



DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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C O N T E N T S

(Information as of noon EST, 19 March 1970)

Far East

	<u>Page</u>
THE WEEK IN PERSPECTIVE	1
VIETNAM	2
<p>The government continues to take sharp actions against political dissidence. South Vietnamese operations touched off stiff fighting this week, but there is no evidence to suggest that the Communists have any early intention of abandoning the low tactical profile they have maintained for more than a year.</p>	
NEW CAMBODIAN LEADERSHIP FACES UNCERTAIN DAYS	5
<p>Serious difficulties may develop between the Cambodian Government and the Vietnamese Communists in the wake of the ouster of Prince Sihanouk as chief of state.</p>	
NORTH VIETNAMESE PUSHING FAR INTO NORTH LAOS	7
<p>Communist forces have driven well beyond the Plaine des Jarres and threaten the major government headquarters at Long Tieng.</p>	
PHILIPPINE STUDENTS CONTINUE THEIR PROTESTS	8
<p>Student agitation continues to take a violent bent, and President Marcos has failed to make a convincing show of being in command of the situation.</p>	

Europe

THE WEEK IN PERSPECTIVE	9
USSR CAMPAIGNS PUBLICLY ON SALT ISSUES	10
<p>The Soviets have been using the hiatus in the strategic arms talks to campaign publicly against US programs for ABM and MIRV.</p>	

OSD review completed

SECRET

SECRET

- USSR CONDUCTS LARGE-SCALE MILITARY MANEUVERS 11  
The Dvina maneuvers held in the western USSR early last month as part of the Lenin Centennial probably were the largest ever conducted by Soviet forces.
- STALEMATE IN PEKING IRRITATES MOSCOW 12  
The Peking talks are entering their sixth month with no signs of progress and Moscow, seeing no hope for improvement, is showing impatience.
- PRIVATE ENTERPRISE: ALIVE BUT NOT WELL IN THE USSR  
Private economic activity in the USSR is probably thought by most Westerners to be either insignificant or very important to the average Soviet citizen. The truth, as usual, lies somewhere between the extreme views. The Soviet economy is predominantly a socialized one, yet certain private economic activities are permitted. [REDACTED] 25X1
- FALL IN SOVIET MEAT OUTPUT LEADS TO IMPORTS 13  
In order to boost consumer welfare, Moscow already has purchased about \$88 million worth of meat from the free world and additional contracts may be forthcoming.
- GERMANS FOCUS ATTENTION ON ERFURT SUMMIT 14  
The West Germans believe that, at best, the Erfurt talks will serve as an opening for more discussions of the problems of a divided nation.
- PRAGUE STIFLES DISSENTING INTELLECTUALS AND STUDENTS 15  
Despite the "official" sympathetic attitude toward disoriented intellectuals and students, hardliners within the regime have begun to crush all resistance in the cultural and academic communities.
- SHARP SHIFT TO RIGHT MARKS FINNISH ELECTION 16  
A pronounced swing to the right in the recent parliamentary election complicates Helsinki's relations with Moscow and may lead to instability in the government.

SECRET

SECRET

Middle East - Africa

THE WEEK IN PERSPECTIVE 17

USSR SENDS ADVANCED AIR DEFENSE MISSILE SYSTEM TO EGYPT 18  
The Soviets are delivering and installing the SA-3 surface-to-air missile system in Egypt.

ISRAELIS ACTIVE MILITARILY ON ALMOST ALL BORDERS 19  
The Israelis have avoided air strikes close to Cairo since mid-February, but they have continued to hit hard at Egyptian emplacements along the canal and in the delta area, and have carried out helicopter-commando raids deep into Syria, and in southern Lebanon.

25X1

LIBYA'S JUNTA REMAINS DIVIDED 21  
The conflict between pro-Egyptian and "Libya first" factions within the ruling Revolutionary Command Council continues.

TENSION MOUNTS ON CYPRUS FOLLOWING POLITICAL MURDER 22  
The murder of a prime suspect in the assassination attempt on President Makarios raises the possibility of reprisal attempts by supporters of the slain man or other extremist groups.

Western Hemisphere

THE WEEK IN PERSPECTIVE 23

BRAZIL FEARS NEW KIDNAPINGS OF DIPLOMATS 24  
Government and military officers fear that terrorists' successes in obtaining the freedom of comrades by kidnaping foreign diplomats may stimulate similar operations.

SECRET

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25X1



PANAMA'S TORRIJOS MOVES TO BLUNT OPPOSITION	26
The inability of the government to eradicate plotting has prompted strong-man General Torrijos to adopt a hard line against the US and internal dissenters.	
GOVERNMENT AND PRESS ON COLLISION COURSE IN PERU	27
Harsher measures may be in store for the Lima press, but so far the government's attempts to intimidate the press have resulted instead in more virulent criticism of the Velasco regime.	
SURINAM HAS NEW LEADER BUT SAME OLD PROBLEMS	28
The government's political and financial situation has worsened, and racial tensions have risen.	

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## FAR EAST

The quandary that is Indo-China deepened considerably at mid-week when the Cambodian Government ousted Prince Sihanouk as chief of state. There now exists a danger that serious military activity involving Vietnamese Communists will take place in Cambodia, especially if the government attempts to carry through its proclaimed policy of ridding the country of Vietnamese Communist troops. Sihanouk's acceptance and abetment of the Vietnamese Communist presence in Cambodia was cited as the major reason for his ouster, although the government leaders really acted to forestall what they believed would be an attempt by the Prince to overthrow them. In doing so, they not only departed radically from their cautious efforts to undermine and isolate the volatile Prince, but also have thrown into question such issues as the entire balance of power in the area.

In northern Laos, the North Vietnamese have passed up some easy targets in order to concentrate their drive on Meo leader Vang Pao's headquarters at Long Tieng, southwest of the Plaine des Jarres. The Communists obviously are trying to eliminate government bases within striking distance of the Plaine in order to ensure their hold over this politically important territory. Although the Communists appear to have the upper hand, the tenacious Vang Pao is receiving reinforcements and appears ready to make an effort to outlast a siege.

In South Vietnam, the only significant fighting has been the result of South Vietnamese sweep operations mostly in the U Minh Forest area in the southern delta. Otherwise, the Communists are maintaining their generally low level of activity, emphasizing attacks on local pacification programs as well as selective terrorism in both rural and urban areas.

The government in Saigon has taken further actions to still dissidence: several student leaders were arrested as Viet Cong agents, and an issue of a newspaper published by a strongly anti-Thieu Lower House deputy was seized. The arrests could help coalesce student opposition to the government.

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VIETNAM

The Saigon government continues to take sharp actions against political dissidence. Several student leaders, including the acting chairman of the anti-government Saigon Student Union, were arrested this week for allegedly cooperating with the Viet Cong. Various student groups which were already upset by government plans to charge tuition in public high schools next year, have protested the arrests and are threatening further joint action.

Late last week the Ministry of Interior ordered the seizure of one issue of a newspaper published by a strongly anti-Thieu Lower House deputy on the grounds that it sowed confusion within the armed forces. The journal, which had been suspended by the government until just recently, contained criticism of Vietnamization and of Thieu, and discussed the "third-force" concept which is anathema to the regime.

President Thieu now holds the land reform bill, which the Lower House on 16 March finally passed after being unable to vote down or amend the Upper House's version. Land reform was regarded as a priority item when the original government proposal was sent to the Assembly last summer. President Thieu may not sign the bill immediately, however, but instead may propose amendments for National Assembly consideration that would bring the bill more closely into line with his original proposal.

Military Developments

South Vietnamese Army sweep operations this week touched off stiff fighting near the Demilitarized Zone and in the U Minh Forest, a long-time Communist stronghold in the southern delta. The battles resulted in several hundred enemy casualties compared with only relatively moderate government losses. The Communists maintained a generally low level of activity throughout most of the country, emphasizing small-scale attacks against local pacification programs as well as selective terrorism in both rural and urban areas.

There is no evidence to suggest that Hanoi has any early intention of abandoning the low tactical profile that has characterized its operations for more than a year. Communist main force units holed up in border base areas generally avoid contact and remain on the defensive against allied sweeps along infiltration routes and through their jungle sanctuaries. Indications of enemy attack preparations that are picked up appear mostly to involve localized "high points." There is little evidence of region- or corps-wide coordination. A possible exception may be in the works for the Communists' so-called "anti-American" day on 19 March. [redacted] reports claim that the Communist headquarters in South Vietnam has called for widespread shellings, sapper attacks, and urban demonstrations to mark the occasion.

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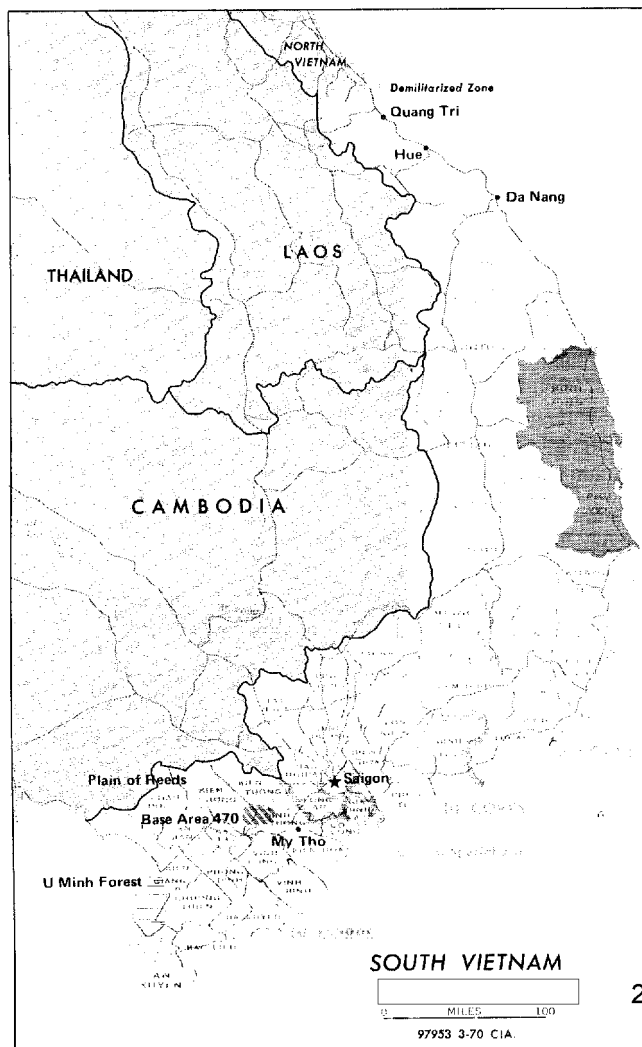
In I Corps, the large North Vietnamese maneuver forces in the DMZ area and along the western Laotian border remain occupied with logistical, training, and reconnaissance activities. There are few indications of enemy efforts to reestablish a credible military presence in the heavily populated coastal area between Hue and Quang Tri City. In the coastal lowlands of central I Corps, especially around Da Nang, enemy local forces--whose plans for offensive operations thus far this year have been thwarted--are reportedly now shooting for a late March "upsurge."

In II Corps, major combat units of the Communists' B-3 Front command continue to maneuver in Laotian and Cambodian border base areas, but there are no indications that they plan offensive action in the near future. On the coast allied operations are continuing to keep the North Vietnamese 3rd Division off balance in Binh Dinh Province. In Phu Yen Province, however, the enemy has made recent inroads into the allied pacification program with successful local force operations against outposts and hamlets, including the abduction of about 150 civilians for political re-orientation purposes in the last few weeks.

The enemy in III Corps remains essentially on the defensive. Most of the regiments attached to the 5th, 7th, and 9th Communist divisions are sticking close to their Cambodian border sanctuaries.

Communist forces in the subregions around Saigon are now credited with only a limited capability for conducting harassing attacks.

In IV Corps, the enemy has been doggedly trying to strengthen its hard-pressed indigenous forces with infusions of North Vietnamese fillers as well as full North Vietnamese regiments. All five regiments transferred to the delta from



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III Corps over the past nine months have found infiltration exceedingly difficult, however, because the exposed terrain of the delta leaves them vulnerable to strong pre-emptive operations by South Vietnamese ground forces supported by B-52 and tactical air strikes. Only one of the five--the Viet Cong 273rd Regiment--is believed to have actually reached its final sanctuary, albeit with heavy losses, in the U Minh Forest. The North Vietnamese 88th Regiment has apparently been trying to move from near the Cambodian border across the Plain of Reeds into Base Area 470 west of My Tho since November. It has lost more than 400 men during infiltration attempts across these open marshlands. Recently, there have been reports that North Vietnamese units are trying to infiltrate southward from Cambodia down the western coast of the delta in sea-going sampans, in spite of their obvious vulnerability, to avoid the apparently greater dangers of overland travel.

A copy of a recently captured directive from the Communist headquarters in South Vietnam to the major Viet Cong regional commands in the delta strongly implies that the Communists hope gradually to rebuild their strength in the delta by scoring a series of successes in relatively small actions over a period of many months, while at the same time keeping open a wide range of military and political options.

In addition, the document frankly admits that the unprecedented dispatch of North Vietnamese troops to IV Corps was prompted by the steady erosion of Viet Cong assets in that sector since the latter part of 1968. The role of the northern reinforcements according to the directive, is to attack the pacification program, help rebuild local force units, and prepare to take control of the civilian population in the delta in the event a political solution is found to the war.

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### NEW CAMBODIAN LEADERSHIP FACES UNCERTAIN DAYS

The serious difficulties between the Cambodian Government and the Vietnamese Communists may become even graver in the wake of the ouster of Prince Sihanouk as chief of state. The unanimous action taken by the national legislature in Phnom Penh on 18 March followed months of growing dissatisfaction with Sihanouk's

[redacted] interference in government programs. The official explanation of the change in leadership, however, laid responsibility for the current crisis on Sihanouk's conciliatory policies toward the Communists.

The government's decision to move decisively against Sihanouk at this time was a radical shift from the slow nibbling away at his power that had been going on for the past six months. Prime Minister Lon Nol apparently believed that Sihanouk had decided, while he was still in Paris, to overthrow the government and replace it with one that was responsive to him. Believing that they could count on the backing of the national assembly and many, if not all, army commanders, Lon Nol and Deputy Prime Minister Sirik Matak apparently calculated that the time was propitious for the move against Sihanouk.

The Prince has long stated that he would relinquish the reins of power if that is what the Cambodian people wanted. If the army is as loyal to the new government as it now appears and if Sirik Matak and Lon Nol are determined to have their way, Sihanouk faces a tough road if he decides to try to appeal to the Cambodian people. A crucial question will be the timing of actions on both sides,

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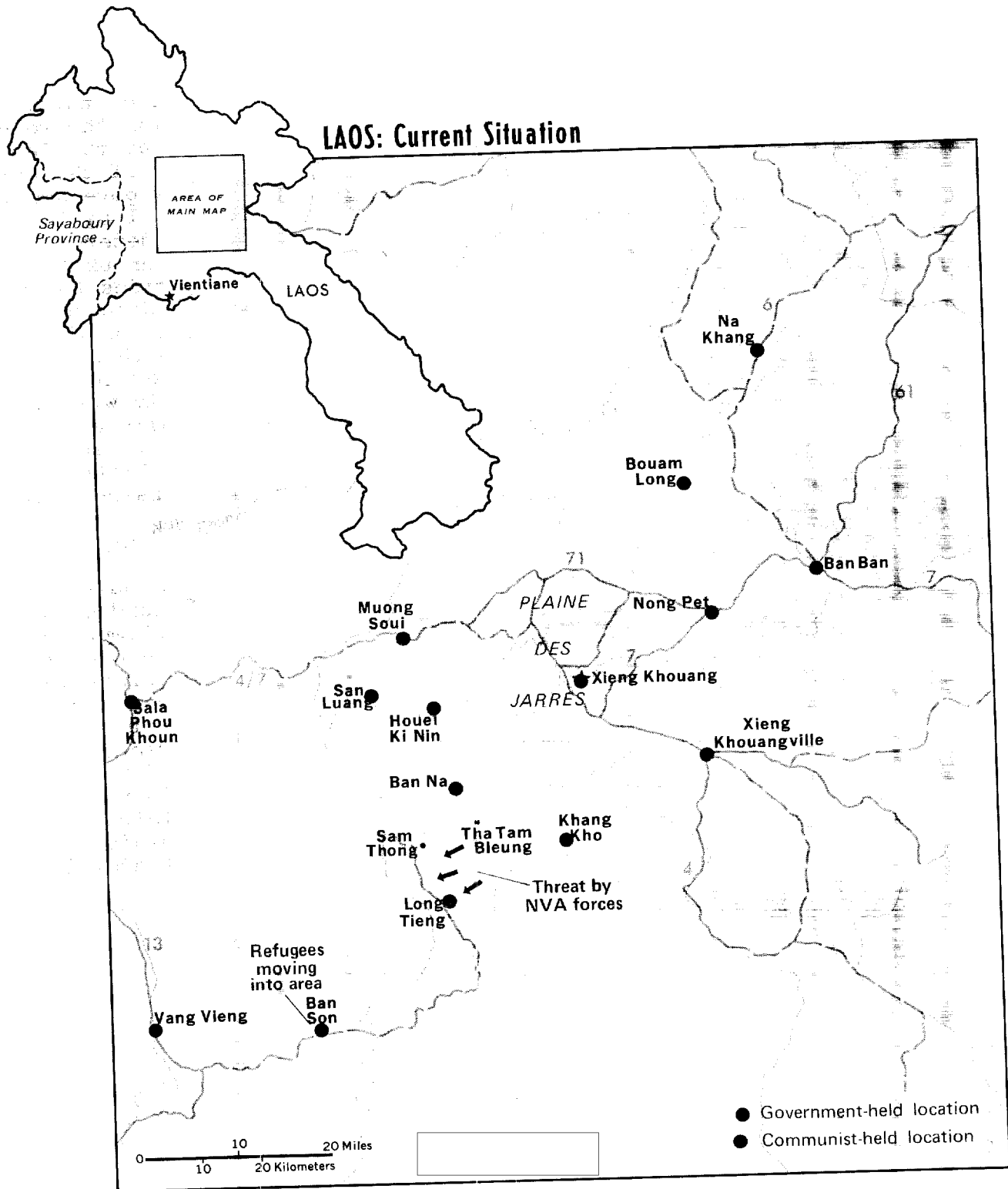
[redacted]

At the time of his ouster, Sihanouk was in Moscow and heading for Peking in an attempt to gain support for his own position by having those powers exert influence on the Vietnamese Communists to withdraw their troops from Cambodia. The Soviets, although concerned about developments in the region, did not, however, come up with anything more than support for Cambodia's neutrality and promises of additional aid. [redacted]

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### NORTH VIETNAMESE PUSHING FAR INTO NORTH LAOS

The Communist military offensive has moved well beyond the Plaine des Jarres and threatens to engulf the government headquarters at Long Tieng. On 16 March a two-battalion North Vietnamese force overran Tha Tam Blueng, a key defensive position guarding the approaches to General Vang Pao's headquarters area. Without waiting to consolidate their new gains, the North Vietnamese pushed south and captured the government refugee center at Sam Thong. Vang Pao has pulled some of his troops out of the more exposed positions at Ban Na and Khang Kho in order to defend Long Tieng. In addition, Commander in Chief General Ouan has ordered the airlift of reinforcements from south Laos into the area in order to stiffen Vang Pao's weary ranks.

Complicating Vang Pao's defense is the wholesale evacuation of the Meo community from the area. Many government soldiers have joined the refugee ranks, the bulk of which are moving to Ban Son, about 20 miles to the southwest. Although sentiment is strong within the Meo community to resettle in the quieter areas of Sayaboury Province, General Vang Pao will probably attempt to regroup his forces in or-

der to block further enemy advances toward the Vientiane Plain.

Meanwhile on the political front, Prime Minister Souvanna has softened his public position on a cease-fire agreement with the Communists. During a press interview on 13 March, Souvanna said he would be willing to accept a cease-fire before a North Vietnamese troop withdrawal, provided the enemy stopped all offensive activity and permitted the International Control Commission to send observers into Communist-controlled territory.

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[Redacted]

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The prime minister also reiterated the stand he has taken recently in public and private that bombing the infiltration corridor would be a matter for the Americans to decide. It is not clear what effect the Communist campaign against Long Tieng will have on Souvanna, but he will probably be under considerable pressure from rightist elements to forgo any political initiatives with the Lao Communists at this juncture.

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## PHILIPPINE STUDENTS CONTINUE THEIR PROTESTS

Student radicals continue to expand their influence in the protest movement. They managed to turn an initially peaceful demonstration in Manila on 17 March into disturbances that resulted in the death of one person. Students who marched on the US Embassy were scattered before doing any damage, however, and another group that headed for the presidential palace was turned back by Philippine armed forces.

Although radicals, encouraged to some extent by the government, have imparted a strong anti-US cast to student agitation, President Marcos remains the focus of student dissatisfaction. Demonstrators among a mass rally of some 3,000 persons on the 17th conducted a mock trial that found Marcos guilty of corruption in the presidential elections last November.

The size of the rally fell far short of what its organizers hoped for. Radical and moderate students are increasingly at odds over the use of violence, and moderates apparently stayed away in anticipation of trouble. Despite their internal squabbling and the lack of public backing, however, the students will be encouraged by Marcos' failure to take command of the situation and will continue their pressure on him. Their persistent challenges

may yet force him to make more concessions.

Press coverage of student activities remains exhaustive, but public interest appears to be dwindling. The spectacle in the latest demonstrations of a "people's tribunal" dispensing revolutionary justice will further lower the public's opinion of the student movement and will help Marcos in his efforts to discredit it.

Marcos has emerged slightly from the isolation he has maintained since the outbreak of student protests in late January, but a sign of uneasiness can be seen in his keeping public appearances to a minimum. In a recent series of addresses to the nation he has made an unconvincing effort to assure the electorate of his commitment to reform. The thrust of his remarks was that the government would take steps to bring revolution from the top rather than to permit rebellion from below. Although he made a welcome admission that changes are needed, Marcos' condescending tone toward students and his failure to mention any specific programs will reinforce public skepticism. The general response to his promises is that the time for words is past and that deeds are now demanded.

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EUROPE

Soviet policy in the Middle East has reached a turning point with the recent appearance of SA-3 surface-to-air missiles in Egypt. No longer simply a source of arms supply for the Arabs, the Soviets have now taken on the role of active combatant in their behalf. Israeli raids on these missile defenses could prompt the Soviets to take riskier measures to protect their policy investment.

Moscow seemed surprised and dismayed by the ouster of Sihanouk. Though the Soviets would probably like to see him restored, they recognize that there is little they can do to affect developments. If Sihanouk fails to return to power, Moscow will probably be content to follow Hanoi's lead in dealing with the Cambodian Government.

On 19 March Chancellor Brandt became the first West German head of government to meet with his East German counterpart when he traveled to Erfurt for talks with Premier Stoph. Hopes for progress were slight, but the two did agree to meet again in West Germany.

Western reaction continues reserved to the Romanian proposal for a preliminary meeting in Bucharest to discuss a conference on European Security. The Romanians apparently informed their Warsaw Pact partners in advance, but failed to win their approval. The Soviets have made no comment.

Hungarian Premier Fock and his economic and planning experts were abruptly summoned to Moscow on 17 March. Both sides have portrayed the visit as routine, but it was announced that "political questions" were discussed, and there are suspicions that the Hungarians once more had to account for their far-reaching proposals for economic and CEMA reform.

The European Communities (EC) and Yugoslavia formally signed a bilateral trade agreement in Brussels on 19 March—the first such accord between the EC and a Communist state. Belgrade, in a further deviation from the Soviet policy of nonrecognition of EC, reportedly will establish a mission to the Communities later this year.

Former Italian premier Fanfani has decided that he will be unable to undertake the formation of a government. President Saragat is turning to the caretaker premier, Mariano Rumor, for consultation. Saragat may intend to ask Rumor to withdraw his earlier resignation and ask parliament for a vote of confidence enabling him to continue his minority Christian Democratic government.

The International Federation of Airline Pilots' Associations this week increased pressure for better international measures to assure air safety and called for a ban on flights to and from countries that do not crack down on aircraft hijackings and sabotage. An international conference of governments is not expected to act on these areas before June, when it meets under auspices of the International Civil Aviation Organization.

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## USSR CAMPAIGNS PUBLICLY ON SALT ISSUES

The USSR has been using the hiatus in the strategic arms talks to campaign publicly against US programs for ABM and MIRV. The Soviet press is saying that these weapons systems threaten a new stage in the arms race and must be curbed. Moscow's arguments seem designed to put the blame on the US should the forthcoming Vienna talks fail or bog down. In private, however, Soviet spokesmen have shown little consistency on possible SALT issues. Neither public nor private statements have attempted to set preconditions for the negotiations that are to begin on 16 April.

A Pravda article of 7 March, signed "Observer" to mark its high-level endorsement, has been the most authoritative indication to date that the US Safeguard program may be causing Soviet SALT planners considerable difficulty at this time. Several weeks before, Defense Minister Grechko broke a one-and-a-half year press ban on Soviet claims to an ABM capability. This gesture was partly responsive to the recent US announcement of plans to expand Safeguard. Whether or not these

anxieties are real, Moscow is certain to surface them in one form or another at Vienna.

The Soviets were, for the most part, silent at Helsinki on the subject of MIRVs and until a short time ago press references on the subject were rare. A Red Star article on 14 March stated that the US decision on MIRV "seriously endangers" SALT. It was the strongest Soviet press condemnation to date of MIRV deployment in the US, but it softened its criticism by focusing on the Pentagon and not on the administration.

Although it has become increasingly clear that the Soviets are disturbed about US plans for deployment of ABM and MIRV, there have been no clues as to what Moscow's position on these matters will be when talks resume. The Soviets are still willing to permit their commentators to warn of the potentially harmful effects of US weapons programs on SALT without committing Soviet policy to these warnings. Also, some Soviet officials have claimed that Moscow is interested in an early agreement.  25X1

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## USSR CONDUCTS LARGE-SCALE MILITARY MANEUVERS

The Dvina maneuvers held in the western USSR as part of the Lenin Centennial probably were the largest ever conducted by Soviet forces. According to Soviet press announcements, the exercise involved river crossings, simulated nuclear strikes, a helicopter assault, and an airdrop by some 8,000 troops. Some reservists--and possibly civilian trucks--reportedly were mobilized for the exercise.

Moscow announced the maneuvers on 27 February and on 3 March, the Soviet press reported that large numbers of troops had begun to converge on the exercise area.

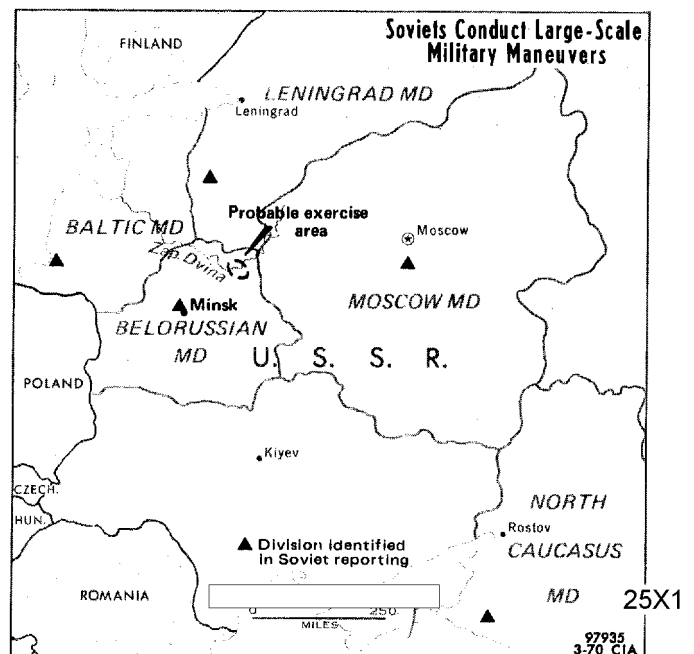
Later Soviet press reports indicated that troop trains, truck convoys, and transport aircraft--including heavy AN-22 transports--brought more troops into the area. The exercises were directed by Defense Minister Grechko and observed by other top military officials.

Tactical exercises got under way on the morning of 10 March. The scenario apparently involved an attack by "northern" forces--presumably representing NATO--against "southern" forces over the Zapadnaya Dvina River. Northern forces, under air cover, reportedly crossed the river after helicopter-borne troops were landed behind the southern defenders.

On 11 March, the Soviets announced that almost 8,000 troops and 160 pieces of heavy military equipment had been airdropped apparently in a single operation. An airdrop of that size would require over 300 AN-12 transports.

In response to a southern counterattack on 12 March, the northern forces simulated the use of nuclear weapons. Southern forces then retaliated in the same way. More than 1,000 tanks--the equivalent of three tank or five motorized rifle divisions--reportedly took part in the battle. The southern forces apparently began to turn the tide of battle on 12 March and tactical exercise activity ended the next day. A post-exercise parade held in Minsk on 15 March was attended by party chief Brezhnev and other top Soviet officials.

The actual number of troops involved in the exercise is not clear. The Soviets identified five divisions by name--probably one each from the Baltic, Belorussian, Moscow, Leningrad, and North Caucasus military districts. [REDACTED] 25X1



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## STALEMATE IN PEKING IRRITATES MOSCOW

The Peking talks are entering their sixth month with no signs of progress. Moscow, seeing no hope for improvement, is evidencing impatience with the stalemate. A TASS statement on 14 March put on record Moscow's denial of "imperialist" rumors that the Soviet Union is engaged in "major military activities" in preparation for an attack on China. Though the statement appears designed to refute Chinese charges that the Soviets are forcing them to negotiate under military pressure, it backhandedly serves to remind Peking that Moscow retains a military option despite its commitment to a political settlement.

Peking, by contrast, has maintained a comparatively low-keyed political posture in recent weeks, presumably in order to counter Moscow's charges of Chinese intransigence and to avoid giving the Soviets a pretext for downgrading or suspending the talks. In addition, recent indicators point to some Chinese uneasiness over possible developments if the border talks collapse. Last week, for instance, a Chinese broadcast highlighted in unusually grim detail the "present danger" of nuclear war, and recently, Chinese officials abroad have increased efforts to get information on Soviet military strength and intentions along the border.

Rumors [redacted] of frontier incidents in recent weeks cannot be directly confirmed. Nevertheless, the TASS statement did not disavow them and Soviet propaganda claiming that its border forces are in a state of "constant readiness" indicates that Moscow remains unhappy with the unsettled situation on the frontier.

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Recent movements in Sino-US relations have irked the Soviets, who have charged the Chinese with attempting to use the Warsaw talks to gain "an upper hand" in the Peking negotiations. Although the Soviets probably think an immediate Sino-US rapprochement unlikely, they clearly resent Peking's successful efforts to break out of its diplomatic isolation.

Despite the misgivings, the Soviets [redacted] stress their intention to continue the talks. They are communicating their side of the dispute to other Communist parties and have apparently pressed their East European allies to engage in a unified anti-Chinese propaganda campaign.

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## FALL IN SOVIET MEAT OUTPUT LEADS TO IMPORTS

After an impressive growth in meat output in the Soviet Union during 1965-67, production in 1968 leveled off, and then declined in 1969 an estimated three to five percent. Per capita consumption of meat fell by four percent last year. So in order to boost consumer welfare in this centennial year of Lenin's birth, the Soviet Government has decided to import substantial quantities of meat from the free world.

The decline in meat production last year was caused primarily by the severe winter of 1968-69 that killed abnormally high numbers of livestock, a reduced supply of feed per head, and a new government policy to forgo slaughtering in order to expand the size of herds as well as the number of farms keeping livestock. During the last several years hasty "specialization" of livestock production on fewer farms had caused an excessive reduction in herds.

The diminished supplies of meat came as a surprise to Soviet consumers, who had expected better quality foods to continue to replace the traditional starchy staples. Higher incomes exacerbated the demand, resulting in long queues in state meat stores and rising prices in the collective farm market, the only market in the country where prices reflect changes in demand. Prices on the Moscow collective farm markets rose 16 percent from January 1969 to January 1970. Moreover, there were

reports of prolonged periods when meat was not available in state outlets of some urban centers.

In order to alleviate this shortage in this "Jubilee Year," the Soviet Government is reported to have purchased about 121,000 tons of meat worth \$88 million from the free world. More contracts may be negotiated in the near future. Since 1966, the Soviets have been net exporters of meat, trading mainly with East Germany and Czechoslovakia. Imports, also from East European countries, have been relatively small. In 1970, however, the Soviet Union will again be a net importer and will pay scarce foreign exchange to free world countries. Eastern Europe has been unable to come to the rescue as livestock production there also stagnated or declined in 1968-69.

The outlook for a marked increase in meat production in the first half of 1970 is dim. Large supplies of feed to fatten the present herds are not available. Moreover, the number of livestock will probably be expanded this year at the expense of short-run gains in meat output. If purchases from the free world reach \$100 million, the per capita supply for inhabitants of urban centers of over 100,000 could rise by as much as ten percent in the first half of the year compared to the same period in 1969.

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## GERMANS FOCUS ATTENTION ON ERFURT SUMMIT

A milestone in East-West German relations was reached on 19 March when Premier Stoph and Chancellor Brandt met in Erfurt.

The Bonn leadership saw in this first-ever dialogue between the two heads of government evidence that its Eastern policy was working. At the same time, Brandt and his deputies warned against lofty expectations and held to the line that, at best, Erfurt will serve as an opening for more discussions of the problems of a divided nation.

In the negotiations proper, the West Germans were prepared to present measures that would alleviate tensions and improve transportation and communication links. Anticipating that Stoph would press for outright recognition through the medium of his government's standing draft treaty proposal, the West Germans made clear on the eve of the talks that this was more than they were willing to grant. They hoped that the East Germans would agree to designate representatives to study inter-German problems and to prepare for another meeting. Brandt and Stoph have agreed to meet again in West Germany, according to late press reports.

Extensive commentary in East German mass media continued to stress Pankow's demand that Brandt discuss the draft treaty. SED leader Walter Ulbricht, in an interview on 17 March, re-emphasized

this position but did not rule out a discussion of Brandt's counterproposals.

In Moscow, special emissary Bahr wound up another round in his prolonged series of talks with the Soviets. [redacted]

[redacted] Bahr claimed that the two sides had gone "a good bit" forward and that the exploratory phase, looking to an eventual renunciation of force agreement, could be completed in one more meeting. Bahr explained for Bonn on 16 March for consultations but was expected to return on 20 March and resume talks the next day.

Signs of progress in the second round of West German - Polish political talks were lacking. State Secretary Duckwitz, the chief German negotiator, returned from Warsaw on 12 March and said only that another round would be held in the second half of April. Meanwhile, two senior Bonn officials arrived in the Polish capital on 15 March in an apparent effort to inject new life into the faltering talks on a long-term economic agreement. The subsequent announcement that the two sides had settled on a one-year trade protocol led to the conclusion, later confirmed by the West Germans, that the gulf between Polish expectations and German offers had not been bridged and that a hiatus in talks would ensue. [redacted]

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## PRAGUE STIFLES DISSIDENTING INTELLECTUALS AND STUDENTS

Officially, the Husak leadership has adopted a sympathetic attitude toward "disoriented" intellectuals and students. In reality, however, orthodox party and government officials, particularly in the Czech lands, have begun an extensive campaign to crush all resistance in the cultural and academic communities.

The Czech minister of culture has declared that intellectuals and artists no longer possess a special status in society, and must, along with other peer social groups, proclaim their support for party policies. He has demanded that the cultural unions expel those members who have defected to the West and rescind the anti-Soviet proclamations they adopted in the aftermath of the invasion in 1968.

The Czech regional party, which already abolished one defiant union, has announced plans to seize the dissident Czech writers' union. The Ministry of Culture intends to take charge of the writers' publishing house and recreation center and to administer the union's funds. This suggests that the union probably will be permitted to exist, but that it will be allowed to subsidize only those members who support the regime. Other cultural groups, such as the theater and architectural unions, face similar reprisals.

Meanwhile, the Czech minister of education recently proposed that the entire academic system be reorganized to stress the "class approach," a setup used during Czechoslovakia's Stalinist era in the 1950s. He suggested that students whose parents are workers or farmers receive a higher education without cost or entrance examinations; in contrast, only a small group of children of intellectuals would be granted similar benefits.

The minister also has called for the dismissal of all students and teachers who supported the Dubcek reforms and denounced the invasion. Special commissions have been set up to punish student radicals, and an elaborate scheme to monitor teachers through assignment rotations is in the planning stage. Courses in Marxism-Leninism, suspended during the Dubcek period, were reinstated in the schools last month.

Regime spokesmen have acknowledged that "normalization" in the cultural and academic spheres is a long way off. The bureaucracy's harshly orthodox approach is unlikely to speed the process and will only widen the gulf between the regime and the majority of intellectuals, artists, and students.

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## SHARP SHIFT TO RIGHT MARKS FINNISH ELECTION

A pronounced swing to the right in Finland's parliamentary election on 15-16 March complicates Helsinki's relations with Moscow and may lead to instability in the government.

The conservative National Coalition Party and the radical right Rural Party were the only ones to increase their share of the vote over 1966. They added 11 and 17 seats respectively to their representation in the 200-seat parliament. The 10.5 percent of the vote obtained by the Rural Party, the highest ever garnered by a far-right group in Finland, represents a surprisingly strong surge of protest among rural elements against the establishment in general and the modernized outlook of the Center, formerly Agrarian, Party in particular.

All parties participating in the center-left government lost ground, with the heaviest losses suffered by the Center Party and the Communist-dominated People's Democratic League. Both fell below 20 percent of the vote for the first time since World War II. Moreover, the left splinter Social Democratic League, which ran on a joint ticket with the People's Democrats, was virtually wiped out, failing to gain a single seat. Communist losses will intensify the split between liberal and conservative forces in the party, with both sides blaming the other for the loss of voter confidence. The losses among Prime Minister Koi-visto's Social Democrats were more moderate, and they remain

the largest single element in Parliament.

The dramatic shift in voter sentiment indicates there is greater dissatisfaction with the policies and performance of the government than had been assumed, especially among the so-called "forgotten men" who have not shared in the country's rise in prosperity. A significant segment of the Finnish public may also have used its vote to register disapproval of the government parties' competition for Soviet favor. In this context, the government's frequent reversals on the question of Finland's participation in the proposed Nordic Economic Union (NORDEC) amidst rumors of Soviet pressure may have contributed to public disenchantment.

The combined strength of the government parties, while down to 136 seats from 165, is still sufficient to retain control. Moreover, the Soviets who have already expressed unhappiness over the outcome and who regularly assume the right to pass on the acceptability of Finnish political combinations, will probably insist on continuation of the present center-left grouping. This probably will not sit well with many Finns. The conservative opposition takes the view that a renewed center-left coalition would be a government of losers and would therefore be contrary to the will of the electorate. Indeed, three cabinet members, one of whom was previously regarded as possible successor to Prime Minister Koi-visto, were defeated in the election, as was the liberal Communist Party chairman.

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### MIDDLE EAST - AFRICA

The USSR has sent the SA-3 surface-to-air missile system to Egypt, and at least 128 missiles have recently been sighted in the country. In other military activities in the area, the Israelis continued to direct air strikes against Egyptian targets along the Suez Canal while avoiding the Cairo area. The Israelis conducted their first commando raids into Syria on 15 and 16 March, and also raided into southern Lebanon on 18 March.

The Israeli-leased Canadian oil drilling rig that was damaged while in port in the Ivory Coast, probably by Egyptian saboteurs, is now in Tema, Ghana. It is expected to be in drydock there for permanent repairs, which could take over a month. Before the rig reaches its eventual destination in the Gulf of Suez, the Egyptians could make another attempt to destroy it.

The UN Security Council's decision this week to extend already-existing mandatory economic sanctions to include all of Rhodesia's transport links with the outside world will have little effect on the Smith government and a minimal impact on the Rhodesian economy. Salisbury can move the bulk of its trade over railroad links with Portuguese Mozambique and South Africa, neither of which enforces any sanctions.

Nigeria's military rulers have advanced their reconstruction program by decreeing a new formula for allocating federal revenues. The share going to the states will be increased and will be distributed more equitably. The new system reflects the political pre-eminence of the country's minority tribes, and further strengthens their position over the three major tribal groups.

Serious violence, sparked by the radical Communist Party/Marxist, erupted in the Indian state of West Bengal this week. The Marxists, who had dominated the governing coalition there, were protesting the resignation of the non-Communist chief minister, who had nominally led the coalition. The army has been sent in to maintain order and the central government has taken over administrative control.

The Turkish political situation was at least temporarily stabilized by the government's marginal vote of confidence on 15 March, but new elections remain a distinct possibility. Meanwhile, leftist student extremists have unleashed a new campaign of anti-Americanism, marked by attacks on US property. This could place added strains on the already-weakened government because of the increasing popular criticism of alleged reluctance to crack down on student violence.

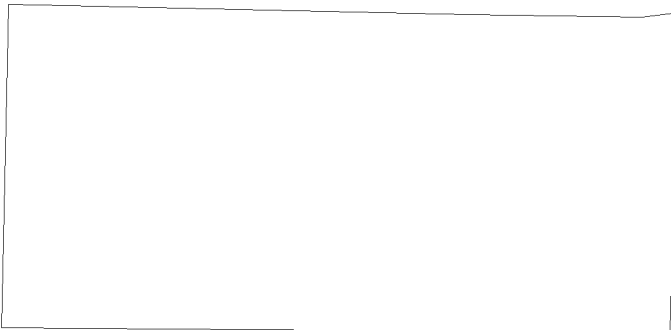
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### USSR SENDS ADVANCED AIR DEFENSE MISSILE SYSTEM TO EGYPT

25X1 The Soviets are delivering and installing the SA-3 surface-to-air missile system in Egypt. They also intend to man it.



Thus far, it appears that the SA-3 will be used in conjunction with the SA-2 system already in Egypt. The SA-3 can operate at altitudes down to about 300 feet compared with 1,500 feet for the SA-2 and probably will initially provide point defense for targets in the Cairo and Alexandria areas.

The SA-3 system heretofore has been deployed only in the USSR and Eastern Europe where it has been manned exclusively by Soviet personnel. In order to provide an effective operational system rapidly in Egypt, Soviet personnel will have to man and operate the SA-3s. Manned by Soviet personnel, the sites probably could be put into operation within about 48 hours. Egyptian personnel may be trained later to operate the system but this would require at least four to six months.

The Soviets may supply other equipment in the present program. Some form of anti-aircraft artillery

probably will also be brought into Egypt to provide a defense at altitudes up to 300 feet.

Appearance of the SA-3 marks a turning point in Soviet policy in the Middle East, for Moscow has abandoned its role simply as a source of supply for the Arabs and has become an active combatant in their behalf. The Soviets probably believe, however, that they have carefully calculated and limited the possible dangers. Nevertheless, this step demonstrates that they are prepared to take additional risks to assure the success of their policy in the Middle East.

The introduction of the missiles into Egypt probably will not deter the Israeli Air Force from



Missiles on transporter

CHARACTERISTICS	
Initial operational capability	1961
Propulsion	solid booster & sustainer
Warhead (HE)	140 lbs
Maximum operational range	about 12 nm
Effective altitude,	
maximum	about 60,000 ft
minimum	about 300 ft
Speed	Mach 2.5
Guidance	command
CEP	about 30 ft

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continuing its current campaign of deep penetration raids. Militarily, the Israelis feel confident they can cope with the newer missile, even though manned by Soviets. Politically, they think it would be unwise to let the Arabs

believe they can find sanctuary under a Soviet umbrella. The Israelis probably will seek out the SA-3 sites to destroy them, rather than avoid them and look for other targets.

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### ISRAELIS ACTIVE MILITARILY ON ALMOST ALL BORDERS

Israeli leaders, perhaps reflecting some apprehensions about the expected US decision on further aircraft sales, appear to have scaled down the intensity of their military attacks a few degrees. Bad weather may also have been a factor. The Israeli military still saw some action: they carried out helicopter-commando raids deep into Syria; continued to attack Egyptian positions along the west bank of the Suez; and responded to continuing fedayeen activity on the border with Lebanon. They have not carried out any air raids near Cairo since 12 February, the closest recent raid being a strike on an SA-2 site some 20 miles west of the city on 26 February.

In response to stepped-up Syrian harassment in the occupied Golan Heights area, the Israelis raided deep into Syria on 15 and 16 March. Commandos destroyed a high-tension power line 12 miles northeast of Damascus, and shelled an army camp 24 miles north of the Syrian capital. They also destroyed a small bridge and two Syrian pillboxes six miles beyond the cease-fire lines. The Israelis have previously used aircraft in strikes at targets in Syria, but this is the first time since the war that they have sent helicopter-borne commandos, although these units have frequently been used against the Egyptians.

Israeli-Lebanese tensions over fedayeen cross-border activities have continued, and the Israelis on 18 March carried out their second "warning" raid into southern Lebanon since early March. There was evidence, however, that the Beirut government was trying to move the fedayeen out of the central section of the border area and to get them to moderate their activity. There were fragmentary reports of a clash between Lebanese soldiers and the fedayeen.

Although they have avoided targets close to Cairo, Israeli aircraft continue to pound Egyptian emplacements along the Suez Canal on an almost daily basis. On 13 March, the Israelis struck at an SA-2 site at El Mansura in the delta area some 75 miles northeast of Cairo. On two successive days later on, the Israelis carried out other raids 15 to 20 miles west of the canal. In the process, they knocked down another Egyptian MIG-21, raising the Israelis' score since the 1967 war to 76 Egyptian aircraft, at a cost of only 11 losses in Egypt of their own. Over the weekend, Israeli commandos crossed the northern sector of the canal and reportedly destroyed an Egyptian bunker and its weapons.

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### LIBYA'S JUNTA REMAINS DIVIDED

The conflict between pro-Egyptian and "Libya first" factions within the ruling Revolutionary Command Council continues.

Last month, the Libya first faction apparently prevented Libyan attendance at the meeting of "Front Line" Arab states in Cairo. On the other hand, the pro-Egyptian faction reportedly stopped the Libyan delegation from going to the Maghreb economic ministers' conference, which was to have been held last week in Rabat but was canceled at the last minute. The pro-Egyptian council members probably believed that attending the Maghreb conference might have implied that Libya was aligning itself more closely with the relatively moderate North African states and

was swinging away from the more radical Arab states led by Egypt.

In any case, the regime has been forced to cut back on its international activities and to concentrate on domestic problems, a course that has long been advocated by the Libya first faction. This change of emphasis is probably too late, however, to reverse the growing unpopularity of the regime.

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## TENSION MOUNTS ON CYPRUS FOLLOWING POLITICAL MURDER

Just a week after the unsuccessful attempt on President Makarios' life, tensions on Cyprus were raised even higher by the still-unexplained murder of ousted Interior Minister Georkatzis on 15 March. Makarios has moved swiftly to squelch rumors that Greek mainland officers were involved, and has labeled as a forgery a document allegedly prepared by Georkatzis for delivery to him in the event of Georkatzis' murder.

The Greek-Cypriot population is becoming increasingly fragmented. Makarios' image was greatly enhanced by his near-miraculous escape from death, but he will now be tarnished by his association in the public mind with the murder of his former associate Georkatzis, who was a popular hero. Various extremist groups, who may be happy to see Georkatzis dead, will not necessarily rally to the archbishop's support. Groups such as the National Front, which favors union with Greece (enosis), see Makarios as a stumbling block in their path. Other groups, ranging across a broad political spectrum, seem now to view the archbishop more and more as a self-serving--if wily--politician.

Although security precautions around Makarios have been greatly increased in recent days,

he is by no means safe from future attempts on his life, either from the ex-guerrilla followers of the murdered Georkatzis or from other quarters. The loyalty of the police, the security forces, the National Guard, and even the palace guard is questionable. Without a personal following of armed partisans, and with his image as the embodiment of Hellenistic nationalism on Cyprus no longer quite credible, Makarios will be forced to rely on his skill in playing off one faction against another.

If the intracommunal strife among the Greek Cypriots reaches a point where Makarios believes that the stability of his regime is seriously threatened, he might be tempted to move against the Turkish Cypriots in an effort to reunite his quarreling countrymen against the common enemy. Up to now, the Turkish Cypriots have managed to avoid involvement in the turbulent developments on the island.

Despite Makarios' quick denial of any involvement of Greek officers in the events of the last ten days, he must be deeply suspicious that at least some members of the Athens regime would like to remove him. His efforts to paper over the rift between himself and the Athens government are a measure of his dependence on Greece as a deterrent to Turkish moves against his regime.

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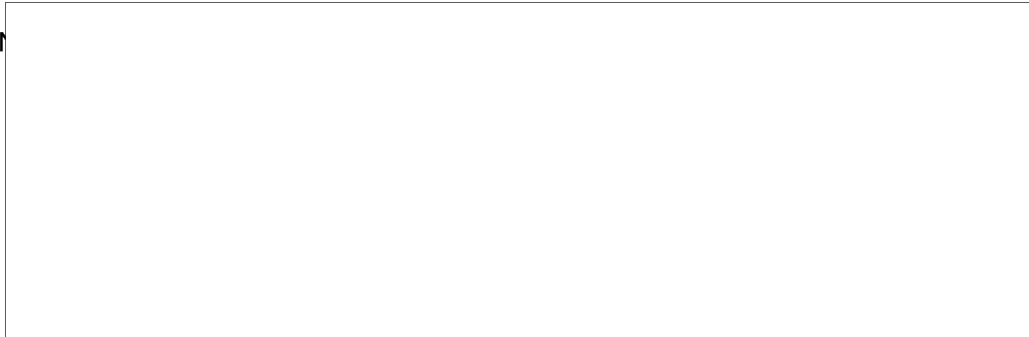
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WESTERN HEMISPHERE

The recent spectacular kidnaping episodes in Guatemala and Brazil have found would-be emulators in other Latin American countries.

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Colonel Carlos Arana is expected to be confirmed as president-elect of Guatemala by the incumbent congress within the next few days. Arana, who received a plurality of the popular vote in the elections on 1 May, but not the required majority, has pressed for early resolution of the election results. The second stage of the election now belongs to the legislature, but the constitution is unclear as to whether the selection should be made by the incumbent or by the newly elected congress.

Arthur Chung has been elected as the first president—a figurehead position—of the Guyana Cooperative Republic. Chung, a Chinese, was selected by Prime Minister Burnham to avoid antagonizing the Negroes and East Indians who constitute the bulk of the population.

In Peru, the newspaper Expreso, which has become a spokesman for the radical left since its operations were turned over to Communist-dominated unions following expropriation by the government on 3 March, has called on workers to form “Committees for the Defense of the Revolution.” These committees presumably would be pressure groups designed to make sure the government presses forward with its “national and social liberation of Peru” and to turn in persons who oppose “the revolution.” A like-minded committee at Expreso precipitated the government’s expropriation of the paper.



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## BRAZIL FEARS NEW KIDNAPINGS OF DIPLOMATS

Government and military officials fear that terrorists' successes in obtaining the freedom of comrades by kidnaping foreign diplomats may stimulate similar operations. The abduction last week of the Japanese consul general in Sao Paulo and his exchange for five Brazilian prisoners come only six months after 15 prisoners were released to secure the safe return of US Ambassador Elbrick.

The kidnapers of the Japanese official identified themselves as members of the Popular Revolutionary Vanguard (VPR), a terrorist group led by renegade Army Captain Carlos Lamarca, who is probably the country's most effective terrorist leader. On 13 March the government accepted the terrorists' terms, and the next day it flew the designated prisoners to Mexico. The Justice Ministry issued a decree banishing the five from Brazil, following a precedent established in the Elbrick incident. The consul general was released in good condition on 15 March.

Three of the prisoners admitted to reporters in Mexico that they had worked with terrorist groups in Sao Paulo; all had received training in Cuba. Of the two who claimed to be activists with the VPR, one reportedly was involved in three major operations in Sao Paulo during 1968, including the assassination of a US Army captain. He was also implicated in numerous bank

robberies, as was the other VPR prisoner, a second generation Japanese-Brazilian. A third terrorist was formerly a bodyguard of Carlos Marighella, who led the National Liberating Action until he was killed by police last November. A fourth prisoner released was a Franciscan nun, who last October, while at her orphanage in Sao Paulo state, was arrested for assisting a National Liberation Armed Forces group. The local police chief was subsequently excommunicated as a result of accusations that the nun and other prisoners had been tortured while in jail. She denied any knowledge of subversive activities, and protested against being put on the plane to Mexico. The other prisoner, also a female, who described herself as a "Marxist-Communist," was the widow of a VPR militant killed last month. She was accompanied by three children; a fourth child, who reportedly was involved with his father in terrorist activities, remains at large in Brazil.

There was substantial dissatisfaction among lower ranking military officers about the government's exchange of 15 prisoners for US Ambassador Elbrick last September, and the new episode is likely to provoke similar unhappiness. The fact that four of the new group have claimed that they had been tortured after arrest may increase security officials' resentment

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of the government's release of the prisoners.

The assertion of one prisoner that the kidnaping of foreign diplomats is a legitimate way of rescuing comrades who face

long prison terms is likely to lend substance to the government's fears of more incidents. The dean of the consular corps in Sao Paulo has requested special protection for foreign diplomatic personnel there.

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## PANAMA'S TORRIJOS MOVES TO BLUNT OPPOSITION

Touchy about criticism, concerned about persistent coup plotting, and worried about assassination threats, Panamanian strongman General Torrijos has been making life difficult lately for those opposed to his regime.

Torrijos demonstrated his no nonsense approach to subversion by having a number of key leftists arrested to prevent them from provoking violence during the Central American and Caribbean Games and by detaining followers of deposed president Arias [redacted]

Also, Torrijos has exiled a popular Jesuit priest whose radiobroadcasts had been critical of the government and he is pressing the US to extradite Hildebrando Nicosia, a top Arias aide who sought asylum in the Canal Zone following an unsuccessful attempt to organize a coup.

The Jesuit's cautious and carefully balanced criticism had posed little danger to Torrijos. Indeed, as virtually the only remaining critic of the regime, he gave some credence to the General's assertion that there was freedom of the press. His expulsion on charges of subversion, therefore, suggests weakness rather than strength, and increases the distance between the government and the church.

Torrijos' frustration over his inability to eradicate plotting has even begun to affect US-Panamanian relations. Torrijos told a US military official on 16 March that he had ordered his subordinates to reduce, and in certain instances to cease cooperation with Canal Zone authorities because he felt that such cooperation had been a one-way deal favoring the US. He stated that he would continue with this attitude until he was sure that some cooperation was coming his way. Torrijos has persuaded himself that the Canal Zone is being used as a sanctuary for subversives, and he has demanded that the US extradite Nicosia. Although Nicosia is accused of embezzlement, the extradition request is really motivated by a desire to punish him for his political activities.

Torrijos' hard-line approach may succeed in forcing opposition elements to lie low, but it probably will not increase his popular support or restore business confidence in his regime. [redacted]

Nevertheless, no one has yet appeared on the scene with sufficient strength to pose a serious threat to Torrijos. [redacted]

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## GOVERNMENT AND PRESS ON COLLISION COURSE IN PERU

Continuing criticism of the military government by opposition newspapers is likely to result in stricter measures by the government to control the press. So far, however, the government's attempts to intimidate the press--the expropriation of two Lima dailies, the closing down of another, and implications that the nation's leading daily is involved in an international plot against the government--have resulted instead in more virulent criticism by the opposition newspapers.

The military government, which in the past has demonstrated its sensitivity to criticism of any kind, has endured a considerable amount of it in recent months and is likely to seize on any suitable pretext to silence its opposition. Such a pretext for a move against the leading daily El Comercio may have been provided by Expreso, the Lima newspaper that was expropriated on 3 March and turned over to the Communist-dominated unions to operate. Expreso charges that El Comercio is involved in a plot to overthrow the Velasco government. It has persisted in these charges and has now linked the US to the plot as well, despite the court suit being brought against it by the owners of El Comercio.

General Fernandez Maldonado, the minister of mines and energy and most radical member of the government, hinted that the government's patience is wearing thin when he implied in a press conference that there is substance to the charges. He is quoted as say-

ing that the military knew that they "would have to confront very powerful internal and external enemies" but that they were prepared "to run every risk to achieve fully the objectives of the revolution." These words, described as being uttered in an aggressive and highly nationalistic tone, are reminiscent of the rhetoric used in the early days of the regime when it felt threatened on all sides.

La Tribuna, the party organ for APRA, which has long been the military's principal political adversary, was closed down last week. It is still appearing on the newsstands in abbreviated form, however. The paper was closed for failure to pay its debts. La Tribuna claims, however, that this is only a legal ploy the government is using to silence opposition after violence and a "fifth column of Communists" failed to work as it had at Expreso.

Since the closure, La Tribuna has taken off its gloves and launched the strongest attack on the government yet heard in Peru. Referring to a secret military pay raise of a few months ago, the paper charges that the "brains of the revolution elevate the salaries of the 'revolutionaries' while freezing the salaries of the workers." La Tribuna adds that it will continue to denounce the "immoral moralizers who in a few months have amassed fortunes of their own while recommending the 'cooperativization' of the people's wealth." Such attacks as these can be expected to prompt a retaliatory move from the military. 25X1

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## SURINAM HAS NEW LEADER BUT SAME OLD PROBLEMS

The initial optimism that accompanied Minister President Jules Sedney's assumption of power last November has dimmed. The government's financial position, in bad shape before, has worsened. Racial tensions have increased and dissatisfaction with the government's performance is on the rise among many political groups.

Sedney's financial difficulties can be seen in his inability to meet the government payroll. Cabinet ministers have become disgruntled because Sedney has continued them at the half-pay rate imposed by his predecessor, and a few may resign.

All three major racial groups are disappointed with the government's performance, and much of the dissatisfaction stems from political patronage or the lack of it. The East Indians believe that more of their people should be included in the government because their party has the largest bloc of seats in parliament. Indonesians charge that Sedney's government has done nothing for them. The Creoles (Negroes), who had dominated Surinam politics

until the last election, are suspicious of East Indian intentions.

Creole featherbedding in the civil service is adding to the financial crisis caused by tightening of Dutch aid policies. Any move to reduce government employment could create a political situation that might deteriorate into racial conflict. The increased spread of East Indian cultural and religious activities has aroused resentment among the Creoles, as has the government's decision to replace some Christian holidays with Hindu and Moslem ones.

Sedney

has stated that he will resign if a single demonstration that has racial overtones occurs. He will do little to forestall such an event, however, and thus may be forced to resign.

Public disappointment with the administration's record thus far has led to a growing feeling that new elections will have to be called before the present government's four-year term ends.

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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Private Enterprise: Alive But Not Well in the USSR*

**Secret**

No. 44

20 March 1970  
No. 0362/70A

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## PRIVATE ENTERPRISE: ALIVE BUT NOT WELL IN THE USSR

Popular Western conceptions, or misconceptions, of the role of private economic activity in the Soviet Union probably run the gamut from the belief that it is insignificant to a suspicion that it plays a dominant part in providing the populace with food and a broad range of consumer services. The truth, as usual, lies somewhere between the extreme views. The Soviet economy is predominantly a socialized economy; yet certain private economic activities are permitted. The conduct of these activities invariably is restricted to an individual or family scale of operation, but the aggregate impact of private activity is significant.

### PRINCIPAL FIELDS OF PRIVATE ECONOMIC ACTIVITY

Private economic activity in three fields is sanctioned, under strict controls, by the Soviet Government. The Soviet citizen is allowed to grow and market his own agricultural products, build his own home, and work in some professional, personal, or repair service field. In addition, he is known to indulge in various other economic activities illegally, sometimes with little interference from the authorities. Some of these illegal activities—such as prostitution and black market traffic in foreign currencies and consumer goods—are impressively evident to foreign visitors, yet have little impact on the economy at large. Others—particularly the theft of building materials and of agricultural products from socialized organizations—are less visible but may be of substantial economic importance. Unfortunately, the scarcity of data on illegal activities prevents discussion in precise quantitative terms.

Private agriculture consists of cultivating garden plots ranging in size up to an acre and a half, tending small flocks of poultry, and keeping livestock, usually only one or two head. The size of the plots and the numbers of livestock and poultry tended are strictly regulated, as are the

assignments of the plots themselves. In rural areas, plots on the socialized farms are allocated to households with one or more members employed either on state or collective farms or in other socialized enterprises or organizations. Plots also are assigned to households in urban areas whose heads have jobs in the socialized sector. For the most part, urban householders' plots are found in clusters on the outskirts of cities.

Because of the small size of the private plots and the market conditions, private agriculture concentrates on crops and products that require relatively little land. High value, labor-intensive products such as potatoes, vegetables, fruit, meat, milk, and eggs are dominant.

Most of the privately produced goods are consumed by their producers, but some are sold to socialized processing and distribution organizations and some are sold by their producers on farmers' markets known as collective farm markets. Prices in these markets, which are maintained by the authorities in all towns and cities, are largely determined by supply and demand and usually are higher than the fixed prices of the state retail stores. Product quality, however, is higher in the collective farm markets.

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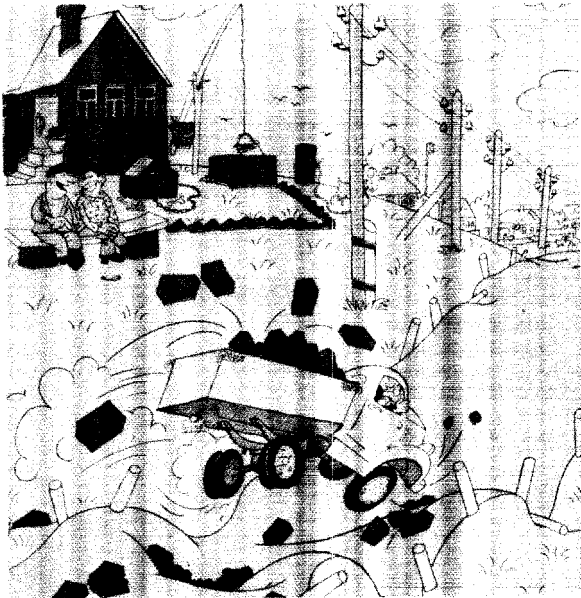


Figure 1. На этом ухабе я дом построил!  
("I built a house on that bump!")



Figure 2. СТОЛБОВАЯ ДОРОГА  
("The high road")

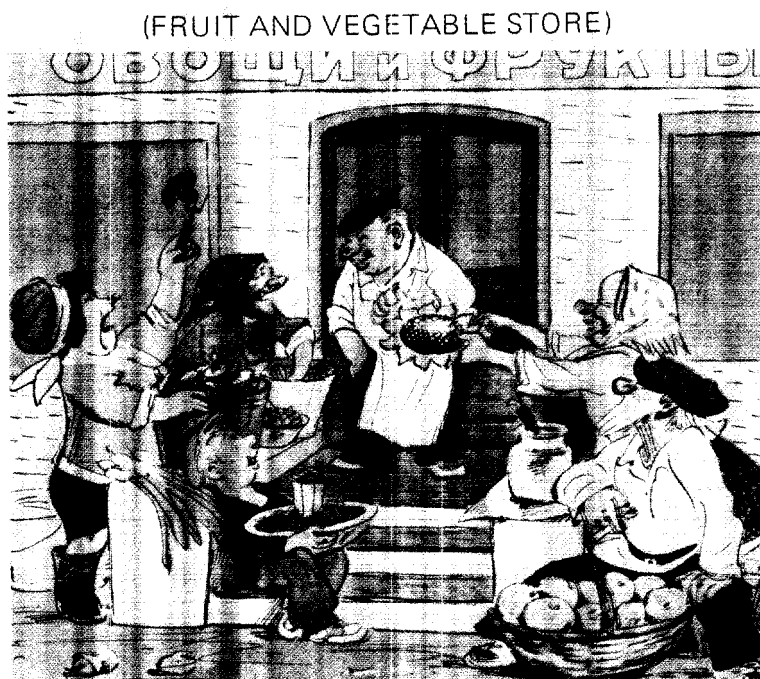


Figure 3. Мне пару малосольных огурчиков!  
("How about a couple of nicely salted cucumbers!")

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Special Report

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-all cartoons from *Krokodil*  
20 March 1970

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Construction of dwellings is the most important nonagricultural type of private enterprise. Private construction is concentrated in rural areas and on the outskirts of smaller towns, where local authorities allocate parcels of land. As private building is limited to do-it-yourself arrangements, privately built houses characteristically are crudely and simply built and rectangular and single story in design. Unskilled labor is normally used, and many of the materials are cast-offs from state construction projects. Even cadged materials sometimes are of first class quality, however. (See Figures 1 and 2.) Utilities, in rural areas especially, generally are lacking, except for electricity. Some new houses, however, are without even that. Single family residences are limited to 60 square meters (646 square feet) of floor space. This means that the typical privately built house measures only about 20 by 32 feet. If several families join to build a multifamily dwelling, space per family is not to exceed 60 square meters. Private construction is financed from personal savings and state loans.

Work in private services covers a broad and poorly defined range. It includes (1) professional services such as medical and dental care and the teaching of languages and music, (2) repair work on shoes, electrical appliances, musical instruments and housing, (3) personal services such as barbering, hairdressing, and sewing, and (4) handicraft work such as boot making, gold working, and embroidery. Also, there is a "gray" area in which service activities are tolerated but not legally sanctioned. Included in this area is work done on bicycles, motorcycles, and automobiles, house painting, furniture moving, and the delivery of goods.

#### IMPORTANCE OF PRIVATE ACTIVITY

The share of Soviet gross national product (GNP) generated by the private sector has been

declining irregularly over time. Since 1950 it has dropped from about 22 percent to a current level of approximately 10 percent. The absolute value of private production, however, increased slightly over this time span. Moreover, mere allusion to the proportion of GNP generated by the private sector underplays the importance of its contribution. Private activities contribute directly and appreciably to the quality of Soviet consumers' lives and are not qualitatively duplicated by the socialized sector.

About eight percent of GNP and 31 percent of net agricultural production are accounted for by private agricultural activity. Because of the low quality and spotty availability of perishable foodstuffs in the socialized stores, Soviet consumers rely on produce from their own plots or buy the major share of their high-quality vegetables, meat, dairy products, and other perishables directly from other private producers. Even the manager of a state fruit and vegetable store may depend on private vendors to satisfy his personal wants. (See Figure 3.)

The relatively large share of total crop output accounted for by the private sector (about one-fourth) is grown on about four percent of the total area under crops. In the private sector, the value of output per unit of land is nearly nine times as great as in the socialized sector. More than half of this difference in value is accounted for by the difference in crop composition in the two sectors. For example, vegetables are more common in the private sector and grain is more prevalent in the socialized. The rest of the difference can be chalked up to the application of more and better labor to each unit of land in the private sector. People who tend private plots give greater attention to weeding, watering, fertilizing, and killing pests. Partly because they exert such effort, the plot tenders can and do plant vegetables and potatoes more densely than farmers in

the socialized sector. The diligence of private growers no doubt is due in large measure to the knowledge that the produce of their plots is their own for consumption or for sale.

Private production accounts for nearly 40 percent of all meat production, although the annual census of livestock shows that private owners have only about a quarter of the animals. The anomaly seems to be largely accounted for by reluctance of private producers to keep livestock through the winter, when maintenance costs are high. The livestock census is conducted on 1 January each year.

Privately owned livestock are not entirely maintained by feed grown on privately held land. In addition to the 21 million acres of land directly under the control of households—which includes one and a quarter million acres of wild hayland—privately owned livestock are sustained by roughly 250 million acres of pasture and 70 million acres of hayland in the socialized sector. In addition, the household members receive feed as payment in kind for work in the socialized sector, and, apparently, they steal a good deal more from the state and collective farms.

As has been noted, a portion of private farm production is sold through the collective farm markets. In 1968, collective farm markets accounted for about five percent of retail sales of all food, but for larger portions of retail sales of perishables, such as eggs (20 percent), meat (10 percent), and milk (10 percent). Even larger proportions of fruit and vegetables are sold in the collective farm markets.

In 1968, private construction of housing generated only about two percent of GNP and absorbed only one sixth of investment in housing, but it accounted for about one third (by floor area) of the housing completed. Roughly 55 per-

cent of the total amount of housing now is privately owned, in contrast to 70 percent in 1950. In urban localities the private share is only about one third and is falling rapidly. Private construction is most common in the rural areas, where socialized construction of housing is least developed and 80 percent of the dwellings still are privately owned.

Privately rendered services generate less than one half of one percent of GNP and comprise less than five percent of all consumer services. Nevertheless they uniquely fulfill certain specific needs particularly in small towns and rural areas—that are not served by socialized service organizations.

#### POLICY TOWARD PRIVATE ECONOMIC ACTIVITY

Official government policy toward private economic activity over the long run has been characterized by antagonism and repression. This approach, which has been common to the Stalin and post-Stalin governments, is rooted in the ideological underpinnings of Communism. It is related to an assumption that all Soviet citizens sooner or later voluntarily will surrender their rights to engage in private enterprise when the superiority of socialized production becomes manifest.

Despite their continuing hostility toward private activity, however, various leaders have demonstrated a good deal of flexibility in the short run, particularly toward private agricultural production. Changes in policy toward private farming and resulting fluctuations in private farm output have been rather prominent and appear to be related closely to success or lack thereof in the socialized sector. After a period of relatively rapid growth—or even a single year of exceptional performance by the collective and state farms—there

is a tendency to tighten the restrictions on private farming. Limits on the size of private plots and livestock holdings are made more stringent, taxes are increased, confiscations occur, less feed is made available to householders, and the number of days that collective farm members are required to work in the socialized sector is increased. Then, when socialized farm production falls short of needs and expectations, restrictions on private agricultural activity are relaxed.

The 1956-64 period under Khrushchev was a time of restriction and decline in private agricultural production. When Brezhnev and Kosygin assumed power in late 1964, socialized agriculture was floundering, and the new government began to encourage private farming. By 1967, socialized agriculture was performing more satisfactorily, and the attitude of the leaders toward private farming became ambivalent or indifferent. In the absence of direct orders to the contrary, local authorities, responding to continuing pressure from higher authorities for greater socialized production, then put more restrictions on the private farmers. This restrictiveness, combined with side effects from certain official policies in the socialized sector, brought a decline in individual livestock holdings and a standstill in private production of crops and meat and dairy products. Concurrently, socialized output of meat and dairy products leveled off, and this at a time when consumer demand for high quality foodstuffs was increasing rapidly. In late 1969 there were signs that once again a turning point in official policy had been reached. The leadership began to urge local authorities to aid the households in maintaining or expanding their livestock holdings. Local Communist Party organizations were ordered to check on the response to these exhortations. Although it is too early to judge, the downward trend in private livestock holdings may be slowing. Even though the value of private livestock

holdings declined five percent during 1969, hog numbers increased by more than ten percent after three consecutive years of decline.

The short-run attitude of the leadership toward private construction of dwellings has been less variable, but periods of expansion and contraction of private home building have occurred. Private building surged during 1957-60 in response to official encouragement, only to decrease in the early 1960s when new constraints were imposed. After 1966 there was some further reduction in private building, but that apparently was caused by shortages of building materials rather than by administrative restriction. The Brezhnev-Kosygin government seems to want to maintain private building at approximately the current level. Construction by individual would-be home owners is not a very promising approach to the extreme shortage of housing that prevails in Soviet cities, but it does play a very useful role in smaller towns and rural areas.

Soviet leaders have found little reason to vary their generally hostile policies toward the private provision of services. Complete elimination of such activity, however, clearly would impose unnecessary hardships on Soviet consumers and further strain the capacity of the already inadequate socialized service network. Consumer demand for privately provided services appears to be increasing as money incomes rise. Since 1965, suggestions that the private rendering of services be allowed to expand have been publicized, but little increase has been noted in the volume or scope of private service activity.

Soviet leaders seem to realize that private economic activity continues to enhance the quality of life in the USSR in ways that cannot be

duplicated by socialized organizations. Hence it seems unlikely that they will indulge their ideologically based hostility by outlawing private en-

terprise altogether. Rather, they probably will continue to permit it under varying degrees of restriction.

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