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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EST, 11 December 1969)

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Communist forces in the south continue to confine themselves to sporadic flurries of localized actions, although indications of a pre-Christmas offensive persist. In North Vietnam, however, a new security crackdown of as yet unknown proportions is going on. Publicity is limited and the causes are obscure, but it may be related to measures against those not responsive to regime policies, even to strife within the leadership, or simply a move to correct long-standing law and order problems.	
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OSD REVIEW COMPLETE. Dupe - OSD- 274-28 & OSD-283-5

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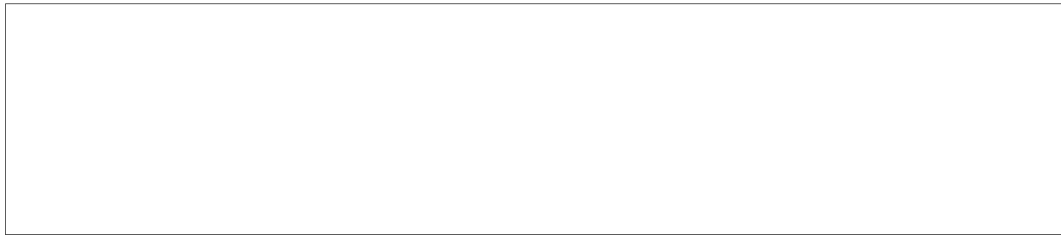
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The Central American foreign ministers last week took steps to revitalize the Central American Common Market and promote a settlement of the El Salvador - Honduras dispute. Neither task, however, can be accomplished quickly.

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Continued uncertainty about the presidential election is leading to increased pessimism over the future of the Balaguer government.

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The selection of Misael Pastrana as the National Front's presidential candidate will cause severe strains in the two major parties, and his road to the presidency may be difficult.

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The Communists' winter-spring campaign in South Vietnam so far seems barely that. There have been sporadic outbreaks of activity, principally shelling and small-unit attacks, most of which do not appear to be coordinated in any way. Some attacks were fairly heavy, but generally of short duration. There continue to be signs, however, that the enemy will embark on somewhat more extensive offensive activity before Christmas.

North Vietnam is experiencing a security crackdown of unknown dimensions. Evidence is sparse and conclusions tentative, but it seems to be more than a routine drive against hooliganism and un-Communist behavior. At the same time, although not necessarily related, Hanoi is reorganizing a number of government ministries. The reshuffle appears aimed at accelerating economic reconstruction and expansion throughout the North.

The deep involvement of North Vietnam in the Laotian conflict continues to be apparent as its regulars are beginning to step up their attacks in the Plaine des Jarres area. Government guerrillas led by the colorful Meo General Vang Pao have withstood most of these assaults, but the Meo troops are weary after a long, successful rainy season campaign. Chinese road building in northwestern Laos proceeds apace; in one week 10 miles were added to a road that is heading southwest toward the Mekong River near the town of Pak Beng.

Elsewhere in Southeast Asia, the Association of Southeast Asian Nations, formed in 1967 to foster economic, cultural, and technical cooperation, is meeting on 16-18 December in Kuala Lumpur. The members—Malaysia, Singapore, Indonesia, the Philippines, and Thailand—have been wrangling over whether to invite Laos and both North and South Vietnam as observers. South Vietnam and Laos now have been invited, but dissension over this issue and other states will probably mar harmony during the meetings.

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VIETNAM

Security Problems in the North

North Vietnam is conducting a new security crackdown of as yet unknown proportions. Publicity has been limited; the specific causes are obscure. Some indications suggest that Hanoi is simply acting to correct long-standing law and order problems, while others suggest that measures are being taken against elements not responsive to regime policies. The latter could even involve leadership strife in the wake of Ho Chi Minh's death, but there is no solid evidence as yet for such a conclusion.

During the past year or so, the North Vietnamese have periodically expressed concern about poor discipline and lack of responsiveness to state policies.

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[redacted] have provided evidence of widespread practices and behavior considered antisocial or criminal by the regime, ranging from "hooliganism" in Hanoi through economic malpractices to stealing of state property. Sometimes party, government, and military officials have been implicated. Concern seemed to be much greater in the first part of 1969 than in recent months, but the problems could well be the cause of a new tightening of security.

Resistance to military conscription and labor mobilization might also be at the root of the current problem. The demands for military manpower, in particular,

are probably a source of widespread popular discontent, and the regime could be trying to decrease the chances for draft dodging and desertion.

Something Deeper?

There are overtones to the current security crackdown, however, which suggest that it may go beyond a routine effort to curb crime, evasion of state directives, and abuses of socialist orthodoxy. The first sign of the crackdown appeared in a cryptic communiqué of a National Assembly Standing Committee session headed by assembly chairman Truong Chinh in late November which was passed over a restricted press wire on 2 December. It dealt only with "security" in Hanoi and noted that unspecified "criminals" would be punished and that procedures for "trials" had been established.

Incomplete summaries of North Vietnamese press items on 6 December, which discussed security, have not mentioned the National Assembly session, but referred to a recent conference held by the Ministry of Public Security. These summaries indicate that the campaign is country-wide and not confined to Hanoi. An editorial said the drive was aimed at "counterrevolutionary" and "bad-minded" elements.

Whatever is going on is reminiscent of the last big security drive in late 1967, when

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a decree against "counterrevolutionaries" was issued and the regime moved against opposition to its policies on the war. Later evidence from prisoners captured in South Vietnam showed that one result of the 1967 drive was a purge of middle-level officials, probably because of their opposition to the extraordinary military preparations which were under way for the Tet offensive launched in early 1968.

Government Reorganization

Hanoi also announced this week the first major government reshuffling since Ho's death. The reorganization was confined to the economic ministries and it may portend an acceleration of the country's reconstruction. In effect, it elevates a number of departments and directorates to the ministry level. These include the former Directorates for Electric Power, for Fuels and Chemicals, and for Metallurgy, and a Department of Engineering which had been under the now abolished Ministry of Heavy Industry. A new Ministry of Food and Foodstuffs was probably formed by combining separate directorates for foodstuffs which had been operating under the Ministry of Light Industries and the Ministry of Domestic Trade. The new Ministry of Materials may also have been formed by combining several directorates concerned with various materials previously scattered among different ministries.

The current reorganization follows the pattern of earlier

Hanoi attempts to expand its economic apparatus by giving separate ministry status to specialized industries and trade functions. In each case, these reorganizations preceded changing emphases in North Vietnam's industrial development. The current reorganization, with its greater specialization of activities, suggests that the regime is ready to devote more effort to industrial reconstruction and expansion.

Offensive in the South

The Communists' winter-spring campaign continues with sporadic flurries of localized actions, but enemy preparations for heavier fighting in several key sectors of South Vietnam are nearing completion. It is becoming increasingly clear that the Communists are getting set for a pre-Christmas offensive phase that will probably consist of increased shellings and limited ground actions. The pattern of enemy offensive actions thus far in December suggests that an intensified campaign will focus on the area just below the DMZ, on southern I Corps, and on the southern provinces bordering Cambodia from Quang Duc to Chau Doc.

Greater enemy emphasis on population centers may also be developing. Although no major city appears seriously threatened, an increase in small-unit enemy attacks and shellings of district towns and a rise in terrorist and sabotage activity in larger cities have been noted. Prisoners and captured documents reveal

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that the enemy intends to intensify this type of activity.

Reports from a variety of sources point to increased enemy hostilities in the period preceding the Christmas cease-fires. Many of these predict stepped-up enemy action on one or more of the three important Communist holidays--19 December, National Resistance Day; 20 December, the "birthday" of the National Liberation Front in South Vietnam;

and 22 December, the 25th anniversary of the formation of the North Vietnamese Army.

Meanwhile, many South Vietnamese military officers are cautiously optimistic about their army's prospects for successfully taking over more of the combat from US troops, even though major tests still lie ahead. Recent US Embassy surveys revealed that increasing numbers of South Vietnamese field officers are eager for a chance to take on a greater share of the fighting. The most optimistic commanders were in areas such as northern I Corps and the Mekong Delta, where the US military presence already had been reduced.

A number of South Vietnamese officers, however, contend that the current optimism results more from the relatively low level of enemy activity in recent months than from improvements in South Vietnamese performance. This is particularly evident in the provinces of III Corps surrounding Saigon where US troops are still present in force and where two of the three South Vietnamese division commanders are privately pessimistic about the future.

South Vietnamese confidence in coming months will probably depend largely on the outcome of engagements with Communist forces. So far, the combat experiences of South Vietnamese units under conditions of reduced US participation have not instilled a sense of real esprit de corps or improved morale throughout the army.

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COMMUNIST CHINA'S TRADE PICTURE IMPROVES

Peking's foreign trade has picked up from the low levels during the Cultural Revolution. Preliminary estimates suggest the total this year may reach \$4 billion, up 10 percent from 1968. Chinese efforts to improve relations with Western sources were particularly evident at the recently concluded Canton trade fair.

The free world continues to account for about 80 percent of total Chinese trade. Japan is expected to strengthen its position as Peking's leading trading partner. Trade with the United Kingdom is recovering significantly from last year's depressed level, while that with Italy and France shows moderate increases. Sino - West German trade remains at about the same as in 1968.

Greater Chinese imports of free world steel, metals, and other industrial materials reflect some recovery in the Chinese economy. Although tensions with the USSR may have caused some distortion in China's import priorities, they did not seem to generate any great shift to strategic goods. Contracts for grain imports rose moderately over last year, while purchases of chemical fertilizer remain about the same as in 1968.

Peking is demonstrating an increased interest in Western machinery and equipment, and also has queried whole plant manufacturers. The recent release of several detained West German technicians who had worked on the Lanchou petrochemical complex may have been designed to improve

relations with Western suppliers of plants and specialists.

Exports to the free world also are showing improvement. Increased sales are expected to provide Peking with net hard currency earnings greater than last year's \$50 million. Exports to Hong Kong, China's major source of foreign exchange, continued the recovery begun in mid-1968 but will fall short of peak levels attained in 1966.

The autumn edition of the semiannual Canton trade fair held last month will give impetus to the recovery in Chinese trade with the West. The fair was distinguished by its business-like atmosphere and the noticeable lack of propaganda. Peking continued to seek nonferrous metals, steel, and chemicals. Sales of traditional Chinese agricultural and consumer goods were slightly improved over sales at last spring's fair. The Japanese alone expect import-export contracts negotiated at the fair to total \$150 million.

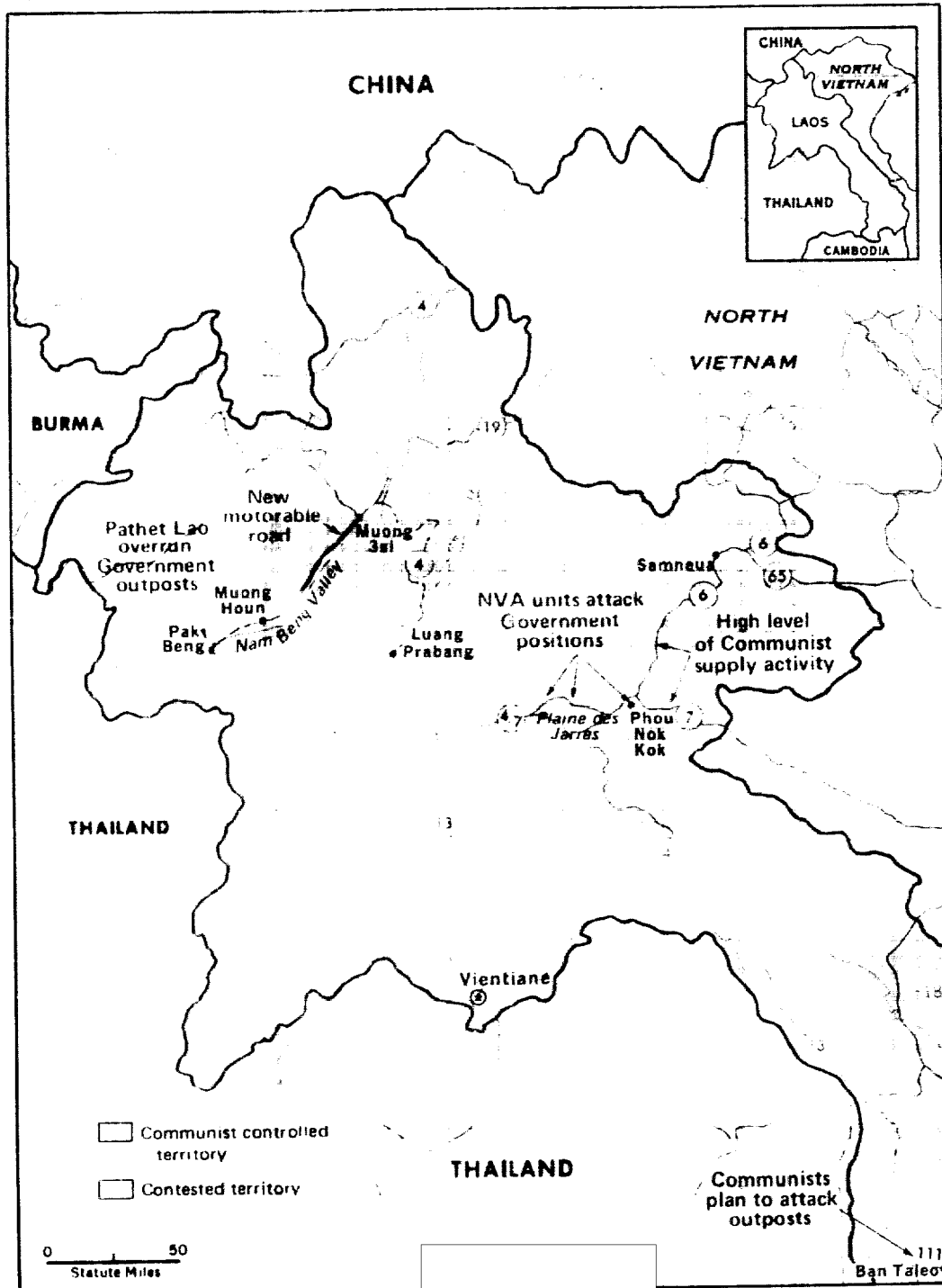
Peking's trade with some Communist countries probably will improve slightly this year as well. Agreements with East European countries generally call for moderate increases over the level of \$275 million registered in 1968. Despite hostilities with Moscow, the continued exchange of Chinese agricultural and consumer goods for Soviet manufactured goods will prevent trade from falling much below last year's record low of \$96 million.

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NORTHERN LAOS: Communist Military Activity Increases



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COMMUNIST OFFENSIVE ACTIVITY IN LAOS

North Vietnamese units of battalion strength recently have launched concerted ground attacks against numerous government positions near the Plaine des Jarres. The heaviest fighting has occurred along the northern edges of the Plaine, where the enemy is attempting to clear government troops from key high points such as Phou Nok Kok. Government guerrillas under General Vang Pao, the daring and forceful leader of Meo troops, have successfully withstood most of these assaults but are weary after a long, successful, rainy season campaign. It seems doubtful that they can long withstand sustained heavy pressure.

The new aggressiveness of the North Vietnamese units near the Plaine is the first clear sign that Hanoi has been able to move supplies to its front line troops in northern Laos despite the government's ambitious interdiction campaign.

In northwestern Laos, Pathet Lao forces have overrun several

important government outposts near Pak Beng on the Mekong River. With the capture of these positions, the Pathet Lao have taken an important step toward removing the last vestiges of government control in the Nam Beng Valley--the scene of the most recent round of Chinese road-building activity. According to aerial photography [redacted] the road now is motorable for some 27 miles to the southwest of Muong Sai.

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Although there has been no significant military activity in southern Laos in recent weeks, enemy troop movements and probes in the past few days suggest that the Communists intend to maintain pressure against government outposts astride Route 111 near Ban Taleo. The enemy may hope that by tying down government units in this area there will be little chance of government guerrillas taking new initiatives against the infiltration corridor farther to the east. [redacted]

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EUROPE

The Soviet and US delegations are discussing the content of a communiqué to close out the Helsinki phase of SALT, probably next week. Exchanges have continued to be serious and nonpolemical.

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Premier Kosygin gave official approval to Soviet support for the Arab fedayeen in a speech before a visiting Egyptian delegation on 10 December. At the same time he stressed that Moscow is primarily interested in a political settlement of the Arab-Israeli crisis.

The meeting of leaders of the USSR and East European states last week in Moscow set up a generally positive approach to Bonn. The West Germans and Soviets then held their first two meetings on an exchange of renunciation of force statements. On 11 December, Foreign Minister Scheel said that Bonn is ready to examine steps toward an improvement of relations with Czechoslovakia. He said he was responding to press accounts of a statement earlier in the week by Husak that Prague now was ready to seek a settlement of problems with Bonn.

A new body of the Warsaw Pact, a "military council," met in Moscow on 9-10 December, apparently for the first time. Its purpose and participants are not known, but it was chaired by the pact commander, Marshal Yakubovsky. According to TASS, it approved measures to strengthen the pact's command structure. Because the Romanians agreed to other decisions on training, it is not likely that the issue of pact maneuvers on Romanian soil came up.

In Britain, the foreign policy debate in Commons was calmer than expected. Most of the speeches on My Lai were sober and objective, though Labor's left wing attacked Wilson's support of US policies. Opposition to Britain's arms shipments to Federal Nigeria was greater than in the past, but less than predicted.

The UN General Assembly this week adopted a Swedish proposal interpreting the 1925 Geneva Protocol as prohibiting the use of tear gas and herbicides in war. The US opposed, and most West European countries abstained. The assembly now is expected to adopt a Mexican proposal calling upon the two superpowers to negotiate a moratorium on new strategic weapons systems. Concern over the ineffectiveness of the UN and resentment of the role of the big powers probably lay behind the assembly's adoption this week of a Colombian proposal that would put the question of UN Charter review on the agenda of the 1970 Assembly session.

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SOVIETS PURSUING NEW GERMAN POLICY

On 8 December Soviet Foreign Minister Gromyko met in Moscow with West German ambassador Helmut Allardt to open negotiations on West German proposals for an exchange of statements on the renunciation of force. The Soviets, only the day before, had made known their willingness to begin the talks. Gromyko and Allardt reportedly did little more than touch on negotiation procedures in their 90-minute meeting, but the unexpected decision to send Gromyko to touch off the talks was probably meant as a pledge of Moscow's good intentions, and was so interpreted by the Germans. It also supported the impression that the Soviet leaders have decided to pursue their own version of "bridge-building" with the new West German Government of Willy Brandt.

In recent weeks the Soviets have gone to considerable lengths to convince the Brandt government they have put aside their traditional policy of official and implacable hostility toward West Germany. The Soviet press has treated the Brandt government with great circumspection from its inception, and recently Moscow has sought to provide further evidence of its good will. Notably, a West German trade union delegation, which was in the Soviet Union from 24 November to 6 December, was treated with calculated cordiality. Soviet Politburo member and trade union chief Aleksandr Shelepin even took the

highly unusual step of making an appearance at the residence of the West German ambassador for the reception in honor of the visiting trade unionists.

The speed with which Moscow has moved to adjust its policies to the new political realities in Bonn is probably based on the hope that the accession of a Bonn government publicly committed to political and economic reconciliation with Eastern Europe offers prospects for the attainment of some of the basic goals of Soviet policy in Europe. Moscow's major objectives are still the legitimization and solidification of Soviet hegemony in Eastern Europe and maintaining the division of Germany. The Soviets may feel that despite Bonn's contrary intentions, the strengthening of West German ties with the East will inevitably detract from the strength of its ties with the West.

The Soviets presumably realize that there is not likely to be any great change in Bonn's orientation in the short run, but they may count on other immediate benefits. Chief among these is access to West German technology and financial credits. The conclusion late last month of a huge deal involving the sale of Soviet natural gas for West German pipe

is likely to whet Moscow's appetite.

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Although the Soviets on balance probably feel that so far they have profited most by the improvement in relations, they may soon be called on to make concessions of their own.

Nevertheless, during last week's summit meeting of Warsaw Pact leaders, Moscow gave its allies the green light to proceed with bilateral approaches to Bonn. According to various East European diplomats, the summit meeting was convened to mollify the East Germans, who sought to convince their allies that they should delay beginning bilateral negotiations with Bonn. The communiqué issued after the meeting, however, shows that the East Germans were rebuffed.

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The communiqué does contain a sop for Pankow in its call on all states to recognize East Germany, but it is apparent that this is not meant to be a precondition to Bonn's negotiations with East European states.

East German leader Ulbricht stated upon his return to East Berlin on 5 December that he was "satisfied" with the results of the meeting, but he doubtless was attempting to make the best of a political setback. Ulbricht's subsequent comments on the communiqué suggest that, as usual, Pankow will stress only those passages critical of the Federal Republic.

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HELSINKI AND MOSCOW DEBATE FINNISH NEUTRALITY

The Finnish interpretation of neutrality was recently attacked by Soviet commentators, but these criticisms have been rebuffed by President Kekkonen.

The controversy began early last month when the Soviet press agency Novosti released a curiously delayed review of the book, Finnish Neutrality, written by Finland's ambassador to the UN, Max Jakobson, and published late in 1968. The Finnish Government had commissioned Jakobson to write an authoritative study of Finnish foreign policy since World War II.

Basic to Jakobson's study was the development of Finland's relations with the Soviet Union. He pointed out that after the War, President Paasikivi made his goal the establishment of Soviet confidence in Finland and the recognition by Finland of the validity of Soviet defensive strategic interests in the north of Europe. The Finnish-Soviet Mutual Aid Pact of 1948 became the keystone of this policy. This pact calls for Finland to defend its territory in the event of an attack on the Soviet Union across Finland by Germany or its allies, and it provides for consultations if such a threat is agreed to exist.

After the 20th congress of the Soviet Communist Party in 1956 acknowledged Finland's neutral

status, Jakobson noted that the newly elected President Kekkonen undertook an "opening to the West" to achieve similar recognition of Finland's neutrality by the other great powers. At the same time Kekkonen's good working relationship with Soviet Premier Khrushchev eventually produced a refinement of Finland's obligations under the 1948 pact. Jakobson repeated Kekkonen's 1961 assertion that the initiative for consultations under the treaty would be left to Finland.

It was this interpretation which was attacked by Novosti as "one-sided" and "not corresponding to the letter or spirit" of the 1948 treaty. The Finnish press seized on this criticism to express its concern over the lack of official Soviet references to Finnish neutrality in the past three years and the recent Soviet discussions of the 1948 treaty in terms of a military alliance. In veiled language the press noted an alarming return to views "reminiscent of the period prior to 1955" and called for an end to the misunderstanding.

On the pretext of reviewing a recent work on Soviet-Finnish relations, Finland As Foe and Friend by Soviet historian V. V. Pokhlebin, President Kekkonen addressed himself to this subject at a meeting of the nation's leading foreign policy association late last month. While conceding that either party to the 1948 treaty had the right to suggest consultations, provided the other

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party agreed that the threat of an attack existed, Kekkonen insisted that in practice it was in Finland's interest, especially from the viewpoint of maintaining its neutrality, to keep the initiative for consultations in its own hands.

On the heels of Kekkonen's address, high Foreign Ministry officials have in the past week delivered speeches dusting off old Kekkonen proposals calling for a nonaggression pact with Norway and the creation of a Nordic nuclear-

free zone. They have also pointed out that Finland's obligation under the 1948 pact would not conflict with a neutrality and defense pact with the other Nordic countries, provided Norway and Denmark were to take the unlikely step of leaving NATO. It is apparent that these statements have been closely coordinated at the highest levels in the Finnish Government in an effort to calm Soviet concerns over the situation in northern Europe and to create a favorable opinion of Finland in the USSR. [REDACTED]

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HARD BARGAINING AHEAD IN EUROPEAN COMMUNITIES

The test for the European Communities following The Hague summit meeting will be whether the apparent commitment to move forward can be transformed into concrete accomplishments. A number of difficult problems remains, particularly agricultural financing, but decisions already taken regarding EURATOM, a common position for enlargement negotiations, and a common commercial policy seem to reflect the "spirit of The Hague."

Public and official reaction to the EC summit has been one of cautious optimism. The French and Germans judged the results satisfactory and were clearly pleased with the way their respective leaders polished their community and international images. Chancellor Brandt, demonstrating his intention to meet French insist-

ence on a settlement of the agricultural financing issue, has virtually directed his foreign, economic, and agricultural ministers to take up permanent residence in Brussels after 15 December until this is accomplished.

Marathon sessions will undoubtedly be necessary. The inherent difficulty of deciding what tax revenues shall in the future go to the Communities will be complicated both by the current disillusionment with the common agricultural policy and by the prospective talks with Britain. Pompidou acknowledged these important concerns at the summit. The other members, at the least, will probably want approval of an initial attack on the surplus problem and a restatement of the possibility of making adjustments in the financing arrangements for

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new members. The Germans and Dutch may bargain for some ceiling on the amount of tariff receipts which any individual member would be required to allot to the Communities. There will also be debate over how the EC's budget will be managed--a question of great import for the future strength of EC institutions. In any case, it may be necessary to "stop the official clock" for as long as a month to reach agreement.

The EC members are thus prepared for long sessions over agricultural financing. They may be encouraged by the progress which has already been made in other areas in the wake of The Hague talks. The deadlock over EURATOM's future was at least eased by the agreement on 6 December to extend present EURATOM operations for one and possibly two years until a long-term scheme can be agreed upon. The agreement avoids what had been shaping up as a real crisis for EURATOM. Announcing the agreement, the Council of Science Ministers stated that they had been "inspired" by the "expression of will" voiced at the summit.

On 8 December, the foreign ministers, taking a further step toward setting a common position for accession negotiations, asked their permanent representatives in Brussels to prepare a report by early February on various key issues. These are the financing of the enlarged Communities, the transition periods for the applicants, negotiation procedures, Britain's future relations with the Coal and Steel Community and EURATOM, changes which would be needed in EC institutions, Britain's relations with the Commonwealth, and the relationship of British sterling balances to EC membership. Additionally, the foreign ministers formally agreed on a common commercial policy that will govern the EC's trade relations with all countries, excepting only those with East European countries, which will not come under the common policy until 1972.

Whether this initial momentum can be sustained through the difficult decision-making process will become clearer in the months ahead.

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HUNGARIAN STALINIST BOSS RAKOSI SEEKS END OF EXILE

Matyas Rakosi, Hungarian Communist Party boss during the period of Stalinist terror (1949-1955), has reportedly obtained Soviet support for his request to spend his remaining years in Hungary. Janos Kadar, the current party chief, who was severely tortured in jail during Rakosi's tenure, is resisting his return.

The 77-year-old Rakosi has lived in obscurity in the USSR since his escape from revolutionary Hungary in 1956. As the instigator of slavish pro-Soviet policies and brutal repression, Rakosi was, and probably still is, anathema to the majority of Hungarians. Some underlings of Rakosi returned to Hungary during the "national reconciliation" drives of the early 60s, but there never has been a softening of the Hungarian party's condemnation of Rakosi's excesses. Nor is it likely that Rakosi's exile will be considered sufficient punishment for his political murders.

Rakosi's return to Hungary would represent a de facto pardon that could shatter domestic tranquillity. It would seriously undermine Kadar's efforts during the past 13 years to establish a measure of trust between the party and the nation. Rakosi's old conserva-

tive comrades, with whom he has maintained contact throughout his exile, would probably see his return with Soviet backing as a signal of strong external support for a harder line in Hungary. On the other hand, Hungarian liberals who have largely been won over by the success of Kadar's pragmatic gradualism would be less amenable to Kadar's appeals for cooperation.

Although Moscow's motive for backing Rakosi is not clear, it is possible that Moscow would like to strengthen the internal conservative brake on Kadar's reforms. In any event, it indicates a Soviet willingness to interfere in Hungarian affairs and clearly has the Kadar leadership worried.

Kadar can be expected to take every step necessary, short of outright defiance of Moscow, to prevent Rakosi's return. Recently Kadar has gone as far as resurrecting memories of his anti-Rakosi alliance with Imre Nagy, who is still a "counterrevolutionary traitor" in the party line. This suggests that Kadar is trying to enlist public opinion as a demurring tactic. The deciding factor ultimately will be whether Soviet concern for domestic stability in Hungary remains paramount.

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SOVIET ECONOMIC DEBATE

A defender of the present order in the Soviet economy has pushed debate on the subject to a new and serious level. In a recent article, A.V. Bachurin, deputy chairman of the State Planning Committee, cited Stalin to justify present methods of Soviet planning and maligned Soviet mathematical economists, specifically N. P. Fedorenko, by comparing them with the Czechoslovak reformer Ota Sik.

Fedorenko, director of the Central Mathematical-Economic Institute, is a leader of a school of economists that seeks to use mathematics to arrive at optimal solutions to problems solved by the market in the West. Such a system would limit the prerogatives of the political authorities. Bachurin wants more than a dispute when he compares Fedorenko's "optimal planning" to the "market socialism" of Sik. In the Soviet lexicon Sik's name has come to symbolize all the evils of revisionist economics because of his efforts to reshape the Czechoslovak economy along what the Soviets consider "capitalistic" lines.

Bachurin cited a definition written by Stalin in 1952, contending it was "the most satisfying formulation to date of the basic law of socialism." His purpose was to counteract the implication of supporters of optimal theories that previous practices have not been scientific. The role of central planning must not be reduced, he argued, and a struggle must be waged against all forms of "syndicalism," that is workers' control and enterprise independ-

ence. Finally he reproved the "consumer approach" of Fedorenko and his school.

Other articles of a similar, though less extreme, tone have been appearing in the Soviet press. Because liberal discussion in the press has been muted, the immediate cause of the conservative attacks is not readily apparent. For example, A. Vikhentyev, writing in August, directed most of his criticism at articles written by liberal economists in 1965 and 1966.

The outburst may reflect, therefore, a debate within official circles and a sense of vulnerability by those responsible for the limited reform announced by Premier Kosygin in 1965. Bachurin chairs a commission in charge of implementing the reform. In October K. N. Rudnev, whose ministry has led the way in converting to the reform system, defended it against "various comrades" who complained it was "not providing the expected results."

Economic difficulties and the question of devising a policy for the next five-year plan may be fueling a dispute between officials who think the reform went too far and those who think it did not go far enough. A Soviet economist had credited Bachurin with being able to sense the direction of the ideological wind and saw his article in this light. Nevertheless, A.N. Yefimov was able as late as October to advocate in the party's theoretical journal, Kommunist, optimal interbranch planning and a greater share for the consumption in the economy.

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CZECHOSLOVAKIA TIGHTENS ECONOMIC DISCIPLINE

The Czechoslovak federal government in a drive for tighter economic control recently approved several laws to punish recalcitrant workers and curb illegal practices.

Managers will be given greater authority under an amended labor code to fire unproductive workers and to penalize them for absenteeism, and will be subject themselves to stiff fines for violating wage regulations. Officials who permit excessive overtime payments, in part to make up for malingering, and who pay bonuses in advance of completion of work will be subject to fines. These measures are likely to be unpopular with workers, but they indicate a serious intention to curb absenteeism and loafing.

Another effort in this series of harsh measures to combat disorders and other forms of economic "sabotage" is a draft law providing for more rapid prosecution for misdemeanors, including violations of public order, theft of property, and speculation in currency. These steps are being pub-

licized as moves to stem abuses that cause shortages of domestic supplies. Although enforcement will be difficult, the regime also plans to try to stem hoarding, overcharging, or other measures to deceive consumers.

The government, prior to embarking on new programs, will continue this effort to restore economic discipline, overcome inflation, and spark lagging productivity. These attempts acknowledge that current problems must be dealt with before more basic ones can be tackled.

A party central committee plenum on the economy scheduled for this month may have been postponed. The government's preoccupation with political matters probably has precluded completion of work on the basic economic programs which were slated for consideration at the plenum. Also behind schedule are a long-promised new law on national planning and a work program calling for completion at an "early" date of a draft 1970 economic plan and budget.

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SECRET**MIDDLE EAST - AFRICA**

Preliminary reaction to Secretary Rogers' speech on a Middle East settlement has been only routinely critical in Israel and Egypt. The Israelis' mild reaction reflects principally their belief that the Arabs will not accept the US proposals. Although unhappy with the secretary's call for withdrawal and his "specificity" on territorial questions, the Israelis take solace from his inclusion of an Arab commitment to peace through "Rhodes-type" negotiations. Arab response was muted because of the holidays celebrating the end of Ramadan, but initial Egyptian criticism was pointed toward what Cairo interprets as Secretary Rogers' call for "direct" negotiations and his alleged support for Israel's position on Jerusalem.

Israel's Golda Meir, after more than a month of negotiations, has re-established the previous "wall-to-wall" national unity coalition. The most striking change from the previous cabinet makeup is the jump for the right-wing Gahal Party, which moves up from two ministries without portfolio to six regular posts. Gahal's increased influence seems likely to produce even more Israeli inflexibility on peace negotiations than heretofore.

The UN General Assembly this week adopted a resolution on Palestinian refugees that may further exacerbate the situation. The initial paragraph of the resolution "reaffirms the inalienable rights of the Arab people of Palestine," wording interpreted in some quarters as indicating support for the fedayeen viewpoint.

25X1 Libya's military council has moved to crush an anti-Egyptian army faction [redacted] Two members of the cabinet have been arrested, and some 100 army and police officers are also reported to have been rounded up. President Qaddafi's allusion to US complicity in the plot may indicate that the Libyans intend to take an extremely uncompromising stance in the Wheelus base negotiations that begin next week.

25X1 Dahomey's army this week again displaced a civilian government, less than a year and a half after it was installed. [redacted] Chief of staff Lt. Colonel Kouandete, an unpopular opportunist who has survived three assassination attempts in the past five months, is in control in Cotonou.

A Senegalese border town has been shelled twice recently by Portuguese forces engaged in an increasingly active guerrilla war in neighboring Portuguese Guinea. Although the UN Security Council condemned the action, this is unlikely to deter the Portuguese from trying to force a clampdown on insurgents based in Senegal. [redacted]

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MIDDLE EAST PASSES QUIET WEEK

The US and the USSR were rejoined by France and Britain as the Four Power talks got under way again on 2 December. No dramatic breakthroughs toward a negotiated peace in the Middle East are in sight, however.

The new government in Paris has not altered France's position on Arab-Israeli problems. In a recent speech before the National Assembly, Foreign Minister Schumann reaffirmed the basic lines of Gaullist policy toward the Middle East. He expressed continued support for Four Power talks and for Four Power action as the "only method that can lead to an over-all, equitable, and lasting settlement." The French believe that the original UN Security Council resolution--which among other things called for Israeli withdrawal to the pre-June 1967 borders and secure and recognized boundaries for the states concerned--remains the basis for any settlement in the area. Schumann also added that France intends to maintain its embargo on arms to Israel.

The British, who contend that their stake in the Arab world is greater than that of the US in terms of immediate economic interests, attempted to maintain a relatively low profile during the first year or so following the 1967 Arab-Israeli confrontation. Under increasing Arab pressure, however, they began last summer to express their growing concern over the lack of progress in the US-USSR bilateral discussions. UK spokes-

men indicated that unless the Four Power format was resumed, the British might be forced to take more independent public stands to fend off Arab criticism. Although the Four Power talks are now under way again, the British are urging an accelerated pace. If negotiations continue to be stalemated, the UK might feel compelled to come up with some new initiative designed to set forth an independent viewpoint.

Skyjacked Israelis Released
from Damascus

Israel's retaliatory policy had a major inhibiting factor removed this week with the completion of a three-cornered prisoner exchange involving the two Israeli passengers held by Syria since a TWA aircraft was hijacked to Damascus last August. On 5 and 6 December, some 13 Syrian and 58 Egyptian prisoners were exchanged for the two Israeli passengers as well as two Israeli pilots held by Egypt.

Although Israel has maintained a steady aerial pounding along the Suez Canal and other cease-fire lines, it has not undertaken what could be termed a major retaliation since early last September. Now, however, with a number of restraints and preoccupations eased or settled, the Israelis are likely to turn their thoughts toward some "scores" outstanding with the Arabs. Over the past two months, the Egyptians have pulled off several operations embarrassing to the Israelis, and

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Minister of Defense Dayan recently stated that Israel also had a score to settle with Syria. Subsequently, Israeli aircraft on 11 December attacked military targets--including airports--southeast of Damascus, claiming to have shot down three Syrian MIGs in the process. The Israelis might well be interested in settling other "scores" in the week before the Arab "unity" summit, scheduled to get under way in Rabat on 20 December.

Arabian Peninsula Clash
Tapers Off

The border war between Saudi Arabia and Southern Yemen has

ground to a halt, at least for the moment.

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The alignment of the present cease-fire lines in this remote area, where no agreed border exists, is not clear. Although the Saudis apparently handled the situation easily, the Southern Yemenis could initiate further hostilities if they felt that Saudi forces were occupying their territory.

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KENYA COMPLETES PARLIAMENTARY VOTE

Unofficial results show that no more than 65 incumbents retained their seats in the elections to select the 158 Kenya Africa National Union (KANU) candidates for parliament. Among those defeated were five of 15 cabinet ministers and 14 of the 26 assistant ministers. Because Kenya is a one-party state, all the successful KANU candidates will automatically win in the general "elections" on 20 December.

The reasons for this large turnover are not completely clear. Dissatisfaction with the government because of its slowness in economic and social development was probably an important factor in many constituencies. In others, where as many as ten candidates ran for one seat, the elections seem to have been local personality contests.

The results from the predominantly Luo areas apparently reflect the tribe's dissatisfaction with the Kikuyu-dominated government. All the incumbents, including two cabinet ministers, were defeated. These individuals, Luo themselves, were discredited because they had cooperated with the government after the assassination of their popular fellow tribesman Tom Mboya. The Luo continue to believe that his murder was plotted by the Kikuyu.

The old-guard Kikuyu cabinet ministers--including those responsible for the effort of the past several months to maintain Kikuyu hegemony--withstood challenges from younger and more progressive members of their tribe. Some "improper influencing" of the vote may have

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occurred in these few contests, although there is as yet no evidence of this.

The long-range effect of the voting is uncertain. With the Kikuyu establishment still in control, few basic policy changes are likely. Moreover, the Luo and

other minority tribes are no doubt pleased by the relatively honest administration of the elections, and this may help to relieve tribal tensions. Basic rivalries remain, however, and future sessions of parliament will probably be noisy affairs as the new members begin to call attention to their tribal grievances. [REDACTED]

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DAHOMY ARMY TOPPLES ZINSOU REGIME

President Emile Zinsou was overthrown by the army this week, 17 months after it put him in power. The coup seems certain to compound Dahomey's numerous political and economic problems.

Army chief of staff Lt. Colonel Kouandete is in control in Cotonou, where army officers are discussing what to do next. US Embassy sources report that the coup was triggered prematurely when the plotters learned that President Zinsou had become aware of their plans and was about to take countermeasures. Zinsou, who apparently survived a hail of gunfire at the presidential palace, is reportedly being held in an army garrison.

Kouandete has publicly appealed to all former Dahomean leaders to return home. The reasons for the appeal are unclear, but the return of the three ex-presidents who jostled for control of the government before they were exiled in 1965 would only aggravate political tensions.

Even without the return of these three regional kingpins, the coup could easily spell further trouble for this poverty-stricken former French colony. Kouandete, an opportunist with no known ideological moorings, has many enemies even within the army.

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[REDACTED] It seems unlikely that he or any other Dahomean could make more rapid progress than Zinsou with the intractable political and economic problems that have plagued Dahomey since independence nine years ago.

In addition, the economic situation could become further complicated if the French react strongly to the coup, the fifth in six years. Following the last military take-over two years ago, which was also led by Kouandete, the French temporarily suspended all direct financial subsidies, plunging the country into near bankruptcy. [REDACTED]

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WESTERN HEMISPHERE

The Brazilian Government may be seriously embarrassed by mounting accusations that it tortures prisoners. Military officials have attempted to stop the spreading publicity by ordering the press and communications media not to refer to the charges. During the recent crackdown on terrorists, the security forces rounded up large numbers of suspects and in some cases used force to obtain confessions. At least one person has died as a direct result of the beatings, and other persons have died while in police custody. The justice minister has promised a thorough investigation of the accusations, and the results could impair the image of the new Medici administration.

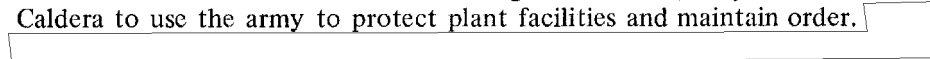
In Ecuador, President Velasco has replaced both his minister of finance and his secretary general of administration so far this month. Meanwhile, the strike by teachers to bring about the removal of the minister of education has entered its fourth week despite the government's offer of pecuniary gains in lieu of the minister's dismissal.

The governing People's United Party of British Honduras won 17 of 18 legislative seats in last Friday's general elections. Premier Price's decision to call elections three months earlier than expected caught the opposition National Independence Party off balance, and his promise that he would not lead the colony to independence without a firm security guarantee removed the opposition's only significant issue. Price now may feel under less pressure to seek independence before the Guatemalan presidential elections in March. More time also may be available for negotiations over the latter's claim to the colony.



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In Venezuela, persistent labor difficulties are posing major problems for the Caldera government. Labor leaders in the eastern state of Bolivar had decided to call a general strike in support of a week-old walkout by 6,000 iron and steel workers. The government, which has a record of giving in to salary demands, is in a tough mood now, however, and has arrested two labor leaders. Continued worker intransigence, in fact, may lead President Caldera to use the army to protect plant facilities and maintain order.



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FATE OF MINING CONTRACT STILL DOUBTFUL IN PERU

President Velasco seems to be taking a tougher line toward the contract negotiations presently under way between the US-owned Southern Peru Copper Company (SPCC) and the Peruvian Government. Velasco still appears disposed to sign the contract if SPCC accepts his seemingly inflexible terms, but whatever the outcome, other US mining companies are likely to experience difficulties in obtaining favorable terms.

President Velasco adopted a "take it or leave it" attitude toward SPCC's Cuajone concession in his press conference on 4 December. He said that changes the government had made in the proposed contract were its "final position," and that investment contracts on currently unworked mining concessions must be signed by the end of the year or the concessions will revert to the state. He candidly explained that Peru is not in a financial position to exploit the concessions itself, but said that concessions that reverted to the state would be opened to international bidding if Peru could not exploit them. He also announced that a new "revolutionary mining code" was being prepared to govern future mining contracts.

The president's tougher line on mining contracts is primarily in response to criticism that has continued to grow since his announcement on 26 October that fi-

nal agreement had been reached with SPCC. Leftists and nationalists, heretofore Velasco's closest supporters, charge that the Cuajone contract is a "sell-out to the imperialists." Apparently wanting to be sure of his strength, Velasco polled top military officers for their opinion. They voted in favor of signing, but authorized the government to seek adjustments in the contract.

In mid-November the government notified the company that it was making seven changes in the contract. The revised contract will still allow SPCC until October 1971 to find financing for the \$355 million needed to develop its Cuajone concession, but one of the government's changes stipulates that the company must invest \$25 million before that time. Despite public pressure, the government has not publicized its contract revisions. Velasco may believe that by not defining the government's "final position," he can retain some flexibility in the negotiations.

Whatever the outcome of the Cuajone negotiations, the weeks of charges and countercharges will have created an atmosphere in which negotiations on additional mining contracts will be extremely delicate. If the Cuajone contract is signed, it is likely to be subject to continuous sniping and tampering, if not eventual abrogation.

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MINISTERS PUSH CENTRAL AMERICAN SETTLEMENT

The foreign ministers of the five Central American Common Market countries last week reaffirmed their commitment to regional integration and took some preliminary steps to overcome the strains engendered by the lingering El Salvador - Honduras dispute.

Meeting for the second time since last summer's conflict, the foreign ministers recommended that the area's economic ministers meet as soon as possible to formulate interim procedures that would lessen the impact of the Honduran blockade of Salvadoran trade. The Salvadorans have recently stopped pressuring Honduras to open its section of the Pan American highway and are concentrating instead on developing air and sea routes to circumvent the blockade. The economic ministers may be called upon to facilitate the establishment of these alternate routes.

Common Market problems, however, are not rooted in the El Salvador - Honduras dispute. Some member governments have complained about revenue losses due to the Market's free trade provisions and tax exemptions given to new industries. They have also complained about the unequal distribution of benefits accruing to member states, and have been dissatisfied with the lack of machinery to interpret the numerous protocols and deal with the periodic disputes that have disrupted market trade. It was agreed, therefore, to estab-

lish a commission to draw up plans to restructure the Market in order to increase its scope and effectiveness.

A decision was also made to establish an El Salvador - Honduras bilateral working group to resolve the differences between the two countries. The two parties will select a moderator in consultation with the OAS Secretary General, and the group will meet in Costa Rica in late January. Although the agenda was left vague, Honduras will probably seek settlement of the border dispute while El Salvador will be concerned with the restoration of trade relations, unimpeded migration, and protection of Salvadorans residing in Honduras.

Although agreement on direct bilateral talks is a significant step forward, the negotiations will be complicated by the domestic political considerations of both countries. Political leaders in El Salvador have become increasingly preoccupied with the congressional election scheduled for next March, with the government facing a strong Christian Democratic opposition. Honduran politicians have already begun maneuvering for the 1971 presidential election, with nominations to succeed President Lopez scheduled for next spring. Both sides may therefore be tempted to play to the crowd rather than deal with the issues and to try to win a diplomatic victory rather than work out a compromise.

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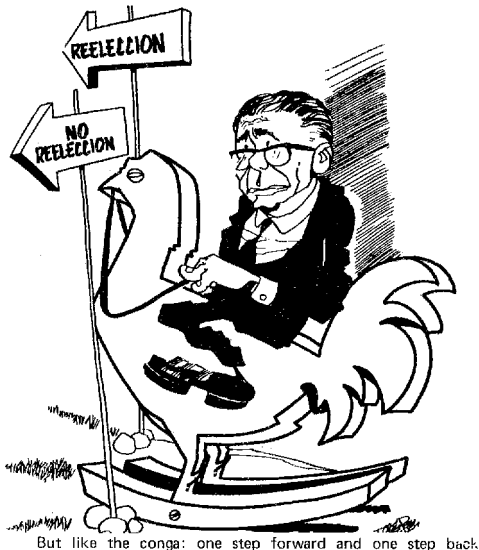
PESSIMISM CLOUDS UPCOMING DOMINICAN ELECTIONS

Continued uncertainty surrounding the presidential election is leading to increased pessimism over the future of the Balaguer government. Violence has characterized the early stages of the campaign and will probably increase after the turn of the year.

President Balaguer's steadfast refusal to announce whether he will seek re-election next May, continued political violence, and recent rumors of coup plotting are giving rise to gloomy predictions from representative sectors of Dominican society. Although a likely candidate, Balaguer seems intent on keeping the opposition guessing and off balance by remaining silent until the first months of next year.

The President will find it difficult to maintain political calm regardless of his decision on re-election. If he decides not

President Balaguer Aboard His Party's Red Rooster



to run, the backbiting nature of Dominican politics will quickly rob him of supporters. Many military leaders now committed to his re-election would be increasingly inclined to plot a pre-emptive move against the government in order to ensure their own positions.

If the President runs, his announcement could spark a campaign of violence from some factions on the left. A significant portion of the major opposition, Juar. Bosch's Dominican Revolutionary Party, has called for violent revolution if Balaguer opts for a second term. The armed forces are already restive because of the Communists' systematic campaign of robberies and military assassinations, and a higher level of violence could induce increased dissatisfaction with Balaguer's leadership.

The military hierarchy, although loosely grouped around Balaguer, is divided by personal animosities and jealousies. Balaguer has fostered these divisions to ensure his control, but loyalty to the government is in many cases a matter of personal convenience.

Even the President's foes privately admit, however, that he would be the pre-election favorite, which somewhat undercuts their contention that "popular revulsion" against re-election exists. Despite Balaguer's considerable problems and the unpalatable choice he faces, his present military and popular support qualifies him as the man most capable of keeping the lid on the characteristically unstable Dominican situation.

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COLOMBIA'S COALITION PICKS A PRESIDENTIAL CANDIDATE

The selection of Misael Pastrana as the National Front candidate in the presidential election next 19 April probably will cause severe splits within the country's two major parties. He is Liberal President Lleras' hand-picked successor and the most experienced candidate available, but Pastrana's road to the presidency is likely to be difficult.

Most observers concede that this election is of paramount importance since it is the last under the National Front system of government, which has provided for alternating the presidency between the Liberal and Conservative parties since the system was established in 1958. Moreover, it is the first election since then in which the outcome is uncertain.

Pastrana, a Conservative, will receive the full support of the Front, but other candidates are certain to run. Foremost among these is ex-dictator Rojas Pinilla. Other likely contenders are Evaristo Sourdis, a Conservative leader from the Atlantic coast region who received the same number of votes as Pastrana during the futile Conservative Party convention last month, and Belisario Betancur, a maverick Conservative who was selected by a "popular" convention in late October.

Almost 100 of the more than 600 delegates walked out of the Liberal Party convention on 5 December to protest the prearranged selection of Pastrana. The dis-

sidents have threatened to organize a "popular" convention, possibly to pick their own candidate.

When he opened his campaign in September, the 47-year old Pastrana announced that he would continue the general policies of the present administration. This may cost him Conservative support because President Lleras is a Liberal. Since the late 1940s, he has held a number of important government posts including the portfolios of Development, Public Works, and Finance. From July 1966 until his appointment as ambassador to the US in November 1968, he served as minister of government. Pastrana is friendly to the US.

So far his lack of dynamism on the political platform has failed to attract popular support. Unless he gains a clear majority, the election will go to an almost certainly fragmented Congress, which is also being chosen in April.

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