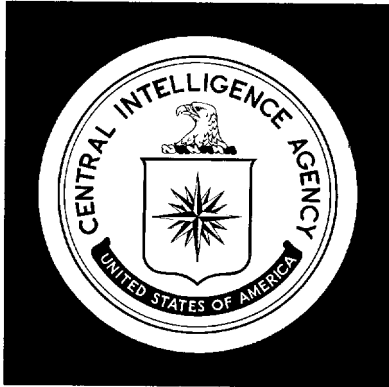


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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CONTENTS

(Information as of 1200 EST, 3 February 1972)

Indochina: Peace Proposals	1
...And Military Preparations	2
Israelis Agree to Interim Talks	4

25X6

FAR EAST

Nationalist China: Continued Economic Growth	6
Japan-USSR: Atmospheric Improvement	7
Japan's Textile Industry Does Well	8

EUROPE

Gold Price Hits All Time High	9
Malta: Agreement in Sight?	9
Warsaw Pact Summit: Promulgations from Prague	10
West Germany: Economic Improvement Programmed	11
Slow Start for General Preferences	12
Yugoslavia: The Party Muddles Through	12

MIDDLE EAST - AFRICA

Bangladesh: Not Completely Secure	13
Egypt: Sadat to Moscow; Students Calm	15

25X6

Nepal: A New King	16
Sudan: Several Faces of Rebellion	17
Ghana: Uneasy Lie the Heads	18

WESTERN HEMISPHERE

Allende Broadens His Cabinet	19
Guatemalan War Drums—Just a Lot of Noise	20
Security Forces Hit Brazilian Terrorists	21
Venezuelan Leftists Win Student Vote	22
Controversy and Confusion in Uruguay's Vote Count	23
Mexico: Widespread Arrests	24

25X1

SECRET

SECRET

Indochina: Peace Proposals

At a press conference in Hanoi on Wednesday, Viet Cong representatives issued an "elaboration" of their seven-point proposal which seemingly changes some elements of the Communist negotiating position, particularly with respect to a political solution in South Vietnam. For the first time, the Communists indicate they would discuss arrangements for a caretaker regime and elections with members of the "Saigon administration," provided President Thieu resigns and many other sweeping conditions are met. These conditions include an end to the pacification program and to US "interference" in South Vietnam, but the customary demand for an outright cessation of US military and economic support for the regime is not repeated.

The Viet Cong proposal does not appear to alter the previous formulation on a POW exchange, which held out the prospect of a phased release geared to the pace of US troop withdrawals. But unlike past proposals with their emphasis on deadlines, this one leaves it to the US to name an explicit withdrawal date, which it says will also be the "terminal date" for the release of all civilian and military personnel now under detention.

There are omissions and ambiguities in the Viet Cong package which have not cropped up in recent formulations. The new plan does not repeat the standard line that a political solution and US withdrawal are "closely linked," although it does specify that agreement on the two issues will make it "easy" to resolve the other problems in a settlement. Moreover, the question of a POW release is discussed only in connection with US withdrawal and is not explicitly linked, as it has been in recent Communist pronouncements, to the provisions for a political solution. The Viet Cong proposal also omits any reference to a cease-fire, suggesting that the Communists may hope to keep this issue dissociated from the points covered in their new package.

Communist news media have described the Viet Cong proposal as a rejection of the "aggressive and neocolonialist stand" they say President Nixon demonstrated in last week's statement on the eight-point peace plan. This is perhaps as clear an indication as any of Communist attitudes in

the wake of President Nixon's disclosure of the secret negotiations between the US and North Vietnam. Throughout the week Hanoi has tended to equivocate, giving no clear sign whether it intended to reject the US package now that it was being aired in public. On Monday, Hanoi publicized the nine-point plan it had put forward last June in private talks with Dr. Kissinger. In doing so, the North Vietnamese claimed that the US disclosures had created "obstacles to negotiations," but they also admitted that Hanoi favored meaningful discussions in any form. At the same time, despite negative comments by most of the Hanoi media, and reportedly by Premier Pham Van Dong as well, North Vietnamese officials in Paris showed some willingness to probe the US negotiating initiative from a substantive viewpoint, focusing most of their comments on the provisions for a political solution in South Vietnam and for US troop withdrawals, points which they complained were not explicit enough.

In retrospect, much of this equivocation may simply have been to mark time while the Communists prepared to unveil the latest Viet Cong package. Undoubtedly the Communists in the weeks ahead will try to use the new formulation to gain propaganda mileage and refurbish the image of the Viet Cong's Provisional Revolutionary Government, whose role was cast in doubt when Hanoi revealed it had been engaged in bilateral discussions with the US and had presented a peace plan of its own. The Communists may also believe that by casting Thieu as the primary obstacle to peace, as they do in the new package, they can strike a responsive chord among critics of US policy and weaken Vietnamese confidence in the Saigon administration. At the same time, Hanoi may regard the Viet Cong proposal as a serious negotiating move which could loosen the logjam on the issue of a political solution as well as add to the pressure on the US to hasten its withdrawals.

The Reaction in Peking

Peking has "loyally" weighed in to denounce the President's eight-point plan as an attempt to impose "truculent and unreasonable" conditions for a US troop withdrawal while offering

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high-level support for Hanoi's own seven-point proposal. Chinese commentary, however, has stressed the importance of troop withdrawal while downplaying or fuzzing the political aspects of both the North Vietnamese and US proposals. The Chinese have also refrained from characterizing the US proposal as "deceitful," as the North Vietnamese do. An NCNA account of a meeting between Vietnamese envoys and Chou En-lai, for example, noted that Chou had listened to such a denunciation of the plan by his interlocutors without explicitly expressing agreement; Chinese endorsement was limited to Hanoi's seven-point proposal.

The most obvious divergence in treatment of the US plan by the two parties was contained in a Chinese account of a *Nhan Dan* article on 29 January attacking the US package. The Chinese version of this article carefully deleted portions of the Vietnamese comment that claimed there was nothing new in the US proposal and omitted Hanoi's characterization of its own seven-point proposal as one comprising "two basic and closely related points." This Chinese reluctance to couple the military and political aspects of a Vietnamese settlement as tightly as does Hanoi has been evident at least since Pham Van Dong's visit to Peking last November.

The Chinese concern in treating last week's dramatic developments has been to balance their own interests vis-a-vis both Hanoi and Washington. Peking is obviously most reluctant to accuse the President of bargaining in bad faith on the very eve of his visit to China; at the same time it is anxious to indicate to Hanoi that it is not deserting the Vietnamese cause in order to strike a deal with the United States. Nevertheless, it seems clear that Peking's own priorities place American military withdrawal from the Indochina peninsula well ahead of a political settlement in Saigon thoroughly acceptable to its North Vietnamese allies. Indeed, it is possible that the Chinese hoped that an agreement on withdrawal could have been reached between Washington and Hanoi prior to the President's visit, thereby providing an underpinning for more wide-ranging discussions on the future of Southeast Asia.

The Chinese, however, are painfully aware—from experience—that their leverage on Hanoi is limited, particularly in areas in which the Vietnamese believe their vital interests are involved. Peking also has reason to be concerned that too much pressure on Hanoi would simply push the Vietnamese into the arms of Moscow. In these circumstances, the Chinese are likely merely to let Hanoi know how the situation looks from Peking, hoping that their allies will then draw their own conclusion as to the proper course to pursue.

...and in South Vietnam

South Vietnamese reaction to the allied peace plan announced last week has been generally favorable, although tempered in some cases by concern that too much has been conceded to the Communists. Most attention has focused on President Thieu's offer to resign one month before a new election to be held with Communist participation. The great majority of comments on the proposals by Saigon politicians and the press have welcomed them as constructive and as giving the South Vietnamese Government a propaganda advantage over the Communists. Even some leading critics of the government, including representatives of the An Quang Buddhists, have indicated general support for the plan. On the other hand, hard-lining anti-Communist elements are complaining that the proposals go too far and offer the enemy too much. Despite the widespread interest in and commentary on the peace proposals, many South Vietnamese remain cautiously noncommittal while awaiting further developments.

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...And Military Preparations

The Communists' Spring Offensive

With the Tet holiday a little more than a week away, indications that the Communists are planning a substantial increase in military action in South Vietnam continue to mount. It still appears that the main focus of the action will be in the central highlands and just south of the

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DMZ. Enemy preparations seem well advanced in both of the sectors and attacks could get under way soon. The increase in rocket and mortar attacks this week in northeastern Quang Tri Province may represent the opening phase of larger scale action soon to follow south of the DMZ.

Local Forces

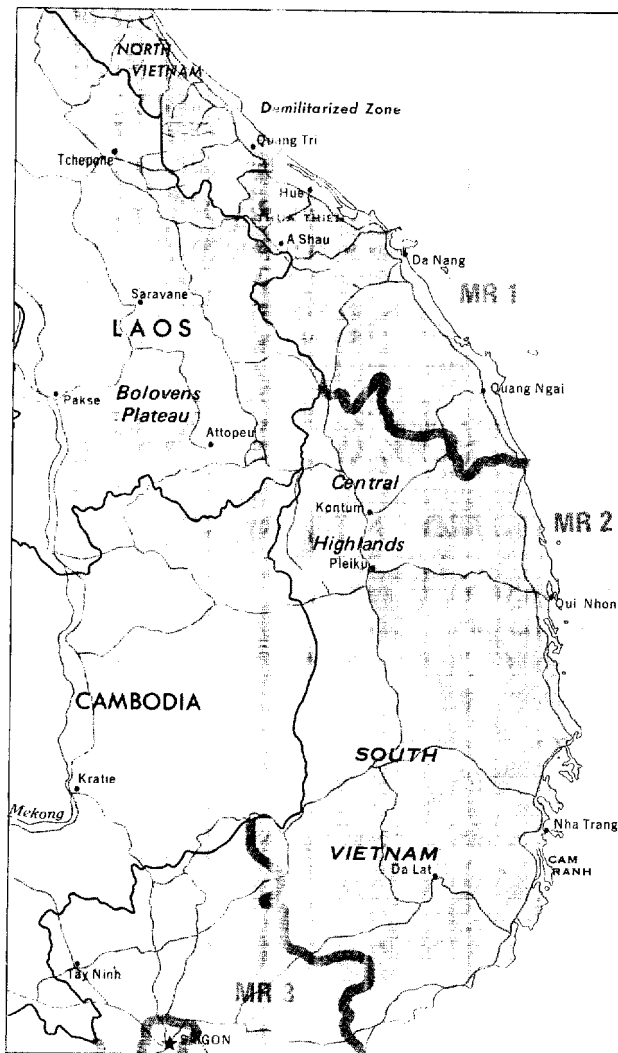
There is also abundant evidence suggesting that many of the enemy's local force and guerrilla units, backed up in some cases by regular combat forces, are preparing for a fairly widespread round of attacks throughout the country. The type of action expected, including shellings and limited ground assaults against military and some urban targets, is relatively easy to set off on a loosely coordinated basis and would be intended to give the appearance of considerable strength and ability to maintain the initiative. Many reports have indicated that attacks will be scheduled around Tet, the lunar new year holiday that begins on 15 February, and the President's trip to China later this month.

On the allied side, friendly forces are in a heightened state of alert in anticipation of the enemy offensive. Extensive pre-emptive actions have also been undertaken by allied units, and in a number of areas during the past week significant casualties have been inflicted on Communist units. The aggressive allied stance could well disrupt enemy planning and cause some slippage in the attack schedule and might blunt some enemy offensive capabilities.

Waiting at Long Tieng

Ground activity has remained at a fairly low level in the Long Tieng area as both sides continue preparations for more fighting. Small unit clashes and shelling attacks by mortars and recoilless rifles occurred daily, but no major positions changed hands.

The North Vietnamese have used their 130-mm. field guns only sparingly during the past week. Air strikes are believed to have destroyed some, but it is not clear how many of the 16 guns detected moving into north Laos in November have been put out of action. The reduced use of the guns could reflect a desire to avoid exposing them to air strikes, an attempt to conserve ammunition prior to a major ground assault, or movement of the guns into positions closer to Long Tieng for greater effectiveness.



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Seven NVA infantry regiments remain southwest of the Plaine des Jarres. They apparently are content to probe the government's defenses while concentrating on developing their logistical system to support a major ground attack.

Vang Pao is taking advantage of the relative calm to reorganize his defenses. The eight fresh irregular battalions that arrived last week have been deployed to relieve other irregulars whose fighting effectiveness and morale had substantially declined after weeks of hard fighting.

Israelis Agree to Interim Talks

On 2 February, following a special cabinet meeting, the Israeli Government announced that it had decided to participate in the US-proposed talks in "close proximity" on an interim Suez Canal agreement. According to the Israeli press, prior to agreeing to participate in the talks, the Israelis had been seeking "clarification" from the US on three issues: the relationship of the delivery of aircraft to an interim agreement; the US position on Secretary Rogers' speech to the UN on 4 October; and the US role as a middleman in indirect talks between Israel and Egypt.



Mrs. Meir emphasizes Israel's goals.

A Communist Note on Talks

Communist leader Souphanouvong sent a telegram to Prime Minister Souvanna on 24 January reiterating that the "Laos question" must be solved by the parties involved on the basis of the 1962 Geneva Accords and in accordance with the current situation in Laos. The full text of Souphanouvong's message is not yet available, but it is unlikely that the Communists will have any serious interest in negotiations until they have assessed the results of their dry-season offensive. Souvanna has not reacted to the message, but he usually resists pressure for talks while the Communists have the military initiative. [REDACTED]

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Meanwhile, in what appears to be a conscious policy of encouraging Egyptian President Sadat to seek a political rather than a military solution, Israeli leaders in recent speeches have welcomed what they describe as a trend toward political realism in the Arab countries. Speaking to the recent congress of the World Zionist Organization, Deputy Prime Minister Allon described Sadat's decision not to resort to force as an act of "a courageous leader concerned with the destiny of his country and people." At the same congress, Foreign Minister Eban also picked up the theme of "Sadat's courage" and said that the trend in the Arab countries since 1967 has been toward greater realism and not greater extremism.

The Egyptian position on participation in the interim talks, however, is not clear. Sadat has publicly renounced US mediation efforts, stressing instead the need to rely on UN mediator Gunnar Jarring as the primary hope for achieving a settlement of the Middle East impasse. Following the Israeli announcement, an official Cairo spokesman said any Israeli decision to talk would have to be relayed to Egypt through Jarring. [REDACTED]

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Nationalist China: Continued Economic Growth

The booming economy remains a bright spot amid the political troubles that have recently hit Taipei. The economy last year grew by 11.4 percent and gross national product (GNP) reached \$6.2 billion. Growth was again paced by exports, which rose by 33 percent to over \$2 billion and gave the island a trade surplus of more than \$190 million. Exports of manufactures such as textiles, clothing, and electronics—where Nationalist China ranks second only to Hong Kong in the Far East among the developing nations—accounted for most of this gain.

Over the past decade, Taipei has had an average annual growth of about ten percent, and per capita GNP has risen to over \$400, more than double the average for less developed countries. The key to this achievement has been Taipei's ability to attract large amounts of private foreign capital into new export industries. Foreign firms have been attracted by the island's low cost labor, political stability, and liberal investment laws. In recent years private capital inflows, mainly from the US, Japan, and Overseas Chinese, have averaged over \$125 million annually. Foreign firms also have provided the technical know-how, management techniques, and access to foreign markets that have been essential to the island's success.

Despite the brief lull in investor interest that followed Taipei's expulsion from the UN in October, government approvals of new investment in 1971 rose 16.5 percent to a record \$163 million. US and European firms, in particular, maintain their high interest in Taiwan largely because it continues to offer one of the few opportunities to compete effectively with Japan. The Japanese, on the other hand, have been cautious about expanding their substantial involvement on Taiwan. This

probably is seen by Taipei as a mixed blessing. The Nationalists want to avoid becoming over dependent on Japan economically but fear that any weakening in economic interest could be a prelude to Japanese recognition of Peking.

Taipei is attempting to prevent its reduced political status from threatening continued growth by moving to secure continued inflows of foreign capital and access to world markets. As a first step the government is reducing red tape and acting more quickly on foreign business proposals. Taipei also is drawing up plans for a worldwide trade offensive that emphasizes increased sales to Western Europe and to the less developed world where only limited inroads have yet been made.

Furthermore, Taipei is not allowing diplomatic setbacks to interfere with its foreign trade. Taipei kept its trade missions open when recognition was withdrawn by Canada and Italy in 1970, and trade with both countries continues to increase. In Canada, where two-way trade more than doubled last year, Taipei has maintained a low profile by dealing through a quasi-official trading company. A similar policy may be used in trading with other countries not recognizing Taipei.

Nationalist efforts have been given a boost by the recent international monetary adjustments that have improved the island's economic outlook. By devaluing, Taipei has increased its edge over Japan and Hong Kong—two of its major competitors—in world markets, as well as improving its competitive position in the Japanese domestic market. This should serve as a further inducement for export-oriented investment in Taiwan.

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Japan-USSR: Atmospheric Improvement

Gromyko's five-day visit to Japan, his first since 1965, has clearly improved the atmosphere between Moscow and Tokyo. It provided an occasion for a demonstration of amity and set the stage for further high-level discussions. With an eye to Peking and Washington, both sides were at pains to portray it as a successful first step in the gradual process of developing closer relations. There was clearly more form than substance, however, in Gromyko's discussions with Foreign Minister Fukuda and other top Japanese officials. Both sides apparently avoided coming to grips with the knotty problems dividing the two countries, and the wording of the final communiqué underscored the fact that no one gave much ground.

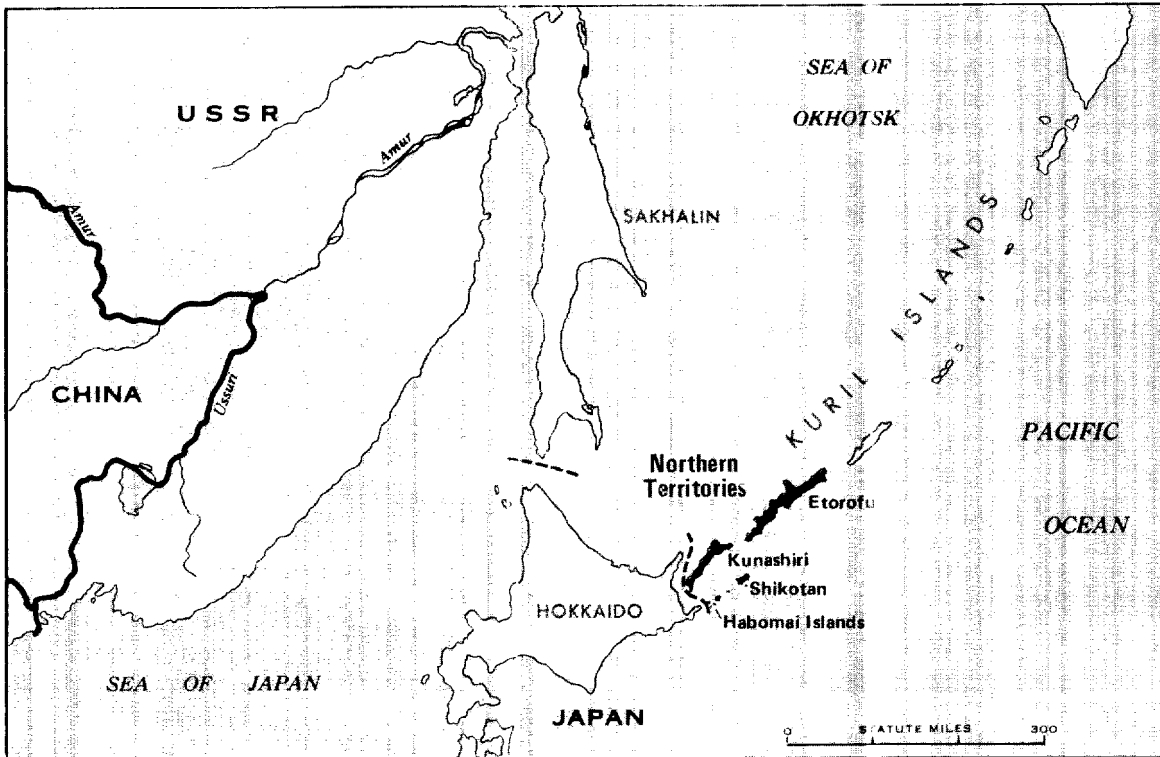
The communiqué stated that the USSR and Japan "expect" to exchange visits of heads of government and "favor" beginning talks regarding a peace treaty before the end of the year. Japan has hitherto insisted that such negotiations could not be held unless the Soviets are willing to discuss the problem of the Northern Territories—the small islands north of Hokkaido occupied by the USSR at the end of World War II. No mention of the issue was made in the communiqué, [redacted]

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[redacted] At a press conference on his departure from Tokyo he acknowledged that a solution to the dispute was "one of the problems" involved in negotiating a treaty. The Japanese probably

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detect in Gromyko's ambiguous handling of the issue a sign of new flexibility, however slight.

Moscow probably hopes that its offer of peace talks will temporarily defuse the territorial issue, enabling it to push for improved Soviet-Japanese relations in areas—particularly economic—where it senses prospects for agreement may be better.

Beyond the exploration of a peace treaty and the possibility of higher level visits, Gromyko's sojourn resulted in the establishment of a two-year program of cultural exchange and a general agreement to hold annual talks at the foreign minister level. Japanese participation in development of Siberia's Tyumen oil field was discussed, but serious consideration of this enormous project was deferred until the joint economic committee meeting that opens in Tokyo on 23 February.

In recent months the Soviets have mounted a major propaganda offensive to stimulate Japanese interest in closer economic and political cooperation and to offset Peking's courting of Tokyo. An underlying uneasiness about Soviet intentions persists in Japan, however, and the Japanese Government will move with extreme caution as the pace of the dialogue with Moscow quickens. In addition, Tokyo is actively seeking an improvement of relations with China and is unlikely to be deflected from this goal by overtures from Moscow. [REDACTED]

Japan's Textile Industry Does Well

The government's large and growing allocations to the textile industry have gained the industry's cooperation with restraints designed to

limit the growth of textile exports to the US. Some \$660 million have been earmarked to help finance a comprehensive modernization program under which the government will purchase surplus textile machinery and provide low-interest loans to textile firms. Little, if any, money will be used to shift firms and labor into new industries. Most funds will be made available to small- and medium-sized firms apparently in an effort to entice them to stop contesting the legality of the government imposed export controls.

Tokyo is probably willing to commit more funds to achieve this end, but on purely economic grounds industry will have a hard time arguing for more financial assistance, especially since 1971 brought record sales. Despite the imposition of export controls as early as July, the value of deliveries to the US during the year increased by about 15 percent to some \$600 million; sales to the US market rose by only about 5.5 percent in 1970. Although much of the increase occurred in the first half of 1971 when Japanese suppliers were flooding the US market, sales continued to rise rapidly even after October when a new and more restrictive restraint agreement between Washington and Tokyo was reached in principle. The continued increase partly reflects higher dollar prices stemming from the yen appreciation, although Japanese suppliers also boosted shipments sharply during the last quarter of 1971.

The textile industry by and large should continue to do well in 1972. Japanese producers are not likely to reduce textile prices to compensate for the yen revaluation, and Japan is in an especially good position to sell products at higher dollar prices without losing much of the US market. Its main competitors in the US market—Hong Kong, Taiwan, and South Korea—are also covered by export restraints and cannot make full use of any price advantage they hold over the Japanese as a result of revaluation. [REDACTED]

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Gold Price Hits All Time High

The free market price of gold continues to climb, reaching a record high of \$49.25 per ounce on Wednesday. The volume of sales remains low, however, and the leading three Swiss commercial banks which comprise a consortium that purchases most of South Africa's gold are evidently restricting the supply. Therefore, even if South Africa is selling its current gold production—as it did throughout 1971—the Swiss have the ability to drive up prices.

Neither supply restrictions nor speculative demand is responsible for the entire spread between the current market price and the new proposed floor price of \$38 an ounce. For several years non-speculative demand has probably exceeded non-Communist gold production, largely that of South Africa. Through 1970, the gap was filled by drawing down speculative holdings created during the monetary crisis of 1967-68. With that source dissipated, the gap between supply and demand has been closed by rising prices. The price needed to close this gap is now estimated to be about \$42 to \$44 an ounce, the range of prices that prevailed last November and December when speculative demand was negligible.

Some current speculative efforts are driving the price higher. Speculative demand feeds on the continued weakness of the dollar in international monetary markets. Moreover, fears persist that the US Congress will not raise the official price of gold to \$38 an ounce, or alternatively may raise it by a much larger amount. Widespread low interest rates encourage speculation by reducing the cost of holding gold.

Malta: Agreement in Sight?

There was progress in the most recent round of talks in Rome on 28-29 January, but a number of differences—largely financial—have yet to be decided. Prime Minister Mintoff's continuing efforts to squeeze even more cash from the allies have resulted in a stalemate over the amount of annual "rent" to be paid to Valletta. At Rome, however, the Maltese leader and the British tentatively agreed to a formula—subsequently endorsed by most NATO members, but not yet by Mintoff's cabinet—that would permit the allies to stand by their "final" offer of \$36.4 million annually. At the same time, the compromise would partially satisfy Mintoff's desire for additional funds over the short run by providing Valletta with a large advance and by extending the length of the accord from seven to seven and one half years. This would reimburse the Maltese for British tenancy during the period of negotiations.

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The negotiators were close to an agreement on foreign military use of the island when Mintoff balked at a portion of the text dealing with the use of Maltese facilities by US forces. In a move which is apparently aimed at eliciting a pledge of US economic assistance beyond the UK-NATO package, the Maltese leader asserted that he would discuss American use of the island directly with Washington.

British Defense Secretary Lord Carrington told the US ambassador on 25 January that London regards a number of bilateral issues as potential rupture points if Mintoff fails to yield. Foremost of these is the level at which the British will employ Maltese laborers. The UK wants to reduce its 5,000-man local work force by 25-30 percent, but Mintoff—for both political and economic reasons—is insisting that any reductions come by attrition. Carrington pointed out that widespread unemployment in Britain would make it difficult, if not impossible, for London to concede.

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The British, who consider that they have not received thorough support from their NATO partners in dealing with Mintoff, are unlikely to succumb to allied pressure on any of the bilateral issues. As Carrington stressed, London already harbors misgivings about the durability of a settlement with Mintoff and does not want any loose ends that might later allow him to cause trouble.

The UK forces in Malta, which earlier had orders to leave intact equipment that could be of use to NATO, soon may begin dismantling the major items. The British have pointed out that once this begins any reversal will be both costly and difficult. Nevertheless, London believes the withdrawal process must continue in order to pressure Mintoff to be more forthcoming.

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Warsaw Pact Summit: Promulgations from Prague

Last week's two-day Warsaw Pact summit issued several papers, the most noteworthy of which touched on mutual force reductions in a way that suggests that Moscow attaches no great urgency to beginning negotiations. (The last Pact statement on mutual force reduction was made at Budapest in June 1970.)

Without proffering any new thoughts on the forum or other specifics for such discussions, the Prague document refers only to the desirability of reaching some agreement on force levels and armaments in Europe. In a speech last June, Soviet party chief Brezhnev noted Moscow's readiness to discuss both national and foreign force levels, confirming assurances made earlier by Soviet diplomats. Thus, last week's assertion that the projected discussions should include both types of forces—although a first for the Pact—is not entirely new.

The Prague announcement also averred that force reductions should not be detrimental to any

participant. This appears to reflect Soviet suspicions that the Western concept of "balanced" force reductions is designed to work to Moscow's disadvantage. The Pact statement also rejects a bloc-to-bloc approach to force level reductions. Soviet officials have used this position on occasion to explain Moscow's reluctance to receive former NATO secretary general Brosio, who was chosen by NATO last fall to explore Soviet thinking.

The summit reiterated as basic principles for any security conference the inviolability of frontiers, the renunciation of force, peaceful co-existence, and general and complete disarmament. This is an expansion of the principles adopted at the Pact foreign ministers' meeting in Warsaw last December. The prospective agenda set out in Prague has been used before and includes the elimination of artificial barriers, the rational exploitation of material and energy resources, and the sharing of culture and technology.

As in their foreign ministers' communiqué in December, the Pact members hailed the current mood of European detente exemplified by Franco-Soviet cooperation, the West German treaties with the USSR and Poland, and progress toward a Berlin agreement. In addition, the usual call for broadened international recognition for East Germany is coupled with advocacy of immediate UN membership for both German states.

Although military matters received little public attention, the presence of Pact commander Yakubovsky in Prague suggests that military preparedness may have figured in the discussions. Moreover, a meeting of Pact defense ministers reportedly is scheduled for Berlin on 10 February. The Soviets are likely then to attempt to persuade Romania to upgrade its participation in Pact training exercises. Yakubovsky may already have raised this year's training cycle with Romanian leader Ceausescu just prior to the opening of the Prague summit. It is doubtful, however, that Bucharest will make any major concessions.

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West Germany: Economic Improvement Programmed

West Germany faces another lean year, although business activity can be expected to pick up in the fall. Real economic growth probably will be less than the two to three percent predicted in the government's recently published Annual Economic Report. The economic downswing that began last spring is likely to continue well into the year, gradually easing the excessive inflationary pressures left over from the 1968-70 boom. Government pump-priming should prepare the way for the next round of growth, reinforcing normal seasonal factors, and the restocking of depleted inventories. If Economics and Finance Minister Schiller's game plan succeeds, recovery will be in full swing by the parliamentary election in 1973, undercutting the opposition on an important campaign issue.

Proper timing of reflationary measures clearly is crucial to the Schiller strategy. Thus far, both the government and the Bundesbank have maintained a restrictive course, but numerous factors suggest the need for an early shift to expansionary measures. The value of new orders placed with manufacturers, a key indicator of the economic climate, has remained below sales since mid-1971, and a steadily increasing number of firms consider their order backlogs insufficient to maintain production at current levels. Among Germany's important growth industries, capital goods, electronics, and steel have been hit especially hard by the decline in domestic investment. Moreover, German industry this year cannot count on buoyant exports to compensate for lagging sales at home. Although the December monetary settlement improved the competitive position of German producers in their principal European markets, the economic slowdown under way there precludes the possibility of an early export boom.

Unemployment in West Germany—although still low compared with most other industrial countries—has increased rapidly in recent months. In December it reached 270,000 (about 1.2 percent of all wage and salary earners), up more than 50 percent from December 1970, and the total could climb to a seasonal high of perhaps 500,000 during the next few months. Workers placed on part-time totaled nearly 250,000 in December, five times as many as the year before, and their number is expected to rise significantly during the next few weeks as 180,000 coal miners face cuts in their shifts.

The slowdown in business activity has had the favorable result of easing wage and price pressures. Recent wage settlements in important branches of industry and in the public sector have broadly conformed to the government's wage guidelines. The index of industrial prices has remained steady since mid-1971, and the rate of increase in consumer prices has retreated from its record high.

To ensure a rapid pick-up of the economy next fall, the government may soon begin to implement its reflationary program. Schiller has called for the release sometime this spring of approximately \$1.3 billion in federal and state contingency budget and countercyclical reserve funds (equivalent to about two percent of annual federal and state expenditures). To permit price pressures at the retail level to abate further, additional stimulus in the form of returning some \$1.8 billion in personal and corporate income tax payments previously collected as an anti-inflationary surcharge probably will be delayed until summer. These measures should provide a significant fillip for investment and consumption expenditures and help reduce unemployment during the second half of 1972.

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Slow Start for General Preferences

The EC has renewed its general trade preferences for the less-developed countries that were introduced in mid-1971. Response by these countries apparently has been slow, and the initial disappointing results may lead to disillusionment with the concept.

The EC's general preference system provides duty-free entry for all categories of semi-manufactured and manufactured goods produced in the less-developed countries, an average tariff preference estimated to be roughly nine percent. To protect EC industry from damage, quotas restrict duty-free entry to amounts not much above actual past imports of "sensitive" products, such as textiles, as well as to relatively larger amounts of "semi-sensitive" products. Such items, the number of which has been expanded under the renewal, accounted for more than three-fifths of EC imports of semi-manufactures and manufactures from these countries in 1968. Concessions to them for about 150 processed agricultural products are subject to possible escape clause action.

The EC has tightened the regulation that prevents one country from gaining disproportionate benefit. It reduced the duty-free imports from any one country from 50 percent to 30 percent of the quota for some products. Substan-

tive changes in the system, however, are not expected until 1974, when the new EC members align their preference systems with the community's.

Preliminary trade data for the first six months of operation show that many quotas were not being filled. Only a handful of beneficiaries—in particular, Hong Kong and Yugoslavia—appeared to be taking full advantage of the system by filling quotas available to them. Some two thirds of the 91 less-developed countries, plus the dependent territories of the industrialized nations who are potential beneficiaries, especially Latin American countries, have failed to comply with the relatively simple administrative procedures required to benefit under the EC scheme. For a variety of economic and political reasons, the EC has not decided whether to offer its general preferences to other countries, particularly Israel, Spain, Greece, Turkey, Malta, Portugal, Taiwan, and Cuba. A decision on this is expected by mid-1972.

Since the implementation of the EC system, several other industrial countries, including Japan and the UK, have introduced general preferences, and the President plans to send a US proposal to Congress later this year.

Yugoslavia: The Party Muddles Through

The party conference's failure to heal or even face the basic problem of ethnic rivalries underscores the role of the military as the cement that binds Yugoslavia together. The twice-postponed gathering on 25-27 January failed to overcome the mistrust—bordering on fear—of fixed rules and central authority that is rooted in the immediate post WW-II period. Contrary to the expectations of Tito, it neither promulgated guidelines for coping with the issue of nationalism, nor a plan for complete party reorganization. The palsied federal party thus continues to grope for a way to play a unifying role in multinational Yugoslavia.

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The conference did respond to Tito's demand that it strengthen central authority by naming three Serbs to the party's newly constituted eight-man executive bureau. (Serbs traditionally defend the federal party's rights and prerogatives.) In addition to Serbia proper, Serbs now represent Bosnia-Herzegovina and Vojvodina in the executive bureau—a move which may well aggravate tensions and revive fears of Serb domination among some of the other nationalities, particularly the Croats.

The widely hailed "action program" that was surfaced at the conference amounted only to

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an intensive review of—but no remedy for—the party's many problems at hand. It condemned entrepreneurs who amass wealth from the labor of others, decried the exodus of workers seeking employment abroad, and emphasized the plight of the country's underdeveloped regions. It also called for greater involvement by the workers in the decision-making process, and urged tighter political discipline.

The irresolution of the party will likely lead the military by default to emerge as the sole national unifying force. The armed forces have

long viewed themselves as the guardian of the one state concept. Tito's rapport with the military and his consistent reliance on them for support in crises, such as the recent move against Croatian nationalists, have reinforced their voice in the nation's future. The period during which the stabilizing force of Tito's personality—he will be 80 in May—can be brought to bear on the internal scene is at best limited, and the only question is how big a role the military will choose to play and when it will start making its influence felt directly in policy circles.

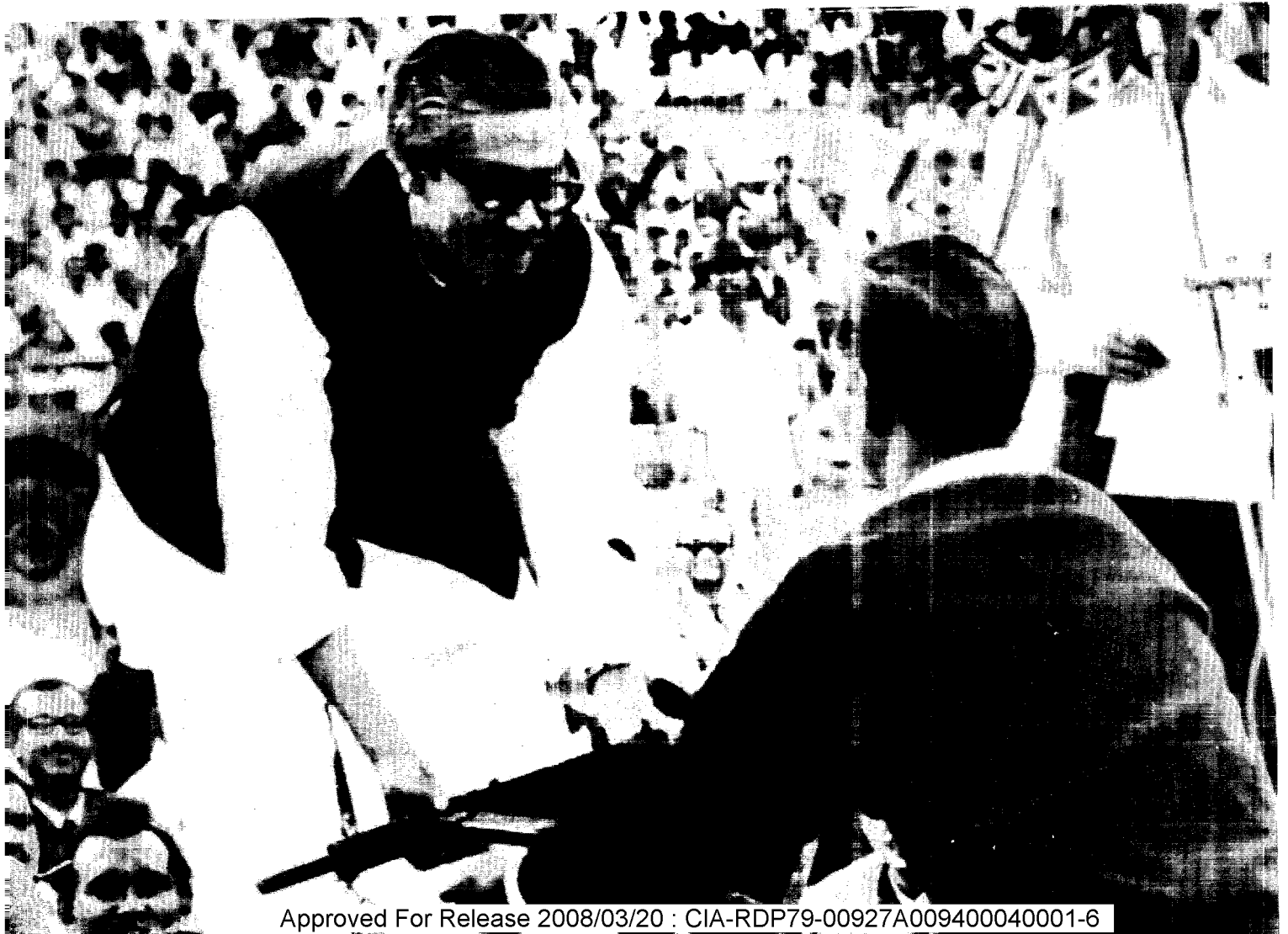
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Bangladesh: Not Completely Secure

Most of the country is quiet, but with many Bengalis still eager for revenge against the coun-

try's roughly one million Biharis for their collaboration with the West Pakistanis, law and order

Weapons Surrendered to Rahman



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remain tenuous in areas where Biharis are concentrated. The first serious disruption since independence occurred last weekend when Bengalis and Biharis clashed near Dacca. Some 70 to 100 Bengalis reportedly were injured or killed before government troops and police managed to restore order. The Biharis claimed that at least 45 of their people were killed.

A major factor preventing widespread reprisals against the Biharis until now has been the presence of Indian troops, at least 25,000 of whom are still in Bangladesh. Occasional clashes between Indian forces and Bengalis have increased New Delhi's desire to keep a low profile in Bangladesh and to bring most of its soldiers home soon. However, the Indians might have to revert to an active policing role should Dacca's forces prove unable to prevent serious bloodshed.

The over-all threat may have been eased for the time being by the generally positive response to Prime Minister Mujibur Rahman's call for all guerrillas to turn in their arms. Thousands of weapons probably remain in Mukti Bahini hands, however, and the guerrillas—most of whom are irregulars not wholly under Dacca's control—are capable of causing considerable trouble if they become dissatisfied with the government's performance.

As part of the effort to transfer responsibility to the Dacca regime, the Indians apparently have begun to hand over some of the prisoners taken during the war to the Bangladesh authorities for war crimes trials. Former East Pakistan Governor Malik and some other Bengali prisoners reportedly were turned over to Dacca for prosecution on 31 January. The Indians may be planning to hand over more prisoners, possibly including some West Pakistani civilians and military men accused of war crimes.

If India does turn over these West Pakistanis, reprisals may be triggered in West Pakistan against the estimated 400,000 Bengalis who live there. Prospects for Indo-Pakistani peace talks could also be damaged, because President Bhutto might feel compelled to revert to a hard line toward India. A delay in getting talks started, however, would be less damaging to India than to Pakistan; India holds about 90,000 Pakistani prisoners, compared to only a few hundred Indian soldiers in Pakistani custody, and the Indians hold a larger amount of enemy territory in the Indian - West Pakistani border region. Pressure on the government to get the prisoners home is mounting in West Pakistan.

The repatriation of Bengali refugees, meanwhile, has been proceeding smoothly. Over six million of the nearly ten million refugees in India have already returned to Bangladesh, and most of the others will probably follow soon. Despite the ravages wrought by the war, most of the refugees have been able to build rudimentary homes and settle back into village life. Concern is mounting, however, over the lack of organized food, medical, and other assistance programs.

On the diplomatic front, Pakistan moved last weekend to cut its ties with the Commonwealth following recognition of Bangladesh by Australia and New Zealand and in the face of impending British recognition. Many Western European countries are also expected to recognize shortly. Although Bhutto has broken relations with some Eastern European countries recognizing Bangladesh, he did not break with Moscow when it extended recognition last week. He has also announced his intention to maintain bilateral ties with Britain, and his country's need for economic assistance may deter him from breaking with the Western European and larger Commonwealth countries, many of which have furnished economic aid to Pakistan in the past.

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Egypt: Sadat to Moscow; Students Calm

Student protests have subsided, at least temporarily, and President Sadat is off to Moscow for another try at gaining more dramatic Soviet support against Israel and the US.

The school holiday has relieved one immediate source of pressure on Sadat, but the regime is concerned about a possible resurgence of student unrest when classes resume at mid-month. Members of Egypt's only legal political organization, the Arab Socialist Union, have met with delegates from several student unions in attempts to discuss the latter's grievances. The first secretary of the Arab Socialist Union has promised to convene a general conference of student unions this month and hinted that the students may be allowed to issue a special newspaper that could express their views more fully. The government, meanwhile, has been attempting to put the

blame for the demonstrations on "other elements" and "deviated groups."

Sadat's visit to Moscow this week seems to have been partly inspired by the quest for some means to undercut his critics at home. Although no agenda for the talks was revealed, the Cairo press described the projected discussions as both politically and militarily important.

Speaking at a political rally on 25 January, Sadat hinted that he would soon ask Moscow for an enhanced military capability to counter the delivery of more Phantom aircraft to Israel and to enable him to retaliate in kind for any Israeli deep-penetration raids. Sadat may hope that a promise of new Soviet arms will underscore his own commitment to prepare the nation for the fight to regain the occupied territory.

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Nepal: A New King

Crown Prince Birendra's accession to the throne on 31 January, following King Mahendra's sudden death from a heart attack, gives promise of some liberalization in Nepalese politics. The 26-year-old Birendra had gradually assumed more responsibility following his father's previous heart attack in 1968, but Mahendra's almost autocratic control gave his eldest son little opportunity to demonstrate leadership capability.



King Birendra

Birendra is reserved and intelligent, apparently seriously interested in improving the over-all social and economic conditions in his underdeveloped Himalayan kingdom. He has been exposed to the West, having been a student in the UK and briefly at Harvard.

Birendra's political views rarely have been publicly expressed, but it is expected he will be more responsive to demands for political reform

than his father. The throne is still the linchpin of Nepal's political system and enjoys broad public support, but there is an undercurrent of discontent among the intelligentsia, who want a more democratic government.

Under Mahendra, there was a semblance of democracy because of universal suffrage and a multi-tiered system of elected councils (panchayats), but important decisions were made by the King. Political parties have been banned since 1961 after Mahendra dismissed Nepal's only elected parliamentary government. Mahendra's frequent cabinet shuffles and the imprisonment of vocal opposition figures prevented the formation of a consolidated challenge to his supremacy.

Birendra probably would prefer to bring about change slowly and gradually. His pace may be hastened, however, by the challenge of a small group of exiled Nepali Congress Party politicians who operate from India—with New Delhi's tacit approval—under the leadership of former prime minister Koirala. Koirala advocates political reform via revolution

Koirala's ability to set off a country-wide revolt is still highly questionable, but he probably could elicit some support from discontented elements in the Kathmandu Valley and among the inhabitants of the Terai area of southern Nepal where allegiance to the monarchy is weakest. India will most likely encourage Birendra to forestall such developments by granting the long-awaited political reforms.

In foreign affairs, Birendra will find it difficult to improve on his father's adroit handling of Nepal's relations with its two giant neighbors, China and India. Nepal's heavy dependence on Indian trade and aid, however, has resulted in Nepalese resentment over its dependency and occasionally has soured relations. At present, relations with both India and China are good, and Nepal was one of the first countries to recognize its newest neighbor, Bangladesh.

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Sudan: Several Faces of Rebellion

The second postponement of talks between government emissaries and representatives of the Anya-Nya rebels within the past two weeks underscores the deep suspicions and wide gap between the two sides. The talks had been scheduled to open in Addis Ababa on 3 February.

The ostensible reason for putting off the meeting until 15 February was Khartoum's unhappiness with the lack of assurances that the senior rebel military leaders would attend. Lower echelon Anya-Nya had attended previous meetings, the last of which was held in Ethiopia in mid-November, and the Sudanese government had hoped for more authoritative rebel representation this time. Nonetheless rebel leaders are apparently still unwilling to make an appearance. The Anya-Nya seem inclined to proceed deliberately and may indeed be encountering difficulties agreeing on a common negotiating strategy. There are a number of contentious points to be hammered out at these talks: a cease-fire, the subsequent political relations between north and south, and the disposition of rebel arms. Settlement seems remote.

One obstacle is the amorphous nature of the dissident movement. The rebel leadership consists of two distinct groups: the guerrilla commanders operating in the three southern provinces of Sudan, and the exiled civilian politicians living in neighboring African countries. Only the Anya-Nya commanders—some of whom have lived in the bush since the beginning of the insurrection in 1955—have any influence on the course of the revolution. If and when the government and the rebels get down to serious bargaining, these commanders will play a predominant role in setting terms for a cease-fire as well as shaping the political status of the south. In the event of a settlement, the southern politicians and educated

elite, some of whom served in the Khartoum government in the 50s, would no doubt take their place in southern ruling circles. For the moment, they have been eclipsed by the Anya-Nya field commanders.

The insurrectionary movement of the Anya-Nya—taken from a local word meaning “poisonous insect”—is made up of independent bands and has little formal structure. The guerrilla bands vary in strength from 50 to several hundred, but



Rebels and Flag

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all are lightly armed and operate in restricted geographical areas. A typical unit is made up of members of one of the Negroid tribes. Most of the tribes participate in the fighting, but there is little evidence of coordination among them.

The principal political personalities in exile, most of whom were educated by Christian missionaries, fled the Sudan between 1960 and 1965. Although the exiles claim to have ties with the Anya-Nya, they probably have little influence

with the guerrilla leaders. The exiles live mainly in Uganda, Ethiopia, and Zaire, where they have tribal contacts, sometimes in high places. The governments of these countries generally tolerate but do not encourage their activities. Over the years, the exiles have tried from time to time to represent themselves as officials of shadow governments, none of which has been of any consequence. Their dissident activity is largely confined to propaganda. [REDACTED]

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Ghana: Uneasy Lie the Heads

After three full weeks in power, the junta is still preoccupied with its own problems. Junta leader Acheampong and his fellow officers seem increasingly unsure of themselves and have reacted to rumors of countercoup activity by tightening military control of the country.

Jockeying for position within the leadership apparently still centers largely around tribal factors, particularly over the attempts of Ewe tribesmen to gain greater influence. This infighting has seriously hampered the junta's ability to make decisions. Unable to agree on a slate of civilian department heads as it had promised, the junta retreated by appointing 14 officers and only one civilian. Moreover, unable to deal with criticism of one of these appointments, the junta named the appointee's chief critic to be his assistant.

While denouncing the former regime's alleged violations of civil liberties and its forays against critical journalists, the junta has itself produced an atmosphere of growing repression that

extends to the press. Shortly after the coup three prominent editors were dismissed and one foreign journalist was detained and threatened with dire consequences if his story reached the outside world. Further evidence of the junta's basic feelings of insecurity includes a step-up in the number of arrests of suspected "security risks" and the imposition of exit permits on all Ghanaian travelers.

The new regime's problems are compounded by its view of its mission. Unlike Ghana's first military junta, which saw itself essentially as a caretaker government and made few promises, the current regime has made much of its intention to solve Ghana's crushing economic problems in a brusque military manner. In the meantime, the country's basic economic difficulties have worsened, and the new military rulers seem much less capable of dealing with them or even of settling on the kind of civilian expertise it so desperately needs. [REDACTED]

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Allende Broadens His Cabinet

Chilean President Allende broadened the base of his cabinet on 28 January, but his political difficulties are essentially unchanged. The incorporation of the middle-class moderate Leftist Radical Party is the main new element. Six portfolios changed hands but only three new faces were added to the list.

The long delay in naming the new cabinet suggests that considerable haggling took place inside the governing Popular Unity coalition and that Allende was unable to make the extensive changes he wanted.

The few changes that occurred do not significantly alter the political balance of the cabinet, however. The Communists continue in their same three ministries and the Socialists retain four. The entry of the Leftist Radicals, the principal objective, was accomplished at the expense of the Radicals. The entry of the Leftist Radicals broadens the government's base at a time when the coalition has suffered a series of psychological reverses.

Allende's unhappiness with his new cabinet is apparent. In remarks following the swearing-in ceremonies he anticipated an extensive reorganization of the sub-ministerial posts—where the majority of his strength is concentrated—and vowed that he would not be bound by the old party quota system. He also said that he would reallocate five cabinet posts before next March, suggesting that this cabinet is an interim one.

Hernan del Canto, who assumed the key Interior Ministry, is the best known of the three new ministers. He has held the number two post

in the Single Center of Chilean Workers—the major labor confederation—and is a member of the Socialist Party central committee. Last April he represented his party at the Soviet 24th Party Congress in Moscow. The new minister lacks former minister Toha's tact, intelligence and experience; he was not Allende's first choice for the job. The new mines minister, Mauricio Yunge, from the Leftist Radicals, has been characterized as an excellent technician who is non-political. The third new cabinet officer, Manuel Sanhueza, has taken over as justice minister. A lawyer, he has been the dean of the University of Concepcion Law School. Jose Toha, the recently impeached interior minister, was given the defense portfolio. His appointment was facilitated by an announcement that a civil court judge had cleared him of criminal responsibility growing out of the impeachment.



Allende and Toha

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Guatemalan War Drums—Just a Lot of Noise

Concern in Central America about a Guatemalan attack on British Honduras peaked last Friday when the Arana government placed its armed forces on alert. The situation has since quieted down, but the colony's hopes for independence in the near future have been dealt a serious blow. Arana, encouraged by the success of his saber rattling, is not likely to modify his demands that after independence the economy, foreign policy, and defense of British Honduras must be linked to Guatemala.

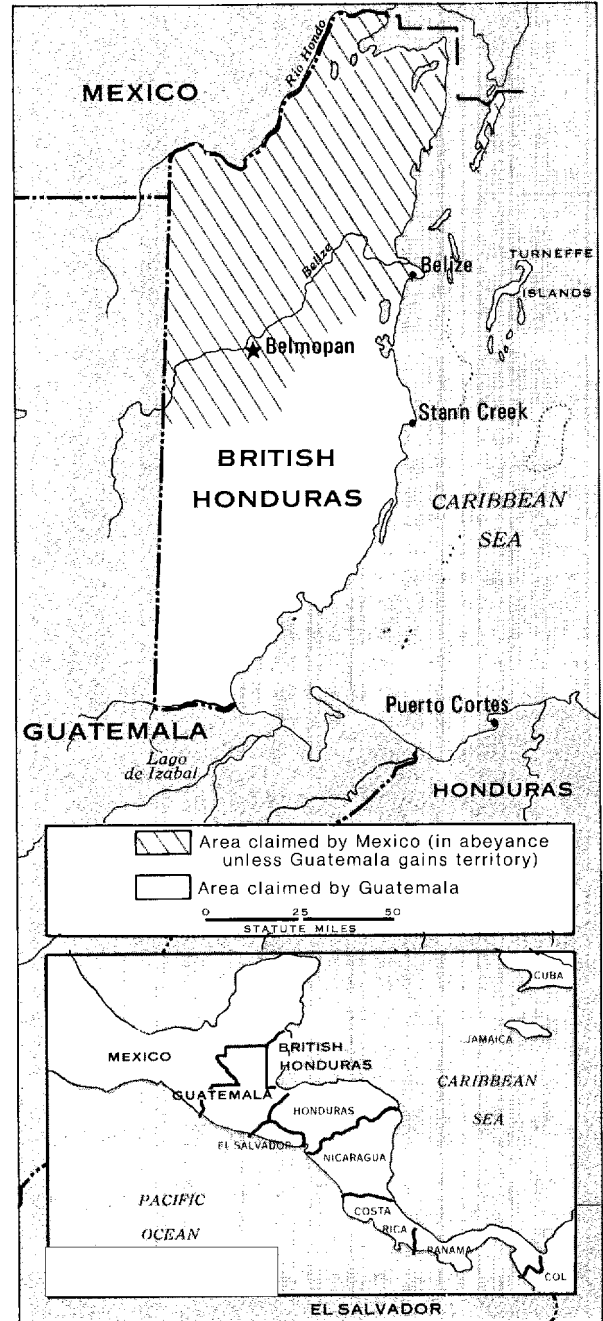
Some of the rumors of a Guatemalan attack that surfaced over the past couple of months were apparently started by the Guatemalan Government itself. President Arana, concerned that British Honduras' independence was imminent, attempted to forestall such a move by signaling his intention to invade if the colony's political status were changed before settlement of Guatemala's territorial claim.

[redacted] British response to the rumors was designed more to deter an attack than to relieve the underlying Guatemalan concern. Inflated press stories about British troop and naval movements in the area, which the British hoped would prevent any Guatemalan adventure, merely raised the level of tension.

Despite reassurance by Britain of its commitment to a negotiated settlement, Arana remained suspicious that London might present Guatemala with a fait accompli, and he feared that British troop arrivals in the area for maneuvers were actually designed to support an independence move. Aware that the British had sufficient strength to repel an attack, Arana nevertheless requested Washington to inform London that Guatemala would not allow British Honduras to become independent without Guatemala's consent. For emphasis he alerted his military.

At that point the British repeated to Guatemala their commitment that independence would not be granted until there had been some

Territorial Claims Against British Honduras



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agreement between Guatemala, Britain, and British Honduras on relationships in the Caribbean following independence. That, plus the absence of any further provocative military moves by Britain, eased the developing crisis. The mood in Guatemala shifted from one of anger and apprehension to one of triumph. The Guatemalan Government announced the withdrawal of British naval units from the colony, described their presence as an attempt at gunboat diplomacy, and proclaimed that Guatemala had just won a great diplomatic victory.

The entire episode, of course, was a misunderstanding. Its true significance lies in the future. The Arana government, having staked out a tough nationalistic position on British Honduras, could find a retreat from that position politically embarrassing. Arana was probably impressed by the hawkish sentiment in the press and in the Guatemalan Congress—which came close to declaring war on Britain. As Arana moves further into his term, he may find a number of occasions when it will be useful to dust off this issue in order to distract public attention from domestic problems. He may have little incentive, therefore, to achieve a compromise settlement. Indeed, if the government learned anything from recent developments, it may have been that a policy of bluster and bluff can keep independence for British Honduras on ice for years.

Security Forces Hit Brazilian Terrorists

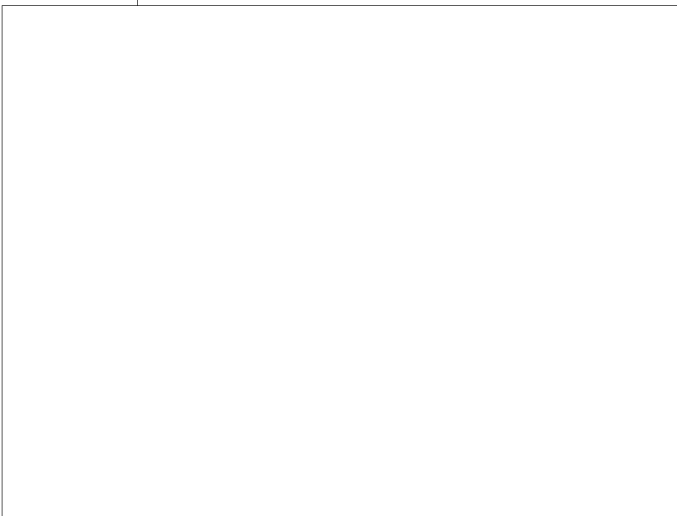
The recent wave of arrests and killings of suspected terrorists has apparently frustrated several planned kidnappings and other operations. The latest phase of the campaign to stamp out terrorism was aimed at extremists in three major cities: Rio de Janeiro, Sao Paulo, and Recife.

Many of those killed or arrested were members of the National Liberating Action, which has been one of the most active groups since the current urban terrorism started in 1967. During the past year, the organization has suffered from dissension between members who have remained in Brazil and others who have gone to Cuba for

guerrilla training. The latter group includes several activists who returned to Brazil after being exchanged for kidnaped diplomats.

Police claimed the Cuban-trained militants of the National Liberating Action who were apprehended in Recife had planned to carry out guerrilla operations, including the capture of some towns in the northeast, as well as the abduction of foreign diplomats and the assassination of the local army commander.

The roundup in Rio de Janeiro netted approximately 40 members of the National Liberating Action and two other terrorist groups. The majority of the prisoners are under 20 years old and are from middle or upper class families, matching the profile of the "typical" Brazilian terrorist.



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The police actions provide new evidence of the government's determination to use all methods necessary to eliminate terrorism. The security forces have gained experience from over three years of fighting the extremists, and extracting information from prisoners about future operations before the terrorists can pull them off. The authorities also show no sign of easing up on the treatment of suspects caught in the anti-terrorist campaign.

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Venezuelan Leftists Win Student Vote

The Caldera government has suffered another setback in its effort to end leftist domination at Central University. Student elections held last week, while marking another step in implementing the university reform law, gave a surprising victory to the Movement to Socialism. This Marxist group split from the Moscow-oriented Communist Party over a year ago, and its nationalist stance won it a considerable following in a surprisingly short time.

With nearly 60 percent of the students voting, the coalition directed by the Movement won a majority. The orthodox Communists garnered only 4 percent—a dramatic loss of strength. The margin of victory astonished the Movement and represented a significant blow to the ruling Christian Democrats, who virtually controlled the voting process but won little more than a quarter of the total vote.

The constant turmoil at the university is a growing embarrassment to the government. Although the citizens of Caracas are fed up with the endless rounds of riots and vandalism, neither public pressure nor police effort has had any real effect. Central University still trades on having stood as the bastion of freedom during the periods of dictatorship through the 1930s and 1950s. When democratic government triumphed in 1958, "autonomy" was bestowed gratefully on the institution, and by the mid-1960s Communists had turned the school essentially into a state within a state. The military occupation in 1966 revealed stores of guerrilla arms, and the university hospital was found to be treating wounded insurgents. The military intrusion proved no solution, and the political malaise, if anything, has worsened, with strikes, walkouts, and demonstrations the way of life. The Communist hold on the university bureaucracy served to channel government funds into Communist coffers and into anti-administration propaganda.

In the first months of the incumbent government, the university situation was so anarchic that President Caldera, a former professor, felt compelled to order a military occupation in October 1969. It was this crisis that united the two major democratic parties in drafting the reform law, which still remains far from operative. The university has been opened only for brief periods over the past two years, and authorities were unable, until last week, to hold student elections because of disruptions and intimidations by anarchists, Trotskyists, and other extremists. The large turnout when the vote was finally held may be a good sign. Although the outcome is not a healthy development for the government, at least the student body has demonstrated that it is weary of the continual interruptions in the educational process.

The Movement to Socialism's electoral coup boosts its chances on the national political scene as well. The party plans to field a candidate in the 1973 elections, and it will probably be able to woo the support of other anti-establishment groups. Particularly, the Movement may lure the restive groups comprising the "New Force," an uncomfortable coalition of the two leading democratic leftist opposition parties and the Communist Party. The general expectation is that the coalition will split over the issue of who will be its standard-bearer in 1973, and the more dynamic, young elements in the New Force have already been pushing the line that the Movement to Socialism candidate should be supported and the leftist vote should not be divided. The two democratic parties in the coalition have ambivalent feelings about associating with the Moscow-line Communists. The Communist Party's poor showing at the university has also helped to discredit it, despite the attraction of the 25X1 financial assistance it presumably will receive from abroad for the national election campaign.

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Controversy and Confusion in Uruguay's Vote Count

Charges of chicanery and irregularities in Uruguayan elections have contributed to the slowness of the tally in the closest presidential election ever. Official results may be delayed until the 15 February deadline.



Bordaberry

The Blancos, who have repeatedly criticized the announcement of "preliminary results" by the Interior Ministry, are now openly charging fraud against Montevideo electoral officers, the majority of whom are Colorados. The major complaint is that there have been more ballots than voters in a number of instances and that Blanco appeals have been consistently ignored by the electoral court. Although the party leaders are not known to have presented evidence to substantiate their charges, they are preparing a summary appeal of alleged irregularities for the electoral court. Most of the heat in this issue has been

generated by the supporters of Wilson Ferreira, who charge that he and the Blanco party are being "robbed" of victory. Ferreira himself has shown restraint in his public statements, but he is said to be furious.

Despite all the controversy, Colorado leaders seem confident that President Pacheco's hand-picked candidate, Juan Maria Bordaberry, will be the next president. They have dismissed Blanco charges as insignificant. Meanwhile, a series of meetings between Pacheco, Bordaberry, and various Colorado chiefs has sparked rumors about the composition of a potential Bordaberry cabinet. There is no information to substantiate speculation that Jorge Battle, leader of the powerful Colorado List 15 group will accept a post, or to justify a belief in improved cooperation between party factions in the future. Bordaberry himself has given no indication of his cabinet preferences.

Absentee and challenged ballots are still uncounted, but in past elections these votes have



Ferreira

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not significantly altered the percentages in the preliminary count. Most observers apparently feel that Bordaberry, who has officially resigned as minister of agriculture in anticipation of victory, will be the next president. The intensification of animosity between the major parties, however,

suggests that the lack of cooperation between executive and legislative branches which characterized the Pacheco administration will continue if Bordaberry becomes president and Ferreira dominates the legislature. [redacted]

Mexico: Widespread Arrests

The greater aggressiveness adopted recently by security agencies seems to be paying off. Authorities have recently announced the arrests of scores of "guerrillas" implicated in kidnappings, bank robberies, and subversive plots that have been plaguing security officials in recent months. The arrests brought out one surprising fact: two of the country's more active guerrilla groups cover a far wider territory than had been previously thought.

One of the biggest kidnaping cases was apparently cracked by Mexico City police on 29 January when they arrested seven persons reportedly responsible for the abduction of airports director Julio Hirschfeld last September. This was the first political kidnaping in the country's recent history. Police also say they are holding 30 to 40 others allegedly implicated in the kidnaping of Guerrero University rector Jaime Castrejon whose freedom last November was obtained only by releasing political prisoners—a move no doubt later regretted by the government as it set off the wave of further kidnappings and abduction attempts. In addition to these arrests, police throughout the country have been arresting numerous persons accused of robbing banks and plotting kidnappings and jail breaks to free imprisoned associates. Several members of various subversive movements that advocate armed struggle against the government have also been picked up and jailed. Many of them have ties with two of Mexico's more notable guerrilla groups—those led by Genaro Vazquez Rojas and Lucio Cabanas Barrientos. Vazquez' career as a guerrilla was ended suddenly on 2 February when he was killed in an auto accident in the western part of the country. His death will be a blow to the country's leftists, who will now probably look to Cabanas

to fill the void. Cabanas has a good deal of control over several guerrilla bands throughout Mexico.

Authorities have taken pains to publicize their successes in rounding up so many criminals and have claimed that they have "broken the back" of the guerrilla apparatus. The revelation that the links among guerrilla groups in different parts of the country are more extensive than first thought is apparently being given little publicity, however. The government is seeking to pin the robberies and kidnappings to common criminality. Interior Secretary Moya said on 19 January that such acts cannot be considered political, that they are isolated instances, and that they do not endanger the country. He said that Mexico has too many serious economic and social problems to allow itself to be distracted by such incidents. The secretary of defense, General Cuenca Diaz, weighed in on 26 January with another of his now-standard denials that guerrillas even exist in Mexico. He said the army is not hunting guerrillas in the countryside ([redacted] press ac-25X1 counts show otherwise), and he disavowed reports25X1 that the army had had any encounters recently 25X1 with Guatemalan guerrillas who had crossed the border and skirmished with local Mexicans. [redacted]

Despite the successes of the security agencies and the efforts of the government to diminish the significance of the guerrilla activities, the public25X1 will probably be more surprised by the proliferation of the guerrilla groups than impressed by the increased police efficiency. [redacted]

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