

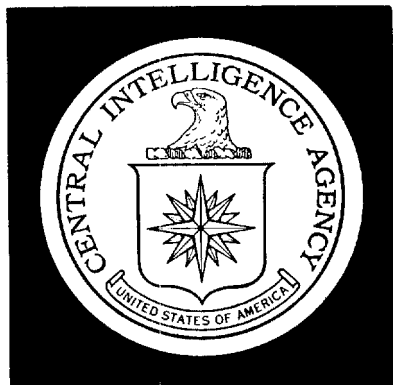


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

State Dept. review completed

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No. 0385/70

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### Cholera Epidemic Peaks

The outbreak of cholera this summer in South Asia, the USSR, the Middle East, and northern Africa may soon begin to subside. The impact of the disease has not been great in the less developed countries, but it has restricted freedom of movement in the USSR.

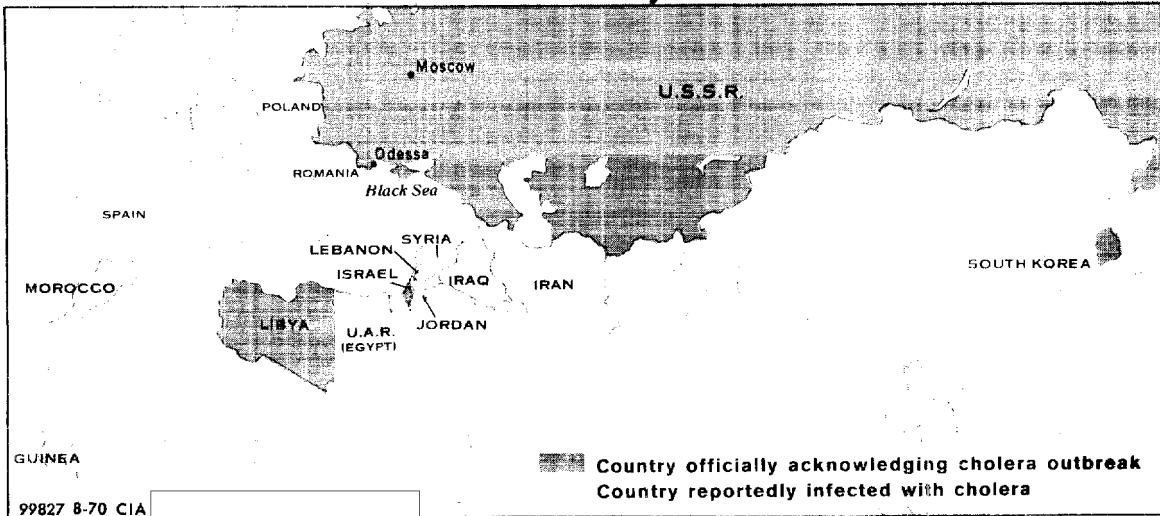
Apparently the first outbreak—in June—occurred in Egypt, where authorities quickly took measures to prevent the spread of the disease to military personnel. It reportedly was carried to the USSR by sea from the Middle East. The USSR publicly noted the presence of cholera in early August and instituted antiepidemic measures. Rail travel from Moscow to several southern republics has been banned except for local residents, and travel is prohibited to the Black Sea coast, including that to the important port of Odessa. Precautionary measures concerning food markets in Moscow have been taken to prevent spread of the disease. Soviet borders with Poland

and Romania were closed temporarily in early August, and movements continue to be controlled.

In addition to the severe burden on public health resources of containing the disease and detecting carriers, the outbreak has disrupted commerce and apparently is causing some delays in shipping from Black Sea ports.

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**Countries Infected With Cholera Since Early June**



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**Vietnam: *Southern Politicians Eye Elections and Economic Reform***

Candidates sympathetic to the government are expected to win a majority of the 30 seats at stake in South Vietnam's Senate elections on Sunday. The ten-man slates headed by Senator Cao and by Senate Chairman Huyen, which are generally progovernment, as well as the opposition An Quang Buddhist-backed Mau slate, are the favorites in the contest. Several other slates composed of government supporters and the moderate opposition Progressive Nationalist Movement list also have a chance of winning.

President Thieu apparently prefers the Cao list [redacted] He also is said to be backing the ticket headed by Nhan Xa party leader Truong Vinh Le, but he may have cooled toward Huyen's slate. Thieu apparently has not pushed the bureaucracy to line up behind specific slates, and various elements within his administration reportedly are backing different lists.

Although a victory for two progovernment slates presumably would increase Thieu's support in the Senate, the elections probably will not produce any substantially greater political unity among non-Communist forces. There has been much talk of collaboration between various slates, but there is little evidence that the competing lists have actually cooperated during the campaign. Moreover, winning tickets may not remain together as cohesive units once the new Senate gets back to work. Most of the slates elected in the last Senate contests in 1967 subsequently split up.

*Saigon Gropes with Economic Problems*

The government's high-priority request for special powers in the economic field remains stalled in the National Assembly, and there are indications that President Thieu is considering taking some anti-inflationary steps by decree. [redacted]

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*Improving the "General" Situation*

President Thieu's latest reshuffling of top army officers brings improved leadership to two of the important regional military commands. General Lu Lan, who is being removed from command of the large Military Region 2 in the central part of South Vietnam, has been criticized by both US and Vietnamese officers for his lack of aggressiveness and administrative ability, as well as for corruption. Although Thieu apparently has long shared this general view of Lu Lan, he has cautiously delayed moving against him until now.

Lu Lan's replacement, General Dzu, comes generally well recommended as a military commander, although even his ability and honesty have been questioned by a few senior South Vietnamese generals. Dzu reportedly has served effectively as commander of Military Region 4 in the Mekong Delta recently, and he has the added advantage of being a native of one of the provinces in MR-2. Dzu will face some difficult challenges, however, in trying to carry forward pacification in MR-2, where increased activities by Communist local forces and terrorists in recent months have stalled government programs in several key provinces.

The widely respected commander of the South Vietnamese 1st Division, General Truong, now is slated to take over Dzu's former command in the delta. Truong is a good choice for the delta job as he is a native of the area and the brightest light among the younger combat division commanders. He will be missed, however, in the

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heavily threatened northernmost provinces. Truong's 1st Division faces formidable opposition along the DMZ and the Laos border, and his replacement, General Phu, is probably now confronting the most serious test of his career.

Thieu has thus succeeded in getting rid of the worst of the previous regional commanders, General Lu Lan; improved the top leadership in MR-2 and MR-4; and promoted a deserving division commander in the process. Regional command changes always have some political overtones in South Vietnam, and the new commanders can be expected to support his policies in their areas. The primary motive for the command shifts, however, probably is Thieu's desire to improve the South Vietnamese military and pacification efforts.

#### *Hanoi Calls for More Men for Many Tasks*

The regime in Hanoi appears bent on stepping up manpower mobilization in the North and has marshaled its most prominent leaders and its considerable propaganda apparatus to push this effort. Party First Secretary Le Duan early this month called for "all out" efforts to strengthen the armed forces. Defense Minister Vo Nguyen Giap reminded party leaders at a conference on local military affairs in mid-August that Hanoi's "people's war" strategy implies wide mobilization. He enjoined the populace to support a build-up of North Vietnam's military estab-

lishment. The conference report stressed that the local militia should be enlarged and maintained in readiness even while its personnel carry on their day-to-day tasks, in order to help North Vietnam "meet all of the front line's requirements."

Recruitment drives of this kind are not new, but it appears that this one is receiving more attention and heavier emphasis than usual from the authorities in Hanoi. The North Vietnamese could be expanding their military manpower base in anticipation of a more intense level of fighting over the short run, but it seems more likely that their concerns are longer range. They probably expect that the personnel needs implicit in their commitment to a protracted struggle in much of Indochina could become quite heavy at some point. By pulling more people into organizations such as the militia, they help ensure the availability of suitable manpower for the military over the long haul without significantly reducing the present size of the civilian labor force.

The regime may also be counting on increased mobilization to benefit the civilian sector by producing a more efficient organization of the labor force. Hanoi frequently uses military organizations to assist in economic projects, particularly in agriculture and public works; in July, the government called on the army for more help of this kind.

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#### **Burma - Communist China: *With Hat in Hand***

Rangoon has taken a new initiative toward restoring better relations with Communist China. General Ne Win has sent an emissary to Peking with a personal letter to Premier Chou En-lai calling for negotiations to repair the damage done to the two countries' relations by anti-Chinese riots in Rangoon in mid-1967.

Ne Win's hopefulness on this score was recently expressed in a conversation with a Western

ambassador. The general said that moderating influences he perceived in Peking could make possible an improvement in relations. He expressed the view that new attitudes in the Chinese leadership had made China less of a threat to Southeast Asia, and he implied that what he saw as a Chinese desire for a belt of friendly neighboring countries held promise for Burma's fence-mending initiatives.

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Reflecting Rangoon's eagerness to seize on any indication of Chinese receptivity to additional initiatives, the Burmese Embassy in Peking has been asked to report any changes in China's attitude toward countries with which it has had difficulties. Also, in a continuation of efforts begun by Ne Win last November, Rangoon has nominated an ambassador for Peking's approval. Burma's diplomatic representation in Peking was upgraded from first secretary to counselor level last winter; Peking has not reciprocated.

Despite Ne Win's professed optimism, the Chinese have made few responses to his recent

gestures. Peking has toned down its anti - Ne Win propaganda, but it is not clear that it is ready for a resumption of the ambassadorial ties that were suspended three years ago. Although perhaps disposed toward the restoration of some amicability, Peking is unlikely to cease its support for Burmese Communists and other dissidents.

Ne Win had been trying to send the recently dispatched emissary for over a year, but the Chinese refused to grant a visa. Peking's agreement to receive him suggests that it now is at least interested in hearing what Rangoon has to offer. [redacted]

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**Thailand: *Trouble for Thanom***

Long suppressed divisions within government ranks have led to another parliamentary crisis and fresh doubts about Prime Minister Thanom's leadership. The government barely weathered the opening round of a battle over the budget in mid-July, when a coalition of wayward government and opposition MPs came within one vote of defeating Thanom's bill to raise taxes.

In the recent second round of the fight over the new budget, a similar group of dissidents in the government's Saha Pracha Thai (SPT) party joined opposition members in the parliament to defeat Prime Minister Thanom. As a result, opposition parliamentarians now have a one-vote majority on the 37-man committee responsible for reviewing and amending the 1971 budget and are in position to alter it considerably if they vote as a bloc.

The rift over the budget has surfaced a widening breach within government ranks. Many members of the parliament, including some from the SPT, have been pressing the prime minister for increased recognition and responsibility and for constitutional amendments that will give the legislature more power. They are also agitating for a cabinet reshuffle that would more accurately reflect current Thai political realities.

In this effort, disgruntled SPT members evidently are receiving encouragement from some high-ranking military leaders who have been at odds with Thanom's close advisers. The prime minister himself has come under increasing criticism for his lackluster and ineffective leadership. The country's top military strong man, Deputy Prime Minister General Praphat, whose power has been growing at Thanom's expense for some time, is once again being mentioned as a possible successor. It is not clear how much encouragement Praphat is giving his supporters, [redacted]

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Thanom, meanwhile, has attempted to quiet legislative unrest. In addition to making a strong plea for party unity, he has vigorously denied Bangkok press reports that his defeat on the budget committee issue nearly sparked the dissolution of parliament. The prime minister has also taken other patchwork moves in the last few weeks to bring SPT mavericks back into the fold, but he has still not addressed himself to the fundamental problems. [redacted]

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### Laos: *Fights and Talks--No Gains*

Southwest of the Plaine des Jarres, General Vang Pao, in an attempt to improve his defensive position, has renewed a three-month drive to take Ban Na, a former government outpost about 14 miles north of Long Tieng. In an effort to circumvent enemy forces that had blocked the general's previous drives toward Ban Na from the south, the government on 18 August moved over 500 men by helicopter to positions five miles north of the enemy stronghold.

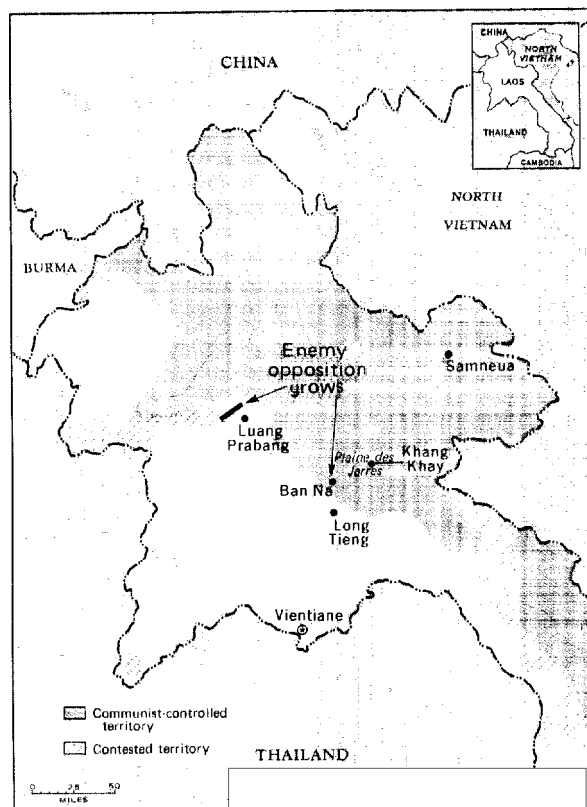
In the past week these troops have been hit hard by elements of the North Vietnamese 174th regiment. So far they have been unable to carry out their plan to move south on Ban Na. Their situation is further complicated because they are beyond the range of artillery support and because the extremely bad weather in recent days has frustrated friendly air strikes on the enemy. The Communists are known to have taken substantial casualties and are experiencing some supply problems, but they appear determined to hold Vang Pao's irregulars within their present boundaries for the remainder of the rainy season.

Similar difficulties are being encountered by government forces trying to re-establish a defensive line to the northwest of Luang Prabang. An irregular battalion has been attempting for some time to gain control of the ridge that runs between a northeast-to-southwest loop in the Mekong river. Recently, enemy resistance to this operation in mountainous territory has increased considerably and several key positions have been lost. It is by no means certain that the tenacity of the Communist forces in this sector and elsewhere in northern Laos has been prompted only by military considerations in preparation for the coming dry season. It may also be intended, in part, to provide a show of strength in relation to talks with the government, which the Communists apparently intend to continue.

There have been no major developments in these discussions since the departure of Soth

Pethrasy, the senior Pathet Lao representative in Vientiane, for Sam Neua on 21 August. Soth presumably is consulting with Communist leader Prince Souphanouvong about the differing ideas of the two sides on the nature of the talks tentatively agreed to be held in Khang Khay. The Communists are expected to reject the government's proposal that these discussions proceed directly to matters of substance and that the negotiations be conducted by large delegations representing all the interested parties. The government assumes that Soth will return to Vientiane with the Pathet Lao response before the departure of Prime Minister Souvanna Phouma for an extended trip abroad on 2 September.

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**Korea: *Parry and Riposte on Unification***

Pyongyang's reply to President Pak Chong-hui's recent call for peaceful reunification clearly reflects its concern over being challenged in an area where it has long exercised the propaganda initiative. Editorials appearing in authoritative government and party media label Pak's proposal a "vicious trick" designed to deceive the Korean people. Repeating Pyongyang's two long-standing conditions for reunification—withdrawal of all US forces from Korea and the overthrow of the Pak government—the editorials berate Washington and Seoul for the continued tension in Korea.

The editorials also reflect North Korean sensitivity over growing ties between Seoul and Tokyo. Pyongyang recognizes that Japan's increasing involvement in South Korea's rapidly developing economy is an additional obstacle to reunification on Communist terms. Lashing out at Pak for accepting "foreign monopoly capital," the editorial demands that the Japanese also be expelled from South Korea as a precondition for reunification.

The completely negative tone of the North Korean response appears likely to rebound to the

advantage of the South in its continuing competition for international support, particularly among those nations that heretofore have been attracted by Pyongyang's ostensibly more flexible approach to reunification. Pak has insisted that, as a precondition to opening talks, the UN must verify a North Korea renunciation of force toward the South. His demand might create interest within the UN to certify that tensions have eased when the General Assembly again takes up the Korean question in the fall. This in turn could put pressure on Pak to move more quickly on the reunification issue than he wants. The North Korean cause, however, is unlikely to be helped by Pyongyang's flat rejection of any role for the UN in Korean reunification.

Pak has also pre-empted his domestic opponents. In general, Koreans long for their country to be reunited, but in the South few are ready to see this accomplished on Communist terms. With an eye toward the 1971 presidential election, Pak, by making his proposal in his own name, has affirmed that reunification is a job requiring his hand at the helm for an indefinite period.

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## Moscow Summit Maps Next Steps in European Policy

Soviet and Eastern European party and government leaders met in Moscow on 20 August to discuss German and European policy for the second time in nine months. The first summit, early last December, cleared the way for the beginning of talks between the West Germans and the Soviets, Poles, and East Germans. The most recent meeting, which was labeled a meeting of the Political Consultative Committee of the Warsaw Pact, was convened to give formal endorsement to the recently concluded Soviet - West German treaty and to map out the next diplomatic moves toward Germany and Western Europe.

A brief communiqué revealed little about what decisions were made, but there is slight doubt about the principal ones. The Pact leaders almost certainly agreed to work toward the conclusion of other bilateral treaties to complete the de facto postwar settlement between Bonn and the East. Polish negotiations with the West Germans are already far advanced, and there are indications that the Czechoslovaks are willing to talk. The East Germans obviously are the most reluctant participants in the dialogue with Bonn, and [redacted] one reason for last week's meeting was Moscow's desire to put pressure on the East Germans by presenting them with a united front. In any event, Pankow had no real alternative but to accept the line favored by Moscow.

The Communist leaders also agreed to take immediate steps to implement the long-standing proposal for an "all-European conference" on European security problems. Although the communiqué did not spell out what these steps would be, Moscow obviously intends to use its treaty with Bonn as evidence that the West's "preconditions" for a conference now have been largely met. The Berlin talks have also been cited in the West as a test of Soviet intentions on European security, and the Soviets may have briefed their allies on the proposal they plan to present at the next four-power meeting in September. The summit participants probably formulated tactics aimed at using developments in the Berlin talks and negotiations with Bonn to press for quick progress toward a conference.

The Soviet - West German treaty in fact has been received favorably throughout Western Europe, and it will have an important impact on NATO discussions of European security this fall. Most Allies probably will urge a cautious appraisal of the situation. Some, however, encouraged by public and parliamentary opinion, will be more receptive than before to the Eastern arguments and may press for a less conservative Allied position on a security conference. [redacted]

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MALTA: Prime Minister Borg Olivier has pushed through parliament an amendment of the Constitution providing for an increase from 50 to 55 in the number of seats in the House of Representatives. The extra seats will go to the five most densely populated of the ten electoral divisions. Borg Olivier thinks that this amendment has advantages for his Nationalist Party not present in the recommendations of the Electoral Commission last June that called for electoral district boundary changes. This conclusion is borne out

by the fact that the opposition Labor Party, led by the controversial Dom Mintoff, vigorously opposed the bill. The amendment will also prevent a tie vote in the house should the Nationalists and Laborites divide all the seats evenly between them in the next election that must be called by March 1971. In the 1966 election, Borg Olivier's party won a small majority, but at this point it is running neck and neck with the Laborites. [redacted]

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## MIDDLE EAST-AFRICA

### Middle East: *Rocky Road to Peace*

Israel this week finally agreed to proceed with the Jarring talks, but after only one session Israel's alternate delegate, UN Ambassador Tekoah, left on 25 August for consultations in Jerusalem.

Foreign

Minister Eban on the same day suggested that the Jarring talks were not likely to succeed unless Egypt withdrew the missiles set up in violation of the cease-fire.

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### *Nasir-Husayn Talks*

King Husayn's visit to Cairo between 20 and 23 August seems to have been partly undertaken to dramatize the fact that he was merely following Nasir's lead in accepting the US peace plan. Husayn no doubt hopes that close association with Nasir will help deflect fedayeen criticism that he has sold out the Arab cause. It is unlikely, however, that the two leaders attempted to hammer out a specific position with respect to the peace talks; press reports after the meeting spoke vaguely of the need for complete coordination between Egypt and Jordan, but said only that the problem was "extremely difficult and complicated." The final communique included an attempt to placate the fedayeen by saying that "the national interest requires the preservation by all means of the Palestinian resistance movement."

King Husayn probably hoped to line up Nasir's support for his effort either to bring the approximately 19,000 Iraqi forces in Jordan under his command or have them returned to Baghdad. In this he seems to have failed; the communique said specifically that "the battle requires the presence of the Iraqi Army in Jordan," even though they may take no part in

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actual fighting. The Jordanians are probably in no position to force the issue, and the Iraqis are not likely either to budge or to accept Jordanian control.

*The Fedayeen*

Yasir Arafat, the chairman of the Palestine Liberation Organization, was in Cairo this past week to discuss Middle East peace developments with President Nasir. The fedayeen leader had already expressed his opposition to the current cease-fire agreement and other moves, and it is unlikely that Nasir was able to persuade him to acquiesce in these actions. It is more probable that Nasir summoned Arafat to Cairo to warn him personally not to interfere in peace negotiations.

The fedayeen would have difficulty in posing any effective interference at present. They have been thrown off balance by Nasir's campaign to silence opposition to Egyptian and Jordanian participation in peace negotiations. Fedayeen leaders fear that the personal popularity of the Egyptian President among the Arab masses is such that any attacks upon him would backfire. Perhaps more significant is the acceptance the peace plans have received among Palestinian refugees in both the East and West Bank areas. Many Palestinians, weary of 20 years of "temporary" displacement and conflict, are apparently willing to accept peace talks that give some weight to their aspirations and interests and promise some kind of permanent home for them. [REDACTED]

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CONGO (Kinshasa): President Mobutu's visits to Romania and Yugoslavia this week round out his most ambitious international junket. While visiting the US in early August he filled two of the Congo's prime security needs with purchase and maintenance contracts for three C-130 air transports and six patrol boats for Lake Tanganyika. He also signed a civil aviation agreement that gives Air Congo access to the US, and he persuaded American investors to proceed with several indus-

trial projects, including a tire plant in Kinshasa and an aluminum smelter using hydroelectric power from the Congo River.

Mobutu spent ten days in Western Europe before proceeding to Bucharest. His meetings with Romanian and Yugoslav leaders may produce minor economic or cultural accords that can be used to demonstrate that Kinshasa's policy is one of nonalignment. [REDACTED]

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### India: *Mrs. Gandhi and the Communists*

Following the split in the Congress Party in 1969, Mrs. Gandhi's faction—termed the Ruling Congress—found itself a minority government dependent on the support of non-Congress members of the Lower House of Parliament to stay in power. Among the parties that usually rallied to her side were the two major Communist Parties—the pro-Moscow Communist Party of India (CPI) and the more militant Communist Party of India/Marxist (CPM). Although the support of the two parties, or even of one of them, was not essential to Mrs. Gandhi's retaining power, their votes in Parliament were a useful cushion the prime minister could rely upon in case of unforeseen events—such as an unexpected vote of confidence. In recent weeks, however, friction between Mrs. Gandhi and the Communists has begun to increase.

To bolster its radical credentials, the CPI on 1 July initiated a campaign urging landless peasants to occupy illegally lands owned by the government and by the wealthier farmers and absentee landlords. This "land-grab" movement has continued, and several thousand CPI supporters have been jailed. Recently, the movement seems to be running out of steam. The CPI has been satisfied with the publicity it has received and party leaders do not appear overly eager to interfere with the prime minister's efforts to walk a tightrope between governmental criticism of lawlessness and her individual expressions of sympathy for the landless. The movement has, however, increased friction between her and the CPI leadership—friction that Mrs. Gandhi probably will work hard to avoid exacerbating.

Some cooperation between the CPI and the Ruling Congress remains possible, however. The CPI, in fact, has aligned itself with Mrs. Gandhi's party in the elections scheduled in the state of

Kerala next month. It sees no other way of defeating the more powerful CPM. CPI leaders, however, remain concerned that this alliance, taken together with their usual support for Mrs. Gandhi in New Delhi, may damage the party's all-India image as a revolutionary organization.

The CPM is another story, and several of Mrs. Gandhi's recent actions suggest that she may be prepared to write off its support. Meanwhile, leaders of the CPM for their part appear increasingly ready to compete openly with the government. In Kerala, the CPM is trying to bloc the CPI/Ruling Congress - led coalition by working for an unwritten electoral understanding with the Organization Congress Party, Mrs. Gandhi's arch-enemy since the Congress Party split. In West Bengal, where in March 1970 New Delhi replaced a CPM-dominated coalition government with direct rule from the center, the national government and the CPM remain in open conflict. The CPM has launched a campaign of crippling strikes and mass rallies to force early elections, but Mrs. Gandhi, recognizing that the CPM stands a good chance of again coming out on top if elections are held now, is not prepared to acquiesce.

The Gandhi government has survived at the center in large degree because few politicians of any party are eager to bring it down and force early elections. New elections must be held by February 1972, however. Both Communist parties, especially the CPM, appear to have chosen conflict with Mrs. Gandhi as an ideal means to emphasize their separate identities. Although in the end one or the other of them may even arrive at an electoral arrangement with her Ruling Congress Party, during the pre-electoral period their support at the center will become increasingly unreliable.

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IN CRUCIAL MOMENTS OF THEIR HISTORY, THE PEOPLE SEE THEIR GRAND OLD MEN COME FORTH.  
CHILE CALLS FOR DON JORGE ALESSANDRI.

*Campaign ad. 16 August 1970*

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## WESTERN HEMISPHERE

### Chilean Presidential Campaign Closing

The three-man race for the presidency of Chile still appears close only a week before the election on 4 September. The candidates have accelerated their campaigns to influence the many voters who are still undecided.

Conservative former president Jorge Alessandri, who is generally considered leading by a slight margin, continues to pitch his campaign to the large portion of the electorate that is anti-Communist but at the same time leftist in attitude. His campaign frequently equates Christian Democrat Radomiro Tomic with Marxist Salvador Allende. A new twist is an attempt to turn the drawback of Alessandri's age (74) into an asset utilizing full-page newspaper ads.

Allende, supported by a multiparty coalition put together and dominated by astute Communist party leaders, is concentrating his efforts in Santiago, where about 40 percent of the votes will be cast and where the Communists fear Alessandri is leading. Allende has announced that as president he would not allow the US to maintain its "air-base"—actually an ionospheric weather testing station—on Easter Island, a Chilean possession in the mid-Pacific.

A pro-Alessandri daily has published the names of 167 private firms it claims Allende will nationalize in fulfillment of a campaign promise. Allende has not received all-out support from the dominant labor confederation, although its leadership is dominated by Communists and Socialists. Thus Alessandri backers probably hope to influence workers by raising the possibility that they would lose their jobs under an Allende government. Allende now is backing off from

some of his more outspokenly Marxist statements, claiming that the coalition he heads will merely lay the groundwork for a truly Communist state. He continues to say, however, that he will immediately recognize Cuba, Communist China, North Vietnam, North Korea, and East Germany.

The governing Christian Democrats' candidate, Radomiro Tomic, has improved his poor position somewhat, largely because of last-minute efforts by party colleagues who apparently have decided that their lack of enthusiasm for him is outweighed by their desire to keep the party in power. Tomic, however, insists on shunning the middle ground where he probably could have found the strongest following. He prefers instead to try to outdo Allende in appeals to leftist voters, while making only mild or sporadic attacks on Allende's vulnerabilities, such as his responsiveness to the Chilean Communist Party.

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Uruguay: *Negotiations with Tupamaros*

Uruguay's Foreign Minister Peirano has opened the possibility of negotiations by an outside party with the Tupamaros. In an interview on 21 August in a progovernment newspaper, he said that the Pacheco administration was maintaining its adamant refusal to deal with "such low criminals." He added, however, that if a third party were to undertake negotiations for the two captives "within Uruguay's juridical framework," his government could not legally interfere. He cited as a precedent the ransoming of a prominent Uruguayan banker by friends late last year. Peirano mentioned Brazil as a third party that might negotiate with the Tupamaros for diplomat Dias Gomide.



In Montevideo, President Pacheco vowed in an Independence Day address to root out the terrorists, but he also warned those on the right who advocated extraconstitutional measures to curb the left, "We are not here to sign the death certificate of democracy in Uruguay."



The government also took steps to cut off a major Tupamaro source of funds by ordering the temporary closing of 58 small bank branches in Montevideo and increasing guards at the larger offices. The measure was taken because the Tupamaros frequently have robbed these small banks; one policeman was killed in such an attempt last week.

The upswing in Tupamaro activity continued this week. On Monday the group stole \$56,000 from a department store, and then turned to attacking communications media to achieve a greater public impact. Bombs damaged four radio and television stations and a Montevideo newspaper.

Central America for his open door policy toward the Communist countries by associating his actions with President Nixon's call for an era of negotiations. Figueres has shown considerable sensitivity on the issue, however. He has been evasive with the US Embassy regarding his dealings with a high-level visiting Soviet delegation and also has made a vitriolic attack against San Jose's leading daily newspaper for its opposition to his foreign policy.

COSTA RICA: Costa Rica and the USSR have agreed to "resume" diplomatic relations, and an exchange of ambassadors may follow soon. To bypass the legislature, where opposition to commercial accords has grown steadily, President Figueres rationalized that relations with the Soviets established in the early 1940s had never been ruptured. The Soviet envoy agreed that the commercial protocol, which required congressional approval, was "unnecessary." Figueres has countered criticism at home and throughout

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## New Administration Taking Shape in Dominican Republic

President Balaguer, who took office for a second four-year term on 16 August, has named his new "government of national unity," which includes members of the opposition in the cabinet. Despite surface appearances, however, the personalistic and centralized rule that characterized his first term is likely to continue.

As was the case during 1966-70, Balaguer appears more interested in using proffered political posts to divide the political opposition than to foster interparty cooperation. Two of the parties represented in the cabinet—the National Conciliation Movement and the National Civic Union—are insignificant, and the third, that of ex-general Wessin y Wessin, has been badly split over the issue of accepting government posts. Thus far, both the runner-up, rightist political party and the major leftist opposition Dominican Revolutionary Party—which abstained from the elections—have declined to participate in the new government.

An indication of the President's continued penchant for personalized politics was his assumption last week of responsibility for the operation of the Dominican Agrarian Institute, which controls agrarian reform. Balaguer has stressed that agriculture will be a fundamental concern during his second administration, and he is seeking to emphasize its importance by taking direct control. The important secretariats of foreign relations and finance are headed by opposition politicians, and Balaguer may be inclined initially to dictate policy in these fields as well. An opposition leader was also named to head the labor secretariat, a frequent target of opposition complaints, and the appointment will allow Balaguer to deflect some criticism from his own Reformist Party. Congress, firmly in the hands of the President's supporters, is expected to follow executive dictates obediently.

In the only major military change, the long-time secretary of the armed forces, General Perez y Perez, was transferred to the secretariat of in-

terior and police. He was replaced by a relatively weak commander who is personally loyal to the President. The ready acceptance of the shift by the armed forces is indicative of the widespread military support Balaguer now enjoys. Most military leaders appear confident that the President will allow them a freer hand to deal with the left than has been the case in the past. In the weeks surrounding the inauguration, counterterrorism by the security forces has picked up, and the leading activist Communist group is now in serious disarray.

With the two major opposition political parties declining to participate in the government, Balaguer is faced with a sometimes embarrassing but not unmanageable problem. Their political sniping is nettlesome but lacks impact; neither party commands much military or legislative support and neither appears likely to commit itself to suicidal coup plotting in the near term. Moreover, opposition politicians may find it expedient to accept minor positions with the government as individuals rather than as party members, despite prohibitions from their political parties.

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President Balaguer takes oath of office.

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### Peruvian Reforms Spark Dissent

The principal leaders of the Peruvian business community are continuing their public opposition to the Velasco government's industrial reform decree and appear to be gaining some influential allies within the military. That the government intends to pursue its "revolution," however, is evidenced by the renewal of pressure on US mining companies.

Business leaders are most strongly opposed to the provisions in the new industrial law that call for worker participation in the ownership and management of industrial enterprises. Manufacturers believe the collective nature of such participation is a negation of the principle of private ownership of property as well as a threat to Peruvian economic progress. The influential National Society of Industrialists has embarked on a series of press communiqués pointing out the difficulties and dangers of the new law, but the government has given no indication that it intends to modify the reform.

In the face of this opposition, as well as the depressed state of foreign investment, the government last week issued a new mining law that has further alarmed businessmen, [redacted]

[redacted] The law requires that mining concessionaires submit by 30 September new and accelerated schedules for the development of their concessions and arrange financing by the end of the year. Under the new regulations companies could lose their concessions if the minister of mines determines that development is not on schedule. The law may be designed to force other companies to enter joint ventures with the government, which in turn would probably permit the companies some slippage on meeting dead-

lines. The government already is demanding that two [redacted] firms sign contracts giving the government 51 percent interest in the development of their copper concessions.

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This latest flurry of restrictive legislation affecting business, particularly the industrial reform, has caused grave concern to several top military leaders. The army chief of staff and other high-ranking officers recently questioned the minister of industry on the industrial law that he was primarily responsible for and voiced their concern that small businesses would be adversely affected. They also expressed fear that the law would further aggravate the already serious unemployment problem. [redacted]

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Prime Minister Montagne, who is also the minister of war and commander of the army, is strongly opposed to the law and increasingly concerned over the growing influence of the Communists in Peru. [redacted]

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### USSR-Bolivia: *Expanding Economic Relations*

Several recent agreements signed in Moscow could open the way for the first significant trade between the two countries.

The USSR extended a \$27.5 million credit to Bolivia on 17 August for the purchase of

Soviet mining and metallurgical machinery. The credit, the first extended to Bolivia by Moscow, reportedly is to be repaid in hard currency over ten years at an annual interest rate of three percent. At the same time, the two countries signed their first trade agreement, which also provides

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for the establishment of trade missions in both capitals. The USSR expects to sell mining and petroleum equipment and to purchase Bolivian finished and semifinished products, probably tin and other minerals.

Bolivia already has begun to implement its first commercial contract with Moscow. Signed in June, it calls for the export of 3,200 tons of Bolivian tin and tin concentrates in 1970-71 for some \$8 million in hard currency. The first shipments of tin concentrates to the USSR have been made, but Bolivia may encounter difficulties in refining tin metal until early next year when a new tin smelter goes into operation. Another

agreement for future deliveries, however, is expected to be reached in 1971.

Moscow also has become more receptive to Bolivian requests for Soviet technical assistance for the development of its mining industry since the establishment of diplomatic relations in December 1969. Arrangements are currently being worked out for the provision of Soviet technicians to assist in the development of Bolivia's tin industry. Bolivia may also seek Soviet help in expanding its production of tungsten and bismuth. This aid probably is part of a wider program of technical exchange envisaged under the scientific and technical cooperation agreement signed earlier this year. ( [REDACTED] )

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### Cuba: *Changes in the Hierarchy*

The first of the high-level administrative changes promised by Fidel Castro in his speech on 26 July have been announced. The new appointments follow the pattern set in the past two years of assigning capable military officers and experienced technocrats to key positions in the government. The appointments also conform to the current trend of increasing military influence in nonmilitary affairs and reflect Castro's tendency to depend primarily on old "comrades-in-arms" who proved their loyalty in the guerrilla war of 1957-58.

Although more changes are expected, they will not be in the nature of a purge. The shifts merely represent Castro's continuing effort to find a winning combination to improve the state of the economy and to regain the momentum his revolution has lost in the past decade. Moreover, the new appointments bear his personal trademark and constitute solid evidence that he has lost none of his grip on the country or its political apparatus.

The long-awaited removal of Domestic Trade Minister Manuel Luzardo was announced on 19

August. The aging Luzardo, an "old Communist" who found the problems of his ministry too complex to overcome, was replaced by First Captain Serafin Fernandez Rodriguez, an experienced supply officer from the Armed Forces Ministry (MINFAR). Another MINFAR officer, Vice Minister for Training Major Jose Fernandez Alvarez, appointed first vice minister of the Education Ministry in mid-August, will function as deputy to Major Belarmino Castilla Mas, a former MINFAR official named as education minister in early July. The former education minister had been unsuccessful in getting the Cuban school system to produce the technicians and teachers required to implement the regime's ambitious development programs.

One of the economic trouble spots identified by Castro in his speech was the merchant shipping industry. To resolve the problem, Havana announced on 21 August the creation of a new Ministry of Merchant Marine and Ports. Major Angel Joel Chaveco Hernandez, who has held important staff positions in MINFAR's air and air defense system, was named to head the new ministry. ( [REDACTED] )

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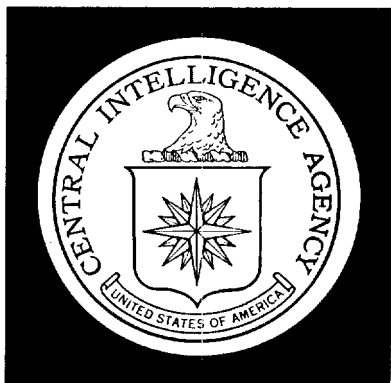


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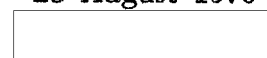
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