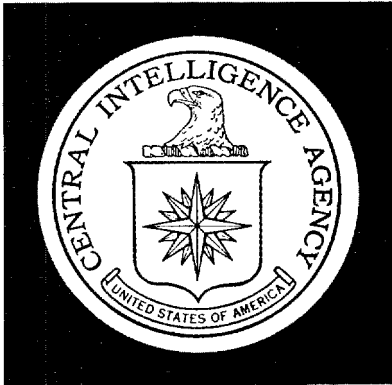


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State, DIA, USAID reviews completed

Secret

44

14 February 1969
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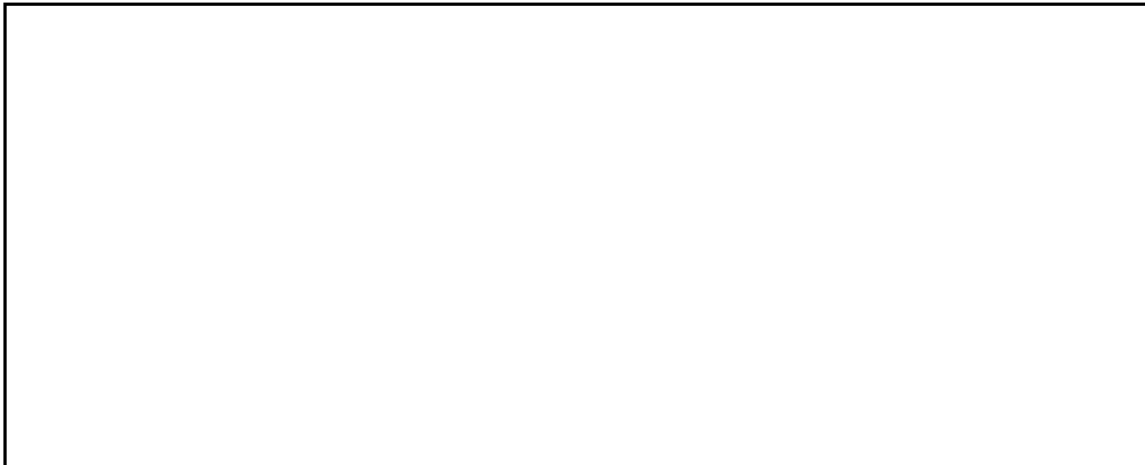
The public reappearance of Soviet Premier Kosygin last week has not entirely dispelled the uncertainty that built up over the past month concerning the stability of the collective leadership, and there is some evidence that the senior leaders are coming under pressure from aspiring younger men within the politburo and at the central committee level.

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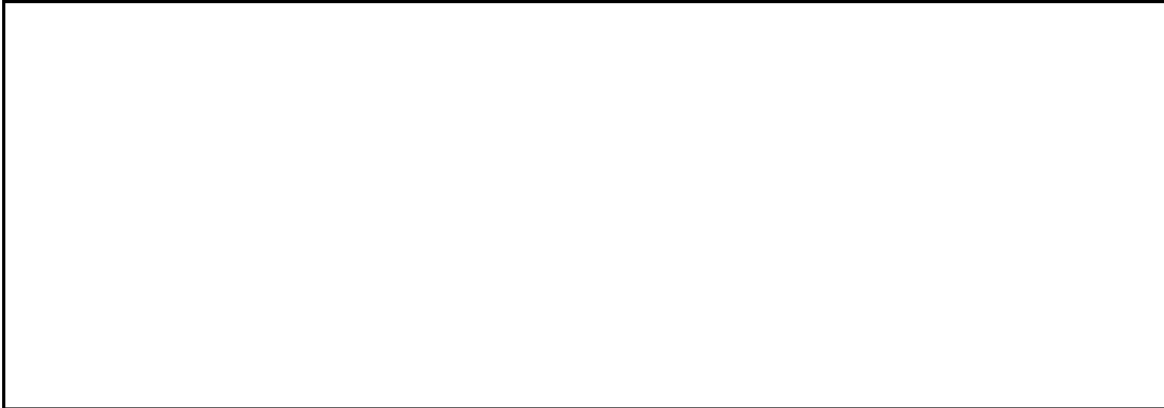
On 2 March, three fifths of the Senate and the entire Chamber of Deputies will be elected. The results will have an important influence on the development of the campaign for the presidential election in 1970.

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SOVIET-CUBAN ECONOMIC RELATIONS REMAIN STABLE

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Another year of relatively unchanged Soviet economic support to Havana is assured by the signature on 7 February of the Soviet-Cuban trade protocol for 1969.



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FAR EAST

Le Duc Tho, North Vietnam's top negotiator, left Paris this week for his third trip to Hanoi since he joined the North Vietnamese team in Paris last June. He will presumably participate in another review of strategy during his stay in Hanoi.

Both the Liberation Front and the North Vietnamese stuck to the usual propaganda formulations during the formal sessions in Paris on 6 February. The Front's chief negotiator, however, used an interview on 3 February to present a softer version of the Front's rigid formal position.

Military action continued at a steady but unspectacular pace amid persistent indications that the Communists are getting set for another offensive, the timing of which remains unclear.

In conjunction with their planned military operations, the Communists have been trying to exploit the Buddhists and other legal groups in South Vietnam. They apparently hope to inspire popular demonstrations aimed at discrediting the government and encouraging demands for change.

A month-long barrage of anti-American propaganda from Peking suggests that the Chinese do not expect much real business to be transacted at the Sino-US meeting in Warsaw next week. China's move to resume diplomatic contact with the US after a year's hiatus may, however, have helped open new diplomatic opportunities for Peking elsewhere.

In Laos, the government is making a last effort to break the enemy siege of the important southern base at Thateng. The initial phase of the relief operation appeared successful, but the longer term outlook for the heavily outnumbered garrison does not appear bright. Elsewhere in the country, the military situation remains generally quiet.

Although the government party did not win a majority this week in Thailand's first legislative elections in ten years, it will have enough support from independent legislators to control the lower house. Real authority in the country continues to rest with the military leadership.

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VIETNAM

Le Duc Tho, North Vietnam's top negotiator, left Paris on 10 February for his third trip home since he joined Hanoi's team in Paris last June. He is expected to arrive in Hanoi late this week after brief stopovers in Moscow and Peking. On each of his previous trips, in late June and mid-October, Tho remained in North Vietnam for about five weeks. His visit may be the occasion for another of Hanoi's periodic reviews of strategy, including military action in South Vietnam.

Both the Liberation Front and the North Vietnamese generally stuck to the usual propaganda formulations during the formal sessions in Paris on 6 February. Tran Buu Kiem, the Liberation Front's chief negotiator, used an interview on 3 February to present a softer version of the Front's rigid formal position. He claimed his harsh language during the official meetings was intended for publicity, but that the Front actually was realistic and flexible. Kiem contended the Front is not opposed to early considerations of military questions, but that political issues must be treated as well.

Meanwhile, North Vietnam's press is devoting a great deal of attention to the state of affairs inside the country. Recent articles and broadcasts have reflected strong regime dissatisfaction with the performance of key segments of the population, including the party,

labor, youth, the army, some engaged in agriculture and, particularly, leadership cadre. Although there are signs that many North Vietnamese doubt the war is going as well as Communist propaganda claims, there are no indications that these internal problems are getting out of hand.

Military Situation in South Vietnam

Military activity continued at a steady but unspectacular pace this week amid persistent indications that the Communists are getting set for another offensive. A number of small ground battles took place along the southwestern approaches to Da Nang, in the provinces northwest of Saigon, and at scattered points in the delta. The Communists also shelled five provincial capitals, although for the most part the firing was directed at military installations in and around the towns. In Saigon, stepped-up terrorism continued, with the enemy making a particular effort to harass Civilian Self-Defense Forces, the groups of citizens who have been partially armed and trained to bolster local security. In the critical Saigon - III Corps region, there are numerous signs that enemy units are preparing for battle.

Six prisoners and defectors brought in from separate engagements in III Corps in recent days have reported that the Communist 88th, 101st, and Dong Nai regiments,

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elements of the Viet Cong 9th Division, and several other separate battalions have been ordered to take part in an attack on Saigon. Four of the reports are at least partially supported by evidence in captured documents.

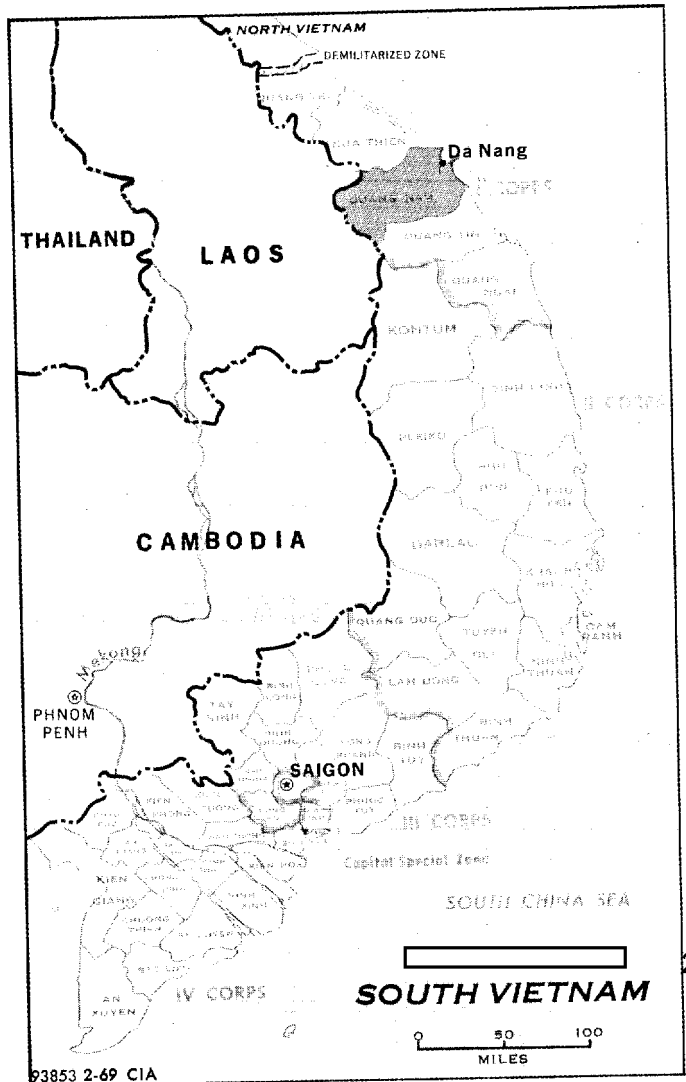
To the north in Quang Nam Province, which ranks second only to the III Corps provinces in terms of available enemy combat strength, four more prisoners have reported that the Communists are still preparing for another thrust at Da Nang.

Despite the large number of such indicators, the enemy's timetable is not yet clear. Major attacks have been forecast to occur before, during, and after the Tet holiday (17-19 February). If the Communists do make their move in the near future, the offensive will most likely consist of widespread shellings accompanied by sapper attacks in urban areas and probably main force assaults in the outlying III Corps provinces and Quang Nam. Should the Communists be willing to take extremely heavy losses, main force attacks of major proportion could take place.

Regardless of the enemy's timetable, it is clear that the Communists are trying to exert maximum psychological pressure. Throughout the country, numerous low-level informants and enemy propaganda statements warn of upcoming attacks. These include a number of reports of enemy units celebrating Tet early in order to be ready to take part in an offensive during the holiday period.

South Vietnamese Political Developments

In conjunction with their planned military operations, the Communists apparently hope to inspire popular demonstrations aimed at discrediting the government and encouraging demands for major changes. Because the efforts of the militant Buddhists to mount a peace agitation campaign fit well with the Communists' proposals for a "peace cabinet," they are trying to exploit the Buddhists and



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other legal groups. The Communists have apparently had some success in penetrating the militant Buddhists as well as some labor, student, and intellectual organizations.

The inclusion of Liberation Front representatives in the Paris talks has made the peace issue a prominent one in South Vietnam. Even elements of the strongly anti-Communist VNQDD Party have now openly voiced a willingness to compete in a "political struggle" with the Communists "if that is necessary for peace."

The South Vietnamese Government is becoming increasingly sensitive to any agitation over the peace issue and in particular to calls for a change in leadership in order to hasten an accommodation with the Communists. As a result of this sensitivity, the government recently issued a warning to militant Buddhist leader Thich Thien Minh to stop his agitation for peace. It has also

arrested a few minor political figures who were planning peace demonstrations, and it has forced some newspapers to suspend publication.

The government is nevertheless trying to achieve a fine balance as it acts to keep antigovernment agitation within tolerable bounds. President Thieu and Prime Minister Huong clearly want to intimidate peace agitators and other critics in order to prevent them from becoming a serious embarrassment at home or in Paris. At the same time, however, they hope to avoid harsh measures that would be regarded as overly repressive in the world press or interpreted as reflecting a lack of confidence in the government's stability, possibly sparking a full-blown confrontation. Thieu, in particular, seems to want to convey an impression of a confident, stable government dealing firmly but fairly with the militant Buddhists and other agitation groups.

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MILITARY TRIES TO BREAK SIEGE IN SOUTH LAOS

The government is making a last effort to break the enemy siege at Thateng in the south, while elsewhere the military situation remains generally quiet.

Under cover of unusually heavy US air strikes, a company of government relief troops and vital supplies moved by helicopter on 11 February to a defensive position overlooking the Thateng garrison. At the same time, a number of friendly guerrilla teams were moving overland to harass Communist forces. Although the initial phase of the operation appeared successful, the outlook for the heavily outnumbered government relief force and garrison does not appear bright. There are four or more North Vietnamese battalions in the area.

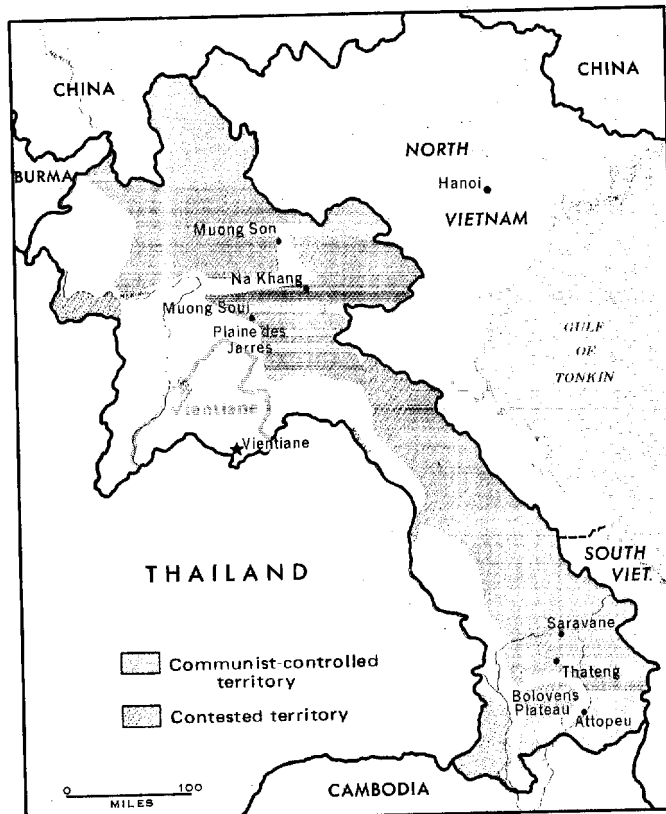
In north Laos, Communist terrorists on 10 February killed one US military attaché and wounded another during an attack at Muong Soui. This is the second raid in ten months against Americans at this post. There is no evidence that the raid presages any concerted enemy effort against government forces there.

Communist forces farther north are attempting to clear the remaining elements of a government force that moved into the Muong Son area last summer. Presumably, the enemy is concentrating on these isolated troops

before turning its attention to the more important guerrilla base at Na Khang.

Pathet Lao harassing activities in Vientiane Province have increased in recent weeks in an apparent attempt to demonstrate the government's inability to provide security in this important area. There have been, however, no indications of large-scale enemy movements into the province.

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LITTLE MOVEMENT LIKELY AT NEXT WEEK'S SINO-US MEETING

Peking has set the stage for next Thursday's Sino-US meeting at Warsaw with a month-long barrage of anti-American propaganda and a series of bitter attacks on the President. Although the Chinese apparently do not expect much real business to be transacted in Warsaw, the resumption of the talks may have helped open new diplomatic opportunities for Peking elsewhere. China's move to resume diplomatic contact with the US after a year's hiatus has been widely interpreted abroad as evidence of new Chinese moderation and willingness to work with the West, and this may have been a factor in the timing of Rome's and Ottawa's recent decisions to recognize Communist China.

Peking's failure to return its ambassador to Poland for next week's meeting indicates that the Chinese do not expect much progress. The ambassador was recalled in the summer of 1967--presumably for "revolutionary" reindoctrination, as were most other senior Chinese diplomats--and has never returned to his post. Liao Ho-shu, Peking's former chargé in the Hague, believes that the Chinese will use the meeting to reiterate their propaganda attacks against the new US administration and to protest its granting of political asylum to Liao.

On 7 February, the Canadian Embassy in Stockholm contacted the Chinese Embassy to arrange a mu-

tually acceptable time and place to discuss recognition. The Italians, on the other hand, have been content to await Peking's reaction to Foreign Minister Nenni's recognition announcement of 24 January, and have not sought any direct contact with the Chinese. The Belgians, who have consulted with the Canadians and Italians on the Chinese question in the past, have said that they will rethink their policy. In addition, both West Germany and Luxembourg are apparently reconsidering their China policies.

Although the Chinese no doubt welcome these developments, Peking has thus far shown no public or private reaction. In fact, continuing Cultural Revolution turmoil and political uncertainty in Peking seem to mitigate against a rapid or imaginative Chinese response to such Western overtures.

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Although the decision on recognition will be made on levels higher than the Foreign Ministry, the actual establishment of diplomatic relations could be difficult and slow, especially if the countries involved make an initial attempt to preserve some form of political relationship with Taiwan.

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EUROPE

Moscow came under an unusual amount of sniping from its "friends" this week. An apparent new assertiveness came through in the public remarks of Rumania's Ceausescu. Several Czechoslovak leaders defended liberalizing measures in their country with vigor, and at the Italian Communist Party Congress, a number of speakers took pot shots at the invasion of Czechoslovakia.

By and large, Moscow sat and took it, for a variety of possible reasons: differences within the leadership, attention to larger East-West issues, and the desire not to rock the international Communist boat prior to the world Communist conference in May.

Among the East-West issues on the Soviet mind was the Middle East. Bilateral talks among the four powers got under way in New York, but the resolution of substantive differences—even among the four—seemed a long way off.

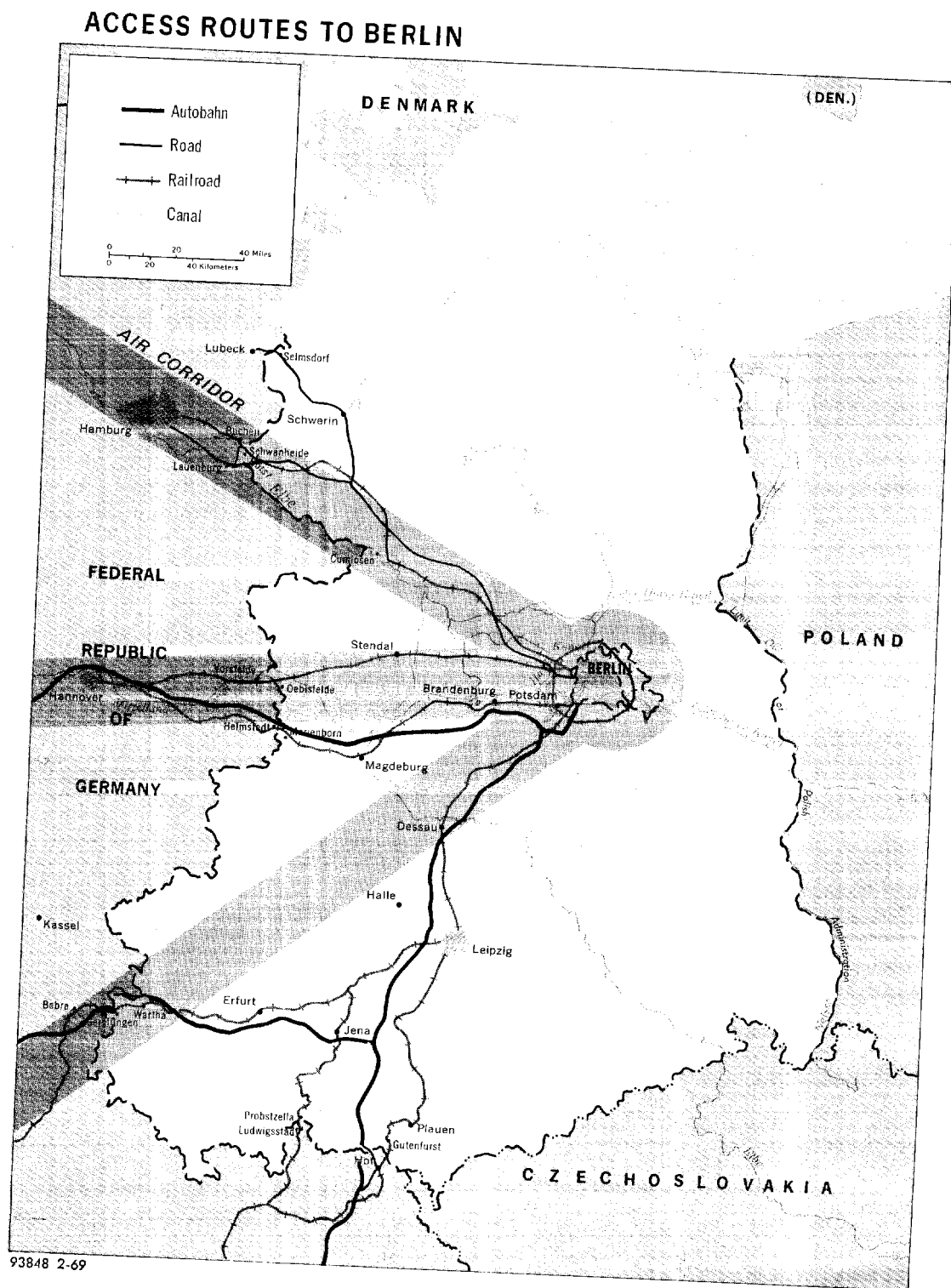
Reacting to the West German Federal Assembly meeting set for 5 March in Berlin, the East Germans came up with new restrictions on travel to West Berlin by West German officials. Even before these went into effect, they began to harass West German traffic from Berlin. Some intensification of pressures, but probably well short of a blockade or infringing on Allied rights, can be expected in coming weeks.

Bonn officials tend to view the East German decree as simply another attempt to demonstrate East Germany's opposition to holding the Federal Assembly in West Berlin rather than as a preliminary to further moves against the city. The West Germans doubt that the decree will actually impede the gathering of presidential electors on 5 March.

Hungarian party chief Kadar's visit to Moscow seems to have been little more than another round in what may be a new series of bilateral discussions between the USSR and its fickle neighbors. Finnish Foreign Minister Karjalainen will try to ease Soviet apprehensions on his trip to Moscow next week. The Finns do not seem to have been much shaken by the Pravda article on 7 February alleging a re-emergence of reactionary forces in Finland hostile to Moscow.

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EAST GERMANS RESTRICT BERLIN ACCESS

To give meaning to their contention that the scheduled meeting in West Berlin on 5 March of the West German Federal Assembly is "illegal" and a "provocation," the East Germans this week imposed new restrictions on travel to West Berlin by West German officials. Pankow has already begun a very limited harassment of West German access to the city and has stepped up its propaganda; it may take other actions--such as holding military exercises--to increase tension.

Pankow announced on 8 February that effective 15 February the 1,036 members and the staff workers of the Federal Assembly--which will elect the new president--will not be permitted to travel through East German territory. The East Germans also proscribed the transport of "working materials" for the assembly as well as travel by members of the Bundestag defense committee and all members of the armed forces. The decree will remain in force "until further notice."

The new ban in itself will have little practical effect as it only supplements existing decrees and laws that already restrict the passage of various categories of persons and goods. West German officials usually fly to Berlin in any case and there have been no indications that Moscow intends to let the East Germans harass flights and risk a confrontation with the Allies. The ban on the defense committee and armed forces is gratuitous and was probably included for propaganda effect. Bonn had already decided not to hold defense committee meetings in Berlin, and Allied regulations prohibit the presence in the city of uniformed mem-

bers of the West German armed forces. Moreover, by slowing down passenger traffic from Berlin to the Federal Republic, beginning on 9 February, Pankow itself demonstrated that it does not need its latest ban but can use already existing decrees to justify minor harassments.

The East Germans doubtless coordinated their moves in advance with the USSR. Moscow registered its public approval in a Pravda article on 10 February, stating that the West German attempt to hold the assembly in Berlin "is meeting a deserved rebuff."

Moscow has been using a carrot-and-stick approach with Bonn in discussing the scheduled meeting. Soviet diplomats were still trying, as late as 7 February, to strike a "bargain" on other issues in an effort to influence West German officials to change the site. Bonn's announcement on 12 February that it intended to go ahead presumably will put an end to these Soviet efforts.

West German officials have indicated that the government may call a special meeting of the East and West German trade negotiators to deliver a low-key warning that Bonn is "determined" to resist hindrances to Berlin access. The West Germans are likely to avoid any hint of a trade cutback, however, and other countermeasures being considered will have little or no effect should the East Germans decide to increase tension further. Nevertheless, Pankow will be limited in what it can do by Soviet wishes, and Moscow has thus far indicated that it does not want to create a new Berlin crisis.

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SOME INTERNAL STRAINS EVIDENT IN SOVIET HIERARCHY

The public reappearance of Premier Kosygin last week has not entirely dispelled the recent uncertainty concerning the stability of the collective leadership, and there is some evidence that the senior leaders are coming under pressure from aspiring younger men within the politburo and at the central committee level.

There is no lack of difficult issues--the stuff of political dispute--facing the Soviet leaders. These include disappointing figures on the 1968 industrial growth rates, the need to assess the new US administration, and the continuing lack of "discipline" in East Europe and throughout the world Communist movement.

Signs of drift have been particularly marked in Soviet policy toward Eastern Europe. Much of the steam has gone out of Moscow's post-Czechoslovakia drive to enforce greater regimentation. CEMA and Warsaw Pact "summit" meetings--presumably to put the stamp of approval on new integration measures--have not been held and do not appear imminent. Bucharest appears to be successfully stalling in the face of Soviet pressure for Warsaw Pact maneuvers in Rumania this spring, and party leader Ceausescu has regained some of his old assertiveness toward Moscow. Moreover, the Czechoslovak resistance, if weakened, has not been destroyed.

One factor possibly accounting for Moscow's "do-nothing" approach was the absence from Moscow since late December of much of the politburo, including the three senior members. Brezhnev and Podgorny returned to Moscow in time for the cosmonaut celebrations on 22 January, only to be greeted by an attempted assassination. Kosygin, amidst reports that he was ill, remained absent until 6 February. One other member of the politburo--Deputy Premier Mazurov--is still out of sight. He last appeared in Moscow on 6 January and was subsequently reported to be ailing.

The assassination attempt undoubtedly alarmed the Soviet leaders and seemed to throw them off their stride for a time. There is no indication that the assailant was a member of a conspiracy, however, and the regime has shown no sign that it intends to play up the conspiracy angle.

Most notable among the recent anomalies were conflicting statements by Soviet officials as to whether Kosygin's prolonged absence was or was not caused by poor health and, if so, how seriously ill he was. On 31 January, a Foreign Ministry official finally issued a statement hotly denying Western news reports that Kosygin had a severe liver ailment. The suspicion arises that some elements in the leadership have been attempting to create uncertainty about

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Kosygin's health with the idea of speeding his retirement. Although Kosygin appeared to be in good health on his return from leave, there is [redacted]

[redacted] a question mark remains over his political future.

This may have opened up a new round of maneuvering by and on behalf of leading contenders to Kosygin's post, notably Deputy Premier Polyansky. He has been given some unusual public exposure in the absence of Mazurov, the other leading candidate to succeed Kosygin. Movie-goers were treated last week to a special feature on Polyansky's visit to North Korea last September, replete with flattering shots of the deputy premier in action. He was also singled out to join Brezhnev, Podgorny, and Kosygin at the talks on 6-10 February with Hungary's Kadar. Meanwhile, there are also indications that the unsinkable Shelepin, now head of the Soviet trade unions, may be on the move politically again.

Kosygin's job does not appear to be the only target. The present maneuvering is taking place against a background of veiled public criticism of the leadership, some probably directed against Brezhnev's conduct of affairs. His pet land improvement program has been the subject of sharp controversy since last summer. Although Brezhnev reaffirmed the leadership's commitment to the program at the October plenum, he did so in a highly defensive manner, and the sniping continues.

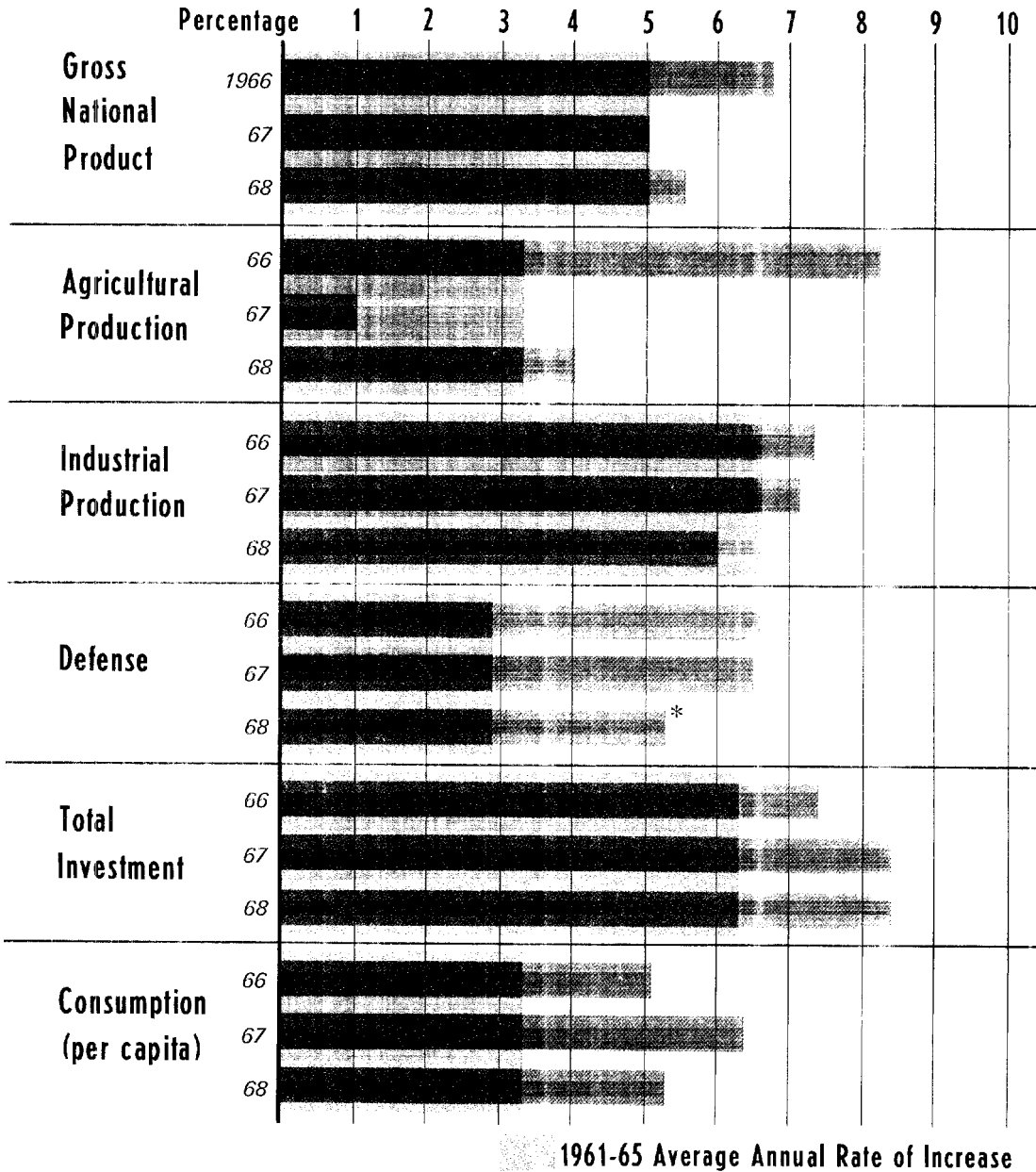
More serious signs of disaffection are suggested by the appearance in recent months of at least three articles on collective leadership. The articles treat Lenin's style of leadership in such a way as to set up a sharp contrast with present practices. One article stressed that central committee members under Lenin boldly expressed their own thoughts and introduced amendments to draft decisions "irrespective of who had drafted them." Lenin's outstanding quality, according to another article, was his acknowledgment of the supremacy of collective leadership "even when in his opinion the collective erred." This note was last sounded in the summer of 1967 when there was ample evidence of dissatisfaction in some party quarters with the leadership's handling of the Middle East crisis.

One of these articles appeared in the leading Estonian party journal, and Estonian party boss Kebin has been publicly at odds with certain policies associated with Brezhnev. The other two articles seem to be traceable to Shelepin's influence. Beyond this, the dissenters cannot be pinpointed nor their strength gauged. There is evidence, however, that dissatisfaction is growing among provincial officials on at least one issue--the leadership's restoration of the highly centralized ministerial structure. Calls for greater local authority and complaints that regional planning is being seriously neglected have become more frequent. Dissatisfaction of this sort may provide the younger leaders in the politburo with new opportunities in any challenge to the present collective. [redacted]

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USSR: SELECTED INDICATORS OF ECONOMIC PERFORMANCE



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* Including Allowances For Replenishing Domestic Inventories Of Military Hardware Due To Re-supplying The Arab Client States.

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USSR'S ECONOMY HAD VARIED GROWTH IN 1968

The Soviet economy grew at a moderate pace in 1968, but performance was not consistent. Gross national product rose an estimated 5.5 percent, slightly below the average for 1966-67. Over-all agricultural output reached a record level for the fifth year in a row, but the rate of growth of industrial production fell back to the relatively low levels of 1963-65. The distribution of output indicates a continuation of the trend established in 1966-67, favoring the military and investment in consumer sectors at the expense of growth-oriented investment.

Soviet industrial growth fell to 6 percent, largely because of the continued neglect of investment and inefficient use of labor and capital. The drop was evident in practically all branches with the notable exception of machinery--the source of producer and consumer durables and military hardware. The rate of increase in industrial materials dropped sharply and growth in consumer nondurables was modest.

Investment in industry increased at about the same moderate rate as in 1967. The inefficient use of capital continues to cloud prospects for more rapid growth in the near future. The backlog of unfinished construction is estimated to have increased by nearly 15 percent, and the growth rate of labor productivity in industry and construction fell sharply. So far, productivity has failed to increase substantially in response to the new incentives provided by the economic reform, which now applies to about 75 percent of all industry.

Agricultural output was 4 percent above the relatively high level achieved in 1967, reflecting a bumper grain crop and record production of potatoes and sugar beets. The 1968 grain crop, estimated at 135 million tons, was second only to the record crop of 140 million tons believed harvested in 1966. Over-all agricultural performance was marred only by a low rate of growth in livestock products, mainly the result of insufficient feed and an absolute decline in output from the private sector.

Last year's harvest will enable the Soviets to meet domestic demand for high-quality bread, to increase grain reserves, and to continue for the second year in succession their traditional role as a net grain exporter. The striking success in boosting farm output in 1966-68, however, has led to a weakened commitment to step up the flow of resources to agriculture. Although total investment increased moderately, the rate of delivery of tractors, trucks, and agricultural machinery declined, as did mineral fertilizer.

The consumer experienced another substantial increase in living standards. Although more appliances, clothing, and quality foods were available, a sharp rise in personal incomes widened the gap between supply and demand for consumer goods, services, and housing. Savings deposits increased by about 20 percent as consumers continued to set aside much of their excess purchasing power. This latent inflationary pressure was reflected in rising prices in the collective farm market, the only organized free market in the USSR. 25X1

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DUBCEK LEADERSHIP COUNTERS CZECHOSLOVAK CONSERVATIVES

Czechoslovak party chief Dubcek has moved to stiffen the backs of his wavering progressive and moderate supporters and to head off efforts by the conservatives to strengthen their position. Emerging from a brief illness and a period of political passivity, Dubcek also sought to reassure Moscow that he was in control of the internal situation.

In one of his strongest speeches since last November, Dubcek attacked "extremists" at both ends of the political spectrum who are promoting their own political line and trying to organize opposition groups. His specific targets, however, seemed to be pro-Soviet conservatives and "realists" who are trying to create an opposition bloc in party leadership bodies prior to the central committee plenum in March.

Neither the progressives nor the conservatives appear to have a majority in the central committee at the present time. Both factions are seeking support among the large number of uncommitted moderates, many of whom are waiting to see which way the wind is blowing.

Progressives probably were encouraged by Dubcek's talk, as well as by the remarks of several other top leaders who have indicated in recent days that a "revised" reform program is in preparation. Premier Cernik on 7 February stated that the government intends to promulgate laws permitting--within prescribed limits--freedom of speech, expression, and assembly and association. The regime also will continue its work on economic reform and the problems

emanating from the country's newly introduced federalization.

Moreover, the progressives appear to have won a temporary victory in their efforts to prevent a full-scale government clampdown on the mass media. The pro-Soviet conservatives reportedly expected a purge, but only a minor reshuffling of personnel has materialized. Moreover, Politika, the liberal anti-Soviet party weekly banned after the invasion, has now been reinstated, and Czechoslovak youth have been given a new publication to replace Student, which had also been shut down because of its heretical anti-Russian commentaries.

Perhaps encouraged by these developments, the Slovak press on 12 February broke the silence imposed under the authoritarian rule of Slovak party chief Husak. Pravda, the Slovak party daily, printed a bitter criticism of the Soviet bloc press for its anti-Czechoslovak polemics. The appearance of this article suggests that Husak's grip on Slovakia is beginning to slip. His popularity in his own region has dropped considerably and the Russians, who once lauded his capabilities, are apparently reassessing their estimation of his potential.

The Soviets, meanwhile, may be permitting Dubcek a small measure of flexibility in return for Prague's willingness to portray Czechoslovak-Soviet relations in a more favorable light. Dubcek and the Czechoslovak officials who have recently talked with the Russians, including Foreign Minister Jan Marko, have all alluded to the allegedly improved atmosphere. 25X1

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MIDDLE EAST - AFRICA

Israeli Prime Minister Eshkol's public statements this week provoked a domestic political storm and resulted in the introduction of a motion of no-confidence by right-wing parties who want Israel to hang on to all the occupied Arab territories. The critics were clearly trying to make some political points in an election year, but Eshkol easily won the vote. The incident, nevertheless, points up the touchiness of the territorial issue and the difficulties of obtaining an Israeli withdrawal.

The Lebanese Government fears that Palestinian terrorist activities in the country are getting out of hand again and is trying to find ways to control them. President Hilu will soon send special representatives to Saudi Arabia, Kuwait, and Libya to urge these governments to use their influence to curtail the terrorists.

Pakistani opposition leaders have still not responded to President Ayub's proposal for talks on 17 February despite a number of significant government concessions designed to improve the climate for negotiations.

Nearly complete returns from India's mid-term state assembly elections point up the continuing decline of the Congress Party in the north—the political heartland of the country. Congress failed to regain a majority in West Bengal, Bihar, Uttar Pradesh, and the Punjab. The most spectacular loss was in West Bengal, where Congress was routed by a Communist-dominated coalition.

This week's visit of US Sixth Fleet units to Turkey has thus far passed without serious incident. Leftists opposing the visit have been allowed to hold daily demonstrations, which may become more severe as their frustration mounts over the strict security precautions. A few arrests have been made for minor incidents, and one student has threatened self-immolation. The government is determined to prevent any recurrence of the student riots that erupted last July during a similar visit.

In Nigeria, there is a growing sense of urgency among federal leaders who are convinced that unless the war is won soon, Biafra will gain more foreign support. The secessionists are apparently still receiving substantial amounts of munitions.

In Tanzania, a Chinese Air Force team is surveying air facilities, apparently in response to Dar es Salaam's request for jet fighters and radar. Any agreement with Peking on an air defense program will almost certainly lead to the departure of the Canadian training mission, one of the last sources of Western influence in Tanzania.

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FATAH GAINS CONTROL OF ARAB TERRORIST ORGANIZATION

Yasir Arafat and other Fatah leaders have successfully concluded a concerted effort to gain control of the Palestine Liberation Organization (PLO). Unwilling to continue playing a secondary role in Palestinian politics and seeking to assume the legitimacy that the PLO has long held among the Arab states, Fatah two months ago began a campaign to take over the organization. Asserting that the PLO is a national front of Palestinians rather than a monolithic political organization, Fatah leaders joined a number of PLO bodies. They had earlier regarded the PLO as a rival to their own movement.

When the PLO was established in 1964 by the Arab League to represent

the Palestinian people in the league, its charter provided for the creation of three subordinate bodies: a parliament, the Palestine National Council; the Executive Committee, elected by the council; and the Palestine Liberation Army, the organization's military arm.

In elections held this January for seats on the council, Fatah garnered 33 of 105 seats, becoming the largest single faction. When the first meeting of the newly elected council was convened in Cairo last week, the old-line PLO leaders as well as representatives of two other terrorist organizations--the Popular Front for the Liberation of Palestine and the Vanguard of the

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ARAB TERRORISTS IN TRAINING

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People's Liberation War--did not attend because they were dissatisfied with the results of the elections. Fatah then succeeded in placing three men on the 11-man executive committee and Fatah's spokesman, Yasir Arafat, was elected chairman.

Although the new leadership is attempting to convince those who boycotted the council's meetings to continue to work with the PLO, it is probable that they will

refuse to do so unless some of the power they formerly held is restored. It seems unlikely, however, that Fatah will surrender the gains it has made thus far. The old PLO leadership may therefore claim they are the only legitimate leaders and try to form a new terrorist organization. Thus, although the move by Fatah may seem to bring unity to the terrorist movement, it could actually result in further splits.

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FEDERAL LEADERS ANXIOUS TO WIN NIGERIAN CIVIL WAR

For the past few weeks federal leaders have been preparing for a "coordinated" attack by all three federal divisions, probably with the immediate objective of capturing the secessionists' one operating arms supply airstrip. Federal leader Gowon's chief of staff told the US military attaché in Lagos that Nigeria's leaders are counting on a military victory by the end of March. The chief of staff expressed concern for the future if the war is extended beyond that time. This sense of urgency results in part from federal fears that the US is changing to a pro-Biafran position and may even be considering a military intervention in Nigeria. This federal concern was demonstrated last week when the Nigerian trade com-

missioner took steps to reassure US businessmen that they are welcome in Nigeria.

Dissatisfaction with Gowon's conduct of the war is growing among civil servants

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there may well be a move against Gowon if the federal offensive does not bring early military successes.

Federal frustration is also evident in the Nigerian leaders'

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continuing hard-line attitude on foreign relief to Biafra. On 10 February, the federal information commissioner, referring to the recently inaugurated Red Cross night airlift from Dahomey to Biafra, stressed that the Nigerian Government does not approve of night flights into Biafra.

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Meanwhile, there still appears to be little hope for a ne-

gotiated settlement to the war, although another mediatory effort has been initiated--this one under the auspices of the African and Malagasy Common Organization (OCAM). At its recent meeting in Kinshasa, this organization of 14 French-speaking African states decided to contact leaders of the two sides to urge peace negotiations. Biafra would probably be receptive to the OCAM move, but Lagos, although it is apparently willing to meet with OCAM representatives, would probably prefer that any African peace initiative be within the context of the Organization of African Unity's committee on Nigeria--an instrumentality unacceptable to the Biafrans.

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WESTERN HEMISPHERE

Peruvian President Velasco's announcement last week that the International Petroleum Company's "debt" to Peru amounts to more than \$690 million has effectively closed the door on further efforts to resolve the matter of compensation for the company's expropriated property.

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The Brazilian Government's campaign to "clean up" the country continued this week with the removal of 33 more federal congressmen from office. The number of ousted congressmen now totals 81—nearly a fifth of the members—and further reduces the likelihood that the government will even consider reopening congress until it is thoroughly "sanitized."

In Guatemala, the ruling Revolutionary Party is again seeking a candidate for the presidency in next year's general elections following the withdrawal of Defense Minister Chinchilla.

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The party will probably seek a man who can counter the candidate of Guatemala's reunited right, Colonel Carlos Arana, the former commander of counterterrorist operations in the guerrilla-infested northeast.

President Trejos of Costa Rica has again failed to gain legislative approval of the San Jose Protocol, which provides for a 30-percent surcharge on many imports from outside the area. The government failed to win passage on 10 February and its next opportunity will not arise until congress reconvenes on 10 March. If, as is likely, Costa Rica is unable to ratify the protocol, Nicaragua is expected to erect barriers against imports from Costa Rica and possibly other countries that fail to implement the agreement.

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PURGES CONTINUE IN BRAZIL

The government's continuing housecleaning campaign has already resulted in the purging of nearly a fifth of the Congress and has severely restricted judicial independence.

On 7 February, the government removed 33 more federal congressmen from office and summarily retired two military court judges. The political rights of all but three of the congressmen were canceled for ten years. Those punished appear to have been selected capriciously; over a third of the congressmen were from the progovernment party and many seem to have had only minor records of "corruption" or of opposition to the government. This purge brings the total number of ousted congressmen to 81-- five senators and 76 deputies-- and further reduces the likelihood that the government will even consider reopening Congress until it is thoroughly "sanitized."

Five state legislatures have also been closed, including those in the key states of Sao Paulo and Guanabara, for "transgressing against the revolution's ethical principles." Many of the politicians in the legislatures had been widely discredited, and there has been no public outcry. In Sao Paulo, in fact, the general population seemed pleased at the government's decision to "throw the blighters out."

The judiciary has also continued to suffer at the hands of the military. Another institutional act decreed on 31 January

restricts the Supreme Court's powers to review crimes against "national security" and to respond to appeals for habeas corpus. Although this new act will presumably satisfy the military, it is not likely to win kudos for the government in any other domestic or international quarters.

The National Security Council has also approved the creation of a general military-police commission to investigate "subversive or counterrevolutionary acts." The commission's charter is so sweeping and vague that it could easily open the way for wholesale investigations.

The Catholic Church, a principal potential source of opposition to the government, has remained quiet. Liberal prelates who originally were anxious to blast the government's actions apparently decided to see if the administration's broad new powers might produce large-scale social reforms. If the government does not produce soon, however, many progressive and even some moderate churchmen seem ready for an open confrontation, a development that would threaten stability and further widen the gap between the government and the governed.

Additional punishments and purges seem likely. Although President Costa e Silva personally might prefer to bring such repressions to an early conclusion, his own position could be in jeopardy if he tries to deny radical military demands.

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SOLUTION UNLIKELY IN PERU-IPC DISPUTE

President Velasco's announcement that the International Petroleum Company's (IPC) "debt" to Peru amounts to more than \$690 million has effectively closed the door on further efforts to resolve the matter of compensation to the company for its expropriated property. The government stated when it expropriated the property last October that IPC's "debt" would be balanced against the value of its assets in determining what, if any, compensation was paid.

The government's valuation of the expropriated assets has been placed at \$54.7 million, and by Peruvian law this amount will be placed in a special bank account. IPC, however, may not actually have this money until the matter of its debts has been cleared up. In this regard, Peruvian law requires that the debt be paid in full before the company can officially protest the action or take it to the courts. The size of the "debt," which was calculated by charging the company for every barrel of petroleum it has taken out of the ground since 1924, is adequate assurance that this requirement will not be met.

Procedures will soon begin for the confiscation of IPC's re-

maining property in Peru to help pay this large debt, and President Velasco will have been successful in totally evicting the company.

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[Redacted] In an effort to increase the pressure on the US to refrain from invoking the Hickenlooper Amendment, the President has called Peru's ambassadors home to coordinate a hemisphere-wide campaign to gain support for the Peruvian position.

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Minister of Finance Valdivia, in a discussion with the USAID director, pictured himself and Foreign Minister Mercado as fighting a losing battle in the government for a more moderate position toward IPC. Valdivia, who is under fire and expects he may soon be out of office, said he was greatly concerned that the course of events could lead "to an extreme move away from Western institutions."

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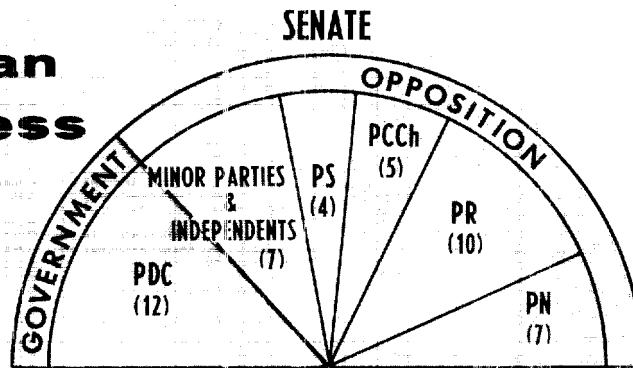
IMPORTANT CONGRESSIONAL ELECTIONS IN CHILE NEXT MONTH

The results of the congressional elections to be held in Chile on 2 March will have an important influence on the development of the campaign for the pres-

idential election in 1970. The choices to be made--30 of the 50 senators and all 150 members of the Chamber of Deputies--will demonstrate the strengths not

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Composition of Chilean Congress



45 Seats

(PDC) Christian Democratic

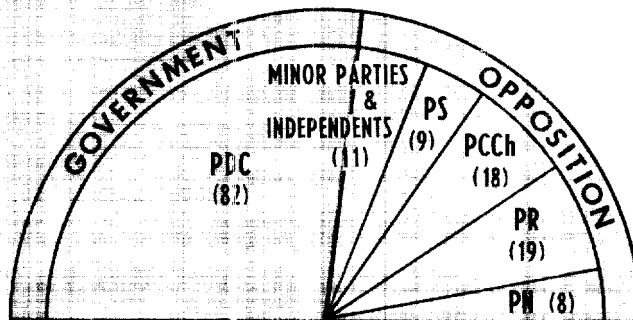
(PS) Socialist

(PCCh) Communist

(PR) Radical

(PN) National

CHAMBER OF DEPUTIES



147 Seats

*In 1969 the Senate will be increased to 50 members
and the Chamber of Deputies to 150.*

only of the major parties but also of the competing factions within them.

Of particular interest is President Frei's Christian Democratic Party (PDC), in which a vocal leftist faction advocates cooperation with the Communists in the presidential election. Factionalism, plus the problems of any incumbent party in off-year elections, makes it unlikely that the PDC can retain the 42 percent of the vote it won in 1965, six months after Frei's stunning presidential victory. Its goal is to maintain its position as the country's dominant party by obtaining at least 30 percent of the vote. Frei hopes for a strong showing by PDC moderates that will weaken the leftists' position at the party congress to be held after the elections. Because that meeting will set the tone for the presidential campaign, and may also choose the nominee, the congressional election results could be crucial for the future direction of the party.

Other political groups have equally important interests at stake. The Socialist Party is engaged in a bitter battle with its breakaway faction, the Popular Socialist Union. This strife is almost certain to decrease the total Socialist vote, which in the last election was 10 percent. Socialist Senator Salvador Allende is running for re-election and a large victory would give him a good chance for the nomination, for the third time, of the Communist-Socialist Popular Action Front.

The conservative National Party, which was formed in 1966

from two traditional parties after the debacles of 1964 and 1965, may profit from a general feeling of uncertainty in the electorate. The pace of reform in recent years, too slow for many leftists, has at the same time upset some members of the middle class. Although the National Party candidates suffer from political inexperience and a lack of organization, the party could emerge as the second-largest vote-getter. It may derive some support from followers of former president Jorge Alessandri, whom the Nationalists openly favor for the presidency although as an independent he has been careful to disassociate himself from partisan activities.

The Radical Party, a traditional middle-class group, has in recent years been led by people who see the party's future tied to that of the Communists. Although the Communist Party, eminently respectable in Chile, has not spurned Radical advances, there is little likelihood that it would support a Radical presidential candidate. Indeed, the Radicals' national organization has been so fragmented by factionalism that the leadership might not be able to take advantage of a strong Radical showing caused by the traditional grass-roots strength of the party.

The Communists themselves have the strongest organization and should improve on the 12 percent of the vote they received in 1965. Because the Communist Party can deliver its vote virtually intact to the presidential candidate it supports, other parties are courting it assiduously. Its support could be decisive in a close race.

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SOVIET-CUBAN ECONOMIC RELATIONS REMAIN STABLE

Another year of Soviet economic support to Havana is assured by the signature on 7 February of the Soviet-Cuban trade protocol for 1969. Although the negotiations that began last November appeared less contentious than those a year earlier, the announced level of trade suggests that it may not exceed last year's estimated total of \$950 million.

Moscow also extended another long-term credit to finance Cuba's trade deficit, but the amount was not specified. These credits normally include funds to finance the trade deficit for the coming year plus whatever may be necessary to cover the unfinanced portion of past trade deficits.

Soviet credits needed by Cuba this year may exceed last year's announced Soviet aid of \$328 million. The 1968 trade deficit was considerably larger than originally planned because Cuba shipped far less than the 2.7 million tons of sugar called for in last year's trade protocol. The deficit is estimated to be close to \$400 million compared with \$250 million in 1967.

Current prospects indicate that the 1969 sugar crop will not be much larger than last year's 5.2 million tons. Intensive preparations to meet the 1970 target of 10 million tons are already interfering with the current harvest. There is some evidence, moreover, that cane will be held back from this year's

harvest in order to increase the yield next year.

Soviet exports to Cuba probably will not increase this year. The USSR is expected to continue to supply large quantities of machinery and equipment, raw materials, foodstuffs, and almost all of Cuba's petroleum. Soviet petroleum deliveries to Cuba last year totaled 5.3 million tons, only slightly above the total delivered in 1967. There are no indications of any increase in 1969 that would permit lifting the fuel rationing imposed last year as part of Cuba's austerity program.

The USSR continues to deliver equipment for Soviet-aided economic projects. The only major new economic project undertaken with Soviet aid last year was the start of construction on a large nitrogenous fertilizer plant. Soviet aid, however, continues to support the expansion of Cuba's principal steel mill as well as the renovation and expansion of the Cuban sugar milling industry.

Soviet deliveries of military equipment are expected to resume this year, probably as a result of agreements reached during the visit of the Cuban armed forces' deputy minister to Moscow last November. Military shipments averaged about two a month from September 1966 to February 1968, when the deliveries stopped, probably reflecting the completion of shipments under the 1966 arms agreement.

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