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DIRECTORATE OF  
INTELLIGENCE

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# *WEEKLY SUMMARY*

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## India-Pakistan: *The Developing Crisis*

India and Pakistan traded artillery exchanges and charges of border and airspace violations this week. The exchanges have heightened tensions and helped create an atmosphere in which either country could trigger a war. At the same time, Indian Prime Minister Gandhi on her current foreign tour has sought—so far without great success—to generate international support for her position that Pakistan must be forced to negotiate with the leaders of Bangla Desh for a real, as opposed to a “cosmetic,” solution to the crisis. For its part, Islamabad may be having some success in efforts to win international sympathy by seeming to show greater flexibility and receptivity to suggestions for resolving the crisis than has New Delhi.

### *The View from New Delhi*

On 31 October, Indian Defense Minister Ram said that war was “imminent” and asserted that, if attacked, India would drive the Pakistanis deep into their own territory. The following day, Defense Secretary Krishnamurthi admitted that regular Indian forces, as distinct from the paramilitary Border Security Force, had been in a 24-hour battle against Pakistani gun positions near the East Pakistan border. The defense secretary did not deny that Indian troops had crossed the border, stating only that they had been successful in silencing the guns which, he said, had been firing on the village of Kamalapur in the eastern state of Tripura for 11 days. The Indians may have publicized the encounter—probably the most serious clash involving regular troops of the two countries since the trouble began last March—in order to put their version of the incident on record in case a Pakistani counterattack was provoked.

Mrs. Gandhi is adopting a firm and uncompromising position during her foreign tour.

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Most Pakistani units are based fairly close to the border even in peacetime, but some important Indian units are hundreds of miles distant. Given the tense situation, Mrs. Gandhi maintains that an Indian withdrawal would put her troops at a great disadvantage.

### *Soviet Assistance*

While Mrs. Gandhi continues to assert that New Delhi will not initiate hostilities, the Indians appear to be relying primarily on a show of force to achieve their ends. The Soviets, in effect, are cooperating in this effort by sending numerous diplomatic and military representatives to New Delhi for “consultations” under the terms of the Indo-Soviet Friendship Treaty. The Soviets may hope that their highly visible diplomatic activity will help stabilize the situation by acting as a warning to Pakistan and China, and as a domestic boost for Mrs. Gandhi, who is increasingly vulnerable to criticism for “vacillation” in the face of Pakistani provocations.

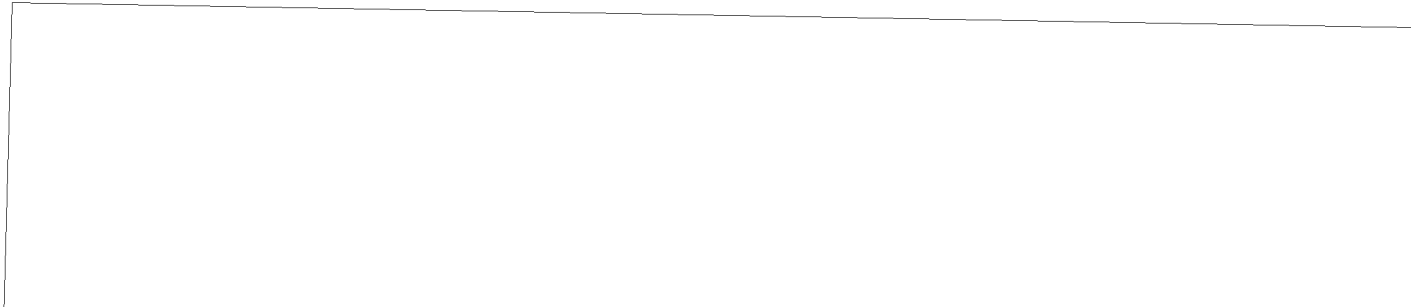
Though Moscow is still advising moderation, it may be becoming more resigned to the possibility of war. ~~The Yugoslav chargé in New Delhi has told US Embassy officials that the Soviets are in the process of providing substantial arms deliveries to India.~~

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*Pakistani Reactions*

Yahya this week claimed a somewhat similar Chinese commitment to Pakistan. Chinese leaders, however, attempting to avoid heightening tensions, have played their support to Islamabad in low key. Peking hopes to improve its relations with India while maintaining its present high level of influence in Islamabad.

The Pakistanis have reacted to Indian pressure with diplomatic initiatives designed to cast New Delhi in an unfavorable light and contrast its attitude with Islamabad's conciliatory approach. President Yahya has offered to consider troop withdrawals, and he has made several appeals for UN mediation. Islamabad has been suggesting for some time that it may raise its problems with India in the Security Council once Peking is seated. Recently, the Pakistanis have again been sounding out council members on the possibility of such a meeting even though they recognized that it would produce no more than bitter verbal exchanges. On 30 October, Yahya made another appeal for all refugees to return to their homes and in contrast to India's negative position on the subject, suggested posting UN observers on both sides of the border.

*The East Pakistani Scene*



The Indians may have decided that, in order to retain their present level of control, they will have to increase support and guidance for a more active guerrilla program. During his visit to New Delhi last week, Firyubin reportedly refrained from advising the Indians to curtail support to the guerrillas. According to the Yugoslav chargé, the Soviets recognized that India views the Mukti Bahini as the principal "forcing factor" to solve its dilemma.

Recently, the Bangla Desh government<sup>25X1</sup> announced that it had set up—with "expert advice from some friendly countries"—a mechanism to control a "liberation war" and to guide political and economic activity in "liberated areas."

Meanwhile, the effectiveness of guerrilla operations deep inside East Pakistan is growing. Guerrilla activities have disrupted most land transport and have made water transport dangerous and expensive. Consequently, the jute and t<sup>25X1</sup> industries are operating well below normal. Many basic consumer goods are in short supply in the cities and nonexistent in the countryside.

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## Soviet Globetrotters: *Another Chapter*

### Brezhnev Debuts in Paris

The momentum of Soviet Westpolitik last week carried Party Secretary Leonid Brezhnev to France. He probably regards the visit as successful despite the fact that the "Principles of Cooperation" concluded between the two nations fell short of the friendship treaty he sought. Brezhnev performed competently, if not spectacularly, on his first visit to the West as Soviet leader. He emphasized Moscow's current peace program and polished his new image as protagonist of detente, to counter that of author of the Brezhnev Doctrine.

French President Georges Pompidou successfully enhanced the Franco-Soviet special relationship as a balance to the attention being given West German Ostpolitik. Pompidou managed to surround the visit with an atmosphere of good will and accomplishment while giving no ground on basic political issues. His statements and those of Foreign Minister Debre carefully placed France within the Atlantic Alliance and indicated Paris' willingness to moderate the pace of detente.

Although offering little change in basic positions, the "principles" provided Brezhnev with the trappings of success, allowing him to return to

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Moscow with a new document purporting to advance the Franco-Soviet relationship. Clauses call for more bilateral meetings and for further expansion of exchanges on several levels. The final communiqué focused largely on Europe and called for a Conference on European Security.

No mention was made in either of the documents regarding the linkage of Bonn's ratification of its treaties with Moscow and Warsaw with the final signing of the Berlin accord. A Quai spokesman did state, however, that the two countries had reached an agreement in principle to support the simultaneous signing of the treaties and the accord.

Both leaders extracted domestic political gain from the visit. Soviet media gave extensive coverage to the visit, and lauded the party secretary personally. Pompidou advanced his own domestic political objectives by rolling out the red carpet for Brezhnev. It will now be more difficult for the French Communists to criticize government policies effectively and to encourage the party's trade union arm to agitate for strikes against the regime.

One result of the meetings was the signing of a ten-year agreement that provides for each country to help build industrial plants in the other. Prospects for cooperation are deemed favorable in a number of sectors; the modernization of Soviet light industry by French companies is singled out for particular consideration. It seems doubtful that the new pact adds significantly to a comprehensive Franco-Soviet cooperation agreement that has been in effect for five years; implementation still depends on particular projects agreed to by French firms and Soviet enterprises.

The agreement whereby Renault will supply \$216 million worth of machinery and engineering services for



the Mama truck plant in the USSR reportedly was signed under pressure from the French Government. A Renault spokesman has said that the company has neither the men nor the capacity to involve itself heavily in the project.

Franco-Soviet trade, which is slated to double between 1969 and 1974, nevertheless will remain a small part of the over-all commerce of both countries. The primary factor restricting an appreciable increase in this trade is the limited ability of either country to provide what the other wants.

*Brezhnev's Pankow Stopover*

In what was probably a dual effort to get a better reading on the state of the inter-German talks and to assure the East Germans that they had not been forgotten in his round of meetings with Brandt, Tito, and Pompidou, Brezhnev stopped in East Germany for two days on his way home. The Soviets have shown impatience with the slow progress of the inter-German negotiations, and the Soviet leader certainly stressed Moscow's desire for a prompt windup. East German leader Honecker demonstrated Pankow's defensiveness on this issue by stressing in a formal toast to Brezhnev that East Germany was doing "everything it can" to bring about a positive conclusion of the talks. Consistent with the efforts of the junketing Soviet leadership elsewhere, the final communiqué called for the earliest possible convening of a European security conference.

[Redacted]

**Kosygin Comes to Cuba**

The unusually long joint Soviet-Cuban communiqué issued on 1 November described Kosygin's visit to Cuba from 26 to 30 October as an unqualified success. Despite the warmth and

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friendliness that appeared to characterize all aspects of the five-day visit, it seems probable that the talks between the two leaders did not fully resolve long-standing disagreements relating, for instance, to proper revolutionary tactics in Latin America or to Cuba's management of Soviet economic assistance. These matters have persistently troubled relations between Moscow and Havana, though they may be less pressing than when relations were at a low point during Kosygin's visit four years ago.

There is reason to believe that the Kosygin visit may have been the product of last-minute planning.

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The communiqué did indicate, however, that an earlier invitation to Castro to visit the Soviet Union had been reiterated by Kosygin and was "gratefully accepted." No hints were given concerning the timing of the visit, which would be

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Castro's third trip to the USSR and his first since January 1964.

The communiqué mentions "US-encouraged hostile actions," including violations of airspace and the "unlawful" presence of the North American military base at Guantanamo.

cident by moving against the base or by attempting to intercept a reconnaissance aircraft.

In addition, the communiqué expressed sympathy with the "striving of the Panamanian people to exercise full sovereignty over the whole of their national territory." This statement may have been inserted at the behest of the Soviet side and may reflect the work of Panama's Communist Party, whose exiled leaders have been working industriously to get Soviet and East European Communists to focus on the canal treaty issue.

The wording of the communiqué suggests that he is no closer to obtaining such backing than he was before. It therefore remains unlikely that Castro will provoke an in-

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### Communist China: *Legacy of a Purge*

The impression that a struggle involving Lin Piao and other top-ranked military leaders is bedeviling the ruling politburo has been reinforced.

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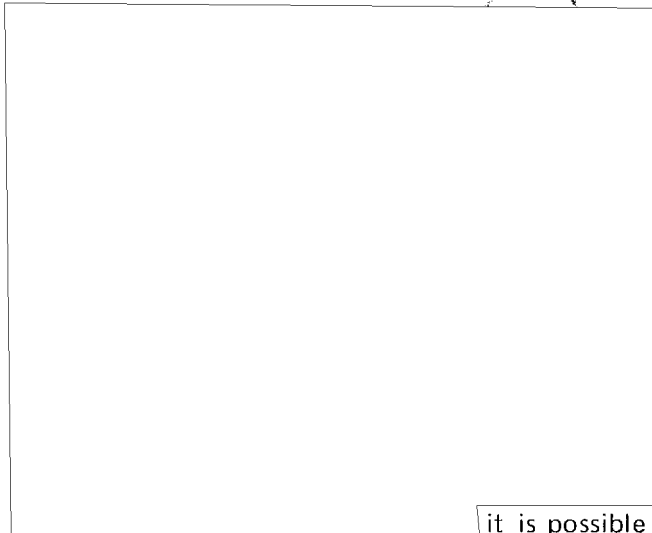


crisis at the top of the military structure. The prospect that the Yang Cheng-wu affair is an important clue in the current leadership mystery gains some support from the fact that two of the ranking military figures whose political positions have been in question in recent months—the commander of the air force and the political commissar of the navy—worked closely with Yang Cheng-wu during the radical phase of the Cultural Revolution. The current chief of staff, Huang Yung-sheng, has also been out of the public eye for some time now and his future is equally

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When Yang Cheng-wu was purged in 1968, he was accused, among other things, of plotting to oust several of China's major military regional commanders. The charge was also made that Yang was acting on behalf of a still higher authority, whose identity has never been revealed.

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it is possible that an effort to bring down Lin Piao by linking him with Yang Cheng-wu may have reached some sort of climax in August or September, creating a



China Pictorial Cover: A Distribution Problem

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questionable. He succeeded Yang Cheng-wu as chief of staff.

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If the long-simmering disputes within the politburo indeed took a more serious turn lately, they do not appear to be settled. An English-language edition—but not the Chinese-language version—of *China Pictorial* bearing Lin Piao's picture on the cover and containing pictures of nearly all of the missing Chinese leaders has suddenly appeared in Hong Kong. Local Communists appear to be calling attention to its availability.

the orthodox formula calling for unity around the party central committee "with Chairman Mao Tse-tung as head and Vice Chairman Lin Piao as the deputy" has been amended by omitting the reference to Lin. There also have been no references to Lin's name in the Chinese press since 8 October, and foreign governments, acting under guidance from the Chinese, are no longer citing Lin's name in messages of greetings or in toasts to the health of Chinese leaders.

The peculiar treatment accorded the distribution of the magazine probably does not indicate that the missing leaders—including Lin—have been exonerated, but rather appears to signal that there may be several political cross-currents still flowing in Peking. Furthermore, the possibility that Lin's health was a precipitating factor in the present situation is still open.

While the political maneuvering seems to go on backstage, the position of Premier Chou En-lai has been stable as have the policies associated with him.

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Indochina

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South Vietnam: The Viet Cong Takes Stock

25X1 The Communists have made a realistic assessment of their failure once again to manipulate or even significantly influence the elections in South Vietnam. A series of reports suggest that they are thinking seriously about new ways to rekindle an effective opposition now that the elections are over and President Thieu appears to be in a stronger position than before. The first hint that the Communists recognized the need for a new political approach came from a provincial level briefing of Communist cadres in South Vietnam in early October.

25X1 the briefing took a pessimistic tone on the postelection situation, acknowledging poor Communist performance in the elections for both the Lower House and the presidency. It warned that new ways had to be found to prevent President Thieu from consolidating his position. The Viet Cong hierarchy was even considering the creation of a new political front as one possibility, according to this source.

25X1 an authoritative article in the party theoretical journal from Hanoi have taken a similar line. The article analyzed the current situation as one in which diplomacy and politics could contribute significantly to Communist objectives in South Vietnam and appeared to call for new and more imaginative political initiatives. It talked at length about the need to take advantage of dissension within "enemy ranks" and borrowed heavily from the prescriptions of party leader Le Duan to remind cadres that they must not "wait passively for contradictions to develop."

25X1 all of the reports point to renewed efforts by the Communists to ally themselves with important non-Communist opposition forces in South Vietnam. The possibility that the Communists are thinking about creat-

ing a new front organization cannot be ruled out. The Viet Cong are great believers in the value of reorganization, even if the reshuffling really does not result in more effective strategy, and postelection tactics could take this route. The past failures of the Liberation Front and the National Alliance to generate any effective or widespread political opposition to the Saigon government, however, might well discourage the Communists from trying this approach again. In spite of talk about not standing idle and waiting for opportunities, the Communist leadership probably recognizes that without some radical change in the over-all political or military situation in South Vietnam, a new "front" has little chance of making any more mileage than its predecessors. The theme that runs consistently through all the reports is Communist recognition that the recent elections constitute a watershed—a real setback to declining Communist political fortunes. The Communist response appears to be renewed determination to come up with new ways to make their presence felt politically in South Vietnam.

*Political Retrenchment*

President Thieu's inauguration last weekend went off smoothly despite the threats of some radical opposition groups to try to disrupt the ceremony. The radicals apparently were discouraged by heavy government security precautions. These precautions probably also were responsible in part for the failure of the Communists to try to harass either the inauguration or the National Day ceremonies the following day.

With Thieu beginning his second term, South Vietnamese politicians are speculating about a possible government reorganization and changes in policy. Rumors continue to circulate about high-level shifts in the government and military, and a cabinet reshuffle may be in the offing. But no one knows with certainty when Thieu will act or precisely what appointments will be made.

Leaders of several political parties are reassessing their positions vis-a-vis the government, and most would be receptive to an overture from

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*John F. Kennedy*

Thieu. Some of these politicians were alienated by Thieu's election tactics, but in recognition of Thieu's relatively strong postelection position they are willing to commit themselves to the President, hoping they can play an important role in the new government. At the same time, they realize they have little real leverage with Thieu and are therefore discussing alliances with the opposition. The tendency to play both sides of the political fence has been fed by speculation in Saigon political circles that President Nixon's forthcoming trip to Peking could lead to an early peace settlement.

~~the repair effort apparently requires that man-power be taken from the schools.~~

Other effects of the flood have been largely brought under control. By mid-October the country's main rail arteries were back in service but there was still considerable damage to secondary road systems. Most industrial operations probably were resumed well before the end of September, although a few plants were idle due to transportation bottlenecks. The regime appears to have acted quickly and effectively to stem hazards to health and the outbreak of epidemics.

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#### North Vietnam: Flood Damage Assessed

The effects of the floods may hamper agricultural output for the next year and increase Hanoi's dependence on food imports. It is now clear that the regime views agricultural prospects with much less optimism than was the case a month ago. To make up for rice losses, the minister of domestic trade has announced the planting of a "winter crop" in addition to the spring and autumn crops. The winter crop will consist largely of secondary crops that can be harvested in 50 to 80 days. Success will depend in part on the extent to which the regime can use miracle rice strains, which can be planted some two months later than traditional rice strains, for the regular spring crop.

~~Considerable effort will be required to restore the irrigation system. A large number of pumping stations appear to have been damaged, and aerial photography shows extensive breaching and silting of irrigation canals. Reconstruction of irrigation facilities may take up to a year, in which case both the fifth- and tenth-month rice crops in 1972 would be affected. The urgency of~~

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#### Cambodia: Tug of War on Route 6

The fighting along Route 6, north of Skoun, has entered the second week with the Communists maintaining pressure against a number of Cambodian positions scattered along the highway. Although they have taken some heavy casualties and have been plagued by supply problems, most government units have stood up well in the face of the attacks.

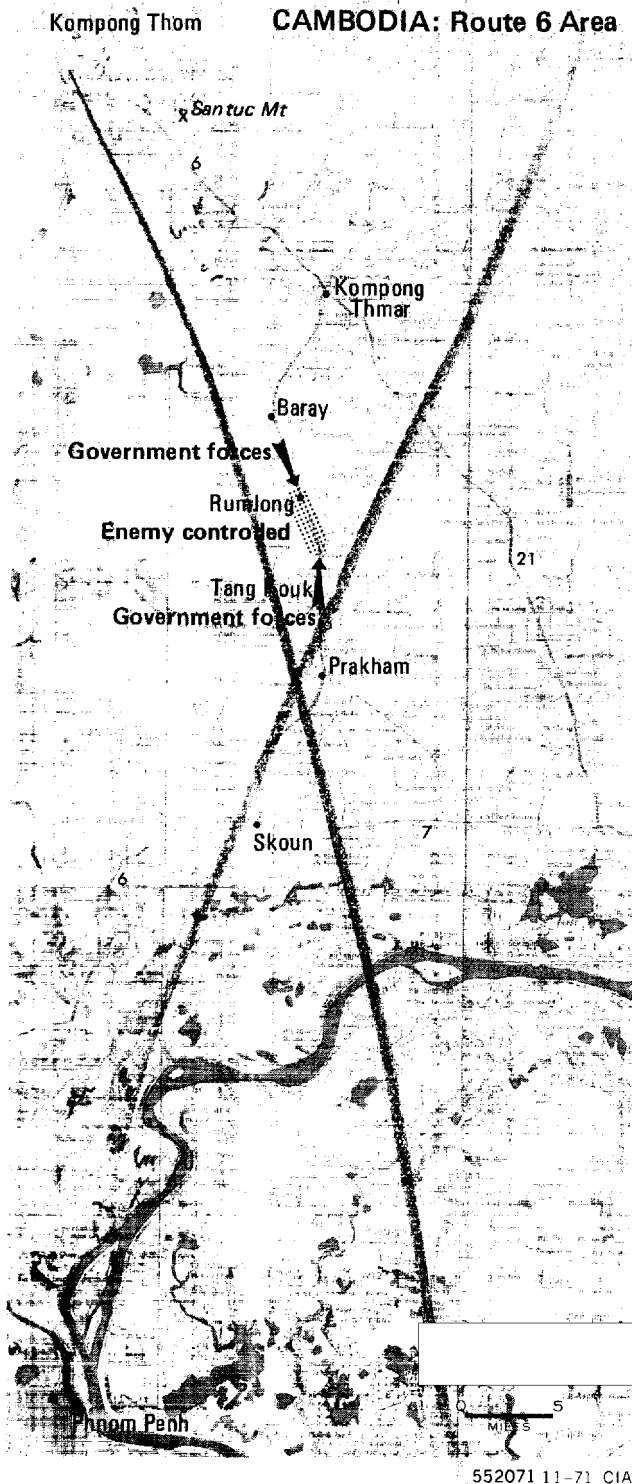
Most of the action has centered on the section of Route 6 between the villages of Prakhm and Rumlong where, in the first days of the fighting, the Communists isolated eight Cambodian battalions and gained control of a four-mile stretch of the highway. Intense ground fire and poor weather complicated initial attempts to resupply these units, particularly those in the vicinity of Rumlong. In addition to their attacks and ground probes, the Communists staged their first gas attack of the war, which temporarily incapacitated 100 men in one Cambodian battalion.

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The government lost little time in responding to the situation. A Khmer Krom relief force accompanied by armored personnel carriers had moved from Skoun through Prakham and Tang Kouk to within a few miles of Rumlong. At that point, however, its advance was halted by an enemy ambush. A second Khmer Krom relief column from Kompong Thmar ran into even stiffer enemy opposition as it tried to push down Route 6. In several days of sharp fighting on Rumlong's northern outskirts, these forces had 30 killed and 200 wounded—extremely high casualties for the Cambodian war. Communist losses reportedly were also high.

The government's ability to move reinforcements and supplies overland from Phnom Penh to the Route 6 front is being severely hampered by an extensively damaged bridge on the highway, some 12 miles south of Skoun. Cambodian engineers have estimated that it will take a month to put the bridge back into operation. In the meantime, a makeshift ferry of limited capacity is being used as a substitute.

The current round of attacks along Route 6 probably is motivated in part by the Communist desire to re-establish control over the highway to facilitate the movement of supplies to forces west of the road now that better weather is approaching. They probably would like to undermine Phnom Penh's morale by inflicting sharp setbacks to what has been the Cambodians' best-organized military operation. It is possible, moreover, that the Communists are seeking to preempt any government operations in the direction of important enemy bases and supply points east of Route 6 or into the nearby Communist-controlled province of Kratie.



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EUROPE

Moscow Adjusts to Peking at the UN

The USSR is wasting no time in preparing for the arrival of the Communist Chinese delegation to the UN and its affiliated organizations. Remarks made by Soviet officials in New York and Geneva indicate that Moscow is supporting full Chinese participation in UN-sponsored activities, hoping thereby to prevent an extension of the Sino-Soviet dispute to the halls of the world forum. Whatever its private views on the desirability and consequences of Peking's entry into the UN, Moscow's public posture is that the vote of the General Assembly on 25 October marked a victory for common sense and a defeat for the US.

The Soviet deputy permanent representative to the UN observed on 28 October that Peking's entry created a "new situation for all of us." He suggested that meetings of the Security Council and the Four-Power talks on the Middle East should be delayed until the arrival of the Chinese. He explained that the Soviets did not want to prevent meetings over any long period of time, but since neither the Security Council nor the Four Powers were dealing with urgent matters at this time, the Chinese should be given the courtesy of a chance to participate. In this way, the Soviets hope to delay reactivation of the talks, from which Moscow expects little, as well as to make a gesture toward Peking.

~~The Soviets also are keeping loose with regard to procedures for the Conference of the Committee on Disarmament at Geneva, particularly the roles of~~

~~the US and USSR as co-chairmen of the conference. Moscow apparently does not want to exert pressure on Peking to join the disarmament forum but is prepared to make room for the Chinese to share the leadership if Peking chooses to participate.~~ Soviet Permanent Representative Roshchin mentioned that the Chinese would have to be consulted regarding the Soviet proposal for a World Disarmament Conference.

Soviet news media have welcomed the seating of China as a "step toward realism." Although the Soviets voted for the Albanian resolution, they did no active lobbying to line up supporters. During the debate, Malik spoke in favor of seating Peking, but he acknowledged that Soviet-Chinese relations have assumed at times a "sharply ideological and political character."

Indeed, Soviet support for Peking's entry has been rather phlegmatic over the past several years

[Redacted]

The Soviets are probably concerned that Peking will attempt to engage in polemics with Moscow at the world forum and undercut Moscow's relations with the Third World nations there. When Soviet Foreign Minister Gromyko learned of the UN vote, he commented that "it had to happen, but from now on we won't have an easy time" in the General Assembly and the Security Council [Redacted]

[Redacted]

PHILIPPINES: President Marcos' Nacionalista Party is expected to score a landslide victory in the 8 November senatorial and gubernatorial elections. If the landslide becomes an avalanche, it will stimulate charges of fraud and increase public disaffection with the regime.

The opposition Liberal Party's campaign has been severely handicapped by a lack of funds and, in many local elections, the party has not even been able to field candidates. Primary interest centers on

the eight senate seats up this year. There are rumors that Marcos may try to engineer a Nacionalista sweep since he would like an overwhelming victory in order to strengthen prospects for extending his own tenure. The combination of Marcos' increased attempts to accumulate power and the Liberals' despair over their inability to compete through established political channels may prompt them to seek an accommodation with the radical left. The result could be greater political turbulence. [Redacted]

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### Finland: *The Government Parties Gamble*

On 29 October, President Kekkonen appointed Finland's fourth government since the March 1970 elections, a government of experts to run the country until early elections can be held on 2-3 January. Its predecessor, a four-party center-left coalition, fell when the two principal members refused to compromise on next year's agricultural price supports. More to the point, both parties—the Center and the Social Democrats—concluded that the time was opportune to increase their strength at the polls.

Although eight parties are represented in the Finnish parliament, governments normally have to be formed around the Center and Social Democratic parties. Parties of the right are unacceptable to the USSR, which is still granted a veto by the Finns, and the Communist Party is so divided that it is unable to impose discipline on its members for key parliamentary votes.

The Communists were members of the government coalition from July 1970 until March 1971. They dropped out when the party's liberal leadership, under attack from a strong conservative minority, decided that it could no longer accept co-responsibility for the government's economic decisions. A nominal Communist is in the new caretaker government, however, and the Center and the Social Democrats—as well as President Kekkonen—probably would like the party to join the next government. Finland's economic stabilization pro-

gram must be renegotiated early next year, and the Social Democrats, who are also currently battling the Communists for control of Finland's largest trade union, would particularly like their rivals on the left to share the onus for whatever is decided.

The Center Party, having just staunchly defended the interests of its agricultural constituency, is optimistic about a new election that will focus on economic issues. Politicians predict that Finland's desire for an arrangement with the European Communities, a sensitive item in Helsinki's all-important relations with Moscow, will also be a major issue.

The government parties' election hopes may be ill-founded. The electorate moved dramatically to the right in 1970 in protest against the policies of these parties, but it ended up with a government of the same parties. Domestic tensions have increased since then; the country has suffered its largest industrial strike since the mid-1950s, and the farmers recently took to the streets in the belief that they are being made the victims of the government's economic stabilization program. The Communists, approaching a party congress in the spring, are more fractious than ever and unlikely to profit at the polls. The electorate may, therefore, give added votes to the parties of the right but, because of Finland's limited political options, reap only more political instability.

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### Poland Emphasizes Brighter Aspects of Economy

Premier Jaroszewicz last week was optimistic about Polish economic developments in a speech to parliament. He apparently was hoping to demonstrate prior to the December party congress that the Gierk regime has begun to replace promises of a better future with concrete achievements. The speech did contain a frank admission of continuing shortfalls and thereby acknowledged it would take a long time to narrow the gap between the expectations of the populace and the economy's ability to satisfy them.

Jaroszewicz stressed particularly improvements in the lot of the consumer, claiming achievement of above-plan increases for national income, real wages, and consumption. He also cited improvements in market supply and the achievement of price stability. The premier admitted, however, that supplies and assortment of consumer goods and particularly of meat have failed to match consumer demand, that butter remains in short supply, and that progress in housing construction is marred by inadequate quality and rising costs.

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Progress in agriculture, a sector crucial to the Polish regime's future, has been uneven. Jaroszewicz claimed a record grain harvest, but Warsaw still will have to import 3 million tons of grain next year. This is due partly to the regime's need to compensate for a sharp decline in output of potato and forage crops, and partly to the increased requirement for feed to support record numbers of hogs. If adequate feed supplies are not available, farmers will prematurely slaughter meat animals, thereby nullifying measures introduced in the past year to boost long-term as well as current meat production. Market supplies of meat were up on the strength of record imports in the first nine months of 1971, and incentives to increase domestic production should have a favorable impact on supplies, particularly pork, in coming months.

Jaroszewicz seemed to contradict his assertions about full employment by disclosing that in certain regions women are having a difficult time finding work. In addition, his assertion that the nation's long-term indebtedness has not increased does not seem accurate in view of the known increases in imports of consumer goods and grains. Nevertheless, the regime is predicting a positive trade balance this year.

The leadership has been quick to take much of the credit for positive developments in the Polish economy, although giving the usual nod to the USSR for helping Poland to meet its economic requirements. The government is well aware that the population expects further improvement, and probably will step up efforts to upgrade working and living conditions rather than risk the consumers' wrath. [REDACTED]

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## Yugoslavs Resist New Stabilization Measures

Belgrade's current attempts to strengthen its attack on liquidity problems—the inability of industries and banks to meet current obligations—are running into difficulties. Some of the republics, which gained increased budgetary authority in last summer's decentralization, appear determined to amend, if not kill, the new federal stabilization proposals. This will be the first test of Belgrade's ability to promulgate a unified program under the decentralized system. Ultimately the collective presidency may be called in as a court of last resort to resolve the clash of interests.

The latest in the series of stabilization measures was presented to the Federal Assembly this week. The draft legislation focuses on the continuing problem of illiquidity by providing for forced settlement of outstanding debts. The problem also will be tackled by requiring enterprises and government organizations to maintain reserve funds and by increasing the reserve requirement of banks.

Remaining measures are concerned with alleviating inflationary pressures. Attempts to reduce demand, which in turn should ease import require-

ments, include additional restrictions on credit and a reduction in the growth of the money supply. Price controls, slated to expire on 29 October, have been extended "until further notice."

Longer term economic measures to be incorporated in the new five year plan are being prepared by special working groups of the Federal Executive Council. This legislation will include revisions of the price system, modifications of taxes, and new foreign trade and exchange regulations. Proposed actions must be coordinated with republic authorities.

Coordination will be difficult to achieve, however, because the various republics differ on the central issues of exchange rates and retention of foreign exchange earnings. The two wealthiest republics, Croatia and Slovenia, already have taken public exceptions to the federal program. In addition, the Federal Executive Council and the Federal Assembly are squabbling over control of the stabilization drive. Trade unions also have some reservations about the recent stabilization measures. The trade union leadership is trying to exert pressure on the government to give more consideration to the plight of the worker. [REDACTED]

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## WESTERN HEMISPHERE

### Mexico-US: Talks Begin

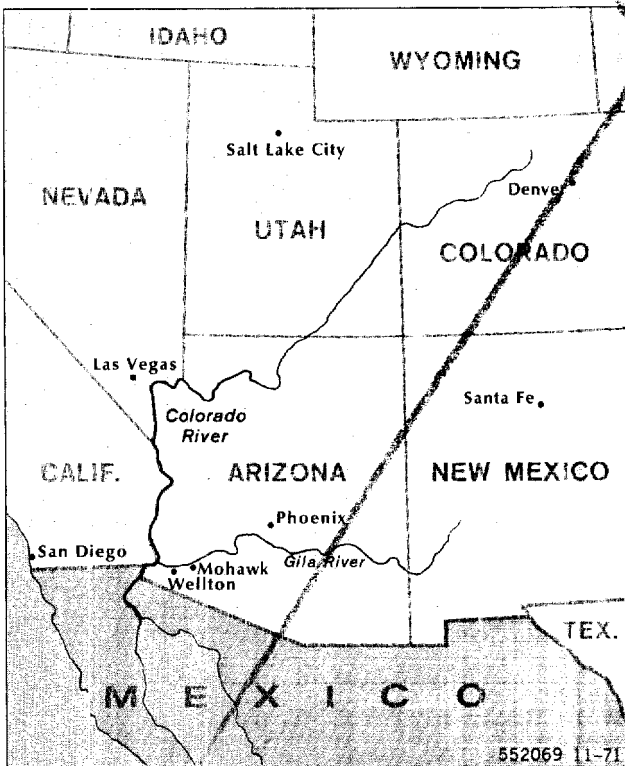
Mexican and US negotiators are once again tackling the major outstanding issue between the two governments, the salinity of the Colorado River water being delivered to Mexico. Long a difficult, technically complex, and politically sensitive issue, the matter has been complicated by a lack of coordination among Mexican officials and by Foreign Secretary Rabasa's apparent desire for a personal triumph in wresting dramatic concessions from the US. Meetings begin on 8 November to seek a new, practical solution to replace the one that expires this month.

In 1961, largely because of a new drainage system in the Wellton-Mohawk irrigation region of Arizona, water released into the Colorado downstream became so salty that Mexico pro-

tested that it was unacceptable under the 1944 Water Treaty and contaminated under international law. Mineral concentrations in the river increase as the water moves downstream through salt-permeated soils. This natural concentration, along with the increase in salinity resulting from the addition of saline groundwater washing back after irrigation, poses a serious water quality threat to all Colorado River water users. The US in 1961 took measures to reduce salinity and by 1965 concluded the agreement with Mexico which last year was extended to 15 November 1971.

Mexico's position on salinity has continually hardened under the Echeverria administration, at least as that position has been presented by the foreign secretary. Rabasa has insisted that Echeverria's political requirements in the important agricultural area southwest of Arizona demand a better deal than that offered to Diaz Ordaz, and that the juridical aspects of the issue are fundamental to an acceptable solution. He has in effect maintained a threat of international litigation if the US balks at demands for further concessions. His counterproposal last month was reasonable on the surface but was designed to damage the US legal position.

It is becoming evident, however, that Rabasa is not above misrepresenting Echeverria's view. Perhaps egged on by rumors of Echeverria's displeasure with [redacted] his foreign minister, Rabasa has been trying to squeeze an extra measure from the US on the salinity issue as a display of his diplomatic skill. He has not even kept the minister of hydraulic resources informed on the coming talks. Moreover, last week President Echeverria told Ambassador McBride that technical rather than legal problems were paramount on the salinity issue. The President reportedly seemed relaxed about the matter, and was confident that this one major bilateral difficulty can be solved amicably without resort to third-party juridical proceedings. [redacted]



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Canada: *Where to Turn?*

Ottawa is irritated with Washington over a considerable list of issues, the most important of which stem from the new US economic policy. The government has instituted a review of its relations with its southern neighbor but it is not likely to find an easy alternative.

deau, Ottawa has displayed this independent approach mostly in the realm of foreign affairs. It has been constrained on the economic front by the advantages of its special relationship with the US and by resistance in some provinces to stronger national policies.

The catalog of Canadian complaints is fairly extensive. Canada has failed to obtain relief from the surtax. It is concerned that US congressional approval of the Domestic International Sales Corporation and of the "buy American" provisions of the investment tax credit will "export" jobs from Canada to the US. It fears that Canada will as a result be turned into merely a supplier of raw materials for US industry.

Now, the Trudeau government is moving to reduce Canada's dependence on the US. In a policy review under way, Canada can be expected to seek to diversify its export markets and find new sources of technology and capital. It is likely to find that alternatives are severely limited and that attempts to reorient the economy are costly in terms of growth and development. External Affairs Minister Sharp and Industry, Trade, and Commerce Minister Pepin have already indicated that it is unlikely Canada can in any significant way replace the US market, which absorbs two thirds of Canadian exports.

[Redacted]

Ottawa is opposed to the Amchitka nuclear test.

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A white paper last year stated that if Canada were to thrive as an independent state, it must exercise "judicious" control over its economic relations with the US and expand its contacts with other nations. Under Prime Minister Tru-

The prime minister has an eye on the expected federal elections in 1972, and will doubtless wish to be seen as an effective protector of Canadian interests. [Redacted] 25X1



PERU: The government has taken two major steps in recent weeks to further its policy of seeking a leading role in the third world. On 2 November, it established diplomatic relations with Communist China, with which it had opened trade relations. Peking reportedly will buy up to 200,000 tons of fishmeal, a commodity that Peru has had difficulty marketing recently. In addition, Peru has sold 105,000 tons of fishmeal to Cuba and sponsored Cuban membership in the "Group

of 77," now meeting in Lima to prepare for the UN Conference on Trade and Development scheduled for Chile next year. At this meeting, the Peruvians have cast themselves in the role of spokesmen for the developing countries vis-a-vis the developed world. Peru can be expected to continue this policy, charting a course independent of major powers while attempting to keep cordial relations with as many countries as possible. [Redacted]

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**SECRET****Venezuela: *An Issue for the Opposition***

The Caldera administration has opened itself to heavy criticism by issuing an arrest order for Senator Miguel Angel Capriles, owner of Venezuela's largest (and most sensationalist) chain of newspapers and magazines. Though the order was obviously provoked by Capriles, it has brought the government under attack for violating the principles of press freedom, congressional immunity, and political asylum.

The administration's patience with the unscrupulous senator, whose papers have repeatedly cost it embarrassment, ended a month ago with the reprint in Capriles' afternoon daily, *El Mundo*, of the text of a secret Ministry of Defense memorandum purporting to describe Colombian war preparations against Venezuela. Compounding the insult to the military, the paper claimed that the document was leaked to the press by insurgent penetrations of the armed forces. The government charged Capriles with offenses against national security so that the case would be tried before a military court.



Senator Miguel Angel Capriles

Both civilian and military officials are concerned with Capriles' irresponsibility. His vicious anti-Colombian propaganda brought Colombia and Venezuela dangerously close to war this summer, and his stories that Venezuela planned to annex Curacao nearly torpedoed Caldera's trip to that island in September.

Active support of Caldera during the 1968 presidential campaign earned Capriles a senate seat, but he has since been on the outs with the government, particularly after cabinet changes last spring again failed to include any of his men. Capriles has long felt that his service in the close presidential race deserved higher recognition. Pursuit of his political ambitions recently took Capriles to Spain, where he offered ex-dictator General Marcos Perez Jimenez support for the next presidential elections in December 1973.

Despite the length of time before elections, maneuvering by announced and potential candidates is already in progress. Many are eyeing a deal with the old dictator, who polled 11 percent of the congressional vote in 1968 and whose popularity is rising. Although Perez Jimenez has as yet struck no deal, the Capriles news chain has given him favorable copy while intensifying its anti-Caldera line. Capriles has seemed determined to provoke government action against himself so that he, like Perez Jimenez, might be depicted as a "victim of suppression"

Caldera has taken on a formidable enemy in Capriles. His papers are widely read by the lower classes, and his ability to influence popular opinion is considerable. Capriles has taken asylum in the Nicaraguan Embassy

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## Guatemala: *An End to Emergency Measures*

The government of President Arana, having squeezed all possible political mileage out of its "get tough with the terrorists" campaign and concerned with its deteriorating international image, is making plans to lift the year-old state of siege. The government has been relatively pleased with the success of its anti-insurgency program and has little to lose from such a move. It will probably announce the step before the end of the year.

General Arana, who made his reputation as a ruthless guerrilla fighter, ran for the presidency in 1970 on a campaign that stressed law and order. He promised to write the final chapter to a decade of political violence that has cost thousands of lives. Nevertheless, he began his administration on a conciliatory note, attempting to project the image of a moderate and focusing on socioeconomic reform. The new Arana was a shocking disappointment to both left and right. The former saw little profit in allowing the government to play at reform and resumed terrorist activity in an effort to provoke repressive action in the hope it would be so excessive and so poorly focused as to hasten the polarization of Guatemalan society. The right, for its part, was itching for a no-holds-barred counterterror campaign that might completely destroy the Communist apparatus. On 13 November 1970, Arana finally yielded to these pressures and imposed a state of siege.

Government efforts over the past year to combat insurgency have met with mixed results. The scatter-fire tactics adopted by security forces and right-wing vigilante groups have caused a number of unjustified killings. On the positive side, however, the two major insurgent groups—the Cuba-oriented Rebel Armed Forces and the action arm of the Communist Party—have been severely hurt and their tactical losses already exceed any strategic gains they might have hoped to make. Nevertheless, the government has not

dealt a death blow to the insurgent movement, and it retains a significant operational capacity.

Political violence has become so much a part of life in Guatemala that the increased level since the state of siege was imposed had not, until recently, penetrated popular apathy and indifference. Indeed, though the state of siege restricts political activities and suspends certain constitutional guarantees, it impinges little if at all on the average Guatemalan. There is, for example, no curfew. Recently, however, restiveness has been growing among students, professors, Catholic and Protestant church officials, the bar association, and the political opposition. Even some of Arana's own supporters have begun to suggest that a change in policy might be useful.

In September, Arana indicated that he would not restore constitutional guarantees until the pacification program was completely successful. The President, nevertheless, is sensitive to criticism in the foreign press and, having established himself as a "forceful leader," may now agree that continuation of the state of siege is of more value to the left as a symbol of repression than it is to the government in dealing with the Communists. There are already indications that Arana is beginning to discourage the extralegal use of force by his supporters and some evidence that he will end the state of siege and perhaps even amnesty political prisoners as soon as he can do so without appearing to yield to his opponents.

Once this is done, the pressure will shift to the insurgents. If they do not demonstrate their strength by mounting a spectacular operation, they lose face and Arana can declare his pacification efforts a success. If they mount the operation, however, Arana will have demonstrated to his critics the need for a continued and aggressive antiterrorist program.

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## MIDDLE EAST-AFRICA

### Tunisia: *Split Widens*

President Bourguiba's decision to ignore the groundswell for liberalization of the party and the administration has caused considerable polarization of the two principal party factions. It also has stirred ferment within the normally apolitical military and police forces. These are now lining up behind either the liberals, who desire to infuse more democracy into party and state institutions, or the conservatives, traditionalists who support continued authoritarian rule.

The liberals are led by former interior minister Ahmed Mestiri. They clearly dominated the unexpectedly free and open deliberations at last month's congress of the ruling Destourian Socialist Party. They won a majority of the seats on the party central committee. Mestiri then pressed for election by the congress of the political bureau, the party's executive body, and came out strongly for a constitutional amendment providing for the national election of a president in case a vacancy occurs before Bourguiba's term expires in 1974.

Ignoring the developing consensus and arguing once again that the Tunisian people are still too immature politically to be trusted with de-

mocracy, Bourguiba announced that he would name the political bureau and stated that Prime Minister Hedi Nouira, in whom he has often expressed confidence, should succeed to the presidency. When Mestiri spoke freely to the foreign press, Bourguiba suspended him from party activities. The President apparently was persuaded, however, to call off the bitter domestic press campaign.

[redacted] Bourguiba also presented a slate of 20 party stalwarts to the central committee from which it selected the 14-member political bureau.

Although Prime Minister Nouira had hoped to avoid a governmental crisis, the liberals were able to force one by resigning en masse. This complicated the task of Nouira who sought to form a broadly representative government. A new administration council of ministers was invested late last week. It is composed largely of long-time supporters of Bourguiba, and includes two exponents of the liberal point of view as well as both leaders of the conservatives.

For the first time, military officers have begun openly to discuss political developments.

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Senior officers are generally aligning themselves with the conservatives, and junior officers support the liberals. Nouira and his new defense minister can be expected to watch closely for any signs of political activism within the military. Already, police officials known to be close to or sym-

pathetic with Mestiri are being transferred out of national security headquarters to outlying areas. Inasmuch as they have failed to convoke a party disciplinary committee, Bourguiba and Nouira may be backing away from further action to denigrate or martyrize Mestiri.

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**TURKEY:** Military pressure on the Justice Party has caused it to "postpone" a decision to withdraw five of its members from Prime Minister Erim's cabinet. The announcement early in October by Justice Party leader Demirel that he was pulling out these cabinet members was followed by Erim's offer to resign—rejected by President Sunay—and the threat of renewed military intervention.

agreed that the politicians should be given another chance to make parliamentary government work and that military intervention could be avoided only by giving Erim full backing.

General Tagmac, chief of the General Staff, in a speech on the 29 October Republic Day celebrations commented pointedly that the armed forces would not allow the present dangerous situation to continue and that they supported the government "with all their strength." Two days earlier, top military officers are said to have

Meanwhile, Erim has sharply attacked Demirel, accusing him of showing financial favoritism toward his brothers when he was prime minister. This tactic appears designed to split the majority Justice Party by strengthening the faction opposed to Demirel's leadership. The way seems clear now for Erim again to form a non-party cabinet with Justice Party members of his own choice, as he had demanded, and try to push his reforms through a parliament still dominated by the Justice Party.

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**SYRIA-JORDAN:** Syria has eased somewhat its restrictions on the border with Jordan, which was closed last July as a gesture of Syrian support for the fedayeen. Jordanians with valid business reasons reportedly can now enter Syria. Damascus is also ensuring that the fedayeen do not start trouble on the border. Last month, a Jordanian commercial delegation and the foreign minister visited Syria. Both were assured that the border closure would soon be lifted. On 28 October, a newspaper in Amman reported that the Syrian foreign minister had asserted that matters pending between Syria and Jordan would soon be settled.

Syria has tied a reopening of the border to an accommodation between Jordan and the fedayeen. The chances for such an agreement still are uncertain. Although Egypt, Saudi Arabia, and Jordan have reached a common position regarding Jordan's negotiations with the fedayeen, the Palestinians remain as divided as ever. Yasir Arafat and other moderates have softened their stand, sensing that they must accept Amman's terms if the fedayeen movement in Jordan is to survive. The radical groups, on the other hand, have denounced any negotiations with Jordan as a defeatist course.

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### Israel: *Government Takes Hard Line*

Israeli concern over relations with the US was made evident in a major policy speech by Prime Minister Golda Meir to the Knesset last week.

In her speech, Mrs. Meir recalled her statement on 9 February that Israel was ready to hold discussions on opening the canal, and she noted that on 19 April Israel had presented to the US detailed proposals on an interim agreement. She quoted US spokesmen as saying that Israel's viewpoint could serve as a basis for continuing talks and said that Secretary Rogers' dispatch of Assistant Secretary Sisco to Cairo after his May visit to Israel indicated that Rogers did not find the Israeli proposals unreasonable per se.

Mrs. Meir said that since March there have been "disturbing changes" in the US approach to several aspects of the canal settlement. These run counter to Israel's positions. The US, she said, had spoken of a cease-fire for a specified period and of a symbolic crossing of the Suez Canal by Egyptian forces, even mentioning numbers. Secretary Rogers had said that an interim Suez Canal agreement would be only a step toward implementation of Security Council Resolution 242 of November 1967. Secretary Rogers, Mrs. Meir added, had also spoken of Israeli withdrawal to the international boundary. By departing from the limits of good offices and offering proposals of its own, Mrs. Meir said the US risks bringing about a stalemate and harming the chances for negotiations.

On the question of the supply by the US of Phantom aircraft to Israel, Mrs. Meir said, "We cannot ignore the fact that in recent months, there has been an interruption in the supply of planes to Israel. This upsets the balance of arms... and it encourages the Egyptian rulers in their preparations to violate the cease-fire and commence military operations against Israel if it does not obey their dictates."

Mrs. Meir said that before engaging in an "intensified discussion" of the arrangement for opening the canal, Israel would require preliminary discussions with the US. Subsequent statements by other Israeli officials have linked the US supply of Phantoms to Israeli willingness to enter into negotiations on an interim settlement. In a radio interview on 30 October, Deputy Prime Minister Allon stated that while he did not wish to connect the two subjects, Israel would not agree to negotiations under the circumstance of an embargo.

### Israel's Position on an Interim Agreement

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Egypt must clear, open, and operate the canal for the ships and cargoes of all nations, including Israel, within six months of the effective date of the agreement;

the cease-fire must be unlimited;

the Israel Defense Forces will withdraw to a distance east of the canal to be determined in the agreement;

Egyptian civilian technicians will be allowed on the east bank of the canal;

no Egyptian armed forces, regular or irregular, will cross the canal;

Egypt will thin out its forces west of the canal as specified in the agreement;

ways and means of control will be agreed upon;

the line to which Israel withdraws will not be regarded as final; and

the interim agreement will not prevent the parties from continuing negotiations under Jarring.

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## Mauritius: *Government Shaken*

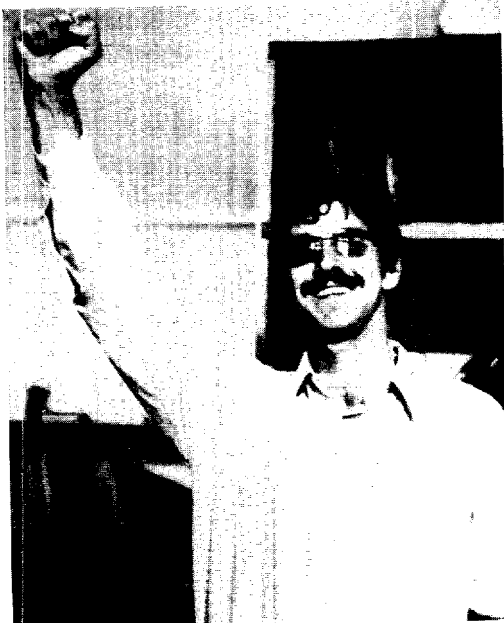
The settlement of a recent labor dispute on terms favorable to the leftist opposition party, Mauritian Militant Movement, is having serious repercussions for the coalition government and especially for Prime Minister Ramgoolam himself.

After a series of strikes that began two months ago, the Movement won its key demand that its dockworkers union be recognized instead of a government-backed organization. By concentrating on economic issues and the present government's ineffectiveness, the Movement had already won a series of electoral victories over the past two years, and its leader, Paul Berenger, now

internecine communal strife, but has made almost no progress toward solving pressing problems of poverty, unemployment, and overpopulation.

Ramgoolam has apparently decided that negotiation is the best way to deal with Berenger. Meetings between the two have led to speculation that Ramgoolam might consider a deal whereby he would resign in favor of a more popular leader from his own Labor Party who would then call general elections.

Ramgoolam's receptiveness to the Mauritian Militant Movement is not shared by most Labor



**Paul Berenger**  
*Leader of Leftist Opposition*

has a stranglehold on the island's sugar-based economy.

The government was further discredited by the inept way it handled the strikes. Formed in 1969, the coalition has held in check the island's



**Prime Minister Ramgoolam**

Party members. His overtures to Berenger—who himself is not keen about joining forces with Ramgoolam—are therefore likely to intensify the efforts of Labor Party dissidents to force the prime minister's early retirement.

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