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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.

W A R N I N G

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EUROPE

This week Moscow achieved one of its most important "normalization" goals in Czechoslovakia—the signing of a status-of-forces agreement with Prague.

The event was hard on the morale of the exhausted Czechoslovak leadership, and growing dissidence—which could get out of hand—was evident among the people.

The agreement leaves much to be desired from the Czechoslovak viewpoint. There will be no immediate departure of Soviet troops in more than token numbers. Moreover, there is no understanding yet on apportioning occupation costs, no clear provision concerning billeting of occupation forces, and no accord on criminal jurisdiction.

Soviet officials have warned again that the East Germans will harass West German activities scheduled soon for Berlin. One of these, a convention by the West Berlin branch of the National Democratic Party, became a "non-event" with the self-dissolution of the party's Berlin branch on 16 October. The East Germans will probably go ahead with their plans to harass other activities, however, if only to distract popular attention from Czechoslovakia.

Tensions continued to abate in the Balkans. The Rumanians have reduced the alert status of their internal guard and "intervention troops."

After a recent, rambling, disjointed speech by Polish leader Gomulka, party rank and file are wondering if he still is up to the task of running the country. Even his close followers have doubts that he can maintain his position without making further concessions at the party congress on 11 November.

The Italian Socialist Party will hold its national congress, the first since 1966, from 23 to 27 October. The Socialists will probably decide to re-enter the government, thus permitting formation of a new center-left coalition.

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CZECHOSLOVAKIA BOWS TO NEW SOVIET DEMANDS

Stepped-up Soviet efforts to force the Dubcek leadership into submission have been partly successful.

Premier Kosygin led a high-ranking Soviet Government delegation to Prague on 16 October to get formal Czechoslovak acquiescence in a status-of-forces agreement that will provide the basis for the indefinite stationing of Soviet troops in Czechoslovakia. Premier Cernik signed for Czechoslovakia. Details of the treaty were not immediately available.

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In a speech at the treaty signing ceremony, Kosygin said that the bulk of the Soviet and other Warsaw Pact troops will be withdrawn by stages in the next few months. Taken with his strong statements on the continuing need to defend the socialist community, this formulation suggests that it will be at least well into the winter before even the 100,000 level is reached.

The Kosygin delegation's arrival in Prague followed Premier Cernik's talks in Moscow on 14-15 October. The large delegation Cernik brought with him apparently concerned itself with the legal and financial issues raised by the presence of Warsaw Pact troops.

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[REDACTED] the Soviets have developed a "no-nonsense" attitude toward Prague. Rather than being treated as equals in negotiating with the Russians, the Czechoslovaks were presented with a new set of demands that included a sharp reduction in Czechoslovak Communist Party membership, reorganization of the party's structure, and installation of new leaders. The talks were reportedly so one-sided that the Czechoslovak party presidium subsequently approved the conduct of the delegation, but not the results of the negotiations.

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Dubcek, in an emotional speech on 11 October, for the first time publicly acquiesced in virtually all the Soviet demands, and announced his intention to steer Czechoslovakia back on the road to orthodoxy. He said that no opposition to Moscow would be allowed and that his policies would be guided by the principles of Communist party supremacy and of alliance with the USSR.

Dubcek's remarks may have deepened divisions within the leadership over compliance with Moscow's edicts. He blamed several of his colleagues for bringing about the invasion by being "too slow" in taking effective countermeasures against "antisocialist elements." In addition, Dubcek made it clear that officials who had dragged their feet in the past now had one last chance to fall into line, and

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that he expects compliance with the demands of the "new reality" from party and government functionaries as well as from the people.

Dubcek also made it clear that while he himself would not resign voluntarily, Soviet dictates will be implemented with or without him. He indicated that he would stay because he had the trust of the people and implied that any Soviet-implemented successor might be much worse.

Moscow, moreover, may believe that it has found and can begin to exploit the nucleus of Czechoslovak opposition to Dubcek. Pro-Soviet Communists have held at least two meetings, one of which concluded by adopting a resolution condemning the "weakness and incompetence" of the Dubcek regime.



Moscow's announcement on 12 October that it will publish a Czech and a Slovak language newspaper in Prague indicates that it is intent on

giving its supporters there a guaranteed forum.

The resurgence of party conservatives is probably responsible in part for a growing dissidence among the population at large. Some non-Communist political groups, which have been banned since the invasion, reportedly have been meeting in secret and allegedly are being encouraged by provocateurs. Moreover, some intellectuals believe that it is time for the Czechoslovaks to show their disapproval of Prague's growing subservience to Moscow, and that it may be necessary to go to jail to get this message across. There is also talk of the need for a new intellectuals' manifesto similar to the sensational anti-Soviet tract, entitled "2,000 Words," which was published last summer.

The Czechoslovak party presidium plans to present to a meeting of the central committee, tentatively scheduled for later this month, a list of party tasks drawn up in the light of several "situation reports" prepared by Czech and Slovak officials. Resignation of some high-level liberals may be announced at that meeting.

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SOVIET-FINNISH LEADERS HOLD TALKS

Premier Kosygin and President Kekkonen used their meeting in Finland last week to reassure each other that the invasion of Czechoslovakia would not affect the carefully constructed relationship between their two countries.

Kosygin's surprise visit came in response to a standing invitation Kekkonen had extended during his visit to the Soviet Union last June. It was not until early October, however, that the Finns received word that Kosygin would be arriving on the 7th for a two-day visit. The secrecy surrounding the visit--apparently maintained because local elections were being held--was sharply criticized by the Finnish and Scandinavian press on grounds that it encouraged speculation about the possibility of a crisis in relations between the two countries.

From the Finnish point of view, the most urgent problem concerned the Czechoslovak situation and the disturbing implications this had for Finland's relations with Moscow. Kekkonen was reportedly badly shaken by the Soviet invasion. He believed the move would undermine his long-standing effort to establish a relationship of confidence with the Soviet leadership.

Kekkonen probably thought it desirable to seek assurances from Moscow that the officially cordial relations between the two countries had not been affected and that the events of the past summer did not portend a period of East-West tensions. Kekkonen probably also wanted to assure Kosygin that the anti-Soviet sentiment that had surfaced in Finland during the Czechoslovak crisis would not affect Helsinki's commitment to its policy of maintaining friendly relations with Moscow.

The Soviet Union, for its part, clearly welcomed an opportunity to demonstrate a "business as usual" attitude and to receive Helsinki's pledge of continued friendly relations. The informal visit also served to cement Kosygin's close personal relationship with Kekkonen.

The difference between the friendly atmosphere of Kosygin's talks with Kekkonen and the coolness that prevailed during his brief meeting with Finnish Communist leaders was particularly noticeable. The Finnish Communists have been loudly critical of the intervention, and there have been reports that Soviet officials have boasted of their ability to overthrow the liberal leadership of the Finnish party if it does not halt its criticism.

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MOSCOW SHOWS CONCERN ABOUT FUTURE OF NPT

Soviet diplomatic activity at the United Nations General Assembly (UNGA) session has made clear Moscow's concern that some key states--notably West Germany--are in no hurry to adhere to the nonproliferation treaty (NPT). Moscow is disturbed about the NPT's loss of momentum, and fears that additional delay will invite further efforts by nonnuclear nations to weaken the treaty.

Foreign Minister Gromyko urged prompt and wider acceptance of the NPT in his policy address at the General Assembly and has made strong demarches in private.



The USSR's chief disarmament delegate at the UN this week sought US agreement to an assembly agenda which, in Moscow's view, would facilitate early resumption of the Geneva disarmament conference. He was eager to forestall another conference of nonnuclear countries, a possibility which the UNGA will discuss but which he described as "extremely dangerous" for the NPT. The Russians also continue to show interest in

beginning the strategic arms talks with the US that were set back by the invasion of Czechoslovakia.

The USSR has been highly sensitive about nonnuclear nations holding back on the NPT while trying to wring concessions from the nuclear powers. The Russians were vexed when the recent conference of nonnuclear states in Geneva spawned proposals aimed at pushing the NPT into the background and at perpetuating a nonnuclear organization. By the time the conference ended, Soviet delegates were active in lining up the blocking third of the votes needed to reject such proposals.

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The Soviet invasion of Czechoslovakia has led some states to delay action on the NPT in order to demonstrate their displeasure. Others have merely used the Czechoslovak affair as an excuse to put off signing the treaty. The NPT was opened for signature on 1 July and will go into effect when its nuclear sponsors--the US, USSR, and UK--and 40 additional states have ratified it. So far only Ireland and Nigeria have completed this process, while several important nonnuclear states have not yet even signed. In addition to West Germany and Japan, these include some NATO countries, Israel, India, Pakistan, and South Africa.

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SOVIETS ATTEMPT TO SOLVE COMPUTER PROBLEMS

The Soviets reportedly have decided to make their third generation of general-purpose computers compatible with Western computer programing and management techniques. If implemented, such compatibility could save the Soviets many years of scientific effort and many millions of rubles. It could also avoid diverting personnel away from high-priority military and scientific programs. At the same time, however, it will result in Soviet reliance on, and a continuing lag behind, Western computer technology.

Development of programing and management techniques, of "software," for general-purpose computers in the civilian sector has been a long-standing weakness of the Soviet computer effort.

Soviet computer manufacturers design and produce computer hardware but take little or no part in the development of improved software. Repair, maintenance, and programing is left to the computer users.

Although the Soviets are developing a new generation of computers, they lack the software and personnel to make full use of this new potential, at least in the civilian sector. Lack of cooperation on the part of Soviet computer manufacturers, a largely uncoordinated approach to the problems of computer utilization, and the allocation of talent to national defense as opposed to civilian programs have been the major obstacles to progress.

Given the priorities and resources devoted to national defense, however, software development for military computers probably has not been so retarded. Soviet progress in missile development and air defense, two military programs that rely heavily on computers, gives testimony to the ability of the Soviet military to make effective use of the computer technology available to it. [REDACTED]

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SLOW PROGRESS TOWARD A EUROPEAN "CAUCUS"

Efforts to develop closer ties between Britain and the Continent have gained new impetus as a result of the Czechoslovak crisis, but the prospects for success, in the face of hardening French opposition, are not bright.

Since the Soviet intervention in Czechoslovakia, discussion of expanded European cooperation has focused primarily on proposals put forward by Belgium's Foreign Minister Harmel. What is needed, in his view, is a European "caucus" capable of promoting increased cooperation among the six Common Market nations and Britain in such non-EEC fields as defense and foreign policy, as well as in certain sectors of science, technology, and monetary policy only tangentially covered by the Common Market treaty.

In the latest formulation of his plan, Harmel proposed organizing the caucus around a revitalized Western European Union (WEU), to which both Britain and the Common Market nations belong. Alternatively, he has suggested casting it either as a European "identity" within NATO or as a new European grouping outside any existing framework and perhaps open to any interested applicant.

Although they were early advocates of a NATO-based caucus, the British have recently been attracted to the less precise concept of an "independent" European grouping--something on the order of the "political conference" proposed this week by the WEU Assembly. Ideally, the British are looking for a means of assuring West German support. They have already prepared the way for such cooperation on two specialized projects: the drafting of tactical nuclear guidelines for NATO, and the joint production of a multirole aircraft. They have also sought to prod the Germans off dead center by threatening to establish special ties with Italy and the Benelux powers.

Thus far, Bonn has proved unmovable, largely because of renewed concern over the Soviet threat. Chancellor Kiesinger, still convinced that French support is vital to German security, has effectively ruled out anything that might offend De Gaulle, including the possibility of greatly expanded cooperation within the WEU. Reflecting another source of German anxiety, Foreign Minister Brandt has rejected even the prospect of a European "identity" within NATO, on the grounds that it might divide the alliance and encourage US disengagement.

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All three Benelux powers have expressed interest in Harmel's WEU proposal but they realize that institutionally the seven-nation grouping, which makes major nonmilitary decisions by unanimous vote, cannot take on any kind of expanded role without active French support.

Thus, the only practical alternative appears to be Harmel's

vague proposal for an independent European grouping. If the activities of such a body were limited to NATO military affairs, the French would be in a poor position to play the role of spoiler inasmuch as De Gaulle has formally dissociated himself from allied defense planning.

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FAR EAST

Le Duc Tho, Hanoi's highest ranking negotiator in Paris, was recalled this week for consultations, but North Vietnamese propaganda continues to reflect inflexible insistence on its basic demands. Hanoi has also been concentrating on enhancing the status of the Liberation Front as a means of strengthening its claim that the Front must be granted a principal role in any negotiations for a political settlement of the war. The Front has been pictured as a functioning government in South Vietnam.

In the South, the enemy's so-called third offensive has ended. Military actions have tapered off and Communist main force combat units are rebuilding and refitting in base and sanctuary areas. An increasing number of reports allude, however, to a "Fourth Offensive" or a new winter-spring campaign. Most of these reports indicate that the enemy intends to open the new offensive phase to coincide with the US elections.

During the past week, President Thieu and other South Vietnamese leaders have shown deep concern about the adverse political repercussions of the unsubstantiated coup rumors and the military alert of 8 to 10 October. In an attempt to fend off some criticism of his moves, Thieu has allegedly claimed in private that he acted in response to American advice or pressure.

The thorny problem of rebuilding the Communist Party as a viable governing authority has become the central issue in Communist China. Directives such as appeared in the party theoretical journal Red Flag have been so ambiguous, however, that officials will have great difficulty in implementing them. This suggests that central leaders have not yet come to grips with underlying issues. Until political disputes are resolved both at the provincial and national level, there will be little real progress in rebuilding an effective governing structure under party control.

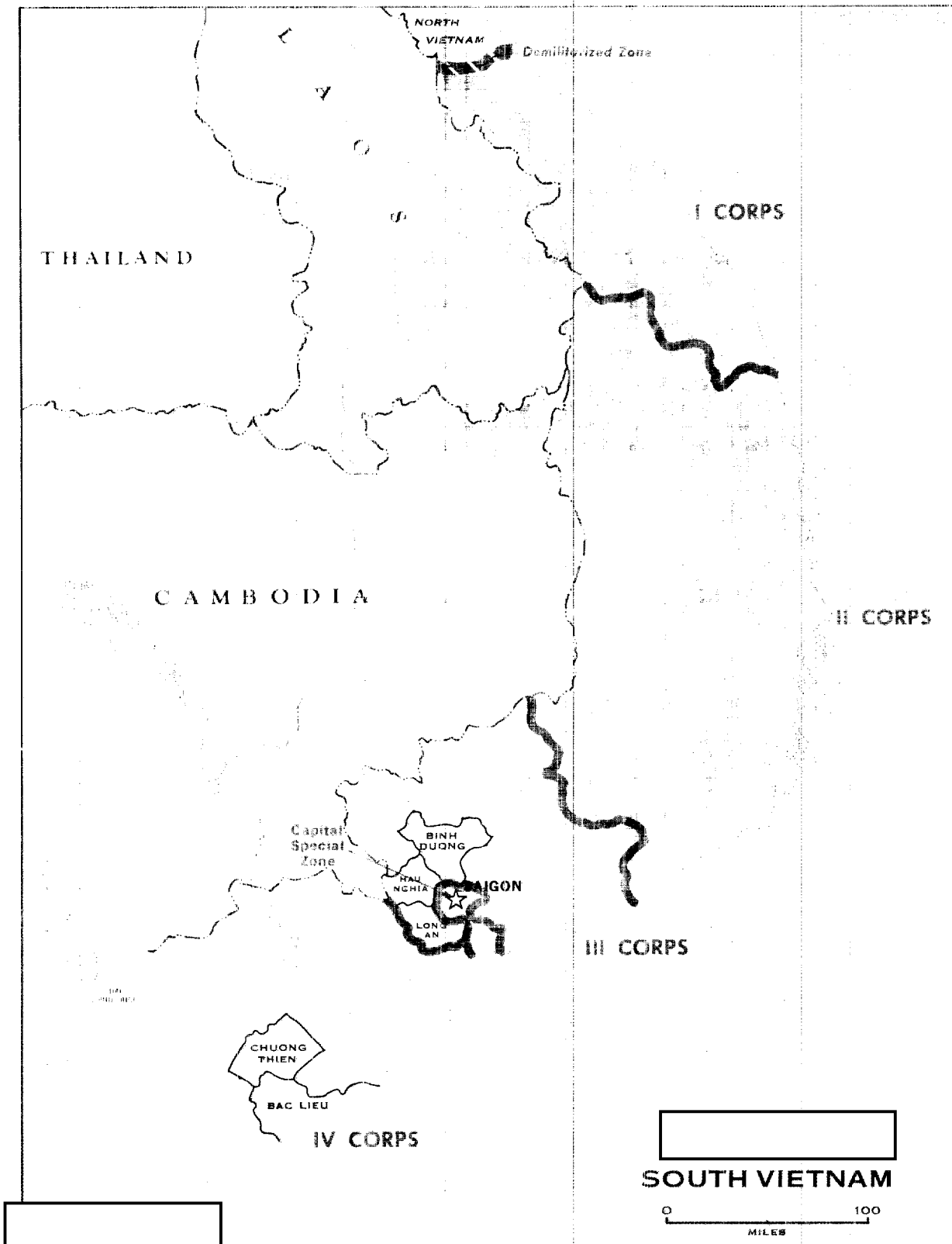
The dispute between the Philippines and Malaysia over Sabah continues to sour relations between the two countries. A provocative speech at the UN this week by Philippine Foreign Minister Ramos, apparently acting on instructions from President Marcos, caused the Malaysians to call off ministerial talks that had been set for next week in Tokyo. Chances for effective regional cooperation in Southeast Asia were further damaged this week when Singapore rejected Indonesian appeals and executed two Indonesian marines who had been picked up for sabotage during the confrontation period.

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VIETNAM

The low level of Communist military activity this week confirms previous indications that the enemy's so-called third offensive has ended. Both large-unit and, to a degree, guerrilla actions have tapered off as the ground fighting has settled into another of its periodic lulls.

There are, however, a number of developments that could presage a new round of enemy military activity in a few weeks. An increasing number of reports allude to an upcoming "Fourth Offensive" or a winter-spring campaign. Although there are some variations, most reports generally indicate that the enemy intends to open a new offensive phase in late October or early November to coincide with the US election. Most sources characterize the impending phase as consisting of spot attacks and feints against major cities, including Saigon, combined with a vigorous campaign of terror, sabotage, and hit-and-run guerrilla raids in the countryside.

At present, over 40 percent of the Communist main force combat units are rebuilding and refitting in base areas, border sanctuaries, and out-of-country havens. As this process is completed, most of the enemy units are likely to be recommitted to key sections of the country to participate in the annual winter-spring campaign. Some of these

combat forces may also be reassigned to new operating areas.

Enemy operations in any forthcoming offensives will probably be guided by the revised general strategy employed during the last phase, which began on 18 August. It has become increasingly apparent that the Communists modified their tactics in mid-summer. Compared with the Tet and May drives, they displayed greater flexibility in their choice of targets and in their commitment of troops. The recently concluded offensive was more along the lines of the traditional Communist seasonal campaign, in which an attempt is made to keep the pressure up for a fairly long time, but with limited objectives.

Any new country-wide offensive by the Communists may include at least a limited attack on Saigon. A series of recently captured documents reveals continuing efforts to stockpile arms and munitions near the capital.

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Meanwhile, Viet Cong guerrilla forces continue to harass allied outposts, terrorize local government officials, and cut many provincial roads and waterways. These forces also appear

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to be working closely with Communist political cadres in their continuing organizational work in the countryside.

Throughout most of South Vietnam's rural areas, these local Communist forces have been directing an intensive appeal to the populace for increased agricultural production in order to provide food for Viet Cong troops. This year, some enemy forces in sections of the South, particularly in northern I Corps, have faced relatively severe rice shortages, caused in large measure by bad weather.

Viet Cong guerrillas also are preparing a substantial effort to thwart the issuance of the new government identification cards.

[redacted] Viet Cong have been seizing villagers' present identification papers, including voting cards and family books. Elsewhere, in the delta province of Chuong Thien, the Viet Cong have forbidden the people to receive their new identification cards. In Bac Lieu, local Communist sappers have allegedly laid explosives at the sites designated for the exchanging of identification cards.

North Vietnam

Hanoi called home its highest ranking negotiator from Paris this week. Politburo member Le Duc Tho

left for Hanoi on 14 October and made a two-day stop in Moscow for consultations. North Vietnamese propaganda continues to reflect inflexible insistence on their basic demands in the Paris talks.

Hanoi is devoting increased attention to enhancing the status of the Liberation Front as a means of strengthening the claim that the Front must be granted a principal role in any negotiations for a political settlement. Efforts to expand the Front's quasi-diplomatic representation abroad were reflected in the arrival of personnel to open new information centers in Paris and Stockholm this week.

[redacted] Front offices are also scheduled to open this month in Tanzania and Syria. These moves have been accompanied by propaganda efforts to build up the Front as a functioning government in South Vietnam.

South Vietnamese Political Developments

During the past week, President Thieu and other South Vietnamese leaders have shown deep concern about the adverse political repercussions of the unsubstantiated coup rumors and the military alert of 8 to 10 October. The President still distrusts Vice President Ky and those around him, despite a lack of firm evidence that they have been actively engaged in coup plotting. For their part, Ky and marine commandant General Khang claim they realize that a coup now would be

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disastrous for South Vietnam's future. Old scores, Khang says, cannot be settled until after the Communists have been defeated.

The evidence seems to indicate that, aside from Ky, one of President Thieu's greatest concerns is the threat from members of the old Can Lao Party. Prior to the fall of the Diem regime in 1963, this secret group had penetrated other political parties, the military commands, and government agencies and ministries, and Thieu reportedly has a morbid fear that its former members still possess considerable capability to conspire against him.

Along with Ky and his colleagues, the Catholic members of the Can Lao are among the most vociferous anti-Communist Vietnamese, and it may have been with them in mind that Thieu publicly denied that he has been working for a coalition with the Communists at the behest of the US.

One view about recent events circulating among Catholics, as well as others, is that Thieu may have trumped up the coup alert as a pretext for eliminating opposition elements. This view was probably reinforced when it became known that Thieu had ordered the

secret arrest and brief detainment of six prominent Can Lao members.

In an attempt to fend off criticism of some of his moves, Thieu has allegedly claimed in private that he acted in response to American advice or pressure

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Publicly, the President has taken the line that the original coup rumors were trumped up by Communist provocateurs and others, and that the alert was a precautionary measure. At the same time, Thieu did his best to keep stories about the alert out of the Saigon press.

Meanwhile, Thieu and newly returned General Big Minh have apparently reached an understanding that Minh will act as a private, informal adviser. Minh clearly represents the widespread impression in South Vietnamese political circles that he is easily manipulated by others, and seems primarily concerned with demonstrating his independence from all groups. Accordingly, he is likely to avoid publicized contacts with Thieu, at least for the present.

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CHINESE COMMUNISTS BEGIN TO REBUILD PARTY

On 15 October, Peking radio broadcast an editorial published in the theoretical journal Red Flag which again stressed the importance of "party-building," but in terms so ambiguous that officials will have great difficulty drawing up any blueprint for action. This suggests that central leaders have not yet come to grips with underlying issues involved in reconstituting the party as a viable authority. No significant progress toward convening the long-postponed ninth party congress, which would formally dismiss chief of state Liu Shao-chi from his posts, has been observed.

The central problem is the question of personnel: who is to be recruited into the party, which old members of the party are to be given key posts, and which old members are to be demoted or forced out of the party altogether. The Red Flag editorial states that new party members will not be chosen by election. Presumably they will be selected by higher authorities, but there is as yet no indication that provincial authorities or lesser officials have been given a free hand. Such "recruitment"

as has taken place almost certainly represents efforts by local leaders to strengthen their own hands by bringing into the party their own supporters.

There is as yet no sign that an autonomous organizational party structure has been uniformly established in any province, although party units in a number of places seem to be performing some house-keeping functions, probably rather sporadically. The all-important party links between Peking and the provincial capitals still seem broken everywhere.

Many provincial governing bodies are composed of individuals who were in sharp political opposition earlier in the Cultural Revolution, and all sides are undoubtedly attempting to gain control over the embryo party structure. Until political disputes are unambiguously resolved both in Peking and in the provinces, little real progress in rebuilding an effective governing structure can be expected.

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MIDDLE EAST - AFRICA

The uneasy lull along the Arab-Israeli frontiers continues, with only minor firing incidents taking place during the past week. King Husayn has ordered a rigorous crack-down on the Palestinian terrorist groups and seems prepared for a major confrontation with them. The Voice of Fatah in Cairo has responded vociferously. Meanwhile, Arab reaction against the proposed sale of US Phantom aircraft to Israel continues to be strong.

Arms negotiations between the Arab states and the USSR appear to have culminated in a new series of agreements which could result in modernizing the Arab armed forces and expanding their weapons and equipment inventories somewhat beyond pre-war levels. Soviet activity elsewhere on the continent includes the current visit of a naval group to Morocco and increased arms shipments to the Nigerian federal government.

Since late September, Nigeria has made no significant progress in its push to capture the remaining Biafran-held positions, and the Biafrans are continuing to mount counterattacks. The arms airlift to Biafra from Gabon and Ivory Coast has continued. Secretary General Diallo Telli is attempting to reconvene the Organization of African Unity's committee on Nigeria, but the possibility of a negotiated settlement remains very slim.

Both Britain and Rhodesia took a more conciliatory tack toward negotiations in their recent talks, partly to avoid the onus of breaking them off, but there has been very little change in their terms for a settlement. The two sides remain far apart, particularly on constitutional safeguards for Africans.

In northeastern India and in Sikkim, recovery efforts continue in the wake of the violent storms of early October, which left hundreds dead and thousands homeless. One direct result of the disaster has been the postponement of state elections in West Bengal from November to next February. In Kashmir, tension appears to have increased following Sheikh Abdullah's inflammatory reaffirmation of his demand for a plebiscite to determine the state's future. Across the border in West Pakistan, rioting in Karachi, which began over student grievances, has rapidly developed antigovernment overtones, and the government has now closed schools and colleges in the city through the end of this month

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COMMUNISTS TO SUPPLY MORE ARMS TO ARAB STATES

A second round of arms negotiations between the USSR and the Arab states since last year's war appears to have culminated in a new series of agreements. The arms to be delivered under them will enable the Arab states to modernize their armed forces and to expand their inventories somewhat over prewar levels.

A new Soviet-Egyptian arms agreement was concluded during President Nasir's visits to Moscow this summer. It is believed to have taken into account a Soviet assessment of Egypt's military requirements through the early 1970s and to provide for deliveries over the next few years.

Syria's chief of staff led a delegation to Moscow in late July and apparently met with limited success. An arms deal of modest proportions was concluded, [redacted]

[redacted] A military delegation headed by Iraq's chief of staff completed a two-week visit to Moscow on 2 October. Although no details of the discussions are available, additional fighter aircraft, spare parts, and ammunition are high on Iraq's requirements list.

Soviet deliveries to the Middle East continue at the prewar rate, and have recently consisted mainly of support equipment such as vehicles and communications vans. No new major types of military equipment have been noted that were not in Arab hands or earmarked for delivery to them before the war a year ago last June.

Czechoslovakia, despite the Soviet occupation, continues to meet commitments under its arms sales contracts. Deliveries of L-29 jet trainers have recently been made to Egypt and Syria.

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MOROCCO STRENGTHENS RELATIONS WITH THE USSR

The Soviet naval visit to Casablanca from 15 to 20 October underlines the gradual warming of Morocco's relations with the Soviet Union. This improvement has come about despite the private apprehensions of many Moroccan officials regarding the expanding Soviet influence in Algeria and the western Mediterranean.

The visit, involving a missile cruiser and a destroyer plus two submarines, was solicited last June by the Soviets and was approved by King Hassan



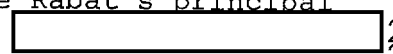
Following its initial approval, the visit was delayed a month, apparently as a Moroccan reaction to the Soviet invasion of Czechoslovakia, which officials privately and the press publicly denounced although the King and his government maintained official silence.

In mid-1966, the Moroccans took the initiative to improve relations with the USSR. They did this at a time when Moroccan relations with France had reached their nadir, when the US was cutting back on economic and military assistance, and when only inadequate aid could be found from other Western sources. In October of that year, King Hassan made a long-delayed state visit to Moscow where he signed scientific and economic agreements involving some \$43 million worth of aid projects which are just now getting under way.

The King has purchased some \$2 million worth of Soviet small arms for Morocco's auxiliary forces and was also offered transport aircraft. Subsequently, Morocco concluded a \$20-million arms deal with Czechoslovakia but declined a Bulgarian offer to develop an internal Moroccan air service. It likewise refused to permit the USSR to extend Aeroflot's Moscow-Rabat air service to Havana after permitting a number of trial flights over that route.

Other evidence of improved ties with Moscow includes the opening last June of a Soviet consulate in Casablanca, and the formation of a Soviet-Moroccan trade corporation in addition to the trade mission set up even before diplomatic relations were established a decade ago. The Moroccan Government has also permitted the proscribed Moroccan Communist Party, which maintained close contact with the Soviet Embassy, to emerge legally as the Party for Liberation and Socialism. Moreover, a five-year trade agreement signed last July has greatly expanded trade with the USSR. Morocco reportedly is pushing the sale of its citrus fruit to the USSR to such an extent that some sales have meant a financial loss and reduced operations by its own processing plants.

Moroccan officials see improved relations with Moscow as a hedge against the possibility of renewed hostilities by the Soviet-equipped and -advised Algerian Army, which continues to be Rabat's principal preoccupation.



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NASIR'S EGYPT MUDDLES ALONG

An air of quiet prevails in Cairo but President Nasir still has a number of persistent domestic problems to deal with.

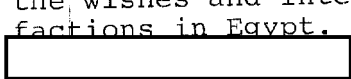
Reports of civilian and military discontent and of antiregime sentiment have been less frequent recently, although the basic unrest probably remains fairly widespread. There is little to suggest that Nasir has lost his grip on the governing apparatus, and no single focus of opposition has yet emerged.



Egypt's universities and secondary schools opened in early October with no recurrence of the student demonstrations that troubled the regime in February. The reforms Nasir instituted in the wake

of the February unrest do not appear to have met the student's demands for greater political freedoms, however, and the regime is surely alert for signs of further trouble from this group.

The restructuring of the Arab Socialist Union (ASU), part of the program of political change that Nasir announced on 30 March, is nearly complete, but the ASU--Egypt's only legal political organization--does not appear to have changed radically. Much of the old leadership has emerged at the top of the "new" ASU, and final authority appears to remain with Nasir. The ten-man "Higher Executive Committee" has yet to be formed, however, and Nasir may encounter some difficulty in selecting members who will satisfy the wishes and interests of all the factions in Egypt.



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EGYPTIAN OIL INDUSTRY RECOVERS FROM WAR LOSSES

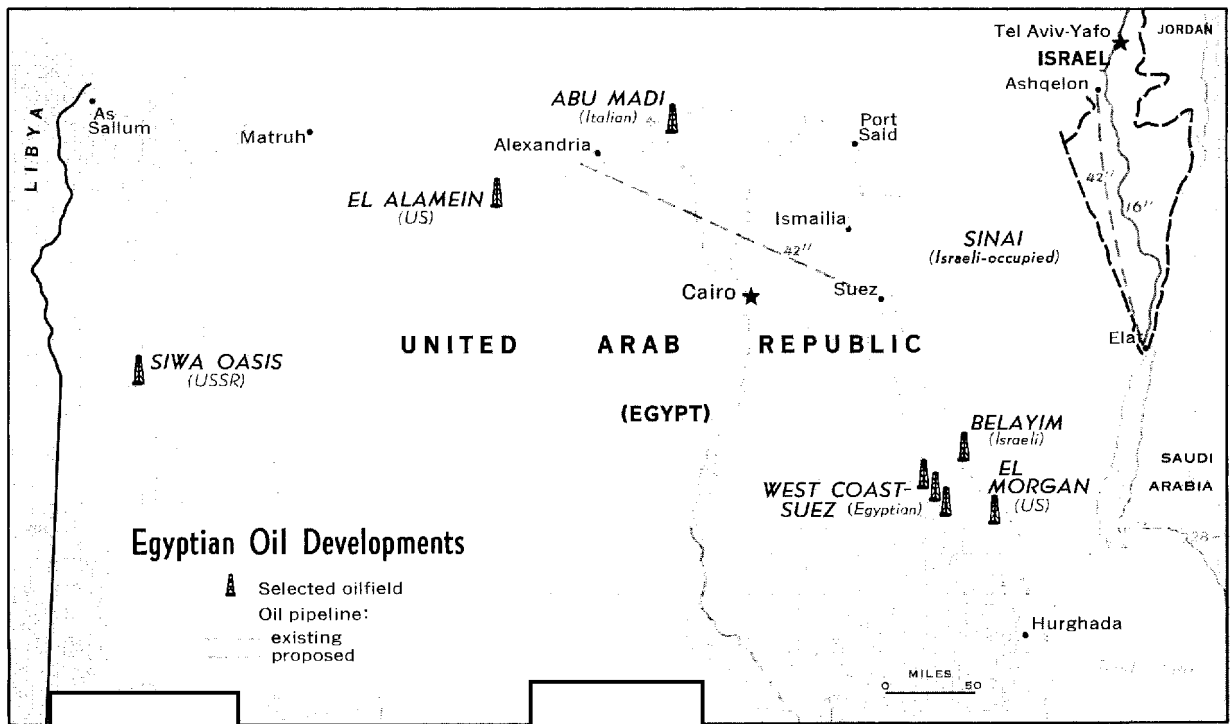
The Egyptian petroleum industry has made a remarkable comeback from the blows it suffered last year, and is making vigorous efforts to expand production still further.

Despite Israeli seizure of the Sinai oilfields, crude oil production elsewhere in Egypt now surpasses the annual rate of 5.5 million tons achieved before mid-1967. The Suez refineries, shelled by the Israelis last October, have been restored to nearly 80 percent of their capacity. Egypt's major producing field, El Morgan, as well as the Suez refineries, remain vulnerable to Israeli harassment, however.

Largely through the efforts of US oil companies, crude oil production is expected to reach an annual rate of over 10 million tons by the end of this year. During 1968, 3.5 million tons probably will be exported, yielding about \$33 million in foreign exchange. This will be partly offset by Egyptian imports of over 1 million tons of crude oil, almost all from the USSR, for the Alexandria refinery. Production at the oilfields at El Alamein began in August, however, and is scheduled to rise to 50,000 barrels per day by the end of the year, so that such imports will not be necessary in 1969.

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Egypt, increasingly pinning its hopes on oil as a potential foreign exchange earner, is actively negotiating new oil exploration concessions with Western oil companies. Firms from Japan, Denmark, and France have expressed interest, and Italy's state-owned ENI, which recently discovered natural gas deposits in the Nile delta, is planning to step up its activities. The USSR also is moving ahead with plans to help Egypt develop its petroleum industry.

Soviet experts under contract to the Egyptian General Petroleum Company have started an aerial survey of the Siwa Oasis in Egypt's western desert, to be followed by a seismic and geological survey. An exploratory drilling program is scheduled to begin in December.

A proposal to construct a 42-inch oil pipeline linking the Mediterranean and the Gulf of Suez has been resurrected, primarily because of the closure of the Suez

Canal and the accelerated shift to mammoth tankers unsuited to canal transits. The pipeline is to have an initial annual capacity of 50 million tons--about a quarter of the amount that transited the canal in 1966--with the possibility of adding lines to carry a total of 200 million.

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Israel, meanwhile, is moving ahead with construction of its 42-inch oil pipeline from Eilat to the Mediterranean. Completion of the first stage, planned for mid-1969, will give this pipeline an annual capacity of about 20 million tons. Completion of the second stage would raise the capacity to between 50 million and 60 million tons annually.

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SENEGAL FACES CONTINUED UNREST

President Senghor's capitulation last month to the demands of dissident students should avert another major domestic crisis this fall, but could prompt further demands from other disenfranchised elements of Senegalese society. Senghor, whose traditional base of support may be eroding, will find it difficult to cope with further challenges to his government, which is plagued by serious economic problems.

After last spring's student and labor strikes, Senghor concentrated on mending his fences with the labor movement while refusing to negotiate with the radical Dakar University student group that had fomented the disturbances. In June, he announced that the largely French-funded and -administered university, which had been shut down during the disorders, would remain closed for a year so that "Africanization" could be accomplished.

Continued student agitation, new expressions of support for student demands from labor leaders, and pressure from the French forced Senghor to back away gradually from his position. Last month he concluded an agreement with leaders of the radical student group that satisfied all major student demands, including the reopening of almost the entire

university. For their part, the students agreed to call off strikes threatened for this fall.

Senghor's climb-down, in addition to further damaging his prestige, may well have cleared the way for other groups to make demands on his government. The national labor union is the most likely claimant, especially as the wage increase granted last June will probably be neutralized in the near future by anticipated increases in Senegal's already high cost of living. The union still has a list of demands outstanding since last May, and labor leaders, already aroused by Senghor's recent attempts to counter their influence, will be reluctant to abandon their new-found and demonstrably effective militancy.

Senghor will have to deal with challenges from these increasingly dissatisfied urban elements amid indications that his traditional support is eroding. There have been, for instance, frequent reports of developing peasant unrest over declining rural income. The newly installed leader of the major Muslim brotherhood--which largely controls vital peanut production, and has been the single most important organizational backer of Senghor--has been only lukewarm in his support of the President.

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Senghor has tried unsuccessfully to instill new vitality into his party organization, which was remarkably ineffective in coping with the crisis last spring. In the event of further disorders, Senghor might be forced to rely solely on the army for domestic support. Although the army presumably still is loyal to the President, sentiment is said to be growing within its ranks for large-scale reforms of Senegal's social and institutional structure.

Senghor's ability to undertake the necessary reforms will be impaired by lack of government revenue. The national budget has been strained already by the costs of the recent crisis and by declining revenues from peanuts, the country's major export. This year's peanut crop will be mediocre at best, and available funds will be further reduced by the expected decrease in French financial assistance. [REDACTED]

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WESTERN HEMISPHERE

Most of the attention in Latin America this week was focused on Panama, where the National Guard deposed President Arias on 11 October after only eleven days in office. The Panamanian coup followed by eight days the military ouster of Peruvian President Belaunde. The military government of Peru is now firmly in control and apparently intends to retain power for a long time.

Latin American students were generally quiet for the first time in several weeks. So far, the Mexican students have kept their promise of no violence during the Olympic Games. The only significant student activity took place in Brazil where demonstrations were held to protest the arrest of more than 700 delegates to the 30th congress of the illegal National Students Association.

There are an increasing number of rumors and reports from Venezuela that efforts will be made to disrupt the national elections scheduled for 1 December. The discovery of a guerrilla sabotage camp near the Puerto Cabello Naval Base has aroused military fears that the base may be a target for pre-election sabotage. Assassination attempts against presidential candidates Rafael Caldera and Miguel Burelli are also reportedly being planned.

In the Dominican Republic, political maneuvering in anticipation of the presidential election in May 1970 may end the relative political calm that has existed in that country for several months. Final political alignments will depend on whether President Balaguer decides to run and, if not, whom he will back. He will probably withhold his decision as long as possible, thus adding to political uncertainty and perhaps unsettling the military.

Argentina is seriously considering the purchase of as many as 16 French Mirage supersonic fighter aircraft as replacements for its obsolete US and British planes.

Prime Minister Burnham's coalition government in Guyana is near the point of breaking up over a dispute involving a proposed electoral law. The junior coalition party is opposed to the legislation, and Burnham has said he will dismiss all its cabinet ministers unless they change their stand and support him. Burnham is probably taking such an uncompromising attitude now because he plans to dissolve parliament next month in preparation for national elections in December.

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PANAMANIAN MILITARY TOPPLES ARIAS GOVERNMENT

A group of "young turks" in the National Guard last Friday ousted the 11-day-old government of Arnulfo Arias and installed a military junta.

The take-over, led by Colonels Torrijos and Martinez, was triggered by Arias' moves to reorganize the guard and transfer a number of its key personnel. Since the coup, the junta government claims to have uncovered evidence that Arias intended to dismiss some of the senior officers whom he had already relegated to lesser posts.

General Vallarino, the former first commandant, had resigned earlier in the day and apparently was not involved in the plot, although he admitted afterward that

he was not in disagreement with the action taken by his former subordinates.

The coup leaders persuaded Vallarino's former deputies, Colonels Pinilla and Urrutia, to head the new junta government, and have stated publicly that they intend to retain power until "order and respect for laws and the constitution" are restored. Members of the new government have indicated that new elections will be called, possibly in a year or less "if conditions permit," but no date has been set.

The coup ringleaders appeared to have their move well planned and coordinated. Troops quickly seized control of major



Col. Jose M.
Pinilla

Leader of
military
junta



Former
President

Arnulfo
Arias

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government installations and closed pro-Arias newspapers and radio stations--a move that gave the military leaders an added advantage because news of their undertaking leaked out slowly.

Arias, evidently caught by surprise, fled to the Canal Zone along with his cabinet and some loyal military aides. Despite restrictions against political activity in the zone, Arias used his sanctuary to issue calls for an armed uprising through leaflets and clandestine radiobroadcasts. His hopes for a general strike and widespread opposition did not materialize, however, and

[redacted] members of his coalition and even close political collaborators seem ready to desert him.

Much of the speculation on the next step by the junta now appears to concern the problem of foreign recognition and a return to constitutionality. The guard leaders are probably willing to have some of Arias' coalition parties represented in the new government and may accept Arias' first vice president, Raul Arango, as president once Arias can be persuaded to leave

the zone and go into exile. Arango, influential politicians from many parties, and top junta officials are reportedly receptive to such a "constitutional solution." Arango is not a particularly strong personality, but is unlikely to be offensive to most of the military or to the country's wealthy elite, whom he represents.

Thus far, opposition to the junta has come primarily from Panama's militant students--dominated and led by Communists--and some scattered activists of Arias' own Panamenista Party. These elements, however, have been unable to incite serious disturbances, and have done little more than engage in harassing resistance tactics. The guard, for its part, has acted with restraint to avoid touching off serious rioting. Although Communist elements can be expected to exploit antimilitarist sentiment, it is not anticipated that they could marshal enough support to pose a major threat to the government at this time. Indeed, a quick return to civilian government would probably reduce their chances for any significant support. [redacted]

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BRAZILIAN GOVERNMENT BREAKS UP STUDENT UNION CONGRESS

The Brazilian Government has succeeded in disbanding the 30th congress of the illegal National Students' Union (UNE). On the night of 11-12 October, police authorities--alerted by the presence of cars carrying armed students--peacefully arrested 700 to 1,000 student delegates at a small town approximately 45 miles west of Sao Paulo. Those detained included UNE president Luis Travassos, UNE vice presidents Jose Arantes and Edson Soares, and Rio de Janeiro student leader Vladimir Palmeira. The arrested students were taken to Sao Paulo, where the police intend to conduct a thorough investigation to determine what charges can be placed against them.

Despite the fact that it has been forced to operate clandestinely since it was banned by the government of former president Humberto Castello Branco in 1964, the UNE has remained the dominant student organization and probably commands at least the tacit support of most Brazilian students. Recently, however, it has suffered from disagreements among key leaders on questions of tactics and policy. The struggle at the national level appears to be between a group composed in part of students sympathetic to Communism as well as others of no fixed political orientation, and the even more militant Popular Action (AP) group which won control of the UNE at the 1967 congress.

The basic difference between the two groups appears to be more a matter of degree than of substance. AP militants advocate broadening student protests to include national

and international issues as well as legitimate educational complaints, and have rejected outright all government attempts to discuss student issues.

This same split between radicals and extreme radicals exists in at least some of the UNE's subordinate state organizations. In Sao Paulo, for example, two groups are contesting for control of the student movement. Although they manage to cooperate on some issues, they also waste much time and energy fighting each other instead of the government. The leader of the more militant group, in which the AP dominates, is Catarina Melloni; the head of the rival organization is Jose Dirceu, one of the prime candidates for the UNE presidency.

Although the police round-up did net some of the AP-oriented delegates to the congress, Catarina Melloni and an undetermined number of other AP students were in dormitories at Sao Paulo University at the time and thus escaped arrest. She charged that Dirceu and some of his followers, who had organized the congress, had withheld its location from the AP delegates in order to keep them from voting for their candidates for the top UNE posts. Following the arrest of most of the top Sao Paulo student leaders--including Dirceu--at the congress Catarina Melloni and other AP militants reportedly attempted to seize control of the leftist Sao Paulo student movement but this move apparently was blocked by Dirceu's followers.

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The arrest of most of the top UNE leaders constitutes an extremely serious blow to the leftist student movement--a major thorn in the side of the Costa e Silva government. Some of the jailed leaders, however, had exercised a somewhat restraining influence over the more militant student activists--particularly the AP members and sympathizers,

who may now be free to step up the militancy of the student movement.

Demonstrations protesting the arrest of the UNE delegates have taken place in several cities, principally in the chronically tense northeast, and students in other areas are meeting to decide their future course of action.

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PERUVIAN MILITARY GOVERNMENT CONSOLIDATES POSITION

The military regime that took over in Peru after the coup on 3 October is now firmly established and is beginning to turn its attention toward running the country.

The military apparently intends to remain in power until the "revolutionary government" has accomplished its objectives. At the same time, it is trying to undercut political opposition by calling for a national referendum that will "let the people decide if they want elections under the present constitution or under a new one." Initial reaction to this proposal is divided between those who believe it represents a first move toward political normalization and those who see it as a strategy designed to postpone general elections.

President Velasco also appears to be trying to neutralize a potential source of trouble,

the labor confederation led by APRA, Peru's major political party. The new labor minister had threatened to recognize the Communist labor confederation if the APRA group did not cease its attacks on the government and drop demands for a general wage increase. An accommodation seems to have been reached on 10 October.

The nationalization of the International Petroleum Company's holdings has gained the approval of all major political groups and has generated wide popular support for the government, but its long-range political and economic effects may prove costly. If just compensation is not made, Peru stands to lose US economic aid and its sugar quota. Moreover, much-needed new foreign investment is likely to be delayed, despite the government's assurances to other large companies that their operations will be "scrupulously respected."

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DOMINICANS BEGIN TO FOCUS ON 1970 ELECTIONS

Political maneuvering in anticipation of the Dominican presidential elections slated for May 1970 is beginning to fill the vacuum created by the drift and stagnation of the Balaguer administration.

President Balaguer's own intentions regarding 1970 are unclear, although there have been tentative signs that he is considering running again. The government, for example, has recently appeared to be currying labor's favor by adopting a somewhat more flexible and responsive attitude toward its grievances.

Balaguer is aware that an early decision to run again would produce strong opposition from a broad spectrum of Dominican politicians. Similarly, an early announcement of his retirement could lead to a loss of political control. For these reasons, Balaguer seems likely to mask his intentions as long as possible. In an apparent effort to speed his decision and gain his favor, some of the President's partisans are already calling for his re-election. If Balaguer decides to stay out of the race, some of his supporters are likely to swing over to the very conservative vice president, Francisco Augusto Lora.

Hector Garcia Godoy, former provisional president and current ambassador to the US, is attempting to organize a moderate "movement of national unity" behind

his own candidacy. A moderate former leader of the left-of-center Dominican Revolutionary Party (PRD) is heading the drive, and Garcia Godoy has privately requested the support of the small but growing Social Christian party. The creation of an effective moderate coalition, however, will face many obstacles. Some Social Christians, for example, believe their party should present its own candidate.

The PRD's electoral intentions are unclear and seem likely to turn on the frequently capricious wishes of party elder statesmen Juan Bosch, who has said he will return from his self-imposed European exile late this year or early next. Many Dominican politicians doubt that Bosch will run again, and one prominent PRD leader has already come out against his candidacy. In the meantime, the PRD is trying to exploit labor discontent against the Santo Domingo municipal government in order to retain popular support for future politicking.

On the conservative side of the political spectrum, exiled General Wessin's Democratic Quisqueyan Party (PQD) continues to agitate for the return of its leader, who has indicated he will enter the 1970 contest. President Balaguer is once again talking of permitting Wessin's return--perhaps late this year. Balaguer believes that Wessin's political acumen is limited and that he will rapidly alienate his right-wing

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supporters through political blunders once he is back.

As the electoral picture become clearer, it seems likely that latent conflicts among the

parties and candidates will surface. The campaign may also place strains on the military, which presently appears relatively united behind Balaguer.

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THE BAHAMAS GAIN ADDITIONAL AUTONOMY

The Bahamas has gained significant additional autonomy from Britain and has taken an important step toward eventual independence. Government leader Lynden Pindling--who now assumes the title of prime minister--won almost all the concessions he was seeking during a recently concluded constitutional conference in London.

The most significant gain for the Bahamas was responsibility for internal security, including control of the police. Although the British-appointed governor will retain "ultimate authority" over internal security, the Bahamians believe he will use this power only in the event of a major crisis.

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Pindling apparently hopes that local responsibility for internal security will lead to more effective control of Haitian and Cuban exiles, and will discourage the illegal influx of Haitian refugees seeking economic opportunities. His government is trying to buy patrol boats in the US for use in preventing illegal activities.

Under the new constitution worked out in London, the Bahamas has authority to negotiate foreign trade, labor, and cultural agreements. Although the British retain responsibility for defense and other external affairs, they will consult with the Bahamas on these matters. Other constitutional changes ensure that a majority of the Senate will be responsive to the elected government. The present governor, who was appointed last July to replace the very unpopular Governor Gray, apparently intends to be more of a diplomatic representative of Britain than a colonial ruler.

In separate but related negotiations, the British guaranteed 90 percent of the Bahamas' sterling reserves against possible further devaluation. In return, the Bahamas will keep 80 percent of its reserves in sterling.

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Pindling was enthusiastically greeted on his return from London, and his successful conduct of the negotiations appears to have strengthened his political position. He apparently intends to move for full independence within the next few years as his government gains additional experience and competence.

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