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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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

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INDOCHINA

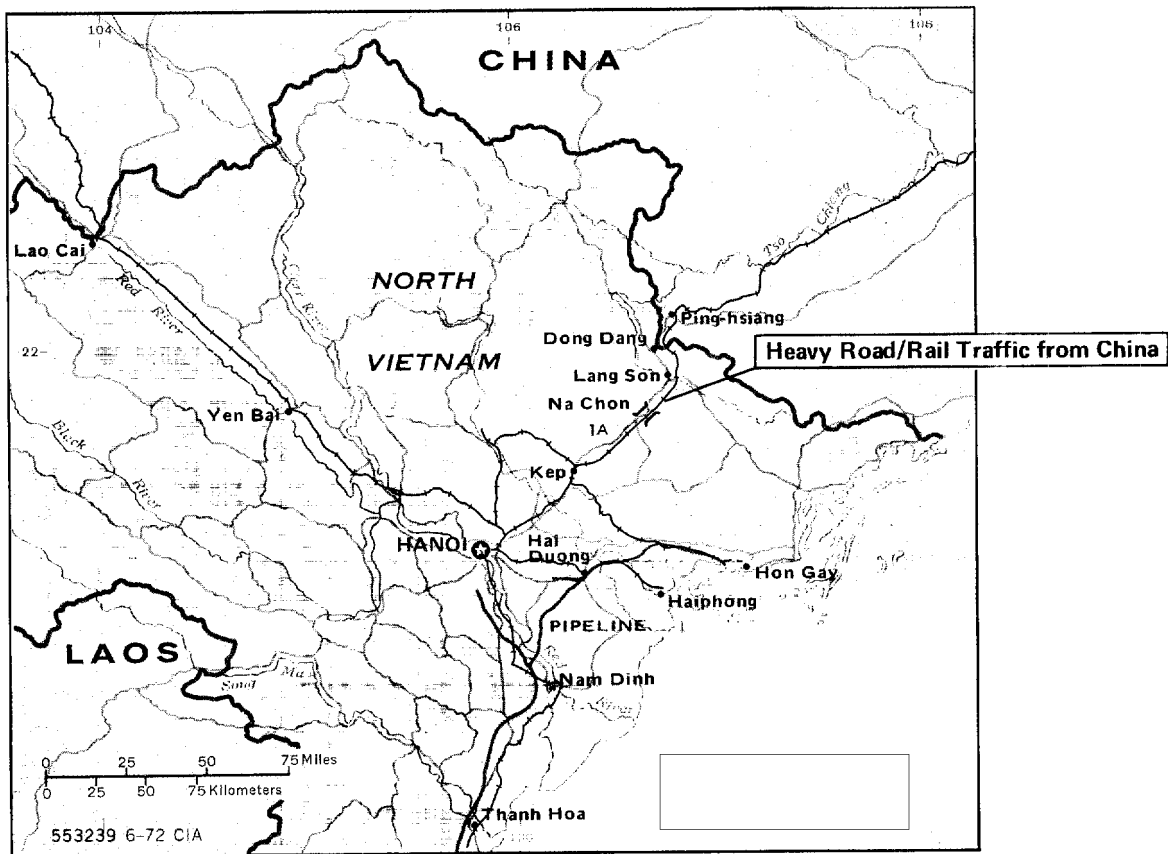
SUPPLIES FROM CHINA

North Vietnam appears to be embarked on a major effort to ensure overland resupply from China. Pilot observations and photography of the transportation corridor running northeast from Hanoi to the China border indicate that the Communists are attempting to make substantial use of road, rail, and pipeline facilities despite heavy US air attacks.

US pilots have reported sighting heavy vehicular traffic almost nightly since 7 June on the main roads between Lang Son and Hanoi. The volume spotted on Route 1A on 9 June—30 to 40

trucks per mile—was about four times that noted two nights earlier. On 11 June, trucks were reported “bumper to bumper” near the downed rail/highway bridge at Na Chon. Air strikes on this tie-up produced explosions, suggesting that many of the trucks were carrying petroleum. At least 1,650 trucks have passed through Dong Dang between 12 May and 7 June.

Photographs of the Ping-hsiang railyard have revealed recent, significant increases in the number of rail cars and locomotives. The 590 pieces of rolling stock photographed on 6 June were the largest number ever noted in this yard. Presumably, the build-up is related to the continued



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utilization of the rail line in northeastern North Vietnam even though parts of it are unserviceable. On 11 June, for example, US pilots came upon five trains about ten miles south of Na Chon. Their attacks resulted in an enormous fireball and numerous secondary explosions.

Hanoi may be constructing an alternate means to maintain petroleum deliveries from China. Recent photography suggests that the petroleum storage facility at Ping-hsiang is being expanded and that a seven-mile pipeline is being built to Dong Dang on the border. Pipe segments have also been photographed between Dong Dang and Kep, a distance of 50 miles. Construction is already under way to connect Kep with the North Vietnamese pipeline system at Hai Duong.

Tough Talk in Hanoi

For the second time in recent months, the chief of North Vietnam's secret police has criticized certain elements of society for a lack of discipline and "revolutionary" fervor. Writing in the May issue of the party theoretical journal, the official, Tran Quoc Hoan, expresses greater concern over such problems than he did in a similar commentary published just before the start of the current offensive. At that time, he complained rather vaguely about slack discipline and poor morale; now, he is ready to indict even the "guiding echelons" of the party and state bureaucracies, which, he says, have misapplied state laws and failed to press the regime's crackdown on "counter-revolutionary elements"—the regime's euphemism for the war weary and faint of heart.

To cope with these difficulties, Hoan proposes broadening the regime's security apparatus to include parts of the militia and local administrative bodies, which have not heretofore been mobilized for security work. The intimation that the existing security apparatus cannot do the job on its own is an unusual admission for a party official of Hoan's status and prestige.

The pessimism reflected in Hoan's latest article suggests that the regime's concern over social

conditions in the north has grown as the bombing and psychological warfare efforts have been expanded. Although the piece was purportedly written for a May publication date, the journal in which the article appears is only now being circulated so it doubtless is meant as a commentary on current conditions. The official press has recently carried a number of other authoritative commentaries that likewise underscore the need for a greater effort—both by the people and the official state organs—to ensure law and order.

The appearance of two major articles by Hoan in so brief a period thrusts the shadowy politburo member into unaccustomed limelight. Chief of Hanoi's security apparatus, he has the reputation of being one of the most ruthless of Hanoi's old guard and is by several accounts a symbol of the repressive discipline and party control the leadership has tried to keep hidden from public view in recent years. Hoan's sudden emergence as a spokesman for the regime may be an indication that, under the current stresses, responsibility for the day-to-day management of society is shifting into the hands of the regime's toughest overlords.

On US Presidential Politics

Hanoi's news media have commented guardedly on the effect of Senator McGovern's presidential campaign on the anti-war movement in the US. Although an article, published in the party daily on 10 June, characterized the McGovern campaign as a measure of US opposition to the war, it went on to say, "There will be many new developments from now until the conventions."

On the election itself, the article pulled up short of forecasting defeat for the present administration, saying only that it will be faced with increasing political difficulties "as long as it prolongs the war of aggression in Indochina." The commentary is one of the most detailed yet published by Hanoi on the campaign and marks a departure from other recent pronouncements on the topic. Up to now, the regime has emphasized

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that US anti-war sentiment is intensifying and would be an important factor in the elections. In this latest analysis, the regime seems to be deliberately trying to dampen its own supporters' expectations in this regard.

THE FIGHTING:

New Front in the Delta

In a relatively quiet week, the Communists appeared intent on opening a new battlefront in the northern delta region with a series of heavy shelling and ground attacks on Kien Tuong, Dinh Tuong, and Kien Phong provinces. An accom-

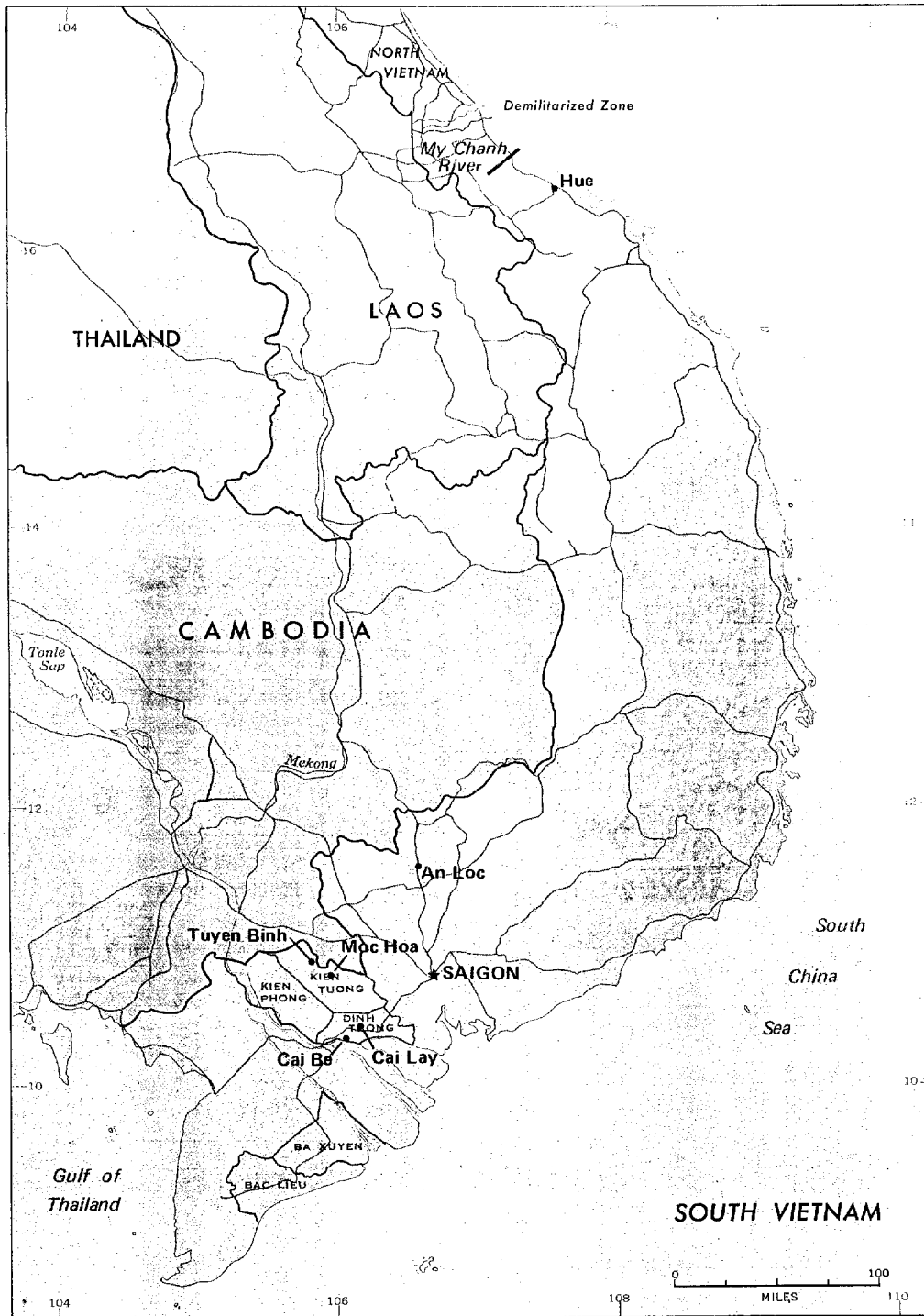
panying step-up in Communist ground attacks also occurred in the lower delta, notably against district towns in Ba Xuyen and Bac Lieu provinces.

The Viet Cong 5th Division, recently engaged in the campaign around An Loc, is primarily responsible for the sharp increase in Communist military activity in the northern delta. Elements of the 5th's three infantry regiments, supported by an artillery regiment, attacked the district capital of Tuyen Binh in Kien Tuong Province and shelled the provincial capital of Moc Hoa. Several South Vietnamese Ranger



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bases near the Cambodian border also came under heavy pressure. South Vietnamese 7th Division troops were airlifted across the border into Cambodia in an effort to counter the Communists. They subsequently engaged in heavy fighting.

In Dinh Tuong Province, sporadic enemy shelling attacks and stiff ground probes were made against government positions in the western portion of the province, with the bulk of fighting around the district towns of Cai Lay and Cai Be. The Communists have overrun several outposts, and South Vietnamese relief forces are encountering stubborn resistance from reportedly well-entrenched enemy forces.

Fighting was also reported in Kien Phong Province. The Communists appear intent on gaining control of the province's extensive canal network and river system to assist the infiltration of men and supplies into the delta from Cambodia. A regiment of the South Vietnamese 7th Division has been moved into Kien Phong to bolster local defenses.

Spoiling Operations Near Hue

South Vietnamese Marines north of Hue mounted several operations across the My Chanh River during the week, but enemy losses were

Decree Powers Measure Still Alive

Legislative action on President Thieu's bid for emergency powers is still on center stage in Saigon. Following defeat of the original measure by the Senate, the Lower House last weekend passed a new bill that would restrict the powers to security, defense, and the economy. This action came after the Lower House failed to override the Senate's rejection of the original measure authorizing full emergency powers. No date has been set for Senate consideration of the new measure. Since sentiment against it remains strong, a close vote is expected.



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light. Some South Vietnamese Marine elements are being left north of the river in an effort to disrupt possible Communist troop concentrations close to the government defense line.

West of Hue, South Vietnamese Army troops are expanding the defensive perimeters of several government strongpoints guarding the western approach to the city. Little significant fighting has been reported from this sector for several days, but several enemy regiments remain in the area.

GOVERNMENT OFFENSIVE IN SOUTH LAOS

Government forces this week launched another attempt to retake Khong Sedone, the provincial capital about 30 miles north of Pakse that was lost to the North Vietnamese in mid-May. Four irregular battalions were airlifted on 15 June to a point about seven miles north of the town and so far have encountered little resistance. The government is also trying to relieve the pressure on Pakse from the east; four irregular battalions have been committed to clear Communist troops on the edge of the Bolovens Plateau. [REDACTED]

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NATIONALIST CHINA: TRADE SUCCESS

Taipei's trade offensive, initiated late last year in response to diplomatic setbacks, is showing early signs of success. Exports in the first quarter of this year reached about \$575 million, a gain of more than 30 percent over the same period in 1971. The largest increases were to Europe and Latin America, where the Nationalists have concentrated a sales promotion effort to diversify trade. Sales to the US and Japan, which account for about 50 percent of Taiwan's exports, also showed significant gains.

This first-quarter performance yielded about a \$50-million trade surplus and is in large part due to the quasi-official trade development council. The council has already sent eleven trade missions abroad this year; it is currently arranging participation in at least ten international trade fairs. In addition, it plans to promote studies of potential markets to be passed on to exporters. To support these efforts, Taipei has expanded technical cooperation with the less-developed countries and has established commercial offices in several major trading centers in Europe.

Thus far, loss of diplomatic relations has proved no barrier to trade. Indeed the Nationalists have fared particularly well in Canada, the UK, and Denmark, where trade increased by more than 85 percent over the first quarter of 1971. Taipei has maintained commercial representatives in many countries that have shifted diplomatic relations to Peking. In some of these countries, Taipei has deliberately avoided the use of national labels that could hinder trade.

Increases in exports, largely light manufactures such as textiles, plywood, and electronics, have been critical to Nationalist China's decade of rapid economic growth. Expanding production in the export-oriented light manufacturing sector combined with a booming construction industry to push the first quarter industrial production index to a record high. Continued growth in these key sectors is likely to produce an over-all real growth in this year's gross national product on a par with the 11-percent rate reached last year. [REDACTED]

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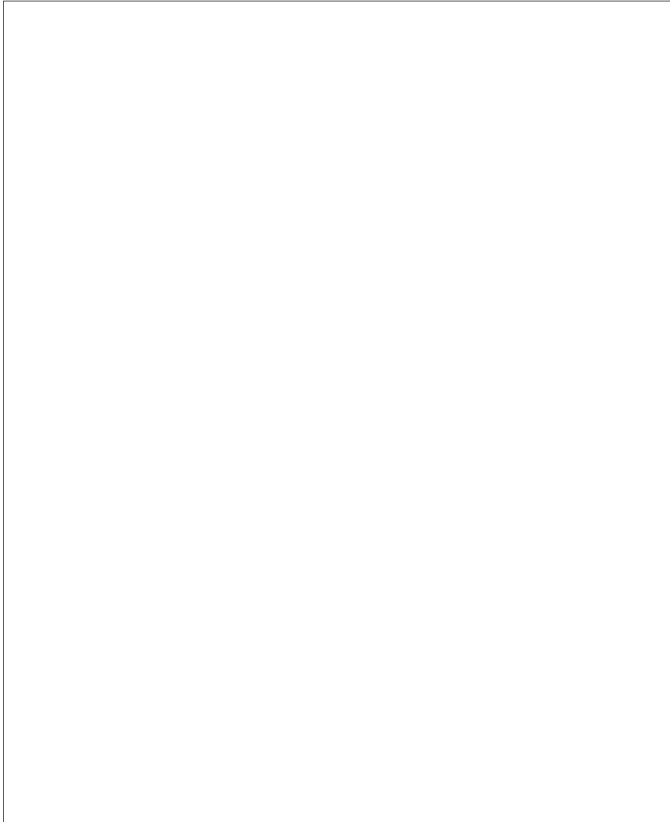
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next attempt a three-party minority coalition of Christian Democrats, Social Democrats, and Republicans. This grouping would require support from Socialists or Liberals to win a vote of confidence. Neither will give this support, however, without assurances that they will be included in the more permanent coalition to be formed later this year; the Christian Democrats are not prepared to give such assurances.

Andreotti is also toying with the idea of forming a four-party center coalition with the Liberal Party. Such a grouping would have a pencil-thin majority in parliament. This concept is a useful device to press the Socialists to bury their campaign pledge to allow the Communists a bigger role in parliament. Andreotti will face heavy opposition from some of his fellow Christian Democrats if he vigorously promotes such an alliance. Many Christian Democrats believe that it would seriously alienate the Socialist Party, strengthen its left wing, and push it even closer to the Communists. Still, Andreotti may have to test this possibility if only to show that a Christian Democrat minority government is the only solution over the short-run.

ITALY: ELUSIVE COALITION

Premier-designate Giulio Andreotti is juggling a variety of coalition combinations, but it may be several weeks before he settles on a near-term government.

Negotiations to form a five-party government composed of the former center-left partners plus the Liberal Party already have collapsed. It was doomed from the start, given the Socialist Party's well-known aversion to the conservative policies of the Liberal Party. The Christian Democrat Party leadership had anticipated this failure in its instructions to Andreotti and suggested he

Most Christian Democrat and Socialist leaders prefer to delay the major decisions necessary to form a more permanent arrangement until after guidelines are established at party congresses in the autumn. In the interim, the Socialists' search for scapegoats for their worst electoral performance in the post-war period is expected to produce fierce intraparty fighting. The Christian Democrats hope the Socialists will eventually conclude that they should move to the right and accept the discipline of a renewed center-left coalition.



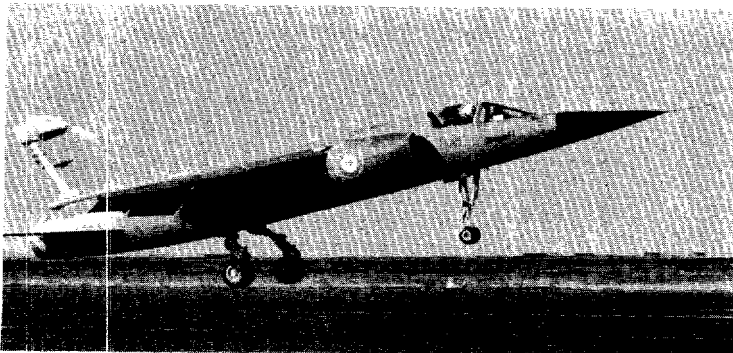
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FRANCE: DASSAULT FLIES HIGH

France is scheduled to begin delivery of 16 Mirage aircraft to Brazil in mid-June, the latest in a long and continuing series of deliveries of one of the world's most successful military aircraft. Over the past decade, more than 1,200 Mirage aircraft of various types have been sold to some 16 countries by Avions Marcel Dassault, France's largest private aerospace firm.

The Dassault company currently is producing Mirage IIIs and 5s, and recently completed tooling up to produce its latest fighter aircraft, the Mirage F1. The F1 is an air-superiority



Mirage F1

fighter; 105 have been ordered by the French Air Force, and Spain and South Africa have bought the plane. The South African contract provides for eventual manufacture of the plane under license. Dassault believes that sales of the F1 over the next ten years will at least equal the 700-odd figure reached by the Mirage III.

With a view toward the 1980s, Dassault has begun test flights of the Mirage G8 swing-wing fighter aircraft designed for the French Air Force. The company has had several years of successful developmental experience with an earlier swing-wing prototype and believes that the G8 will be an effective competitor in the European market to the swing-wing Multi-Role Combat Aircraft

that an Anglo-German-Italian consortium intends to produce for the 1980s.

Although Dassault has been designing successful combat aircraft since World War I, the company's current string of successes dates from 1948 when it won a French Government contract with the Ouragan fighter aircraft design. Since that time, much of Dassault's reputation has been based on its mastery of extrapolating from one aircraft design to the next, changing only those components necessary to achieve the performance variation required.

This technique is most recently exemplified by the development of the Mirage Milan S, which is designed specifically to meet Swiss Air Force requirements for a tactical support aircraft with short take-off and landing capabilities as well as maneuverability in narrow mountain valleys. The Milan uses a basic Mirage III airframe but incorporates a more powerful engine, two small retractable wings mounted on the sides of the nose section, and new avionics. The first complete Milan fighter made its initial flight in May 1970 and now, along with the US A-7, is one of the two finalists for the Swiss contract, which has a potential value of more than \$325 million.

The French Government also helped a great deal in the sales success of the Mirage aircraft. The government, for example, has permitted French arms firms to move into markets that the US and UK will not supply. France took advantage of the US reluctance to sell sophisticated jet aircraft to Latin America, and Mirages so far have been bought by five South American countries (see article on Venezuelan arms purchases, p. 19). The French, furthermore, have guaranteed liberal credit terms for many Mirage customers, and this, coupled with Dassault's competitive prices and strong after-sales support, has helped sustain the high level of Mirage sales.

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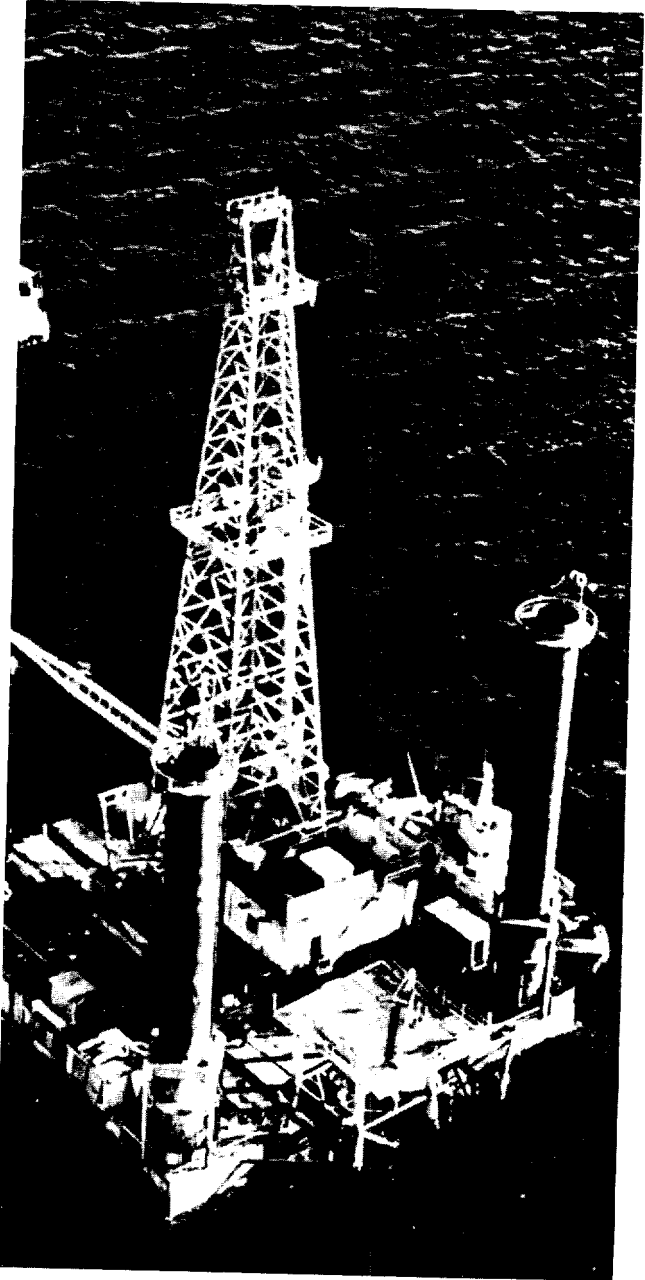
INTERNATIONAL OIL DEVELOPMENTS

Iraq's nationalization of the Iraq Petroleum Company has been marked by low-key approaches from the affected parties during meetings this week. The US, UK, Dutch, and French companies that make up the Iraq Petroleum Company, and their governments, are hopeful that a settlement can be reached without other oil-producing countries becoming more directly involved.

An Iraqi delegation headed by strong-man Saddam Tikriti is in Paris for talks with government and oil company representatives. The French say they hope to play an intermediary role that would preserve their economic and political influence in the Arab world without jeopardizing the interests of their partners. France is expected to keep its own interests foremost in the talks, but has promised to keep the other three governments fully informed on its discussion. Iraq almost certainly views France as an answer to its marketing problems.

The Organization of Petroleum Exporting Countries and the Organization of Arab Petroleum Exporting Countries have adopted resolutions of general support for Iraq's action.

The resolution may be difficult to monitor, because normal increases in production evidently will be allowed. The Organization of Petroleum Exporting Countries also designated its secretary general, Nadim Pachachi, to mediate between Iraq and the nationalized company.



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USSR-YUGOSLAVIA: PASSING FAIR WEATHER

The Soviets worked hard to recast their unfriendly image during President Tito's visit to Moscow last week.

Yugoslav officials say that no basic differences were resolved and that they have no delusions about the permanence of the thaw.

The visit did not produce significant new agreements. The two days of talks between the Soviet troika and Tito centered on international matters, particularly the recent summit and the progress in bilateral relations since the trend toward friendlier exchanges began last September. The communique suggests that the two sides concentrated on topics on which there was already substantial agreement.

The Yugoslavs have commented that the Kremlin was forthcoming in accepting Yugoslav proposals for wording the communique. Belgrade has expressed particular pleasure with one vague phrase that the Yugoslavs, at least, read as an edging away from the Brezhnev doctrine. The US Embassy in Moscow pointed out that the Soviets seem to have received Yugoslav agreement to study the possibility of a new bilateral treaty.

Considering the strong Yugoslav objections to the friendship treaties that India and Egypt signed with Moscow last year, any treaty negotiations can be expected to be long and difficult.

The primary achievement of the visit was an improvement in atmospherics. Unlike Brezhnev's visit to Belgrade last September, there were few indications of sharp behind-the-scenes encounters. The Yugoslavs and Soviets apparently managed to submerge their differences in pursuit of mutually beneficial cooperation. The next round in bilateral contacts, a discussion among experts on details of Soviet credit arrangements for Yugoslavia, should benefit from the cordial atmosphere created by the visit.

During his stay in Moscow, Tito was presented his first Order of Lenin and a Soviet marshal's sabre. The sabre is an honor previously denied foreigners. He was warmly received by crowds at the Moscow airport on his arrival and during his two-day sight-seeing tour in Latvia. This reception and the praise of Soviet leaders were undoubtedly meant to soften Tito's bitter memories of Moscow's vituperative treatment in the early 1950s.

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Milos Melovski, Tito's foreign policy adviser who accompanied him to Moscow, has said in private that Belgrade intends to explore any practical benefits it can get from Moscow as long as the Soviets continue to view improved bilateral relations as a corollary to their wider drive for European detente. Melovski, however, indicated that Yugoslavia would not change its non-aligned course. [REDACTED]

raising foreign exchange needed to finance imports of Western equipment by borrowing foreign exchange from Yugoslav citizens rather than seeking foreign credits. Except for government-backed financial deals, Yugoslav short-term financial paper has only a few takers, and then only at high—10 to 12 percent—rates.

YUGOSLAVIA: TO PAY THE PIPER

Yugoslavia may be fast approaching a major credit squeeze in the West. Short- and medium-term credits extended to Yugoslavia to cover part of the hard-currency trade deficit during 1970-71 are beginning to fall due. In many cases, the national bank has been forced to bail out enterprises and commercial banks that otherwise would have to default on debts to Western creditors. So far this year, the national bank has in this way repaid over \$100 million in credits.

To compound the problem, new credits are not readily forthcoming. A tractor factory is

Belgrade has been in financial trouble before. Just last September, Yugoslav banks were overextended and normal sources of credit were drying up. Western countries and financial institutions helped Belgrade by extending new credits and rescheduling old ones. Foreign currency earnings from workers' remittances and from summer tourists are rising; however, this money may not help all that much unless Belgrade exercises greater control on its use than in the past.

If the Yugoslavs are not able to make timely payments and reduce the volume of outstanding obligations, their ability to import from the West will be seriously impaired. The result will be a threat to regaining economic stability and an increase in the attractiveness of expanded trade with CEMA countries. [REDACTED]

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ARAB STATES - ISRAEL

Tensions in the Middle East following the Lod airport massacre on 30 May were partly responsible for the air engagement on 13 June in which the Israelis downed two Egyptian MIG-21s. This was the first incident involving the loss of aircraft since September. Cairo claimed it brought down two Mirage aircraft, while admitting that two of its planes were hit.

Meanwhile, the Arab states, especially Lebanon, are still waiting for the Israelis to retaliate for the airport massacre. Early this week, Lebanon protested to the UN Security Council regarding alleged territorial violations by Israeli planes and warships. A Lebanese Foreign Ministry

official noted that the Israelis recently have been sending low-flying jets over central Lebanon and that Israeli ships have been operating near Tyre, on the southern coast. Israel, as usual, has given no indication where or when the blow will fall.

[redacted] US attaches as of 13 June had seen no indications of an impending Israeli action.

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**Prime Minister Salam disclaims
Lebanese responsibility for airport attack.**

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gation of charges of malpractice in the government-owned Netivei-Neft Oil Company, defended its managing director who was forced to resign in April, and permitted excessive lawyer fees for witnesses in the investigation that followed.

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ISRAEL: RESIGNING UNDER FIRE

Prime Minister Golda Meir on 13 June formally accepted—with clear reluctance—the resignation of her long-time friend and confidant, Minister of Justice Shapiro. He was the target of a wave of public disapproval for his role in the financial scandals connected with oil operations in the occupied Sinai. Mrs. Meir at first fiercely resisted the call for the justice minister's resignation, but apparently bowed to the pleas of Labor Party leaders, who are fearful that her continued support of Shapiro would cost them votes in the parliamentary elections coming up in October 1973. Shapiro had attempted to block an investi-

Mrs. Meir's Israeli Labor Alignment controls only 56 of the 120 seats in the Knesset, and Alignment politicians were worried about the Shapiro affair. The US Embassy predicted recently that if elections were held now, the right-wing GAHAL bloc, which does not participate in the government, might win four more seats, and the Labor Alignment might lose two to four. Such a shift would not change the nature of the Israeli government very much; in any case, the Alignment has 16 months before the election in which to move to reduce domestic discontent. [redacted]

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GREECE: REGROUPING

Tensions between the Greek Government and Cypriot President Makarios have subsided, but Prime Minister Papadopoulos confronts a number of domestic problems. He does not face any real threat to his position, but may have to do some serious bargaining with his civilian and military colleagues if he wishes to maintain even a semblance of movement toward liberalization.

One of these problems involves what to do with the two monster ministries the prime minister created last summer by combining various portfolios into the Ministry of National Economy and the Ministry of Merchant Marine, Transport, and Communication. Both have proved unwieldy, and Papadopoulos is now inclined to return to a larger number of separate ministries.

Papadopoulos recently announced the longest military promotions list since the regime's inception, and this probably dampened the criticism. Nevertheless, the grumbling will probably continue until the implications of the reorganization of the ministries are studied and understood.

The regime's deliberately paced move toward liberalization was set back by the recent arrests of student leaders and the disbanding of at least two student organizations. Last year, Athens released most of its political detainees from prison and from forced exile in villages. Also last year, the government sanctioned the creation of

the student groups, now disbanded. Backtracking on the students may have been stimulated by complaints from the military that student organizations were being taken over by leftists. On the other hand, the regime was probably genuinely concerned over recent student demonstrations. The students have legitimate complaints, and Athens could be hearing from them again unless there is some reform in the way most universities are run.

Papadopoulos will probably conciliate some elements within the military who want no more liberalization, and he will probably override others. In the process of sorting out Greece's domestic difficulties, however, his liberalization program is likely to lose considerable ground.



Prime Minister Papadopoulos (I): Domestic Difficulties

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Police quell students in Johannesburg.

SOUTH AFRICA: PROTESTS FADE

South Africa's student demonstrations, which were on center stage last week, have petered out following the government's four-week ban on all protest gatherings. Although some protesters tried to keep the university boycott alive, most students, fearing further police reprisals, have returned to classes.

Prime Minister Vorster has indicated that all foreign students who took part in the demonstrations will be deported and that the government will enact new laws to deal with campus militants. Sixty seven students who defied the ban on 9 June were clubbed and arrested by police. These students now face stiff fines and possibly two years in jail. Some student leaders seem resigned to even harsher government measures once the campuses close next month for summer vacation.

The police attacks on white English-speaking students have met with general approval, particularly among conservative Afrikaners, many of whom believe the government has been too tolerant of dissent. The crackdown on the students not only placates the government's Afrikaner supporters but serves notice on liberal critics that the authorities will do whatever is necessary to keep them in line. [redacted]

BURUNDI: IT GOES ON AND ON

Reprisals against the Hutu majority almost seem to have gained an irreversible momentum. Despite a two-week government "reconciliation" campaign in the countryside, President Micombero is unable to curb reprisals by the army and by some government and party authorities.

What began several weeks ago as a systematic attempt to purge the Hutu leadership quickly became indiscriminate slaughter. US officials in [redacted]

Bujumbura estimate that more than 100,000 Hutus have been killed in the past six weeks. Those in authority in Burundi give every evidence of being determined to forestall any possibility of a mass uprising by the Hutus.

Micombero now has become preoccupied with countering foreign reporting of the violence. Early this month, he strongly criticized the Belgian press for playing up the repression and for not emphasizing the government's claim that it is responding to an attempt to eradicate the Tutsis. Within the past week, the Burundi UN mission in New York has publicly criticized a number of reports in the US press.

Rival factions within the ruling Tutsi oligarchy were able at first to unite against the Hutus, but cleavages are beginning to reappear. [redacted]

In these circumstances, Micombero apparently is having difficulty finding officials who will participate in a new cabinet to replace the one he dismissed on 29 April. The continued violence suggests that leaders of the extremist faction who dominated the previous cabinet maintain their strong influence, making the possibility of a moderate, conciliatory government unlikely at this time. [redacted]

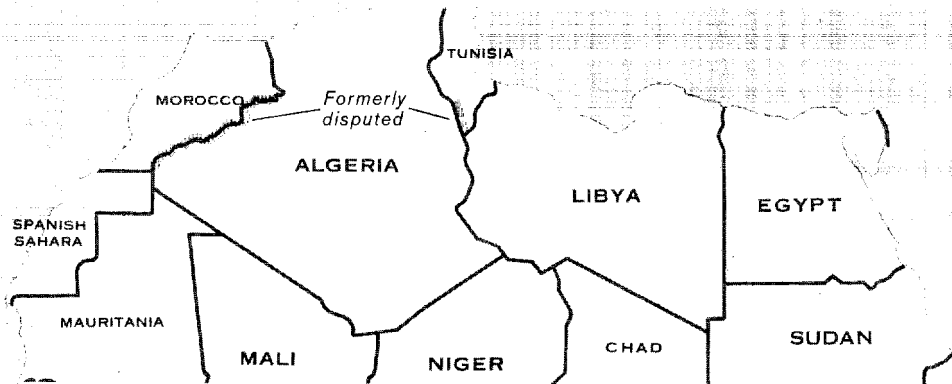
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THE MAHGREB: PROGRESS REPORT

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A series of high-level visits and the impending signature of Moroccan-Algerian agreements underline a gradual improvement in relations among the Maghrebian countries. The long-dreamed-of Maghrebian federation (Morocco, Algeria, Tunisia, sometimes Libya, and recently Mauritania) is, however, little nearer reality than when first broached in 1947.

Maghrebian relations have been troubled during the last decade by territorial disputes—one of which led to a brief Moroccan-Algerian border war in 1963—and deep ideological conflicts. In the late 1960s, Tunisian President Bourguiba and Moroccan King Hassan abandoned territorial claims disputed by Algeria, and relations between them and Premier Boumediene rapidly warmed. During the last two years, the three governments have frequently coordinated their positions and actions.

By 1970, Boumediene and Hassan had reached broad understandings with regard to the disputed territory and exploitation of minerals thereon, but the conclusion of specific agreements has proved difficult. Snags in drafting a border agreement allegedly caused a last-minute postponement in March of a tripartite meeting among Algeria, Morocco, and Mauritania. These difficulties apparently were resolved during the

quick trip that Boumediene made to Rabat early this month. Two bilateral conventions on borders and broad economic cooperation were signed on 15 June in the presence of African summit conferees. Bourguiba's presence at the African summit, the first he has attended since 1964, makes possible a Maghrebian summit.

An exchange of top-level visits between Algeria and Tunisia, delayed because of Bourguiba's prolonged illness, finally took place this spring. The visits symbolized the warmth of existing relations, but no new accords were reached.

Boumediene has been reluctant to establish closer ties with his neighbors, who have pressed for economic integration of the Maghreb, but he was primarily instrumental in arranging a rapprochement between Morocco and Mauritania. More recently, he sought, albeit unsuccessfully, to get Libyan Prime Minister Qadhafi to agree to an accommodation with Hassan. Qadhafi last year seized on the attempt to topple Hassan to fire a series of propaganda broadsides at the Moroccan monarchy. Both Boumediene and Bourguiba seek to counter Egypt's influence in Libya by maintaining friendly ties with their volatile and erratic neighbor to the east.

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VENEZUELA BUYS MORE ARMS

Venezuela, bent on modernizing its armed forces, has spent over \$230 million for military equipment in the past two and a half years. The decision to undertake the program was motivated by increased border tensions, internal security requirements, the prestige believed associated with modern weapons systems, and a compulsion to keep up with other major South American countries. Caracas has had large foreign exchange reserves to pay for arms because of petroleum tax and price increases.

Where arms purchased had been geared to increase the mobility of the ground forces, improve communications, and upgrade the navy's ability to stop guerrilla infiltration, the resurgence of the border dispute with Colombia in the late 1960s led to demands by the military for an arms procurement program. Initially, purchases were limited to US transport aircraft and French light tanks, but Colombia's purchase of Mirage aircraft resulted in a clamor for comparable equipment.

Caracas first attempted to purchase supersonic fighter aircraft from the US, but, failing that, Caracas turned to other sources. France's aggressive sales campaign and willingness to extend favorable credit terms led to Venezuela's purchase of 18 Mirage fighters in 1971. Later that year, Caracas bought 20 Canadian-manufactured F-5 jet fighters as well as 12 T-2C jet trainers and 16 light armed reconnaissance aircraft from the US. The T-2Cs will replace the British Provosts, which now are used for transitional training into high-performance jets.

The Venezuelan ground forces have accounted for about \$50 million of the new purchases. With the acquisition of 70 AMX-30 tanks from France, Venezuela became the first Latin American country, other than Cuba, to be equipped with a modern medium tank. Artillery, anti-aircraft guns, and armored cars were obtained from US and Italian sources. Naval purchases have been limited to a US submarine of World War II

Venezuelan Military Purchases 1970-1972		
Source	Equipment Covered and Year	Million US\$
France	AMX-13 tanks (1970)	15.0
	Mirage aircraft (1971)	45.0
	AMX-30 tanks (1971)	28.0
		<u>88.0</u>
Norway	Motor gunboats (1971)	21.6
		<u>21.6</u>
UK	Communications equipment and aircraft armament (1971)	10.0
	Patrol boats (1972)	15.6
		<u>25.6</u>
Canada	CF-5 fighter aircraft (1971)	38.0
		<u>38.0</u>
Italy	Howitzers (1972)	1.7
		<u>1.7</u>
US	Sidewinder air-to-air missiles (1972)	0.5
	Antiaircraft guns (1972)	2.1
	T-2C jet trainers (1972)	16.0
	Submarine and torpedoes (1971)	0.5
	OV 10 light armed reconnais- sance aircraft (1971)	18.5
	Armored cars (1971)	2.4
	Transport aircraft (1970)	16.6
		<u>56.6</u>
	TOTAL	231.5

vintage, six motor gunboats from Norway, and six fast patrol craft, which are being built in the UK for delivery beginning in late 1974. The British also are reconditioning the largest ships in the Venezuelan Navy—three British destroyers and six Italian destroyer escorts built in the early 1950s.

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PERU-US: STRAINING THE TIES

Late last month, Peru took the last legal steps to formalize its expropriation of the International Petroleum Company. Peru has always considered itself the injured party in this case, and the favorable impact of emergency US earthquake and flood damage aid has not offset resentment over the withholding of most other bilateral assistance and what Lima sees as anti-Peruvian obstructionist tactics by the US in multilateral lending agencies.

Peruvian courts recently ruled against two other US businesses, Marcona Mining and Conchan, the latter a Standard Oil of California affiliate, in cases involving millions of dollars in back taxes.

Feeling that their efforts to improve bilateral relations have been frustrated by US obstinacy on the International Petroleum Company issue, Peru's military leaders may believe the time has come to try to move the US to modify its economic sanctions. To this end, they may be experimenting with a tougher policy toward Washington, looking for ways to demonstrate forcefully that they will not risk their "revolutionary" credentials for US friendship, that the US should concern itself with existing, rather than past, investments in Peru, and that Peru has other friends to whom it can turn.

Oil strikes in the Amazon lowlands (in which US and other foreign oil companies are involved) and promises of large credits from Japan, Western Europe, and the Communist world have raised Peruvian hopes that viable alternatives to US and multilateral development financing are available. Few concrete projects have thus far developed from Peruvian-Soviet aid agreements, but contacts with the USSR are on the upswing. Peruvian military service chiefs were just in Moscow and may, have agreed to acquire Soviet military equipment. A high-level Soviet delegation is now in Lima to discuss economic and technical co-

operation in a number of areas, including hydroelectricity, mining, and petroleum, that have been traditionally dominated by Western interests.

Peru is still a long way from regarding amicable relations with the US as expendable, but a period of increased tensions may lie ahead. [redacted]

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CUBA: CONSTRUCTION AT CIENFUEGOS

Construction activity in Cienfuegos continues to center on economic rather than military facilities, although improved roads, for example, could serve either purpose. The only strictly military improvement noted in the past two years has been an eight-acre landfill adjacent to the Cuban naval base at Cayo Loco. Prior to that time, an anti-submarine net was installed at the entrance of the bay and a facility was built on Cayo Alcatraz to provide rest and recreation for Soviet naval personnel, but the USSR has made minor use of the new installation. Since August 1970, four Soviet submarines and 18 Soviet naval surface ships have visited the port.

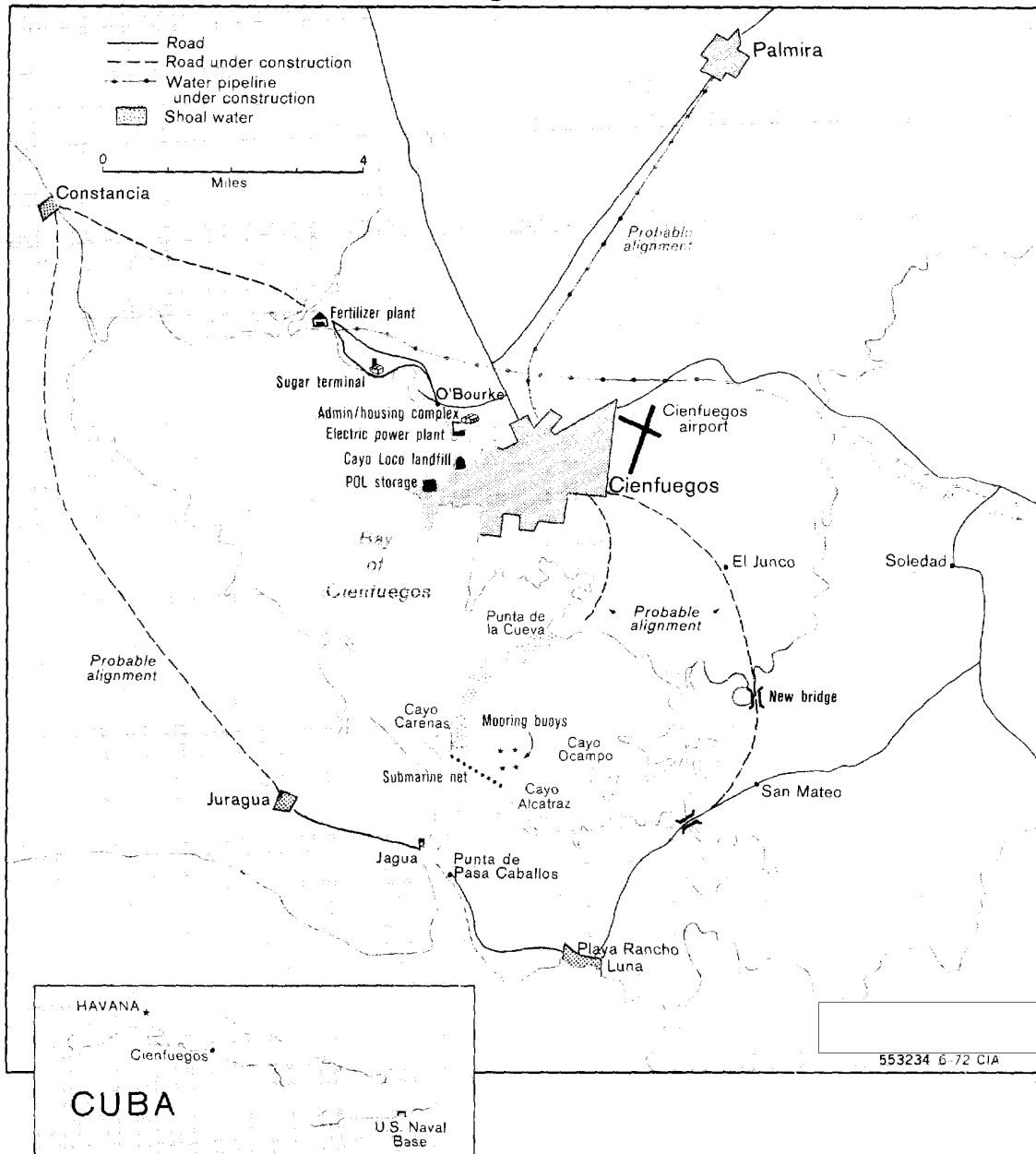
Photography of last month shows that nearly all building activity in the area is in connection with development of industrial projects, roads, and the local airport. Two major roads circling the bay have been completed recently and a third is under construction. Other economic development projects nearing completion include an \$80-million fertilizer plant, a thermal electric power plant, a large housing and office complex, and a variety of small commercial and industrial shops. A previously completed sugar handling terminal may be in the process of expansion. [redacted]

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Construction Activity in Cienfuegos



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PANAMA: HOPE FOR LIGHT

The threat of expropriation of the US-owned power and light company has been eased by meetings between representatives of the parent company, Boise-Cascade, and top Panamanian officials. The company has tentatively agreed to conditions for ending Panama's temporary takeover. It will comply with all Panamanian public utility laws, pay its fuel bill, and place some of its stock certificates in escrow to guarantee an adequate investment program. In turn, negotiations will resume on a new contract, with the government to define the rate of expansion required and the rate of profit to be permitted the company.

may undo some of the damage that has resulted from the insensitivity of its local management. It has improved chances for a mutually satisfactory settlement. [REDACTED]

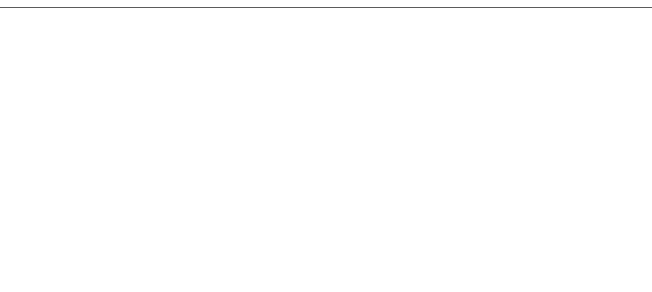
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URUGUAY: BORDABERRY STRENGTHENED

President Bordaberry has reshuffled his cabinet to form a coalition government of Colorados and factions of the opposition Blancos. This political breakthrough, along with signal successes in the internal war against the Tupamaros, improves the new President's position.

Late last week, Bordaberry named Blancos as ministers of commerce, labor, and transportation, a significant victory for the President, who has been seeking a national accord with the Blancos since taking office three months ago. Although the new coalition does not include the largest Blanco faction, headed by Wilson Ferreira, the accord does give Bordaberry a slim legislative majority in return for his promise to move toward major reforms in agriculture, industry, banking, and education.

Meanwhile, the government continues to score unprecedented successes in its aggressive



Panamanian President Lakas has emphasized that he understands the serious repercussions expropriation would have and that he wants to avoid such a move. Boise-Cascade's new approach

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drive against the Tupamaros. In the past two months, the security forces have dramatically increased their effectiveness in counter-terrorist operations. Combined police and military units have captured over 300 terrorists and seized important Tupamaro arms caches and strongholds. Since the state of internal war began on 15 April, army officers have been appointed police chiefs in all but one of the country's nineteen departments. In addition, military units, which are not subject to the same judicial restraints as the police, have been using harsher interrogation techniques to obtain information.

For the first time in almost two years, the terrorists appear to have lost the initiative. The knowledge that some Tupamaros are now cooperating with the government probably has shaken morale, but the organization still appears to have some capability for terrorist action since most of its leaders and sizable numbers of militants remain at large.

The leftist Frente Amplio coalition has not broken openly with the Tupamaros, despite recent statements by some coalition leaders denouncing violence. The Communists seem no longer to be maintaining a dialogue with the terrorists and may in fact be seeking to attract disillusioned Tupamaros to their own organization. There are indications that non-Marxist members of the Frente Amplio, such as the small Christian Democratic Party, do not want to be linked with the Tupamaros any longer and may pull out of the Frente to seek a safer alliance with Wilson Ferreira's liberal faction of the Blanco Party.

The effectiveness of Bordaberry's new coalition will be measured by the fate of his draft security legislation, which is intended to replace the state of internal war that expires on 30 June. The President's security proposal has been the focus of major controversy between the Blancos and Colorados, and a compromise solution is being sought in the congress.

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EL SALVADOR: NEW CABINET

When President-elect Molina takes office on 1 July, he will bring with him a carefully selected, competent team of cabinet ministers. Despite considerable pressure from party stalwarts, Molina appears to have given secondary consideration to party loyalty.

The reappointment of Enrique Alvarez as minister of agriculture indicates a continued and possibly increased concern for problems of the rural sector. Alvarez is highly regarded in progressive circles and among the rural poor for his reformist ideas; as a member of one of the "fourteen" families, he is considered by large landowners as a traitor to his class. Two other appointments are noteworthy: the ministries of defense and interior will be headed by Col. Carlos Romero and Col. Juan Martinez Varela, respectively. Both

were unsuccessful candidates for the presidential nomination. They are respected officers, and their appointments should quiet some of the restlessness within the military.

Vice presidents generally serve in some cabinet or diplomatic post. President Rivera (1962-67) sent his troublesome second in command to Washington as ambassador. President Sanchez (1967-72) appointed his vice president minister of finance. Molina has named his running mate, Dr. Enrique Mayorga Rivas, as secretary general to the presidency. This is an influential position. He will coordinate all cabinet activities and will have firsthand knowledge of all government programs.

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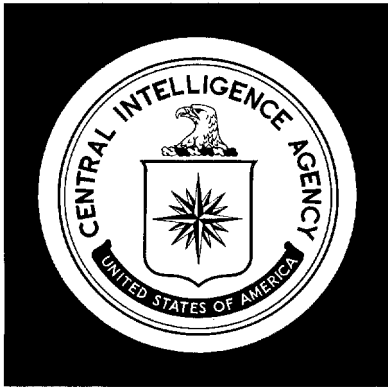
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Guatemala: Nation in Transition

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GUATEMALA

Nation in Transition

Guatemala, a land of five million people in an area about the size of Ohio, has always been somewhat of an enigma. To the tourist, it is a spectacular land dotted with Mayan ruins and colorful Indian villages. To the armchair traveler, it is a menacing and violent country where ambassadors are assassinated, and extremists on the left and right vie in killing each other. The economist sees a basically healthy and expanding economy, but the sociologist observes a society that operates almost exclusively for the aggrandizement of a small upper class, leaving the multitudes to live in poverty and ignorance. The political analyst perceives the result of this deep social cleavage in a turbulent political system characterized by a growing estrangement between the intellectual and business elites. Indeed, a pessimist would suggest that the country is poised on the edge of an abyss.

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The reality is not so bleak; the country is in no danger of falling apart. President Carlos Arana, nearly half way through his term of office, is firmly in power and enjoys solid military support. Although the leftist insurgency has not been destroyed, it has suffered serious losses as a result of a vigorous government counterinsurgency program and has no chance of overthrowing the government anytime soon.

Arana has shown himself to be a master of Guatemalan political arts. He has been tough on his political foes, capitalizing on existing rivalries to divide and demoralize the political opposition. He has been careful to keep political tension below the critical point. He has discouraged many of the excesses of the extreme right and remains sensitive to international and domestic pressures to reduce the violence.

Having spent much of his time thus far learning the ropes and dealing with the security problem, Arana may be able to use his remaining two years to improve schools and medical services and to assist the rural poor to achieve a better life. This is not to suggest that vested interests will be displaced or that a new social order is just around the corner, but calls for reform and change are less likely to be equated with Communism. Some very necessary, though probably fairly narrow, reforms may be achieved, and, more important, a foundation may be laid on which future administrations can build.

Of perhaps even greater significance for Guatemala's future will be Arana's preparation for the 1974 elections. Already, there are a number of serious candidates. Arana must first decide whether to strengthen Guatemala's shaky democratic tradition by holding the elections, or whether his own ambitions will require that he have more time in office. If the elections are held, Arana will have to decide whether to run a candidate, perhaps a military man, who will continue a moderate reform program, or whether to back the candidacy of Mario Sandoval, the powerful and ultra-conservative president of congress and one of the most dangerous men on the Guatemalan political scene. That decision alone could



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determine the course the country takes for the next decade.

Political Polarization

When, in July 1970, President Mendez turned his sash of office over to Colonel Arana, it was only the third time in nearly 150 years that a Guatemalan president had completed his term of office, and the first time that a freely elected president of one party turned power over to the opposition. It should have been a day of great joy for political moderates who had long hoped for some augury of political maturity and respect for democratic institutions, but it was not. Arana was the champion of the far right, with gory credentials as an architect of the counter-terror approach to subversion. He had run a somber law and order campaign and had garnered only 42 percent of the popular vote. He was a minority president, who, many felt, possessed neither the brainpower nor the temperament for the job.

While the moderates were apprehensive, there was rejoicing on the far right and, strangely enough, on the extreme left as well. The right was itching for a no-holds-barred counter-terror campaign that might once and for all destroy the Communist and leftist apparatus. The left welcomed the advent of what it saw as a more narrowly based regime that, through its own ineptness and repression, would arouse sufficient discontent to give the insurgents a degree of popular support that had thus far eluded them.

As president, Arana was a disappointment to both extremes. The guerrillas, in particular, saw little profit in letting the government play at reform and stepped up terrorist activity to provoke repressive action.

The Insurgents

Arana was not dealing with a mere rash on the body politic but with a full-blown disease. He was facing neither a group of radical students who thought it fashionable to become weekend guer-



rillas nor transient disturbances that could be brought to an end by a few arrests and a few concessions. Instead, Arana was up against a determined, disciplined, experienced, and adequately funded terrorist movement that had existed for over a decade and had taxed the energies and resources of three previous administrations.

The pro-Soviet Communist Party with its action arm and the Cuban-oriented Rebel Armed Forces are the two major subversive groups. The Communists, with a hard core of 500-700 and probably twice that many sympathizers, accept guerrilla warfare and terrorism as important tools in the struggle for power. They agree, too, that there is tactical utility in kidnaping for ransom and occasionally assassinating government officials, and the party's action arm (probably less than 50) engages in these activities. The party,

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however, rejects the view that this alone is sufficient to overthrow the government. On the contrary, it places primary attention on organization of worker-peasant-student fronts as a broadly based political framework for guerrilla activity. Having tasted political power under Arevalo (1945-51) and Arbenz (1951-54), the Communist leaders also emphasize the need to infiltrate and work through the legal political parties.

The Rebel Armed Forces, on the other hand, has largely ignored, indeed scorned, this type of political activity. It espouses a more simplistic approach that has had considerable appeal for its younger and less-sophisticated membership (approximately 200 hard-core types and several hundred collaborators). This group has held as an article of faith that full-scale guerrilla warfare is the best and quickest road to power. As a first step, it has stressed the use of terror to cripple the government, hinder its security forces, and gain publicity. The general public, it believes, will be forced to become involved as government counter-terror comes more and more to affect the lives of the people.

The guerrillas provided a most serious threat to stability from 1963 to 1966 and again in the early days of the Mendez regime. From late 1966 through mid-1967, the military launched a ferocious anti-guerrilla offensive that not only set the insurgents on their ear, but precipitated a blood-bath to which many innocent people fell victim. Insurgency remained at a relatively low level from 1968 to mid-1970 as the insurgents devoted themselves to reorganization, resupply, and recruitment. Nevertheless, it was during this period that some of the most spectacular terrorist operations occurred. The murder of US Ambassador Mein during a kidnap attempt in August 1968 and the murder of West German Ambassador Von Spreti in April 1970 drew world attention to Guatemala. Terrorist activity flared at the height of the 1970 presidential campaign as the insurgents attempted to embarrass the government and force cancellation of the elections. The Arana victory and the Von Spreti incident led to an undeclared truce that lasted a few months. By

Arana on Law and Order

I wish to make clear...that my becoming chief executive would signify in one word: order. Order in all aspects of life. Order at the cost of any sacrifice and above any obstacle.

—accepting nomination, Feb 69

Arana and Caceres Henhoff (vice president) offered peace, order, and tranquility to a desperate people who lived in fear and who were longing for... security. They will keep their promise.

—after declaring state of siege, Nov 70

I have tried to save the country by respecting all its institutions and laws.... But perhaps our enemies have underestimated us, have confused serenity with tolerance, and tolerance with weakness. They are totally mistaken.

—address to the nation, May 72

mid-September 1970, however, bombings, kidnappings, and murders had increased dramatically. By early November, Arana was coming under very heavy criticism for the drift and lack of direction in his handling of the internal security situation. On 13 November, he finally took up the gauntlet. He put the country under a state of siege and unleashed the security forces.

The security forces floundered at first, appearing ridiculous as they picked up mini-skirted girls and long-haired youths on downtown streets, pulling down the hems of the former and shaving the heads of the latter. Nevertheless, it was not long before the security forces settled into their job. The terrorists began to suffer important defeats, losing key leaders, safe-house facilities, supply centers, and arms caches. The security services, however, were not overly preoccupied with the niceties of law, and their scatter-gun tactics resulted in some unjustified killings. Moreover, with the resurgence of rightist terrorist groups, violence climbed far above the levels that had precipitated the state of siege.

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The state of siege restricted political activities and suspended certain constitutional guarantees, but there was no curfew and the life of the average Guatemalan was little affected. Then, too, political violence had become so much a part of life that its increase did not immediately penetrate the popular apathy. But, as the months went by, public support of the government crackdown began to evaporate. Restiveness began to grow among students, professors, church officials, the bar association, and the political opposition. Even some of Arana's own supporters began to suggest the need for a change; the cure had become more painful than the disease.

Arana was not insensitive to this changing domestic mood and was even more concerned by criticism in the foreign press. He began to discourage the extra-legal activities of the right and, if he did not succeed in eliminating them, at least kept them in check. By November 1971, Arana concluded that he had squeezed all possible polit-



ical mileage out of his get-tough campaign. He declared his pacification program a success and lifted the year-old state of siege.

In a political sense the pacification program was, indeed, a success. Arana had seriously weakened the subversive movement without causing irreparable cracks in the body politic. The tactical losses suffered by the guerrillas had far exceeded any strategic gains, and they were in need of a period of recuperation. Government pressures, moreover, appeared to have forced the insurgents to shift some of their attention from Guatemala City to the rural areas, particularly the Peten, Guatemala's sparsely populated northernmost province. Since tension over violence in Guatemala appears directly proportional to incidents in the capital, this alone has solved some problems for the government.

On the other hand, the guerrillas retain their organizational integrity and the capacity to engage in selected acts of terror. The result could best be described as a standoff in the government's favor. The government has not destroyed the terrorists; the terrorists have not even come close to overthrowing the government.

What Arana had succeeded in doing, therefore, was to remove much of the accumulated pressures from the right and the left and to buy time to pursue, if he chooses, more fundamental and far-reaching social and economic policies. Although the state of siege has ended, there is no sign that security forces will become less vigilant or less aggressive. The government will continue to try to keep the guerrillas off-balance and on the run. The Castroite Rebel Armed Forces, of course, is not likely to admit the bankruptcy of its guerrilla warfare strategy nor forswear violence. It may take greater care that its activities do not become identified in the public mind as ordinary criminality. It may consider a more sophisticated political approach designed to broaden its base of support and may once again opt for closer ties with the Communist Party. The Communists, for their part, are likely to be more convinced than ever of the importance of a political program and take great pains to avoid provoking the government at this time.

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The Un-Revolution

Guatemala's political problems do not begin and end with the insurgency movement. There are the social conditions that spawned it, the political conditions that perpetuate it, and the slim possibilities for meaningful change. The facts are grim. A majority of Guatemalans are illiterate, subsistence farmers mired in poverty. Their diet is inadequate, their education, health, and welfare services are among the poorest in Latin America. At the core of the problem are the Indians who make up half the total population and whose traditions lead them to resist social integration and modernization. Pervasive rural poverty also reflects the failure to develop peasant agriculture. Growth in agricultural production has been concentrated in a few export crops that are raised on a few large, modern farms. The small holder lacks credits, education, extension services, and incentives.

Guatemala, moreover, provides a striking contrast in ideology and political style with neighboring Mexico. Mexico proclaims itself the land

of the revolution, and Mexican governments, progressive or not, maintain that they are fulfilling and safeguarding the 1910 revolution. Guatemala, on the other hand, is very much the land of the counter-revolution, and Guatemalan governments, even when they are not totally reactionary, find it necessary to declaim "It won't happen again here." If prevailing political attitudes are becoming dated in Mexico, they are shopworn, indeed, in Guatemala.

Guatemala, of course, had its own revolution, which began in 1944. As the upheaval progressed, it took on all the earmarks of a classic revolution bent on overturning the traditional power bases and radically remolding society. First under Juan Jose Arevalo and even more under his successor, Jacobo Arbenz, the leadership of the revolution fell under Communist influence. In 1954, when the government was about to give recently acquired Czech arms to peasants and workers, a military coup by Colonel Castillo Armas cast out Arbenz. Castillo Armas' overturning of land reform efforts and restoration of the old elite to its usual place left a bitter heritage—violence in politics.

The political scene today has been greatly affected by the extremes the nation has experienced since 1944. On the one side are the *revolucionarios* who glorify the 1944 revolution and the beginnings of the modernization of society under Arevalo. On the other side are the *liberacionistas* who view the overthrow of President Arbenz as the salvation of the country from Communism. Reformers have been indiscriminately considered Communist by the conservatives, whose inflexibility in turn makes the liberals more willing to collaborate with the extreme left.

The Mendez Administration

From 1966 to 1970, Mendez, a liberal, democratically elected president, made a major effort to arrest the polarization of Guatemalan politics by establishing a dialogue between his government and the power elite. He was caught, however, in a cruel dilemma. On the one hand, he wanted to bring about change and reform to

Arana on Development

We want to be very clear. This government has one fundamental objective: to better the social conditions of the working population.

—inauguration speech, Jul 70

We are not carrying out the pacification of the country only with arms in hand, but we are taking education to the countryside, bread to the farms, health to Guatemalans, prosperity through work with better salaries.

—press interview, Jun 71

I offered to work in order to do as much as possible to alleviate the most pressing needs of the poor people. I have visited almost every municipality, listening to complaints, investigating needs, and have understood the people's hopes and desires because I am part of that people.

—address to the nation, May 72

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President Arana visits the countryside.

prevent an explosive buildup of discontent. On the other, his political survival depended on those who were opposed to even the most modest reforms, and he had to convince the landed gentry, businessmen, and the army that he was not working against their interests.

Mendez had been permitted to take office on the understanding that the military would have a free hand in dealing with the insurgents, and his liberal image was marred by the indiscriminate use of force that resulted. When, midway through his term, he finally brought the military to heel, he had come to accept the impossibility of his achieving far-reaching reform. Although he half-heartedly advocated social and economic measures, his obsession became the survival of his government. He began to believe that he would make a major contribution to Guatemalan political stability if he could only complete his term in office and preside over the election of a constitutional successor. That his successor was the representative of the far right was the final irony.

Arana's Government

From the beginning of his administration, Arana surprised his opponents by being more than a front man for the oligarchy. His stance on the insurgency was clear, but even in this he showed an awareness that previous governments had been handicapped by ineptness in public relations and an inability to win public confidence. More important was Arana's concern with economic development and social reform. He seemed to realize that economic and social underdevelopment provided fertile ground for extremism and violence. Unlike Mendez, Arana was in a position to talk sense about Guatemalan development needs, to take positions at variance with conventional political orthodoxy, and to get away with it. His reputation and career made it virtually impossible for the business community or the large landowners to tar him with the Communist label. Moreover, Arana enjoyed widespread support among the armed forces. He did

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not have to worry about a coup nor dissipate his energy trying to maintain his political balance.

Even before his inauguration, Arana pledged greater technical assistance and bank credits to farmers, more job opportunities and better educational and health facilities for the masses, administrative reform and improvement of the civil service. When he came into office, he quickly set the tone of his administration by moving to fulfill those pledges. In addition, Arana began implementing the comprehensive five-year development plan prepared by the Mendez government.

Pursuant to this plan, the Arana government has taken steps to increase domestic tax revenues

and its investment budget. Stress has been on social services and agricultural development. Administrative reform legislation has been passed, and the government has embarked on an ambitious rural electrification and rural public health program. The government also is promoting agricultural research and reforming the rural credit system.

Arana has not been content with a purely mechanistic approach to development problems. He has made a major effort to visit the departments and municipalities to show his concern for the welfare of individual citizens. From this, he has, of course, reaped direct political benefits: good publicity, high exposure, and a gain in



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personal popularity. But there has been more than tinsel. Arana has used the tours to begin a dialogue with rural leaders, learning first-hand about the needs of the small communities. He has appeared genuinely shocked at some of the conditions he has encountered, such as rural wages of 35 cents per day.

Despite all that has been done, it is far too soon to pronounce the problem solved. Arana has not abandoned the powerful vested interests, which form a tightly knit and highly conservative oligarchy. He will undoubtedly achieve sufficient progress to prevent any significant increase in the insurgents' popular appeal and, with the state of siege ended, he may pursue an even more vigorous reform program, but it is unlikely that he will undertake the kinds of reforms that will seriously threaten vested interests. The Arana government may prove just as reluctant as previous administrations to make the politically difficult decisions that would accelerate the rate of social change. Even if such a course were attempted, implementation would be constrained by the shortages of managerial skills and money, and by opposition from the political right.

Arana may go down as a transitional figure in Guatemalan political history. He is a product of the army and not the oligarchy. While the Guatemalan Armed Forces lack the reformist zeal of the Peruvian military, they show a growing sympathy for the plight of the impoverished. The oligarchy tries to keep alive the dichotomy between *liberacionistas* and *revolucionarios* and to woo the soldiers away from any thought of tinkering with the country's basic socio-economic structure. Nevertheless, Arana talks of himself as one of the "people," and his reformist impulses appear to strike a responsive chord among many of the junior officers. So long as this is the case, the social, political, and cultural integration of the lower income groups into the mainstream of national life will probably keep pace with "effective demand," the rising expectations of the people. If the armed forces will not serve as the engine of progress, they will at least not be cast in the role of a caboose with its brakes on.



The Old . . .

Party Politics

Even if Arana's commitment to economic and social development is sincere, he may not be similarly committed to building a democratic tradition, strengthening the country's political institutions, or creating a viable party system. Indeed, problems associated with Guatemala's political development are more likely to cause difficulty in the coming months than any debate over social policy.

First, the opposition parties are operating under severe constraints, and the situation is not likely to improve. Although Arana likes to think that he is above politics, certainly above party politics, he has never been entirely sold on the concept of a loyal opposition and, in fact, may consider the two words mutually exclusive.

Second, executive-legislative relations may worsen. At present, congress is a rubber-stamp organization. The rightist coalition holds 37 of the 55 seats. Continued cooperation, however, hangs by a thread, and that thread is the relationship between Arana and the president of congress, Mario Sandoval. Arana is not timid in the exercise

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of power and has the strength and determination to bind the system to his will. Should the two men fall out, Arana might decide to operate without the congress.

Third, the 1974 elections are already casting a very large and very dark cloud over the political horizon. Arana is not clear who should be his successor. It is, of course, in his interest to play his cards close. There are indications that he will not support Sandoval—the man who seems most determined to run. He may as a matter of fact put forward his own candidacy.

Apart from the illegal Communist Party, there are five basic political parties. On the right, the National Liberation Movement, run by Sandoval, and the Democratic Institutional Party form the government coalition. The latter is very much the junior partner and rather unhappy at

... and the New



the cavalier treatment it is accorded by Sandoval. It remains in the coalition for want of anywhere else to go. On the left are the Revolutionary Party, headed by Carlos Sagastume; the Christian Democratic Party, led by Rene de Leon Schlotter;

and the Democratic Revolutionary United Front, an unregistered grouping around Manuel Colom Argueta, the popular young mayor of Guatemala City.

It is a tribute to Guatemalan courage and stamina that there are any political parties at all. Local officials and party leaders live harsh and frequently brief lives. Those on the right are in danger of assassination by the insurgents; those on the left are in similar danger from the right. Political opponents have often found it cheaper and more convenient to rub out or scare off the opposition than to stuff the ballot box.

The parties of the left have had a particularly hard time since Arana came into office. Their activities were restricted by the state of siege, their organizational efforts hamstrung by the government-controlled electoral registry and their members subjected to personal intimidation. Last December, the governing National Liberation Movement, with a minority of delegates to a nationwide conference of mayors, used its muscle to elect a majority of officers. In the March municipal elections, the party not only kept up a Guatemalan practice whereby the government wins a majority, but bettered any previous record. With local control in its hands, the party now can manipulate the electoral machinery for the 1974 presidential and congressional elections—provided the military keeps its hands off.

Difficulties for the Revolutionary Party began soon after it lost control of the presidency. For almost two years, from July 1970 until February 1972, the government-controlled electoral registry kept the party from electing a new leader. In February, Carlos Sagastume won the post over his more leftist opponents with the behind-the-scenes help of Mario Sandoval. The result was to divide the party and make more difficult the formation of an alliance with the Christian Democrats.

With the Revolutionary Party in disorder, the government is turning its attention toward the Christian Democrats, who recently made the mistake of criticizing too loudly Arana's decision to pay \$18 million for the US-owned utility

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company that provides Guatemala City and environs with electric power. The party leaders, while applauding the decision not to renew the company's fifty-year concession, argued that since the cost to the Americans had been under \$1 million, Arana had gone too far in his generosity. They hinted that Arana was retaining some of the money for himself. Arana shortly thereafter made a nationwide radio and television address during which he singled out the Christian Democrats for criticism, and it now appears the electoral registry is taking a close look at charges of irregularity leveled by a dissident Christian Democratic faction against party leader De Leon.

Although Mayor Colom is so far to the left as to be anathema to the government coalition, it may not block his efforts to obtain official recognition for his party. This generosity would reflect the government's interest in further fractionizing the left.

A Presidential Election

The greatest potential for trouble, however, may come not from government harassment of the left but from within the government camp. Mario Sandoval has been making it clear that he wants to be the next president, and many in his party regard the Arana administration as a stage to total political domination by Sandoval's National Liberation Movement. Arana and probably a majority within the military do not regard a Sandoval candidacy as being in the best interests of Guatemala. At various times, Arana has mused out loud about changing the presidential term from four to six years, of forming his own party, and of working out a broadly based political accommodation to run a single unity candidate in 1974.

The two men have long been associated in rightist causes and have proved useful to one another, but have never been close. Although capable and hard-working Sandoval is an inveterate plotter (he has attempted to overthrow the last three governments) with a taste for violence. Sandoval is much more the doctrinaire rightist than Arana and in many ways is a throwback to the past. Few men on the Guatemalan political



Mario Sandoval

scene today are less likely to unify a divided country.

Both men would like to avoid a showdown as long as possible. Sandoval recognizes the thinness of his military support and knows that he cannot win against Arana without such backing. Willing for the present to trade on his prestige as party and congressional leader, he has drawn back from a confrontation. Arana, for his part, desires to keep control of the congress and the National Liberation Movement and realizes that an attack on Sandoval would split the party. Nevertheless, unless Arana changes his mind or Sandoval is cured of presidential fever, a collision seems inevitable.

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