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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

State Department review completed

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9 June 1972  
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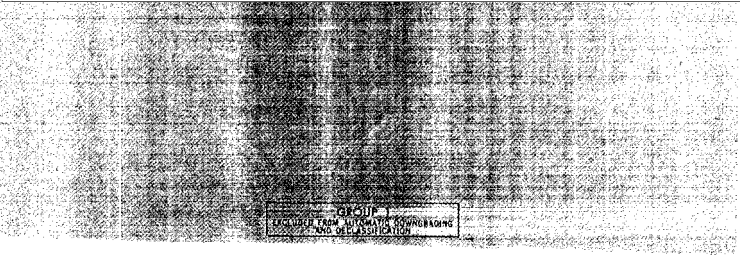
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of 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.

**WARNING**

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## SOVIET CRITICS ON THE DEFENSIVE

Developments in the USSR suggest that proponents of detente with the West are now using the summit results to put their opponents on the defensive.

*Pravda* on 4 June admitted that the agreements signed during President Nixon's visit are criticized by some who argue that such accords are not permissible while military conflicts exist and "imperialist aggression" continues. V. Mikhailov's international review labels the proponents of such views "extreme left-wing" elements. It has long been clear that there is at least some opposition within the USSR to detente with the West. But Mikhailov's commentary is the first acknowledgment in Soviet media that the authorities have been criticized for going ahead with the summit despite US actions in Vietnam.

Last week, *Novoye Vremya* published a review of Soviet foreign policy by V. Zagladin, a deputy to party secretary Ponomarev and a member of the Party's Auditing Commission. Zagladin noted that there are those who have an inaccurate or extremely arbitrary interpretation of the socialist states' international duty and would have the USSR toughen its position in response to tough actions by the "imperialists." He endorsed Moscow's "peace offensive" toward the West, attacked "one-sidedness" in policy or in methods of struggle, and condemned considering only present-day interests rather than long-term prospects. He may have been speaking as much to the North Vietnamese as to detente doubters at home. He made no direct reference to the summit meetings then in progress.

Mikhailov's review also deals with right-wing skeptics in the US and the UK. It has them complaining that Moscow was a new "Munich" and that the results of the summit negotiations secure Soviet superiority in nuclear weapons and in Europe for many years. Other Soviet commentaries have also mentioned the unhappiness of

Western "reactionaries," but Mikhailov's manner of quoting their views implies that the agreements reached during the President's visit constitute a good bargain for the USSR. He seems to be arguing that if Moscow's bitterest foes disapprove of the summit agreements, they must serve Soviet interests and cannot be the sort of sellout that the left-wing critics make them out to be.

In the meantime, the Soviet media have ceased publishing letters from "ordinary citizens" hailing the Moscow summit and its agreements. These letters probably were drafted to help project an image of broad-based, nationwide support for the summit. It would appear that Brezhnev and company no longer feel a need to resort to such a marshaling of public opinion to make their case.

At the same time, it is noteworthy that most of the meetings held by major regional party groups since the summit have taken up domestic issues rather than foreign policy questions. One exception is the Belorussian party organization headed by politburo candidate member Masherov, who was particularly slavish in praising Brezhnev during the "debate" on the Soviet - West German treaty prior to its ratification by the Supreme Soviet.

Masherov's support of the Soviet - West German treaty is a singular sign of the retreat of detente opponents now that Brezhnev has tangible achievements to show for his policies and has successfully sidetracked his most powerful critic, former Ukrainian party boss Shelest. Masherov had been one of those whose public utterances, like Shelest's, showed serious misgivings with Brezhnev's policies, both domestic and foreign. He apparently is now backing down from this critical stance at least as far as foreign policy is concerned.

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## SOME STRAINS IN HANOI

Since the beginning of the current offensive and even before, articles in the North Vietnamese press have been taking a line that bespeaks concern over the state of domestic morale. Some articles deal with the US-Soviet summit; their purpose seems to be to allay fears, particularly among the military, that the Vietnamese Communist position is endangered politically just when the army is giving its all in the offensive. Other articles address the problem of discipline among the people. Almost since the offensive began, North Vietnam's domestic media have been emphasizing the need to toe the line and warning of the dire consequences for anyone who fails to do so.

The first such warning came on 16 April and took the unusual form of a joint party-government communique. Then, on 11 May, Radio

circumstances maintain order and security and resolutely punish all counter-revolutionaries." The daily press has also called for a strengthening of the apparatus responsible for policing the party and society.

On 16 May—five days after the mining of North Vietnamese harbors—a high-ranking municipal party official in Hanoi leveled harsh criticism at party members themselves, warning that under wartime conditions some cadres "become backward and are no longer worthy" of their status. Referring to the recently enacted security measures, he gave the first clear indication of how they might be applied in party circles, noting that "we must persist in ostracizing [the unworthy cadres] in order to make the party clean and steadfast."

There clearly are some good reasons for official concern over conditions in the north. North Vietnamese casualties in both the North and the South as well as the dislocations caused by the bombing—well over half of Hanoi's population apparently has been evacuated—have caused much anguish. It is far from clear, however, that the strains are serious enough to undercut the war effort or other aspects of national policy. To some extent, the regime's criticisms and exhortations are almost certainly calculated posturing. During the US bombing in the mid-1960s, the government responded to similar pressures by lacing domestic propaganda with patriotic appeals and ominous warnings designed to avert any major slippage in morale. The effort was generally effective. The regime may also be exaggerating the need for a crackdown in order to justify suppression of individuals and interest groups long considered untrustworthy. Truong Chinh's advice to the Fatherland Front on combating "counter-revolutionaries" seems to echo the attack last February by the chief of North Vietnam's secret police on various "subversive cliques," specifically North Vietnamese Catholics.

There is nothing in recent reporting to indicate that the populace is any more willing than in the past to challenge its leaders. The people as a whole seem to accept their fate stoically, and the



"Everything Must Be Devoted to  
Defeating Pirate American Aggressors"

Hanoi announced that the premier's office had just authorized strict new security regulations, backed by stiff penalties, to curb a variety of "socialist abuses." Subsequently, National Assembly President Truong Chinh advised a Fatherland Front audience in Hanoi, "We must under all

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leadership obviously stands ready to employ all the means at its disposal to ensure that this will continue to be the case.

Still, the North Vietnamese populace is experiencing considerable hardship, and it almost certainly will suffer even more as the regime attempts to compensate for the loss of imports by limiting domestic consumption. Nevertheless, as difficulties become more routine and security measures tighten, the population is likely to fall in step behind the leadership as it has so often in the past. [redacted]

#### MEXICO: NEW DIRECTIONS

President Luis Echeverria comes to Washington next week backed by a series of successes in fence-mending between Mexico and the US. He appears to have no intention of spoiling this record and will no doubt strive to keep relations between the two countries on a friendly but frank basis.

Boundary disputes and the flow of narcotics across the border are among the newer problems to be dealt with in a neighborly fashion. Other problems, such as illegal immigration and salinity in the Colorado River stand a good chance of being resolved in the long term. But differences that are less susceptible to solution may be developing and these could take some of the gloss off present amiability.

Most of the latter stem from the new directions in foreign and domestic policies pushed by the reform-minded President. Under Echeverria, Mexico's foreign policy has become more assertive and expansive. He is trying to speak for the less-developed nations in their "struggle for economic and social justice," and in this self-appointed role he sometimes shows hostility toward the industrialized nations. Some of this talk is meant to soothe his leftist critics at home and to call attention to the social objectives of his administration. But it also points to a genuine

*"Poor Mexico—so far from God and so near the United States!"*

*Porfirio Diaz, Dictator of Mexico (1876-1911)*

desire that Mexico assume an independent and more significant role in the hemisphere and in the world.

As he develops in his new roles, Echeverria is likely to assume a more nationalistic stance and at times voice disapproval of US policies. He said recently that, while he is in the US, there will be "no trappings of courtesy or diplomacy that could dilute Mexico's fundamental intention to seek justice for oppressed peoples of the world."

At home, Echeverria is concerned over the stresses in the body politic. He sees the system that has given Mexico great economic advances and political stability faced with growing discontent and cynicism from alienated sectors of society. He sees the need to blunt this both politically—by providing a "democratic opening" and greater participation by the masses—and socially—by putting more balance into the country's economy. He may not succeed or even be willing to battle the forces that like things the way they are.

All this is having its impact on the bread-and-butter issues of trade and investment. Echeverria is searching for markets, investment, and technology that will help to correct Mexico's economic ills. For many years the US has provided Mexico with these things. Echeverria realizes the importance of the US in the economic arena, and he intends this relationship to continue to work to Mexico's advantage. But he also wants to tap other developed nations for investment and technology.

He may in this way also put occasional strains on US-Mexican relations, but the reservoir of good will should prevent major difficulties from arising. [redacted]

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## INDOCHINA

### SOUTH VIETNAM: LOOKING BETTER

The military situation in parts of the South showed some improvement during the past week. South Vietnamese forces backed by massive air strikes withstood a major North Vietnamese attack against Kontum City in the highlands. The city is still threatened, but the successful defense so far and the absence of major new North Viet-

namese attacks against Hue or An Loc have encouraged the South Vietnamese.

There have been a number of reports that Communist forces are encountering significant difficulties. Prominently mentioned are allied air strikes, stiffer South Vietnamese defenses, and, more recently, the monsoon rains, which are beginning to muddy the roads and retard enemy



President Thieu on inspection trip of central highlands with MR-2 commander General Toan.

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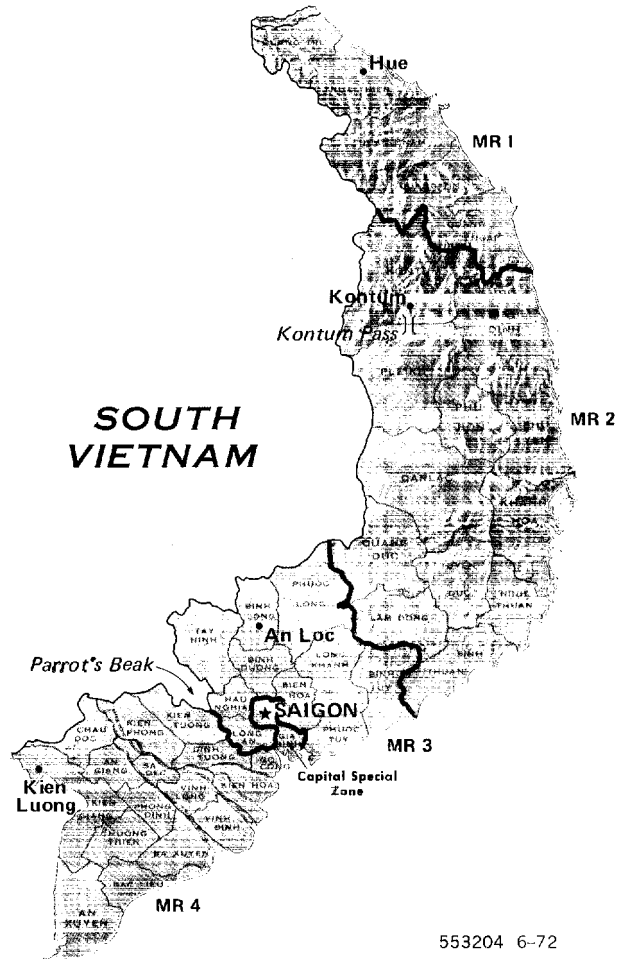
troop and supply movements in most of Indochina. Despite these difficulties, there are few indications that the Communists intend to slacken their effort in the weeks ahead; indeed, there are persistent reports that they will press on with major assaults.

Fighting along South Vietnamese defense lines north and west of Hue has been generally light for nearly two weeks.

Information from prisoners and other sources provides strong evidence that the North Vietnamese intend to try to regain offensive momentum early this month. The enemy seems to be thinking in terms of a prolonged siege against Hue, taking advantage of the relatively good weather in the region throughout the summer. The longer the North Vietnamese delay their next major push on the Hue front, the longer the South Vietnamese have to strengthen their defenses.

In the central highlands, prisoners make it clear that the North Vietnamese assaults against Kontum City that began late last month were a major effort. Elements of all of the North Vietnamese regiments in the highlands have been identified in the recent fighting either at Kontum City itself or in the Kontum Pass area to the south. Parts of three enemy regiments put up a particularly stubborn fight on the northern outskirts of the city. Nearly all of these regiments have taken significant casualties. Replacement troops fresh from North Vietnam are being sent directly to combat units, however, and a new round of attacks against Kontum may take place after the enemy has had time to regroup. The Communists also mounted new attacks along the coast in Binh Dinh Province during the week, and more fighting is in the offing there.

The pressure against An Loc, has been moderate, enabling government troops to move out and expand their perimeter. Nevertheless, determined enemy attacks south of the city continue

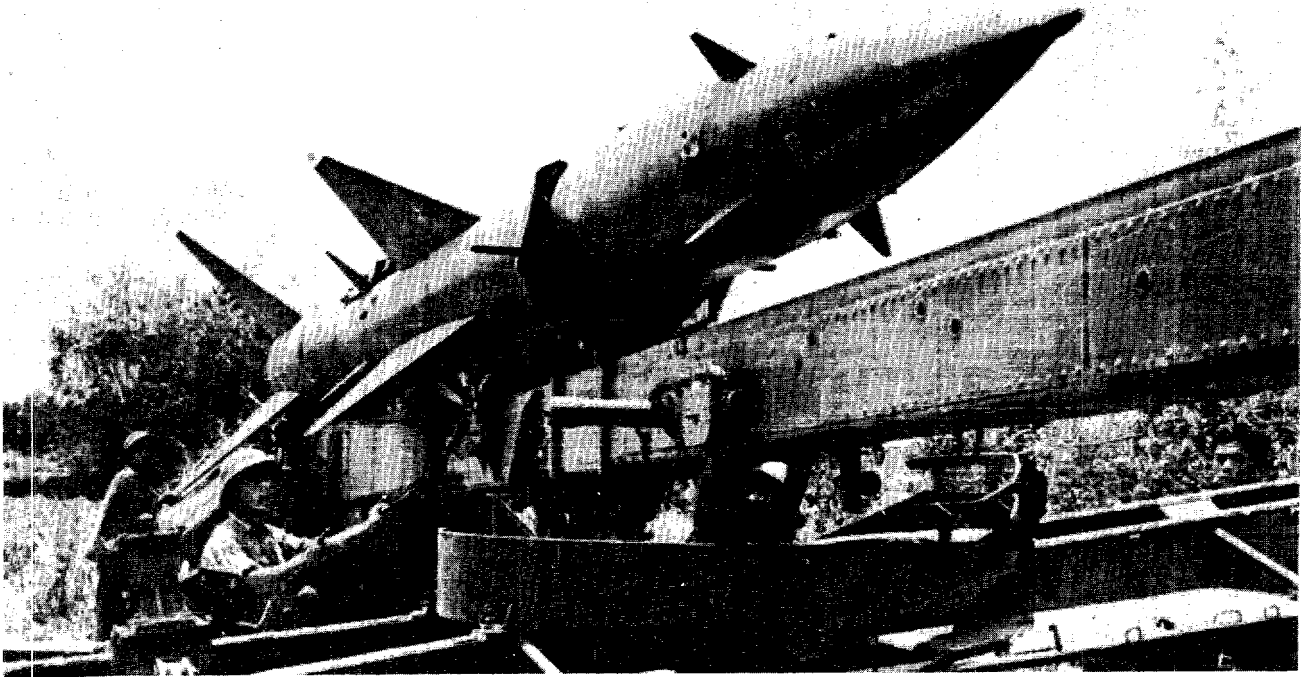


to hold up South Vietnamese relief forces. Enemy attacks west of Saigon increased during the week, making this yet another trouble spot competing for Saigon's thinly stretched reserves.

In the delta, action has remained relatively light since the stiff fighting for Kien Luong district town last month. Captured prisoners state

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Communist Radiophoto



North Vietnamese Air Defense Missile

that the North Vietnamese Phuoc Long Front, which infiltrated across the border from Cambodia to make that attack, suffered heavy losses and is now regrouping and preparing for further action.

Additional northern reinforcements appear to be moving into the upper delta, but South Vietnamese rangers operating along the border intercepted some enemy units and engaged them on Cambodian territory.

#### Thieu Rebuffed

The Senate's rejection of President Thieu's bid for emergency powers is a sharp embarrassment and seems likely to lead to a further clash between the executive and the opposition in the

legislature. Although Thieu personally lobbied for the bill with key members of the Senate, it was voted down last week by a 27-21 margin. The measure now returns to the Lower House, where the government probably cannot muster the two-thirds vote necessary to override the Senate.

Nevertheless, Thieu reportedly is optimistic that he can get both houses of the assembly to approve a new bill that will restrict his emergency powers to the fields of security and the economy. In the event the new bill is approved, Thieu plans to propose amendments of his own eliminating the restrictions and restoring the full powers of the original measure. Presidential amendments can be overridden only by a majority of the total assembly membership, with both houses meeting in joint session.

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The Lower House probably will give quick approval to the new bill, but it is questionable whether the Senate will do so. Whatever the outcome, developments thus far have virtually killed all hope of Thieu's accomplishing his alleged purpose in seeking the emergency powers: to gain a strong endorsement from the assembly and to create an appearance of national unity during the military crisis. Thieu's defeat in the Senate does not seriously impair his ability to deal with the current situation. The government implemented martial law last month, and without the decree powers, the President may take further actions on his own authority.

#### **The Soviet Naval Contingent**

The destroyer that had joined the Soviet naval group off Vietnam in mid-May left for home port early this week. The Soviet naval contingent, which now consists of one light cruiser and four destroyers, remains stationary south of the Parcel Islands. Three cruise-missile E-class submarines are still believed to be on patrol in the South China Sea.

#### **HARD TIMES IN SOUTH LAOS**

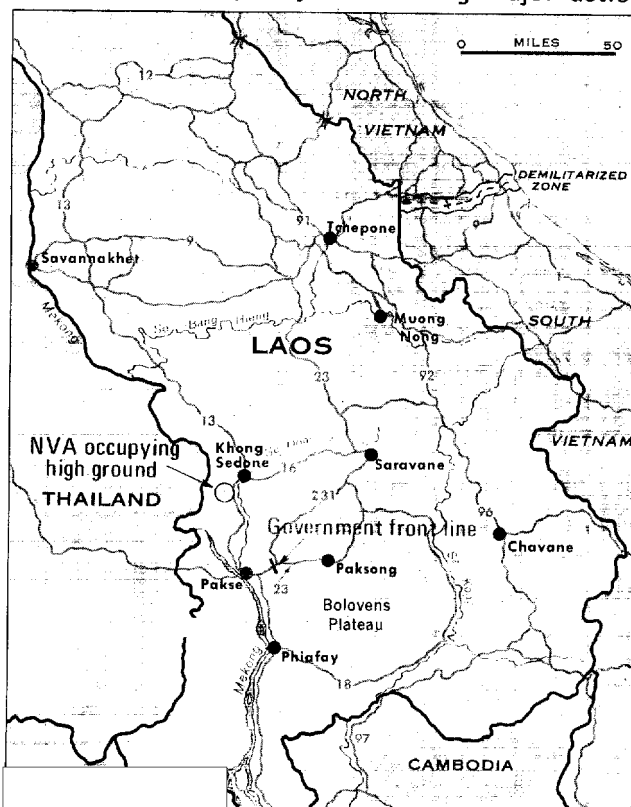
The North Vietnamese are continuing to probe the government's defenses in southern Laos, but the situation on the ground has not changed appreciably since the Communists two weeks ago dispersed the government troops attempting to retake Khong Sedone. North Vietnamese troops are blocking Route 13 north and south of Pakse, and heavy rains have washed out Route 10 to Thailand, so that the city must now be resupplied by air.

Government officials are distressed about enemy defector reports that the Communists will soon attempt to push closer to Pakse and then shell it with heavy artillery. Prime Minister

Souvanna has sent defense minister - delegate Sisouk, a respected politician from south Laos, to take charge of military and civil affairs at Pakse. Sisouk's first priority will be to bolster flagging morale and to get a clear assessment of the Communist threat.

According to North Vietnamese defectors, the Communists in their current efforts in the Khong Sedone - Bolovens Plateau area have used one additional infantry battalion as well as some armor, AAA, and artillery. They have had two regiments in the Bolovens area since late last year.

The North Vietnamese clearly have the capability of attacking Pakse with little warning. Such an attack, however, would involve a significant change in their policy of avoiding major action



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against population centers along the Mekong River. It seems more likely that, as in the past several years, they are attempting to mount a believable threat that will keep government forces away from the Bolovens Plateau and the infiltration corridor to the east. This strategy may have the additional objective of maintaining psychological pressure on the Lao leadership at a time when the Communists are on the defensive in the north.

#### **CAMBODIA ELECTS A PRESIDENT**

Lon Nol has achieved his ambition of becoming the country's first elected president, but the results of the voting on 4 June signal widespread dissatisfaction with his leadership. Lon Nol's margin of victory was far short of the overwhelming vote of confidence he had hoped for. The President pulled approximately 55 percent of the ballots cast, former first deputy prime minister In Tam had 24 percent, and educator Keo An tallied 21 percent. The surprising showing of Keo An, a political nonentity who only attracted attention by advocating that Sihanouk be allowed to return to Cambodia as a "private citizen," will be particularly embarrassing because it will be interpreted as evidence of residual support for the former Cambodian leader.

In Tam actually ran ahead of Lon Nol in the Phnom Penh area, where he effectively exploited both war-weariness as well as unhappiness over rising prices and continuing high-level governmental corruption. Without the zealous electioneering of the military, Lon Nol might have been forced into a runoff election or even been defeated. Besides campaigning for Lon Nol and threatening the opposition with a coup if In Tam won, military leaders appear to have successfully persuaded armed forces personnel and their families to vote for the President.

The government evidently curtailed the anti - Lon Nol vote with some dubious practices, perhaps including the removal of the names of In Tam supporters from the lists of qualified voters. This could help explain why the total vote was some 40 percent below that cast in the constitution referendum on 30 April. Other factors in the drop probably included fear of Communist reprisals and voter apathy. Although In Tam has cried fraud, the actual voting by those who reached the polls seemed reasonably honest, and the closeness of the election will enable Lon Nol to portray the contest as a legitimate expression of the people's will.

Lon Nol's next important order of business will be to designate a vice president. He has not yet given any hints of his choice or when the appointment will be made. Sirik Matak has been maintaining that he would not accept the job, and In Tam seems to be out of the running because of the military's antipathy. In Tam may set his political sights on again becoming president of the National Assembly after elections for that body are held later this summer.

#### **Phnom Penh Hit Again**

Although they did not engage in any systematic efforts to disrupt the election, the Communists did keep up their military pressure in the Phnom Penh area. In midweek, enemy gunners fired another barrage of 122-mm. rockets into the capital, aimed at such targets as the Ministry of Defense and the city's rail yards. Damage and casualties were negligible, however. A simultaneous and heavier shelling attack—which was accompanied by some sapper activity—on a suburban area some eight miles south of Phnom Penh resulted in the deaths of an estimated 20 Cambodians and heavy damage to a tire factory.

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## THE PHILIPPINES

### OF BRIBES AND BASES

President Marcos, fighting for his political future in the wake of sensational bribery charges, has moved, with some success, to divert public attention from the scandals to the question of US bases in the Philippines.

The uproar began when an elderly delegate to the constitutional convention revealed that he had been accepting money over the past year from people he implied were agents of the President. Marcos feared that his opponents could use the resulting public outrage to stymie his effort to remain in power by changing the constitution. The palace responded initially by vehemently denying the charges and trying to impugn the credibility of the accuser, but this only served to convince the public of Marcos' guilt.

The scandal also threatened to alienate some of his political allies. Convention president Macapagal, a Marcos appointee and a former president of the Philippines, called on Marcos to renounce publicly any desire for public office on the part of himself or his equally ambitious wife, Imelda.

Marcos then fell back on the kind of stratagem that has proved effective in the past. He called in the US ambassador and, in the presence of the media, handed him a note requesting information on US intentions regarding American military bases in the Philippines. Subsequently he demanded immediate high-level negotiations on the US base agreement. In fact, negotiations have been under way at the technical level for some time, and prior American efforts to move them off dead center have been to no avail. For domestic reasons, however, Marcos couched his call for negotiations in such a way as to project himself as a great nationalist bearding the American giant.

The stratagem worked like a charm, and the bribery scandal has been relegated, at least tem-



Convention Delegate Quintero From Leyte:  
*Accuses Marcos of Bribery*

porarily, to the back pages. Marcos has thus gained breathing room, but he has not defused the situation permanently. He will have to make further adroit moves, because the delegate who made the original charges says he will name names in the near future.

### PAYMENTS PROBLEMS

Manila's balance-of-payments situation is worsening and will probably force the country to seek new foreign aid and step up import restrictions.

The major problem is a rapidly growing trade deficit that reached \$120 million for the six

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months ending in April, compared with a \$30-million surplus for the same period last year. Low world market prices for Philippine exports of copper and coconut products and an increased import bill, partly traceable to recent international monetary adjustments, have caused this deterioration. Manila's foreign exchange holdings are now below \$200 million, equal to only about six weeks' imports, and well below the level of the start of the year.

Foreign debt is aggravating the situation. Debt service has already reached the level permitted by law, ruling out new foreign borrowing to alleviate the financial pinch. Even if new legislation were passed to lift the ceiling, Manila would still have difficulty meeting scheduled repayments because of the foreign exchange shortage.

The government will try to convert some short-term debt to longer term obligations and probably will seek more foreign aid at the June meeting of the international aid consortium for the Philippines. It is also likely that further import restrictions will be introduced to help bring the trade account more in balance.

### RECORD HIGHS AT CANTON FAIR

The Canton Trade Fair this spring seems to have been the most successful ever in both attendance and transactions. The total value of contracts concluded at the fair and in post-fair negotiations probably exceeds \$1 billion. The 21,000 visitors set a new record; at least 8,000 were major traders. Among these were about 2,200 Japanese and about 1,500 from developed Western countries including, for the first time, US businessmen. There was also a large increase in representation from the less-developed countries.

Chinese export sales were up by an estimated 20-30 percent over the previous fall fair and probably reached \$700-800 million. Contracts for Chinese imports, however, declined by 10-30 percent to about \$300-400 million. This continues the trend of the past two years, suggesting that the fairs are reverting to their original role as a convenient marketplace for China's goods. As China's requirements increase, important negotiations for imports, especially for sophisticated items, are being handled in Peking or by purchasing missions abroad. Textiles, foodstuffs, light manufactures, and unprocessed animal and vegetable materials were available in substantial quantities and sold well. Chinese sales of non-ferrous metals were again small. Tungsten was offered, but had few takers due to the depressed world market price. Prices for tin and antimony were above world market levels and sales were moderate.

The increased number of buyers led the Chinese to ration many items. Japanese purchases totaled slightly over \$100 million. US purchases—the first directly from China in over 20 years—reached about \$5 million and consisted of such items as foodstuffs, fireworks, carpets, drugs, and artwork. Sterling was the principal settlement currency. Contracts with US traders were all written in Chinese or third-country currencies. American businessmen will be permitted, however, to make direct payments in US dollars to specified non-US banks, all of which have offices in New York. Two of these banks reportedly have begun to receive letters of credit in US dollars.

Foreign sellers were generally disappointed at the low Chinese bids for their goods. The Chinese seem to be trying to counter the revaluation of the yen and mark with bids to Japanese and West German traders below prices paid by China last fall. Nevertheless, Japan reported some sales of machinery, while chemicals were the brightest spot for European businessmen. Steel suppliers were particularly disappointed and many stayed on in Canton after the fair in hopes of continuing negotiations.

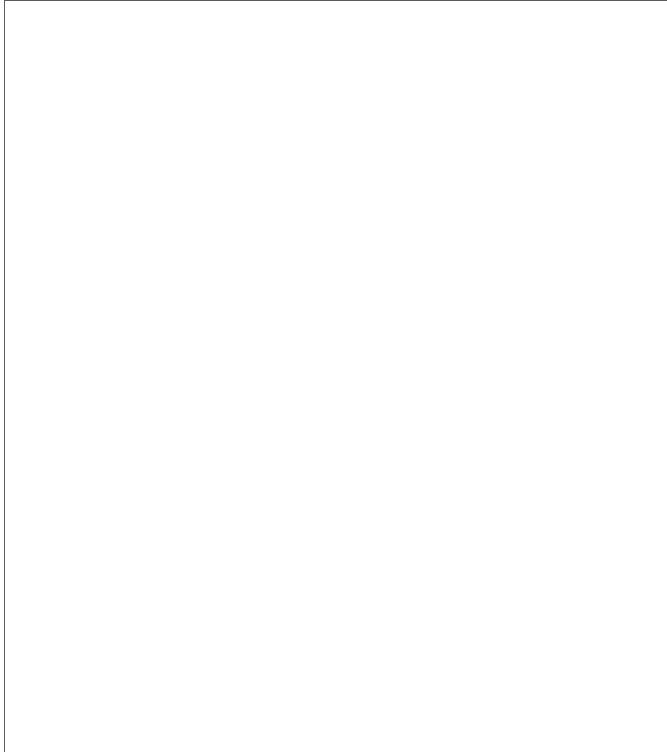
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tions about the meaning of all this for their future security. Although they recognize that Soviet goals are not compatible with their own, the allies support the promotion of East-West detente through a security conference. The actual approach of the conference will nevertheless create anxieties—already being expressed in European capitals—concerning the dominant influence of the superpowers on European security questions, the potential erosion of the US commitment to Europe, and the impact of the conference on public support for defense spending.

Some allies are already working to shore up the West European defense role. The West Germans, British, and Dutch in particular are trying to expand West European defense cooperation and to make their efforts more visible to both the European and American publics.

The allies also show concern about the effect mutual force reductions will have on their security. Nevertheless, except for the French, they are prepared to enter what they expect will be long and complicated negotiations. The NATO ministerial made progress toward a compromise on how to connect the force reduction question with a security conference. The allies most worried about this connection are those who will not participate directly in force reduction negotiations. The non-participants probably will be able to live with a limited general discussion of troop cuts at the security conference and an attempt there to negotiate "confidence building" measures such as exchanges of observers at military exercises.

The major tactical question now before NATO is how to take the next step toward force reduction negotiations. The allies believe that some exploratory talks will be necessary prior to actual negotiations. The problem for them is how to devise an approach that the Soviets will not reject as they rejected the "explorer" mission of former NATO secretary general Brosio.

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### NATO: BEYOND THE SUMMIT

The NATO foreign ministers applauded the results of President Nixon's Moscow trip when they met last week in Bonn. The allies were pleased that the US resisted Soviet blandishments on European issues, particularly regarding mutual force reductions. With the Moscow summit and West German ratification of the Eastern treaties completed and the Four Power signature of the Berlin accord assured, the ministers authorized multilateral preparations for a conference on security and cooperation in Europe.

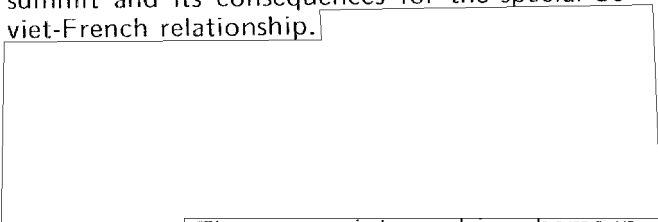
Now that the way is open for East-West talks this fall on both mutual force reductions and a security conference, the allies have mixed emo-

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## GROMYKO TO FRANCE, LOW COUNTRIES

Soviet Foreign Minister Gromyko is scheduled to begin a four-day official visit to Paris on 12 June. Although technically another in the regular series of Soviet-French consultations, the visit is awaited with more than casual interest by the French.

Paris is, of course, most sensitive to the summit and its consequences for the special Soviet-French relationship.



The same point was driven home in the Council of Ministers' public statement, which noted "with interest" the summit pledge that

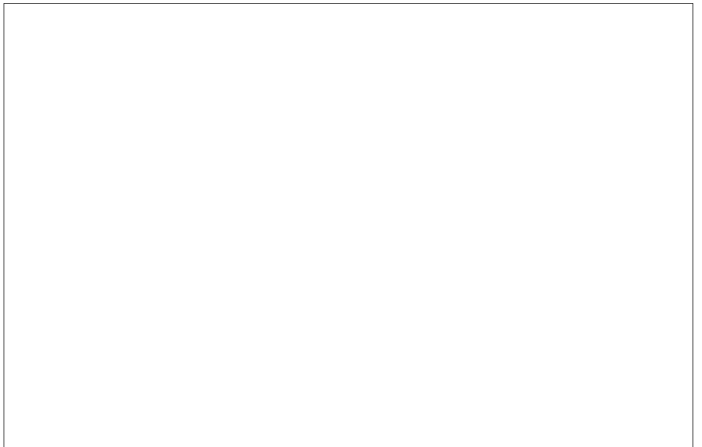


Gromyko

"liberty of action of third countries" had not been affected by accords achieved in Moscow.

Gromyko will visit the Benelux states in the 5-11 July period, spending about two days in each. This trip apparently was arranged at the initiative of the USSR, which opted at this time to pick up long-standing invitations. It reflects Moscow's growing interest in the regional institutions located there as well as the countries themselves.

At all of these stops, the Soviet foreign minister is likely to push for quick movement toward a conference on security and cooperation in Europe. He should find his audiences fairly responsive, especially in Paris. His Benelux hosts probably will want to add mutual and balanced force reductions in Europe to the discussions. Soviet media have been silent on the portion of the summit exchange dealing with force reductions, in marked contrast to the trumpeting accorded passages on a security conference. The French have reservations on implementing force reductions soon.

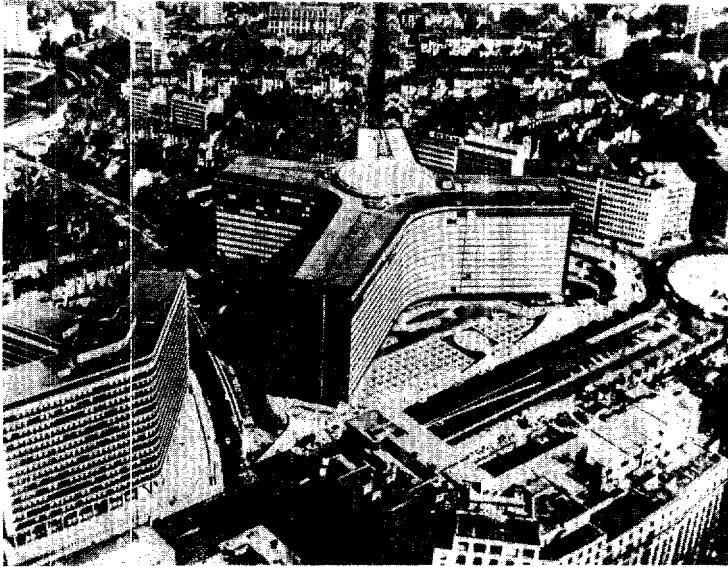


EC: GROUNDWORK FOR THE SUMMIT

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As preparations for an EC summit meeting in the fall proceed, substantial differences are emerging among the members and candidate

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EC Headquarters in Brussels

countries over the European Communities' future development. As usual, the disagreement is sharpest between the French and a majority of the other countries.

At a meeting of the ten foreign ministers in Luxembourg on 26-27 May, a number of proposals were offered, notably by the EC Commission and the Dutch, for strengthening EC institutions—one of the agenda items for the summit. The proposals focused on increasing the role and prestige of the European Parliament, on facilitating decisions in the EC Council, and on setting up a secretariat for the existing foreign-policy consultations among community members. The French are determined to delay the centralization of authority as long as possible. The others seem ready to continue an evolutionary, pragmatic building upon existing community institutions. In practical terms, the issues are what review rights the parliament should have and whether it should be directly elected, how rigidly the privilege of the veto should be insisted on, and whether the institutions—especially a political secretariat—should be consolidated in Brussels.

Institutional improvements arising from the summit are likely to be modest, both because of the rigidity of the French position and because there seems to be growing acceptance that the old institutions should be given a chance to work with the new membership. At Luxembourg, all the candidates indicated, a reluctance to deal so soon with fundamental issues of political forms. The Commission's final proposals probably will combine modest innovations with commitments to a more politically integrated community over the longer term. It may also recommend that the community be given clearer authority to devise programs for regional and industrial development, as well as for aid to less-developed countries.

Possibly because France is feeling the pressure from its partners on institutional questions, President Pompidou publicly lectured visiting Belgian Prime Minister Eyskens last week about the need to get on with "frank cooperation" on outstanding substantive issues and let the eventual transfer of powers to community organs take care of itself. Whether the summit can result in the considerable achievements Pompidou wants without some advance on institutional matters is questionable. France especially wants the meeting to make progress on economic and monetary union, but one of the main components now being worked on—a European monetary cooperation fund—will raise problems of delegating sensitive national prerogatives to a central body.

Like the summit agenda items on institutions and monetary union, the fate of the other item—external relations of the community—appears uncertain. Paris is eager to have the summit confirm a "European identity" with regard to the US and the Soviet Union as well as the less-developed world. At the same time, France rejects the pleas of some of its partners to institutionalize an EC-US dialogue. With respect to the East, the French are extremely reluctant to grant the community as such a representational role, although Paris expects that the positions of the Ten at a European security conference, for example, will be coordinated.

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## SWEDEN: DEFENSE AND TAXES

Recent legislative debate on two key bills has sharpened differences between the governing Social Democrats and the three bourgeois opposition parties. The confrontation also promises to shape Swedish politics into 1973, a national election year.

The Riksdag (legislature) passed a government defense planning and appropriations bill, over the bitter objections of spokesmen for the bourgeois parties. The vote was 163 to 151. The result will be a significant reduction in Sweden's defense establishment over the next five years. As Defense Minister Andersson acknowledged, Sweden is abandoning full territorial defense in favor of "tenacious" defense of vital areas. The bourgeois parties' anguish apparently stemmed less from the austerity of the \$6.8 billion allocation for the next five years than from the Social Democrats' refusal to compromise on counter-proposals that were only four to seven percent higher. The Social Democrats, for the first time on a defense budget, relied on Communist support to win passage. The government cited President Nixon's trip to Moscow as one reason a relaxation of Sweden's defense posture was possible; only recently, the government was accusing the US of bringing the world to the brink of war.

Just after the defense controversy, the debate over tax policy drove an additional wedge between the Social Democrats and the bourgeois opposition. Tax reform was the chief political issue during the spring parliamentary session. When the government's tax bill encountered both bourgeois and Communist opposition, the Social Democrats maneuvered to win Communist support by doubling the employer payroll tax in lieu of an increase in the value-added tax. The amended bill, which cleared the Riksdag by a 171 to 165 vote, will help appease popular demand for a lessening of the tax burden. The Social Democrats hope that an anticipated rebound from the economic slump of 1971 will help mitigate the adverse effect on business of the higher payroll tax. Should the economic turnabout fail to materialize, opposition prospects for 1973 could be considerably improved.

By these votes, the Social Democrats have managed to drive the bourgeois parties into closer cooperation and to enhance the credibility of Center Party chairman Falldin as an opposition leader. Neither may last long. Over the 35 years the Social Democrats have been in power, the bourgeois opposition has been distinguished by its disunity and inability to sustain a drive for control of the government.

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## UN: ENVIRONMENTAL CONFERENCE

The UN Conference on the Human Environment began in Stockholm on 5 June to the accompaniment of assorted street demonstrations. The concept of a world cooperating to meet a common challenge was marred at the outset when the Soviet Union and its Warsaw Pact allies, except Romania, boycotted the conference in protest over the failure of East Germany to be accepted as a full participant.

On 6 June, Swedish Prime Minister Palme assailed indiscriminate bombing, large-scale bulldozing, and use of herbicides in Vietnam, terming them an ecocidal outrage requiring urgent international attention. Further moves to discuss Vietnam have failed, at least so far.

Swedish security forces, meanwhile, have controlled a variety of relatively minor street demonstrations by ecological extremists and Viet Cong sympathizers. The conference of some 105 nations and more than 1,000 delegates will continue through 16 June.

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## ARAB STATES - ISRAEL: ANNIVERSARY

### Still Waiting

All week, Lebanon was braced in expectation of an Israeli reprisal for the Lod airport massacre on 30 May by fedayeen-sponsored Japanese terrorists. Public expressions in Israel of the need to retaliate allowed no easing of Lebanese concern.

Although the Israelis sat tight, the Knesset unanimously resolved on 5 June that any Arab country harboring terrorists will be held accountable for their actions. The fact that Lebanon was not specifically mentioned in the resolution is small comfort to concerned Lebanese, some of whom believe that their neighbor to the south covets Lebanese territory. The Israeli minister of communications publicly warned that all Middle Eastern airports must be kept open or none would be and that all airlines must be assured safe operation. Defense Minister Dayan spoke of introducing the death penalty for convicted terrorists;

until now, Israel has avoided capital punishment, although some terrorists have received very long prison terms.

In Beirut, Lebanese President Franjiyah publicly "deplored" the Lod massacre, a courageous stand in light of the large Palestinian and fedayeen population in his country and the potential threat they represent to Lebanon's security. The Lebanese UN mission categorically denied that the Japanese terrorists had trained in or had ever been in Lebanon and quoted a statement by the Popular Front for the Liberation of Palestine that its headquarters had been moved sometime ago to a secret site inside Israeli-occupied territory. The Israelis insist, as is likely, that the Japanese did indeed train in Lebanon.

Beirut officials informed the US Embassy that steps would be taken to curb fedayeen activities, but few noticeable restrictions have been applied. The Popular Front's newspaper in Beirut reportedly has been closed down, not because of Lebanese Government action, but as a result of the unification of all fedayeen information activities.

### A Joyless Anniversary

The Lod incident helped to deepen the mood of cynicism prevalent in the Arab world on the fifth anniversary of the war of June 1967. Many in Cairo cling emotionally to the optimism that prevailed in 1971 when diplomatic activity held out a slim prospect for a political settlement. Knowledgeable



Flag displayed in PFLP's Beirut office.

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Egyptians have become pessimistic about the possibilities for peace, and this makes them disenchanted with the country's leaders and political direction. In particular, there is considerable complaining about the constraining, but at the same time essential, political and military ties to the Soviet Union.

Official Arab rhetoric on the anniversary of the war stressed familiar themes—determination to regain lost territory and to resist Israeli settlement terms. Both President Sadat and War Minister Sadiq publicly recalled past Egyptian victories and examples of fortitude as they pledged to redress the situation. Many Egyptians share this refusal to bow to Tel Aviv, even if, as most observers believe, an Egyptian military venture would be disastrous.

Other Arab leaders took the opportunity to deplore the plight of the Arabs and to grouse about the Soviets. Libya's Qadhafi was particularly caustic in his remarks about the USSR. Sudan's President Numayri decried the lack of Arab initiative and deplored the attempts of the big powers, particularly the USSR, to manipulate the area.

The Israelis would, of course, like to see a real end to hostilities, but they entertain little hope that this is on the horizon. The Lod incident served as a sharp reminder of the deep chasm between the two peoples. Israeli leaders hope that the Arabs will eventually realize that their military shortcomings necessitate a settlement arrived at by negotiations. In the meanwhile, they continue to take comfort in the military and political advantages they gained during and since the 1967 war, and they mean to keep them.

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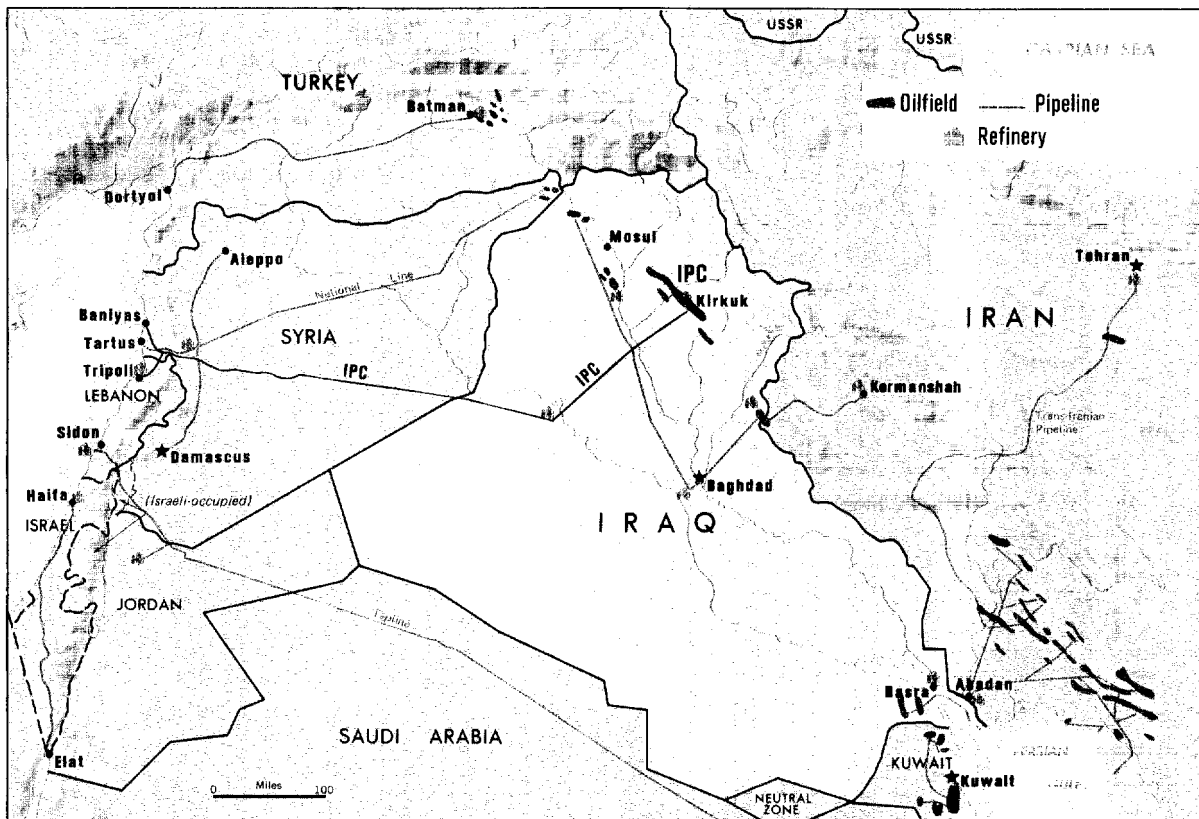
### IRAQ: NATIONALIZATION MAKES WAVES

In a dramatic move last week, the Iraqi Government nationalized the assets of the Iraq Petroleum Company, a consortium of US, British, Dutch, and French oil firms operating in northern Iraq. The action, culminating eleven years of smoldering disputes between the consortium and the government, has caused reverberations throughout the international oil industry. In concert with the Iraqi move, Syria nationalized its portion of the company's pipeline. Lebanon did not follow suit on company property in that country.

Both the Organization of Petroleum Exporting Countries and the Organization of Arab Petroleum Exporting Countries have scheduled meetings to discuss Iraq's moves.

Tensions between the company and the government were accentuated this spring when oil production from the northern oil fields dropped sharply. The Iraqis, believing it was an attempt to apply pressure, threatened confiscatory legislation if the Iraq Petroleum Company did not increase production and capitulate on several other demands. An eleventh-hour attempt to move toward meeting the Iraqi demands was rejected by Baghdad.

Operation of the fields has been almost entirely in the hands of Iraqi nationals, so that maintaining output from the nationalized fields should pose no insurmountable problems; neither should transporting the oil to Mediterranean ports. The most serious problem will be to find



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buyers. The consortium is unlikely to agree to market the nationalized oil without an Iraqi commitment for prompt and adequate compensation, and it will undoubtedly take steps to discourage any other Western oil company from taking the oil.

In an apparent effort to solve the marketing problem, Iraq has offered special consideration to the partly state-owned French firm that is one of the consortium partners. The French concern, which is short of crude oil and could use the additional supply, has sent a representative to Iraq with the approval of its partners. French officials are to meet with US, British, and Dutch representatives in Paris on 12 June to discuss questions arising from the Iraqi move.

The Iraqis have also turned to the USSR for assistance in marketing the oil. A delegation headed by Foreign Minister Qadduri and including the director of oil affairs left for Moscow the day after the nationalization, and an agreement for "more economic cooperation" has been concluded. The Soviet Union probably will not be able to offer Iraq much assistance. The USSR might be reluctant or unable to divert or charter enough tanker capacity to handle more than a fraction of Iraq's northern production. Moreover, the USSR probably could not market a large amount of the oil either at home or in Eastern Europe, especially over the short term.

Iraq nationalized the major part of its oil industry at a time when its negotiating position is extremely weak. Oil demand is growing at a rate far below that of the last two decades, tanker availability is so high that rates are near all-time lows, several countries are producing well below capacity, and others are striving to increase productive capacity substantially.

For Iraq to exert maximum pressure, Baghdad will need the cooperation of other members of the Organization of Petroleum Exporting



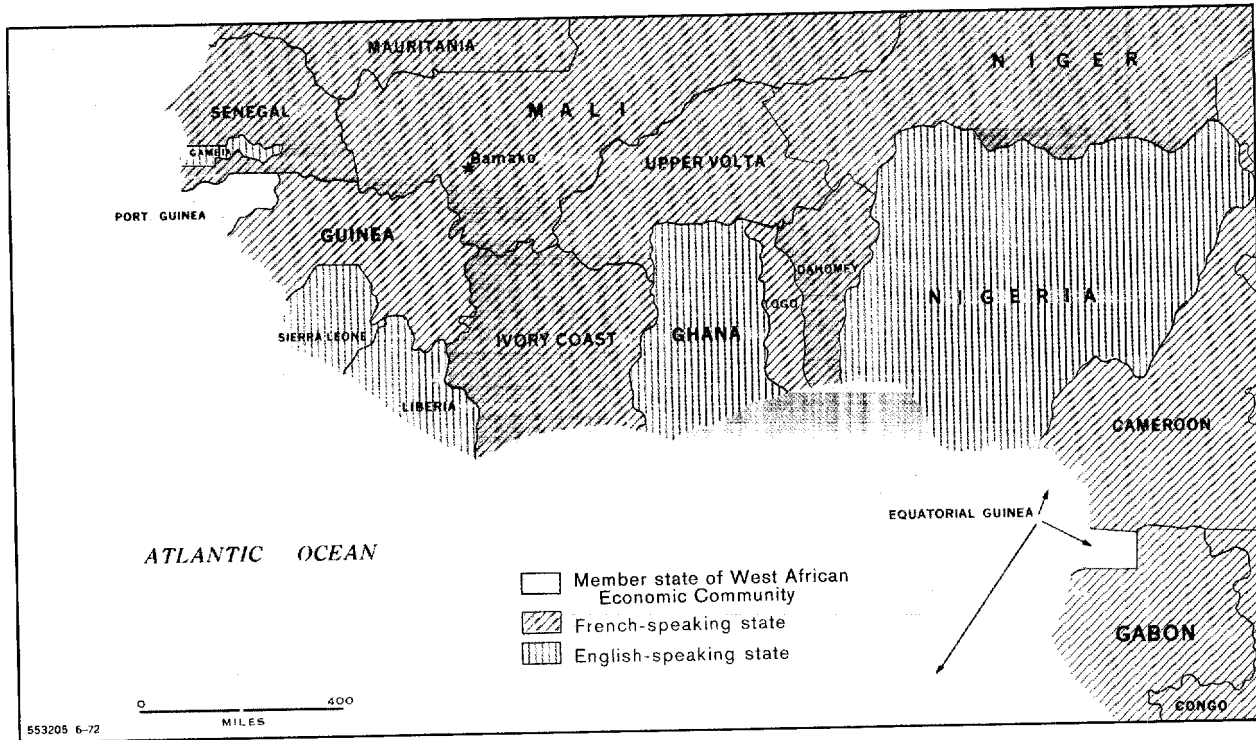
Soldier guards nationalized oil facilities.

Countries. Specifically, the Iraqis will want these countries to prevent increases in their output that would offset the decrease in Iraq's production. Although the organization has announced approval of the action taken by Iraq, it is doubtful that there will be any general agreement to control production. Libya and Algeria appear to be the most willing to help the Iraqis. It is unlikely that Saudi Arabia and Iran, the two countries that can most easily make up for any reduction in Iraq, will be willing to hold back.

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West Africa  
**REGIONALISM INCHES FORWARD**



On 3 June in Bamako, Mali, seven French-speaking West African states signed a treaty setting up a West African Economic Community. The convention looks to the creation of a common market, some 30 million people to begin with, that would start functioning in 1974.

The presidents of Ivory Coast, Senegal, Mauritania, Niger, Upper Volta, and Mali and a representative of the Dahomey Government participated in the Bamako meeting. Togo, reluctant to abandon its role as a center of free trade, sent an observer.

The new group was originally projected at a meeting of the seven signatory states two years ago. No visible progress was made toward implementing the scheme, however, until President

Senghor of economically constricted Senegal began to push it once again. His chief supporters were the poorer inland states.

The text of the treaty is not yet available. According to conference spokesmen, the major provisions include:

- the creation of a unified regional market with free capital, labor mobility and uniform tariffs;
- the establishment of an industrial development organization, a fund to share financial trade losses, and a common statistical service;
- the encouragement of regional cooperation in transport and communication.

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It is evident that, within this broad framework, differences still exist among the signatories, and many important details remain to be worked out. The Bamako conferees have announced their intention to meet again next December to deal with some of these.

The community is theoretically to be open to all West African states, and some signers of the treaty strongly favor early expansion to include the region's English-speaking countries. Niger President Diori, whose country has important commercial links with Nigeria, is particularly con-

cerned about this point and is virtually certain to push its discussion at the meeting in December. Several earlier efforts to establish an inclusive regional grouping have foundered, largely because of Paris' opposition to any organization that might reduce its long-standing influence in the area and because some French-speaking countries fear being swamped by the more populous English-speaking states. Proponents of a larger community have been encouraged recently by the interest being shown by Nigeria, by far the largest and strongest state in the area.

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### TANZAM RAILROAD: FULL STEAM AHEAD

The Tanzanian, Zambian, and Chinese governments are pushing hard to finish the Tanzam railroad earlier than the original target date of 1975. When completed, the line will link Zambia's copper mines with the Tanzanian port of Dar es Salaam on the Indian Ocean.

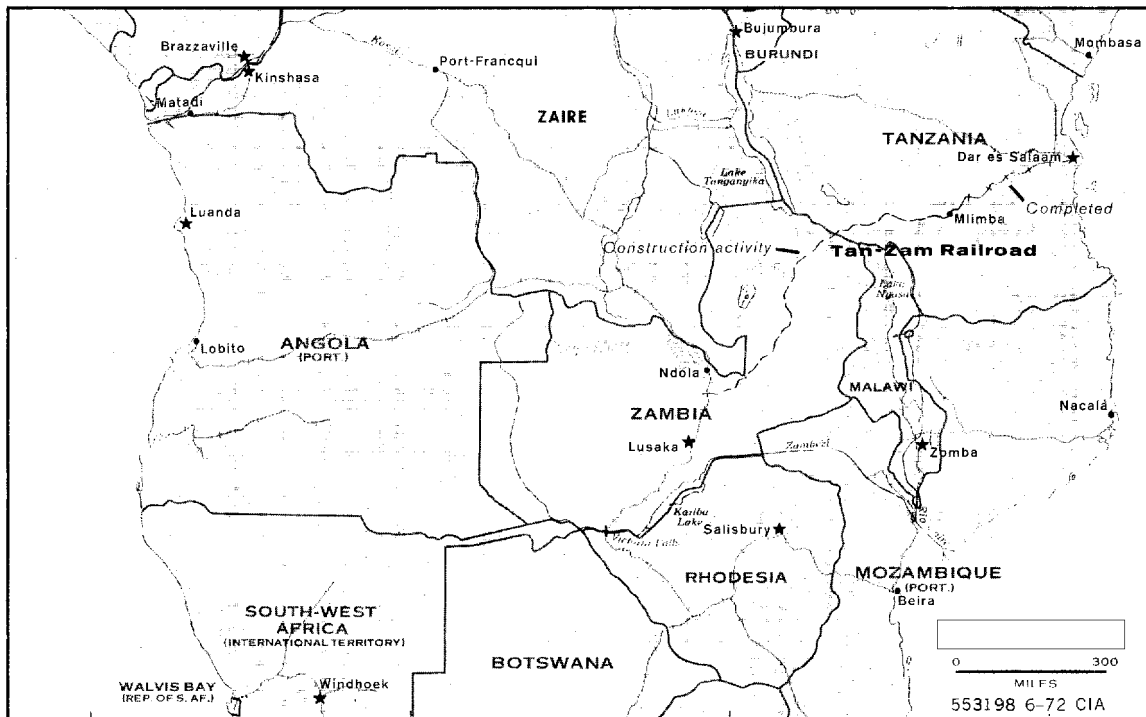
Actual construction got started in late 1970. The number of Chinese working on the railroad is still growing and has now reached more than 14,000. About 13,000 Chinese and 35,000 Tanzanians are working on the most arduous part of the project, cutting through the mountainous terrain in southwestern Tanzania. When this section is finished late this year, the line will be ready to take limited traffic from Dar es Salaam to the Zambian border area.

Considerable preparatory work is under way in Zambia. The estimated total of Chinese now

working in Zambia has risen to more than 1,000, including a group that arrived in late May. It is believed that 2,000 Chinese and 10,000 Zambians will be working on the Zambian end of the project by the end of the year. Teams are clearing the route and beginning to build bridges and support facilities. Apparently, the aim is to make it possible for track-laying crews to move over the relatively flat and open Zambian countryside when the rainy season ends next April.

The two African governments are interested in pushing the project forward to reduce Zambia's need for transport routes through white-ruled Rhodesia and the Portuguese territories of Angola and Mozambique. An early completion date would also boost Chinese prestige, particularly since Western technical experts doubted that construction could be finished by the 1975 target date.

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**ZANZIBAR: A SLIGHTLY BETTER LIFE?**

While the ruling Revolutionary Council continues to sing the praises of its fallen leader, Abeid Karume, his successor has begun to take steps to alleviate the conditions wrought by Karume's brutal, arbitrary rule.

Since succeeding the assassinated leader in early April, Aboud Jumbe has reportedly moved to tackle the island's chronic food shortages. Karume had curtailed the import of staples to conserve foreign exchange and to force the people to grow more food. His ruthless drive against Asian retailers had also disrupted the distribution of food, working a severe hardship on many. Jumbe has promised to open more government shops and has received some foodstuffs from the Tanzanian Government on the mainland. In addition, he and his aides have admonished cooperative employees and other government workers to make consumer goods available faster and in quantities to meet public demand—something Karume never did.

The government has also announced plans to expand public health and educational services and to provide more housing. Four new rural health clinics and two additional "new towns" have been promised, and the Communist Chinese have agreed to build a new technical college specializing in medicine and agriculture. This announcement suggests that the Chinese remain on good terms with the Zanzibar Government despite the fact that they had close ties at one time with some of Karume's assassins.

Although Jumbe seems to be making a genuine effort to shape a government somewhat more responsive to the people's needs, the Revolutionary Council is unlikely to loosen the tight controls it has exercised over almost every aspect of Zanzibar civil and political life since 1964. Many of the travel and other restrictions slapped on by the council after Karume's death remain in force, and the hundreds of "suspects" rounded up in police dragnets in April languish in jail.

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**CYPRUS: BACK TO THE TABLE**

After a hiatus of nine months, the intercommunal talks—with representatives from Greece, Turkey, and the UN joining the Greek-Cypriot and Turkish-Cypriot delegates—got under way in Nicosia on 8 June. These talks date back to 1968, when representatives of the island's two communities sat down to talk about, rather than fight about, their differences. There has been no progress since. There are basic disagreements over how much the Turkish Cypriots should participate in the island's government and how much local autonomy they should have. Last fall, Ankara and Athens agreed to help try to break the deadlock, and the present format was developed with the help of the UN secretary general. Turkey, however, only grudgingly agreed to UN participation.

Although these new discussions will serve to keep intercommunal tensions down, there is little reason to believe that they will make any more progress than the preceding efforts. President Makarios still seems intent on preventing the Turkish Cypriots from acquiring any real power.

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CHILE: ALLENDE AND HIS COALITION

President Allende and his quarreling coalition partners have met for over a week in search of a modus operandi. They want to agree on more effective ways to consolidate and extend their revolution in the face of growing disunity in the coalition and a stronger challenge from the opposition.

Stubborn conflicts have dogged the coalition since its creation, and there have been few signs of real progress. Allende blames his government's many inefficiencies on his partners' refusal to put the success of the Popular Unity government above their own interests. He is impatient for them to settle their differences so that he can reorganize his cabinet and consolidate the socialist program already well in motion.

The Communist and Socialist parties have dominated the current discussions, backed by their sycophants among the smaller parties. The Communists insist that caution, non-violence, compromise, and consolidation—particularly in the economic field—are the most realistic policy. The Socialists want a much faster pace in overturning the political and economic ground rules they believe are the source of opposition strength. They argue that armed confrontation is inevitable, that coalition forces must prepare for it, and that a cautious approach is self-defeating.

The deepening dispute has focused on their respective attitudes toward the far leftist Movement of the Revolutionary Left. The disruptive activities of the miristas have been a provocation to rightist groups and an irritant to security forces who, the Communists fear, may react by attempting a coup. The Communists are sensitive to the miristas' moving in on the party's role of champion of lower class groups. The Communists fear they are losing ground because of the party's participation in a government that is unable to

fulfill many of its promises. Finally, the Communists see the movement as a potent weapon used against them by Socialist left wingers, under Secretary General Altamirano, who sponsor and assist the miristas.

In mid-May the Communists took advantage of resentment against Altamirano within his own party to force him into a lukewarm disavowal of the revolutionaries' excesses. The disorganized Socialist Party, although it boasts Allende as a member and has been the largest vote-getter in the coalition, is now significantly weakened by rivalries and corruption. Altamirano's tactical retreat on the miristas is not popular with extremist Socialists. As a quid pro quo, however, he may have gained Communist acquiescence in the plebiscite he wants on some key issues.

For Allende, conflict between the two parties has given him opportunities to play his favorite role as the ultimate arbiter of political power. To get the more effective government he wants, he needs an end to the struggle, but he recognizes that the Socialists' and Communists' strongest point in common is that they must act in concert to control him.

The Christian Democrats, meanwhile, plug away at the difficult job of coordinating the growing but disparate opposition. They have few really effective weapons against a government that is powerful despite its weaknesses, and their abhorrence of being identified with conservative political forces further constrains them. The military services, disturbed by the excesses of the government, are trying unobtrusively to moderate its policies. Allende's tendency is to defer to some of their demands, but the Communists and Socialists so far have found ways to block most military influence.

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**OAS: CUBAN REVIEW**

True to its word that it would come to the OAS before moving unilaterally, Peru has asked the OAS Permanent Council to vote on a resolution permitting each nation to establish relations with Cuba if it so desires. The Peruvian initiative is an attempt to avoid a direct request to lift the sanctions imposed against Cuba in 1964. Such a request would require a two-thirds majority for passage. The matter is being studied by a committee-of-the-whole, where procedural objections to the Peruvian initiative are being raised along with accusations that the Castro regime is still involved in exporting subversion.

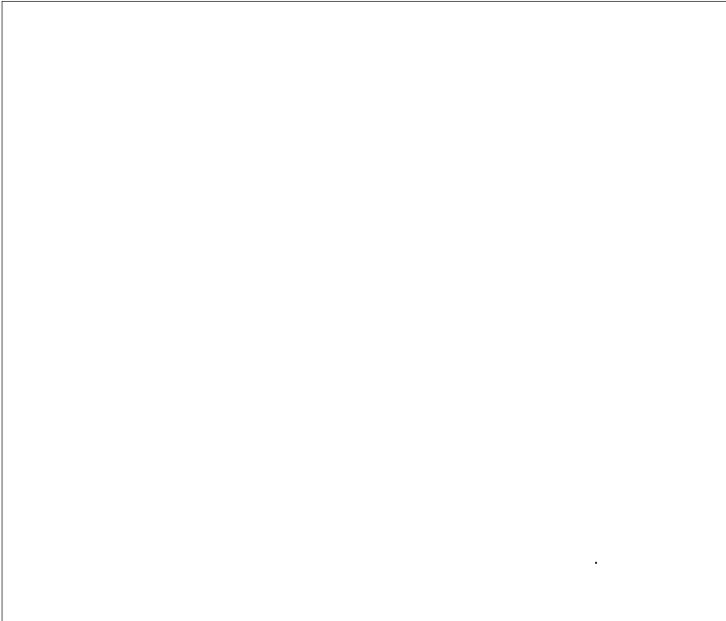
A vote may come as early as next week. There appears to be no chance the resolution will pass, but the Peruvians would be happy with a sizable minority. The best estimate is that no more than seven or eight will vote "yes," although there may be several abstentions on procedural grounds. Peruvian President Velasco has announced that Peru will feel free to establish relations with Cuba no matter what transpires at the OAS. To justify this action, the Peruvians are likely to add the abstentions to the "yes" votes in an effort to demonstrate that the sanctions against Cuba are no longer strongly supported in the hemisphere.

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neiro—who were probably motivated at least in part by losses suffered in the fall of the stock market over the past year—sought the finance minister's ouster. The officers apparently found sympathy among other military men; in any case the army minister, General Geisel, refrained from using his well-known iron hand against the captains.

More general criticism of other aspects of the "economic miracle" has also surfaced. Underemployment and mal-distribution of income are cited as key problems. Delfim Neto replies that these problems result from the nation's general low level of development and that the administration has initiated major programs to alleviate them as rapidly as possible. Some of these are well under way but others, such as the ambitious project to modernize agriculture in the Northeast, are still in the talking stage.

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### BRAZIL: ECONOMIC DIFFICULTIES

The architect of Brazil's "economic miracle," Finance Minister Delfim Neto, has come under increasing attack in recent weeks. The most frequent theme in the attacks has been the inability of his economic team to halt inflation. Delfim Neto has been the principal spokesman for the position that as long as the country is achieving an annual increase in gross domestic product exceeding 9 percent, it can tolerate the approximately 20-percent rise in the cost of living recorded during each of the last three years.

Delfim Neto's critics now are questioning this assertion. A federal congressman from the only legal opposition party claims that the inflation rate has been worse than the government admits. The legislator charged that the government's control over economic figures prevents outsiders from making an accurate judgment about Delfim Neto's performance. Dissatisfaction with the way the economy is going has also been voiced by members of the armed forces. In early May, a group of army captains in Rio de Ja-

President Medici recognizes Delfim Neto's achievements in establishing domestic and foreign confidence in the Brazilian economy and in securing capital from abroad for financing economic development. There is some evidence, however, that Medici has begun to listen to other economic views as well. In his speech last March commemorating the eighth anniversary of the Brazilian "revolution," Medici stressed that more progress had to be made in cutting inflation; he has since ordered Delfim Neto to put priority on this goal.

The President's concern about the performance of his finance minister is based on his belief that a marked deterioration of the economy, or a substantial sharpening of inflation, would pose a serious risk for his administration. As long as senior military officers and important economic groups such as the Sao Paulo financial and industrial community have confidence that the administration is fully in control of the economy and is following sound policies, support for the government probably will remain solid. On the other hand, divergences over economic issues could broaden into a major dispute that could strain military unity and undermine his authority.

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#### CUBA: THE "HEART OF STEEL"

Reports that Fidel Castro was suffering from some form of heart irregularity turned out to be incorrect, though they did provide a little publicity for his generally humdrum tour through Eastern Europe.

Press stories on Castro's alleged illness while traveling in Poland infuriated the Cuban leader,

and the journalist who initially reported him to be in poor health was beaten up by Cuban journalists. Fidel told one reporter that the stories were "nonsense" since he had a "heart of steel."

Information regarding Fidel's current doings has become quite fragmentary, but it is evident that his discussions with top officials have not been going well lately. [REDACTED]

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#### PANAMA: MORE POWER FOR TORRIJOS

The government moved last week to end the threat of a blackout in Panama City by taking over operation of the US-owned power and light company. In an effort to get the government to pay over \$2 million in overdue utility bills, the company had refused to pay its oil suppliers. Government efforts at negotiation were not successful, and Torrijos ordered a 30-day intervention. Panama is demanding that the company pay its debts and undertake a \$48 million five-year investment program to keep up with customer demand.

Reaction to the government decision has been favorable. The company has long been in bad odor with the public, and even the business community had been critical of the power company's negotiating tactics. The attitude of the company has been one of defiance, prompting speculation that it prefers to be expropriated and compensated for its assets, which it computes at \$74 million. The government remains reluctant to expropriate, but popular sentiment in favor of nationalization is growing. If the company does not show additional flexibility in negotiations, Torrijos may feel he has little choice. [REDACTED]

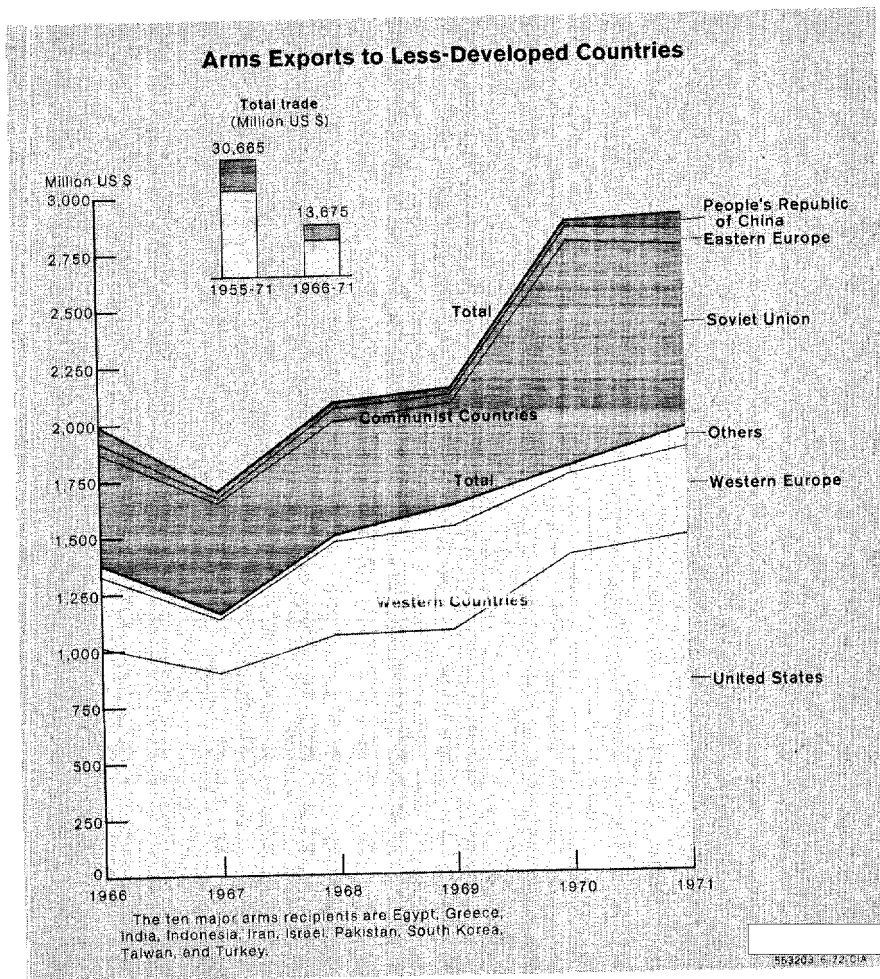
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## ARMS EXPORTS: BIG BUSINESS

A record \$2.9 billion worth of arms were delivered by the developed to the developing countries in 1971. From 1955 through 1971, these countries received almost \$31 billion worth of military equipment; the pace of deliveries has been stepped up in the past six years when the average reached \$2.3 billion a year. Western countries have provided nearly three fourths of the military equipment, while Communist countries have supplied the remainder.

The equipment covers the range from small arms and ammunition to supersonic fighter aircraft and guided missiles. Most of the weaponry is new, and some comes out of current production. Moreover, the developing countries are purchasing more sophisticated weapons systems that are not only expensive but also usually require an extensive technical assistance program. In recent years, more than 13,000 trainees from the less-developed countries annually have received military training abroad, and more than 15,000 foreign military advisers and technicians have been employed each year by these countries.



Since 1955, the US has been the most important source of arms, accounting for an estimated \$17 billion, or about 56 percent of total deliveries, excluding deliveries to South Vietnam. The USSR is next, providing about 22 percent. While almost all less-developed countries have bought some arms, ten countries account for two thirds of all purchases. Egypt is the largest recipient.

Military grant aid has been declining, but the arms-exporting countries are extending liberal credit terms of up to ten years at rates of interest averaging about five percent. In addition, barter arrangements are being concluded to promote arms sales, and special concessions are being given to certain buyers, including the granting of licenses allowing partial assembly, and even full production, of equipment in the recipient country.

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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Peronism in Argentina Today*

**Secret**

No. 47

9 June 1972  
No. 0373/72A

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# PERONISM IN ARGENTINA

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After 17 years of being on the outside looking in, the followers of Juan Peron stand their best chance of obtaining at least a share of power in Argentina. From Madrid, the aging former dictator is pulling the strings and trying to maneuver his forces into the best possible position for the elections promised for March 1973. To strengthen his position, he is attempting to unify a mass movement that he has deliberately kept divided since he was forced out of office and the country in 1955. In the intervening years, he has consistently cut down promising Peronist leaders in Argentina when they seemed on the way to achieving a position from which they could challenge his authority. The labor movement, the base of Peronist strength, has developed deep divisions, as have the political, women, and youth sectors of the movement. Only the intense loyalty to Peron of the rank and file can bring about the reunification that is necessary if Peronism is to share in the important decisions that will be made in the next year regarding Argentina's future form of government.

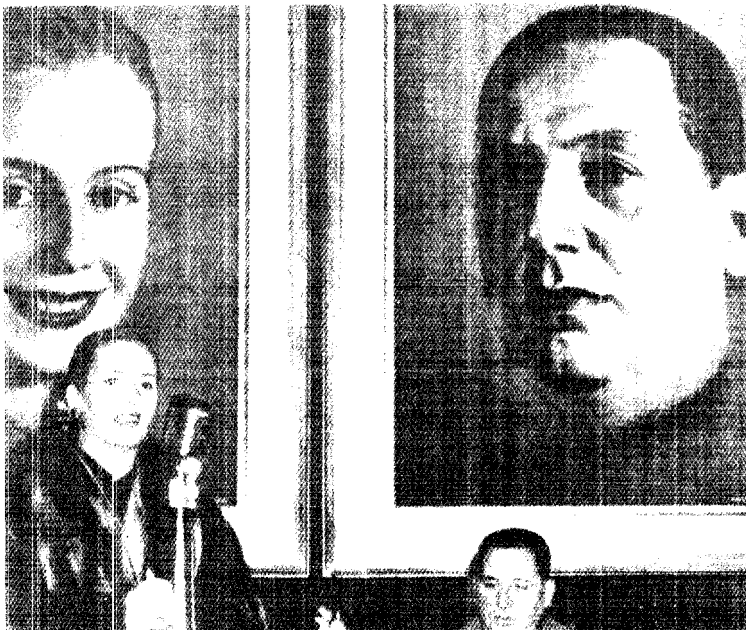
### An Argentine Phenomenon

In the mid-1940s, Juan Peron, with the able assistance of his wife Eva, organized the Argentine working masses into a powerful political vehicle that carried him to power and kept him there for ten years. Peron's demagoguery, Eva's glamor and political astuteness, and a broad program of social welfare measures earned Peron an intensely loyal following among the working

masses and the bitter enmity of the wealthy classes and the military. In 1955, he was forcibly removed from office by a military revolt, but all efforts by succeeding governments to tarnish his image with charges of corruption and moral degeneration have failed to sway his followers.

While in power (1946-1955), Peron put together a coalition of organized labor, some parts of the middle class, and a few intellectuals. Peronist ideology has never been precisely defined, but it is highly nationalistic and puts heavy emphasis on social justice. In economics, Peronism is basically statist and leans toward autarky. Peron's rule of Argentina coincided with the emergence of the cold war, prompting him to advocate the development of a "third position" between the two "imperialist powers." Peronists now proudly call this the precursor of the "third-world" concept being adopted by the less-developed nations. Peronism has traditionally been strongly anti-Communist; in fact, its adoption of some of the more attractive precepts of Communist ideology has been a strong impediment to the development of a viable Communist movement in Argentina. Even today, most of the revolutionaries who have sprung up in Argentina have aligned themselves with, or at least describe themselves as, Peronists.

Despite the persecution of Peronists following the ouster of the "Leader" in 1955 and their proscription from full political participation in later years, Peronism has continued to be the largest and strongest political movement in Argentina. The deep loyalty of the masses has enabled Peron to maintain his pre-eminence in the movement despite 17 years of living in exile. The exclusion of Peronists from national politics and long periods of military rule have helped prevent the rise of new national political leaders. Peron has encouraged a wide variety of political and labor activists, both to confound his political opponents in Argentina and to retain his power by keeping the Peronist movement divided. He has dismissed his political lieutenants in Argentina whenever they seemed to be developing a base of their own, and there have been allegations that he ordered the assassination of Augusto Vandor and Jose Alonso when they attained too much power



Juan and Eva

in the labor movement. His reorganization of the Superior Council in November 1971 and his role in preventing a national strike in March 1972 demonstrate that he still wields considerable control.

### Peronist Organization

The main Peronist governing body is the Justicialist Superior Council, which has representatives from the participating sectors of the movement: political, labor, women, and youth. Juan Peron and his third wife, Isabel Martinez de Peron, are members of the council, although a secretary general Jorge Gianola watches over the daily affairs of the movement in Argentina. The council has never been particularly powerful. Peron makes the major decisions from Madrid; otherwise, the various sectors seem to operate on their own. Nevertheless, important Peronist figures do sit on the council. Jorge Paladino, one of the most astute Peronist politicians to come along in many years, was dismissed as Peron's personal representative and secretary general of the council last November. Hector Campora, Peron's new representative, and Gianola, the new secretary general, are not strong leaders, but Peron, perhaps in an attempt to breathe some life into the council, has given new representation to the more radical and dynamic wings of the movement. Many of the more prominent moderate Peronists were forced out with Paladino.

In his attempts to prepare the movement for the national elections scheduled for March 1973, Peron appears to be putting emphasis on orthodox, completely loyal Peronists and, to a lesser extent, on younger, more leftist elements in the movement. He has had some success so far, but will probably have to make full use of the moderates if he is to achieve any significant degree of unity for the elections.

**The Political Sector** Although the basic strength of Peronism lies in its labor underpinnings, a separate group of Peronist politicians has long vied with labor leaders for control of the movement. These politicians are primarily those who served in a political capacity: cabinet ministers, legislators, and provincial officials during



Peron's ten years in power. Since Peron had many young officials in his government, a number of these politicians are now only in their early fifties. In their 17 years out of power, however, they have sought their own political fortunes and have moved in different directions. Many of the nationally known figures—Raul Matera, Eloy Camus, Roberto Ares, Antonio Cafiero—fall into what could be called a moderate group. Others, such as Hector Campora and Jorge Gianola, have no identifiable political leanings of their own and exist only to serve Peron. Also in this category are Jorge Antonio, an unscrupulous businessman who advises and helps finance Peron in Madrid, and Jose Lopez Rega, Peron's personal secretary and confidant.

In addition, there are neo-Peronists who advocate the principles of Peronism but reject Peron's resumption of power, and provincial caudillos who have built local organizations of their own. The neo-Peronists are likely to be squeezed out as Peron reasserts his authority and moves to unify the movement. The others, however, must be dealt with. The provincial caudillos, especially, will pose difficult problems for Peron. With their own bases of power, these men—who range from the conservative caudillo of Salta, Ricardo Durand, to the leftist Julio Antun of Cordoba—are in a position to exact concessions. The Lanusse government's requirement that political parties hold internal elections in the process of selecting candidates may help Peron overcome some of these difficulties. Peron will, in effect, be able to go over the head of local leaders to the masses, most of whom will vote as he directs. These internal elections now are being held, and the first indications are that Peron's official lists are winning in almost every case.

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**The Labor Sector:** It was on the shoulders of the working masses—neglected by other politicians, but not by Juan and Eva—that Peron rode to power in the 1940s. In Peron's ten years in power, the working man benefited greatly from the social welfare measures spearheaded by Eva and from the new power given labor organizations by President Peron. Labor was the base of Peron's power then, and it is the backbone of the movement today. The main labor organization, the General Confederation of Labor, is second only to the military as a political force in Argentina. The confederation boasts a membership in excess of two million—at least 80 percent controlled by Peronists—and is recognized as the largest and best organized labor movement in Latin America. Even under the restrictions imposed by the military when it took power in 1966, the confeder-

ation has frequently demonstrated its ability to paralyze the nation with general strikes.

Although a strike call nearly always receives full cooperation, this should not be taken as an indication of labor unity. In fact, the divisions evident in other Peronist sectors are even more troublesome in the labor movement. In recent months, there has been a serious attempt to bring unity to the "62 Organizations," long the Tammany Hall of Peronist labor. Peron ordered the "62" to reorganize to strengthen his position in negotiations with the Lanusse government, and the labor leaders have a strong incentive of their own to reunify the movement. Union leaders have long disputed leadership of the movement with the Peronist politicians and believe that a unified



**Peronist Leaders Meet in Strategy Session with Juan Peron in Madrid in May 1972**

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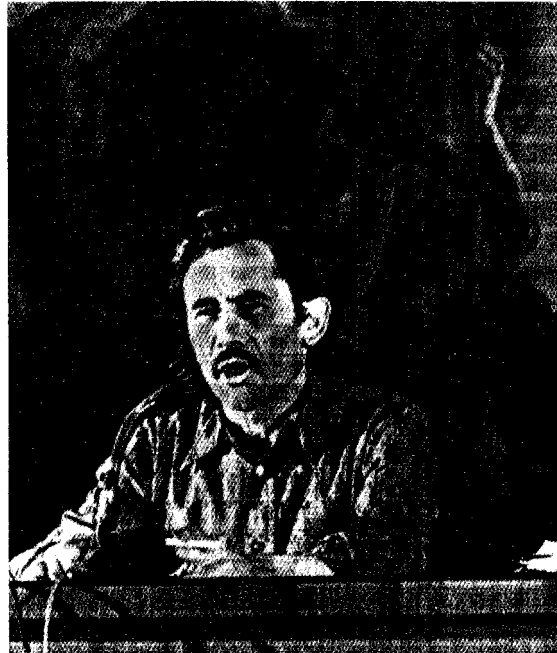
front is necessary if labor is to obtain a significant number of the candidate slots for the elections next March. Jose Rucci, the current secretary general of the General Confederation of Labor, carries little weight in Peronist inner circles and has done little to aid reunification or further the labor cause vis-a-vis the other Peronist sectors. He is generally inept and is likely to lose his position later this year if an alternative can be agreed upon.

There are at least five basic groups in Peronist labor, and they work in shifting alliances that make it extremely difficult to determine where the majority strength lies at any particular time:

- The Group of 8, or Neo-Vandoristas, have generally favored negotiating with the government;
- The Participationists, following the line of Jose Alonso who was murdered in 1970, have sought to participate in the government;
- The Authentic 62, led by the powerful metalworkers union, represent the orthodox Peronist line, but have been in a minority position in recent years;
- The Combative Unions, led by the telephone and port workers unions, are in open opposition to the government;
- The Independents, which include the important Light and Power Workers Federation, tend to steer clear of internal disputes.

The Neo-Vandoristas have been the pivotal group since 1970, usually siding with the Participationists to swing the balance of power to the moderates, but sometimes voting with the Combative unions. In addition to the above blocs, there are a number of more radical unions, whose stock rises as the nation's economic problems deepen. Radical Peronists allied with Marxist and Trotskyist unions, for instance, have recently gained control of the important Cordoba regional confederation.

In the years since Peron's ouster, labor has demonstrated more independence of Peron than



Jose Rucci

has the political sector. Labor leaders have paid lip service to Peron, but probably hoped in secret that the aging dictator would quietly pass away. As is true throughout the movement, the labor leaders carefully avoid public disagreement with Peron for fear of losing rank-and-file support. Peron demonstrated his continuing dominance last March when unions seeking a confrontation with the government seemed to have gained control. Meetings to consider a strike were postponed when Peron appealed to labor for calm and reason in dealing with the government. The Neo-Vandoristas, who had earlier joined the militant unions, subsequently sided with the Participationists, giving the moderates control.

**The Women's Sector**—The women's sector, particularly important during the lifetime of Eva Peron, has declined considerably in recent years. It, too, has the factional problems that trouble the rest of the movement. In the case of the women, tensions actually flared into violence

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Juana Laurrauri and Isabel Peron

when a dispute over leadership arose last November. When the women's representative on the Superior Council, Juana Laurrauri, was ousted from Peronist headquarters in Buenos Aires, a group allegedly supporting her stormed the headquarters using firearms and bombs. Peron later confirmed Juana Laurrauri in her leadership post, but sharp divisions lie just beneath the surface.

**The Youth Sector:** The youth wing of the movement was the last to develop. In fact, youth was strongly opposed to Peron while he was in power. As succeeding governments failed to deal effectively with Argentina's economic and social problems, however, youth began to turn toward Peronist social welfare policies. Youth found the nationalist content of Peronist doctrine particularly attractive. The origins of the youth movement have been traced to 1965, when Peronist leaders began to turn their attention to the universities, and to 1966, when President Ongania's intervention of the universities served to radicalize many previously apolitical students. Non-Marxists found it convenient to turn to Peronism as a solution to the nation's economic problems and the establishment's alleged reliance on "imperialist monopolies."

In recent years the Peronist youth movement has grown rapidly and, like the parent organization, has been subject to divisions. Peron recognized the growing significance of the youth movement by appointing two of its members—Francisco Licastro and Rodolfo Galimberti—to the Peronist Superior Council. In April, it was announced that the youth wing was being reorganized to combine a number of independent organizations into a single unit. Galimberti particularly is given to radical statements and has so alienated moderates on the Superior Council that such men as Eloy Camus have threatened to quit. The more radical youth fit well into Peron's strategy of being prepared for all eventualities. If moderation fails to achieve Peronist goals through participation in national elections, Peron will be in position to try the radical approach.

#### Peronist Extremist Groups

Most moderate Peronist leaders consistently deny any association with terrorist or guerrilla groups, but there are occasional references to so-called "special forces." Without question, there are terrorist groups that identify with Peronism. Just as with many of the youth adherents, however, the dedication of these groups to Peronism is tenuous. Extremists, and youth in general, find it good politics to call themselves Peronists, although many are much closer to Marxist, Castroist, or Maoist ideology. Peron himself has been reluctant to condemn violence, despite considerable government pressure on him to do so following the April murders of Fiat executive Sallustro and General Sanchez. The usual Peronist reaction has been to express shock or disapproval of the particular act, but to couple this with a statement charging the government with creating a climate that fosters violence.

There are three major terrorist groups in Argentina that claim to be Peronist. The Revolutionary Armed Forces is usually described as Marxist/Peronist, but seems to have little in common with Peronism other than the label. The Revolutionary Armed Forces has in recent months worked closely with the Trotskyist

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People's Revolutionary Army, which has publicly rejected Peron. A second group, the Montoneros, are Peronists. The group draws primarily from the universities and is usually described as being made up of ultra-Catholic nationalists. The Peronist Armed Forces appears to be most closely aligned with the Peronist movement and most responsive to directives from Madrid. As Peronism has become more committed to full and active participation in the 1973 elections, the Peronist Armed Forces has reduced its activities, presumably on orders from Peron. The majority of activists for all these so-called Peronist extremist groups come from disenchanted youth who believe that violence is the only way to bring the revolution to Argentina. The Montoneros and the Peronist Armed Forces—and more recently a group called the Descamisados, the "shirtless ones," the name given to the poor masses who brought Peron to power—have been claimed as part of the Peronist movement by leftist Peronist leaders, such as Superior Council member Galimberti, but have been disclaimed by the moderates.



Francisco Licastro

### Peronism and Argentine Politics

When General Lanusse ousted President Levingston in March 1971, he announced that the objective of his government would be to return Argentina to elected government. He recognized that political stability could be achieved only if the Peronists were reintegrated into the political process. At the same time, he was aware that Juan Peron's return to power was absolutely unacceptable to the military and that there was little likelihood that a Peronist would be permitted to assume the presidency. Thus began a long process of maneuvering and negotiating that has yet to reach its climax.

Lanusse's original strategy was to divide the Peronist movement even further while seeking the support of Peronist moderates for his cause. At the same time, he sought to pacify Peron with offers of financial assistance and—equally important—the rehabilitation of his image in Argentina. Serious economic problems have impeded Lanusse's efforts, but he has received some encouragement from moderate Peronists, particularly among labor. Negotiations with Peron so far have led to the dropping of all legal charges against the former president; Eva Peron's body, which had been spirited out of Argentina after Peron's ouster, has been handed over to Peron; and there have been reports of some financial assistance to Peron. In return, Peron apparently has agreed, at least for now, to play by Lanusse's rules.

To strengthen his bargaining position with the Lanusse government, Peron is seeking to reunify the movement that he kept divided for so long. Peronists have sat out previous elections when they were denied full participation, but this time Peron is encouraging his followers to join in the electoral process. Peronists have participated in the Hour of the People—a loose coalition involving Peronists, Radicals, and other smaller parties—formed in late 1970 to press for elections. With that accomplished, Peron is calling for his supporters and former enemies to join in a "civic front" of all parties and movements to take

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part in the elections. There has been some response to this call, but the larger parties have so far refused the Peron invitation.

Several Peronist leaders have proclaimed Peron's candidacy, and this too appears to be part of his strategy. Although he and his followers are aware that it is unlikely he can ever become president again, maintaining his candidacy for the present will help to unify the movement. It also provides something to trade off in the negotiations with Lanusse, who reportedly is also maintaining his candidacy for bargaining purposes. In the end, each may be willing to step down if the other does. The Peronists would obviously like to elect one of their own as president next March, but, barring this, they may well seek a deal in which they will support a candidate acceptable to the military in exchange for a major role in the next government. If Peronist negotiating terms are too tough, however, President Lanusse may yet attempt to keep the Peronists out of power through manipulation of the electoral laws. The Radical Party has joined with the military to keep the Peronists out of power on two previous occasions and probably would not be reluctant to do so again.

#### The Outlook for the Peronist Movement

Peron's strategy now seems to be to move cautiously toward cooperation with the military government in moving the nation toward elections. At the same time, he is aware that Lanusse has many hurdles to clear before elections are held. Peron will be helpful when he can, as when he urged restraint on labor, but he will also seek to keep his options open as long as possible. An upsurge in terrorism, a further decline of the economy, or even the appearance of overwhelming Peronist strength could prompt the armed forces to remove Lanusse and postpone elections. Thus, in Peron's eyes, a move too close to Lanusse at the present time could court disaster.

There is no doubt that in free elections the Peronists, under the Justicialist banner, would make a very strong showing, and in all probability they would win. It seems a reasonable possibility that some form of coalition government including the military, Peronists, and perhaps the Radical Party will take power on 25 May 1973 if elections are held as scheduled. Long and arduous negotiations and probably several coup threats stand between the Peronist movement and its best chance in 18 years to taste political power.

If Peronists are indeed permitted to participate in directing the affairs of Argentina, what will become of Juan Peron? He certainly will not be permitted to participate directly in the government and may well remain in Madrid as something of an elder statesman until the day he dies. The former dictator, who has had such an impact on modern Argentine history, is now 76 years old

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In any event, at his age he cannot personally guide the Peronist movement much longer, and the question of whether it will survive him is a very real one. Participation in government would help to create new national leaders and thus reduce, but not eliminate, the struggle for power in the movement that will follow Peron's death or incapacitation.

It seems almost certain that without his unifying figure, the extremes on the left and the right will drift away from the movement. The so-called moderates and orthodox Peronists will struggle for control. Labor is the base, however, and it will ultimately decide the life or death of the movement. With bread and butter economic issues holding labor together, the Peronist labor movement can probably survive Peron's death, although perhaps with reduced strength and power. With or without Peron, the Peronist movement seems likely to survive, probably moving somewhat to the left, and to be an important force in Argentina for the foreseeable future.

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