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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents pages.

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A TURN FOR THE WORSE

South Vietnamese forces suffered their worst setback since the early days of the 1968 Tet Offensive this week when they lost Quang Tri City. It was the first provincial capital to fall to the Communists in this campaign. Several thousand government troops have retreated down the coastal highway from Quang Tri toward Hue, which now is threatened by four of Hanoi's first-line divisions supported by heavy artillery and tanks. North Vietnamese troops have already moved closer to that refugee-swollen city, while the government forces around it attempt to stiffen their defenses.

In the central highlands, South Vietnamese forces are bracing for an assault against Kontum City. The Communists have a big numerical edge in this area and hold the nearby high ground from which damaging artillery attacks can be launched against the city. Along the coast, the Communists have eliminated the government's military and civil presence from the three northern districts of Binh Dinh Province where some 200,000 people reside.

Farther south, government troops still hold An Loc, but South Vietnamese officials continue to be concerned about the increasing threat closer to Saigon. South Vietnamese units, which for weeks have been engaged in heavy fighting near Kompong Trach in Cambodia, are pulling back toward South Vietnam. The pullback could open the way for two more North Vietnamese regiments to move into the delta, which so far has not been as hard hit as some other parts of the country.

The South Vietnamese defeat at Quang Tri and the worsening situation in other areas make it clearer that the character of the war has changed basically. Even in 1968, when the Communists made their previous major effort to alter the balance of forces in the South, the enemy's best

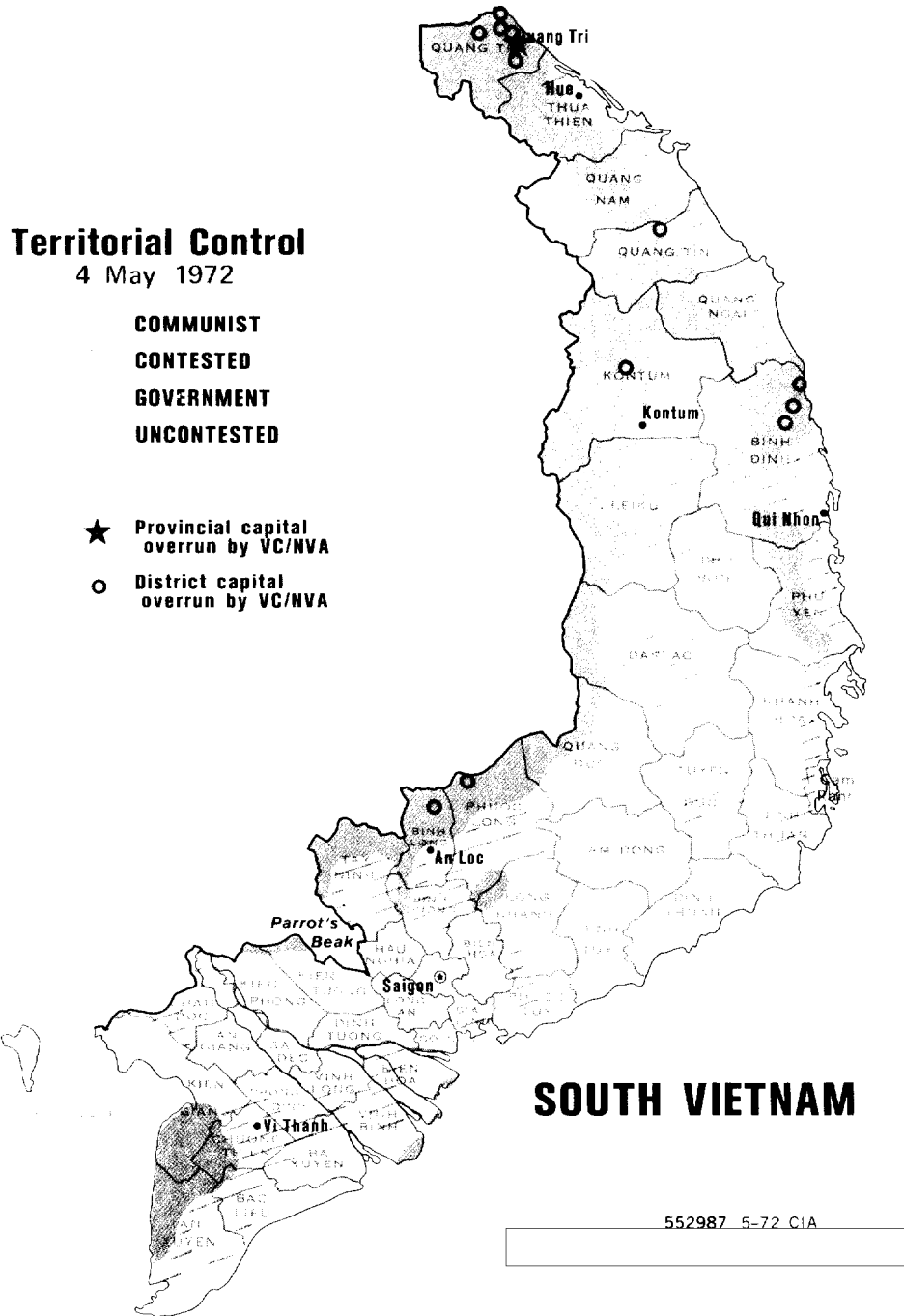
units often used guerrilla-type tactics, striking hard at allied bases and towns, then pulling back when heavy firepower was brought to bear against them. Now, however, the North Vietnamese are advancing as a conventional army, bringing along heavy artillery, tanks and anti-aircraft weapons, and giving every indication that they intend to hold the territory they seize.

The strong thrusts in Quang Tri, Kontum, and Binh Dinh have revealed weaknesses in South Vietnamese will and leadership. Observers on the scene report that South Vietnamese field officers in these provinces have not, in general, performed well; where officer performance has been deficient, the troops have often broken and run. The latest defeats have convinced President Thieu that a shakeup of the army's leadership is necessary. During the week, Thieu relieved General Lam, the top South Vietnamese officer in the northern provinces for many years. He was replaced by General Troung, the highly regarded commander in the Mekong Delta. Thieu picked the commander of the 21st Division to take charge in the delta. He also relieved the commander of the South Vietnamese 3rd Division (which lost Quang Tri), and sent a new deputy to bolster, and perhaps eventually replace, General Dzu in the central part of the country. These changes may mean that there will be some improvement in the way the South Vietnamese meet the next round of assaults, which are being prepared on several fronts.

In each of the areas where heavy fighting has occurred, the Communists still have substantial forces that have not yet been committed. By varying the timing of their attacks and allowing periodic lulls in the action in different regions, the North Vietnamese could keep heavy fighting going in South Vietnam for months. In most of the major battle areas the weather will hinder, but

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not necessarily prevent, major military operations after mid-May. The full summer monsoon will come about the first of June and will bring heavy rains and flooding in the highlands, the region around Saigon, and in the delta. Along the northern coast, however, where the North Vietnamese supply lines are shortest, the weather will be good throughout the summer.

POLITICAL DEVELOPMENTS IN HANOI

The keynote speaker at Hanoi's May Day celebration has indicated that the Vietnamese Communists remain deeply concerned over possible great-power maneuvering on Vietnam. In a speech to the traditional gathering, labor leader Hoang Quoc Viet said Hanoi was grateful for both Soviet and Chinese assistance, but he left no doubt that his praise was mainly for their material aid—not their political backing. Indeed, at three different points in his speech, he called on Hanoi's supporters abroad—particularly in the socialist bloc—to "strengthen and broaden" their support for Hanoi's war effort. He also sought to downplay the effectiveness of any possible "cunning schemes by the US"—almost certainly an allusion to President Nixon's Moscow trip as well as US maneuvering at the Paris talks.

In citing both the Chinese and the Soviets for their aid, Viet may well have been trying to emphasize that Hanoi's options are not tied exclusively to Soviet assistance and that Moscow's aid does not confer any special influence over North Vietnamese policy.

Much of Viet's speech seemed designed to convince domestic—as well as international—listeners that there is no reason for a Communist compromise on the war. He assessed Viet Cong prospects in the South in much bolder terms than most other Hanoi spokesmen have done lately, claiming that Communist forces are nearing a "total victory" on the battlefield. He argued that there is nothing the US can do to turn the tide.



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Viet also phrased Communist negotiating demands so as to suggest that the next move is up to the US. Rather than dwell on the political aspects of a settlement (President Thieu's resignation is not mentioned), he focused solely on Communist demands for a US troop withdrawal and cessation

of all US support for the Thieu regime. Other recent Communist spokesmen have similarly emphasized the withdrawal question, suggesting that Hanoi may be ready to concentrate on this point in its diplomatic dealings with the US.

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COSTA RICA: LIFE WITH FIGUERES

Last December, when President Jose Figueres was told that a hijacked Nicaraguan plane had just landed at San Jose for refueling, he rushed to the scene and attempted personally to capture the skyjackers with a submachine gun wrested from a policeman.

anger, close the chamber, call for a constituent assembly, and rule by decree. Their fears were calmed last week when Figueres appealed to the nation for "institutional reforms," saying that the altercation over the Florida trip was but a symptom of other deficiencies in the country's political system. Along with eliminating the requirement that the President ask the Assembly's permission to leave the country, Figueres wants

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Recently, two more Figueres-inspired events have ruffled the normally placid Costa Rican waters. One—an "unauthorized" presidential trip to Florida—raised constitutional questions; the other—the disclosure of a Cuban exile training base on Costa Rican soil—raised the hackles of a public opposed to anything that smacks of militarism.

When Figueres wanted to attend the Apollo 16 launch last month, opposition legislators, and some in Figueres' party also, refused to give the permission for him to leave the country. They branded the trip a wasteful personal jaunt and argued that Figueres, who had just returned from Miami and Disney World, should look after serious economic problems at home. Figueres proceeded to Cape Kennedy anyway, touching off the controversy.

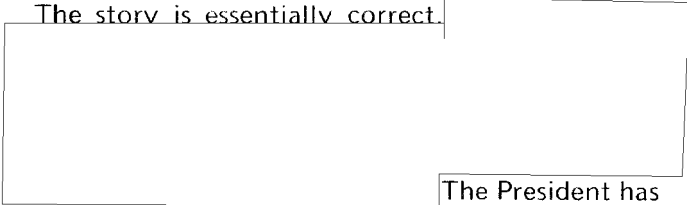
Indeed, the trip created such a stir that some legislators feared the AWOL President might, in

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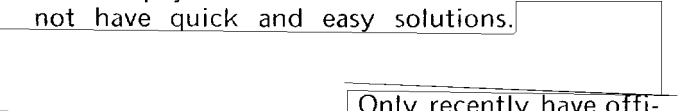
to throw out the proviso that the President divorce himself from party politics. He would also put stricter limits on filibustering, and reduce the Assembly's power to alter the budget. Figueres warned that the country runs the risk of "more radical measures" if the Assembly does not make these changes.

As for the other controversy—the Cuban exile activities—Figueres has played it down, hoping perhaps that it would fade away. A local newspaper broke the story last month, alleging that 30 or so anti-Castro Cubans were organizing a paramilitary base on Costa Rica's east coast. The story is essentially correct.



The President has since denied any involvement and ordered an investigation.

In addition to all this, government officials and ruling party leaders are concerned over the President's failure to tackle the country's worsening economic problems. Figueres is finding that, unlike problems posed by hijacked planes, balance of payments and other fiscal difficulties do not have quick and easy solutions.



Only recently have officials recognized how serious this problem is, and hard times lie ahead. To overcome them, the maverick Figueres will have to become a more serious administrator—a role he has always disdained.

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INDOCHINA

HANOI'S LEADING STRATEGIST?

The Communist offensive in the South was undertaken as a result of a collective decision by

the North Vietnamese politburo, but there is strong evidence that much of the inspiration came from the party's first secretary, Le Duan. One significant indication of his role in Hanoi's strategic planning is provided by the February issue of the party journal *Hoc Tap*, which was meant to set the doctrinal tone for the current offensive. Featured in the publication, along with articles by General Giap and Truong Chinh, is a commentary by an obscure party functionary eulogizing the strategic theories of Le Duan in terms generally applied only to Ho Chi Minh. The article—written by a certain Hoang Le—draws heavily on an earlier work by Le Duan. Its ostensible topic is the "revolutionary mission of the worker-peasant alliance," but the main underlying theme is the importance of main-force warfare in the over-all revolutionary effort. Quoting from the original Le Duan piece, the writer indicates a strong preference for the kind of modernized army Hanoi is fielding in South Vietnam and makes it clear that he feels these forces should carry the brunt of the fighting, with "political uprisings" and "city struggles" to come only after conventional units have secured the Communist position in the countryside.

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Le Duan's ideas, as spelled out in the article, are right in line with current strategy in South Vietnam, with its premium on main-force warfare and its de-emphasis of the political struggle and guerrilla tactics. Whether or not Le Duan in fact masterminded the offensive, he would have no trouble supporting its current thrust from a theoretical standpoint. The fact that the exposition of his strategic theories is being left to others may be a token of his influence over policy. Up to now, only Ho Chi Minh's works have been similarly honored with exegesis by loyal subordinates.

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Defense Minister Giap and Truong Chinh, in their *Hoc Tap* articles, provide additional insight into doctrinal alignments within the politburo. Although Giap's piece is only one part of a book-length commentary that has yet to appear in its entirety, it does offer enough to suggest that Giap is toeing the strategic line attributed to Le Duan.

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Indeed, in all three installments of the work thus far available, Giap seems to be trying to develop a rationale for Hanoi's current preoccupation with main-force warfare. Another installment, published in Hanoi's official military journal, states explicitly that conventional military forces must be used "to create conditions" for subsequent guerrilla warfare and the political struggle. This is in sharp contrast with Giap's contention in the early 1960s that the revolution must begin with guerrilla warfare and that conventional war should come at a later stage. Giap's apparent flexibility suggests that he, like many other leaders in Hanoi, is capable of adjusting even basic components of strategy to prevailing conditions.

In his *Hoc Tap* contribution, Truong Chinh is apparently reluctant to agree with Le Duan. The point at issue between them is whether the revolutionary movement should be narrowly based on the Communist Party or whether considerable reliance should be placed on front groupings of non-Communists. Hoang Le's commentary, like Le Duan's original, strongly implies that Hanoi has wasted time and resources trying to achieve its goals through such vehicles as the National Liberation Front and that a more direct, violent effort is needed.

Chinh, on the other hand, assigns far more importance to front activities—and indeed to the political side of the struggle in general. Although he acknowledges the basic role of the party, he insists that the Communists have only one enemy—"US imperialism"—and should be willing to ally with anyone who shares that antipathy. He also addresses the question of political action in a way that suggests he puts considerable faith in the effectiveness of nonmilitary activity and the ability of native southerners to succeed on their own.

The ideological distance between Truong Chinh and Le Duan may be less than the *Hoc Tap* articles imply, but the commentaries do not distort the theories of either man as they have been

presented in the past. The two men have, for instance, previously taken the same divergent positions on the party-versus-front question. Their differences may well have figured in the politburo debate on Hanoi's current strategy.

No cadre who reads the February *Hoc Tap* can doubt that many of Le Duan's ideas have become official policy. But the simultaneous airing of Truong Chinh's divergent views suggests that dissension has not been completely suppressed. This could mean that no one politburo member is strong enough to keep opponents from expressing themselves in public; it could also mean that Le Duan feels strong enough to permit a modicum of public disagreement; clearly, if Le Duan remains the "most equal" leader in Hanoi, his position does not preclude a vocal, if ultimately loyal, opposition.

IRREGULARS REBOUND IN NORTH LAOS

The initiative has passed to the government in the Long Tieng area as the Communists withdraw to rainy season positions. On 29 April about 100 irregulars, backed by artillery and aircraft, occupied the two positions near the center of Skyline Ridge which had been controlled by the Communists for the previous six weeks. The North Vietnamese 148th Regiment had withdrawn from the ridge, and Communist reaction was limited to light shellings of irregular positions overlooking Long Tieng.

Vang Pao has already begun to test Communist defenses in the rough terrain between Long Tieng and the Plaine des Jarres. An irregular battalion has moved to within three miles of Phou Pha Sai, a mountain complex just southwest of the Plaine, without encountering opposition. In the next few days, enemy reaction to this reconnaissance operation should provide some indication of Communist defenses in this sector.

Vang Pao would like to move back into the hills ringing the southern Plaine, but his options are limited by the need to reorganize and refit his

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troops at Long Tieng. Within the next few weeks, the irregulars will probably attempt to push the North Vietnamese out of mortar and recoilless rifle range of Skyline Ridge and then try to move north to retake Sam Thong. As the wet season progresses, Vang Pao should be able to regain most, if not all, of the strategic terrain between Long Tieng and the Plaine des Jarres.

CAMBODIA: THE NATION VOTES

The Lon Nol government presided over its first national election when the citizenry went to the polls on 30 April to vote in the referendum on the new constitution. The official results of the balloting will not be made public until next week, but the government has already announced that the vote was—as expected—“overwhelmingly” in favor. Although Communist propagandists denounced the referendum, there were only a few minor and ineffective instances of terrorism aimed at disrupting the voting.

In Phnom Penh, the balloting was conducted in the midst of student demonstrations. The students originally were protesting alleged deficiencies in the draft constitution, but that issue was soon overshadowed by a shooting incident at Phnom Penh's law school on 27 April, in which a number of students were wounded by police gunfire. The incident induced student activist Koy Pech to leave the law school under the protection of a Cambodian Army commander, but it also served to increase the hostility between the government and the students.

The student demonstrations later shifted to the city's Independence Monument, where large

numbers of students staged a week-long protest over the “deaths” of several of their comrades allegedly killed at the law school. President Lon Nol insisted that the shooting was the work of “outsiders”—even though hundreds of onlookers saw military police fire into student ranks—and accused the students of aiding the Communists by creating public disorder. Talking tough but acting with restraint, Lon Nol managed to outwait the demonstrators, and by the end of the week the students were off the streets.

The government's victory over the students may prove to be evanescent. The events of the past two weeks are not likely to be quickly forgotten or forgiven by the students, whose opposition is likely to manifest itself in other forms.

More Trouble Along The Border

The government suffered more military misfortune during the week, when the 600-man garrison at Bavet, in the Parrot's Beak area, abandoned its positions and crossed the border into South Vietnam. The abandonment of Bavet left Svay Rieng town as the only government-held strongpoint along Route 1 between Neak Luong and the South Vietnam border. The Cambodians launched an operation from Neak Luong aimed at reopening the highway, but it soon stalled near the Communist-held town of Kompong Trabek.

Farther south, Cambodian and South Vietnamese abandoned the town of Kompong Trabek in Kampot Province. The town had been under strong and sustained pressure from elements of 25X1 the Communist Phuoc Long Front for over five weeks. Both sides reportedly took heavy casualties.

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THAILAND: SHUTTLECOCK DIPLOMACY

Bangkok's public acceptance of an indirect Chinese invitation to a Thai badminton team is an important step in the Thai's guarded effort to establish contacts with Peking. General Praphat, deputy chairman of the military ruling body, has told the Thai press that the government will permit a Thai badminton team to visit Peking. He stated that an invitation had come via the Hong Kong badminton association but that no date could be set for the trip until Peking issues a formal invitation. This requirement could pose a problem; while Peking appears to want a Thai team to visit China, it may prefer to handle negotiations for the trip unofficially and informally through the Hong Kong channel.

If the trip does come off, Praphat told the US ambassador, the Thais would closely watch the reception given Thai players in Peking, even though no officials authorized to engage in political talks would accompany the team. He expressed particular interest in a possible return visit by a Chinese team as a test of the reaction of Thailand's large Chinese community. Thai leaders have long been concerned that an improvement in relations with Peking could cause them trouble with their own Chinese.

Bangkok's receptivity to a sports exchange is in line with the decisions made at a high-level meeting on the China question last November. The government decided at that time to accept any Chinese sports invitation that might be extended, but to continue the ban on private trade and contacts with China. Praphat's statement that Thai businessmen would not be permitted to attend the Canton trade fair indicates that these decisions are still in force.

This policy notwithstanding, the Thai evidently feel obliged, in the wake of developments in US-Chinese relations, to appear actively interested in limited overtures toward Peking. They are still suspicious of Chinese intentions, however, particularly with regard to support of Thai in-

surgen. Bangkok's caution was underscored by Field Marshal Thanom's statement last week that Thailand "will not rush" into contacts with the Chinese. He said Chinese support for insurgency^{25X1} in Southeast Asia made it impossible for Bangkok to go as far as the US in modifying relations with Peking.

CHINA: MAY DAY MALADIES

Peking's public treatment of this week's May Day festivities provides fresh signs of political trouble in the Chinese capital. The Chinese failed to publish their customary stock-taking editorial, and the traditional May Day fireworks display, usually accompanied by a full-fledged leadership turnout, was canceled. The handling of the festivities was strikingly similar to that accorded National Day ceremonies last October, when Peking was attempting to mask the political disarray resulting from the Lin Piao purge. While it is clear that political difficulties have again arisen in Peking, it does not thus far appear that an upheaval of the magnitude of the Lin affair is under way.

The absence of a May Day editorial, in particular, points to political trouble. If the regime were faced merely with the illness of an important leader, it would presumably have little difficulty concocting some sort of statement for the public.

As was the case last fall with the October celebration, the Chinese have ascribed the decision to scale down the May Day celebrations to economy measures, but a more likely explanation is that Peking wanted to avoid a full-scale leadership line-up in order to conceal the political standing of the politburo members. Unlike last fall, however, all of the active politburo figures

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have appeared individually in recent weeks on a regular basis—with the exception of Mao, who frequently remains out of the public eye for prolonged periods of time.



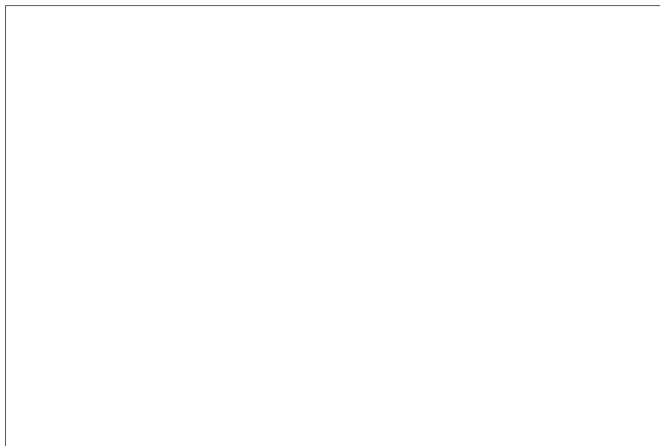
Peking's accounts of the activities of the elite on 1 May seemed clearly designed to allay suspicion of anything untoward in the leadership. Although Mao missed his first May Day appearance since 1966, the official Chinese news agency was quick to observe that his picture was featured prominently on the front of Chinese newspapers. Moreover, Premier Chou En-lai and several other top leaders reportedly greeted passersby informally in Peking's parks.

Even so, there was a hint that this modest effort to reassure the party faithful ran afoul of political bickering and intrigue. For example, NCNA went out of its way in a second, more expansive treatment of May Day to note that Mao's wife, Chiang Ching, had attended ceremonies in the south China city of Canton—a fact that had been strangely omitted in the first release.



The only fireworks were political.

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NORTH KOREA: ANNIVERSARY FETE

Pyongyang's celebration of the 40th anniversary of the Korean People's Revolutionary Army on 25 April brought forth one of the clearest manifestations of Sino - North Korean accord in recent months. Although the anniversary has received only cursory attention in the past, Pyongyang's decision to emphasize it this year prompted the Chinese to dispatch a high-ranking delegation, headed by politburo member Chien Hsi-lien, and to provide considerable coverage of the event. A joint editorial in *People's Daily* and the *Liberation Army Daily* on 24 April set the tone, stressing the closeness of the Korean and Chinese military forces in the anti-Japanese struggle. Peking noted further that in the Korean war Pyongyang's struggle had "safeguarded the security of China" and reiterated many of the cliches that signify an extremely close identity of interests. Pyongyang reciprocated by giving the Chinese delegation top billing among the 30 military deputations that attended the celebrations.

Official Pyongyang pronouncements on the Army Day observances were focused on the role of Kim Il-sung as the founder of the Korean revolution. This emphasis appeared directly related to the celebration of Kim's 60th birthday ten days earlier. On that occasion, a flood of praise for the North Korean leader had stressed his domestic achievements and demonstrated that the cult of personality was very much alive. At the Army Day celebration, the North Koreans felt it more politic for the international audience to portray Kim in a broader role as the founder of the Korean revolutionary movement against the Japanese.

By emphasizing Kim's role in the anti-Japanese struggle, in which both North and South Koreans participated, Pyongyang may also have been attempting to underscore the concept of Korean unity in the face of outside aggression—a notion that could serve to buttress Kim's current line on national unification through bilateral negotiation. Perhaps with this thought in mind, Pyongyang toned down the usual polemics di-

rected at the South Korean Government and carefully avoided giving the impression that the North was harboring aggressive designs on the South.

PYONGYANG BUYS PLANTS ABROAD

Whole plant imports are playing a major role in North Korea's Six-Year Plan (1971-76). Since 1970, at least 48 plants are known to have been purchased from both Communist Europe and the industrial West. China is believed to be providing whole plants as part of its economic assistance, but the USSR continues as the major source of such facilities. North Korea is now negotiating with Western firms for an additional 13 plants, worth about \$200 million.

The new facilities are designed primarily to boost production of iron and steel, petroleum products, electric power, and machine tools. The two most important plants are an oil refinery worth an estimated \$40 million from the USSR and a petrochemical complex worth about \$50 million from a West European consortium. The petrochemical complex is the most expensive single Western project ever purchased by an Asian Communist country, including China. Upon completion, North Korea should save considerable foreign exchange by substituting domestic for imported petrochemical products. Other plants—particularly in the metallurgical sector—will assist the North Koreans in improving existing export capabilities.

The success of Pyongyang's efforts to buy foreign plants depends on the availability of credit. Credits from both the USSR and China are financing the bulk of North Korea's imports of whole industrial plants. The North Koreans have also obtained greater access to credits and government guarantees in Western Europe through persistent efforts to expand trade and by a more reasonable posture in a changing international environment. 25X1

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USSR: UNINSPIRED GROWTH

The lackluster growth of Soviet industry in 1971 continued through the first quarter of this year. Non-military industrial production grew by an estimated 5.5 percent over the comparable period last year, marking the smallest first-quarter gain since 1969. As in 1969, harsh winter weather contributed to the poor showing.

The output of most industrial materials, particularly construction materials and ferrous metals, grew at lower rates than a year ago. Machinery output is estimated to have grown at about the same high rate as last year, largely due to the continued boost in passenger car output from the Tol'yatti plant. Production of most other consumer durables, however, continued to stagnate. Within the consumer non-durables category, only meat and butter output showed respectable increases. Industry's support for the agriculture sector fell from the generally high rates of growth achieved in 1970 and 1971, although it was not far off the pace required to meet the annual goal.

It is estimated that industrial output must rise by an average annual rate of 8 percent during the 1971-75 period in order to meet the ninth five-year plan goal. With industrial growth at 5.5 percent, the Soviets are making only slow progress toward this goal. Moreover, the severe winter weather killed a significant percentage of the winter crops, which may further jeopardize reaching the 1975 targets, notably in the light and food industries.

GROWTH OF SOVIET INDUSTRIAL OUTPUT			
<i>(rounded to nearest half percent)</i>			
1966-70 Annual average	1971	1st Quarter 1972	1971-75 Plan *
7.0	5.5	5.5	8
* Annual average required to meet 1975 target			

YUGOSLAVIA: PURGE IN CROATIA

The new party leadership in Zagreb is preparing its case against Croat nationalists driven from office by Tito last December. Some of the offenders can expect stern party discipline, and a few of the more extreme could even be brought to trial.

The Croat party now led by Mrs. Milka Planinc would like to end the purge psychosis that has gripped the republic since December and get on with its reorganization. Mrs. Planinc, who is herself inclined to be conservative, is having trouble with some of her colleagues who are demanding a wider purge. She will have the upper hand when the central committee meets on 8 May to discuss penetration of the party by Croat nationalists. She will try to satisfy Tito that she is not weak on nationalists; at the same time she will argue for punishment according to the individual crime.

The former Croat party leader, Mrs. Savka Dabcevic-Kucar, may well escape with a reprimand because she is popular in Croatia and her failures were primarily sins of omission. The more rabid Croats, like Miko Tripalo and the former party boss in Zagreb, Srecko Bijelic, will probably be expelled from the party and may even face trial.

The atmosphere in Croatia is calm enough now to permit the party to finish its housecleaning. The most active nationalists have been driven from office and others are quietly awaiting the axe. Bitterness over the way Tito crushed the nationalist movement has been temporarily suppressed, but it remains a long-range problem.

One exception to the general attitude of grudging acceptance of the status quo is found among Zagreb university students. Student hostels are still rife with nationalist agitation, according to press reports. The regime, however, has wisely scheduled trials of student leaders and intellectuals involved in the nationalist movement for July when most students will be on summer leave.

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25X1 Tito's stand, the critical factor, apparently is to leave Zagreb a good deal of leeway while warning of the continuing danger of Croat nationalism. Tito would surely step in, however, if he thought that nationalists like Tripalo were getting off too lightly.

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EC ENLARGEMENT

REFERENDUM IN IRELAND

Irish voters appear likely to approve entry into the European Community in a referendum on 10 May. Recent polls have shown a large bloc of undecided voters, and the two major political parties—the Fianna Fail and the Fine Gael—are conducting intensive campaigns to overcome voter apathy and urge a large affirmation vote.

The small Labor Party and both the official and provisional wings of the Sinn Fein, the political arm of the IRA, have been campaigning against entry. IRA groups have complained, for example, that citizens of Northern Ireland will not be able to vote in the referendum. To counter such opposition, Prime Minister Lynch in a recent speech linked the referendum with the border issue, saying that the border will become less significant after Ireland joins the EC.

Uncertainty as to the potential economic effects of entry has enabled various Irish interest groups to mount campaigns for and against entry. Trade union officials, for example, have predicted "massive unemployment," while the government asserts that a long-term gain in employment would result. Others argue that tariff-free access for Irish exports to the large EC market should provide a boost to Irish industry, lead to increased foreign direct investment, and reduce unemployment, now running at about eight percent of the labor force. If, however, Ireland is unable to curtail the rising costs of labor and materials, EC entry would make Irish goods more vulnerable to European competition.

Irish farmers as a group probably will benefit from the EC's higher agricultural prices, but Irish fruit and vegetable producers could suffer from open competition within the EC. Food costs to consumers will rise in any case.

If Ireland does not join the EC and the UK does, London will have to impose the EC's common external tariff on Irish exports, which now

enjoy tariff-free entry to the UK market. Because of the large role of foreign trade in the Irish economy—total exports equal about 28 percent of gross national product—and because the UK absorbs about two thirds of Ireland's exports, the nation's economic prospects would be seriously hurt. Prime Minister Lynch has asserted, however, that should this referendum fail, he will raise the issue repeatedly until it passes.

CAMPAIGNS IN NORWAY AND DENMARK

Government campaigns aimed at winning popular support for entry into the EC are in full swing. So far, most voters remain undecided on whether Community membership is desirable. Referenda are scheduled for 24 September in Norway and 2 October in Denmark.

In Norway, where the referendum is only advisory, Prime Minister Bratteli's Labor government is striving to overcome the fears of fishermen and farmers that EC membership would jeopardize their livelihoods. Although they comprise a relatively small portion of the population, they are quite vocal and command the sympathies of many other Norwegians. Furthermore, significant numbers of Norwegians live in isolated settlements along the coast. They are very independent minded, resent directives from Oslo, and dislike even more the idea of control from Brussels. They will be hard to convince.

Business and industrial leaders in Norway support entry, as do labor organizations not controlled by the extreme left. Opinion polls, however, show nearly 40 percent of the populace still undecided with the rest almost equally divided pro and con. Furthermore, a simple majority in favor may not be viewed as a mandate for parliament to approve entry; a three-fourths vote is needed for ratification.

For Danish voters, EC membership is more an emotional than an economic issue. Prime

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Minister Krag's Social Democratic government is campaigning hard. Recent parliamentary debates on the EC issue left little doubt that a substantial majority will support entry, and most Danes freely admit the economic advantages of membership. However, they view the EC as being dominated by arrogant German and Catholic commercial interests.

Krag has a tough summer of campaigning ahead. The results of the Danish referendum are

binding, and if more than 30 percent of the electorate oppose membership, parliament cannot ratify the accession treaty. Opinion polls have shown more than 30 percent opposed, at least until recently. Furthermore, the outcome of the Norwegian referendum, which could easily be negative, will have a significant impact on the Danes, as will any free trade arrangement that Sweden and Finland make with the EC this summer.

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GUINEA: THE PURGE IS OVER

A flurry of diplomatic activity has reintroduced Conakry into the mainstream of West African politics following 17 months of almost total preoccupation with security. At home, the concentration on subversives has given way to emphasis on economic problems.

The highly publicized visit in March of Nigeria's General Gowon marked the start of an effort by President Toure to strengthen Guinea's foreign ties and to recoup prestige lost during the purges last year. Gowon had warm praise for the Toure government, giving it a much needed psychological boost. Last month the UN committee on colonial issues met in Conakry, and this provided another lift for Toure. It also helped allay his fears of political isolation and enhanced his image as an African "progressive." The visit this week of Fidel Castro and the scheduled visit of Cameroonian President Ahidjo on 14 May will keep up the momentum.

Toure has moved privately to improve relations with three neighboring states from which Guinea has long been estranged. During March he sounded out a receptive Ghana on the possibility of resuming diplomatic relations, which were broken in 1966 when deposed president Nkrumah was given refuge in Conakry. This week an official

Ghanaian delegation, the first since the break, visited Guinea to negotiate the return of Nkrumah's body. Toure also appears to be cooperating with new efforts to mediate his dispute with Senegal over the presence there of anti-Toure exiles. Both Guinea and Ivory Coast seem interested in pursuing a move toward reconciliation, begun in 1970 but interrupted by the purge in Guinea. A warming trend also is evident in Guinea's troubled relations with the US.

Domestically, Toure is trying to maintain the momentum of his "revolution" by radical rhetoric and by focusing attention on corruption and the need for rural development. A shake-up in the government and party hierarchy, announced at the party congress last month, probably does not presage any major departures in policy. Three members of the party's seven-man executive bureau were replaced, and one minister, Lansana Beavogui, was elevated to the newly created post of prime minister. Toure, to emphasize his claimed commitment to economic development, combined economic and financial affairs under one ministry, headed by his brother. Nevertheless, Toure remains reluctant to free Guinea's stagnant economy from the tight restrictions he has imposed in order to enhance political control.

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MIDDLE EAST

EGYPT: MORE TALK AND TRAVEL

President Sadat returned from an abbreviated visit to Moscow last week and hinted at promises of new arms aid before departing on a tour of North Africa.

Arab disillusionment with international peace-making efforts was evident in the joint communiqué issued on 29 April following Sadat's trip to the Soviet Union. Support for the UN Middle East resolution of 1967 was duly registered, but no mention was made of the mission of UN special envoy Gunnar Jarring. Jarring was prominently mentioned in the communiqué that followed Sadat's trip to the Soviet Union in February, and Egyptian diplomats had expressed renewed interest in his mission when the US plan to arrange bilateral proximity talks evaporated in early 1972.

The latest communiqué used somewhat more ominous language in addressing Arab options for dealing with the Middle East stalemate. It asserted that if a political settlement continues to be thwarted, the Arab states "have every reason to use other means" to regain the occupied territory. Subsequent Soviet commentary, however, has stressed Moscow's determination to continue the quest for a political settlement. The Soviet Union pledged to study "further increasing the military potential of Egypt" and agreed to "strengthening military cooperation" between the

two states. Unlike previous communiqués, this one failed to note the defensive nature of the military aid the Soviets were providing Egypt.

Sadat was quick to highlight the more forthcoming Soviet language in a May Day speech to a workers' rally in Alexandria. He twice brandished the communiqué as proof of Moscow's continuing support and promised that Egypt would obtain the necessary strength to liberate its land "in a reasonable time." Speculation that Egypt may have received some assurances of further military aid was fueled when the new chief of the Egyptian Air Force, who had accompanied Sadat to Moscow, remained for two days following the President's departure.

In his May Day address, Sadat added some vitriol to his earlier attacks on the Israelis, which described them as "a mean, treacherous people" on which "abasement and humiliation were stamped." The President declared that he would not be satisfied with merely liberating the occupied territory, but insisted that an arrogant and blustering Israel be humbled. The racial overtones in the two speeches no doubt shook the Israelis, evoking, as they did, memories of earlier Arab pledges to drive the Israelis into the sea.

After the May Day speech, Sadat took off on a tour of North African states, apparently designed to drum up broader Arab support against Israel. He will visit Algeria, Tunisia, and

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Libya. Foreign Minister Ghalib, meanwhile, is scheduled to visit France in mid-May as part of Cairo's current diplomatic offensive.

Much of the current movement and bluster is aimed at the many Egyptians who are restive over the President's failure to show any movement toward a reckoning with Israel.

ISRAEL: KEEPING THE GAZA STRIP

Tel Aviv intends to keep the Gaza Strip, the 140-square-mile territory abutting the southwestern edge of Israel, which Foreign Minister Eban once described as a "finger sticking into the Israeli throat." The strip is poor and overpopulated. Most of its more than 350,000 inhabitants are embittered Arab refugees from the 1948 war. The territory was to become part of Arab Palestine in the 1947 UN partition plan. It was occupied by Egyptian forces in May 1948 and administered by Cairo until the 1967 war.

Israeli public statements regarding Gaza were until recently infrequent and usually consisted of declarations that it would not be returned to Egypt. In March, Minister Without Portfolio Gallili told the Knesset it was the policy of the government that "the Gaza Strip shall never be separated from the State of Israel." In April, General Shlomo Gazit, head of Israeli military government in the occupied Arab territories, privately confirmed that Israel intends to keep Gaza permanently. He said Israel also will retain a buffer area in northern Sinai adjacent to the strip.

The Israeli administrators found Gaza the most intractable of all occupied Arab territories

and the site of a steady staccato of fedayeen incidents until it was declared secure in mid-1971. This was accomplished by a combination of the carrot (economic benefits) and the stick (tough military measures). There is little anti-Israeli activity now.

As part of its effort to provide more employment to inhabitants of the strip and at the same time to tie Gaza to Israel, Tel Aviv opened its borders to Gaza workers, expanded the citrus fruit industry in the strip, transplanted Israeli factories to Gaza, encouraged local industries, and brought in Israeli goods for finishing. Gazan electricity is connected to the Israeli grid, and the strip is now dependent on Israeli water.

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Two Jewish settlements have been planted in the strip, and there are plans for additional ones. Israel from time to time encouraged the departure of Gazan refugees, but with only limited success. Arab overpopulation remains a problem, and the Israelis apparently intend eventually to move out considerable numbers of refugees, presumably to Arab states in the context of an over-all refugee settlement. General Gazit indicated this was the Israeli intention, adding that only some 150,000 "permanent residents" of Gaza could be placed on Israeli electoral lists.

in Amman have begun to express concern at the number of incidents along the border. These are caused largely by fedayeen based in Syria trying to enter Jordan or simply firing across the border.

[Redacted]

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None of the fedayeen actions has yet caused major damage or casualties.

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[Redacted]

Amman's interest in avoiding a reimposition of the border restrictions has led it to impose restraints on Jordanian Army counter-measures against the fedayeen and their Syrian sanctuaries.

[Redacted]

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JORDAN-SYRIA: UNSETTLED BORDER

Relations between Syria and Jordan have been slowly improving, and Syria recently removed most of the restrictions imposed on Jordanian goods and travelers last July after the fedayeen provoked a battle between the two countries' regular forces. Recently, however, officials

BURUNDI: INSURRECTION

A well-organized insurrection is under way in southern Burundi, but it has failed so far to spark a general uprising against the government of President Micombero. The uprising, which began on 29 April, apparently is being led by survivors of the 1965 Hutu tribal rebellion against the Tutsi-dominated government. The rebellion in 1965 was quickly put down by army forces under the then Captain Micombero, but it did surface deep-rooted tribal hatreds that have continued to fester.

soldiers and civilians. Considerable loss of life has occurred.

In response to a request from Micombero, the Zairian Government has provided about 160 paratroopers for guard duty in the capital, several reconnaissance aircraft, and modest quantities of arms and ammunition.

The Burundi Government suspects that the rebels were organized clandestinely in Tanzania and Zaire, but Micombero has made no public charges.

[Redacted]

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The Burundi Army, approximately 2,800 men, has prevented the insurrection from spreading out of areas of southern Burundi bordering Lake Tanganyika. Government forces are spread thin, but seem to be holding their own against rebel bands who have been attacking

For unexplained reasons, Micombero dismissed his cabinet at almost virtually the same

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time the rebellion broke out. There is no evidence to suggest a connection between his action, which primarily affected Tutsis, and the insurrection. No cabinet replacements have been named.

The government has refrained from publicly characterizing the insurrection as a Hutu revolt, probably in order to play down tribal tensions and avoid a general bloodbath.



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Urguplu

The trouble seems likely to drag on. Even when order is restored, Micombero will face serious problems within his government. Putting together a new cabinet will probably revive the intense political infighting within the ruling Tutsi oligarchy. This infighting has been going on over the past several months and probably led to the cabinet dismissals. Moreover, he will be confronted by calls for harsh reprisals against the Hutu majority.

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Urguplu's deputy in the latter's eight-month caretaker government in 1965.

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TURKEY: STILL NO GOVERNMENT

Prime Minister - designate Suat Hayri Urguplu, named by President Sunay on 29 April to form a new government, has run into problems. Sunay has asked him to continue his efforts, however.

A major issue in Urguplu's consultations with key political leaders is whether the new cabinet will have a mandate to enact far-reaching reforms, presumably including highly controversial land reform, before holding general elections. The two major parties, while favoring action, believe that national elections should be held as soon as possible even though some of the reforms may not have been passed. Elections could be held as early as next spring. Justice Party head and former prime minister Demirel reportedly is holding out for more say in who will participate in the new cabinet. Demirel was

Meanwhile, the hijacking of a Turkish airliner and the abortive attempt to kidnap gendarmerie commander General Kemalettin Eken may further delay the formation of a new government. These events have drawn attention away from politics and focused it on the terrorist problem. The immediate goal of the recent terrorist acts has been the freeing of the three condemned terrorist leaders who are scheduled to be executed soon.

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INDIA-PAKISTAN: TO THE SUMMIT

Both sides have expressed satisfaction with the results achieved during four days of preliminary peace talks in Pakistan that ended on 29 April. A summit meeting between Prime Minister Gandhi and President Bhutto is scheduled to begin in New Delhi late this month or early next,

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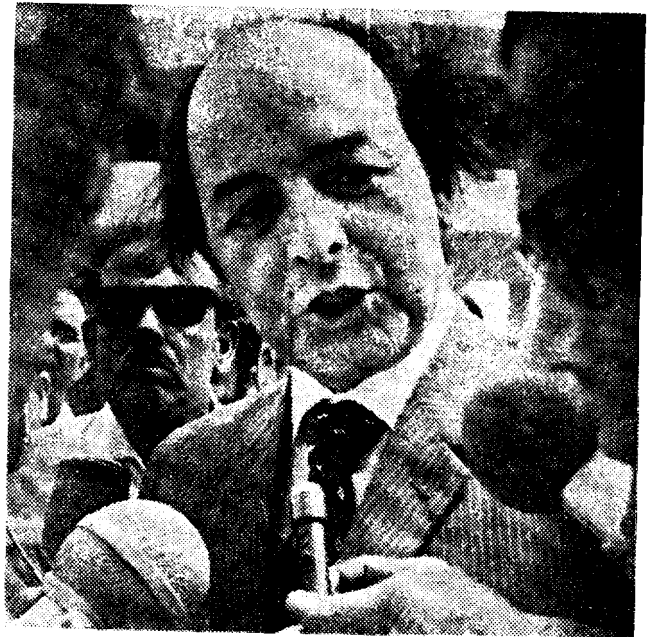
[redacted] Pakistani insistence on discussing only the agenda for the summit was generally respected, with substantive issues being generally avoided. Of the latter issues, Pakistan's relationship with Bangladesh was one of the most difficult considered. The Pakistanis have refused to recognize Bangladesh until after Bhutto and Prime Minister Mujibur Rahman have made another attempt to patch things up. The Bengalis insist that recognition take place before any such meeting, and especially before they release Pakistanis held prisoner by the joint Indian-Bengali command.

During the preliminary talks, the Pakistanis apparently tried to get the Indians to exert pressure on Mujib to attend the summit discussions, presumably hoping that once there Mujib might be convinced to move on the prisoner-of-war question and to drop plans for trials in Bangladesh of Pakistanis accused of war crimes. Upon his return to New Delhi, however, India's principal negotiator, D. P. Dhar, asserted that his government will not urge Bangladesh to take a soft approach to war crime trials. He added that India would not act as a proxy for Bangladesh on the prisoner issue. The Indians may, nevertheless, attempt to work out a formula which satisfies Bengali demands for Pakistani recognition and includes a mutually acceptable compromise on

prisoner exchanges and trials. But in light of continuing Indian support for the basic Bengali position, Bhutto probably will have to accede to Bengali demands for recognition if he expects to make progress on the return of the prisoners.

Kashmir, the most important long-term Indo-Pakistani problem, was almost certainly

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Indian Negotiator D. P. Dhar

raised during Dhar's private meeting with Bhutto, but neither side has since spoken about it in public. The Pakistanis want to delay consideration of Kashmir until there has been progress on other, more tractable problems. The Indians, for their part, are pressing for a package settlement of all outstanding issues.

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SECRET**PERU****NASCENT OIL BOOM**

The discovery of oil in the jungle of eastern Peru by the State Oil Company, Petroperu, has sparked a major search for oil. Ten large foreign oil companies have signed joint venture exploration contracts with Petroperu, and two other companies are likely to sign up this month. Negotiations are under way with companies competing for the remaining nine contract areas. Altogether, close to \$1 billion may be spent over the next seven to eight years in exploring and developing the area. Peruvian officials are optimistic, forecasting Peru's emergence as a major world exporter of petroleum by the end of the decade.

Petroperu opened the eastern area in June 1971 when it let the first contract to Occidental. The Occidental contract, the model for the other contracts, provides for reversion of developed concessions to the state after 35 years. Occidental will pay all exploration and development costs and receive half of the oil and gas recovered, while Petroperu will pay all taxes and receive the other half of output. The other contracts contain similar reversion arrangements, but, in these, Petroperu will receive up to 54 percent of output during the joint-operation period.

The favorable terms accorded the companies reflect the substantial costs and risks of oil exploration in the remote jungle of eastern Peru. Equipment must be flown in by helicopter, and a \$250-million pipeline will have to be constructed across the Andes to the Pacific coast. Although only Occidental has completed enough seismic work to start drilling, exploration will be rapid because the companies must drill a specified number of wildcat wells within four years. Moreover, Petroperu, which has reserved a substantial portion of the eastern area for its own development, plans to invest \$250 million by 1975.

Earlier petroleum development in other parts of Peru was on a concessionary basis, but the government thought the pace of exploration

by some of the companies was too slow. Holders of old-style concessions are now required to meet stringent drilling requirements. As a result, four of the six companies may lose their concessions. But, unlike similar demands which resulted in the complete take-over of US-held copper concessions, the oil companies will have first priority in reaching joint venture agreements with Petroperu for the areas.

Peru's recent success in attracting foreign capital for petroleum development reflects a significant improvement in investor confidence since the nationalization of the International Petroleum Company several years ago. The government has



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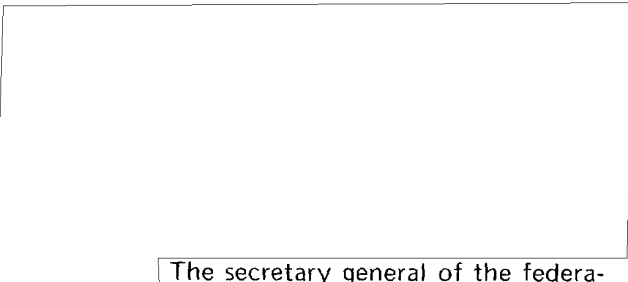
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been far less successful in its attempts to use joint ventures to develop Peru's extensive copper resources. The long lead times required to start production in both the mining and petroleum sectors, however, preclude any immediate impact on tax or export earnings. In the meantime, budgetary and balance of payments strains may be exacerbated by rising expectations associated with the well-publicized oil finds.

CONCESSIONS TO COMMUNISTS

The administration yielded to the Communist-controlled labor federation on the place and timing of its May Day rally, indicating the authorities still hope for cooperation with the Communists. The action is building up problems for the future.

The federation had requested permission to hold the rally on 28 April in front of its headquarters in Lima. The prefect of Lima refused this permission, citing weekday traffic problems, and suggested a change in either the place or the time. After strenuous Communist protests, however, his decision was reversed, and the rally was held as scheduled.



The secretary general of the federation praised the government's objectives in his speech at the rally, but he emphasized that labor was not tied to the government by public or secret commitments.

The government has been favoring the Communist federation as a means of undercutting

APRA, a political party with a strong labor following which has long been anathema to the military. The policy boomeranged last year, when Communist-led agitation caused extremely costly production stoppages in the mining industry. There were signs that the government's patience was wearing thin; new labor regulations were enacted earlier this year in the face of Communist opposition. Nevertheless, the change of heart on the May Day rally indicates that the government still prefers to placate the Communists where possible.

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MEXICO: HELP THE HEMISPHERE

President Echeverria, uneasy over political and social ferment in Latin America, is urging that something be done to reverse the present drift toward violent upheaval. That something, he says, is a stronger US commitment to economic development for the countries of the hemisphere.

Echeverria has asked the US to endorse the principles set forth in his recent speech at the UNCTAD meeting in Chile. He has packaged the principles in the form of a charter of economic rights and duties for developing nations. The Mexican press is touting these principles as the "Echeverria Doctrine." He believes they could offer a rallying point for underdeveloped countries, Latin ones especially, to use in fighting economic injustice. He hopes that many nations will support them.

In a talk with the US ambassador, Echeverria described himself as confused and concerned by what he saw and heard in Chile. He was alarmed by everything he was told about conditions in other Latin American countries, especially Argentina. He views the turmoil as a serious threat to the hemisphere, and to his own country, and

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asserts that his principles could provide underdeveloped nations with nonviolent means to progress. Mexican leaders theorize that, if Allende fails in Chile, everyone in the hemisphere will conclude that Castro-type violence is the only means of achieving reform.

Turning to domestic concerns, Echeverria admitted that one goal of his Chile trip was to placate restive leftist elements. His reorganization of Mexico's ruling party and his declarations to workers' and farmers' groups had the same aim. Student activities were continuing to bother him, he added, but the worst appeared to be over. He also expressed a new-found sense of urgency over Mexico's population explosion, saying that his government must deal with this threat now and not leave it to the next administration. Believing that problems at home and in neighboring countries can no longer be ignored, he is groping for some method by which Mexico, working together with the United States, can alleviate them.

A desire to approach these difficulties in a way that will not put him in conflict with the US is characteristic of Echeverria. He has been emphatic in expressing a belief that close friendship with the US is in Mexico's best interest, and he has sought opportunities to prove this. He plans to raise these issues when he visits Washington in June.

CANADA: BUSINESS AS USUAL

The Trudeau government's move Tuesday to establish a screening process for foreign take-overs of Canadian companies essentially permits business as usual. The new policy applies to foreign acquisition of existing companies with gross assets of at least \$250,000 or revenues of over \$3 mil-

lion a year. It is not retroactive. Furthermore, it does not affect other forms of investment, including foreign investment in new companies. Takeovers account for only 10 to 20 percent of recent foreign investment in Canada, so that the bulk of foreign investment will continue outside the new regulations.

The key judgment to be made under the new policy is whether proposed take-overs, defined as acquisition of five percent of the shares of a public company or 20 percent of the shares of a private company, will result in significant benefit to Canada. The government will judge each proposed acquisition for its impact on economic activity and employment, the degree of Canadian participation, its contribution to productivity and technology, its effect on competition, and its impact on industrial and economic policy. If a proposed acquisition fails to meet the criteria, there is a provision for further negotiation which could be used to stimulate foreigners to help increase employment, a major concern in Canada at this time.

The policy is surprisingly mild, and has predictably been attacked by the opposition Progressive-Conservatives and the New Democratic Party as incapable of fostering Canadian ownership of the Canadian economy. Provincial leaders who had strongly opposed restrictions on foreign investment probably feel satisfied. The new policy recognizes the major role that foreign investment has played in Canada's development, as well as the country's continuing need for foreign capital.

The policy should prove to be a relatively small obstacle to foreign investors, who come primarily from the US. Many had expected more stringent controls, possibly extending to regulation of all new investment and policing of foreign enterprises. Ottawa did, however, leave the door open to tighter control in the future.

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CUBA: FIDEL SETS FORTH

Fidel Castro has begun a two-month, nine-nation tour. He arrived in Guinea on 3 May and will go on to Algeria, Bulgaria, Romania, Hungary, Poland, East Germany, Czechoslovakia and, finally, the Soviet Union in late June.

The trip to the Soviet Union is, of course, the key to the whole tour. Castro probably wanted to speak with the Soviet leaders before President Nixon's arrival in Moscow on 22 May, and earlier reports had indicated that Castro would be in the USSR prior to the summit. But Castro's emissary, Carlos Rafael Rodriguez, was probably informed last week that Fidel could not come until June. It seems likely that the decision to postpone the visit reflects Soviet concern for maintaining a favorable atmosphere prior to the meeting with the President.

In any case, the single most important fact of life for Cuba today is that it is heavily dependent on Soviet support. Cuban indebtedness to the USSR, estimated at \$3 billion, will increase substantially this year because of Cuba's anticipated poor sugar harvest.

The Cubans and the Soviets have had their ups and downs during the past 12 years. The present phase, featuring relatively warm relations, began in 1968 when Castro gave a back-handed endorsement to the Soviet invasion of Czechoslovakia. Since then, the improved relationship has been expressed in the economic field. In 1970 a joint Soviet-Cuban commission was formed to

facilitate Soviet assistance in rehabilitating the Cuban economy. All of the problems in this field have not been solved, however, and Soviet irritation with Cuban inefficiency and wastefulness is amply documented and may be increasing.

From Castro's point of view, therefore, the little stops along the way are secondary to what occurs in Moscow. He probably hopes that he can get concrete assurances from the Soviets that they will increase their economic assistance. More important, he will want to be reassured that he will not be abandoned because of some arrangement between the US and the USSR.

Foreign policy implications of the trip aside, an important aspect of the extended tour is the picture it projects of the Cuban internal political situation. Castro would never leave the country for so long unless he was sure that his position was secure. In his May Day speech he declared, "A few years back, none of us could think of leaving the country.... This is not so today.... We know that this is a solid revolution, and a solid leadership, with more than enough men capable of accomplishing any task and able to handle any situation."

The important point here is that since 1968, an increasing amount of governmental power appears to have shifted from Fidel to his brother, Raul, presumably with Fidel's consent. The reasons for this change are somewhat obscure, but Fidel may have concluded that the complex day-to-day economic and political problems of the country could be more capably handled by technocrats under Raul's leadership. In effect, the routine problems have come under Raul's jurisdiction, leaving the role of "elder statesman of the revolution" to Fidel. Raul and his colleagues are thus in a position to keep the island operating and waiting for the great one's return.

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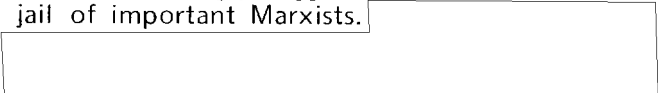


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BREAKING THE VIOLENCE HABIT

In Guatemala, surprisingly, partisan maneuvering is overtaking violence as the way to succeed in politics. Political activists, weary of the bloodletting of the past two years, are turning more to party work, probing for possible alliances, and testing their leaders. With President Arana almost midway through his term, incidents of political violence have dropped to less than 60 a month, only a third of the rate last year. Security forces still employ the scattergun approach to the terrorist problem, but they have nailed a few important subversives recently. The guerrillas are on the run or in hiding. Both the government and the Communist Party deny it, but a modus vivendi is strongly suggested by the release from jail of important Marxists.

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The political climate began easing perceptibly after the year-old state of siege was lifted last November and no spectacular terrorist action followed. The government was able to hold—and win handily—the municipal elections in March. Then the trumpeted threat to territorial integrity—the Guatemalans believed their claim to

British Honduras was in peril last month—served to unite politicians on a national issue.

The major rightist party and Arana's organizational base, the Nationalist Liberation Movement, is in fine shape as the parties enter the shakedown phase preliminary to the presidential campaign next year. Its would-be standard bearer, Mario Sandoval, however, poses a one-man threat to the process of political normalization, since he personifies the politics-by-assassination method so feared by the opposition. His candidacy could spur the now highly fragmented center and left into a coalition of convenience for the 1974 elections.

There are two other positive notes. One is that almost all the groups that have at one time or another depended on terrorism have postponed schemes for "large antigovernment operations" to some indefinite future and are checking into links with legal political organizations. Another is that, for the first time in several years, academic issues rather than the terrorist-counterterrorist debate are being argued at the largest university. The trend, at least temporarily, is toward internal peace.

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ARGENTINA: WAGE HIKE COOLS LABOR

The wage increase effective on 1 May should reduce the tensions that flared into violence in Mendoza last month and produced strikes and protest marches throughout Argentina. The 15-percent hike and the added side benefits will ease the political pressures on President Lanusse, but are likely to add to his economic problems over the next several months.

Beset by a growing tide of urban terrorism and labor opposition, Lanusse sacrificed his semi-austerity policy to gain some maneuvering room. In announcing the wage increase, the President called on all Argentines to overcome their differences and work together. He also made it clear that economic policy will continue to serve his political objective of holding elections next year. He said there will be "no definite economic solution until we achieve political stability."

President Lanusse's package—including the pay hike, a smaller increase in workers' family allowances, pension increases, and an agreement to permit collective bargaining this fall—was considerably more generous than labor, or anyone else, had expected. For the benefit of the rank and file, some labor leaders will probably continue to raise new demands, but for now at least Lanusse has probably bought the cooperation of the national confederation leadership. He has also strengthened the position of moderate labor lead-

ers who were coming under increasing pressure from hard liners.

The large wage increase apparently had the approval of top military officers, who hope it will contribute to social peace for the next few months. It probably also had the support of major business leaders, who were becoming concerned that the decline in purchasing power in Argentina signaled the onset of a serious recession. In the case of the latter group, this approval may not extend to holding the line on prices until mid-May as Lanusse has requested. The President hopes to meet with business leaders to discuss new price guidelines, but the failure of past efforts to hold down prices suggests that Lanusse will have little success in dampening the inflationary impact of the new wage package.

The only significant opposition to the large wage increase reportedly came from Finance Minister Licciardo, who advocated a smaller raise to become effective on 1 June. Licciardo's major concern was the possible impact on current negotiations for large international loans. In fact, the International Monetary Fund has already postponed consideration of Argentina's request for a large credit. Lanusse, however, seems to believe that the risk of complicating the loan negotiations is worth taking to defuse the tense internal situation exemplified by the riots in Mendoza last month.

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UN-AFRICA: HEARING FROM REBELS

Last week the UN General Assembly's committee of 24 on decolonization, which is dominated by militantly anti-colonialist governments, concluded a lengthy safari through Africa. It concentrated on the insurgent movements in Portuguese Guinea, Angola, and Mozambique. The committee junket has been most useful to the principal rebel group in Portuguese Guinea; it will provide new grist for those bent on increasing the pressure in the UN on Lisbon and its allies.

The committee's first, and longest, stop was in Conakry, the headquarters of the African Party for the Independence of Portuguese Guinea and the Cape Verde Islands, which has been carrying out a relatively successful insurgency for nine years. Four days of open sessions included an articulate and non-polemical presentation by its leader, Amilcar Cabral, who emphasized his continuing willingness to negotiate with Portugal. The committee also heard a report by three members who allegedly had just visited "liberated areas" of Portuguese Guinea. The Conakry proceedings culminated in the unanimous adoption of a resolution recognizing the Cabral group as the "only and authentic" representative of the people, proclaiming its de facto control of the "liberated areas" as "established beyond any doubt," and calling for all-out moral and material support by all UN states and agencies. The resolution included fresh charges that the assistance Lisbon receives from its allies is essential to its colonial policy.

Despite the one-sided composition of the committee, its visit to Conakry enhanced the

status of Cabral and his organization. They gained significant new moral support which may lead to additional material assistance. Particularly important was the committee's "confirmation" of claims by the rebels that they control and administer significant areas within Portuguese Guinea. This endorsement and the assurances that diplomatic recognition would be forthcoming when requested may have been sought by Cabral as part of a political program that probably includes a proclamation, perhaps fairly soon, of a government. Other steps, including the holding of "elections" leading to the creation of a "national assembly," reportedly were under way last month.

The committee, which also held sessions in Zambia and Ethiopia, seems to have intended to send missions from Lusaka to insurgent zones inside Angola and Mozambique, but apparently no such visits took place. The committee's Tanzanian chairman announced in Addis Ababa that consultations would be held to set up visits in the future.

The Portuguese, for their part, have displayed great sensitivity to this new committee tactic. They denounced the plan to visit "liberated areas" as soon as it was proposed last winter and lodged a formal protest with the secretary general. Increased military activity by the Portuguese in their three African territories may have discouraged committee plans to visit Angola and Mozambique. Lisbon's concern over any endorsement of rebel territorial claims is pointed up by its repeated public denials that any meaningful visit ever took place inside Portuguese Guinea.

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