purposes. The talks, however, have generated opposition and much debate within NATO.

Dutch Foreign Minister Luns, under pressure from detente-minded domestic critics, discussed the possibility of a European security conference during visits to Budapest in February and to Belgrade in March. In his view, the smaller European countries could play the initial role in conference preparations.

The Dutch initiative was sharply criticized in the North Atlantic Council (NAC), particularly by the West German and Italian representatives. The Italians argued that the Luns effort had probably been misinterpreted in the East as having NATO approval and that the security conference idea required a cautious, gradual approach through intra-Alliance consultations. The West Germans warned against moves which East Germany could exploit for purposes of de jure recognition.

The Belgians, seeking NATO initiatives in disarmament, proposed last month to the Poles a freeze on forces and arms in Europe as a first step toward mutual force reductions. The freeze would be in two phases--the first affecting force levels, the second weaponry--and would cover one or more jointly agreed, delimited zones within central Europe. The Belgians hope that the NATO ministers will endorse their concept of a meeting in Reykjavik this June.

The NAC reaction, however, has been cool with several members pointing to difficulties in the Belgian proposal. Many NATO members maintain that the proposal is so complex that endorsement at Reykjavik is unlikely.

The Hungarians have indicated some interest in Luns' proposal of a European security conference and promised to discuss it with Poland, East Germany, and Czechoslovakia. The Yugoslavs favor European detente but have shied away from calls for government-level conferences, which they fear the big powers would dominate. The Poles and the Belgians may actually be negotiating a preliminary "text" outlining the freeze concept in greater detail.

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SOVIET ECONOMIC REFORM REASSESSED

The efforts to reform Soviet industry in the direction of greater autonomy at the enterprise level are undergoing critical examination in Moscow. The reform, now in its third year, is credited by its proponents with significant successes but its failings have not gone unnoticed or without comment by important critics. The decision to postpone a comprehensive assessment by a conference originally scheduled for the first quarter of this year is symptomatic of the lack of accord.

By revising the guidelines governing enterprise performance, the reform shifts the locus of economic decision making slightly in the direction of individual plant managers. Nevertheless, the regime has proceeded cautiously and has reserved to itself what it considers to be the indispensable levers of central control. The future course of the reform now appears to be under debate.

Published data of the reform's results have been sparse and not especially meaningful. As of last month the number of enterprises transferred to the new system was about 10,000 out of a total of approximately 45,000 plants. They accounted for about 50 percent of all industrial production. At the end of 1967 the 7,000 plants then transferred produced about half of all industrial profits. These

figures, together with the government's claim that over ten million workers, or about one third of those employed in Soviet industry, have been affected, clearly indicate that the USSR converted its largest and financially strongest plants.

The present timetable calls for the reform to be completed "basically" throughout the industrial sector by the end of the year. At the same time its beachheads are to be enlarged in certain nonindustrial fields where it has already been introduced. Extension of the reform into these areas testifies to the relative success that it has achieved, within limitations, in motivating greater cost consciousness and increased efficiency in the use of resources.

Despite these benefits, the reform has come up against several basic problems that will persist as long as the fundamental command character of the Soviet economy is not allowed to evolve. Conflicts persist between relative enterprise autonomy and a centralized planning and supply system, and between the use of profitability to measure enterprise performance and the continued use of fiat prices. In these circumstances, profitability can be no more than an unreliable gauge of efficiency. In addition, the reform has not included effective incentives for introducing

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technological improvements, and also has failed to bring about an expansion of credit financing. Finally, serious obstacles have been encountered in bringing a large proportion of industrial investment under the control of the enterprises.

These problems may grow worse in 1968-69 when many enterprises earning scant profits or operating at a loss will be transferred to the new system. Special rules, however, have been adopted for these plants after their transfer. In general, it appears that the reform movement is bringing about the gradual incorporation of most nonfarm enterprises into a single, some-

what improved system of management and incentives.

The now-postponed conference that was to examine the reform publicly was announced last fall with typical fanfare. Since that time, the press discussion has become more subdued, and the economic articles published in preparation for the conference have become more specialized and tangential to the fundamental questions relating to the future of the reform after 1968. It should not be long, however, before the regime indicates whether it will continue to tinker with the present pattern of demonstrably inadequate measures or whether more radical reforms eventually will be adopted.

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MIDDLE EAST - AFRICA

Prospects for a negotiated settlement of Arab-Israeli differences have become more remote. The Jarring UN mission has yet to report any positive reaction to a proposed conference of the principals on neutral territory. Meanwhile, the Israelis are engaging in an unusual amount of military activity along the Jordanian border, and Arab terrorists are more openly belligerent.

King Husayn's government is reportedly under continuing pressure to lessen its close identification with the West, particularly the US. The King is going to Cairo, evidently to try once again to get Nasir to cooperate in curbing terrorists and generally easing the pressures on Amman.

India has set forth on an ambitious round of diplomatic activity in the light of the bombing restrictions in North Vietnam. New Delhi continues to press for negotiations to end the war.

Northern Africa is beset with student unrest and rioting. The Tunisian Government is planning to bring to trial the 22 students and eight professors now in custody on charges of fomenting student unrest. The demonstrations began on 15 March when students took to the streets to demand the release of an imprisoned student leader. Moroccan and Algerian students have also been demonstrating.

Ethiopian students are rioting in Addis Ababa, and US installations have been damaged. What started out as a protest against mini-skirts on the university campus soon became anti-American demonstrations. Unconfirmed reports state that "foreign cultural attaches" have been seen talking to the students.

In the Nigerian civil war, federal forces in the southeast of Biafra have moved forward on a broad front. In the northeast, they have broken through Biafran defenses and are heading toward a key provincial center. Around Onitsha in the northwest, however, Biafran counterattacks are disrupting federal supply lines and preventing further advances.

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SOVIET INTEREST IN INDIAN OCEAN GROWS

The Soviets have made their first deployment of a group of warships into the Indian Ocean. Four naval units are visiting the Indian ports of Madras and Bombay.

The call has been billed as a return of the visit of an Indian cruiser to the Black Sea in 1964, but the Soviets are taking the opportunity to impress the Indians and other South Asians with their growing naval power.

Six Soviet admirals are with the task group making the trip, and the ships are among the most modern in the Soviet Navy. The Sverdlov-class cruiser serving as flagship is accompanied by a missile-equipped destroyer, a SAM-equipped frigate, and an oiler. All of the ships are from the Soviet Pacific Fleet.

Soviet interest in the Indian Ocean has grown since last year, when the Soviets began to use it as a recovery area for space vehicles involved in lunar operations. Eighteen Soviet space support ships were stationed there during late 1967. A group of space support ships is currently moving down the African coast and by early May is expected to be in position for tracking and recovery operations. The Soviets have agreements for space vehicle recovery and port visitation with

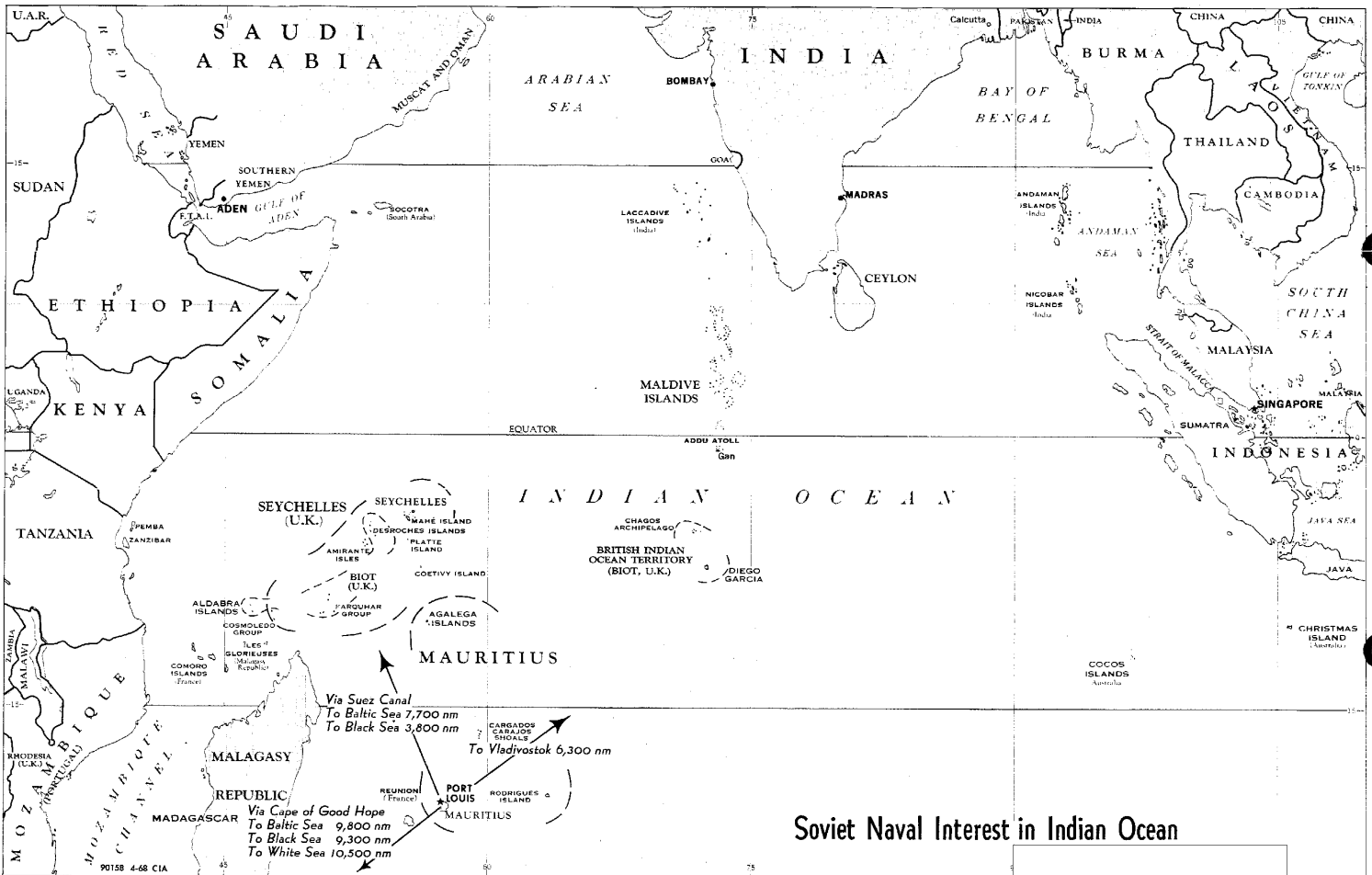
Mauritius, Malagasy, and the Seychelles.

The increasing importance of the Indian Ocean for space operations and the prospects of deploying naval units there in the event the US Navy increases its force level in the area have prompted the Soviets to cultivate the Indians. The USSR is providing New Delhi with a few naval vessels to augment the aging British hand-me-downs now comprising the Indian Navy. Several small ships have already been delivered; three Soviet diesel-powered F-class torpedo-attack submarines and three or four antisubmarine escorts are to be delivered in the coming months.

The withdrawal of the British Navy from the area between Aden and Singapore will be completed in 1971. There are no indications that the Soviets want to take over where the British leave off. Thus, the Indian fleet will become the major naval power in the Indian Ocean. New Delhi does not appear willing to grant the use of its bases to any foreign power. Nevertheless, Soviet naval units from the Pacific Fleet will probably continue to make occasional courtesy visits that will help establish the USSR's presence in this part of the world. By equipping and supplying the Indian fleet, Moscow can assume that facilities will be available for its own repair and maintenance requirements.

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NASIR'S REFORMS DRAW NO POPULAR RESPONSE

Nasir's speech on 30 March promised a number of dramatic political reforms, and although it created interest among some Egyptians, it is not likely to answer completely the recent calls for political change.

Following the announcement of a new cabinet on 20 March, Nasir now has outlined his "program of action" for mobilizing the country for future struggles. He emphasized that Egypt's sole mass political organization, the Arab Socialist Union (ASU), was the body best suited for "mobilizing the people's forces through and on the basis of democracy." A series of elections for ASU delegates was proposed, beginning at the local level and culminating in the formation of a Central Committee and a Higher Executive Committee to chart national policy. Nasir also promised that after the removal of the "effects of the aggression," a national referendum will be held on a new constitution, followed by presidential and National Assembly representative elections. Nasir set 2 May as the date for a national referendum to approve his "30 March program."

Nasir's speech failed to indicate the place of the cabinet and the National Assembly in the proposed reform. Their positions

presumably will be clarified in a series of speeches Nasir is scheduled to make prior to the referendum on 2 May. The principle behind the new plan for creating a "government of laws and not men" should meet with general favor, but there is likely to be some skepticism that the program will produce a more democratic Egypt.

Nasir has attempted to create meaningful political organizations several times before, without notable success. His emphasis on the ASU as the principal political body in Egypt has probably disappointed many.

There are reports that students met in Cairo this week to discuss Nasir's new program. Some students were reportedly dissatisfied with the program, and saw it as a mere diversionary tactic. There were no reports of mass demonstrations of popular support after Nasir's speech announcing the political reforms. Some Egyptians, however, are reportedly interested and even somewhat excited by the prospects for change offered in Nasir's plan. If these hopes are crushed by subsequent events, Nasir could be in deeper trouble than before.

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YEAR-OLD REVOLUTION CONGEALS IN GREECE

The military regime in Athens, now near the end of its first year in power, has yet to capture any significant public support. At the same time, no measurable degree of opposition has emerged to suggest that any alternative to military rule is likely in the near future.

To date the junta's simplistic rule has largely been concerned with the day-to-day handling of the government administration. The government has failed to define clearly just how it intends to "purify" and restructure the Greek state--its avowed aims. The junta has yet to decide which of its proposed "revolutionary" programs are reasonably attainable or how much time will be needed to fulfill them.

The regime, however, has not been inactive. It has announced limited economic programs, has proclaimed some definite reforms in the field of education, and has published a draft of a new constitution, now due for a referendum vote on 1 September. The draft's publication suggests at least a limited commitment to a return to constitutionalism. As part of the campaign to eliminate political corruption, a civil service reform is in progress and some improvement in routine government operations has been noted.

These measures have done little to jar the Greek citizenry from their political apathy; they neither loudly protest the junta's rule nor express any vast enthusiasm for it. This public apathy and the failure of competent professionals to come forward to serve the regime is

traceable to the essential negativity of the junta's "reforms."

Very few aspects of the announced economic plans are unique. Educational reform, considered a necessity by past governments, shows little real forward motion and has consisted largely of the firing of a number of "undesirable" university professors. Civil service reform has probably eliminated considerable deadwood, but the firing of some 1,200 persons has probably also carried off some competent personnel and created morale problems.

Military purges have continued, particularly since the King's countercoup attempt, and some 2,000 suspects remain in prison. Moreover, while Athens' stance on the Cyprus problem during and since the November 1967 crisis has greatly contributed to decreasing tensions and to raising hopes for at least a limited settlement of the problem, the regime has at the same time lost its leverage for dealing with Makarios.

In short, the junta so far has failed to produce either some dramatic political victory or a clear delineation of its aims that might spark the public support needed to give the regime an aura of legitimacy. Continued internal malaise seems likely to grow into increasing dissatisfaction, if not active resistance. The regime has been making a strong pitch toward various special groups, most recently the farmers, and the anniversary of its coup on 21 April offers the regime an occasion to give new impetus to its lackluster "revolution."

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WESTERN HEMISPHERE

Perennial dissatisfactions among university students in four South American countries are flaring briskly, while political activity in Middle America focuses largely on elections.

Student demonstrations took a violent turn in several major Brazilian cities and have resulted in considerable bloodshed. In Colombia, students at Bogota's National University, responding to agitation by extremists, are sporadically creating disturbances. Venezuelan students got into the act when striking garbage collectors in Maracaibo clashed with police last week.

In Ecuador, less than two months before the presidential election, politicians of every persuasion--including President Arosemena--are contributing to increased tension by their irresponsible public statements following student clashes with security forces.

The Panamanian Supreme Court is now seized with ruling on the legality of the National Assembly's conviction of President Robles on charges of interfering with the preparations for the 12 May presidential elections. Forces behind opposition candidate Arnulfo Arias remain unable to counter the National Guard's power behind the government and are increasingly dispirited.

In other election developments, the political opposition in Honduras is incensed because of its poor showing in well-rigged municipal elections on 31 March, and is muttering about resorting to force. Bahamian Premier Pindling seems assured of a strengthened majority in elections on 10 April following a generally peaceful campaign. [REDACTED]

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PANAMA'S POLITICAL IMPASSE CONTINUES

The Supreme Court may delay until mid-April its verdict on the National Assembly's conviction of President Robles and the installation of "President" Max Delvalle.

If the court decides in favor of Robles as expected, the opposition National Union could prolong the legal battle further by impeaching the justices. The NU already plans to have Attorney General Jaime de Leon deliver an opinion to Guard Commandant Vallarino that the assembly's impeachment action against Robles is valid. De Leon is responsive to an affiliate party of the NU coalition despite his position in the Robles government. Like the Supreme Court, he has been on statutory vacation but returned to duty this week.

The attorney general's move, however, is unlikely to affect Vallarino's staunch protection of Robles. Vallarino has reportedly already leaked word to "President" Delvalle that only a pro-Robles decision by the court will be acceptable to the guard.

The self-perpetuating aspect of the legal hassle has stalemated the contest for control of the electoral machinery. Unable to break the deadlock, some NU leaders are quietly exploring alternatives that exclude their present presidential candidate Arnulfo Arias. Because of his alliance with some of "the oligarchs,"

Arias has lacked the mass appeal he possessed as a man of the people and the trend of events moves increasingly in favor of Robles. Many of the elite families allied with Arias are seeking a way out of what they feel is a lost cause. Arias' long-threatened general strike has failed, and his NU backers refuse to risk their business interests by supporting the strike call.

Three plans under consideration by various elements in the NU include the establishment of a civilian junta, the nomination of a national unity candidate in place of Arias and the government-sponsored David Samudio, and a takeover by the guard. These options represent a loss of confidence by NU leaders who recognize they have in effect reached a dead end in their quest for power and are now searching for an entree into the winning camp.

The unconditional support of the guard makes Robles' position effectively unchallengeable, and it seems unlikely that Robles would be open to NU suggestions for solving the "crisis" which he believes he has already won. According to the pro-Samudio head of the electoral tribunal, the Robles government has taken the necessary administrative steps for the 12 May elections and expects them to be on schedule.

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PERU'S CONTRABAND SCANDAL LOWERS PRESIDENT'S PRESTIGE

A contraband scandal involving close friends of President Belaunde has seriously diminished his prestige and divided the governing Popular Action Party (AP).

Opposition newspapers affiliated with the parties that control Congress are giving heavy play to disclosures of corruption and smuggling by figures associated with the administration. Numerous officials in the customs service have been sacked, and the administration has been forced to admit that naval officers, customs and police officials, and some congressmen have been involved in smuggling over the past four years. Congressional leaders have forced the resignations of Javier Campos Montoya, chief of the Peruvian Investigative Police, and other high ranking officers.

In a move to dissociate itself from those involved in the scandal, the AP has suspended the membership of two former cabinet ministers and expelled other party figures including a retired admiral. Belaunde's efforts to prevent action against his supporters have only diminished his influence with party leaders. They are becoming concerned over the effect the revelations will have on the party's

chances in the presidential and congressional elections next year.

Their dismay is compounded by the belief that Belaunde has failed to recognize the seriousness of the present situation and is concentrating on the completion of scheduled public works projects, including his favorite jungle highway "Carretera Marginal," to the exclusion of other more pressing political and economic problems.

The President's speech to the nation on 27 March, his first in almost two years, was negatively received by most party leaders, who criticized him for failing to face up to the real issues.

To refurbish his image, Belaunde may try some spectacular move to divert public attention from current political and economic problems. A likely target would be the US-owned International Petroleum Company, whose long dispute with the Peruvian Government appears headed for a showdown. The semiautonomous State Petroleum Corporation (EPF) has recommended that Belaunde take over the La Brea y Parinas deposits as well as the company's industrial installations and allow EPF to administer them for the state.

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VIOLENT STUDENT DISORDERS IN BRAZIL

The student disorders that have plagued the Brazilian Government for a week underscore the depth of popular disaffection with the Costa e Silva administration.

Rio de Janeiro police handed students and leftists a made-to-order issue on 28 March when they shot and killed a youth participating in a demonstration protesting the closing of a university restaurant. Large antigovernment demonstrations erupted in most key Brazilian cities, with public sympathy, stirred up by the press, clearly on the side of the students. In Brasilia, students, backed up by opposition federal deputies, clashed violently with police, burning a police truck and the reviewing stand set up for the anniversary celebration of the 1964 revolution.

Bitter fighting between security forces and groups of armed students and extremists then broke out in Rio on the night of 1 April. Army and marine troops supported by tanks moved into the city after violent clashes left at least one demonstrator dead and several police wounded. Another demonstrator was killed in the interior city of Goiania, and on 2 April two students there were wounded during a rally inside the cathedral. Violence also flared in Belo Horizonte as police used tear gas to break up a large demonstration. Incidents occurred later in Porto Alegre and in several cities of the northeast.

Leadership of the students has largely been taken over by extremists--principally dissident Communists and members of the radical Popular Action organization. They

have focused mainly on the Costa e Silva government, calling for the overthrow of the "tyrannical military dictatorship." References to "Che" Guevara and to throwing out "imperialists" have also drawn loud applause. The USIS facility in Fortaleza was sacked, and both the embassy in Rio and the USIS library in Brasilia were stoned.

Student agitators called for new demonstrations on 4 April when seventh-day masses were held for the boy killed in the initial clash. The effectiveness of the student leaders has been somewhat limited, however, because of bickering among themselves. Many are reported to believe that students are fed up with demonstrations and that continued violence could cause a loss of popular support.

Many army officers, particularly in Rio, believe that the government has been far too soft on students. Some military members of the cabinet reportedly urged the President to declare martial law, but he is not likely to act now unless his hand is forced by renewed violence.

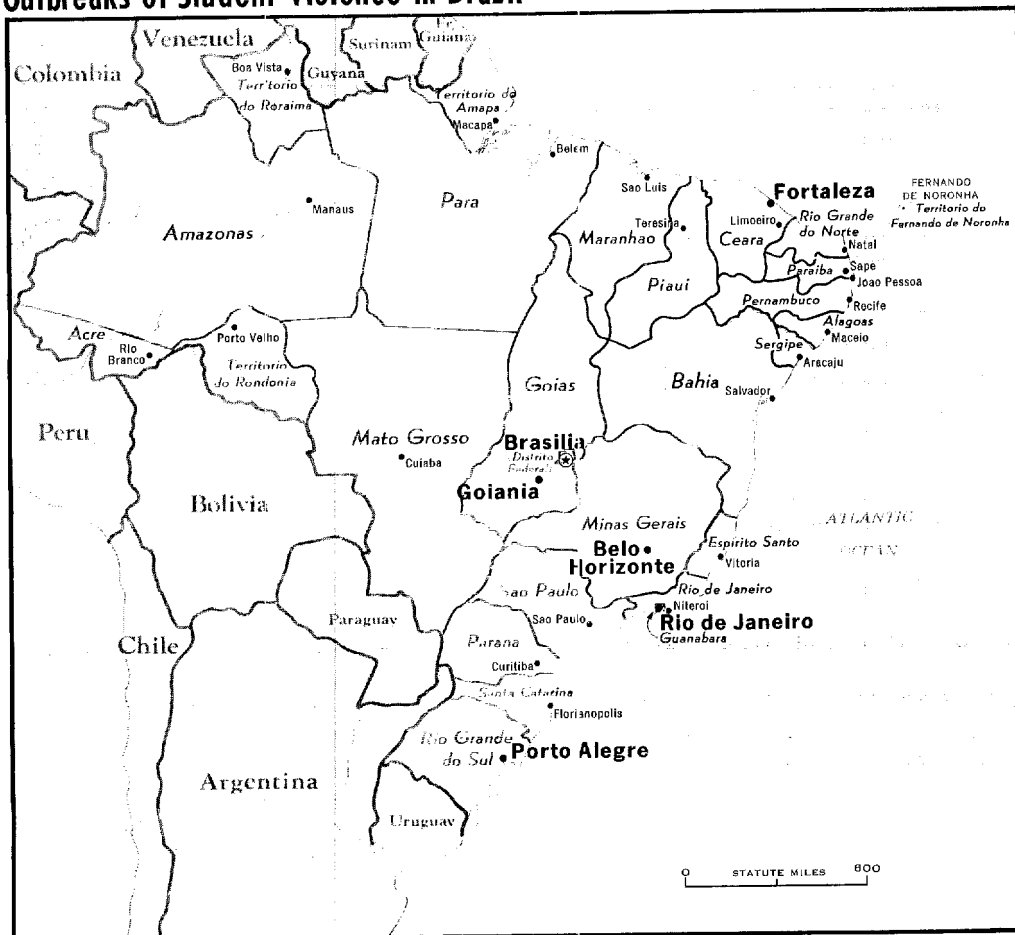
Army officers also are convinced that fiery opposition leader Carlos Lacerda is involved in the agitation, and Army Minister Lyra Tavares has reported to the principal commands that action will be taken against Lacerda when the "record is clear." It is uncertain whether Lacerda can be convicted under the national security law, but his prosecution would be certain to add to the internal political turmoil.

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Outbreaks of Student Violence in Brazil



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GUATEMALAN PRESIDENT SHIFTS TOP MILITARY COMMANDERS

President Mendez' dismissal last week of the three most powerful army officers has given him new prestige, but it may cost him essential military support.

On 28 March, Mendez removed Defense Minister Arriaga, Zacapa brigade commander Colonel Arana, and Colonel Sosa, the chief of the National Police. The three men will be given diplomatic posts abroad. Other shifts are being made in the military hierarchy, and some cabinet changes are expected. It is possible that Mendez wants to break up personal followings and stop the officers' intrigues with rightist politicians

Mendez' actions indicate that he wants to return the government to civilian hands and bring the actions of the different security forces under tighter rein.

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Public reaction thus far is that the changes should give greater stability and cohesion to the Mendez government. Some elements appear to be willing to give the President a chance to prove himself, but conservatives and rightists have expressed the fear that replacement of the three officers most concerned with the counterinsurgency program will encourage Communist terrorists to resume guerrilla activity. If this happens, or if the military see a threat to their power, coup plotting [Redacted] could gain enough support to threaten the government. [Redacted]

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MIXED INGREDIENTS IN ECUADOREAN POLITICAL SCENE

Recent student clashes with the military have aroused old enmities in Ecuador and politicians are contributing to the increased tension by their maneuvering for advantage and their encouragement of extremist activities.

Police and military used force last week to quell student demonstrations which with the help of a variety of hard-line Communists, professional agitators, and ambitious leftist politicians became violent. The demonstrations were launched with such disparate justifications as a decree licensing civil practice by military engineers and the expulsion of five students charged with leading violent outbreaks at the University of Quito last May. President Otto Arosemena's public statements implicitly supported student accusations that military personnel had reacted with "excessive methods" against student attacks on the military engineering school.

Arosemena, probably under pressure from military leaders, later qualified his comments to caution both sides. The events have exacerbated the tension which already caused several deaths among followers of presidential candidates for elections on 2 June. The armed forces had tried to stay aloof from politics this year, reportedly determined to avoid the kind of civilian resentment that brought down a military junta in 1966. Military leaders, however, have expressed concern over a possible breakdown of public order. There are reports that conservative candidate

Camilo Ponce and Interim President Arosemena each considers a move by the military as one possible means of protecting his own political ambitions against the return to power--for the fifth time--of Jose Maria Velasco.

Velasco is still considered the front-running candidate although his month-old campaign is not arousing public fervor. Velasco's vice presidential candidate, like those of his two chief rivals, is from Guayaquil, a recognition of the division of political power between that industrial port and the mountain capital at Quito. Dr. Victor Hugo Sicouret is a highly regarded physician and a political unknown. His chief asset reportedly is his deep loyalty to Velasco, a trait valued by the ex-president since he was overthrown in 1961 by his vice president, Carlos Julio Arosemena.

In a move typical of the convolutions of Ecuadorean politics, Velasco accepted Carlos Julio Arosemena's support this year, probably in the belief that this would divide leftist political groups. He now is reportedly moving to isolate Arosemena and nullify his political influence. Ponce also appears to be maneuvering behind the scenes, sometimes using unsavory leftist agitators. President Otto Arosemena has denied that his pact of November 1966 with Ponce included aid to the latter in his bid for the presidency and is using his remaining months as president to strengthen his own political image for 1972.

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VENEZUELAN GOVERNING PARTY SUSTAINS FURTHER SETBACK

The electoral prospects of the governing Democratic Action (AD) Party have been further damaged as the result of last week's violence during a strike by garbage workers in Maracaibo.

The strike was badly mis-handled by the governor of Zulia State, an appointee of the governing Democratic Action (AD) party. Inept action by the police resulted in five deaths, and the national guard and army finally were called in to restore order. Governor Paez has gone to Caracas on an extended vacation, and Maracaibo is under the administrative control of the local army and national guard commanders and the director general of the Ministry of Interior. The garbage strike has been settled and the city is slowly returning to normal, except that students continue to boycott classes.

Much of the violence was directed against AD. The party

headquarters was gutted by a fire bomb and mobs tried to lynch local AD leaders. These developments are a further indication of the damage the party has suffered since its president, Luis Beltran Prieto, walked out last year and formed his own movement.

AD claims that the violence was instigated by the Communists are unsubstantiated. The Communist Party, which currently is emphasizing peaceful rather than violent action, wants to avoid contributing to urban disorders at the moment. It fears that public acceptance of the use of army and national guard troops indicates that a coup staged to maintain public order would be favorably received. The Communists believe that under a nonconstitutional government they would have no chance of regaining legal status.

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