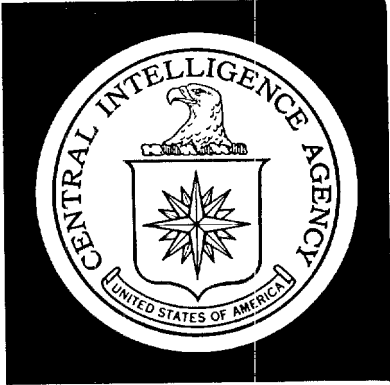


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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THE NEW POLITICS: PANAMA STYLE

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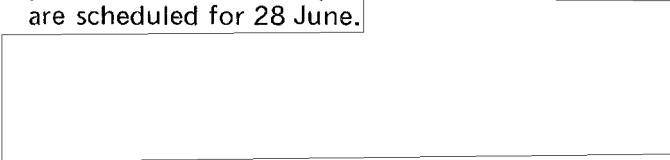
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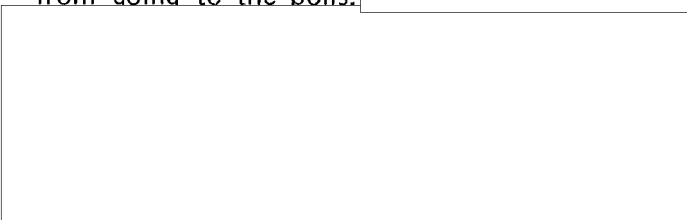
## Vietnam

### *Communist Election Tactics*

There are increasing reports that the Communists may try to disrupt South Vietnam's provincial and municipal council elections that are scheduled for 28 June.



In Vinh Long Province, for example, the Viet Cong reportedly have been ordered to increase sabotage operations to prevent voters from going to the polls.

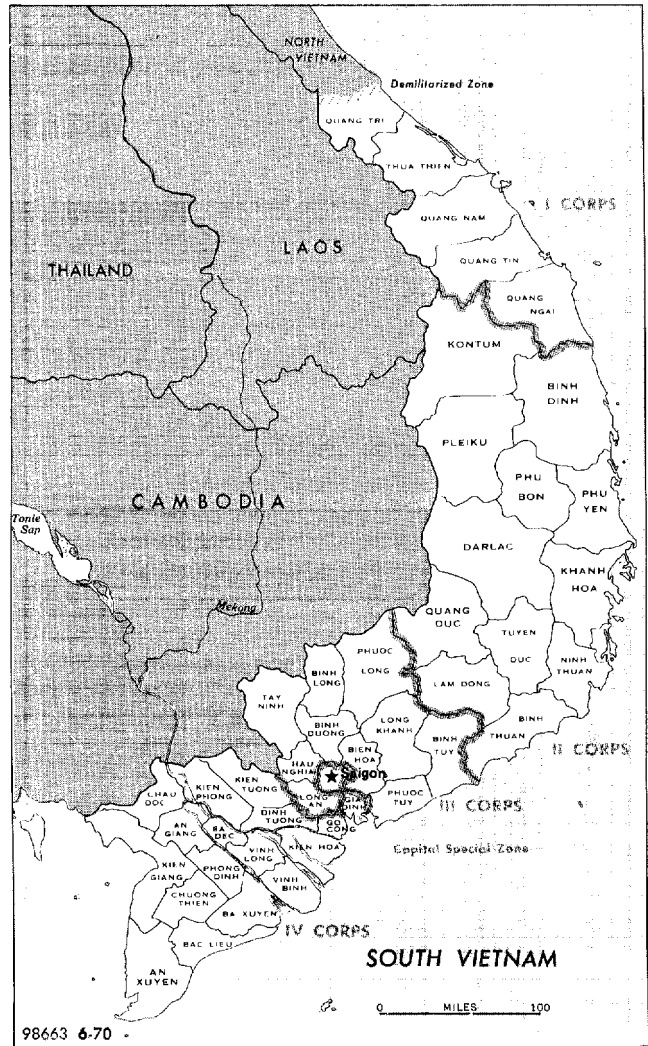


Saigon police recently uncovered a Communist scheme to disrupt the election of the city council on 28 June. They also recently rounded up two Communist terrorist organizations, one of which was responsible for smuggling weapons and ammunition into the capital.

The Communists have called for similar terrorist tactics in previous South Vietnamese elections, but their efforts had little impact. Their main purpose may be to scare away would-be voters, but this time they may also try physically to harass candidates and block access to the polls. Such activity would require little expenditure of men or materiel and could be staged without much preparation.

### *Saigon Government Scores Points*

Against a background of mounting protests by antigovernment agitators, the Thieu regime has



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managed to overcome strong opposition within the National Assembly to secure passage of some of its priority legislation.

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Thieu has signed into law a new version of the austerity taxes announced by decree last October but subsequently ruled unconstitutional. These taxes and the price increases that resulted were the original cause of last winter's discontent, and they are still a prime peg for antigovernment agitation. Under these circumstances, considerable lobbying and some bribes by administration officials were probably necessary to obtain this legislation, which the government considered essential for its economic reform program. Similar politicking is now under way to get the assembly to pass an enabling law giving Thieu decree powers in the economic field for a five-month period; Thieu's lieutenants think the prospects of success are good.

The government has also secured passage of a new law giving the military field courts—detested by the more militant opposition—jurisdiction over civilians charged with crimes against national security. The government had brought the politically sensitive cases of National Assemblyman Chau and of student leaders before a military tribunal, and it would have suffered further embarrassment if the tribunals' jurisdiction in these cases had been nullified.

Although it is not clear to what extent government efforts have contributed to student difficulties, the student movement in Saigon now seems to have lost much of its following at the university level. Over the past two months there has been a major change in the complexion of student agitators; more militant leaders are taking over at the top and high school students are being used more in street demonstrations. Although the government has clearly failed to strengthen the moderates in the student movement, if that was its aim, it may find it easier to discredit the new militancy of student agitators.

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**Cambodia: *The Government Holds On***

The military situation in Kompong Thom appears to have stabilized, but Communist forces are continuing to harass government positions and lines of communication in other areas of the country. Some government leaders in Phnom Penh remain convinced that some sort of enemy attack on the capital is in prospect, although others, including the army chief of staff, dismiss the possibility.

The arrival of substantial Cambodian Army reinforcements has greatly improved the government's prospects for holding Kompong Thom city, which has been encircled and under attack by enemy forces for almost a month. Air strikes, some by US planes, also have contributed significantly to the successful defense of the city.

The Communist threat to Kompong Cham was renewed briefly this week, when enemy forces made some ground and artillery attacks on that key Mekong River city, and on the town of Tonle Bet, across the river from Kompong Cham. Government units and Khmer Krom troops were able to hold their positions, however. Sharp fighting has also been reported in the western part of Kompong Cham Province, near the town of Skoun, where enemy troops have been trying to gain control over the Route 6-7 road junction midway between Kompong Cham and Phnom Penh.

Enemy action closest to the Cambodian capital during the week was at Prek Tameak, a town on the Mekong some 15 miles northeast of Phnom Penh. The Communists evidently moved into the town following the withdrawal of government troops

Elsewhere, the Communists have continued their harassing attacks on main roads leading out of Phnom Penh, primarily Route 1 to the South Vietnamese border, and Route 4 to the seaport of Kompong Som (Sihanoukville). Additionally, enemy attacks in Kompong Chhnang Province have resulted in the partial closure of the railway between Phnom Penh and the Thai border.

Disturbing signs of friction between the National Assembly and the Lon Nol regime have appeared. Assembly deputies, who have been a key source of support for the government since its formation, are becoming increasingly critical of the regime's political and military performance. The assembly's dissatisfaction evidently stems from a number of issues, including the government's failure to crack down on corruption and its determination to continue exercising its emergency extraconstitutional powers. Some assembly members have even begun agitating for Lon Nol's removal, as well as for the replacement of several cabinet ministers. Moderate members of the legislature, however, apparently have convinced the critics to pigeonhole such ideas in order to preserve governmental stability. For its part, the government has indicated it would not approve any ministerial reshuffling at this time.

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There are no firm indications that a serious split has developed between the two leaders, who have worked together harmoniously both before and after Sihanouk's ouster.

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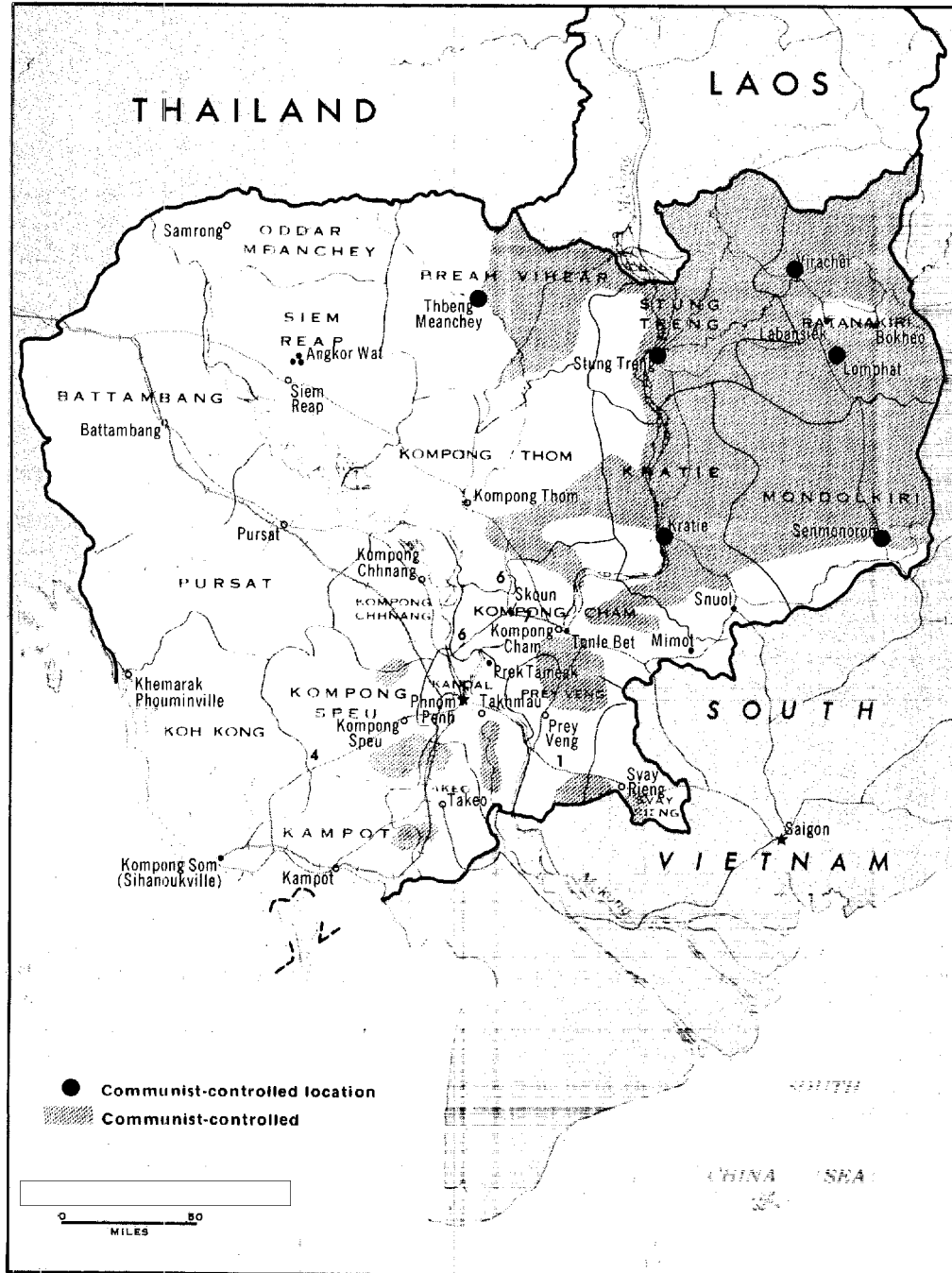
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**Cambodia: Current Situation**



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INDONESIA: The respect and restraint with which the government handled Sukarno's death and funeral are in keeping with President Suharto's consistent awareness of both the ex-president's place in Indonesia's brief history and the emotional regard still accorded him in densely populated Java. Suharto, who resisted demands several years ago that Sukarno be tried for his part in the 1965 abortive Communist coup, apparently feels that national pride requires that

respect be shown the man who was the nation's first president and who remains the symbol of Indonesian independence for the average citizen. In the fine tradition of Indonesian compromise, however, Sukarno was honored merely as "one of the proclaimers of Indonesia's independence." Nevertheless, it seems likely that within the next decade he will be largely rehabilitated at least as a nationalist leader and wartime president.

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France: *Dialogue of the Left Shows Little Progress*

The French Communist Party (PCF) and the Socialist Party have made little progress in a renewed dialogue aimed at achieving unity of the left in France. The outcome of these talks may well determine whether the left over the long run will again be able to play a major role in French politics. Although presently in disarray, the leftist parties still have considerable popular support. Even in the Gaullist landslide victory of 1968, all of them combined polled over 40 percent of the vote.

Principal points discussed so far by representatives of the two parties revolve around the means of gaining power and the nature of the political structure once power is obtained.

It has long been the policy of the PCF to seek unity of the left. The party has always been hampered, however, by hard-line Stalinists within its ranks and by elements of the non-Communist left who oppose any cooperation with the Communists. The PCF's dependence on Moscow—exemplified by its conformist line following the Soviet invasion of Czechoslovakia, its election of Soviet-backed Georges Marchais as deputy secretary general, and the ouster of liberal maverick Roger Garaudy at the party's 19th congress—have

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all served to inhibit rapprochement with the Socialists.

Elements of the Socialist Party are reported planning to push for an early end to the current dialogue. The strong faction represented by Guy Mollet, however, argues that termination of the

talks would make the party vulnerable to the charge that it had prevented left-wing unity. Mollet is also said to believe there is some chance that internal democratic evolution within the PCF will eventually make Socialist-Communist collaboration possible. With Mollet's support, the discussions are likely to continue.

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## European Communities: *A New Executive*

The nine-man Commission of the EC to take office on 1 July shows considerable promise of being stronger than the 14-man executive it replaces. It will need to pull itself together quickly for the period of intense activity ahead when the negotiations on the enlargement of the EC are beginning and further steps toward economic and monetary union are contemplated.

As initiator of community policies and mediator among the member states, the Commission has a key function in the workings of the Communities. Effectiveness in this role depends largely on the independence of the Commission, but the manner of its appointment—by agreement among the governments—deprives it of its own political base. This consideration is a factor in the reluctance of well qualified but politically minded candidates to go to Brussels, and the new Commission president, Franco Malfatti, was prevailed upon to take the job only after several more prominent men had turned it down.

The new commissioners will also carry the burden of the erosion of the Commission's influence over the years. The outgoing Commission seems never to have recovered completely from the demoralizing consequences of De Gaulle's opposition during Hallstein's tenure as president. Moreover, the trend toward enhancing the role of the Committee of Permanent Representatives—national officials working together in Brussels—at the expense of the Commission continued largely unchecked during outgoing Commission President Rey's tenure.

Nevertheless, the new Commission is generally regarded as a strong group. It is more youthful, and the decidedly political outlook of several of its members—notably Malfatti, and Dahrendorf from Bonn—suggests that it may be less "technocratic" in its orientation than its predecessor. In appointing Altiero Spinelli, a

leading and long-time European federalist, Italy has in fact added to the Commission a fervent critic of its technocratic tendencies and an advocate of a more political approach to integration. Also, the reappointment of Mansholt would seem to foreshadow continued outspokenness in favor of agricultural reforms despite the political difficulties these raise.

Malfatti, because of his personal interest in science and technological development, may be expected to give a push to this slow-moving area of Community cooperation. Both he and Dahrendorf are well disposed toward the US. Dahrendorf's responsibilities for foreign trade and economic policy in the new Commission will include EC relations with the US, and he has said he will work toward liberal trade policies. According to Dahrendorf, Deniau (France) will handle the

### The New Commission of the European Communities

#### President

\*Franco Maria Malfatti, Italy (*Christian Democrat*)

#### Vice Presidents

Raymond Barre, France †  
Wilhelm Haferkamp, FRG (*SPD*)  
Sicco Mansholt, Netherlands (*Labor*)

#### Members

\*Albert Borschette, Luxembourg †  
Albert Coppé, Belgium (*Flemish Social Christian*)  
\*Ralf Dahrendorf, FRG (*FDP*)  
Jean-Francois Deniau, France (*UDR*)  
\*Altiero Spinelli, Italy †

\* Indicates new Commissioner  
† No party affiliation indicated

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question of UK entry and of policy toward the Associated African States.

The negotiations on EC membership for the UK, Ireland, Denmark, and Norway, which begin in June, will provide an early test of the new Commission's political skill. Rey believes that the negotiating arrangements, which give the Com-

mission a role subordinate to that of the Council and the Permanent Representatives, will prove so unwieldy that the Council will be forced to revise them within three months. It seems likely that the governments will continue jealously to guard their role in the negotiations, but the Commission may be able to increase its influence simply by its ability to solve the problems that arise.

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*Finland: In Search of a Government*

Prime Minister-designate Karjalainen has encountered considerable difficulty in his efforts to form a political government. He received a mandate from President Kekkonen on 12 June after the President surprised most observers by pulling the rug out from under a caretaker, nonpolitical government installed only four weeks before. Karjalainen's efforts could succeed by early July, but this is far from certain.

Following the mid-March elections in which the governing parties were the big losers, attempts to reconstitute the popular front coalition failed because of the sentiment in some parties that they would benefit from a period in opposition and because they felt compelled to advance inflated demands to make participation worth their while. In mid-May, Kekkonen put an end to this political drift by setting up a nonpartisan government, indicating he intended to retain it until the fall.

In early June, however, Kekkonen charged an elder statesman with again sounding out the political parties on forming a popular-front coalition. On the basis of a generally favorable response, Kekkonen named Ahti Karjalainen, the former foreign minister, to form a cabinet. A plan was apparently sketched out to give the non-socialist parties roughly half the cabinet posts, a

partial response to the rightward swing of the electorate. The President was probably motivated by the failure of the trade unions to participate in his caretaker government and by the unenthusiastic reaction of the parties in general. He may also have been responding to a suggestion from Moscow that it would be preferable to have a majority government that could participate with him in his visit to the USSR, and back up any negotiations.

The effort to form a popular-front government was bound to run into difficulties, if only because the prime minister's post was to go to one of the election's big losers (the Center Party), while one of the winners (the Conservative Party) was to be excluded from the cabinet altogether. Another major stumbling block has been a dispute between the Communists and the right-wing Rural Party. Because of the Communists' strong desire to participate in the next government, it was expected that they would tone down their antipathy toward the Rural Party, which, however, maneuvered them into a polemical exchange, making cooperation between the two parties extremely difficult. There is now some suggestion that the Rural Party, believing its political prospects will be best served by remaining in the opposition, intends to withdraw from the negotiations.

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### World Youth: *UN Headquarters Meeting*

The World Youth Assembly (WYA), which will convene in New York from 9 to 18 July, is a novel attempt to interest young people in working through and supporting the "international system." Proposed as a part of the UN's 25th anniversary celebration, the ten-day session probably will not be harmonious, however, and its verdict on the UN's performance to date is likely to be negative.

The assembly's theme will be "peace, progress, and international cooperation," and the participants—ranging in age from 16 to 25—will try to assess the current world situation, define what young people want for the 1970s, and propose a strategy for joint youth action. A maximum of five persons from each UN member state may attend, along with a number of participants selected by the WYA planning committee and a few from selected non - self-governing territories. Total attendance could reach about 600.

The head of the planning committee has said he hopes the WYA will be a "serious" conference, and the sessions have been planned to further that goal. Large plenary meetings will be held only at the beginning and the end of the WYA. In between, the participants—divided into four "commissions"—will look for new answers to the problems of world peace, development, education, and environment.

These topics—combined with the likely pattern of participation—should provide the WYA ample opportunity to be "controversial," the other aim set for it by the head of the planning committee. Many of the delegates will be hand-picked by their governments, while others will be more independent. Transportation to New York for substantial blocs of participants will be provided by the US and the Soviet Union. Furthermore, representatives from a number of countries, if they attend at all, may not be in a cooperative mood. Many Latin American states, for example, are unenthusiastic about the assembly, fearing that an "extremist minority" will ram through resolutions critical of Latin American regimes.

A somewhat similar attempt by the European Communities (EC) recently to interest European youth in the problems of effective regional organization may have provided an indication of the outcome of the WYA. The EC's "youth colloquium" produced a number of resolutions—both positive and negative—about the present state of the Communities, but the proceedings were marked from the beginning by a basic split among the participants. One group, although critical of many aspects of the Communities and of European society generally, seemed to wish to preserve and improve existing institutions. The other, somewhat larger group, although also in favor of a united Europe, found the Communities a wholly unacceptable expression of a social system that could not be reformed.

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## Arab Summit in Tripoli

Preliminary reporting from the impromptu meeting in Tripoli of the Arab confrontation states indicates that discussions were concerned primarily with strengthening Arab military cooperation, particularly ways of reducing frictions between governments and the Palestinian guerrillas.

The gathering in Libya of some of the Arab heads of state was occasioned by Tripoli's celebrations marking the evacuation of foreign troops from the country. A three-day series of meetings of the chiefs of state was held beginning on 20 June, but no final communiqué was issued, and the substance of the meetings was not officially revealed.

Lebanese President Hilu was in Libya for the occasion, but did not attend the main meetings of the "confrontation" states. Hilu believes, however, that the meetings were primarily concerned with improving the Arab military posture on the eastern front, Radio reports from Cairo tend to support this thesis, saying the Arab leaders approved a "joint action plan" for liberating occupied Arab territory.

Nasir has often advocated closer and more efficient Arab military cooperation, but long-standing inter-Arab quarrels and animosities have previously thwarted such action. It remains to be seen if any really effective cooperative efforts will come from this meeting. Nasir may hope that by strengthening the eastern command some of the Israeli military pressure on Egypt will be relieved.

The status of the Palestinian commando movement was also discussed, and it was announced that a four-man committee would be sent to Jordan to assist in reducing tensions in the wake of the recent clash between the Jordanian Government and the fedayeen. The same committee might also proceed to Lebanon to examine similar problems there. Nasir, Husayn and some other Arab leaders are clearly concerned about the growing strength and autonomy of the fedayeen, and they probably attempted to adopt some form of common policy toward them at the Libyan meetings. No prominent Palestinian representative attended the meetings.

Other topics covered possibly included the status of efforts toward a political settlement and the problem of a unified Arab response in the event of further US military aid, particularly aircraft, to Israel.

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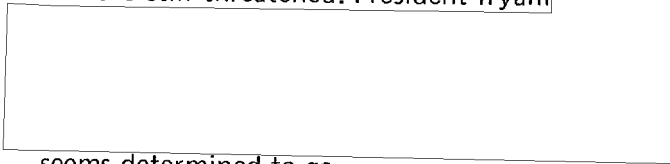
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Yemen: *Political Turmoil*

President Iryani has again threatened to step down, and a host of other problems has arisen to plague the government.

Several important moves have been made in recent reconciliation efforts designed to end the eight-year-old civil war between royalist and republican factions, but the stability of the government is still threatened. President Iryani

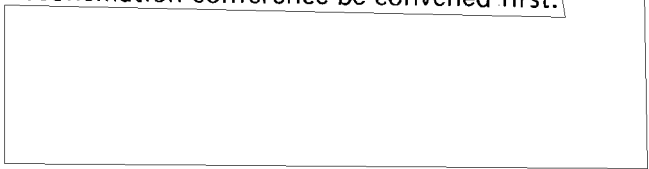


seems determined to go.

The succession process has never been clearly established in Yemen, but army chief Hasan al-Amri presently appears to be the most likely candidate to succeed Iryani. Al-Amri, a strong and capable military leader, derives considerable strength from the armed forces but is opposed by leftist officers and assorted enemies in and out of the army. Moreover, his ability as a politician to gain the confidence of former royalists is uncertain.

A number of other political problems are also hindering the progress of national reconcili-

ation. Some powerful royalist tribal leaders reportedly are withholding their participation in the new government until they are granted liberal concessions by the republicans. Saudi Arabia has not yet approved the new Yemeni Government, and King Faysal continues to insist that a national reconciliation conference be convened first.

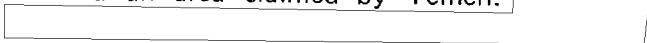


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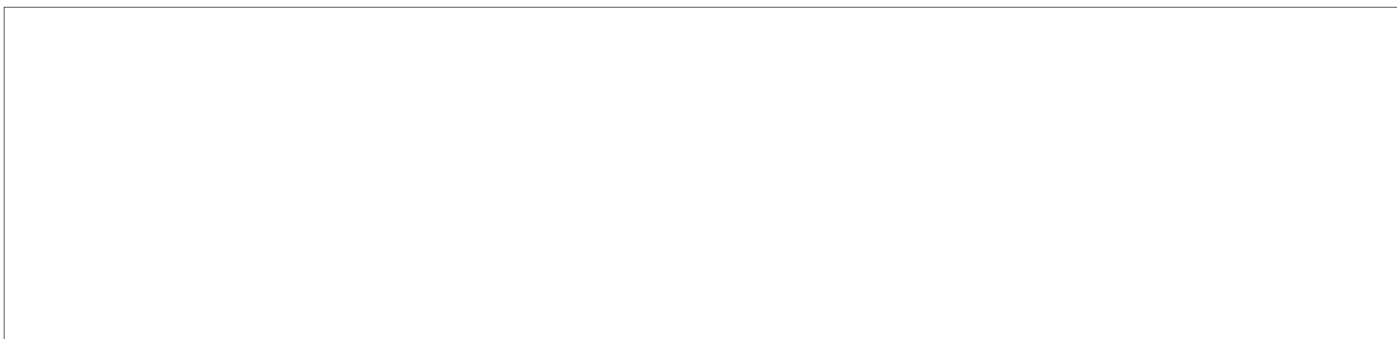
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Economic troubles, including a shortage of food supplies, add further burdens. Inflation has been rampant for some time and near-famine conditions exist in some areas. Appeals to various sources have resulted only in the receipt of limited quantities of food. Moreover, Yemeni officials allege that radical Arab states have curtailed needed aid because of the recent republican-royalist reconciliation.

Border troubles with Southern Yemen also threaten to flare up. Troops from Aden recently entered an area claimed by Yemen.



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## Two Congos Try Rapprochement

The public reconciliation of the governments of Brazzaville and Kinshasa worked out earlier this month might not only be short-lived, but could lead to serious internal problems for the Ngouabi regime in Brazzaville.

Hostility between the two Congos extends back into the colonial era. The latest period of high tension and mutual recrimination began in October 1968 when Brazzaville severed all relations with Kinshasa following Mobutu's execution of a rebel leader handed over by Brazzaville under "ironclad" guarantees of his safety. Relations then steadily worsened, as Kinshasa harbored and supported anti-Brazzaville exiles, and as the increasingly dominant leftist-extremists in Brazzaville directed ever sharper propaganda attacks at Kinshasa. Attempts by political leaders in neighboring countries to mediate failed and the situation further deteriorated following an abortive coup attempt in Brazzaville on 23 March, the second such effort in four months by anti-Ngouabi exiles armed and trained in Kinshasa.

In late May, however, President Ngouabi took the initiative in seeking a rapprochement. He appears to have viewed it as a means of undercutting leftist-extremists in his government, who have used the tense relations for their own ends, and as insurance against further Kinshasa support for Brazzaville exiles. Mobutu responded somewhat positively and invited Central African Republic President Bokassa to help the talks along. Bokassa plunged into the talks with great vigor, and seems mainly responsible for their

quick success. Mobutu seems to have been caught up in Bokassa's enthusiastic efforts, and Ngouabi apparently was willing from the start to go fairly far toward real reconciliation, perhaps reflecting an already strengthened position on his part vis-a-vis his extremist allies.

The terms of the "Manifesto of Reconciliation" signed on 16 June in the presence of five central African chiefs of state thus far have been only partially fulfilled. Although both governments seem to agree on the provisions calling for resumption of communications and other economic relations, the agreement could easily founder on the touchier aspects and the eventual resumption of full diplomatic ties. A provision that calls for both sides to submit lists of resident exiles and subversives seems certain only to cause more problems.

Of more immediate concern, Ngouabi appears to have negotiated the reconciliation without the participation—and perhaps even the foreknowledge—of local leftist-extremists, who regard Kinshasa as an avowed enemy of their attempts to carry out a "people's revolution" in Brazzaville.

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Mobutu deeply distrusts the current crop of leaders in Brazzaville, and he is not likely to cease supporting Brazzaville exiles who wish to subvert the Ngouabi regime.

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*Argentina: Government Plans Emerge*

The military government is settling down to the job of governing the country after appointing a new cabinet and announcing its general policy goals.

The cabinet installed on 18 June is more nationalistic than its predecessor and represents a wide range of political and economic views. It contains a number of strong and possibly conflicting personalities that could pose trouble for the new government or force changes in its membership. Some of the new cabinet appointees are well known in their fields, but others, such as Social Welfare Minister Francisco Manrique, have no background for their present assignments. There are indications already that some air force and army officers are unhappy with certain members of the new government, particularly Manrique and Foreign Minister De Pablo Pardo. Discontent could increase if the new administration gets bogged down in a dispute between the cabinet's two leading economists, Minister of Economy Moyano and Public Works Minister Ferrer.

For several years Ferrer has been one of Argentina's leading spokesmen on the dangers of foreign investment. Because his ministry accounts for 33 percent of the budget expenditures and controls key areas of economic activity, Ferrer is in a strong position to influence policy toward foreign investors. His presence in the cabinet could become incompatible with that of Moyano, who has a reputation for being an advocate of a much more open and outwardly oriented economy.

The lengthy statement on policy goals released on 20 June provides a guideline to the political and economic orientation of the new government. The 160-point document renews the junta's pledge to return the country to democratic, representative government, at some unspecified future time, and shows concern over the need to reshape economic policies to achieve social improvements and to increase agricultural production. Most of the emphasis, however, is placed on efforts to achieve greater industrial

growth and diversification based on domestic capital. The attitude toward private foreign investment is cool, and there are hints that the new government will be suspicious toward multinational companies whose interests might be incompatible with national policy.

Little is said in the document regarding the government's attitude toward the reunification of the Peronist-dominated trade union movement or demands for wage hikes. After a meeting with President Levingston on 17 June, however, union leaders reported that the President hinted labor would be given a 10-20 - percent wage increase. In a nationwide speech on 23 June Levingston promised only that his government would seek an increase in real wages as conditions permitted. Thus far the Peronist unions have adopted a policy of avoiding any confrontation until the new administration's economic, social, and labor policies are defined.

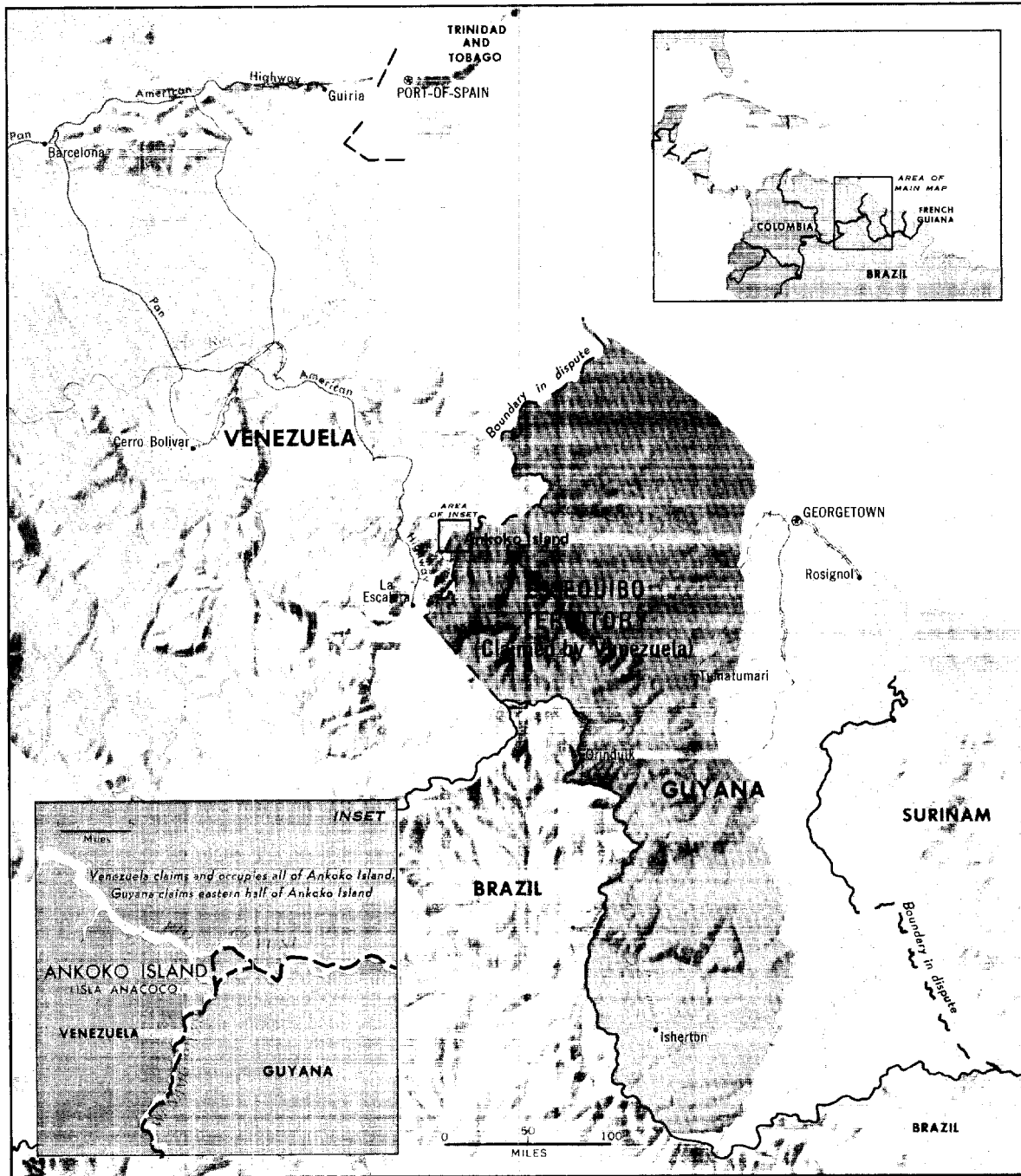
In the meantime, the junta's dominant role in the government was formalized with the revision of the Statute of Revolution of 1966—the basic law of the land. The three junta members now are given the right to approve or disapprove any law of national importance. The running of the country is formally entrusted to the president jointly with the three junta members and the cabinet. The military chiefs are virtually assuming the role of cabinet members.

It remains to be seen how long the collegial form of government can last because it has several built-in weaknesses. The more people involved in decision making, the more points there will be on which interested groups, especially the politicians, can apply pressure to influence these decisions. By assuming colegislative powers, the armed forces are placing themselves in a position of direct responsibility for the successes or failures of the government—a position they scrupulously tried to avoid during the Ongania administration.

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### Venezuela-Guyana Territorial Claims



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### Venezuela-Guyana: *Border Problem Swept Under the Rug*

Last week, Venezuela and Guyana signed a protocol providing for a 12-year moratorium on their long-standing border dispute. The move was intended to put the problem on the shelf, but the Venezuelan congress and military may not be willing to let it stay there.

The border dispute originates in the 1899 Arbitral Award of the territory west of the Essequibo River (about five eighths of what is now Guyana) to Great Britain. Since 1962, the Venezuelan Government has maintained that the Award resulted from a "fraudulent deal" between the British and Russian members of the tribunal, and, therefore, is null and void. In 1966, immediately before the UK granted independence to British Guiana, Venezuela pressed for the reopening of the question of where the boundary should lie. In February of that year the UK, British Guiana, and Venezuela signed an agreement in Geneva establishing a Mixed Commission to discuss the dispute. In February 1970, the Mixed Commission's mandate expired after four years of fruitless discussion.

The moratorium, which was written as a protocol to the 1966 agreement, is in line with President Caldera's desire for a peaceful settlement of the dispute and with his policy of improving relations with the English-speaking countries of the Caribbean. He may have difficulty selling it to the opposition-dominated congress, however, because it avoids specific issues such as ownership of Ankoko Island and because Venezuela had to make a number of concessions. For example, Venezuela dropped its insistence on only a five-year moratorium as well as joint economic development of the region. Guyana made no equivalent concessions.

The moratorium took Venezuelan politicians and the public by surprise. As a result, there has

been little reaction to it, but there probably will be widespread feeling that Caldera sacrificed Venezuela's claim to the territory for his own convenience. The issue is an emotional one, and some politicians undoubtedly will try to capitalize on it. Moreover, it is likely to add to the military's dissatisfaction with the Caldera administration. According to a press report, Venezuela's ambassador to London has resigned in protest at not being consulted on the protocol.

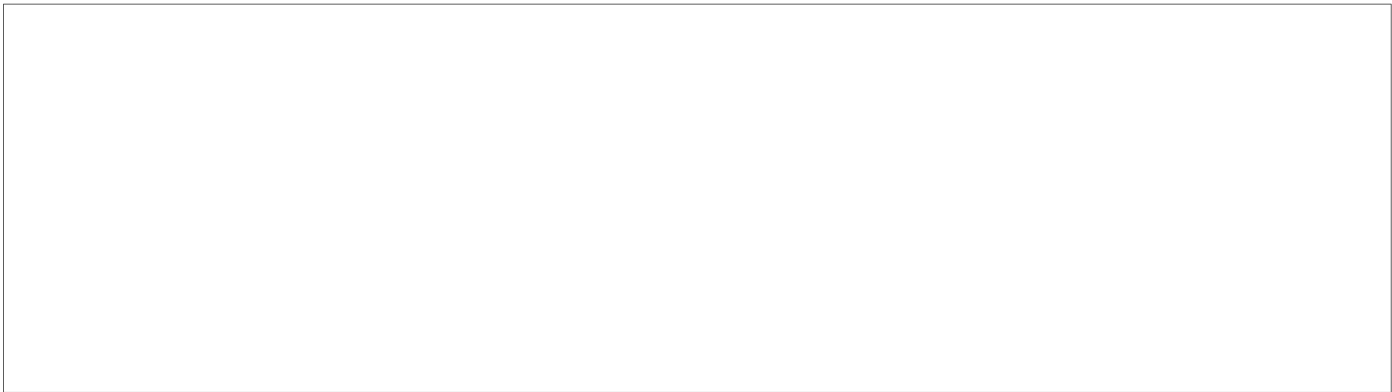
Whether the protocol is approved by congress, which will be debating it for the next few weeks, depends largely on the attitude of the opposition Democratic Action (AD) party. The AD has an interest in the claim to the Essequibo region because it was an AD administration that first raised the issue. At the same time, however, AD may not wish to impair its informal working agreement with the government party and it may see no alternative to the protocol. So far, AD's congressional leaders have been carefully non-committal in their public statements, but some AD leaders have indicated to embassy officers that there are significant differences in AD over the protocol.

Guyana's parliament quickly approved the protocol on 22 June, and Minister of State Ramphal expressed the administration's hope that the agreement would open a new era of peaceful relations with Venezuela. Some government leaders, nonetheless, are apprehensive that the Venezuelan congress will reject the protocol. In general, however, the Guyanese privately seem optimistic about the agreement because it will allow that small country to devote less time and fewer resources to the border problem. Public reaction, however, has been restrained. Marxist opposition leader Cheddi Jagan, predictably, has attacked the protocol and has stated that if his party comes to power the accord will not be respected.

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Cuba: *Sugar Harvest Has Little Economic Impact*

Cuba's economy will be little affected by failure to achieve the 10-million-ton sugar goal set by the regime for the current harvest. Havana still will use most of the increased production from its disappointing, but nevertheless record-setting, 8.5-million-ton harvest to reduce its trade imbalance with the USSR.

Havana's ambitious plan to export 5 million tons to the USSR will fall short, but additional credits from Moscow will permit imports to be maintained at the 1969 level as planned. At most, sugar exports to the USSR probably will amount to little more than 4 million tons. Such deliveries, however, would go a long way this year toward eliminating the chronic trade imbalance, which in 1969 amounted to an estimated \$400 million.

Last year Cuban sugar exports to the USSR were less than 1.5 million tons.

This year higher prices in the free-world market will enable Cuba to increase its earnings of convertible currency moderately. Contracts negotiated thus far with free-world countries total 1.7 to 1.8 million tons—about the same as in 1969. The prospective gain in free-world earnings will help sustain Cuba's foreign credit position.

There is no clear evidence that failure to reach Castro's magical 10 million tons has created a psychological reaction that could aggravate Cuba's economic problems. [redacted] few Cubans expected so large a crop, and there probably is no deep disappointment about the outcome. [redacted]

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Ecuador: *President Assumes Dictatorial Powers*

Constitutional government ended in Ecuador early last Monday when President Jose Velasco assumed dictatorial powers until his term expires in 1972. He acted at the urging of the military because of continuing student disorders and an unfavorable decision by the Supreme Court on the constitutionality of recent tax decrees.

After threats of resignation late last week failed to sway the Supreme Court, Velasco moved to protect his fiscal reforms by closing the Supreme Court and congress and abolishing the 1967 constitution. At the same time he dealt with the problem of student agitators and other leftist opposition. The President has been under pressure from the military to bear down on law and order and probably needed little persuading to take precautionary measures against the protests that might be expected from leftists in response to his assumption of supreme power. An indication of the President's serious intent to cripple leftist agitation was his dismissal of Army Commander Villagomez for releasing an imprisoned university official without authority.

The educational system was shut down, the campus of strife-torn Central University in Quito was occupied by troops, and the extremist-controlled secondary school students' federation was dissolved. The list of those reportedly arrested reads like a "Who's Who" of Ecuador's extreme left. Orders have also been issued for the arrest of leftist vice president Jorge Zavala. Some of the business leaders who waged a campaign against the new taxes as well as conservative poli-

ticians were apprehended, but most have already been released.

The leaders of the traditional Liberal and Conservative parties as well as labor leaders have condemned the coup, but public response has bordered on indifference. Except for a clash with students in Ambato, security forces so far have met little resistance, and by mid-week the capital had returned to a mood of business as usual.

Velasco has reappointed his cabinet, has promised to abide by the 1946 constitution except where it conflicts with current realities, and has said he will relinquish power in September 1972 to his duly-elected successor. The fate of the Supreme Court is in doubt, but congress, which has not distinguished itself in the last two years, appears to be a permanent casualty of the coup.

The President is demonstrating his determination to deal with the country's economic malaise. He has instituted changes in the government's fiscal agencies and has taken over financial control of dozens of autonomous agencies.

By breaking the constitutionality of his regime, Velasco has knowingly lost whatever independence of the military he may have enjoyed. 25X1  
When opposition elements regroup, as they are sure to do, the military will be the sole arbiters of President Velasco's tenure.

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DIRECTORATE OF  
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# WEEKLY SUMMARY

*Special Report*

*Malaysia: One Year After*

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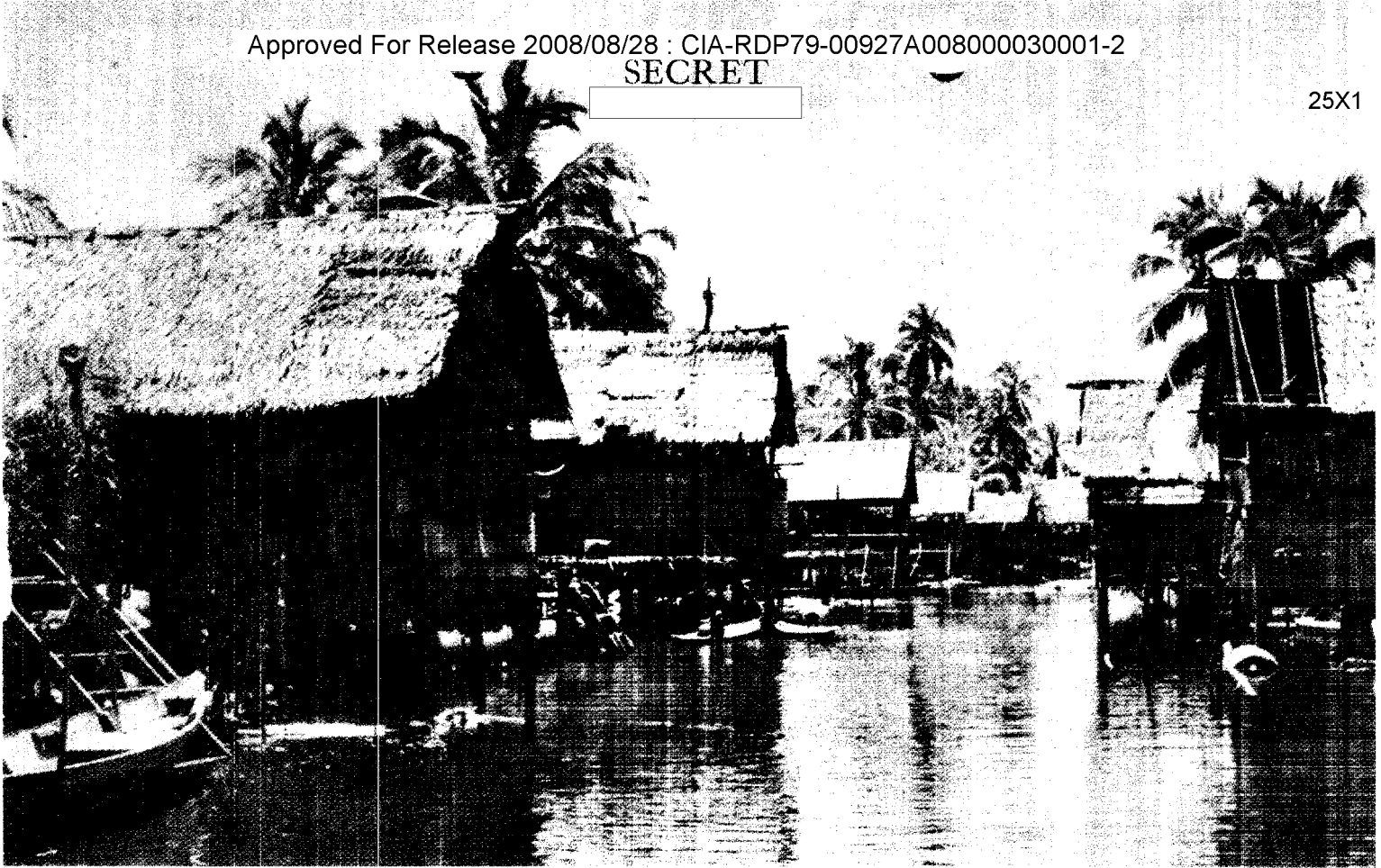
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### MALAYSIA: ONE YEAR AFTER

In the year since the serious communal violence of May 1969, Kuala Lumpur has failed to take any substantial steps toward reducing racial friction and restoring parliamentary democracy. The leadership of the National Operations Council, a body organized to take over the government following the rioting, has, if anything, only further alienated extremist factions in both the Malay and Chinese communities. A nervous government has managed to keep things under control by resorting to stringent security measures, but renewed racial violence remains a constant threat. Meanwhile, Malaysia continues to drift, and its future, largely determined by a small handful of indecisive [redacted] leaders, remains an open question.

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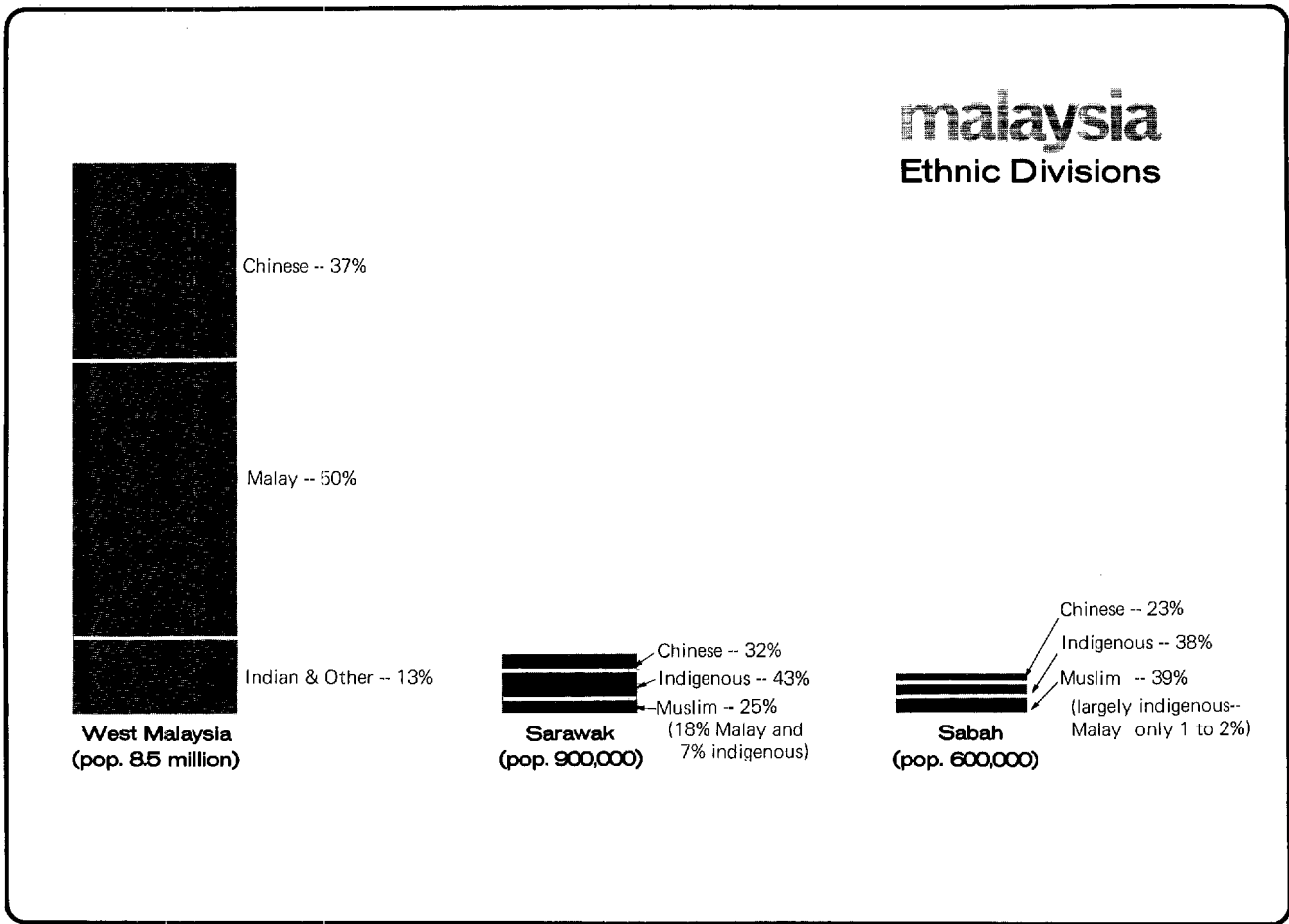
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*The Breakdown of Communal Politics*

Until May 1969, Malaysia had a functioning but delicately balanced political system that reflected its racial make-up. In West Malaysia the Malays constitute nearly half the population, the Chinese almost two fifths, and Indians most of the balance. The predominantly rural indigenous Malay population looks on the more affluent and urban Chinese as aggressive newcomers who are out to reduce the original Malay citizenry to a servile role. For their part, the Chinese regard the Malays as generally indolent parasites feeding off the economic prosperity created by Chinese

brains and energy. The two races have lived together at arm's length, but because of their mutual antipathy, violence has always been close to the surface.

Faced with this racial tinderbox, political leaders of the two communities worked out a compromise formula in the early 1950s in the hope of achieving political and social stability. The formula tacitly agreed to Malay political domination and a privileged position in return for which the Chinese would be allowed to dominate the economy. The Malays were to retain their privileged position until they could compete on



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an equal footing with the Chinese. The 1957 constitution legally recognized Malay privileges in such areas as government jobs, education, and land ownership. Chinese voting strength was restricted through the device of giving the rural, and therefore Malay, voting districts a disproportionately heavy representation.

The political vehicle for this arrangement between the Malay and Chinese establishments was a coalition called the "Alliance," within whose framework the United Malay National Organization (UMNO) was the senior member. The two junior partners were the Malayan Chinese Association (MCA) and the Malayan Indian Congress. Chinese voting strength was in effect further restricted by the MCA's willingness to contest only a mutually agreed upon number of "Chinese" parliamentary seats.

The Alliance was credited with achieving remarkable communal and political stability, and Malaya was widely hailed as the prime example of a multiracial nation functioning as a successful parliamentary democracy. The strength of communal feeling, however, was not to be papered over indefinitely. The establishment of the wider federation of Malaysia in 1963, with a greater Chinese percentage of the racial mix, significantly heightened the Malays' concern over the security of their dominant political position. Malay initiative in easing the Chinese city of Singapore out of the nation in 1965 was a direct result of this apprehension. The Malay-led government in Kuala Lumpur feared, with some justification, that Singapore Prime Minister Lee Kuan Yew's political appeal and organizational success in the island state might be extended to the Malayan peninsula itself.

In retrospect, however, the expulsion of Singapore only postponed the day of reckoning for the Alliance. Large numbers of politically active Chinese in Malaysia, fully aware of the implications the expulsion of Singapore held for their own future, became increasingly disenchanting with the "Uncle Tom" MCA and more

and more dissatisfied with the secondary political status of the Chinese population. Signs of Chinese disaffection inevitably led to a fanning of conservative, anti-Chinese Malay sentiment.

The unexpected depth of this reaction against the old Alliance system was revealed by the National elections in April 1969. The government went into the elections with 115 out of 144 parliamentary seats, including 89 out of the 104 West Malaysian seats. To the government's dismay, the extremist or "ultra" Pan-Malayan Islamic Party (PMIP) captured three UMNO seats, minor Chinese-dominated parties took 14 of the MCA's 27 seats, and the Indian partner also lost seats. The Alliance was left with only 65 of the West Malaysian seats. In addition, the PMIP won a majority of the Malay vote in almost all the constituencies in which it ran candidates. Although it only won 12 seats, its popular vote was almost one fourth of the total.

This evidence of political polarization along racial lines and the ensuing riots left the government badly shaken. The lethargic Alliance had not been aware that the moderate Chinese in the MCA were scorned by such large numbers of the Chinese population, or that the PMIP, whose strength is based mainly in the predominantly Malay northeast states, had so expanded its appeal. The Chinese partner in the Alliance added to Malay apprehensions when a spokesman announced that his party was withdrawing from the cabinet but would support the government. Many Malays interpreted this as an abandonment of the Alliance concept.

When the election results came in, the government's authority broke down, and widespread racial rioting erupted. At least 150 people, mostly Chinese, were killed, and the government imposed a state of emergency that still stands. After the violence broke out, Kuala Lumpur suspended elections in the Borneo states of Sabah and Sarawak—elections that are only now being held.

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NEIGHBORS IN A RACIAL TINDERBOX



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*A Year of Lethargy*

In May 1969, the National Operations Council was set up to conduct the essential business of government under emergency powers. The Malay leaders made it clear that Malay domination of the government would be maintained at all costs, and there have been few indications over the past year that a return to parliamentary methods will come soon. A "multiracial" cabinet appointed in late May 1969 is largely a facade with no real influence. Two Indians and four Chinese were appointed to fulfill "special functions" that were never defined, but otherwise the cabinet is made up entirely of Malays. Subordinate state operations councils were also established to supervise political activity in Malaysia's 11 mainland states as well as in Sarawak and Sabah.

The government's primary concern during the past year has been to keep the lid on rather than to try to solve the country's many problems. Tunku Rahman's major peacekeeping contribution was to establish a series of "good will" committees at various governmental levels. These committees, which operate on the premise that the less said about Malaysian racial problems the better, have accomplished little. The National Operations Council has yet to open an inquiry into the cause of the May 1969 disturbances, and the Alliance government continues to dismiss objective accounts of the scope and nature of last year's disturbances as malicious and unfounded. In short, with the government simply marking time, the political and racial situations are potentially as explosive now as they were a year ago.

Most Malaysian Chinese are lying low for the time being, perhaps seeing a renewal of communal violence as worse than the present status quo.

As for the Malays, the "ultras" have become increasingly estranged from their more moderate compatriots in the government. On the predominantly Malay-populated East Coast, anti-Chinese feeling is particularly high, and the prestige of the extremist Pan-Malay Islamic Party has increased. Some months ago the moderates ousted Dr. Mahatir, an "ultra," from the central executive committee of the United Malay National Organization, for attacks on Prime Minister Rahman's leadership, and he was subsequently expelled from the party. While biding his time on the sidelines, Dr. Mahatir has elected to validate his credentials as an extremist by issuing at least one pamphlet calling for a renewal of communal violence. Thus, the weak government seems to be caught in the middle between wary, dissatisfied Chinese and vainglorious Malays.

*Moribund Leadership*

In this fluid situation, perhaps the most serious problem facing the government is a potential leadership gap. Prime Minister Rahman went into semiretirement for a period following



**PRIME MINISTER RAHMAN:  
SOON TO RETIRE?**

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the riots and, although now back on the job, he still professes a desire to retire "soon." Rahman suffered considerable loss of political stature among many Malays because of his policy of cooperation with the Chinese community. Deputy Prime Minister Tun Abdul Razak, long the heir apparent in Kuala Lumpur, has proved an indecisive leader who lacks the Tunku's charisma and shrewdness in dealing with the government's multitude of problems.

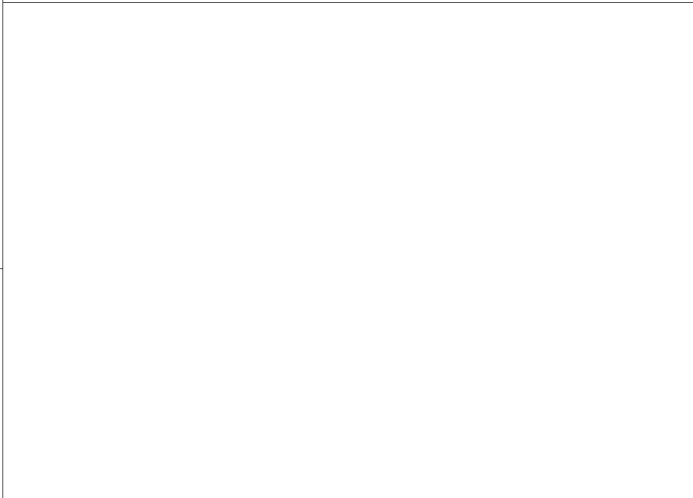
bred a strong tradition of nonparticipation in politics. The majority of the armed forces are probably loyal to the government, although how quickly or impartially they would act to put down communal disturbances is an open question, particularly if, as in May 1969, the Chinese were the chief victims. Leading elements in the army are almost entirely Malay, and even the high-ranking positions in the police, many of which have been held by Chinese, are being filled by Malays.

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The inability of Ismail, probably the brightest light in the present leadership, to return to active duty would be a heavy loss. Razak has indicated that when he succeeds to the premiership he hopes to lean heavily on Ismail—suggesting that the country would be run virtually by a dual premier system.

Aside from the Tunku, Razak, and Ismail, no other elected Malay official has demonstrated any particular leadership qualities. Potentially the most influential civilian leader is Permanent Secretary of the Ministry of Foreign Affairs Tan Sri Ghazali. He is not a member of parliament and is therefore ineligible for participation in the cabinet, but his political ambitions are well known. During the past few months Ghazali has been spreading rumors seemingly devised to attract the sympathy of the radical Malays, and he may be trying to lay the groundwork for his own political career.

*The Role of the Military*

In the context of the country's future leadership, the army and police are an enigmatic factor. British influence on the security forces has

*Communist Activity*

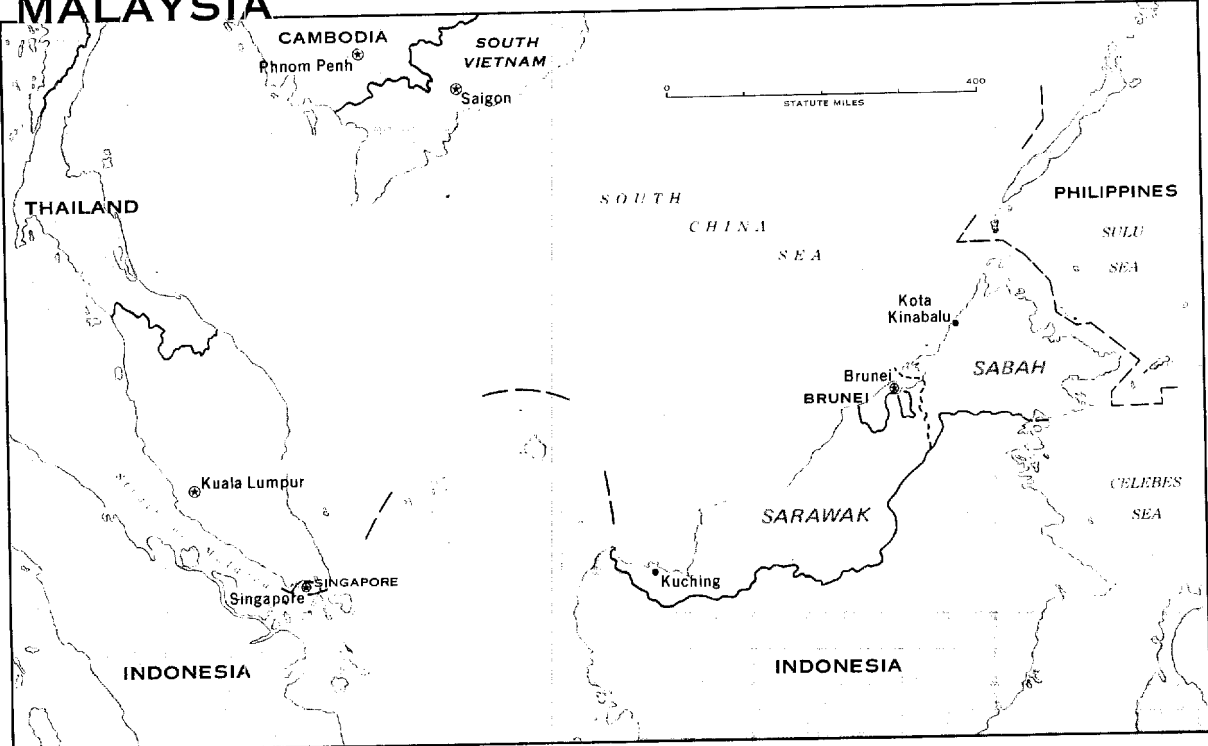
In addition to the overriding communal problem, Kuala Lumpur during the past year has been faced with increased activity on the part of the Communist Terrorist Organization (CTO), the militant arm of the Malayan Communist Party. At the end of the Communist terrorist Emergency ten years ago, a remnant of Communist insurgents fled to bases in southern Thailand, and today some 1,300 insurgents and a larger number of sympathizers still maintain those bases. In 1968 the long-inactive insurgents announced their intention of moving from "revolutionary to armed struggle" and have since made good on their word by harassing government patrols and outposts and occasionally mounting larger attacks on communications facilities and isolated villages. The

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# MALAYSIA



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insurgents, however, apparently have not yet made serious efforts to establish permanent bases in Malaysian territory.

Kuala Lumpur has met this increased insurgent aggressiveness by reinforcing government units in the border area

[redacted]

The government, denying that it is particularly concerned about the CTO, points to the Communists' failure to establish base areas on Malaysian soil.

[redacted]

Perhaps the most noteworthy aspect of this renewed insurgency has been the CTO's attempt to widen its appeal by capitalizing on anti - central government feeling growing within all Malaysia's racial groups. Last year the organiza-

tion increased its strength by about one third, gaining recruits mainly from the Chinese population, its traditional base of support. It also enlisted some Malays in the border area, however, a distinct change from the previous Communist practice of recruiting Chinese almost exclusively. The CTO's effort to lose its "Chinese" label also has been reflected in recent Communist propaganda activity. "The Voice of the Malayan Revolution," a radio station that began broadcasting from southern China last fall, has emphasized the need for all of Malaysia's ethnic groups to join the CTO in its fight against the "bourgeois" government in Kuala Lumpur.

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A more balanced racial base indeed is probably a necessity if the terrorist organization is ever to mount a successful nationwide insurgency. Given the rising level of communal antagonism in Malaysia, however, long-overdue Communist efforts in this direction are not likely to have quick or dramatic results.

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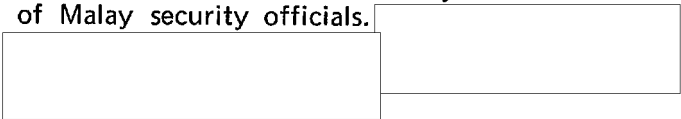


*Problems in East Malaysia*

Communist terrorism in Sarawak also poses a definite problem for the government. Although only about 300 armed insurgents are presently operating in Sarawak, the potential for expanded insurgency could still be as serious as that in West Malaysia. As in West Malaysia, the Communist movement in Sarawak consists predominantly of Chinese operating for the most part from within the rural Chinese community. The situation differs from that in West Malaysia, however, in that the Chinese, who constitute about 30 percent of the population, heavily outnumber the Malays and are generally supported by the indigenous tribal peoples who make up more than 40 percent of the population. The Chinese and tribal population resents not only the political control by the Malay government in Kuala Lumpur but even more the indiscriminate and heavy-handed tactics of Malay security officials.

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For the time being, at least, the problem of potentially serious Communist insurgency has been overshadowed by steadily growing political tension in Kuching. Sarawak political leaders have become more and more restive since state elections were suspended in the wake of the 1969 riots. The predominantly Chinese and tribal

political parties have deeply resented the Malay rule by fiat during the past year. More recently, Kuala Lumpur's announced intention to take for itself the lucrative benefits of future offshore oil ventures has generated a mood in which the idea of secession is germinating.

In an obvious attempt to damp down political unrest, Kuala Lumpur announced last March that Sarawak state elections were being scheduled for June 1970. Although there was some doubt that the government would go ahead with the elections, polling began in mid-June and will be concluded in mid-July. The Alliance Party will almost certainly fail to win a majority in Sarawak, and the government will probably in the end have either to strike some kind of "understanding" with the Sarawak United Peoples Party (SUPP), a Chinese-dominated party that stands to make the best electoral showing, or to help form a coalition among SUPP and the indigenous and Malay parties in the state. Kuala Lumpur hopes to make an arrangement that might allow the Alliance Party to join a coalition government or at least allow it to exert some influence over the state government. Whether or not such a scheme can get off the ground, Kuala Lumpur will have difficulty with any non - Alliance Party government, and discontent in Kuching is sure to remain a major political preoccupation for the central government.

Sabah, the other political component of East Malaysia, has been an area of relative calm. Its chief minister is a Malay who is fully responsive to the wishes of the central government. Recently, however, the chief minister has been promoting his theories of cultural unity that envision a Malay-dominated and Malay-oriented society.

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*Foreign Relations*

The climate created by the racial outbreaks in 1969 has had a direct effect on Malaysia's relations with its close neighbor, Singapore. The

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same Malay distrust of predominantly Chinese Singapore that led to the city's expulsion from Malaysia in 1965 surfaced in full force after the 1969 rioting, and relations since have been cool. On the other hand, relations with Indonesia have improved considerably over the past year. The suspicions and strains caused by Sukarno's "confrontation" have largely been put aside, and the anti-Chinese orientation of the two Muslim-dominated states has been a unifying factor. Elsewhere, Kuala Lumpur has managed to make progress on two long-standing foreign problems. Diplomatic relations with the Philippines, suspended in 1968 during the dispute over the ownership of Sabah, were restored early this year despite the fact that Manila has not yet dropped its claim to the Malaysian state.

### *A Clouded Future*

The continued agitation by conservatives for further guarantees of Malay political dominance and greater Malay economic opportunities casts a shadow over Malaysia's future. In other words, the government remains under pressure to pledge openly its allegiance to a 19th century political and social system, a system that now is being rejected by the sizable Chinese and tribal minority. Although the more moderate elements of the present leadership may recognize the need for change, no Malay government is likely to repudiate conservative sentiment that has widespread appeal throughout the Malay countryside. As a result, the government has been able to do little more than maintain an uneasy peace.

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In this volatile climate there are several possibilities that leave Kuala Lumpur's future uncertain. If severe racial rioting were to break out, the army might refuse to act against the Malay rioters and, as a result of the likelihood of widespread carnage, might decide to take over the reins of government. This very real possibility, given the growing antipathy between the Chinese and radical Malays, is one the government is largely ignoring. Adding to the dimensions of this potential problem is the possibility of attrition in the ranks of the very small Malay political elite. The loss of even one or two key officials could produce a leadership shortage and a government less capable of dealing with Malaysia's problems.

Although Malaysia has established ties with the Soviet Union and several other Eastern European countries, its orientation remains primarily Western. With the UK planning to withdraw its troops from Malaysia in late 1971, Kuala Lumpur hopes to be able to utilize the nascent five-power defense agreement, a planned joint venture by Malaysia, Singapore, New Zealand, Australia, and Britain, as the keystone for its future defense policies. Given the country's present good relations with Thailand, its at least outward truce with the Philippines, and Singapore's reluctance to become involved in international battles, Malaysia probably will not require any outside help to maintain its sovereignty. Moreover, the five-power arrangement, although unlikely to function as a real military force, will help to meet the country's thwarted desires for a continued British military presence. The British themselves now are planning to maintain at least a token presence after the pullout in late 1971; the rotation of training missions, a concept London has considered recently in the case of Brunei, scheduled for independence late this year, could provide a convenient means of reassuring Kuala Lumpur, too.

If, however, the government can hold elections, restore parliamentary forms, continue the current moderate leadership, and throw enough crumbs to the conservative Malays to pacify them, then Malaysia will probably rock along in a relatively peaceable fashion for the next few years. Malaysia's thriving economy will continue to be a definite plus for the government in its efforts to maintain racial peace, but sooner or later—and probably sooner—Kuala Lumpur will be forced to face up to its own identity crisis.

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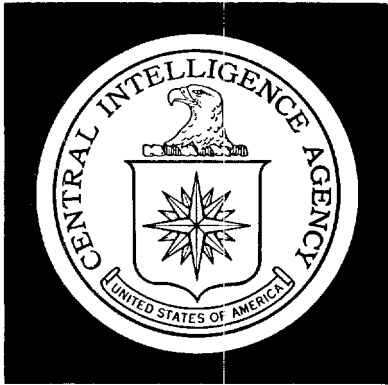
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DIRECTORATE OF  
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# *WEEKLY SUMMARY*

## *Special Report*

*The New Politics: Panama Style*

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**№ 44**

**26 June 1970**  
**No. 0376/70B**



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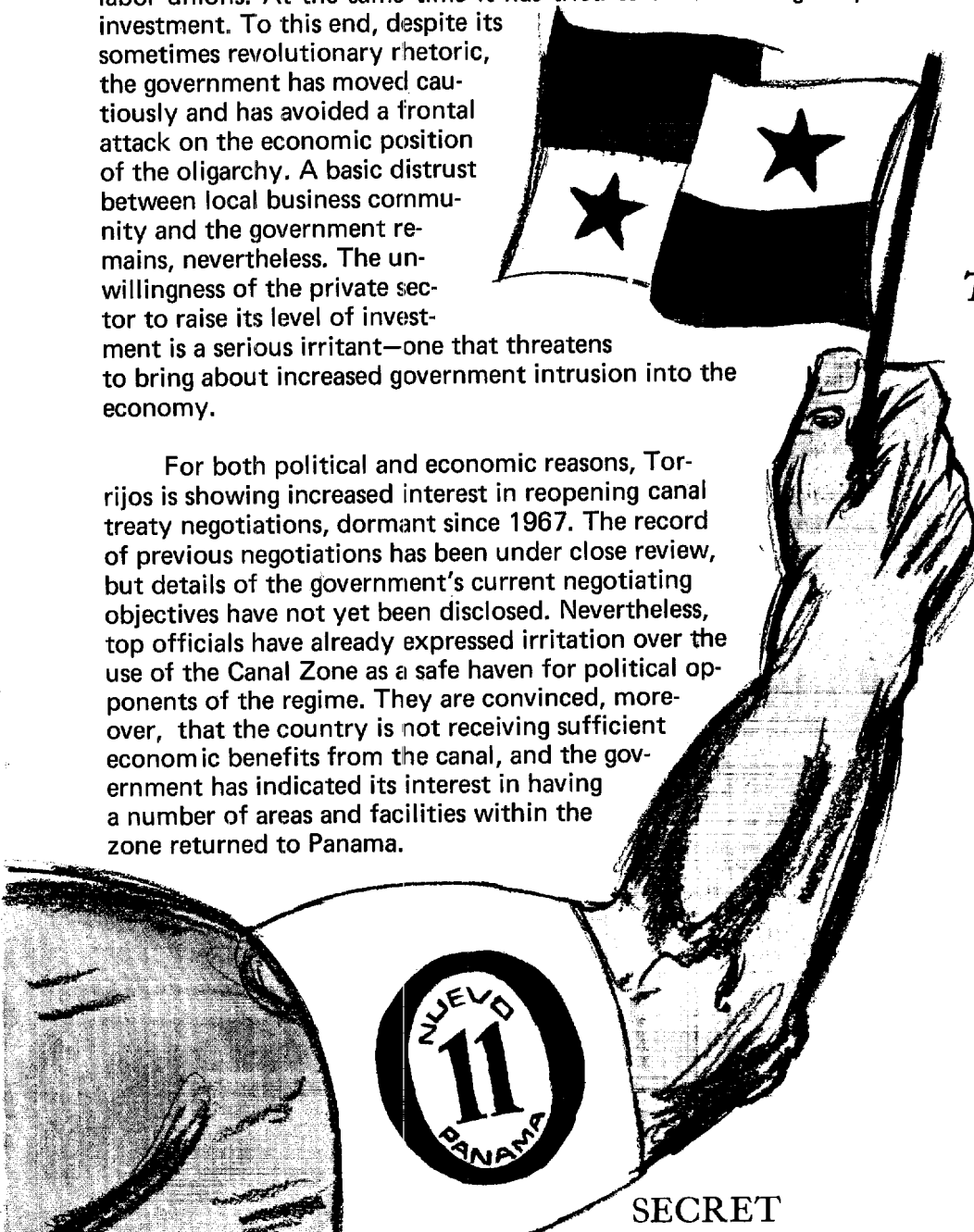
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After twenty months in power, General Omar Torrijos' Provisional Junta Government is beginning to bring its policy goals into focus. Torrijos apparently knows the direction in which he wants to go, but he has not yet mapped out the route or found a way to attain his contradictory objectives. Desiring to make fundamental changes in Panamanian politics, the government has dissolved all political parties and is determined to prevent a return of the traditional oligarchy-dominated political system. Although the government had promised elections in 1970, it has made no plans as yet and shows no inclination to relinquish power within the foreseeable future.

The regime has also demonstrated its concern for economic development and economic reform. It has attempted to a far greater extent than past governments to assist the poor, the middle class, and the labor unions. At the same time it has tried to attract foreign capital and to stimulate domestic private investment. To this end, despite its sometimes revolutionary rhetoric, the government has moved cautiously and has avoided a frontal attack on the economic position of the oligarchy. A basic distrust between local business community and the government remains, nevertheless. The unwillingness of the private sector to raise its level of investment is a serious irritant—one that threatens to bring about increased government intrusion into the economy.

For both political and economic reasons, Torrijos is showing increased interest in reopening canal treaty negotiations, dormant since 1967. The record of previous negotiations has been under close review, but details of the government's current negotiating objectives have not yet been disclosed. Nevertheless, top officials have already expressed irritation over the use of the Canal Zone as a safe haven for political opponents of the regime. They are convinced, moreover, that the country is not receiving sufficient economic benefits from the canal, and the government has indicated its interest in having a number of areas and facilities within the zone returned to Panama.

*The New Politics:  
Panama Style*



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*THE END OF AN ERA**The Old System*

From 1903, when Panama gained its independence from Colombia, until the 1968 coup, politics was a game played largely by the oligarchy—a small group of elite families comprising less than two percent of the population. Political parties were temporary and shifting alliances of convenience formed around various political leaders. These personalistic parties generally trumpeted Panamanian nationalism and accepted the notion that the oligarchy's near monopoly of social, economic, and political power should be defended. Political competition between factions of the oligarchy was rooted in the desire to ensure a place at the trough when the political and economic spoils were being distributed.

Until the late 1940s, the National Guard, the country's only military force, had merely supported the oligarchy and rarely entered directly into politics. In 1949, however, it intervened in the wake of fraudulent elections, recounted the ballots, and declared Arnulfo Arias the winner. Two years later the Guard, tired of Arias' authoritarian approach, ousted him. Then, in 1952, the Guard commandant was elected president in a relatively honest election—the first time that a military man had headed the government. Although the Guard had clearly established itself as an independent political force, the oligarchy was able to reassert its traditional control of the political system from 1956 to 1968.

Given the very extensive patronage at the disposal of the chief executive, it was not surprising that presidential elections were hotly contested affairs and often marked by some degree of electoral fraud. The 1968 election, however, was one of the most vicious in Panamanian history. President Robles, sparing no effort to impose a successor, sought and gained the support of the National Guard for his choice. Nevertheless, the opposition candidate, Arnulfo Arias, piled up so large a vote that the Guard, fearing a dishonest

ballot count would lead to violence, shifted its support and allowed Arias to win.

*Challenge and Response*

A consummate politician who had endeared himself to the masses, Arias excelled as a candidate but was singularly unsuccessful as an officeholder. He had been president twice before, but each time had been kicked out of office. Approaching his third term and upset by the blatantly political role of the Guard, Arias appeared determined to strip the military of its political power. Despite his initial efforts to allay suspicions and placate the military, the Guard placed little confidence in his assurances. Only ten days after his inauguration, Arias again found himself unemployed, and Panama was treated to its first direct military dictatorship.

The October 1968 coup was simply an action by the Guard in defense of its interests. Officers whose positions were threatened ensured their own job security in the most direct way possible. Once in power, however, they found it necessary to justify their disregard for democratic and constitutional procedures. The bald power politics that motivated the coup was quietly swept under the rug, and an elaborate facade of rationalization was quickly constructed.

*THE NEW PANAMA**Rationalization and Reality*

It took the publicists nearly a year to settle on the slogan "The New Panama Movement," but almost from the beginning the coup was labeled a revolution. The political power of the oligarchy was declared at an end, and it was alleged that public policy henceforth would benefit all of society. In language reminiscent of other Latin American military politicians, Panama's new leaders pledged themselves to make honesty and efficiency the guiding principles of government, and promised to put an end to corruption and nepotism.

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**Brigadier General Omar Torrijos**

Torrijos, the de facto dictator of Panama, is a 41-year-old career officer who brings to government an explosive combination of shrewdness, inexperience, and impatience. A man in a hurry, whose planning horizon probably extends less than 90 days into the future, he tends to deal with problems on an ad hoc basis. This gives Panamanian politics a somewhat frenetic quality, with frequent shifts in attention and emphasis. Torrijos appears to have a low tolerance for frustration, and he favors a direct, even roughshod approach to attain his objectives. It is the desire of the moment that counts with him, and past favors or services pale into insignificance if his current ambitions are thwarted. Torrijos works hard and long at affairs of state, [redacted]

Despite the rhetoric, the regime's first concern was to neutralize all opposition. Constitutional guarantees were suspended, known leftists were arrested, university autonomy was ignored, and schools were closed. Pro-Arias officers within the Guard were purged, some opposition newspapers and radio stations were taken over, and efforts were organized to root out the small and poorly organized pro-Arias guerrilla movement that had sprung up in the interior. The massive opposition that was expected never materialized, however, and power struggles within the Guard rather than the threat from Arias posed the major danger to stability.

A provisional junta government headed by two figureheads and assisted by a civilian cabinet had been set up, but the locus of power rested with the two principal architects of the coup—colonels Omar Torrijos and Boris Martinez. Although a subordinate, Martinez set about the task of upstaging and undermining Torrijos. He undertook policy initiatives reflecting his strong antagonism toward the oligarchs and politicians and placed his followers in key command positions. Torrijos attempted to avoid a showdown, but by February 1969 Martinez' growing domination of the Guard and the government had reached the point where Torrijos could no longer afford to temporize.

The ouster of Martinez and his principal supporters ended Torrijos' problems for a time, but factionalism within the Guard continued. Matters again came to a head in mid-December when the Deputy Commandant Silvera and Chief of Staff of the Guard Sanjurjo seized control of the government while Torrijos was in Mexico on a pleasure trip. Their coup was short-lived; Torrijos landed in the interior, rallied his supporters, and returned in triumph to Panama City.

The December coup attempt marked a kind of watershed for Torrijos. Although he had established himself as the dominant political figure after the ouster of Martinez, he apparently had not been comfortable in the role of leader of the

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"revolution." The coup attempt was only a matter of internal Guard politics, but quashing it seemed to give his ego and his popularity a boost. His return was one of the most exciting events in recent Panamanian history; his style and verve caught the popular imagination, and he emerged as something of a hero.

If Torrijos felt a new sense of legitimacy, he also felt an almost paranoid distrust of his fellow officers. He had always demanded a very high level of personal loyalty from his subordinates, but now loyalty became a near obsession. Changes were made in the Guard hierarchy and in the government, and two close friends, Demetrio Lakas and Arturo Sucre, were appointed as President and member of the new civilian junta, respectively. Torrijos became more reluctant to delegate authority and more concerned to gather all of the reins of power into his own hands.

#### *Policy Developments*

Given the inexperience of Panama's revolutionary leaders, it was not surprising that a period of policy improvisation should occur or that the regime would be more clear about what it opposed than what it supported. Martinez, an uncompromising opponent of corruption, an avowed enemy of the oligarchy, and a vocal advocate of radical reform, had set the moral and policy tone for the Provisional Government. As a result of his influence, therefore, the early rhetoric of revolution and reform became more than mere cosmetics.

Torrijos found many of Martinez' ideas congenial. He too was fed up with the politicians, distrustful of the oligarchy, and sincerely interested in helping the people. He was not an ideologue, however, and if he heard the same clarion call to reform, he was prepared to march with a slower and more hesitant step.

Although a competent Guard officer and an effective military leader, Torrijos was ill-equipped by temperament and training to lead a govern-

ment. Accustomed to an environment in which problems could be resolved by simply giving orders, Torrijos found it difficult to adjust to the relatively complex process of policy making. Economically unsophisticated and impatient with complicated strategies or involved argumentation, he opted for policies that would yield quick and visible results. Thus the airport, the university, and sundry public buildings were refurbished, garbage collection was improved, and streets were repaired.

Torrijos was initially very conscious of his own deficiencies and prepared to lean upon a number of capable and reform-minded "technicians" who had been brought into the government.

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Torrijos became more confident of his ability to run the country after quashing the December 1969 coup. He became less dependent on his official advisers, but remained impulsive. Ready to listen to cronies he had known during tours of duty in Santiago and David, he was not averse to turning their uninformed and off-the-cuff advice into policy directives. To his credit, however, he was not wedded to his mistakes. If a decision proved erroneous or if a policy generated stiff opposition, he could be quite pragmatic and trim his sails to the prevailing winds. Nevertheless, this approach tended to give government policy a ragged, uneven quality.

little interested in pomp and ceremony, Torrijos likes to rub elbows with the people and to get a personal feel for what is going on. Concerned also with building popular support for himself and his government, he has adopted what might be called the "Santa Claus approach" to development problems. He will visit a village, for example, find out

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what is troubling the people, and do something about it. If a roof leaks or a school needs repair, it is noted and the job is done. If a young girl needs money for a dress, Torrijos fishes in his pocket and leaps to the rescue. If a local official has been arbitrary, Torrijos listens to the complaint and rights the wrong.

The fundamental problems are not being touched, of course, and little is really being accomplished. The villagers, however, can point to something concrete. They can see that the government cares about them and they will remember Torrijos. But this too is policy on the run, improvisation rather than planning.

#### *Domestic Policy Goals*

Although Torrijos' personal style has helped to give government policy an impressionistic flavor with false starts, shifts in emphasis, and grandiose announcements accompanied by little or no action, it is also true that he has had to confront very difficult problems and accommodate almost irreconcilable interests. His most difficult problem is to maintain business confidence while building a revolutionary image.

From the beginning, the regime had made a whipping boy of the oligarchy, blaming it for all of Panama's ills. Torrijos separated politics from economics, however, and made no move to interfere seriously with the economic position of the oligarchy. Apparently expecting business as usual despite his antioligarchy pronouncements, he was vexed by the negative reaction of the business community and dismayed that domestic private investment declined.

The oligarchy had initially believed that the military interlude would be brief and that, with only a minor change of cast, the show would go on as before. Martinez quickly demonstrated, however, that he would not operate in the corrupt albeit time-honored way. He could not be bought and he would not play ball. Business leaders, although relieved when he was ousted, con-



**NATIONAL GUARD DISTRIBUTING  
SHOES TO CHILDREN**

tinued to withhold cooperation in the hope of gaining a larger role in government. The regime's one unalterable article of faith, however, was that the traditional oligarchy-dominated system had to be destroyed. As time went on, it became clear to the business community that Torrijos had no intention of relinquishing power, that general elections would not be held soon, and that whatever elections were held would be carefully controlled.

If the oligarchy was to be frozen out of politics and if power was to rest on more than the guns of the Guard, it was obvious that an alternative political system had to be devised. This, of course, was a task that would tax the resources of even the most skilled politicians, and it was complicated even more by the fact that neither Torrijos nor his advisers had a very clear conception of what they wanted to do.

Three points became evident, however. In order for power to be institutionalized, an electoral vehicle had to be created. Secondly, if the power of the elite was to be broken, a mass or popular base of support had to be developed. Finally, if mass support was essential, organized

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labor could form the nucleus from which other mass organizations might subsequently be fashioned.

Drawing upon the Mexican model, the government unveiled the New Panama Movement on the first anniversary of the October coup. This was to be a broadly based political organization, organized on a sector basis and including peasant, worker, student, and professional groups. Taking a page from Peron, Torrijos the following month announced plans to establish a government-controlled national labor organization in which the participation of existing unions would be compulsory.

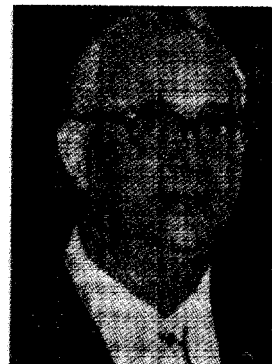
For a number of reasons, the government did not go very far with either scheme. It did not organize the New Panama Movement, probably because more pressing matters arose and because Torrijos could not find an individual he considered capable and loyal enough to be entrusted with such an imposing responsibility. The government also backed away from the idea of an all-encompassing government union in the face of vigorous opposition from businessmen and from union leaders who felt that their positions would be threatened.

Despite the government's tactical retreat, these and other pronouncements frightened both the oligarchy and the business community.

Although most businessmen were unwilling to stick their necks out so long as Torrijos showed some degree of restraint, they resorted to a kind of passive resistance—a slowing of their investment in the economy.

If businessmen were suspicious of the government, the reverse was equally true. CONEP's condemnation of one-man rule—an obvious refer-

ence to Torrijos—only hours after colonels Sanjur and Silvera attempted to seize power, reinforced Torrijos' distrust of the oligarchy. Still, Torrijos preferred to avoid an open break with the business community, and the newly appointed president, Demetrio Lakas, took on as his major task the establishment of a dialogue between government and business.



PRESIDENT LAKAS

The reason for Torrijos' forbearance was his continued desire to improve the climate for investment. In mid-1969 the government had been forced to institute an expensive public works program in order to counter a slowdown in the rate of private domestic investment. The regime had believed that the business community would soon accept the new political situation and the economic picture would improve, but the growth of domestic private investment remained at little more than half the 1967 level. Government programs were not scaled down, and the budget deficit increased substantially.

Considering the gulf that had already developed, Lakas' efforts to build bridges to the business community should not have been expected to bear fruit overnight. Torrijos, however, was neither prepared for a long courtship nor willing to give up his efforts to gain popular support. Prolabor statements continued, taxes were increased, and workmen's compensation insurance, previously handled by private companies, was taken over by the government's Social Security Fund.

These last two measures in particular deepened the alienation of the business community. Even though the government toned down the tax measure after Lakas interceded with Torrijos on

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behalf of the business interests, it remained a bitter pill. Reaction against the take-over of workmen's compensation was even stronger. The insurance companies attacked the decree as tantamount to expropriation, and other businessmen became concerned that the government might move against them next.

Although Torrijos was prepared to advertise these measures as evidence of his commitment to reform, his primary motivation apparently was not reform and certainly not the alienation of the business community. Probably his main concern was for additional revenue. Because the government taps the Social Security Fund at will, any additional monies put into it would become immediately available for government programs. The tax measure was more obvious—it promised to yield more than \$10 million in 1970.

With revenue still insufficient to support the politically and economically necessary public works program, the government has had to rely on foreign borrowing to cover budget deficits and upon foreign investment to help keep the economy healthy. Torrijos, therefore, has seemed even more concerned about Panama's standing with the international financial community than about his relations with the local businessmen. This may help to explain the recent removal from the cabi-

net of two prominent leftists, Minister of the Presidency Vasquez and Minister of Labor Escobar. Although Lakas had long sought their ouster, complaining that they were undercutting his efforts to improve relations with the private sector, Torrijos apparently became convinced only after Lakas stressed that the presence of the two men hurt the country's image abroad and frightened off foreign lenders and investors.

These cabinet changes do not appear to foreshadow a shift to the right, however. Both men were appointed to judicial posts. Escobar became president of the Electoral Tribunal and Vasquez was given a seat on the Supreme Court, and there is no evidence that Torrijos has lost confidence in either man or that he will not make use of them in the future. More importantly, Torrijos' enmity toward the business community has not diminished. He is convinced that it is trying to sabotage his efforts to keep the economy moving, and he has reportedly given up hope of winning it over.

Constrained to revalidate his reformist credentials and interested in cutting the oligarchy down a peg or two, Torrijos may be moving to set up cooperatives that would compete directly with oligarchy-owned enterprises. The government has already announced plans to build a \$12-million sugar mill in Veraguas to give cane growers an alternative outlet to the two existing mills controlled by the oligarchy even though such a sugar mill cannot be justified on economic grounds.

**PUBLIC WORKS PROJECT**

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This approach would offer significant advantages. It can help win popular support even if simply presented as part of a development program designed to increase production capacity, improve skills, and provide jobs. It also gives the government a convenient way to put pressure on the business community either to increase the rate of investment or to adhere to a particular policy.

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TORRIJOS DRUMMING UP POPULAR SUPPORT

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Relations again became strained in February when Hildebrando Nicosia, a top aide of deposed President Arias, returned to Panama in an effort to organize a coup against the government. Unsuccessful, he sought asylum in the Canal Zone. Nicosia's claims during his brief stay in Panama that he enjoyed US backing rekindled Torrijos' suspicions about US intentions,

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*RELATIONS WITH THE US*

Over the past few months US efforts to promote a closer working relationship with the Panamanian Government have helped to dissipate some of the coolness and suspicion that had developed since the coup in October 1968. The government, realizing its need to get along with the US, has evinced an interest in better relations. Described as having a "love-hate" attitude toward the US, Torrijos is deeply nationalistic and, although desirous of a mature and equal relationship with the US, is prone to strong and emotional outbursts when thwarted.

Torrijos deeply resented the failure of the US to embrace his "reformist" regime immediately after he had overthrown Arias, the constitutionally elected president, and for the first year relations were "correct" rather than "cordial." After Torrijos' visit to the US in October 1969 and a change in the US policy posture, relations began to improve. They suffered a serious setback, however, immediately after the December coup attempt.

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In early June the issue of political asylum again came to the fore when the three colonels who led the abortive December coup escaped from a Panamanian jail and fled into the Zone.

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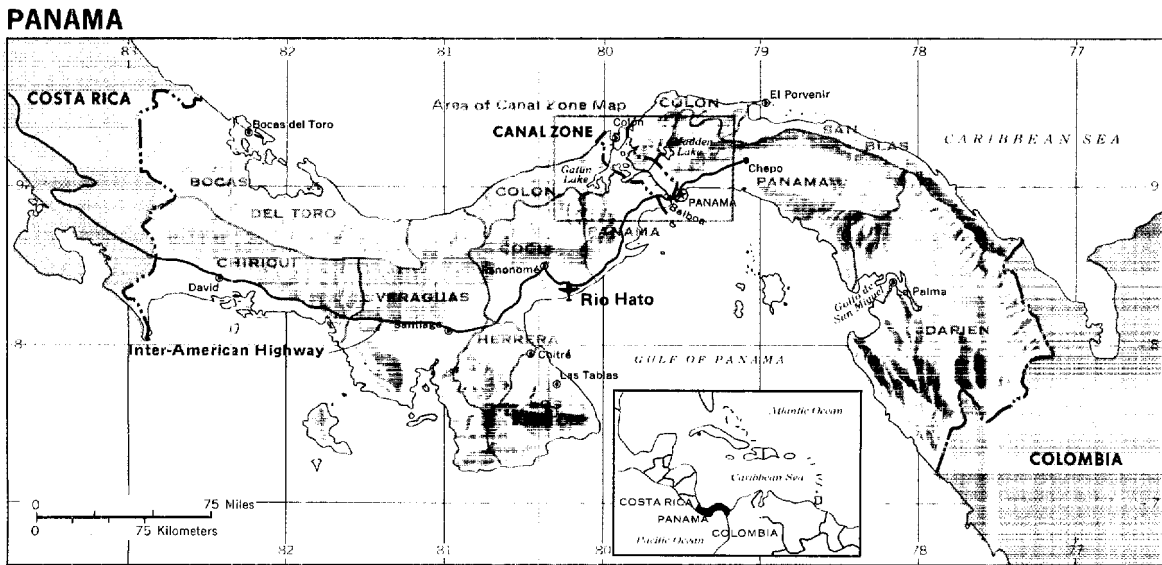
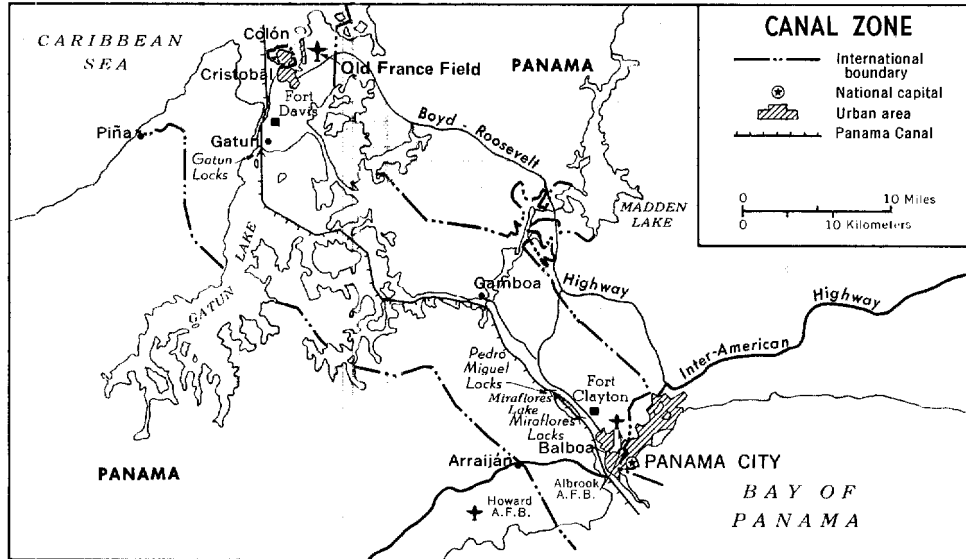
The government has formally demanded the return of the colonels and has strenuously denied the right of Canal Zone officials to grant political asylum to Panamanian nationals.

Despite these latest complications, the government is apparently eager to avoid jeopardizing relations with the US, presumably because of its interest in resuming the canal treaty negotiations, suspended since 1967. In an obvious effort to improve relations, the government appointed a new ambassador to the US in May after the post had remained vacant for five months. In early June, President Lakas emphasized to the US ambassador the government's interest in creating an atmosphere conducive to mutual cooperation. General Torrijos has also reaffirmed his willingness to extend for another year the agreement permitting use of Rio Hato, the major US military installation outside the Canal Zone. The existing agreement expires in late August, and although it

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will probably be renewed without prior concessions, the US may be expected to reciprocate by agreeing to a number of Panamanian requests.

The full catalogue of requirements probably has not been formulated and Panamanian thinking on treaty negotiations is still subject to change, but preliminary information suggests that Torrijos wants to embark on entirely new negotiations rather than to recommence talks on the three 1967 draft treaties dealing with the present lock canal, a possible sea-level canal, and defense arrangements. The Panamanians apparently ant to retain the concessions embodied in these drafts, such as sharing toll revenues and gaining a reduction in the size of the Canal Zone, but they will want even more generous terms in any new treaty.

In January, Torrijos and Lakas told the US ambassador that all commercial activities should be turned over to Panama and that they wanted the Zone to be more closely integrated economically with the rest of the country. Although they recognized US requirements for controlling the operation and defense of the canal, they stressed that Panama must be treated as a full and equal partner. Torrijos noted also that the present situation giving the US rights in perpetuity was unacceptable. He thought, however, that a treaty that had no terminal date would be politically manageable if it provided for periodic consultation and adjustment, and also for a complete review in 20 to 30 years.

More recently, Torrijos told his canal advisers that he would push for a considerable increase in US economic and technical assistance and also would seek considerable equipment of all types for the National Guard. In view of the current problems, Panama probably will also demand that a clarification of the right of asylum be included. The Panamanians have paid rather close attention to US negotiations with Spain and can be expected to insist upon an annual payment for base rights in Panama.

The Panamanians have also expressed an interest in obtaining concessions in advance of treaty negotiations. They have pressed in particular the return of the Balboa ship repair facilities and Old France Field. The lands and facilities of the France Field area would be used to enlarge the Colon Free Zone, and the Panamanian Planning Director has stated publicly that if this were done annual earnings from the Free Zone would double within the next five years. The Panamanians also want a substantial increase in the sugar quota and additional US assistance for road-building. Obtaining these concessions is likely to be quite important to Torrijos because they would increase his prestige and demonstrate his ability to deal effectively with the US. They would also provide a much-needed financial cushion. US failure to accede to such requests could prompt a hard-line response, particularly if the Rio Hato agreement had been renewed without obtaining compensating concessions. The government would probably feel swindled

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*PROSPECTS*

Although Torrijos' tenure cannot be assured, he appears to have a firm grasp on the levers of power. [Redacted] strong or united opposition to the General has not developed within the Guard. As long as he does not absent himself from the country for an extended period of time and his subordinates continue to bicker among themselves, Torrijos stands a good chance of being able to move against his opponents before they can move against him.

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The government's most immediate problem has been to scare up enough money to refinance the \$22 million in short-term funds borrowed last year and to find additional credits to cover current expenditures. A \$10-million loan was secured in March, and prospects for obtaining an additional \$30 million now appear to be good.

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Although the government will proceed cautiously, once the liquidity problem subsides, more sustained efforts to undermine the economic power of the oligarchy could develop. In addition, business concern about the high rate of government spending and the possibility of additional taxes is likely to have a continuing dampening effect on domestic private investment. Thus, relations with the business community may get worse before they get better.

Torrijos will probably push ahead in areas such as public administration, community development, and land reform. As before, however, emphasis will be on highly visible projects. The government is unlikely to revive plans for a compulsory government-controlled labor federation despite continuing efforts to build labor support.

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Restoration of normal political activity is not yet in sight. The government has publicly committed itself to hold elections this year, presumably for a constituent assembly that would amend the constitution and pave the way for general elections. The lack of any preparations to date suggests slippage in the electoral timetable. Although both the procedures and results of any election would be carefully controlled, Torrijos would have to balance the possible advantages of legitimizing the Provisional Junta Government against the danger of disorders. A final decision may depend on what happens over the next couple of months. Thus far, Torrijos has little to show for his 20 months in power. If he can come up with some dramatic accomplishment—perhaps important concessions from the US—he may decide to push for elections and may re-examine the possibility of organizing the New Panama Movement. If there are setbacks, however, or if problems develop within the Guard, Torrijos will not want to permit any increase in political activity for fear of raising the level of tension.

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