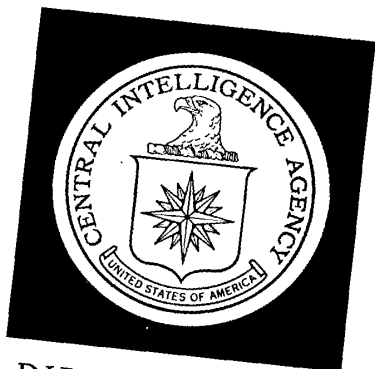


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EDT, 11 September 1969)

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SECRET**FAR EAST**

The locus of power in North Vietnam remains obscured behind the facade of a "stable and collective leadership," as Hanoi termed it last week. The new regime has emphasized the need to continue present policies and maintain national unity, but there are no firm indications thus far about its priorities. Party First Secretary Le Duan has taken the leading position at important functions thus far, but other top leaders have also been prominent.

On the military front in South Vietnam, the self-declared Communist cease-fire ended with a number of Communist-initiated shellings and small-scale ground actions. There were also continuing signs that the enemy is planning another surge of attacks of the kind that have characterized Communist activity much of this year.

Several progovernment and opposition figures in Saigon are concerned over the appearance in Thieu's new cabinet of people formerly connected with the once-powerful Can Lao clique of the Diem regime. Thieu presumably decided that the need for experienced administrators outweighed the danger of arousing lingering anti - Can Lao feeling.

In a major expansion of the ground war in Laos, government troops spearheaded by Vang Pao's guerrillas have swept across the Plaine des Jarres. Government forces captured an administrative and military headquarters, which had heretofore been considered off limits to both air and ground assault. In south Laos, guerrilla units seized a long-held Communist town near the infiltration corridor. Both actions are almost certain to generate sharp enemy responses, especially after the wet season ends in October.

The Malaysian Government has managed to keep the lid on the deep-seated political and communal rivalries since the riots of last May. For the next few months, the situation seems likely to remain relatively quiet, but most government leaders are distrusted both by Malay extremists and by the non-Malay community, and prospects for long-term stability are poor.

In South Korea, proponents of a third term for President Pak will almost certainly see their constitutional amendment approved by the National Assembly this Saturday. Opposition legislators and students have been unable to generate widespread public opposition to passage of the amendment.

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VIETNAM

Political Developments in North Vietnam

The new distribution of power in Hanoi remains obscured by the facade of collective leadership. Statements by high government and party leaders following the death of Ho Chi Minh have stressed the need for continuity of policy and national unity.

The new regime has described itself as a "stable and collective leadership." Its three top men have all figured prominently in the most important activities since Ho's death, including meetings with Soviet and Chinese delegations and the funeral ceremonies. Party First Secretary Le Duan presided at these functions, but Truong Chinh and Premier Pham Van Dong have also had active roles. In general, North Vietnam's politburo has appeared in public in the same order as the official ranking conferred by the last party congress in 1960 with one exception. The leading military figure, General Giap, seems to have slipped one place behind Paris negotiator Le Duc Tho.

Ho's will and the party central committee's eulogy, which were read by Le Duan, stressed the need for victory in the South. The eulogy gave top priority to the continuation of the struggle in the South, but Ho's will was less clear on priorities, although it did include an exhortation that the fight must be carried on un-

til final victory. This and the need for national unity, presumably to smooth North Vietnam's transition into the post-Ho era, have been repeatedly emphasized in authoritative editorials and messages since Ho's death. His will termed the need for unity a "must," while Le Duan's pledge that the central committee would do its best to preserve party cohesion may reflect his concern that policy differences or personal ambitions might hinder his orderly succession to power.

Most of the regime's first week in power was taken up with the ceremonies and protocol surrounding Ho's funeral. The North Vietnamese leaders appear to have handled the separate visits of Chou En-lai and Kosygin in accordance with the dictates of Ho's will, which termed the Sino-Soviet dispute harmful to the Vietnamese war effort and urged the continuation of his policy of neutrality.

The differing Soviet and Chinese reactions to Ho's death, however, point up Hanoi's problems in trying to maintain a balance with its mutually antagonistic supporters. The Chinese were first off the mark as Chou En-lai left for Hanoi only hours after the announcement of Ho's death in an effort to demonstrate Peking's support and take a sounding on Ho's successors before the Soviets arrived. The Chinese probably registered their unhappiness with Hanoi's prosecution

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of the war and the talks; in a message of condolence they reiterated their contention that the Communists should "vigorously step up" the fighting. Chou's abrupt departure 24 hours after arrival probably served both to avoid sharing top billing with Kosygin and to remind Hanoi that Peking remains unhappy over close North Vietnamese ties with Moscow.

Moscow, on the other hand, did not try to put pressure on Hanoi, but issued profuse praises for Ho as an outstanding personality of the international Communist movement. Premier Kosygin led the Soviet delegation and was its only member of politburo rank.

Political Developments in South Vietnam

Concern is developing among some prominent Saigon figures that the new cabinet may provide a vehicle for a resurgence of influence by former members of the Can Lao, the semiclandestine, elite group of the Diem regime. The Can Lao served as a powerful instrument of political control, and widespread fear of it as repressive, corrupt, and anti-Buddhist caused Diem's successors to conduct a broad purge of its membership.

Some critics of President Thieu's new cabinet selection have pointed out that Prime Minister Khiem and Foreign Minister Lam, as well as the ministers of information, economy, finance, and legislative liaison have been Can Lao members or sympathizers. [redacted]

[redacted] renewed Can Lao influence could lead to a tragic clash between Catholics and Buddhists. [redacted]

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[redacted] Can Lao leaders are trying to revive their old youth organization, possibly with Thieu's blessing. [redacted]

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[redacted] the new information minister has appointed some 20 cadre from the Nhan Xa Party, a neo - Can Lao group, to key subordinate positions.

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President Thieu presumably considered this risk when he made his cabinet selections. He apparently concluded that the need for better administrative performance, particularly in the information and economic fields, and thus for men of experience and talent, outweighed the dangers of lingering anti - Can Lao feeling and the desirability of bringing in more popular faces.

Meanwhile, there are indications that some of the leaders in the government-sponsored National Social Democratic Front (NSDF) who did not receive positions in the cabinet are considering withdrawing from the front. [redacted]

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Military Developments
in South Vietnam

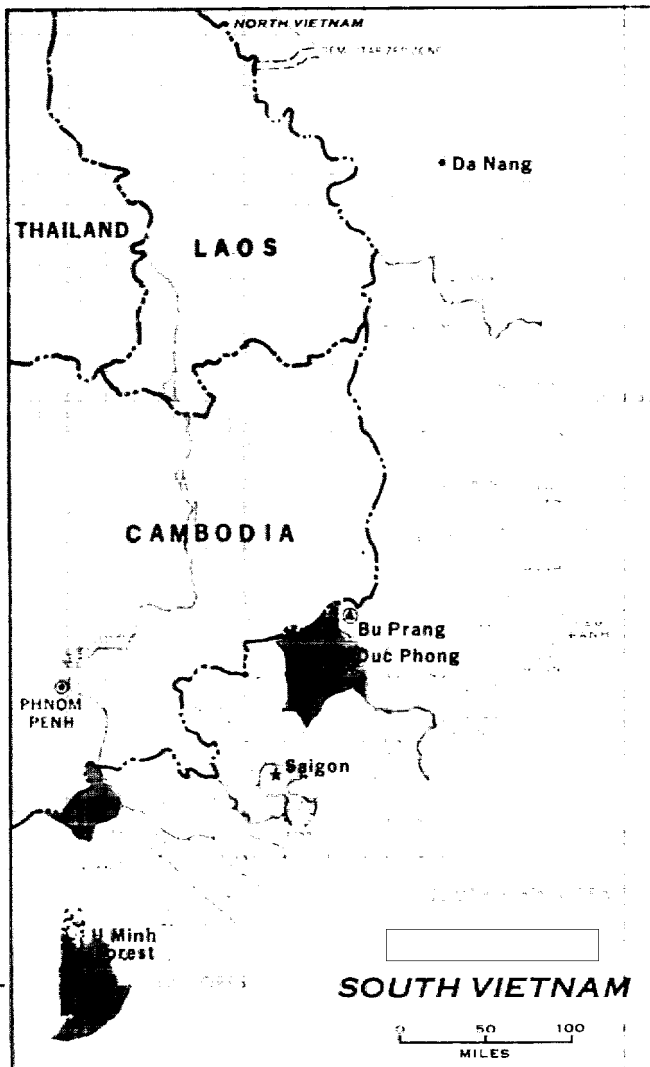
Communist forces conducted the second highpoint of their 1969 fall campaign from 4 to 7 September, but generally observed the subsequent three-day stand-down that they unilaterally declared in commemoration of the passing of Ho Chi Minh.

The second highpoint, which was in line with the economy-of-force tactics characteristic of enemy offensive activity over the past year, included more than 250 rocket and mortar attacks against allied bases and towns, largely in the southern half of South Vietnam. It also featured a series of heavy shellings and ground attacks in the immediate Da Nang area--actions which cost the allies 18 dead and 229 wounded--as well as intensified ground operations in the northern provinces of III Corps. In Phuoc Long Province, at least two battalions of the Viet Cong 5th Division struck a Special Forces camp and base complex near the district town of Duc Phong.

The enemy's latest upsurge, which on the whole involved significantly fewer shellings and ground attacks than in earlier highpoints this year, may have been timed partly to celebrate the 24th anniversary of North Vietnamese independence. Enemy propaganda, however, also called for an increased effort on the south-

ern battlefields to honor Ho Chi Minh.

During the 8-10 September cease-fire, there were only a few enemy-initiated incidents, but indications persist that the Communists plan to extend their fall campaign through September or beyond. At least one more push this month is likely, consisting of



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shellings and ground assaults possibly coordinated with attacks on targets such as Bu Prang Special Forces camp in the southern highlands. Key bases and isolated urban centers in northern III Corps and allied strongpoints along the DMZ in southern I Corps, are other likely targets.

Additionally, in the southern delta South Vietnamese forces may soon face a crucial test. Some

of the North Vietnamese units sent into the delta for the first time late this spring and summer are being deployed to the southernmost province of An Xuyen. These units initially gathered in Chau Doc Province near the Cambodian border presumably in an attempt to secure cross-border supply lines and base areas, but some elements now appear to be moving southward toward the Communist stronghold in the U Minh Forest. [REDACTED]

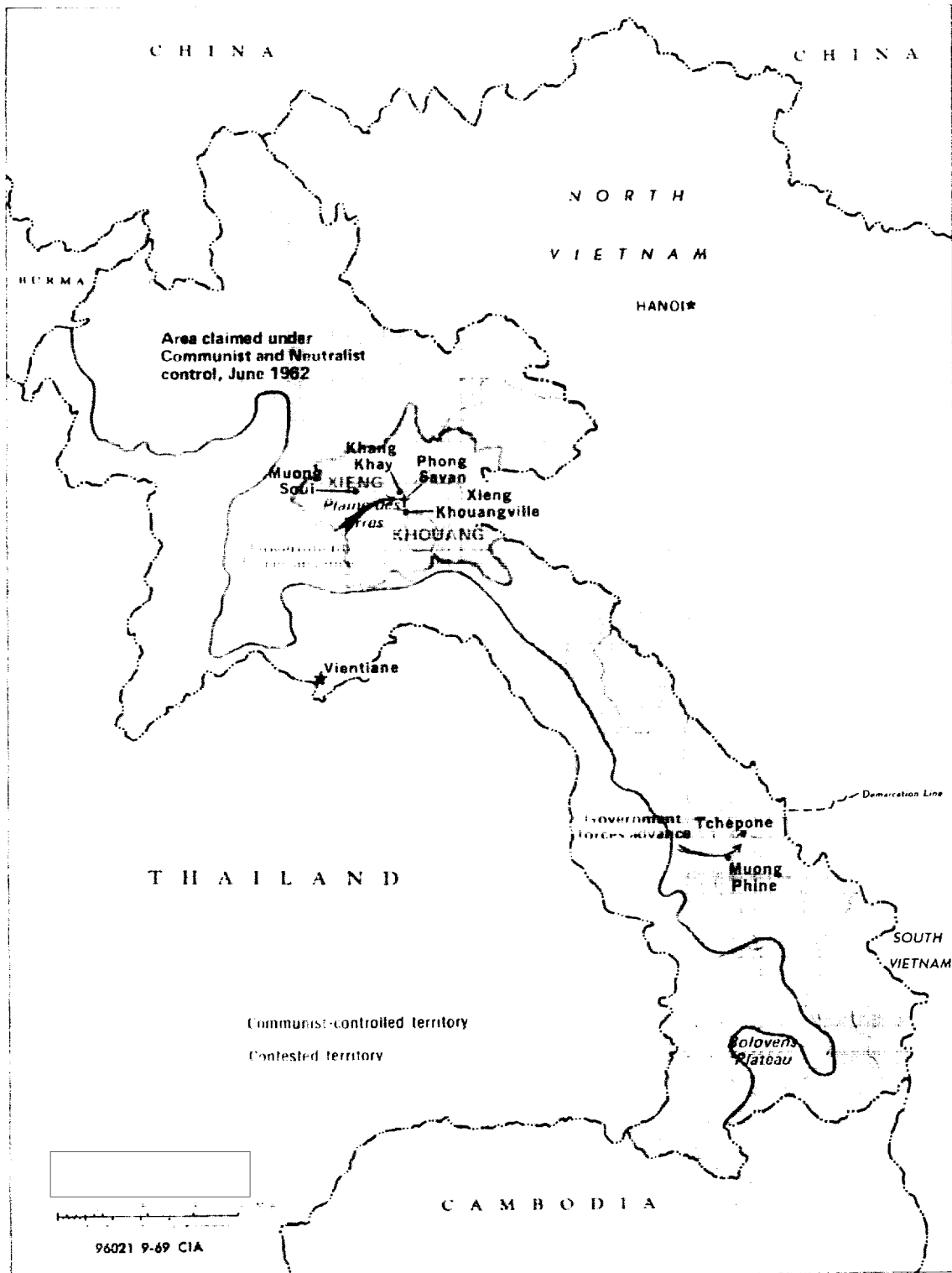
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LAOS: Government Forces are Cutting into Communist Areas



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LAOTIAN FORCES MOVE DEEP INTO ENEMY TERRITORY

Government forces, in a major expansion of their holdings, have moved deeper into Communist territory in north Laos, capturing positions that have been in enemy hands since 1962, when the Geneva accords were signed. In the south, an important town protecting the enemy's infiltration corridor to South Vietnam has fallen to government guerrillas.

Spearheaded by Vang Pao's guerrilla forces, government troops swept the Communists off the Plaine des Jarres and captured Khang Khay, administrative and military headquarters for Pathet Lao and dissident neutralist forces in Xieng Khouang Province. Phong Savan Airfield has been taken by a guerrilla company. Heretofore Khang Khay and Phong Savan have been treated as off limits to both air and ground assault on the basis that they are considered politically sensitive. Vang Pao has also dispatched three battalions south of the Plaine to retake Xieng Khouangville.

Although government forces have been encountering some in-

creased enemy resistance in the area, particularly on the northern edges of the Plaine, the Communists have as yet given no clear sign of their intentions.

In south Laos, meanwhile, guerrilla elements have seized Muong Phine, a long-held Communist town near the infiltration corridor. They apparently hope to push farther eastward into the Tchepone area, a vital North Vietnamese logistic base and command center. The capture of Muong Phine constitutes the government's deepest penetration into the supply corridor in several years.

Although bad weather may prevent an immediate move by the Communists, they are almost certain to react sharply to these latest government offensives. The enemy's response is not likely to be confined to the Muong Phine area, and diversionary attacks may be tried against sensitive and vulnerable positions in the Mekong Valley.

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MALAYSIAN LEADERS ARE RIDING AN UNEASY CALM

Over the next few months the government will probably be able to keep the lid on the deep-seated political and communal rivalries that erupted in riots last May, although new outbreaks of violence could occur with little warning. The moderate leadership is distrusted by both non-Malays and Malay extremists, however, and its ability to bridge the gap between the two communities and restore the country to normality appears to be circumscribed.

The ruling National Operations Council, which was formed to establish order and ensure Malay rule after the postelection communal rioting last spring, now seems likely to maintain the state of emergency for at least a year. The Malay-controlled council, headed by Deputy Prime Minister Razak, has thus far managed to put down opposition to its policies from Malay extremist groups, but both the council and Prime Minister Rahman are marking time at the moment rather than taking any steps to restore the country to parliamentary democracy. Elections in East Malaysia, which were canceled after the May riots in Kuala Lumpur, have still not been rescheduled and seem likely to remain in abeyance indefinitely.

Prime Minister Rahman, who was rumored several months ago to be preparing for retirement,

resumed active leadership in government affairs in the late summer. He has also been attempting to regain popular support and build better communal relations through a series of goodwill tours. These have been generally unsuccessful, however, as the prime minister's conciliatory efforts are looked on with suspicion by both Malays and Chinese. Rahman's re-emergence--whether temporary or permanent--has for the moment lessened the government's strength by downgrading Razak, who has in effect run the country since May. The already limited prestige of the council is thus further diminished.

Even if the council were in a very strong position, the moderate Malay leadership would still face formidable obstacles in its attempts to ease communal differences and to weld the country into a workable multiracial nation. Within the Malay community itself the extremist politicians have gained in popularity and have launched a grassroots campaign to build strength for an attempt to take over control of the leading Malay political party. Although they can not attempt this in the immediate future--under present regulations the next party congress cannot be held until the emergency is formally ended--the extremists remain a threat for the long term.

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Outside the Malay community there exists almost complete distrust of Malay politicians, whether moderate or radical. Non-Malays, both Chinese and Indian, fear government steps to enhance the status of Malays, particularly in economic matters. Feeling has remained high, and any small incident could spark a

new series of riots. Although the capable security forces are alert to the dangers, heavy-handed security measures would only temporarily damp down racial conflicts. Furthermore, the government's tendency to absolve Malays charged with instigating disturbances adds to intercommunal tensions.

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SECRET**EUROPE**

An atmosphere of terror is slowly taking hold in Czechoslovakia as the party's conservatives make their strongest bid to date for control of the apparatus. Two magazines on 10 September in effect charged Dubcek and his liberal followers with treason. Hundreds of Slovaks have been arrested under the emergency laws passed in anticipation of trouble during the August anniversary. There is as yet no report of such arrests in Bohemia and Moravia.

Calls for political trials are intensifying in the conservative-controlled press. At least one liberal member of the central committee plans to be out of the country when that body convenes—most likely next week—to mete out final disgrace to the liberals. Party chief Husak can prevent this if he is determined to control the conservatives. If he fails to do so, his future power as first secretary will be limited.

The East Germans have indicated their indifference to West German overtures for more neighborly relations, as well as their firm opposition to any dialogue between Bonn and Moscow, or Bonn and another Eastern European state. The brief, arbitrary detention in East Germany of West Berlin Mayor Scheutz—one of West Germany's most outspoken proponents of better relations with the East—and renewed autobahn delays were clearly designed by Pankow to dash Bonn's hopes.

President Tito is preparing to meet with Romania's Ceausescu on 18 September, presumably to emphasize solidarity and to give a report on Soviet Foreign Minister Gromyko's visit to Belgrade. The Yugoslavs are pleased with the results of those talks but still harbor suspicion about Soviet intentions in Eastern Europe. In the wake of Gromyko's trip the Soviet press has expressed the bland hope that bilateral relations with Belgrade will improve. Moscow has also recognized the new government in Libya, although it remains uncertain of the regime's orientation.

Soviet Foreign Minister Gromyko will arrive in New York early next week to address the 24th United Nations General Assembly. Ambassador Dobrynin may also return at this time after an extended absence due to illness. Gromyko will probably discuss the recent Allied note on Berlin with Secretary Rogers. He may also choose to introduce a resolution on the control of chemical and biological weapons.



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UN GENERAL ASSEMBLY CONVENES NEXT WEEK

The 24th UN General Assembly (UNGA) convenes on 16 September. In addition to considering such perennial issues as Chinese representation, the Korean question, and colonialism and racism, the UNGA almost certainly will be faced with a number of arms control proposals and polemical speeches on current hot spots around the world.

Criticism of the lack of progress in the Geneva disarmament talks has been muted recently by the disclosure of a new Soviet bid to reach agreement with the US on a treaty limiting the use of the seabeds for military purposes. Moscow would like the US to agree on a complete text for submission to the UNGA prior to its consideration of the subject, probably in mid-October. Several other Geneva conferees are also hoping for a seabeds agreement and fear that negotiations in the free-for-all atmosphere of New York could adversely affect the entire arms limitation picture.

A number of proposals for resolutions on the use of chemical and biological warfare (CBW) agents to be considered by the 24th UNGA have been tabled at the Geneva talks. The Soviets have attacked these initiatives and have stated that the Geneva Protocol of 1925 is comprehensive regarding the nonuse of CBW. They are seeking greater concentration on controlling CBW weapons production. Soviet Foreign Minister

Gromyko may present a proposal in this area to the General Assembly.

Some of the smaller nations are unenthusiastic about the nonproliferation treaty and will probably criticize the failure of the nuclear powers to make greater progress toward meeting their commitment under the treaty to negotiate additional disarmament measures. These nations are especially critical of the delay in initiating the strategic arms limitations talks and are distressed over the continued lack of agreement in two vital arms control areas--a comprehensive nuclear test ban and a cutoff of production of fissionable materials for weapons purposes.

The Arab-Israeli conflict is certain to come up during the UNGA debates on the reports of a number of UN agencies. Israel's position among the assembly delegations has probably deteriorated in recent months, and emotions aroused by the recent fire at the Al-Aqsa Mosque in Jerusalem have contributed to an increase in anti-Israeli sentiment among the Islamic nations outside the Arab world.

On the perennial issues, established voting patterns will probably remain firm. Peking's

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prospects for admission do not appear to have substantially improved, although Moscow seems more concerned than usual that the US may alter its position regarding Chinese representation. The USSR would prefer to soft-pedal this issue again. Assembly members almost certainly will reaffirm the UN role in Korea by the usual wide margin. The political weight of a sizable black African bloc will be felt in a number of resolutions on Rhodesia and the Portuguese territories. The black Africans

will probably renew their fight to oust South Africa from the UN Conference on Trade and Development.

The session will probably give evidence of the UN's importance in the limited role it has come to play. The UN's continuing problem is to maximize its influence and avoid unenforceable commitments that have the effect, in the long run, of reducing its impact on world affairs.

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GROMYKO VISIT RESTORES BALANCE IN YUGOSLAVIA'S EAST-WEST RELATIONS

Soviet Foreign Minister Gromyko's first visit to Yugoslavia in seven years has served to restore the careful balance Belgrade has sought to maintain in its relations with East and West. Bilateral differences were not resolved but probably will be less pronounced as a result of Gromyko's visit of 2-6 September.

Gromyko reaffirmed the Belgrade declaration of 1955--issued at the time Khrushchev and Bulganin made amends with Tito--which recognized Yugoslavia's right to develop its own path to socialism. The Yugoslavs appreciate Gromyko's current gesture, which appears to remove them from the purview of Brezhnev's "limited sovereignty" thesis. Nevertheless, Belgrade probably interprets the ideological truce as a paper victory and will remain skeptical of Soviet intentions in Eastern Europe. Neither side re-

treated on fundamental issues but simply noted and passed over their differences while dramatizing issues on which their views are similar. The communiqué stressed agreement on Vietnam, the Middle East, and support for a European security conference.

Gromyko's visit will comfort some of the older Yugoslav leaders who favor closer ties with the Communist world in contrast with younger elements who believe Yugoslavia's interests are best served by a pro-Western posture. The spate of recent and forthcoming high-level contacts with the West, including Yugoslav Foreign Minister Tepavac's visit to Bonn in July and Italian President Saragat's scheduled visit to Belgrade in October, have far outnumbered similar associations with Communist Europe.

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SOVIETS CONDUCT MAJOR EXERCISES IN MEDITERRANEAN

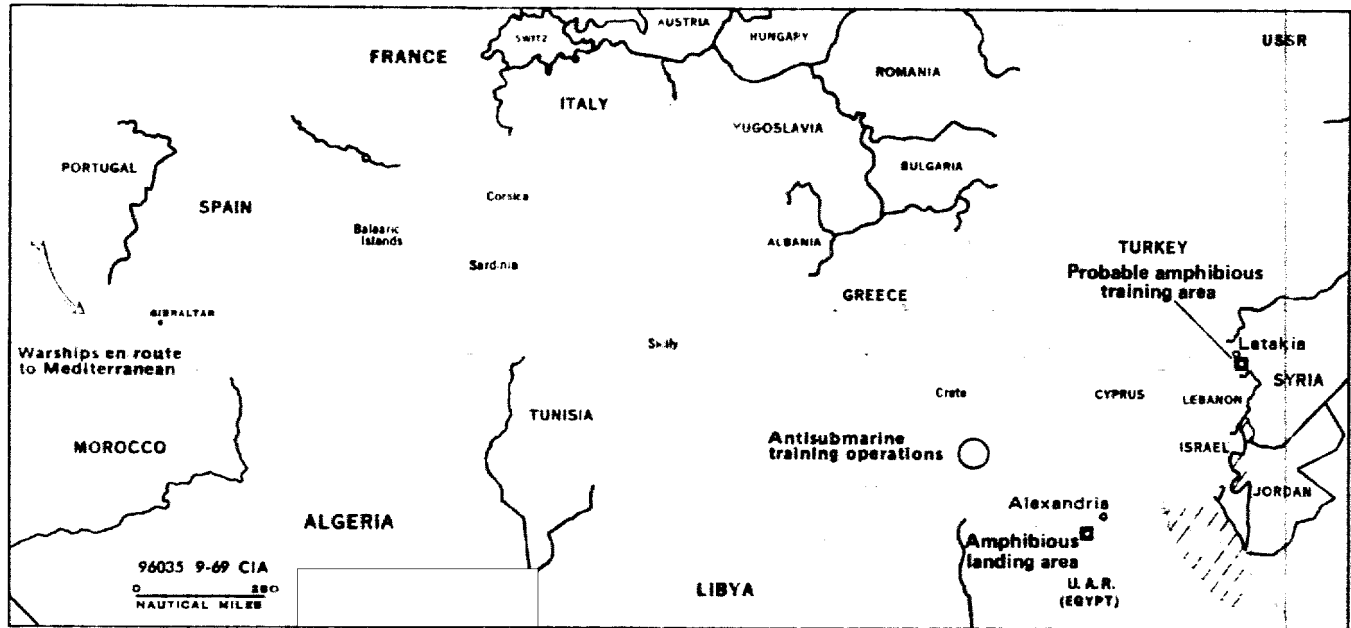
Many of the nearly 60 Soviet ships in the Mediterranean during the past few weeks participated in the most extensive Soviet naval exercises ever conducted in those waters. Highlights of the recent activity included two amphibious landings on the Egyptian coast. Soviet amphibious ships joined other Soviet and Egyptian units in these landings west of Alexandria. Joint Soviet-Syrian amphibious operations may have been conducted south of Latakia in August.

The commander of the Black Sea Fleet and the chief of the Main Staff of the Navy probably observed the exercises from ships of the squadron. The officers are reviewing newly developed Soviet naval tactics such as the movement of surface ships in tactical formations similar to those used in the West and the employment of coordinated ASW tactics.

The guided-missile helicopter cruiser Moskva and a half dozen Soviet antisubmarine escorts conducted ASW training in the waters south of Crete and off the Egyptian coast. Patrol bombers based in Egypt and some eleven Soviet submarines in the Mediterranean participated in this training.

a force of two cruisers, three destroyers, seven diesel submarines, and two support ships from the Northern Fleet is approaching Gibraltar. Most of this force probably will replace units leaving the Mediterranean.

Soviet Naval Exercises in the Mediterranean



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CZECHOSLOVAKIA PUSHING ARMS EXPORTS

Czechoslovakia has emerged as a major exporter of modern weapons to the less developed countries of the free world, and is second only to the USSR as a source of Communist military assistance.

Czech exports consist mainly of an assortment of ground forces weapons ranging from armored vehicles to small arms and aircraft. Czech-designed amphibious armored personnel carriers (APCs), twin 30-mm. anti-aircraft guns, Soviet designed but obsolescent T-54 medium tanks, and the SU-100 self-propelled guns are the most salable ground force equipment. Prague has agreed to supply India with 100 APCs by early 1970 under a recently signed contract that gives New Delhi the option to purchase an additional 100. Czechoslovakia also has built a substantial export trade around the domestically designed L-29 jet trainer, which was adopted by the Warsaw Pact in 1962 as its standard jet trainer.

Prague's military sales program includes the exchange of training personnel as well as production technicians. In mid-1969, approximately 300 Czech military technicians were on assignment in a number of the less developed countries, most of whom were involved in the delivery, assembly, and maintenance of military equipment. The Czechs also have helped a number of countries establish or expand domestic arms production facilities.

Czechoslovakia began selling military equipment in the early 1950s when, acting as an intermediary for the USSR, it sold re-conditioned Soviet-manufactured equipment and in some instances equipment directly off its own production lines. After a lapse of several years--during which time the USSR began exporting arms for its own account--Czechoslovakia in 1965 re-entered the market in earnest, mostly selling equipment in standard use in its own armed forces.

Arms sales to the less developed countries now constitute not only a large share of total Czech exports to these countries but provide a major source of hard currency. Arms contracts concluded between 1965 and 1967 amounted to the equivalent of about 15 percent of Czech exports to the less developed countries. These sales, however, made largely on straight commercial terms, represented the equivalent of about 40 percent of Czech hard currency earnings in these areas and about 10 percent of total Czech hard currency earnings.

The demand for Czech arms and spare parts and ammunition for equipment previously supplied is expected to grow. The Arab states probably will continue to be the major buyers. Among Czechoslovakia's other current clients, India offers prospects for additional sales of tanks and personnel carriers, and Nigeria for ammunition and possibly aircraft.

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YUGOSLAV CHURCH-STATE RELATIONS MAY IMPROVE FURTHER

Increased cooperation between the Orthodox and Roman Catholic churches in Yugoslavia--encouraged and promoted by both the Vatican and Belgrade--has led to an improved church-state relationship that may receive further impetus from the resignation of the Roman Church's Cardinal Seper as Archbishop of Zagreb. A benevolent atmosphere has developed,

because reunification with the Orthodox Church is a long-standing goal of Pope Paul VI and because Tito hopes to use this ecumenical spirit to help counter nationalist rivalry within Yugoslavia.

Seper's resignation on 20 August had been delayed since January 1968, when he became the first prince of the Catholic Church from Eastern Europe to be elevated to the Roman Curia--the Vatican's central administration. Seper has insisted that his successor in Zagreb be a Croat. His reluctance to relinquish the post had complicated Vatican-Yugoslav relations.

Early in 1968 Seper reacted strongly to a rumor published in the West German Catholic press that the Archbishop of Ljubljana--Jozef Pogacnik, a Slovene--would replace him in the Zagreb See.

The Vatican is not concerned as much with the nationality of Seper's replacement as with choosing a man who will be able to continue the church's movement toward increased involvement in Yugoslav society. The Vatican seems to have chosen Yugoslavia as a proving ground for forward movement by the church in other countries of Eastern Europe.

Yugoslavia also appears to be a laboratory for the Vatican's policy of increased cooperation with Orthodox churches. Belgrade's relatively liberal regime and the comparable size of Orthodox and Catholic populations make Yugoslavia a logical ecumenical staging area. The visit of Cardinal Tisserant, then Dean of the Vatican College of Cardinals, in 1968 was a spectacular illustration of ecumenism in action. The cordiality shown Tisserant by Tito, other leading government officials, and the Patriarch of the Serbian Orthodox Church disturbed Seper and other Yugoslav Catholic leaders, who thought it gave a false impression of euphoria in church-state relations that Seper found difficult to explain to the faithful.

The Vatican will not jeopardize its hard-won liberties in Yugoslavia by selecting a man that Belgrade does not want as archbishop of Zagreb and seems content to leave this diocese under the temporary administration of Seper's former deputy, Bishop Kuharic. Meanwhile,

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Belgrade will encourage cooperation between the Catholic and Orthodox churches on practical matters that contribute to the consolidation of the Yugoslav state. As always, however, the

regime will be prepared to crack down if either church attempts to become a political force, that could represent a threat to the Communist Party's power. [redacted]

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POLES CLAIM TO SPEAK FOR BLOC ON EUROPE AND GERMANY

In recent weeks Polish leaders have sought to stress the multilateral, bloc context of their bilateral approaches to the West, especially those to West Germany. They have been making it clear [redacted] that their overtures to Bonn could lead to a Polish - West German political rapprochement only as an intrinsic part of an all-European settlement flowing from an early European security conference.

In pushing this line, the Poles have focused on the role of the great powers in Europe, and have stressed the joint interest of the socialist bloc in guaranteeing the European status quo. Although some [redacted]

[redacted] viewed these developments as indicative of a retreat by Warsaw from its original initiatives toward Bonn, there is no firm evidence that Polish interest in improved bilateral relations is waning.

Warsaw evidently wishes to emphasize that its more forthcoming attitude toward West Germany

and the West in general is intended to supplement and not displace its long-standing goal of a European settlement. The main message of party boss Gomulka's speech of last May was that, while the main issue of Bonn's recognition of Poland's borders is within the jurisdiction of the great powers, this should not preclude bilateral dialogue on a score of subordinate political and economic questions.

The Poles continue to equivocate on the issue of whether Bonn's recognition of "the existence" of East Germany is a precondition for a European settlement and for progress in improving Polish - West German relations. Last week, Foreign Minister Jedrychowski called for such recognition before a gathering of journalists from East and West, including West Germany. The next speaker, however, was the head of the Foreign Ministry's International Affairs Institute, Ryszard Frelek, who enumerated three conditions that he claimed could lead to a "normalization" of Bonn's relations with the bloc,

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including the establishment of diplomatic relations. (At present, Bonn has such relations only with Moscow and Bucharest.)

First, "all European countries" must recognize frontiers agreed on by the Potsdam conference; secondly, West Germany must renounce its claim to be the sole representative of all Germany; and finally, Bonn must sign and adhere to the nonproliferation treaty. He described these as the "joint demands" of the socialist countries.

Neither Frelek nor Jedrychowski referred to Pankow's demand that Bonn grant it diplomatic recognition. If Frelek indeed was speaking for the bloc, this suggests that Moscow as well as

Warsaw is now moving to shed the ballast of uncompromising East German demands. Neither the condition that Bonn recognize the Potsdam frontiers in Europe nor that it renounce its claim to represent all Germans is in fact a clear call for the diplomatic recognition of the East German regime.

No support for East German demands was evident in speeches by Polish chief of state Spychalski and visiting Czechoslovak President Svoboda during Poland's observances on 1 September of the outbreak of World War II. Pankow can take small consolation from Svoboda's isolated statement that the existence of East Germany as a common ally of both countries is "an important thing."

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SECRET**MIDDLE EAST - AFRICA**

In the most extensive military action since the June 1967 war, Israeli forces on 9-10 September raided the Egyptian coastline on the Gulf of Suez and destroyed radar sites, coastal defense positions, and one SAM site. On 11 September Egypt retaliated with air strikes against Israeli positions along the canal and in the Sinai peninsula. Israel claims to have downed seven Egyptian aircraft during the action.

The two Israelis detained after the TWA hijacking on 29 August remain in Syrian custody, but efforts are still being made to obtain their release. The Arab terrorist group that claimed credit for the hijacking has since vowed to carry on its world-wide terrorist campaign against Israeli facilities and personnel.

The sixth OAU heads-of-state conference ended uneventfully on 10 September. Despite rumors that the group might be able to arrange a cease-fire in the Nigerian civil war, the heads of state were unable to initiate any new moves to resolve the conflict. The OAU's expression of concern over the Middle East came down somewhat more strongly on the Arab side than previously because of the massive Israeli raid on Egyptian territory that took place as the conference was ending.

Ghana's new cabinet is a mixed group of old-line party stalwarts and younger technicians who are likely to be moderate in foreign and domestic affairs. Preparations for the formal changeover from military to civilian rule, set for 30 September, continue apace.

In Congo (Kinshasa), the recent ordinance expelling all aliens not in useful services continues to stir apprehensions among foreign residents. Apparently it was designed—ostensibly by the political bureau of President Mobutu's party—to gain influence by exploiting latent resentment against foreigners. Mobutu has belatedly stepped in to reassure indispensable businessmen that the ordinance is aimed at smugglers and shady dealers.

In India, Prime Minister Gandhi has begun again to address mass gatherings in an effort to maintain the momentum of her recent victories over the Congress Party bosses. She says the recent bank nationalization is only the first step toward a "socialist" pattern of society. Meanwhile, in Punjab and Haryana states, a conflict over territorial claims has come to a head as a result of a month-long fast by a venerated Sikh leader.

In Pakistan, the administration's honeymoon period appears to be ending amidst rising labor and student discontent in the east, and stepped-up political activity throughout the country. Bengali students have proclaimed 17 September as "Education Day" to be observed by a province-wide student strike and possibly by demonstrations.

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MIDDLE EAST PEACE EFFORTS TO BE DIFFICULT

The soon-to-be-renewed efforts by the big powers to achieve a peaceful settlement in the Middle East seem likely to run into even more difficulties than were encountered when the talks began almost a year ago. The mounting casualties on both sides, daily border clashes, Arab fedayeen bombings and hijackings, all punctuated by slashing Israeli raids, have added to the frustration, suspicion, and hate on all sides. Israeli leaders remain as adamant as ever that they will not withdraw from the occupied territories unless there is a directly negotiated peace settlement, and the Arab governments are too weak to go to the negotiating table. The field thus seems increasingly to be left to the hard liners on both sides who, vowing vengeance and no compromise, seem bent on a course that can lead only to mutual destruction.

Over the past year, the Arab states, particularly those on the "front"--Jordan, Lebanon, Egypt, and even the staunch friend of the West, Saudi Arabia--have fallen into a mood of deep disillusionment. Elated over early enunciations of an "even-handed" US policy in the Middle East, they now see only what they consider a failure on the part of the US to bring Israel around to an acceptable settlement. Jordan and Lebanon have increasingly been subject to Arab fedayeen pressures, and have taken the brunt of Israeli military retaliation for

fedayeen depredations. They seem to be caught up in a tide they cannot control. While they are able to exert only limited control over the fedayeen, they suffer their full share of casualties and economic and materiel losses from retaliation by the superior Israeli military forces.

Lebanon now has joined the ranks of Arab governments unable to handle the explosive divisiveness of the fedayeen issue and, like Jordan, is being increasingly dragged into the border war. Jordan, long on the most active front, sees little ahead but more ruin, unending clashes, and the prospect of losing the struggle for power with the fedayeen. Egypt, too weak militarily to risk a major contest with Israel, and banking on the big powers to force Israel's withdrawal, tries to satisfy the needs of its army and people for military victories by sporadic harassment of the Israelis across the canal. Egypt also has suffered the constant embarrassment meted out by the Israeli military--most recently this week--and can only talk of future retribution. The burning of the al-Aqsa Mosque bitterly reminded all Arabs that Israel still occupies the Arab holy places in Jerusalem and they can do nothing about it.

In addition, the delivery of US Phantom aircraft to Israel last week confirms Arab suspicions that there has been no real change

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in American support of Israel and thus no hope of peace.

Some of the Arab states

[redacted] claim that if a reasonable peace settlement were achieved they could control the fedayeen. The fedayeen, however, capitalizing on their actions against Israel and its "imperialist" supporters, have acquired a political power that no Arab leader dares to challenge. Arab leaders now may believe that a fedayeen-supported war of attrition is the only possible path they can follow.

Frustration in Israel is also a key factor. After severely defeating the Arabs three times, the Israelis still do not have the peace they seek, nor, in their view, is there any prospect that any Arab leader is willing to talk peace. In their long-instilled "survival" psychology, the Israelis take comfort in their military superiority and their now-extended borders which, as the

late Prime Minister Levi Eshkol once said, Israel will hold onto "for the next 20 years if necessary." They are unhappy with the Arabs' unwillingness to accept them, but they have adopted a "siege" mentality centering on the idea that the Arabs understand only force. No hints of compromise are emanating from Tel Aviv--only repeated statements of Israel's territorial requirements necessary for defense, and demands Israel knows the Arabs can not meet. These pronouncements, while reassuring to the Israeli public, serve only to convince the Arabs of Israel's expansionist designs. In the face of Arab unwillingness to accept Israeli terms and the threat of an imposed solution implicit in the big power talks, Israeli leaders are trying to prepare their people for mounting casualties and the possibility of a new war. Israel has declared its intention to protect at all cost what it regards as its vital interests.

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SOUTH AFRICA ACTIVE IN GOLD MARKETS

Substantial South African gold sales in the free market will ensure continuance and stability of the two-tier price system, which consists of a fixed rate for official transactions and a variable price for private activity. Experience during the past year has overcome South Africa's fears that free-market prices would fall below the \$35-per-ounce maintained for sales between monetary authorities.

A deterioration in South Africa's balance of payments has forced it, the world's dominant gold producer, to sell increasing quantities of gold on the free market since mid-1968. Nevertheless, the price in that market remains well above the official price.

The clandestine manner in which South African sales are made has contributed to the relative stability of the free market premium. Although it is known that South Africa, using a consortium of three Swiss banks, has pushed gold onto the Zurich market, the exact magnitude and timing of these sales are not known to potential purchasers.

Since the inception of the two-tier gold market in March 1968, South Africa has sold about 490 tons of gold on the free market at prices 15 to 20 percent above the official rate. These

sales account for an increasing share of South African production--some 53 percent so far this year--and have earned at least \$600 million. Planned additional sales will go far to eliminate South Africa's 1969 balance-of-payments deficit, estimated at about \$300 million for the remainder of the year.

Although nearly all major central banks agreed in Washington in March 1968 not to augment their gold stocks by purchases from South Africa, Pretoria has sold gold to monetary authorities. Through August 1969, sales in violation of the Washington agreement have totaled about \$260 million. During the same period South Africa succeeded in placing another \$110 million with monetary authorities through the legitimate channels of the International Monetary Fund.

Pretoria is expected to continue to disguise sales on the free market, its major gold marketing outlet, in view of the dim prospects that an agreement will be reached between South Africa and the major monetary powers on the disposition of newly mined gold. In addition to officially reported gold reserves of more than \$1.1 billion, South Africa maintains a pool of about \$200 million with the South African Chamber of Mines, from which free market sales have been and will continue to be made.

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SOUTH AFRICA'S NATIONAL PARTY FACES DIVISIONS

South Africa's ruling National Party is facing criticism from the party's ultraconservative wing in the round of provincial party congresses now in progress. Prime Minister Vorster still will control the party machinery, and the vast majority of party members in parliament support him solidly. Growing differences among party members on the future of South Africa's relations with the outside world, however, could force an eventual split.

The party moderates--though highly conservative by liberal Western standards--are known as verligtes or "enlightened ones," who generally support the pragmatic and outward-looking policies of Vorster. The ultraconservatives, known as verkrampes or "narrow-minded ones," want to maintain Afrikaner ideological and cultural purity. There is little disagreement on the party's handling of domestic problems, and all Nationalists firmly support the separate development of the races. In foreign policy, however, the verligtes generally support increasing South African contacts with the rest of Africa and the verkrampes seek a return to isolation.

The size of the verkrampes group is unknown, but probably less than a dozen nationally prominent men consider themselves verkrampes. The group's strength comes rather from the power of its spokesman, Dr. Albert Hertzog, a cabinet minister for many years. The dispute

between Vorster and Hertzog boiled up last spring when Vorster publicly asserted that the party was strong enough to fight on two fronts--against internal party dissension as well as against the opposition parties.

When a powerful new security agency, the Bureau for State Security, was established this summer, the verkrampes viewed it--with some justification--as Vorster's personal security service, aimed at them. In August, an ultrarightist magazine charged that establishment of the agency (dubbed BOSS by the press) removed Vorster from parliamentary and court control and made him the most powerful man in South African history; it added that Vorster intends to use BOSS to maintain himself in power against the wishes of the Afrikaners.

Until recently, Vorster had played down the dissension in hopes of keeping the party together and avoiding the onus of dividing the Afrikaners. In most of the party congresses this fall, however, leading verligtes have tried to answer the verkrampes' criticism. At the same time, the ever-cautious Vorster has moved somewhat to the right in his decisions on minor issues--such as denying visas to US Congressmen--as a sop to the verkrampes. Vorster apparently believes that the mood of the rank and file is becoming more conservative, and he is going along with them. 25X1

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LIBYAN JUNTA NAMES CIVILIAN CABINET

Steadily settling into power, the military junta is seeking to return life in Libya to normal. One of its first orders of business was the naming of a nine-man, predominantly civilian cabinet.

As in other Arab states where coups have occurred--Syria, Sudan, and Iraq--the naming of a civilian cabinet is not expected to alter the realities of power. The military will continue to pull the strings and make the final political decisions. The ruling Revolutionary Command Council has retained its anonymity. Its political coloration, other than what might be deduced from the council's public statements, also remains unknown.

With the exception of Prime Minister al Maghribi and Foreign Minister Abu Yasir, most of the seven civilian members of the

new cabinet are relatively unknown and will presumably be used for window dressing and for the technical competence they may possess. A number of them have been associated in the past with antimonarchical dissident groups.

The cabinet members' affiliation with pan-Arab movements--the Baath, Arab Nationalists Movement, and Nasirists--portends Libya's closer identification with the radical Arab countries and a more militant stance in the Arab-Israeli conflict. The fact that the movements with which they have been associated are mutually antagonistic will prevent any one group from unduly influencing the junta in its domestic policy, however. The placing of two individuals alleged to be members of the Revolutionary Command Council in the cabinet as interior and defense ministers will also serve to maintain the junta's control over the direction of the new government.

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WESTERN HEMISPHERE

Events in Brazil continued to hold center stage in Latin America this week. With the safe return of US Ambassador Elbrick, attention turned to the shaky position of the military triumvirate now in power. Military discontent over the government's agreement to ransom the ambassador has increased speculation that the military junta's days are numbered. There is considerable fear that the kidnapers' example will be emulated by terrorists all over the world.

Relations between the US and Mexico were further warmed by the meeting on 8 September between President Nixon and President Diaz Ordaz to dedicate Amistad Dam on the Texas border.

Pro-Soviet Communists in Peru plan to call for a world youth conference to be held in Lima in October. This meeting would complement the conference last month of Latin American labor union representatives that endorsed the Peruvian military government's nationalization of a US oil company. The Peruvian Communists plan to invite youth representatives from all over the world. The Communist-front World Federation of Democratic Youth has scheduled a conference for 9-12 October in Bogota, Colombia, and it is likely that the same representatives will attend both meetings.

Relations between Mexico and Cuba were further complicated last week by Cuba's charge that the press attaché in Mexico's embassy in Havana was a US intelligence agent. Mexico rejected Cuba's request that it waive the attaché's diplomatic immunity and protested Cuba's suggestions of Mexican complicity in the alleged espionage, but it did recall the diplomat. Relations between the two countries had already been strained by unfriendly exchanges over a hijacking and by Mexico's expulsion of an editor of Cuba's news agency.

One of two Bolivian survivors of Che Guevara's guerrilla group was killed in La Paz last week. The death of "Inti" Peredo will deprive extremists of a potential rallying point for renewed guerrilla activity.

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AMBASSADOR'S KIDNAPING WEAKENS BRAZILIAN TRIUMVIRATE

The governing triumvirate has been faced with military discontent and resentment since it took the reins of government on 31 August. The kidnaping of US Ambassador Elbrick on 4 September by left-wing extremists has caused even broader dissent because many officers strongly opposed the government's decision to meet the kidnapers' ransom demands.

The ambassador's abduction was engineered by the Revolutionary Movement - 8 October (MR-8) and the National Liberation Action (ALN). The MR-8 is a terrorist group made up mostly of students and is linked to several dissident Communist and other extremist organizations. The ALN is probably made up of followers of dissident Communist leader Carlos Marighella.

There has been strong condemnation of the kidnaping in Latin America. It has also aroused apprehension in many countries that similar acts of terrorism will now occur elsewhere. Ecuadoran President Velasco, for example, has personally cautioned the US ambassador in Quito to guard against such a possibility. Extremist groups in several Latin American countries--particularly those where prominent leftists are in jail--may resort to kidnaping or other acts of violence against US or other officials to dramatize their activities. Consular officers in Sao Paulo have already received a number of threatening messages as has a member of the US Military Group in Venezuela. Security measures are being strength-

ened around a number of foreign missions in the hemisphere.

The Brazilian Government has undertaken a major roundup of subversives and [redacted] has at least two of the suspected kidnapers under arrest. It has armed itself with even wider powers to "guarantee the national security." Institutional Act 13 makes possible banishment as a punishment for "subversion," and Act 14 reinstates the death penalty in cases of "foreign, adverse psychological, revolutionary, or subversive war." Many Brazilians who have opposed the military government [redacted] plan to take cover or flee the country rather than wait to see how the government will apply its new powers.

It is increasingly apparent that President Costa e Silva will not be able to resume the full duties of his office. The crackdown may have bought the triumvirate a bit of time but top officers reportedly agree that it must be replaced by a single leader. No one officer seems to have the inside track, and several ambitious generals are trying to line up support.

Prospects for stability during this transitional period will depend primarily on the military's ability to reach a consensus. The selection of a conservative old-guard officer probably would not please

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the young reformist officers, who could be expected to continue to try to get a man of their choice into the presidency. The old guard, on the other hand, would probably support a reform-minded senior officer rather than jeopardize military unity.

The current leadership crisis will probably be resolved soon, as most officers fear that an extended power struggle would shatter military unity beyond repair.

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PANAMA'S MILITARY REGIME FOCUSING ON CANAL TREATY ISSUE

The government is turning its attention to the long-dormant canal treaty issue as the anniversary of its first year in power, 11 October, approaches.

The government-controlled press is interpreting official US statements on the possible resumption of treaty talks as a clear indication that the US is willing to conclude a treaty settlement with Panama's present military rulers.

A prominent Panama daily, which usually carries the government line, printed an editorial last week stating that it was apparent that "the US does not question the politico-juridical capacity of the junta government to arrive at agreements, contracts and treaties...." National Guard strong man General Torrijos is obviously trying to portray alleged US agreement to deal with his representatives on the draft treaties as a sign of unqualified support for the military government.

In a quick follow-up to the government-inspired flurry of press reports over impending initiatives on the canal treaty question, three new "advisers" were

named to assume responsibilities on treaty-related matters. At least one is a staunch nationalist with anti-US views. Panama has not formally requested the US to resume negotiations. The press, quoting official sources, states that negotiations have never been suspended and will merely be "reintensified."

Meanwhile, the foreign minister disclosed that Panama has asked the United Nations Economic Commission for Latin America for technical experts to provide advisory assistance on canal treaty negotiations. This gambit, along with the appointment of the advisers, probably indicates that the military government intends to press hard for new concessions in any revived round of talks.

A request to re-examine the draft canal treaties could come at any time--possibly during the visit of General Torrijos to the US on or around 24 September. Torrijos reportedly hopes to visit Governor Rockefeller before attending the Ninth Conference of American Army Commanders to be held at Ft. Bragg, North Carolina, and in Washington.

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VENEZUELAN GOVERNMENT MOVES AGAINST MILITARY UNREST

The Caldera administration has apparently weathered a serious disciplinary problem in the armed forces.

In the last two weeks, at least eight high-ranking officers, including the former commanding general of the army, General Flores, have been arrested and charged with breaching military discipline. The charges apparently stemmed from public statements by the officers opposing policies of Minister of Defense General Garcia and, by inference, President Caldera. The officers accused Garcia of being a "Junker," a "Pentagonista," and a heavy-handed disciplinarian. A growing number of his critics also oppose his promotion policy and efforts to institute reforms in the military services.

Flores in particular has been displeased with changes made in the military by the Caldera government, especially the designation of General Garcia, who was junior to Flores, as defense minister. Flores had visited several military commands and units in the country within the last two weeks in an attempt to elicit support for his position. There is no indication that he received

the backing he wanted,

There is no evidence that the unrest among the senior officers has spread to the military ranks. President Caldera has repeatedly emphasized the disciplinary nature of his recent moves and has denounced those who spread coup rumors. Nevertheless, the prompt action of the government may have been designed to head off the unrest before any antigovernment movement led by senior officers could develop into a serious threat.

Thus far Caldera has supported his defense minister. If the unrest reappears and grows, however, he may be forced to jettison General Garcia in favor of someone more sympathetic to the special interests of the senior officers. Government officials have emphasized that conditions as of now are returning to normal. As evidence of the lack of official concern, they have pointed to President Caldera's absence from Caracas last weekend and the routine nature of his present schedule.

OAS EASING CENTRAL AMERICAN TENSIONS

The Organization of American States is making limited progress in its effort to relieve tension and promote a reconciliation between Honduras and El Salvador.

OAS representatives have persuaded both sides to agree in principle to a mutual troop withdrawal from the border areas, although final details have not

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worked out. They are also encouraging Honduras to continue releasing Salvadorans held in interment camps; more than 9,000 of the 13,000 detainees have already been released. The OAS has also had some success in getting both sides to temper their press and radio propaganda war.

A number of irritants remain, however. Neither the issue of Salvadoran migration to Honduras nor that of guaranteeing the personal and economic well-being of the large Salvadoran colony in Honduras has been satisfactorily resolved. The anti-Salvadoran mood in Honduras has not abated, and the exodus of Salvadorans has continued.

Although El Salvador and Honduras are natural trading partners, economic nationalism--particularly in Honduras--remains high. All forms of communications between the two countries are still cut and Honduras still refuses to restore commercial relations even though it has not been able to find new markets for products that formerly were sold in El Salvador. Honduras' economic problems, already aggravated by the war, have been compounded by severe hurricane damage to the banana and sugar crops, which together account for more than one half of the country's foreign exchange earnings and are an important source of government revenues.

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UNEASINESS PERSISTS IN NETHERLANDS ANTILLES

The elections of 5 September, held against a backdrop of sporadic labor unrest, have thus far failed to resolve a confused political situation. Until a stable government is formed, the possibility of violence like that which swept the main island of Curacao last May will persist.

The long-entrenched Democratic Party won only 11 legislative seats in the 22-member Staten, which represents the six islands in the Dutch federation.

The Workers' Front, a newly formed political group, unexpectedly won three seats despite the fact that two of its chief

leaders were in jail for their involvement in the riots last May. The party, however, may find it difficult to unite with the traditional opposition.

The islands are confronted with an economic and political squeeze for which there is no easy solution. The scattered industry is turning more to capital intensive methods, adding to the already high unemployment rate, and the lucrative tourist trade has fallen since the violence last May. The widespread destruction at that time sobered more responsible labor and political leaders, but in the present atmosphere a few extremists or a minor incident could spark new difficulties.

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