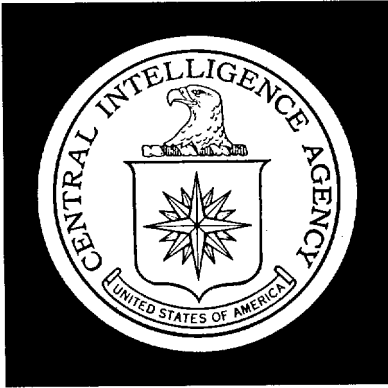


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

NAVY review
completed.
State Dept.
review
completed
DIA
review(s)
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(Information as of noon EDT, 17 June 1971)

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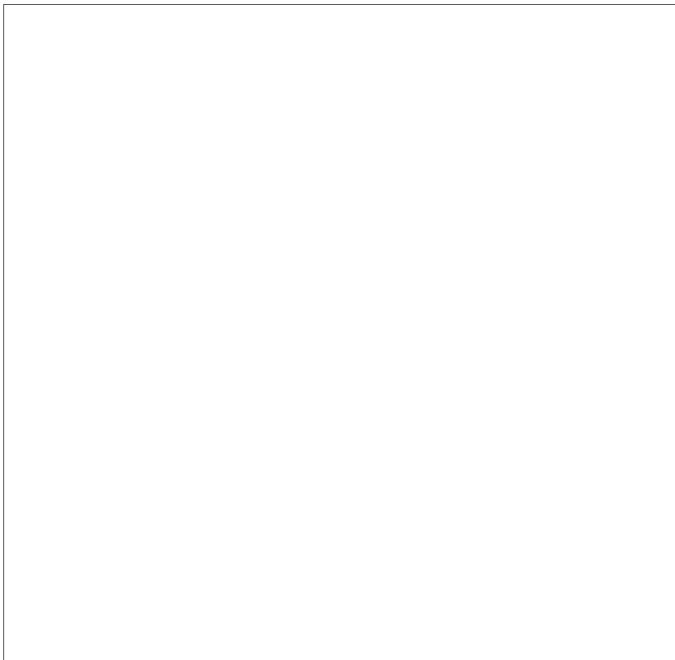
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Indochina: *What's Hanoi Up To?*

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be accomplished by means of a large number of small engagements rather than the large actions

Small-scale attacks can be mounted earlier and with less preparation and can often make better use of whatever local forces the Communists may have; moreover, even though the manpower costs involved might be higher than those prevailing in the last two years, they might be lower than for a major offensive.

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The Communists have in fact been keeping up just this kind of pressure in South Vietnam this year. In the central highlands they struck harder this spring than they have in two years. They have also maintained a substantial main-force threat in the country's northern provinces. They have mounted several surges of activity elsewhere in the country, they have kept terrorism at a high level, and they have overrun more than 60 South Vietnamese outposts in the delta.

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But it may be worthwhile to examine

the belief that the Communists will judge their military options in the next year or so largely on the basis of potential short-term political impact. Such considerations—particularly a desire to influence the US elections through military action—will certainly loom large for the Communists, but Hanoi probably has other things in mind as well. There are signs, in fact, that the Communists have decided the time is at hand to try to reverse the unfavorable trends that have been generated over the past two years by the pacification program. Hanoi may have come to believe that, in the light of US troop withdrawals (announced and prospective), the atmosphere is militarily and psychologically favorable for more vigorous pressure against Saigon's hold on the countryside.

All this adds up to more military pressure than the Communists have applied in a good while, and there is ample evidence from behind the Communist lines that Hanoi plans to step up the pace over the next year. It has increased its military induction rate in North Vietnam and is urging the populace once again to greater effort in support of the war. As recently as 15 June in a speech in Hanoi, Truong Chinh exhorted "the comrades...to better carry out" the military recruitment plan for the second half of 1971.

A recently available North Vietnamese article in an authoritative party journal suggests that many of these moves were the result of a decision early this year to raise the level of fighting in Indochina in the months ahead.

Thus, it appears that the Communists may have in mind two objectives for the next year or so: 1) they will want to mount intensive action keyed to US election-year politics

If this is one of the things Hanoi has set out to do, the Communists might decide it can best

and

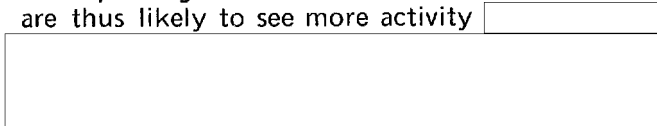
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it could even involve targets in Laos or Cambodia rather than in South Vietnam; 2) they may also try to chip harder at Saigon's position throughout South Vietnam. If so, they would tend to favor extensive local operations in addition to any intensive, coordinated push.

They may not hope to make much early progress in the South Vietnamese countryside; they know as well as anyone that their resources in much of the country are extremely meager and are not likely to grow quickly. But they seem to have decided that now is the time to start work on improving their situation. The months ahead are thus likely to see more activity



War Needs Come First

Even though the bombing in North Vietnam ended two and a half years ago, Hanoi has recognized that economic progress at home must continue to take a back seat to the needs of the war in the South. It has therefore concentrated on near-subsistence food production and the provision of enough consumer goods to prevent a drop in the already austere standard of living. With Chinese and Soviet aid, it has been possible to cover such needs, but to date efforts toward economic recovery have been modest.

In 1970, the output of milled rice reached some 2.8 million tons, about 90 percent of the 1965 prebombing level, making possible a reduction in food imports of some 100,000 tons. The rice crop continues to do well in 1971, but the rate of food imports continues at about the 600,000-ton level of 1970.

Over-all industrial recovery still lags. Gross value of industrial output in 1970 was about 85 percent of the 1964 level. Most of the large plants damaged or forced to disperse by the bombings are still well below previous output. In the elec-

tric power industry, however, some 70 percent of generating capacity has been restored, and the Soviet-aided Thac Ba hydroelectric project is expected to be completed this year, eliminating the need for current restrictions on the power supply.

Although the central committee of the Vietnam Workers Party apparently concluded last December that a three-year "plan of reconstruction" was both possible and desirable, the North Vietnamese subsequently have given no hints of any policy departures. Priority for the war certainly will be maintained. In negotiations with Communist countries no special emphasis has been placed on reconstruction. Hanoi, however, may pay more attention to rehabilitation of industrial facilities on which little work has yet been done. At the present slow rate of progress, it will be two or three years before North Vietnam can regain its prebombing economic status.

Politics in Hanoi: Mostly an Exercise

North Vietnam's rubber-stamp legislature, the National Assembly, last week held its first full session since the national elections in April. As usual, the assembly heard and duly approved reports from leading government officials on the country's economic, military, and political achievements since the last plenary session in March. It further exercised its constitutional role and chose—by unanimous vote in all cases—a state president, a cabinet, and the assembly's own standing committee to perform legislative functions between plenary sessions.

There were few changes in the line-up: the aged figurehead Ton Duc Thang was continued as president, Premier Pham Van Dong and most of his ministers were reappointed, and Truong Chinh was retained as head of the standing committee. Pham Hung, who has been directing the war in the South since the autumn of 1967, was dropped as vice-premier, obviously because of his extended absence from the Hanoi scene.

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One change in the leadership does appear noteworthy. The National Defense Council, which falls under the executive, added party chief Le Duan (his first high government post), Truong Chinh, and the leading economic planner to its membership. The council already included Pham Van Dong, General Giap, other leading military figures, and the minister of public security. Many of these men are also members of the party politburo, but the only body to which all belong is the amorphous central committee.

The new council thus brings together nearly all North Vietnamese leaders that count in matters having to do with the war. This move could have been made only for appearance's sake, because the same men presumably could have gone on operating without a new institutional base. The fact that the regime did take this step, however, suggests that Hanoi's leaders saw a need to improve their management of the war effort, perhaps in anticipation that the demands of the war will grow in the months ahead. In addition, of course, the change in the council's membership sharpens the leadership's image as a functioning collective, and strongly suggests that in the matters that count most, no one man calls the tune.

Much of the rhetoric surrounding the elections and assembly session reinforces the view that the whole exercise was meant in part to freshen the mandate of Hanoi's post-Ho leadership and to drum up enthusiasm for its policies. The party's daily newspaper editorialized on 14 June, for instance, that the assembly session gives testament to the country's "complete confidence" in the party's leadership and its line on the war and domestic affairs.

Politics in Saigon: A Helping Hand

Big Minh's camp has confirmed that it will try to help Vice President Ky qualify to run for president.

[Redacted]

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Ky had previously indicated that he would be unable on his own to gain endorsements from more than 50 to 75 of the necessary 100 councilors.

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Minh presumably will benefit if Ky runs, because the vice president probably would draw votes away from President Thieu.

Thieu Shuffles His Line-up

The long-pending cabinet changes that were finally announced last week are designed mainly to improve the performance of the ministries involved and has not greatly affected the Saigon political scene. The new ministers of information and ethnic minorities are regarded as capable administrators and they have replaced men who had gained reputations for inefficiency. The outgoing information minister, a prominent political supporter of President Thieu, has been shifted to the less sensitive post of education minister. Another major change, the appointment of a new finance minister, probably will have little effect on the conduct of the ministry or on the country's economic policies.

A new Ministry of Planning also has been established, reflecting the increased thought the South Vietnamese have been giving to the problems of economic reconstruction as the war winds down. One of the problems that most concerns them is the need for substantial US economic assistance to help rebuild after the war to help provide the economic basis for political stability. The new ministry will help the government oversee and control this reconstruction.

Coasting Past the South Vietnamese Navy

The Communists appear to be moving more supplies in from the open sea and along the coast,

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particularly in the delta area, than they have for many years. Following more frequent reports of such enemy supply movements and observations of shortcomings in South Vietnamese coastal patrols, US naval analysts in South Vietnam have concluded that the effectiveness of Vietnamese surface patrols in preventing small enemy vessels from moving close to shore has dropped substantially. They have further concluded that, if the larger trawlers are able to evade the notice of US air patrols, the probability that South Vietnamese surface patrols will detect them is only one in four.

The enemy has apparently been assigning more of his assets to the sea supply routes partially to compensate for the loss in early 1970 of the Sihanoukville route into the delta. It has been the Communists' good fortune that the naval effort designed to stop these movements has gradually been becoming less effective as the South Vietnamese Navy has assumed most of the operational responsibility. According to the study, South Vietnamese patrol boats are poorly maintained, and there is inadequate supervision of crews by younger officers. Many patrols are not carried out aggressively, and some patrols are not carried out at all. Some stations are left unmanned, operations commanded by inexperienced junior officers are not monitored, and some patrols are not carried out to the boundaries of the assigned areas.

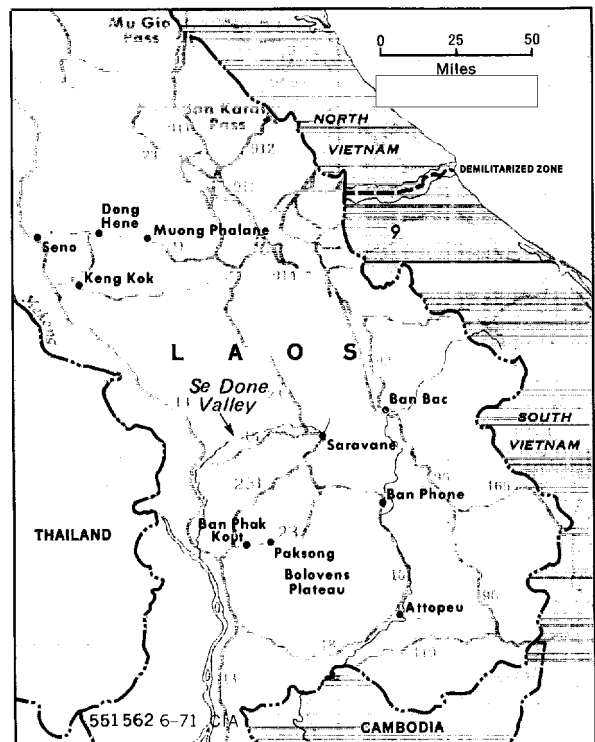
In view of this deterioration in coastal patrolling, it seems likely that the North Vietnamese will attempt more frequent seaborne infiltration in the coming months to replenish depleted stockpiles in the South.

Back to the Drawing Board in South Laos

The government suffered new reverses in south Laos last week when troops engaging in a multibattalion operation to retake key portions

of the western Bolovens Plateau were badly mauled by the North Vietnamese. The operation was launched on 9 June and immediately ran into trouble when two key battalion commanders were killed, stopping the government advance short of its first goal, Ban Phak Kout. On the morning of 11 June, NVA units supported by four tanks overran the Lao Army task force command post, capturing three 105-mm. artillery pieces. Four government battalions that had been in positions to the east of the command post were cut off and scattered.

The government committed all of its remaining units earmarked for the operation, as well as all of the mobile reserve from Military Region 4, and took up new defensive positions along Route 23 and at the key junction of Routes 23 and 231. At the same time, the bad weather, which had curtailed air support, lifted somewhat, permitting



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numerous tactical air strikes that blunted the North Vietnamese counterattack.

As of 14 June, the government estimated that 465 of its nearly 1,600 troops committed to the abortive operation were still missing. In addition, at least 175 soldiers and irregulars were wounded and incomplete figures indicate that more than 25 were dead. There are no definitive estimates of North Vietnamese casualties; air observers and army commanders on the ground believe that as many as 500-600 of the enemy were killed or wounded by air and artillery attacks.

The North Vietnamese have long coveted the plateau, which overlooks portions of the southern infiltration corridor. The current phase of North Vietnamese gains in this area began in 1968, when the Communists re-entered the Se Done Valley and cut off the provincial capital of Saravane. The Communists then took Saravane, Attopeu, and other government positions around the edge of the plateau, while eroding the government's once firm control of the plateau itself. One assault on the plateau in early January was turned back, but since then the North Vietnamese have moved steadily, capturing the eastern rim in March, and the central portion in mid-May. Considering the plateau's importance to them and the high price they have paid in men and supplies, the North Vietnamese presumably will fight hard to hold their recent gains.

The North Vietnamese are already giving indications that they plan, probably during the next dry season, to increase the use of the western infiltration corridor—Routes 23/16. Recent aerial photography shows that they have begun improvements on the long-unused section of Route 16 between Ban Phone and Attopeu and are building a new road to link the staging areas at Ban Bac with Route 16.

Military Action Elsewhere

Units of an irregular task force have entered the abandoned town of Dong Hene on Route 9 in the western panhandle and have occupied some enemy positions east of the town. The irregulars so far have encountered little enemy resistance, tending to confirm reports that enemy units have pulled back toward Muong Phalane. The irregular task force plans to sweep toward Muong Phalane in the next few days, after regular army units are in position to protect Dong Hene, Keng Kok, and Seno.

In northern Laos action has consisted principally of small-unit clashes and shelling attacks on irregular positions near Bouam Long and on the southern and western edges of the Plaine des Jarres. No major Communist attack has been launched in either location.

Nothing Doing Politically

Prime Minister Souvanna Phouma and the Pathet Lao (PL) continue to toss verbal brickbats at one another, but have made no further progress toward the opening of peace talks. On 8 June the PL broadcast a response to Souvanna's letter of 26 May, charging the prime minister with "beating around the bush." They did not, however, reject his proposals, any more than he had earlier rejected the PL call on 27 April for a bombing halt in return for a cease-fire. The Communist emissary in Vientiane, Souk Vongsak, meanwhile has continued to make the rounds; he appears relatively undiscouraged by the cold shoulder given him by Souvanna and other Lao officials.

Another PL broadcast also addressed Souvanna's letter of 26 May, commenting that the Lao people are displeased with him for not specifically answering the PL proposals. The broadcast went on, however, to make a veiled threat of further military action unless Souvanna

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moves toward talks. It said that the people of southern Laos, aware of recent Communist gains on the Bolovens, are calling for new attacks in that region to punish the government for dragging its feet on the talks. This is the first time the Communists have publicly linked their recent offensive in the south with their peace proposals.

Cambodia: Enemy Pressure Continues

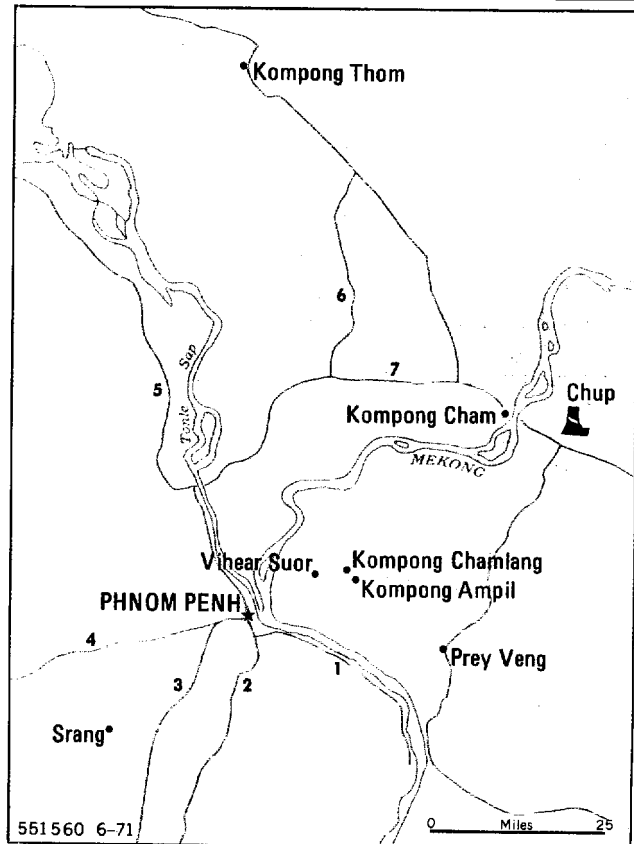
The government's military attention remained focused on the area northeast of Phnom Penh, where the Communists are continuing to harass several Cambodian Army positions. Southwest of the capital, the enemy dealt government forces a sharp setback when they tried to regain control of the town of Srang, near Route 3.

Government forces east of the Mekong River were preoccupied with their preparations for launching another drive from their staging base at Vihear Suor toward positions at Kompong Chamlang and Kompong Ampil, which were still encircled and harassed by the Communists. Nine battalions, consisting chiefly of Khmer Krom troops, are to participate in this latest push eastward. The government campaign in the northeastern sector now involves some 28 battalions, totaling approximately 13,000 troops. Aerial resupply of these forces, as well as those defending Kompong Chamlang and Kompong Ampil, has been difficult at times because of poor weather conditions and heavy enemy ground fire.

Phnom Penh's hopes for the commitment of some South Vietnamese ground troops to the threatened sector were quickly dashed when Saigon refused to carry out a diversionary operation there. Consequently, Lon Nol was obliged to send some Cambodian units from the Route 6 area in Kompong Cham Province and from the Mekong River Defense Command to shore up the area around Vihear Suor. The prime minister appeared to be taking personal command of the effort to push the enemy away from the northeast. Although it is not clear how hard or long Lon Nol is working, it has been feared that even a partial

resumption of his duties could lead to another stroke.

In the southwest, the Communists again held Srang, in Kompong Speu Province, following its abandonment by Cambodian Army troops early in the week. Several government battalions subsequently launched a drive from Route 3 to retake the town. They quickly ran into strong enemy resistance, however, and suffered six killed and 30 others wounded in the ensuing fighting. That attack, as well as other Communist actions that have occurred recently in the same general area, apparently was carried out by elements of the Communist Phuoc Long Front—possibly to mask enemy supply movements.



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COMMUNIST CHINA - PERU: The Peruvian trade mission that arrived in Peking last week has obtained Chinese agreement on a major commercial transaction. China will buy 150-200 thousand tons of Peruvian fishmeal as well as other fish products and 40 thousand tons of copper before the end of 1972. Permanent offices will be established in Lima and Peking to facilitate this in-

creased trade. While in Peking the Peruvian trade mission received lavish treatment and high-level attention, including a meeting with Premier Chou En-lai. Despite such broad hints to the Peruvians as Chou's statement that he hoped that Sino-Peruvian relations would "grow with each passing day," there is as yet no evidence of substantial progress toward the establishment of diplomatic relations. [REDACTED]

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Chinese Navy Puts In To the Paracels

Peking is expanding its naval activity in the Paracel Islands in the South China Sea. Naval convoys from Yu-lin on Hai-nan Island frequently visit the Paracels, particularly Woody Island, one of the largest in the group, which lies some 200 miles southeast of Hai-nan. Security for the convoys is being provided primarily by destroyer escorts, the largest warships in China's South Sea Fleet.

other nations—South Vietnam, Nationalist China, and the Philippines. Peking has maintained a naval communications and observation post on Woody Island for years and the island has long been used by the Chinese as a source of guano and as a fishing base. A Chinese presence also has long been maintained on Lincoln Island, some 30 miles southeast of Woody. The South Vietnamese have a small military force on a few islands some 50 miles southwest of Woody.

Recent aerial photography of Woody Island shows that the Chinese are building a berthing area, dredging a channel, constructing a jetty, and erecting new buildings on the island. The convoys are bringing construction materials and supplies for the operation. Over 50 buildings of various sizes are located on the island.

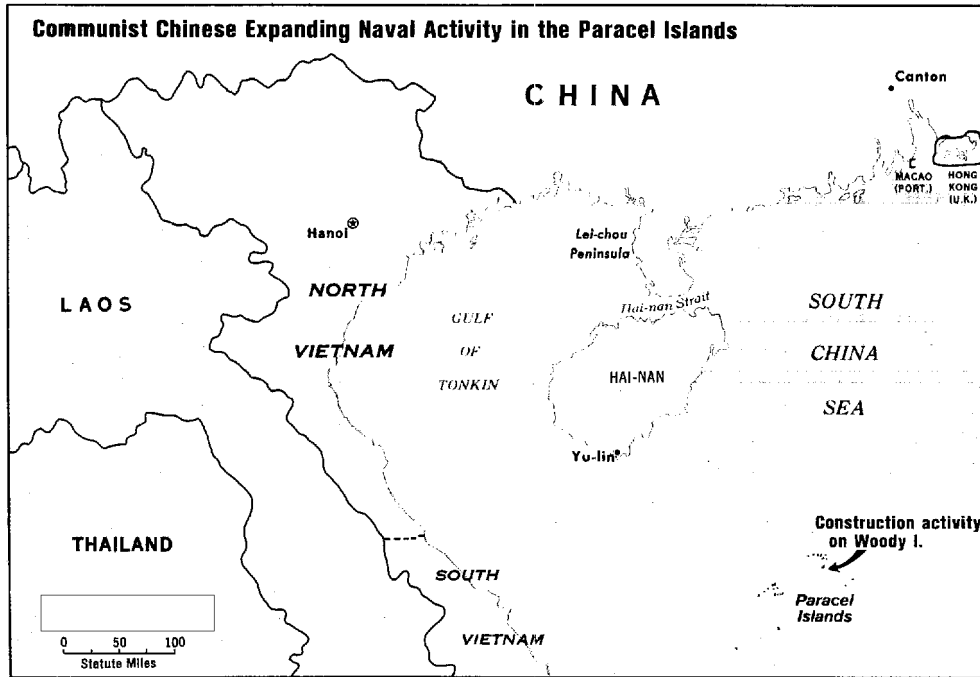
Communist China is sensitive about the present operation in the Paracels and most of Peking's "serious warnings" to the US in the last six months for violations of its sovereignty have involved overflights of the islands. The reason for the increased naval activity and construction program is not entirely clear, but it strengthens Peking's claim to the islands. The Chinese may want a new naval facility in the Paracels to provide limited support for the expanding naval operations of their growing South Sea Fleet. [REDACTED]

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The Paracels consist of a large number of coral reefs, but only a few are large enough to support habitation. Sovereignty of the islands is in dispute, and claims are made by at least three

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Japan: *Maneuvering for Political Power*

Prime Minister Sato apparently will make a major cabinet reshuffle following the upper house elections late this month. Foreign Minister Aichi, according to the US Embassy in Tokyo, may be one of the few incumbents retained. He would be kept on to present the government's case when the Okinawan reversion agreement comes before the Diet this fall. Defense chief Nakasone reportedly is virtually certain to leave his post, but he may get either a top party position or a major ministry. Either would enable him to get closer to the sources of campaign funds that he needs to keep his large, restless faction in line, as well as facilitate his efforts to build support for a future try at the prime ministership.

A reshuffle would be most likely to occur immediately after Sato returns from the inaugura-

tion of South Korean President Pak on 1 July. Although Sato confounded observers by deciding not to reshuffle the cabinet following his re-election last fall, he is now under considerably greater pressure to bring new blood into the cabinet. This pressure results partly from the realization, particularly from members of his own faction, that this is their last chance to gain a cabinet post before the expiration of Sato's term of office next year. In the process of reshuffling the cabinet, Sato will face the delicate task of maintaining a balance among the other major rival factions, if he is to retain his dominant role in naming his successor. Sato's power and control over intra-party forces have already declined somewhat because of an inevitable growth of restiveness among the rank and file resulting from his unusually long tenure in office.

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Trade Liberalization Japanese Style: *Eight Steps Sideways*

Tokyo's recent announcement that it will "drastically" revise its highly restrictive import policies and modify its aggressive export activities is largely a restatement of promises made over the past decade. Despite past assurances and mounting foreign criticism, trade practices have not been markedly altered, and there is considerable domestic opposition to making any significant changes.

The most significant aspect of the proposed eight-point liberalization program is that it appears to reflect a growing awareness by some elements at the top leadership that greater efforts should be made to modify the old restrictive policies. Some officials, particularly in the Foreign Ministry, probably would like to remove the barriers somewhat more quickly than now anticipated to reduce friction, especially with the United States, Japan's major trading partner. They have been strongly opposed, however, by other elements in government, particularly the Ministry of International Trade and Industry and the Ministry of Agriculture. These ministries are strongly influenced by agricultural interests and by major segments of the business community who have benefited from restrictions and who are backers of the ruling Liberal Democratic Party.

Among the measures included in the program is a pledge to remove most of the quantitative restrictions on imports. This repeats Tokyo's promise made in the early 1960s to the Organization of Economic Cooperation and Development to eliminate "illegal" restrictions. Most of these have been gradually removed over the years, and Tokyo now states they will be reduced to 40 by September compared with 262 in 1962. Most of the program deals largely with studies that are to be undertaken rather than with any meaningful action. For example, Tokyo promises to look into the orderly marketing of its exports and to consider tariff reductions beyond those already agreed to under the Kennedy round.

Liberalization measures already adopted have not lessened Japan's trade restrictions substantially. Some quantitative restrictions have been nullified by "temporary" increases in tariff rates and by a quota on imports based on value. Moreover, the retention of highly subtle nontariff barriers, including government purchasing monopolies and informal allocations of import licenses through administrative guidance procedures, has significantly reduced the effectiveness of liberalization measures. Until these are eliminated, meaningful movement toward liberalization will be difficult. [redacted]

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PHILIPPINES: The sudden death of the constitution convention president three days after his election is a setback for President and Mrs. Marcos, who had actively lobbied for him. They are probably for the moment undecided on a successor who could be depended on to do their bidding.

The convention has been preoccupied since it opened on 1 June with getting organized and choosing officers. A resolution calling for a commitment to "perpetual neutralization" has ex-

cited considerable delegate interest since it was introduced. Discussion of neutralism is becoming somewhat fashionable in the Philippines in connection with increased involvement in regional affairs and a relaxation of its traditional aloofness from the Communist world. At this juncture, however, it does not appear that the Philippines, which depends on the US for external defense, would adopt a neutralization formula that would preclude continuation of US military bases in the country. [redacted]

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EUROPE

Soviet Foreign Trade Registers Sharp Rise

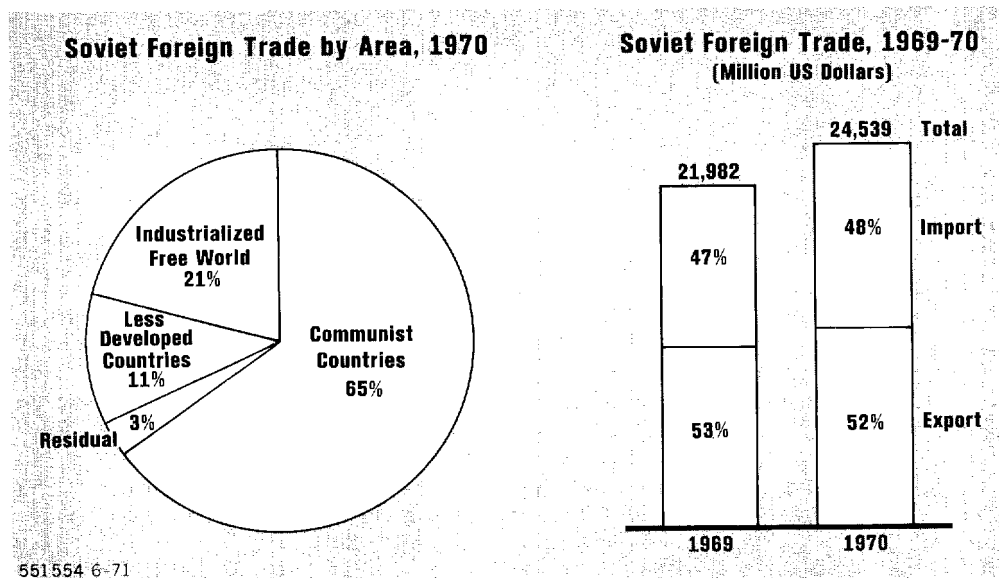
Initial foreign trade data released by Moscow indicate that the greatest growth in a decade occurred last year with a 12-percent rise to \$24.5 billion. Imports rose by 14 percent to almost \$11.7 billion, and exports, which increased by 10 percent, amounted to \$12.8 billion.

Soviet trade with other Communist countries totaled \$16 billion, a rise of 11 percent over the 1969 level. Trade with Cuba, however, increased by more than one third, reflecting substantially increased imports of sugar. Exchanges with Hungary, Poland, and Yugoslavia also were up considerably, largely because of increased Soviet exports. The Soviet figures indicate that trade with North Vietnam fell off slightly in 1970.

Soviet trade with the free world rose 12 percent to \$8.5 billion; exchanges with the less developed countries accounted for the greatest rise among non-Communist areas. Exports unspecified by the Soviets as to destination but believed to represent military-related goods delivered to less developed countries rose by more than \$200 million to almost \$800 million.

Trade with the industrial West increased 8 percent to \$5.1 billion. The growth in exports was less than half that registered by Soviet imports from this area, leaving a deficit of \$435 million. Large increases in imports occurred in trade with Japan and Canada, but trade with Western Europe failed to show any significant change.

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Profitable Discussions of International Trade Problems

The ministerial meeting last week of the Organization for Economic Cooperation and Development (OECD) and bilateral talks between the Commission of the European Communities (EC) and US officials have enhanced prospects for constructive international discussions of trade problems, including those which the US may encounter as a result of the enlargement of the EC.

The 23 members of the OECD, meeting in Paris, agreed to establish a special high-level, inter-governmental committee to explore ways of resolving some of the economic problems currently plaguing the international community. The group will concentrate on trade and "related problems," a term not yet clearly defined. The committee will be kept relatively small—eight to ten members—probably including the US, Japan, West Germany, France, Italy, the UK, and some representative of the EC as an organization. The venture should help to ameliorate the differences over trade practices that have recently clouded relations between the US, Japan, and the EC. It will also enhance the role of the OECD as a forum for discussion of the broad range of differences on economic policy among those countries.

There is a variety of opinion within the OECD on what poses the greatest problems for the international economy. Some of the OECD countries who are not members of the EC, although supporting the new trade committee idea, believe that ultimately the effects of the enlargement of the EC will require another world-wide round of trade liberalization. Most of the EC members, however, would be reluctant to commit themselves to such wide-ranging negotiations while they are caught up in the process of enlargement. Moreover, there is sentiment within the EC,

particularly on the part of the French, that US balance-of-payments deficits and the large volatile Eurodollar market were responsible for most of the recent ills of the international economy, and that these problems require the immediate attention of the OECD if the world is not to revert to protectionist trade and monetary practices. Even so, all the EC members supported establishment of the trade group.

Following the generally favorable outcome of the Paris session, a high-level US delegation met with representatives of the EC Commission in the second of a series of consultations informally established last July. The meeting was judged by both sides the most useful and constructive exchange of views yet between the two sides. The commission indicated its intention to promote trade liberalization and to maintain good relations with the US during the difficult period after the UK and other countries join the EC. For example, the commission suggested that before the EC's arrangements with the Commonwealth countries are definitely determined, a further hearing of the US attitude might be possible.

The commission representatives explained that their recent offer to improve the access of US oranges to the EC market was designed to help end what was becoming a dangerous round of recriminations. The commission said that the offer, which could be approved by the EC Council in July, requires no reciprocal US action, although the EC would hope for a gesture in return. A number of other specific trade problems remain on the agenda for future discussions, but the current positive attitude of the commission should help assure consideration for US interests in the course of the EC's probable enlargement.

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A New Soviet Disarmament Proposal

Soviet party leader Brezhnev presented yet another arms control proposal in his election speech on 12 June. Following up on his presentation on 30 March to the 24th party congress, he publicly put the USSR on record as favoring some limitation on the naval deployments of great powers "far from their own shores." Brezhnev said that Moscow is ready to discuss "any proposals" for "solving" this problem provided that the discussions take place "on an equal basis."

Brezhnev's comments seem designed, in part, to maintain the momentum of Moscow's "peace offensive" with another gesture it hopes will be interpreted as a new Russian initiative aimed at reducing East-West tension. Moscow probably also sees the offer as a useful counter to Western charges that increasing Soviet naval activity points to expansionist aims. Moscow's sensitivity to these charges is evident in the context in which Brezhnev's offer was made. He alluded to US naval deployments in the Mediterranean—"next door to the Soviet Union"—and in the Far East, and he complained that, although the US contends these are "normal and natural," Washington has launched a propaganda campaign against the mere appearance of Soviet ships "in the Mediterranean, the Indian Ocean, and other seas."

Although Moscow has a clear interest in seizing the public initiative and in trying to put the US on the defensive in this area, the Soviets are probably motivated by more than a mere tactical desire to engage in grandstanding.

The Soviets are no doubt aware of press speculation that the US, having reviewed its

policy options in the Indian Ocean, may propose some kind of regional arms control arrangement. Brezhnev's remarks may have been timed in part to pre-empt and upstage any such initiative and at the same time increase the pressures against possible US plans to strengthen its naval presence in the area.

Moscow is particularly sensitive to the possibility that the US might be considering deploying ballistic missile submarines on regular patrol in the Indian Ocean. The US decision, announced last December, to begin building a communications facility on Diego Garcia has probably strengthened Soviet fears on this score. Moscow's desire to prevent this, therefore, may eventually prompt the USSR to flesh out its earlier suggestion for mutual restraint in the Indian Ocean.

Alternatively, the Soviets might also be planning to propose some kind of trade-off, whereby the USSR would undertake to exercise some restraint with respect to its naval activity in the Caribbean in return for limitations on US deployments in other waters closer to the Soviet Union such as the Barents and Black seas and the Sea of Okhotsk or possibly even in the Indian Ocean. Moscow's growing naval presence in the Mediterranean and its appreciation of the US stake there argues against any serious move in this area. In his March address to the party congress, Brezhnev, in fact, made further steps "toward reducing war tensions" in the Mediterranean conditional on a settlement of the Arab-Israeli conflict.

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IAEA: The recent meeting of the board of governors of the International Atomic Energy Agency (IAEA) proceeded smoothly, with no controversy over the safeguards accords reached in April. Thus, the next few months should produce much greater activity in negotiations on safeguards agreements between the IAEA, the enforcement agency designated in the Nonproliferation Treaty

(NPT), and NPT adherents. It is not yet clear, however, when—and in what manner—EURATOM will be prepared to negotiate with the IAEA. France, an NPT nonsignatory, has been holding up agreement among the Six on the EURATOM position, seeking a loosening of EURATOM safeguards on its civil atomic energy programs.

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NETHERLANDS: Seven weeks after the national elections, Professor Steenkamp's strenuous efforts to see if a government could be formed have finally produced agreement among the five prospective coalition partners on an over-all draft program. On 9 June, the five parties had negotiated an economic program providing that any new government expenditures will be financed by economies elsewhere in the budget and that tax increases will be tied to real income gains. With this general compromise on the major obstacle of

fiscal policy completed, Steenkamp has apparently had little difficulty in discovering a consensus on such issues as housing and defense spending. Although specific recommendations for cuts in ensuing government expenditures and the details of portfolio arrangement remain for consideration, the postelection negotiations will now move toward the formateur stage, with Barend Biesheuvel, a popular Protestant party leader, as the most likely candidate for the prime ministership.

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ICELAND: The voters tipped the political balance leftward in last Sunday's parliamentary elections, augmenting the number of seats held by the Communist-dominated Peoples Alliance and the splinter Liberal Left Party. As a result Prime Minister Hafstein submitted his government's resignation on 15 June, ending nearly 12 years of coalition rule by the conservative Independence and Social Democratic parties. No decisions have yet been made as to the composition of the new

government. The Social Democrats, confronted with the lowest show of support in their history, have apparently decided not to agree to reshaping the old coalition by expanding it to include the Liberal Left Party. If their decision to remain on the sidelines is irrevocable, an alternative combination may be an all-bourgeois coalition of the Independence and agrarian Progressive parties, provided they can bury their long-standing antagonisms.

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East German Party Congress Provides No Big Surprises

The smooth transfer of power from Walter Ulbricht to Erich Honecker, begun six weeks ago, continued at the eighth congress of the East German party (SED). The conclave opened in East Berlin on 15 June. Major speakers have adopted a low-key approach to foreign policy, indicating that domestic matters are still of primary importance to the party in the transition period, and Soviet party chief Brezhnev warmly endorsed Honecker's leadership. Nevertheless, Honecker promised even closer East German - Soviet ties and hinted at a more conciliatory attitude toward the Berlin negotiations.

Both Honecker and Brezhnev formulated their remarks on the Berlin and East - West German talks in a manner designed to elicit hope for progress, while at the same time veiling their specific intentions. Honecker made a public avowal that he would follow the Soviet lead on Berlin talks. In return, Brezhnev undercut rumors of differences between the two countries by promising that he would accept only an agreement that included "due consideration of the lawful interests and sovereign rights of the German Democratic Republic." Honecker rejected again Bonn's idea that there could be a "special relationship" between the two Germanies and indicated no change in his demand for formal recognition from the West Berlin Senat.

No abrupt shifts in domestic policy have been suggested. Above all, the congress is busy making formal the changing of the guard within the party hierarchy. Honecker's report carefully cited Ulbricht's "great and historic contributions" to the SED, a sentiment echoed by Brezhnev. The SED's new era was further emphasized by Ulbricht's failure—because of an unexpected illness, according to East German announcements—to address the congress.

Honecker's remarks on party matters stressed the concept of collective leadership, an idea that he has cultivated since taking over the party reins. His statements on "collectivity," however, clearly were not formulated either as direct or indirect criticism of Ulbricht. Rather, they seem aimed at middle and lower party echelons, where the SED most often encounters bureaucratic stagnation.

Honecker spent a good portion of his address on economic policy, as embodied in the 1971-75 economic plan. He continued to emphasize the need to expand industrial output, but this was presented in a more realistic framework. Mindful of the events of last December in Poland, his speech also called for a slight increase in attention paid to the consumer.

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Norway: *The Crisis That Never Was*

A flurry of press speculation, prompted by political party grandstanding, created during the last month the illusion of a government crisis in Oslo, but the specter vanished once serious debate began in parliament.

The Norwegian shadow play revolved around the minor issue of contributions to the national pension fund. The minority Labor government had called for a one-percent increase in employer contributions and a one half - percent increase in employee contributions. The four opposition parties were divided in their response to this proposal. The Liberal and Christian Peoples parties wanted only a moderate increase, while the Conservative and Center parties opposed any increase whatever. Each of the parties insisted that no compromise was possible on this question, but on the eve of parliamentary consideration of the issue Prime Minister Bratteli announced a compromise with the Liberal and Christian Peoples parties, thus avoiding a test of strength for his government.

There are several reasons for the Norwegians' oversensitivity to normal political maneuvering. The public has yet to recover from the shock of the collapse of the four-party bourgeois coalition last March. Such instability was long believed to have no place in Norwegian political practice, but once confronted with the fact that governments can collapse, even in Oslo, the Norwegians swung over to expecting new crises momentarily. Even while expecting them, however, the public anxiously hoped that none would occur, and the leaders of the various parties, aware of the low morale of the rank and file, spread the word that a crisis at this time made no political sense.

Despite this stand the leaders of the parties were also aware that parliament was ending its spring term and that some issues would have to be presented to the voters by next September's nationwide local elections. The overriding issue facing the nation—Norway's application for membership in the European Communities (EC)—is so explosive that none of the parties cares to drag it into the cross fire of public debate. Nearly all the other Labor government's bills in parliament were carry-overs from the bourgeois government's stewardship. Thus, only on the minor pensions proposal could the various parties safely puff and posture. Once each of them established a distinct position on this proposal in the minds of the voters, the normal processes of political horse trading ensued, and a bill approximating the government's original proposal was passed.

Now that the dust has settled on the pension fund issue, the realities of Norwegian politics have once again emerged. The minority Labor government is in office because of the collapse of bourgeois unity on Norway's pursuit of EC membership. All of Norway's political parties have adopted varying stands on this issue, and except for the Conservatives, each of the country's political parties has a vocal minority opposing the position of its party leadership. In such disunity, the Labor party has the responsibility for guiding the nation through its greatest controversy since the 1905 separation from Sweden, and if the EC issue can be resolved without further dividing the party or nation, Labor can expect to reap political benefits not only in the 1973 parliamentary elections but beyond.

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Italian Electorate Moves to the Right

Results of the off-year local and regional elections on 13 and 14 June show a popular shift to the right. The neo-fascist Italian Social Movement (MSI) and the outspokenly anti-Communist Social Democrats gained at the expense of the heterogeneous Christian Democrats, and the Socialists took votes from the Communists. These results may aggravate interparty tensions in Prime Minister Colombo's coalition but do not appear to threaten the formula for government by a center-left alliance.

Election successes for the MSI are a particular victory for Giorgio Almirante, who has headed the party only since 1969. Almirante, who often criticized his predecessor for being too moderate, has himself enforced extremism as the party line.

The MSI increased its vote from 7 to 16 percent of the total in Sicily and from 9 to 12 percent on the mainland. The increase probably came from the Christian Democrats' total in Sicily, but from minor right-wing parties on the mainland.

The vote given the two relatively conservative coalition members, the Social Democrats and the Republicans, remained steady in Sicily but rose 2.4 percent on the mainland. This rise appears to have been partly at the expense of the Christian Democrats, who lost only fractionally in this area. The shifts, which seem to reflect popular interest in a more ordered society, are likely to push these three parties toward a more conservative policy orientation.

The Socialist Party, on the other hand, may be strengthened in its leftward policy by its moderate electoral success. It has been advocating legislative cooperation with the Communists.

Resulting interparty strains could cause a rejuggling of the coalition or even bring about a Christian Democratic caretaker regime for the rest of the year. Serious pressures on the center-left formula will be minimized, however, by the imminence of the "white semester," a six-month period preceding the presidential election next December during which the President cannot dissolve Parliament.

MALTA: The narrow victory of the Malta Labor Party in the parliamentary elections of 12-14 June indicates that it will have to move cautiously before altering Malta's traditional ties with the West. The latest returns show Labor winning by one seat, but the defeated Nationalist Party may contest the outcome.

Dom Mintoff, who will be the new prime minister, is likely to pursue a foreign policy that will attempt to play off the East against the West in the hope of getting increased financial benefits

for Malta. During the campaign the Labor Party indicated that it was prepared to sign an economic agreement with Libya, and Mintoff may try to use the possibility of such aid to squeeze additional assistance and investment from Western countries. As one of his first acts as prime minister, Mintoff will probably seek to renegotiate the defense and financial agreement with the UK in an attempt to pare down London's vital role in determining Maltese foreign policy and to increase significantly British development aid.

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Maritime Issues: *US Positions Endangered*

Several recent developments have dimmed any expectation that the 1973 Law of the Sea (LOS) conference will readily produce meaningful international agreements on the vital issues—control of the seabeds, rights of passage through international straits, territorial waters claims, and fishing privileges. The Latin American states that claim a territorial jurisdiction of 200 miles in particular have maneuvered adroitly in the current preparatory work of the UN General Assembly's 86-member seabeds committee to secure an outcome favorable to their interests.

The US has been urging a new LOS principally because the vaguely worded maritime conventions produced by UN-sponsored meetings in the late 1950s have seemed increasingly inadequate to protect the vital security interests of the superpowers. In the late 1960s, moreover, many of the less developed countries have been pressing for a comprehensive oceans regime to regulate and divide the revenues from the exploitation of the potentially vast riches of a wide variety of maritime resources. The upshot of these parallel pressures was the 1970 Assembly decision to convene the LOS conference, subject to confirmation by the 1971 and 1972 assemblies.

A major threat to the conference is the efforts of several Latin American states to nail down their objections to the major powers' deep-sea fishing off the Latin Americans' coasts and their rejection of the US proposal last year that national sovereignty over the ocean floor end at a water depth of 200 meters and that international controls apply to the seabeds beyond that point. Last March these nations prevented the convening of a seabeds committee meeting for two weeks, seeking agreement that the subcommittee preparing the recommendations on territorial waters be chaired by a 200-mile advocate.

Unsuccessful on that occasion, the Latin American states have since sought other ways to enhance their leverage. Vis-a-vis the Soviet Union,

they are seeking priority consideration in the meeting of the seabeds committee next month for the outline of a world-wide oceans regime, a concept that troubles Moscow because of its conservative view of international organizations. The US, moreover, has been warned by a Chilean UN delegate that the Latin Americans may urge reconsideration at the committee session of the subject of "peaceful uses" of the ocean floor, a move designed to focus attention on the activities of intelligence-gathering ships and on the use of electronic devices on continental shelves for monitoring purposes. Presumably, the Latin Americans could be induced by the superpowers not to raise these delicate issues if a concession were made on procedures for handling the territorial waters proposals.

A two thirds majority probably will be required for adoption of agreements at the 1973 conference. Despite their recent successes in winning some African support for 200-mile claims, the Latin Americans may not yet have a blocking third to prevent decision on a lesser limit. There is potentially substantial Afro-Asian support for sharing revenues from resources nearer to coasts.

A major 1973 objective of the superpowers is to ensure rights of passage through international straits. These rights—at stake in over 100 straits—have been jeopardized both by expansive territorial waters claims and by the growing controversy over what constitutes "innocent passage," the key term in present international law on the subject. Spain has been assiduously courting support—successfully in the case of Ethiopia and Brazil—for its view that "dangerous" vessels and cargoes should not be accorded the privilege of free passage. By playing on the concern over nuclear and oil-polluting accidents, Madrid probably hopes to gain bargaining points with the US on a NATO link and compensation for US bases in Spain.

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MIDDLE EAST - AFRICA

Jordan: *Iraqi Troops Go Home*

The Iraqi troop withdrawal from Jordan is still incomplete, but the force level has declined to about 1,800. These forces consist of a light AAA battalion, an infantry battalion, and a logistics unit, all located around the former H-4 pumping station in eastern Jordan, according to the US defense attaché in Amman. The Iraqis also have maintained a few aircraft and air force personnel at the H-4 airfield.

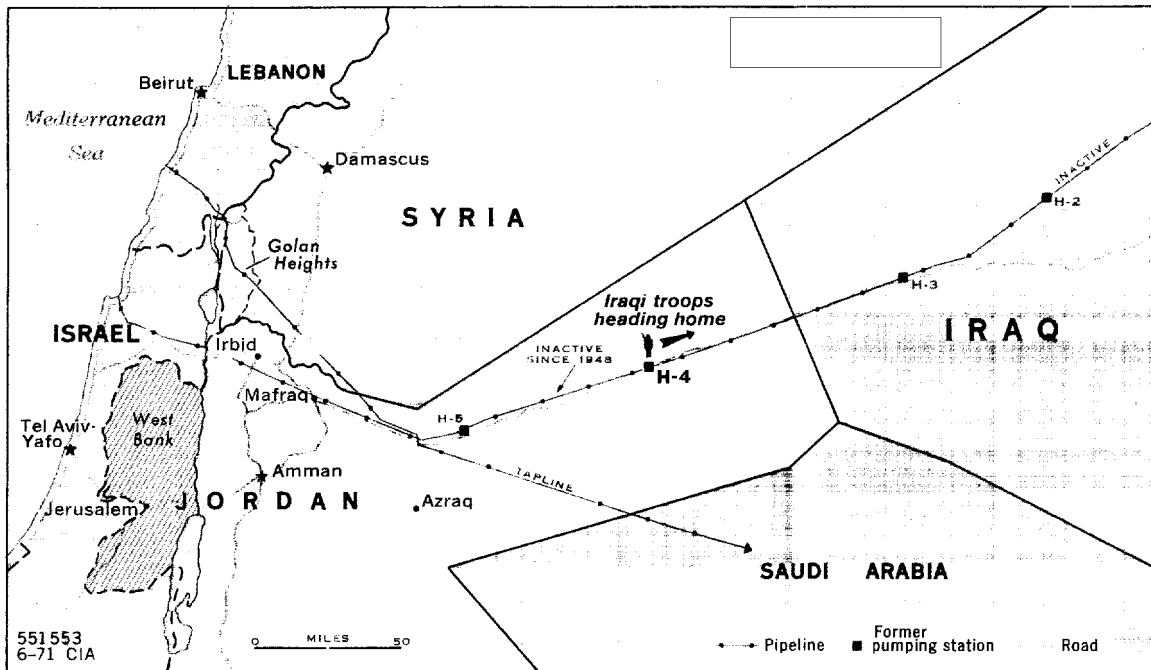
The Iraqi withdrawal has been under way since last fall and the number of troops has declined from a total that may have been as high as 25,000 at that time.

they are prepared to withdraw if Jordan insists and will reimburse them for the move.

Whatever the precise number of Iraqi troops remaining in Jordan, it is now so low and the force so isolated that any meaningful military intervention by Baghdad in Jordanian affairs will be difficult. If Amman chooses to press for the complete departure of the Iraqis, it could do so successfully. Even if the present small contingent were allowed to remain at H-4, it would not provide much of a lever should Iraq decide to try to rebuild its forces in Jordan.

King Husayn was instrumental in the collapse last fall of the Eastern Front Command—a vehicle that was never effective in achieving its

The Iraqis maintain that



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purpose of coordinating the forces of Iraq, Syria, and Jordan, but through which Iraqi forces were introduced into Jordan after the 1967 war. He has remained adamantly opposed to its revival unless the Jordanian Army could exercise complete command of the foreign troops stationed in Jordan.

Any significant alteration in the King's attitude or the prevailing mood of cool toleration between Baghdad and Amman seems unlikely. Consequently, the withdrawal of the Iraqi troops probably has had the effect of isolating Iraq from effective military participation in Middle East skirmishes and councils.

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FEDAYEEN: On 11 June the Popular Front for the Liberation of Palestine (PFLP), the Palestinian commando group most noted for flamboyant anti-Israeli activities, attacked the Israeli charter tanker "Coral Sea," under Liberian-flag, near Bab al Mandab at the mouth of the Red Sea. The attackers apparently fired bazookas at the tanker from a small pleasure boat, starting several small fires aboard the tanker. These were quickly put out and the ship proceeded on its course to the Israeli port of Eilat. The PFLP has taken public credit for the incident and has appealed to the Government of Yemen (Sana) to release four

persons reportedly involved who are now being held by the Yemenis.

The Coral Sea is one of several ships engaged in carrying oil from Iran to Israel. The Israelis are particularly sensitive to such encroachments on their commercial lifeline and have warned the Arab states and the international community of the gravity of the incident. They have announced that they will take unspecified precautions against similar attacks in the future, and they may yet take some kind of retaliatory action.

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ZAMBIA-PORTUGAL: A five-month-old dispute between the two governments has been settled, but fresh difficulties may well arise. Under a secret agreement recently reached in New York, the Portuguese will again allow Zambia's grain imports to move over Portuguese African railroads and will release two Zambians they have been holding in jail. Lisbon had suspended the rail traffic and had arrested the Zambians to press Lusaka into punishing a Zambia-based guerrilla

organization that had earlier abducted and apparently killed six Portuguese civilians.

According to a Portuguese official, Zambia has promised to restrict the activity of Zambia-based organizations, but Lisbon doubts Lusaka's willingness to crack down hard or for long. The agreement apparently did not resolve the question of Zambian support for anti-Portuguese guerrillas and it probably is only a matter of time before incidents along the Zambian - Portuguese African borders flare up again.

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Libya: *Qadhafi Lashes Out Again*

Premier Qadhafi has once more castigated friend and foe alike for deviating from pure Arab nationalism and socialism as he conceives them. The recent attacks contrast sharply with the more or less reasoned speeches he made earlier this year and may have the effect of moving Libya further into political isolation.

Qadhafi's speech on 11 June—the first anniversary of the US evacuation of Wheelus Air Base—was tailored to the local audience and attacked both the big powers and Arab states. The US was again the main target, and Qadhafi reiterated that relations cannot be maintained if the US continues to supply Israel with arms. An ominous reference to "action" by the Libyan people was not spelled out, but given Qadhafi's sense of frustration with Libya's sideline role in the Arab-Israeli confrontation, he may well indulge in some anti-American gesture.

The Premier also dealt harshly with the Soviet Union, accusing it of acting in a way that could lead to imperialistic domination of the Arab countries and boasting that in Libya there is "not a single Russian other than members of the embassy." Libyan friendship, he said, remains dependent upon Moscow's dealing with Arab

nations as equals. Qadhafi commented that relations with the British might still be worked out if they withdraw quickly from the Persian Gulf and settle the current squabble over completion of Libyan arms contracts. France was not mentioned at all.

The Premier announced recognition of Communist China in an almost contemptuous manner. The chief reason for this statement appears to have been Qadhafi's belief that, under the former regime, the US had always forced Libya to vote against Communist China's admission to the UN. He claimed that atheism had been "imposed" upon the Chinese, but he warned them that some day China would need God. The speech may have caught the Chinese unaware; Peking radio reported the recognition offer without comment.

Qadhafi's comments on Arab states were in much the same vein. King Husayn was termed a "butcher," and even Egypt, Libya's partner in the Federation of Arab Republics, was condemned implicitly for signing the 15-year friendship treaty with the USSR and falling under Soviet influence. The Premier also argued that Egypt is so preoccupied with Israel that it has dropped the torch of liberation in the Persian Gulf.

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Sudan: *Ferment In Khartoum*

The Numayri government is apparently re-considering both its domestic and foreign policies and may soon adopt a more flexible attitude toward the West.

As a first step toward broader political goals, Revolutionary Command Council (RCC) Chairman Numayri has sought firmly to establish his own base of power while neutralizing potential centers of opposition. The formation in late May of the Sudanese Socialist Union, which is likely to

consist largely of Numayri's followers, was the beginning of this process. The Sudanese leader then arrested a number of leading Communists and exiled them to a provincial capital some distance from Khartoum.

The trade union movement, which has largely served as the power base for the Sudanese Communist Party, has been restructured. Some 50 union leaders with the potential for challenging Numayri were arrested and their

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25X1 supporters in the government fired. Government plans for the trade unions now provide for a restructuring along occupational lines and incorporation into a new federation that is to be part of the Socialist Union.

[REDACTED]

Numayri has apparently already decided on one important and positive change. The nationali-

zation and confiscation of foreign properties has been recently limited by law, and the government is making a conscious effort to attract fresh Western, especially US, capital. The minister of treasury and planning has indicated that Khartoum would welcome US investments in the industrial, mining, and petroleum fields, as well as American technical assistance in cotton marketing and industrial management. Private Sudanese businessmen believe that Numayri's change of course is basic and not a passing phase, but the Sudanese leader has had a history of making mercurial policy shifts and could again reverse himself if too much opposition to his ideas develops. [REDACTED]

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Pakistan: *No End to Problems in Sight*

25X1 In East Pakistan, low-level guerrilla activity continues; clashes with army units have

[REDACTED] resulted in the wounding of 50 to 60 West Pakistani troops a day. Insurgents have also blown up many small bridges, especially in areas near the Indian border. So far, their most effective tactics appear to be assassinations and threats directed against those collaborating with the army. These have probably contributed significantly to the difficulty the military is encountering in its efforts to organize local political support.

Unsettled conditions in the province and the continuing campaign against East Pakistani Hindus have prolonged the flow of refugees into India, but the number crossing the border has decreased recently. The immediate threat of cholera among the refugees appears to be subsiding both because of international help and because epidemics of this particular strain are relatively short-lived. Residual foci of cholera will probably remain in the area. The refugees, however, live in conditions conducive to the outbreak of disease and officials now fear that typhoid and

other enteric diseases and pneumonia will also become a problem.

India, aided by US and Soviet aircraft, has begun moving refugees out of border areas, but the number of people to be moved—2.5 million—will limit the immediate benefits of this program.

The UN High Commissioner for Refugees (UNHCR), Sadruddin Aga Khan, has completed his visit to India and Pakistan. International relief continues to build up to massive proportions, but there is concern now as to whether the UNHCR will have enough authority to ensure efficient delivery of the aid to the victims.

Swaran Singh Seeks Support

Since 5 June, Indian Foreign Minister Swaran Singh has talked to government leaders in Moscow, Bonn, Paris, Ottawa, and Washington. He apparently argued that India alone cannot care for the refugees indefinitely and asked that pressure be brought to bear on Pakistan to create conditions that will allow them to return home.

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He received some satisfaction in Moscow, where the Soviets expressed their concern about the "grave situation" resulting from the flow of refugees into India. Both the joint communiqué issued at the end of Singh's visit and an election speech by Premier Kosygin on 9 June contained calls for prompt measures to stop the refugee flow and urged that proper conditions be created without delay so that they can return home safely.

The USSR's decision to speak out reflects its concern that the situation is deteriorating rapidly. The Soviets probably hope that their public criticism of Pakistani policy will put further pressure on Yahya to move rapidly toward some form of accommodation with the East wing. More importantly, however, the Soviets are probably concerned that India might follow through on its threats to take drastic action if the international community is not sufficiently responsive to its pleas for aid in coping with the refugee problem.

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Iran: Increased Foreign Aid Needed

Despite the anticipated substantial increase in oil revenues, Iran will have to rely on additional foreign assistance from both the East and West to finance its near-term economic development. Tehran will continue to walk a financial tightrope because of the Shah's program of rapid expansion on both the economic and the military fronts.

Iran will have to use some \$800 million in foreign loans this year, or about twice as much as last year, to pay its planned total development costs, including large foreign debts. This is true even though the budget for 1971-72, which became effective on 21 March, projects oil revenues at about \$1.8 billion, 80 percent of which will go for economic development.

Although the West is expected to provide most of the needed funds, the USSR and East European countries will undoubtedly play an important role. Since 1963 the USSR has been a major source of foreign development funds: it has extended nearly \$600 million in credit, largely for project assistance. The most important projects include the construction of a gas pipeline from southern Iran to the Soviet border, completed last year, and the construction of a steel mill and a machine tool plant, both of which are nearly

finished. Repayment is to be made principally by deliveries of about 140 billion cubic meters of Iranian natural gas valued at \$1 billion over the next 15 years. Gas for the Soviet Union began flowing through the line late last year, and despite a few periods of interruption Iran appears to be meeting its supply commitments.

Moscow last year agreed in principle to study the feasibility of a second pipeline that could double its imports of Iranian gas. It also agreed to expand Iran's steel capacity, and to share in joint exploration programs for gas and oil as well as to participate in joint petrochemical projects. Furthermore, the Soviets extended \$54 million in two credits to finance the delivery of Soviet capital goods and the construction of vocational schools.

Several East European countries have provided more than \$400 million in foreign aid to Iran, most of which is repayable in oil. As with the USSR, this barter arrangement is attractive to Iran because of its chronic balance-of-payments difficulties. Drawings on East European aid, which in the past have not been as rapid as those on Soviet assistance, are expected to pick up over the next few years as studies for the projects are completed.

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Most of the Western funds of about \$1.1 billion utilized by the end of March 1970 came from private foreign sources, primarily from West German, Italian, and Japanese firms. They are providing short- and medium-term credit largely for industrial and power projects. These credits, however, contribute to Iran's balance-of-pay-

ments problems because repayments must be made in hard currency. Such payments to Western creditors, which amounted to more than \$250 million last year, are expected to rise by about 40 percent during this fiscal year. Nearly half of all new borrowings in the free world will be used to discharge old debts.

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WESTERN HEMISPHERE

Mexican Government Defensive over Student Deaths

The careers of three major figures have been sacrificed and an undetermined number of lives lost in a political drama that remains highly charged with potential fallout. Divisions in the outwardly unified ruling party may have seriously deepened, and President Echeverria may have to contend with increasingly tumultuous political byplay as a result of the current crisis.

Roughshod government intervention was a major contributor to the rapid development of

the crisis. A government-imposed "settlement" of a university controversy in Nuevo Leon led to the protest resignation of the state governor and to a spillover of the affair to the Mexico City schools. Then, the use of officially sponsored goon squads (halcones) to break up a peaceful student demonstration resulted in about 50 student deaths, placing the government in a highly defensive and embarrassing position. The chief executive of the federal district, Alfonso Martinez Dominguez, and his chief of police have been made scapegoats, but



Halcones chase student demonstrators

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their resignations may not serve to turn off the continuing heavy criticism over the employment of armed, government-trained toughs, whose existence the government continues to deny.

The administration apparently set in motion or at least sanctioned speculation that Echeverria's political enemies orchestrated the student/halcones encounter and that the President was the victim of a right-wing plot. If this thesis gains wide acceptance, it will not warm the relationship between the President and conservative groups, including the important business community, who are already mildly suspicious of Echeverria's "equal distribution of wealth" rhetoric.

In any event, the President's handling of the affair is likely to be the subject of very mixed opinion in the varying political and social circles.

The image he will most want to avoid is one of weakness and misjudgment. The outbreak of a student problem so early in his term is a particular negative note for Echeverria, who in his seven months as President has unabashedly courted liberal youth. Even the official party youth group has come out condemning the violence last week and is initiating dialogues with the youth leaders of other political parties to analyze the present situation of young Mexicans.

A government investigation of the violence of 10 June so far shows signs of whitewash, with hints that some alien ideology or "foreign devil" will be blamed. If it continues to evade the question of police inaction during the attack on the students, the aroused public, and especially the students, will probably be out in the streets again to challenge the administration.

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Cuba and the US Spar over Fishermen

The impasse resulting from the US detention of four Cuban fishermen is still unresolved. The Cuban Government has not yet paid the fines imposed in a US Federal Court upon the four and has responded instead by fining five US citizens \$20,000 each and detaining eight others in Cuba pending an "investigation."

The four Cubans were arrested on 26 May for fishing within 12 miles of the US-owned Dry Tortugas islands west of Key West. Before their trial began the Cuban Government initiated a massive domestic propaganda campaign, which is still in progress. Cuban media have carried stories describing the activities of more than 50 Cuban fishing boats defiantly operating "in the same area" where the original fishermen were captured. On 9 June the four were sentenced to six months in jail and fined \$10,000 each. Castro thus found himself obliged to make a strong response or

suffer an apparent defeat in the eyes of the Cuban people.

The following day Havana announced that the five crewmen of two privately owned US boats that had recently arrived in Cuba would be tried for violating Cuban territorial waters. The broadcast also stated that the case of a US tug, which had lost power and drifted into Cuban waters, would be "carefully investigated." Five days later, Havana announced that the five had been fined \$20,000 each.

As yet, Cuba has made no move to pay the fines imposed on the four Cubans. Havana may eventually be willing to pay them in exchange for US payment of the fines of the five Americans. Such a settlement would be portrayed in Cuba as a victory for Castro in this latest confrontation with the US.

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Venezuela: *Manifestations of Nationalism*

Venezuelan political parties are backing legislation that, if passed, will cause foreign private investors to reconsider the advisability of undertaking new activity in that country. As a corollary, relations with the US could become strained, as most of the companies directly affected are primarily US-based.

One proposed bill reserves to the government the development of the natural gas industry. Much of Venezuela's gas lies in areas granted to oil companies as concessions. If, as the firms fear, the proposed bill expropriates the gas without "just compensation" to the companies, they may initiate action against Venezuela, such as requesting an embargo on Venezuelan gas.

Another law, referred to as the "reversion of assets bill," apparently would require foreign petroleum companies to set aside each year ten percent of their depreciation of all physical assets. This fund would ensure that when the companies begin terminating their concessions in 1983, their assets will be turned over to Venezuela in good

condition. Make-up payments for past depreciation would also be required. Another provision of the bill would oblige the companies to explore marginal areas within their concessions or return them to the state before the end of the concession period together with areas the companies no longer consider economical to operate.

A third bill would put the domestic sale of petroleum products wholly in Venezuelan hands. Although this bill is an annoyance and cuts further into the companies' profits, it is not as serious as the other two. The companies have been resigned to the loss of this market for several years. Together, however, the bills, if passed in the form now before congress, would further increase investor apprehension. The "reversion of assets bill" also would significantly increase the operating costs of the oil companies.

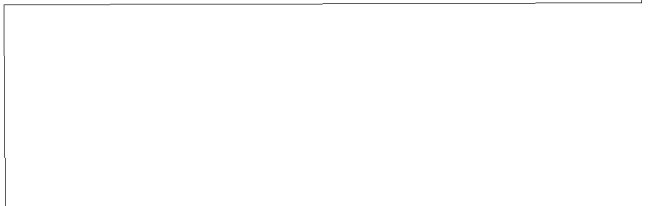
Venezuelan legislators are spurred on by political considerations, a growing nationalism, and by a firm belief that the world energy situation has created a seller's market for Venezuelan oil. The bills are expected to pass congress this year, possibly as early as next month.

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Bolivia: *New Problems for the President*

The reconvening of the unofficial "popular assembly" by labor- and student-dominated extreme leftists on 22 June threatens to upset the precarious political balance that has enabled Juan Jose Torres to maintain his tenuous hold on the presidency.



The "popular assembly" session, however, could develop into a showdown between Torres and the extreme left. "Popular forces" leader Juan Lechin has adamantly maintained that the assembly will carry out its decisions, but Torres has declared that this body has no formal relationship with the government. A new

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constitution, scheduled to be promulgated by Torres on 22 June, is almost certain to include provisions for a representative body that will make the assembly superfluous.

Torres' failure to acquire a solid base of support has made him vulnerable no matter how

he handles the situation. Extreme leftist elements within the government could move against him if he moderates his policies and tries to secure support from more moderate political groups and the military. The contending forces could continue to cancel each other out, but Torres' position appears to be weakening.

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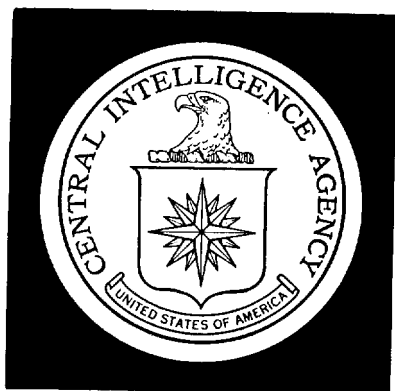
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

*South Vietnam's Dry-Season Campaign in Cambodia:
Aims and Unfinished Business*

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No. 0375/71A

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South Vietnam's Dry-Season Campaign in Cambodia: Aims and Unfinished Business

South Vietnam's dry-season campaign in Cambodia is ending on a disappointing note because of ARVN's withdrawal under heavy enemy attack from the battered town of Snuol. The heavy losses in troops and equipment during the withdrawal reflect badly on ARVN's entire campaign; it is clear that after months of fighting the Communists are still present and potent close to the border of South Vietnam. The Snuol action also indicates that Communist main forces can still attack aggressively in the COSVN region, and that the South Vietnamese Army is vulnerable to the kind of pressure a determined enemy force can bring to bear. Recent moves by Communist forces in the Cambodia - South Vietnam border area, moreover, suggest that the enemy intends to carry out more attacks here soon, possibly to include some sharp thrusts back across the border into South Vietnam.

But the mauling of ARVN units around Snuol and earlier South Vietnamese setbacks near Dambe and the Chup plantation do not constitute the whole dry-season story; indeed, in many cases the South Vietnamese, with their substantial air support, inflicted more damage on the enemy than they received and their efforts helped keep the bulk of Communist forces in eastern Cambodia at bay during the 1970-71 dry season. Partly as a result of ARVN operations, South Vietnam's two southernmost military regions continued to enjoy a respite from the main-force war, and the Cambodian Government was given more time in which to train and equip its armed forces.



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Saigon's Strategy in Cambodia

The South Vietnamese strategy in eastern Cambodia during the dry season was shaped from the beginning both by a recognition that Communist strength there has a direct and critical bearing on the war in South Vietnam and by an awareness, soon reaffirmed by stiff enemy resistance in some areas, that ARVN's capability for fighting across the border is strictly limited. As early as last summer, President Thieu was wary of becoming overextended and bogged down in Cambodia in a way that might enable the Communists to slip back into South Vietnam or to operate there with greater freedom. At that time Thieu had to rein in his vice-president when Ky wanted to form an anti-Communist alliance with Phnom Penh and to commit ARVN troops to permanent occupation bases deep in Cambodia. Thieu made it clear to the Cambodians that there were limits to the help ARVN could provide and that the Cambodian Army would have to carry the main burden of defending the country.

With these considerations constantly in mind, Thieu often took a close personal interest in ARVN cross-border operations. He held back the aggressive General Do Cao Tri for several weeks last fall when Tri wanted to expand his border operations and push deeper into Cambodia. Thieu finally gave Tri the green light in December to go to the aid of stalled Cambodian forces on Route 7 west of the Mekong River near Kompong Cham. By that time it was clear that the Cambodians badly needed help there, and the President judged that assistance was within ARVN's means. The Communists did not seriously contest this operation and Thieu later allowed ARVN forces to help clear stretches of Route 4 and the Pich Nil Pass in southwestern Cambodia in January when the Cambodians once again were bogged down and could not handle the job themselves. South Vietnamese forces have also played the key role in keeping open both Route 1 between Saigon and Phnom Penh and the Mekong River water route to the Cambodian capital.

Turning Point in Cambodian Campaign

In late February and early March several developments combined to convince Thieu and the top army command that ARVN was being pushed to the limits of its capabilities—that it was necessary to shift to a more cautious approach in Cambodia. South Vietnamese forces that had earlier threatened Communist base areas north of Route 7 met strong enemy resistance and suffered heavy losses in February and March; before long there were reports of serious morale problems within ARVN's task forces in Cambodia.

At the same time, heavy fighting was going on in the Lam Son 719 operation in south Laos involving much-publicized South Vietnamese casualties and the sharp drawing down of scarce ARVN resources. Do Cao Tri was killed in an air crash in late February—an untimely event lending further discouragement to ARVN's Cambodian task forces. Because of these considerations and because there was no sign of a major Communist push back into South Vietnam, in early March Thieu told the new commander of ARVN troops in Cambodia, General Minh, to use more cautious tactics that would avoid heavy ARVN losses but still keep the Communists tied down. The South Vietnamese settled down to more defensive tactics along Route 7, and some Cambodian calls for help were turned down. The Communists counterattacked strongly again in mid-April when South Vietnamese forces probed enemy base areas just north of Route 7 near the Chup plantation. But then the war in eastern Cambodia settled into a lull for nearly six weeks, with neither side showing much ardor for battle, until intense enemy attacks broke out near Snuol in late May.

Saigon's Objectives and Accomplishments

South Vietnamese forces in Cambodia accomplished much less than the maximum goals set by some ARVN officers in both public and private statements at the outset of the dry season last fall. They talked confidently then of eroding the strength of Communist units, destroying their

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supplies and border bases, preventing the enemy from moving back into South Vietnam, and taking the pressure off Cambodia. The South Vietnamese certainly were not aggressive and effective enough to capture any large enemy supply caches or to inflict lasting damage on large enemy units in the main COSVN base areas north of Route 7. Although Saigon is claiming some 9,000 enemy killed since larger scale operations began in early February, the Communist units that were there six months ago are still in place and are still effective fighting forces. There is some evidence, including reports on North Vietnamese infiltration, suggesting that Communist units in the COSVN area may even have increased their strength during the past dry season. In addition, the South Vietnamese have taken sizable casualties themselves—at least 800 dead and 4,000 wounded at latest report—and ARVN morale has been extremely frayed and ragged at times, especially when troops have stayed in forward positions under heavy enemy fire for sustained periods. South Vietnamese units that suffered the heaviest losses in Cambodia are now being re-equipped and reconstituted.

Yet the South Vietnamese can point to some accomplishments. They kept enough pressure on COSVN's main striking forces (the 5th, 7th, 9th divisions) along the north of Route 7 both to reduce the immediate threat these units posed in Cambodia and to make it harder for their main elements to return to South Vietnam. That ARVN forces carried out these operations after many US combat units had been withdrawn from South Vietnam's Military Region 3 around Saigon adds to the significance of their performance. Three years ago the COSVN divisions were able to penetrate through ARVN forces and three US infantry divisions and threaten the Saigon area itself.

But what about the psychological impact of the campaign on the South Vietnamese Army? The campaign's effect on morale and motivation could be a critical factor during the next dry season beginning in the fall. Troops that fought in

Cambodia no doubt consider their assignment to engage the COSVN divisions on their own home ground as tough as anything they have ever been given. The punishment they suffered could discourage them from ever going back into Cambodia in strength again.

It seems likely, however, that some ARVN units may turn their experiences to advantage and become more seasoned forces than they were six months ago. Some of the ARVN units that fought in Cambodia had, in earlier years, rarely left their base camps in the provinces around Saigon except to take part in a coup in the capital. These units were long scorned by both US and South Vietnamese combat officers; a few years ago the prospect of their engaging the elite COSVN divisions in Cambodia would have been unthinkable. Thus, in spite of their losses, setbacks, and unimpressive performance from time to time, it seems likely that ARVN units learned some valuable lessons, such as how to provide much of their own logistics and air support and operate without US liaison officers and advisers. Additionally, one positive result of ARVN's performance at Snuol is that it has finally given President Thieu an obvious enough reason to relieve the inept and lackluster commander of the ARVN 5th Division—a step US advisers have been urging for some time. A more extensive shakeup of ARVN leadership doubtless would still be beneficial.

Communist Objectives and Accomplishments

The effectiveness of South Vietnamese operations in Cambodia must be judged mainly in terms of how seriously they interfered with Communist plans in Cambodia. Many captured enemy documents, a great deal of indoctrination material in Communist radiobroadcasts, and the actions of enemy units on the ground, all indicate that the Communists recognize that a strong position in eastern Cambodia is a prerequisite for raising the ante in the southern part of South Vietnam. Consequently last year they set out to develop new overland and river supply routes from south Laos to Cambodia to help offset the loss of the

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Sihanoukville logistics channel. At the same time they proceeded to build up a Communist insurgency in Cambodia and to consolidate their control over base areas fairly close to the Cambodia - South Vietnam border. Staging areas near the border are, of course, essential to long-range Communist goals in South Vietnam, for they provide the outside support required by main forces, guerrillas, and the enemy apparatus inside South Vietnam.

The Communists can claim some success in each of these areas. They have built some 200 miles of new roads and way stations forming an elaborate linkup between south Laos and Cambodia. South Vietnamese cross-border operations have not been targeted in this area and therefore have had no impact on this enemy effort. The ARVN operation, however, may have disrupted Communist plans to establish secure supply lines south of the Chhlong-Chup area in eastern Cambodia. Indeed, in recent months ARVN officers have stated that their presence along Route 7 was designed to forestall enemy supply movements to the south. The fact, however, that the ARVN presence does not extend along the entire length of Route 7 has enabled the Communists to circumvent South Vietnamese blocking operations to some extent, especially between Suong and Tonle Bet. In the task of building a Cambodian "insurgency" the Vietnamese Communists can also claim some success. This movement, with the Vietnamese Communists providing the backbone, presents a growing challenge to the government in the countryside, even though South Vietnamese operations may have diverted Communist energies and resources in some areas from the task of building up the Cambodian Communists.

The Communists also have succeeded in holding the COSVN base areas north of Route 7 in Kompong Cham Province, and some large enemy units are still located within a few miles of the South Vietnam border. Yet the enemy is a long way from making up for the loss of Sihanoukville and from enjoying the kind of safe

haven provided by Cambodia under Sihanouk. Moreover, the Communists have not been able to get nearly as much help as before in the form of manpower and materiel to their people still active inside South Vietnam.

The enemy divisions now north of Route 7 in Cambodia at one time used War Zones C and D within South Vietnam as staging bases from which to bring pressure to bear on major Vietnamese population centers; they were a strong backup to Viet Cong local forces, guerrillas, and subversive cadre and, in turn, received support from those groups. After the spring of 1969 these enemy divisions pulled back to the Cambodian border, and after the allied attacks into Cambodia in 1970 they pulled back farther still. With each pullback the system of mutual support among Communist main, local, and guerrilla forces—a central feature of the Vietnamese Communist system when it is strong and healthy—broke down a little more. During the past dry season, with South Vietnamese forces deployed in the gap between Communist main forces in Cambodia and those forces remaining in South Vietnam, the enemy's mutual support system has been interrupted even further. The best enemy main forces are isolated from South Vietnamese battlefields, and the enemy's local apparatus has had to fend for itself.

This situation has obtained in large part because the Communists decided they had to concentrate on building a strong position in Cambodia before they attempted to bring more military assets to bear against South Vietnam. COSVN divisions in eastern Cambodia have been engaged in a holding action while the Communists work on their supply system, develop local support, build base areas, and wait for better opportunities to strike in South Vietnam. The divisions have harassed the South Vietnamese constantly along most of the Route 7 front, but by and large they have been on the defensive, usually showing eagerness for heavy battles only when South Vietnamese forces approached especially sensitive base areas. In February and March, for example,

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when the South Vietnamese were operating around the Chup Plantation and Dambe, the Communists massed their forces, slugged it out with ARVN units, and succeeded in protecting areas that they considered important.

But whatever the Communists have been able to accomplish in Cambodia, they have been unable to stop the slow erosion of their strength in the southern part of South Vietnam or to furnish much support to their counterpacification effort in the region around Saigon and in the Mekong Delta. Having a breathing spell has enabled the Saigon government to make substantial headway in consolidating its position in these critical areas.

Moreover, just as various Communist actions are mutually supporting, whatever gains Saigon has made in the countryside in MRs 3 and 4 during the past year will make it that much harder for the Communists to return and to improve their weakened military and political apparatus.

The Past Is Prologue

The South Vietnamese campaign in Cambodia was only a limited test of Saigon's ability to cope with the Communists as US forces withdraw. South Vietnamese determination and ability to carry the fight into enemy strongholds across the border were found wanting, but so



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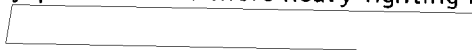
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were the Communists' capabilities for bringing main-force strength to bear in the southern half of South Vietnam. Because neither side was ready or willing to play all or even most of its cards on this front this year, the lessons for Vietnamization are by no means clear-cut, and the past dry-season should be regarded primarily as prologue for the fighting yet to come.

If the Communists had made a strong effort to thrust back into South Vietnam or to sustain attacks like recent ones they have launched against Cambodian forces northeast of Phnom Penh, or if the South Vietnamese had maintained their drive against the COSVN base areas north of Route 7, it might be easier to say which side looks more like a winner. As the campaign was actually fought, however, one must balance the breathing spell the South Vietnamese helped pre-

serve for the important Saigon - Mekong Delta region against the strong position and units the Communists have been able to maintain in Cambodia adjacent to that region.

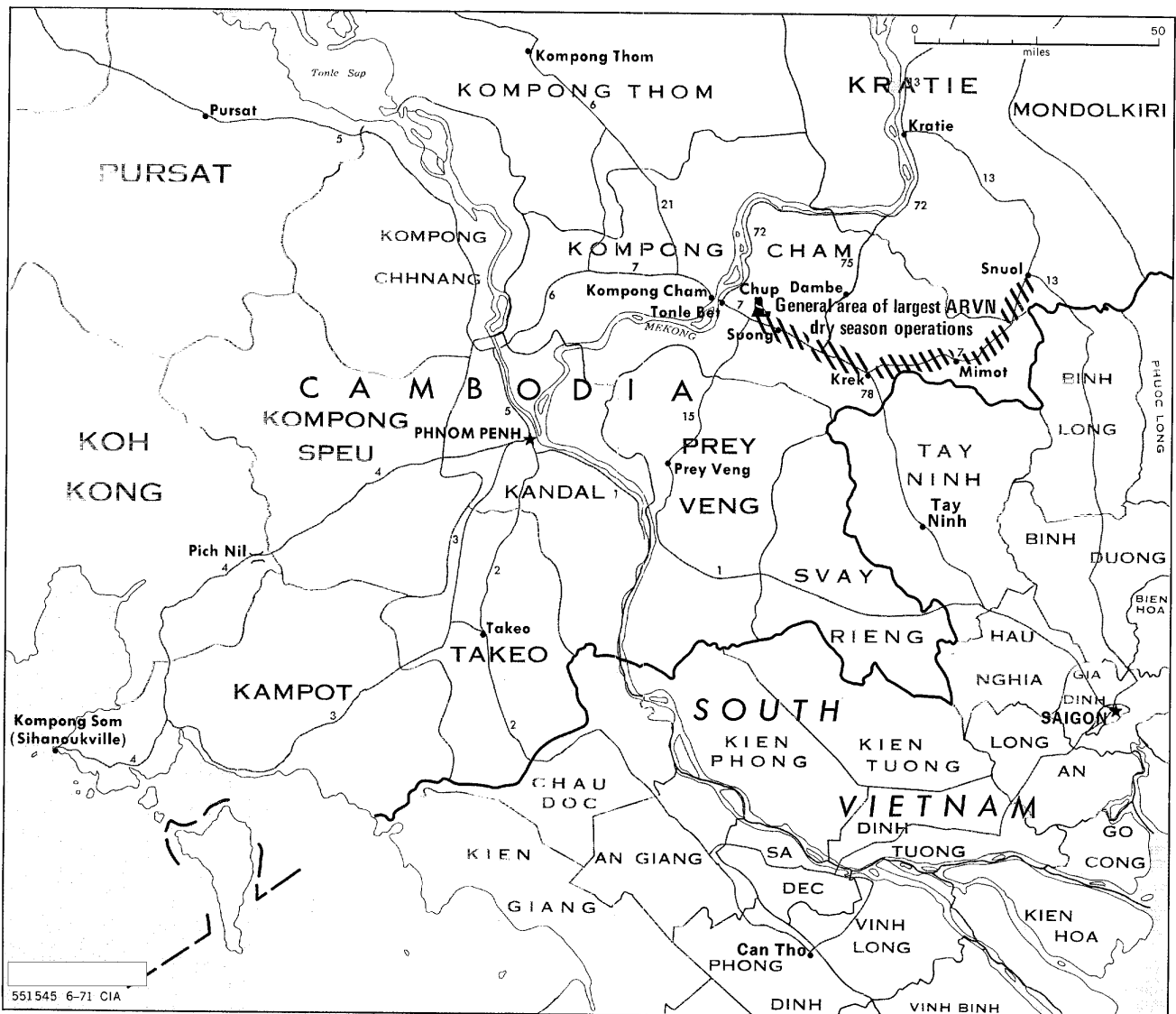
For now, the South Vietnamese have been spared the turmoil and insecurity that would have resulted had the big-unit war spilled back across the border, and the Communists must be chagrined to see another year pass with their position still deteriorating in the southern part of South Vietnam. But the Communists can take some satisfaction in the fact that they have developed new supply channels and have maintained control over the large parts of Cambodia they need for the longer term struggle. And as the South Vietnamese look ahead, the memories of the battles near Dambe, Chup, and Snoul must be disquieting, for they point toward more heavy fighting in the future.



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INTELLIGENCE

WEEKLY SUMMARY

Special Report

Yugoslavia: The New Revolution

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Yugoslavia: The New Revolution

President Tito, Yugoslavia's undisputed leader, has over the last few years forged a unique political structure, gradually discarding some of the more doctrinaire tenets of Communism in favor of a freer, more open system. The movement in this direction was dramatically accelerated last September when Tito—with an eye toward his eventual demise—called for the creation of a collective presidency representing all interests, and invited nationwide discussions of his proposal.



The response was far broader than the 79-year-old chief executive had expected. Tito's invitation to talk about succession surfaced a wide variety of long-smoldering demands for political reform, for greater republican and provincial autonomy, and for the extension of personal freedoms. The ensuing debates, arguments, and give-and-take—unlike anything anywhere else in the Communist world except perhaps in Czechoslovakia in 1968—resulted in formal moves to adopt a far-reaching political reform that is nothing short of a new revolution.

The frank, open discussion of ideas and interests beyond those of the Communist Party is far more akin to that occurring in Western political life than to anything currently known in Eastern Europe or the Soviet Union. In the months that have followed Tito's proposal, the Yugoslav federation has shown a high degree of resiliency in the face of assaults by separatists and an unprecedented tolerance for the new politics. During recent weeks even Tito wondered whether the process was not getting out of control and used his great personal prestige to silence the most outspoken critics of the reforms.

If Belgrade creates the decentralized socialist state it is aiming at—one that takes for granted wide-ranging freedom of expression not only for individuals but for groups such as trade unions and student and mass organizations that are increasingly powerful politically—the impact on the Communist world will ultimately equal and probably will surpass that resulting from the Tito-Stalin break of 1948. Such a development probably would ensure the continuation of a democratized, Westward-leaning but nonaligned Yugoslavia no longer dependent on Tito's presence for survival. The road ahead will be long and arduous, because Yugoslavia is a complex state with chronic economic difficulties, a residue of orthodox Communists who still have a modicum of influence, nationality hatreds, and a young generation that is looking for democracy on the West European socialist model. Nevertheless, the chances are good that Belgrade will succeed in making its projected new system work.

CONFIDENTIAL

THE COLLECTIVE PRESIDENCY		
1.	Josip Broz Tito	
2.	To be elected	Serbia
3.	"	Serbia
4.	"	Serbia
5.	"	Croatia
6.	"	Croatia
7.	"	Croatia
8.	"	Macedonia
9.	"	Macedonia
10.	"	Macedonia
11.	"	Slovenia
12.	"	Slovenia
13.	"	Slovenia
14.	"	Bosnia
15.	"	Bosnia
16.	"	Bosnia
17.	"	Montenegro
18.	"	Montenegro
19.	"	Montenegro
20.	"	Vojvodina
21.	"	Vojvodina
22.	"	Kosovo
23.	"	Kosovo

- A. Tito will retain the titular position of President of Yugoslavia for an indefinite period.
 - B. Once Tito is no longer president, a president will be chosen by annual rotation among the 22-member executive body.
 - C. A vice president will be chosen annually from the 22 members of the executive body. Under Tito, he will be in charge of day-to-day executive duties.
 - D. Each republic will have three representatives on the presidency and the provinces two each.
 - E. The president of each republic or provincial assembly will by virtue of his office, be a member of the presidency.
- Other members will be elected for non-successive, five-year terms by majority vote in these bodies.

FEDERAL EXECUTIVE COUNCIL (FEC)

The FEC, the present cabinet, will be reduced in size. The prime minister will be nominated by the Presidency and he and the FEC members will be responsible to the Federal Assembly. Each republic will have equal membership in the FEC.

FEDERAL COUNCILS

Federal Councils will be established for:

- 1. Foreign Affairs
- 2. National Defense
- 3. State Security

These bodies will serve as advisory organs to the Presidency.

The Revolution Takes Shape



The aging, 79-year-old President Tito, whom some describe as the "first and last Yugoslav."

The need to institutionalize the succession process, rather than court chaos, has led directly to the dramatic new developments in Yugoslavia's political life. President Tito, long cognizant of the problems that will accompany the transition period after his retirement or death, over the last few years had already begun to delegate some of his once-absolute powers to trusted colleagues. He nonetheless stunned an audience in Zagreb on 21 September 1970 when he called for the creation of a collective executive body to replace his own lifetime presidency. He indicated that he was wearying of the duties of the office, looking ahead to possible retirement, and desirous of creating a collective presidency that could begin to relieve him of some of the rigors of his post.

Four days later, Tito called into session the powerful party executive bureau along with representatives of the Federal Assembly, the popular front organization (SAWPY), the trade unions, and the constituent republics. The result

was an endorsement of the collective presidency plan. The next step came on 4 October when Tito's close adviser, Edvard Kardelj, in an address to the party presidium, gave his peers a glimpse of what was envisaged.

Kardelj's remarks stressed urgency in implementing Tito's proposed collective government leadership. He expanded the concept by bringing up the need to define clearly the relationship between the federation and the constituent republics, as well as the limits of authority of the self-managing organizations on the one hand and the government administrative bodies on the other. Kardelj's proposal meant basic constitutional revisions that were bound to antagonize those whose rights and privileges accrue from the present system. This fact was evident when Slovenian party boss Franc Popit rose at the presidium to agree with Kardelj's basic analysis of the problems facing Yugoslavia but took exception to the alleged need for constitutional reform. Popit's objections notwithstanding, a commission was established to draft a set of constitutional changes. Thus, within two weeks of Tito's original proposal for the creation of a collective presidency, the reform was reaching proportions beyond what he originally contemplated. Tito publicly admitted as much in March of this year to a gathering of party officials, but he also indicated that he saw the logic of the additional reforms.

Yugoslavia, as envisioned in the pending government reforms, will be a union of nearly autonomous socialist republics, with the federal government's authority restricted mainly to conducting foreign policy, providing for national defense, achieving a unified economic system, and channeling funds from the more developed republics to the backward regions—Bosnia-Herzegovina, Macedonia, Montenegro, and Kosovo. All other functions, duties, responsibilities, and considerable financial resources will be passed to the republics.

Tito recognizes that an attempt to reconstruct a highly centralized country, as Yugoslavia

Yugoslavia



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was between the two world wars, would be foredoomed to failure. Such a system would mean either Serb or Croatian dominance (most likely the former) would again set in motion ancient national feuds, would invite foreign meddling, and most likely would lead to a period of civil war with the ultimate destruction of the federation.

Tito wants none of this. He opted for a bold course of action he hopes will ensure the survival of the federation after his passing. Under his plan, demands of the regions for a greater voice in running their own affairs are to be met. Unspoken, but nevertheless vitally important to the proposal, is the hope that allowing extensive decentralization will give the country's diverse nationalities the feeling that they have a decisive voice and a stake in the future as members of a federation.

The first formal step taken in carrying out the program was the introduction of proposed constitutional amendments on 28 February. Despite the extensive decentralization outlined in the constitutional reforms, the amendments on balance are weaker than originally expected and the federal government is retaining more authority than first proposed. There are several reasons for this. First, Tito has encountered more inter-republic squabbling and difficulty than he expected in winning clear-cut support for his plans to decentralize the state; and second, the government, by having to cope with the problem of drafting major constitutional reforms while simultaneously dealing with increasing economic difficulties, learned something about the dangers of too much decentralization.

The prolonged debates and arguments on both the political and economic issues have made time critical because bureaucrats have tended to become immobilized in the face of drastic change. As a result, the constitutional reforms have been pared down to a basic package for speedier implementation (see amendments at annex). The remainder of the original program will be in-

troduced over the next year or two in a second package of amendments.

Economic Problems

Simultaneously with Tito's proposal to create a collective presidency, Yugoslavia's chronic economic problems began to assume alarming proportions. The nation's first party conference met in October 1970 and examined the proposed government reorganization. By far the largest part of the conference's time, however, was spent on economic difficulties, and a temporary stabilization program was outlined to the delegates. Thereafter, economic and political problems more and more began to dovetail as regionally based differences of opinion over the best courses of action to follow were introduced and openly debated in the context of the contemplated constitutional reform. In the weeks and months that followed, the stopgap stabilization measures did nothing to cool spiraling inflation or reduce the rising balance-of-payments deficit. The nation's economy quickly became a political hot potato.

By mid-November the highly charged debate over the economic stabilization program produced the sudden and dramatic resignation of Vice Premier Nikola Miljanic. At issue was whether to devalue the dinar, a move that Miljanic at the time was unsuccessfully backing. His unprecedented resignation overshadowed the devaluation issue; no other high-level, federal leader had ever voluntarily resigned because his policies were not being followed.

By late December, the Federal Assembly was flexing new political muscles, more like Western parliaments than its counterparts elsewhere in Eastern Europe. The issue, just as in the case of the Miljanic resignation, was over an aspect of the economic stabilization program—a government proposal to limit personal income growth in 1971 to 11 percent. Presentation of the proposal to the Federal Assembly caused an uproar. The result was a compromise in which the government shortened its originally proposed time span on the bill

from one year to four months. The issue was not resolved, however, until a majority of the Assembly delegates had labeled the original proposal "repressive" and "incompatible" with self-management.

The dispute underscored the growing role trade unions play in Yugoslavia's political life. Throughout 1970 they had sought to dispel the impression that they were mere "transmission belts" for party policy, and union officials wasted no time in denouncing and lobbying in parliament against the proposed wage limitation. Trade Union secretary Marijan Rozic personally and vigorously addressed the Assembly arguing against the measure in its original form.

The New Political Climate

Worker support for the government's proposed constitutional reforms, however, was evident at the second self-management congress, held in Sarajevo the first week in May. The 2,100 delegates strongly endorsed the reforms and used the occasion to press for greater political and economic power for the workers. They urged more worker influence over the investment decisions of their firms, equal pay throughout the country for those working on the same job, across-the-board wage and pension increases, and extensive social welfare projects. In a move anticipating a second phase of Tito's constitutional reforms (tentatively slated for introduction sometime in 1972), the congress called for further decentralization of government with specific constitutional recognition of worker councils and of the municipalities as the basis for the self-management system.

During the first half of 1971, public participation in government has grown rapidly, infusing new vigor and vitality into the country's political life. The once quiescent mass organization, the Socialist Alliance of Working People of Yugoslavia (SAWPY), has suddenly become a forum in which the voice of the people can be heard. Long merely a vehicle for implementing party policies,

SAWPY is in the thick of the constitutional debate because of its responsibility for arranging public meetings on the proposed amendments. In 1966, the late Milentije Popovic, then SAWPY's vice president, advocated for the mass organization a more prominent role approaching that of a second political party. At that time, however, his words fell on deaf ears. Subsequent, similar proposals were also disregarded by the party leaders. The use of SAWPY meetings as the forum for open debates on the constitutional amendments and the organization's concomitant drive to strengthen ties with socialist parties throughout the world and with Communist parties in the West indicate that SAWPY is now becoming a real factor in Yugoslav politics, separate from the party. It could become a major political force in "legal opposition."

Free Expression by Youth and the Media

Nowhere is evidence of Yugoslavia's new revolution more apparent than in the press and other media. Always an anomaly in the Communist world because of their objective, critical reporting, the Yugoslav media have in the last year discarded most of their remaining restraints so that they are often hard to distinguish from many of their Western counterparts.

The press has pulled few punches in its extensive coverage of the polemics over the economic stabilization program and the constitutional reforms. Reporting has been so candid and critical of Yugoslav officials and policies that Tito himself has recently castigated it for lack of responsibility.

The aging Yugoslav leader was undoubtedly shocked by the free-swinging fight that developed between the Belgrade daily *Borba* and the Zagreb journal *Vjesnik* early this year. The two hotly debated the seemingly innocuous question of the national census. *Vjesnik* took issue with a new regulation permitting a variety of responses to the question on nationality affiliation; the paper charged that the regulation was a threat to the