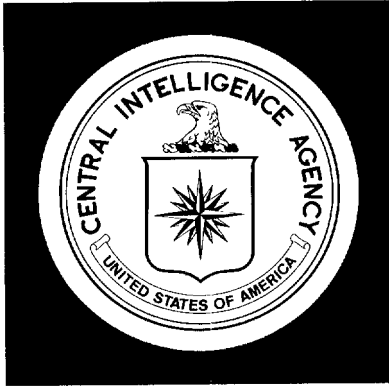


Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

NAVY review
completed.

State Dept. review
completed

DIA review(s)
completed.

Secret

10 November 1972
No. 0395/72

Copy **Nº** 46



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.

WARNING

The WEEKLY SUMMARY contains classified information affecting the national security of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

CONTENTS (10 November 1972)

- 1 Negotiations: The Red Line
- 2 USSR: Quiet Anniversary
- 3 Korea: Moving Ahead
- 4 East Germany: Fruits of Detente

FAR EAST

- 4 Indochina
 - 7 China: A Certain Caution
- [Redacted] 25X1

EUROPE

- 9 UK: Controls After All
- [Redacted] 25X6
- 11 Bland General Assembly
 - 11 Netherlands: Togetherness Again
 - 12 Finland: The Kekkonen Connection

**MIDDLE EAST
AFRICA**

- 13 Uganda: Next the British
- 14 The Arabs: Gathering in Kuwait
- 14 Lebanon: Leashing the Fedayeen
- 15 Cyprus: The Intercommunal Talks
- 15 Morocco: Another False Start
- 16 Oman: State of a Rebellion
- 18 Iraq: Oil and the Economy
- 19 India: Economic Dip Ahead
- 19 Turkey: Melen Soldiers On

**WESTERN
HEMISPHERE**

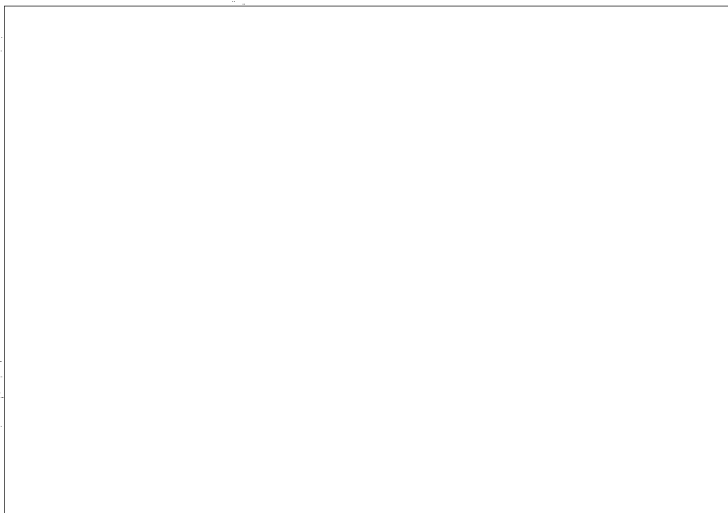
- 20 Mexico: Foreign Investment
- 21 The Stage Is Set for Peron
- 22 Chile: Settling Down
- 24 Bahamas May Seek Help

**SPECIAL
REPORTS**

(Published separately)

- B Soviet Naval Operations Off West Africa
- [Redacted] 25X6

25X1



Page Denied

Next 3 Page(s) In Document Denied

SECRET

NEGOTIATIONS: THE RED LINE

1 [Hanoi, Moscow, and Peking are taking different tacks in registering dissatisfaction with the state of the Vietnam negotiations, but none of the three is saying anything to torpedo the talks.]

2 [Of the three, Moscow lets its eagerness for a settlement show most clearly. When Hanoi was talking about a deadline for signing, Premier Kosygin expressed the Soviet hope that the talks would continue.] Speaking for the leadership on 6 November, Politburo member Mazurov noted the possibility of further negotiation and called for signing "as soon as possible."

3 [These comments reflect Moscow's assessment that at long last negotiations between Washington and Hanoi have reached a delicate and critical stage and that nothing should be done to jeopardize prospects for agreement. Over the past several months, the Soviets have come more and more to regard the conflict in Vietnam as an annoying obstacle in the way of Moscow's higher priority effort to cultivate relations with Washington. The North Vietnamese, of course, have been painfully aware of this, and the Soviets will be careful to avoid so alienating them as to leave the field open to the Chinese. Moscow probably hopes, however, that its lukewarm support will help persuade Hanoi to be more flexible in addressing the issues still blocking agreement with the US.]

4 [The Chinese have been markedly stiffer than Moscow. Last week, Peking issued four progressively tougher statements backing much of the North Vietnamese statement of 26 October and attacking Washington's response. By far the

strongest appeared in *People's Daily* on 3 November. It charged that Washington was stalling in order to renegotiate the "basic content" of an agreement the US had already accepted. The commentary was harsher in tone and focused more sharply on Washington's culpability and motives than anything the Chinese have said about Vietnam since President Nixon's Peking trip. The four statements together amount to the strongest backing the Chinese have given Hanoi in months on important negotiations issues.]

5 [Peking obviously hoped to improve its standing with Hanoi vis-a-vis Moscow. Beyond that, the Chinese also appeared to be signaling genuine concern that an early settlement was imperiled. The 3 November article said flatly, "If the US plan is successful, there will hardly be any prospect of restoring peace in Vietnam." Peking was careful, however, not to rule out further US - North Vietnamese negotiations.]

6 [Peking has cooled its rhetoric on settlement in recent days. Although no authoritative commentary has been issued since late last week, the Chinese have tried to keep faith with Hanoi by publishing an unusually large volume of foreign press reports disparaging Washington and Saigon.]

7 [The Vietnamese Communists themselves have kept up a drumfire of propaganda castigating the US for delaying the conclusion of the agreement. They have, however, studiously avoided saying what the consequences would be if the US was not immediately forthcoming, and Xuan Thuy, in fact, made it clear in an interview last weekend that Hanoi would be amenable to a further round of negotiations.]

SECRET

25X1

SECRET

USSR: QUIET ANNIVERSARY

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
General Secretary Brezhnev returned to public life this week, showing the effects of a four-week illness. On 6 November, Brezhnev led all Moscow-based members of the Politburo at the usual celebration on the eve of the anniversary of the Bolshevik revolution. He reviewed the military parade in Red Square the next day with other members of the leadership and spoke at the official reception that followed. US Embassy officials noted that Brezhnev experienced some difficulty in moving, looked much thinner and paler than before, but otherwise appeared to be in a jovial mood.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
The anniversary address by Politburo member and First Deputy Premier Mazurov dwelt largely on domestic affairs, particularly economic troublespots. Mazurov offered repeated assurances that, despite the harvest failures, the authorities are meeting the country's food requirements and adhering to the consumer program "without deviation."

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
On agriculture, Mazurov followed the line taken recently by the minister of agriculture. Mazurov called the drought the worst in a century, but predicted a harvest reaching the average yearly level attained during the previous five-year plan. He mentioned a letter to General Secretary Brezhnev from a farmer in Saratov who in effect thanked the authorities for the fact that the famine of 1921 was not being repeated. Mazurov emphasized belt-tightening in the industrial sphere, demanding an end to the waste of power and natural resources and to the dissipation of capital in excessive construction. Premier Kosygin had raised similar points in a hard-hitting speech on 30 September concerning the draft of the 1973 plan.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
Mazurov spoke of the need for innovation in economic management, but did not promise any real movement in this field. He warned that insufficient attention to good management threatens to slow economic and scientific-technical progress. He referred to an "integrated systems approach" to problems and to "new industrial and

inter-industrial structures," but made clear that such measures remain in the experimental stage. For now, Mazurov indicated the authorities would rely on exhortations for discipline and on the application of social and economic sanctions as well as incentives for workers and managers.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
The foreign affairs section of Mazurov's speech was more moderately worded than the corresponding speeches of the previous two years. He stressed the progress made in finding practical, negotiated solutions to difficult problems with the West. He said, for instance, that the summit meeting with President Nixon last May showed that "even the most complex" problems could be resolved with a "realistic approach," and he noted the radical improvement in Soviet - West German relations.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
On other subjects, Mazurov reaffirmed Soviet support for North Vietnam, but he left open the prospect of further negotiations between the US and North Vietnam by saying that the peace agreement should be signed "as soon as possible." Sino-Soviet relations stood out in Mazurov's speech as the principal area where little if anything had been accomplished.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
Reflecting the moderate tone of the festivities, the military parade in Red Square on 7 November featured no new weapons but did include placards lauding SALT and disarmament. Defense Minister Marshal Grechko endorsed Moscow's foreign policy in general, and the search for detente with the West in particular. Although Grechko did not echo Mazurov's praise for the May summit, he did say that "a certain relaxation" of the international situation has been achieved. He added that favorable conditions have been created for a Conference on Security and Cooperation in Europe. Moreover, although he echoed Mazurov in noting that hostile "imperialist" forces still exist in the world, he expressed satisfaction with the Soviet defense effort. According to Grechko, the Soviet authorities "are taking the necessary measures for the further strengthening of the country's defensive capabilities."

25X1

SECRET

SECRET

KOREA: MOVING AHEAD

19 [North-South contacts seem likely to broaden in scope following the agreement last week on the composition and functions of the coordinating committee on unification.] The accord was fashioned in three days of remarkably cordial negotiations in Pyongyang between South Korean CIA Director Yi Hu-rak and senior North Korean officials—including Premier Kim Il-sung. The ten-man committee will be headed by Yi and Kim's brother. It will discuss a broad range of political, social, and economic matters in meetings that will be held every two or three months, alternately in Seoul and Pyongyang. Various subcommittees will prepare detailed studies, and a joint secretariat will be established in Panmunjom.]

16 [The two sides agreed to end propaganda attacks on each other, and at a press conference in Seoul, Yi acknowledged that a whole range of cooperative endeavors with the North had been discussed. He cited as examples a proposal by Kim Il-sung to permit South Korean fishing boats in northern waters and a suggestion by President Pak Chong-hui that the two sides jointly develop tourism. Joint sport and cultural endeavors were also mentioned.

18 [Seoul and Pyongyang have accorded the new agreement unprecedented publicity. The South Koreans have given extensive photographic coverage to Kim Il-sung in all newspapers, suggesting that the government may be preparing the populace for even closer dealings with the North. Both countries have tied their announced constitutional reforms in part to the need to remove impediments to future inter-governmental cooperation.]

19 [Seoul is reported to be seriously studying a process which would involve cooperation on selected domestic and international matters beyond that envisaged for the coordinating committee, but would almost certainly not lead to any major change in either side's existing political and social systems.]

19 [Cooperation on such a scale would have to be preceded by considerable direct negotiation, substantial progress in the Red Cross talks and perhaps a summit meeting between Pak and Kim. Seoul has already taken steps to prepare for such developments. Last month's martial law decree and the new, more authoritarian constitution give President Pak a free hand to security at home.]

25X1



Lee Hu-pak, Southern co-chairman of coordinating committee, greeted by Kim Il-sung (r).

SECRET

SECRET

EAST GERMANY: FRUITS OF DETENTE

|| [With improved relations between the two Germanies just around the corner, the Western allies have begun exchanging views on normalizing their own relations with the German Democratic Republic.]

|| [The British last week proposed to Washington that the Berlin missions of the three Western allies begin to coordinate their views on how to proceed toward recognition. The French have indicated an eagerness to recognize East Germany. One senior Foreign Ministry official said privately that while Paris favors consultations with London and Washington, many of his colleagues want France to be out in front of any general Western movement toward East Germany. He stated that France is in a "different political situation," both because of the influential East German lobby in France and because Paris already has de facto commercial and cultural relations with Pankow. His remarks were given weight by the visit to France last month of top-level East German party leaders. Other French officials have indicated, however, that Paris will await ratification of the inter-German treaty.]

|| [Some of the smaller allies, such as Denmark, also want to be among the first to recognize East Germany. They feel pressed by West European neutrals who intend to do so at the first political opportunity. On 7 November, Copenhagen sent a

representative to Stockholm to begin negotiations for "coordinated Nordic action" on recognition of East Germany.]

|| [The Western countries have awaited completion of inter-German negotiations on a basic treaty and the subsequent lifting of West German objections before approaching Pankow directly. Most agree that recognition should proceed at a deliberate pace, taking into account such issues as Four-Power responsibilities over Germany and the legal status of East Berlin.]

|| [Developments in the domestic political scene in West Germany could disrupt a coordinated Western approach to Pankow. Should the West German election on 19 November fail to return Brandt to office, or should Bonn fail to ratify the general political treaty, the Western countries would probably come under pressure from Bonn to delay recognition. Indeed, the Brandt coalition has already asked the Allies to delay their support for East German membership in international organizations pending ratification of the treaty and West German preparations for UN membership. The French, like the Scandinavians, may not delay long. Regardless of the outcome of the West German election, the tendency toward recognition has already gained a momentum that will be difficult to stop.]

25X1

INDOCHINA

VIETNAM: THE WAITING GAME

|| [Both sides have reduced the scale of their ground operations, reflecting anticipation and uncertainty over an impending cease-fire agreement. During the week, the Communists did carry out shelling attacks directed at provincial capitals in Kontum, Pleiku, Binh Thuan, and Dinh Tuong as well as against lesser targets. The Communists also kept up their road-blocking efforts in many

areas. Heavy typhoon rains contributed to a decrease in military action along the coast.]

|| [Reports of declining enemy morale are cropping up with increasing frequency. Many captured enemy soldiers appear disillusioned and confused, complaining of food and supply shortages and hardships caused by allied air and artillery power. The slippage in the expected cease-fire deadline has also had a profound effect. The Communist

SECRET

SECRET

hierarchy is trying to counter this problem by portraying the agreement worked out with the US as a "fundamental victory" for the Communists. A recently captured COSVN document claimed that a cease-fire should be understood as a "transitional period" that will lead to "greater victories." }

has been quoted in the pro-government press as stating that Saigon may not insist that Hanoi admit in a peace agreement that it has troops in the South. Saigon may instead accept verbal assurances that the North Vietnamese will withdraw. The official maintained that the government is standing firm on other aspects of a peace agreement, especially the rejection of "any tripartite organization." }

LAOS: HOLDING PATTERN

21 [Uncertainty about a cease-fire date has prompted some military commands in the northern provinces to withdraw troops from the battlefield and send them to rear areas for political indoctrination. The recent trend away from large numbers of heavy artillery attacks to less expensive mortar attacks may also reflect indecision on the part of some local commanders. These commanders had received orders to stage large-scale attacks immediately preceding and just following the announcement of a cease-fire, but the apparently unexpected delays in the cease-fire timetable may have forced them to alter their tactics and to conserve ammunition for a later date.]

32 [The peace talks in Vientiane, begun a month ago, have yet to register real progress. Both sides are marking time awaiting Prime Minister Souvanna's return from abroad and developments in the negotiations on Vietnam. In the interim, negotiators of the two sides continue to use their weekly negotiating sessions to discuss minor procedural matters and to exchange polemical statements. The Lao Communists have concentrated much of their fire against Souvanna's claims that his government is still the provisional government of national union set up by the 1962 accords. Souvanna's spokesmen have used the bulk of their talking time to denounce the North Vietnamese presence in Laos.]

22 [The South Vietnamese are also letting up. Although some commanders are claiming great victories in keeping the enemy away from Saigon's doorstep, much of the territory that has fallen to the Communists since last spring is still to be taken back. A South Vietnamese Marine operation launched last week against enemy defenses west of Quang Tri City was beaten back, and units in other areas have had difficulty in keeping the major roads open.]

30 [Government troops in the central panhandle on 2 November moved back into Keng Kok, a village about 30 miles southeast of Savannakhet. The two North Vietnamese battalions, which staged a surprise attack on Keng Kok late last month, pulled back to the east. [The Communists' relatively quick withdrawal suggests that their occupation of Keng Kok may have been intended primarily to divert government troops from offensive operations along Route 9 rather than to grab additional territory before a possible cease-fire.]

Thieu and the Peace Agreement

26 [South Vietnamese are still out in the streets in support for President Thieu's position on a peace settlement. Some 20,000 Catholics took to Saigon's streets last weekend, and even the An Quang Buddhists participated in some of the pro-government demonstrations in the northern provinces. Most of the country's political and religious groups have publicly expressed support for Thieu's stand, but some An Quang Buddhist leaders are criticizing the regime.]

31 [In northern Laos, the Communists continued to dominate the military situation. After several days of preparation, elements of two North Vietnamese regiments on 2 and 3 November carried out ground and artillery attacks against irregular troops that had been trying to regroup along a ridge about four miles south of the Plaine des Jarres. The attacks forced the government troops to abandon nearly all their positions; most of them have moved back to Pha

26 [The government is showing public signs of flexibility on the issue of North Vietnamese troop withdrawal. An unidentified "important official"

SECRET

SECRET

3: Dong, a base about ten miles south of the Plaine. Vang Pao is attempting to bring in additional troops to hold his few remaining positions, but these troops are encountering strong enemy pressure and probably cannot hold out for very long.]

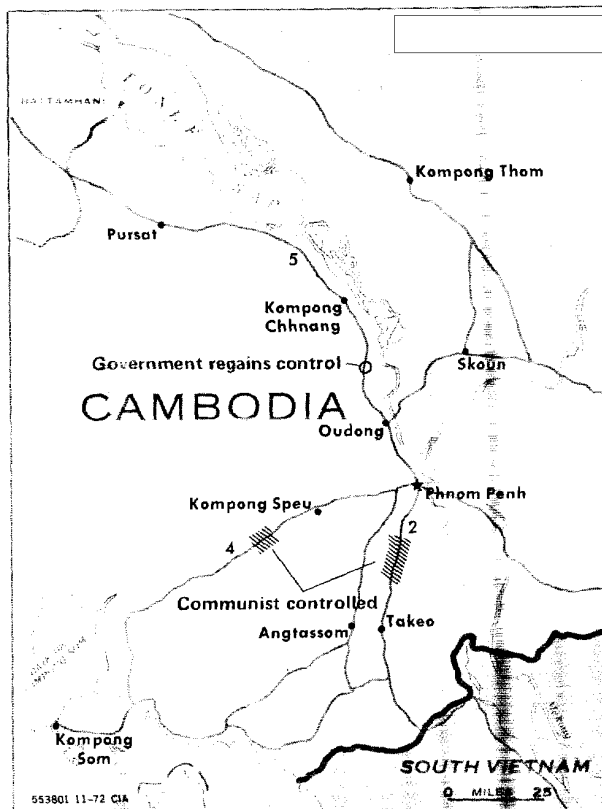
CAMBODIA: MORE BAD NEWS

4: [As the dry season begins, the Lon Nol government's over-all military position is deteriorating. With the interdiction of Route 4, the government has now lost control over sections of all but one of the key highways leading out of Phnom Penh. The Mekong River is now the capital's primary supply line.]

4: [In their first significant military action against Route 4 since April 1971, Communist forces cut the road late last week some ten miles southwest of the town of Kompong Speu. Initial attempts by government units to reopen the road have been repulsed by Khmer Communist elements occupying high ground overlooking the interdicted section. On past performance, the Cambodian Army will have considerable difficulty reopening Route 4 and restoring the government's overland access to the seaport at Kompong Som.]

4: [The Khmer Communists are keeping up their harassment of a number of government positions on Route 2 between Phnom Penh and the southern town of Takeo. The Communists now control several small segments of the road north of Takeo, as well as almost all of the highway between Takeo and the South Vietnam border. By midweek, the Khmer Communists had succeeded in isolating the government garrison at Angtassom—a few miles west of Takeo. Phnom Penh has been slow to assist its demoralized troops in this area. Air strikes, however, reportedly have helped deter the Communists from staging any sizable ground attacks against the town of Takeo itself.]

4: [In the northwest, government forces led by elite Khmer Krom units finally managed to dislodge Communist troops from a short segment of Route 5 between Kompong Chhnang City and the town of Oudong. The highway had been closed



25X1

since mid-August, and it must undergo some repairs before it can be reopened to regular commercial traffic.]

5: [Besides keeping the Cambodian Army off-balance and predominantly on the defensive, the Communists' steady pressure against the country's highways has strained Phnom Penh's economy. The interdiction of Routes 2 and 5, which are the main roads for moving rice and other basic foodstuffs to the capital, contributed to the nearly 20-percent rise in the city's general price index in September. This jump primarily reflected the critical shortage of rice in Phnom Penh and, although the government has imposed a price ceiling on rice, food prices for October were still climbing.]

25X1

SECRET

SECRET

CHINA: A CERTAIN CAUTION

37
38
39
40 [Continuing political uncertainty in Peking is having a noticeable effect on life in China's provinces. Since the fall of Lin Piao in September 1971, a number of leading national and provincial figures, of both radical and moderate persuasion, have disappeared from the scene] At the same time Peking has been following consistently moderate domestic and foreign policies. Under these confusing circumstances and with the memory of past abrupt changes in course vivid in their minds, officials at all levels are showing a marked tendency to sit tight and wait for the dust to settle.]

40 [The failure of rehabilitated managers to maintain discipline may explain why soldiers have had to remain in many factories and mines.]

40 [There is ample evidence that Peking's problems with timid officials are not limited to the industrial sector. The *People's Daily* recently criticized commune leaders for not implementing agricultural policies firmly, charging, probably correctly, that they were afraid of making mistakes. Others were accused of carrying out incorrect policies. As on many earlier occasions, the newspaper focused on the work-point system for rewarding rural labor, a particularly sensitive issue in the countryside. Although the current party line favors a relatively liberal work-point policy, the system has frequently been a target of radical criticism.]

36 [Education and crime have also been influenced by cautious officials. Nearly all the schools that were closed during the Cultural Revolution have been reopened and most educators reinstated, but many teachers reportedly are afraid of their students. Crime has been at a high level even though the public security apparatus has been reorganized to deal more effectively with the problem, suggesting that public security officials are also less than decisive.]

37 [This political miasma has apparently spilled over into industrial enterprises where factory managers are reluctant to assert their authority.]

38
39
40 [Recent commentaries in domestic media have attacked such "anarchism" and have called for more "revolutionary discipline." The commentaries often singled out new workers for criticism, suggesting that some of the trouble has been caused by youths who were leftist Red Guards during the Cultural Revolution. If so, some recently rehabilitated factory managers have demonstrated little inclination to crack down on their former tormentors, perhaps because they fear the tables may again be turned.] [The problem of control in

40 [These instances of disenchantment and social disorder are no doubt irritating to Peking, but they present no serious threat to the regime. Indeed, one of the more striking developments over the past few years has been the level of economic progress attained in the face of political conflict. In any event, the caution being exercised by officials at the lower levels is likely to continue until the leaders at the center resolve their fundamental policy and personnel problems.]

SECRET

Page Denied

SECRET

UK: CONTROLS AFTER ALL

48 Prime Minister Heath has imposed a 90-day freeze on wages and prices. His action followed several frustrating months of trying to talk industry and union leaders into accepting a voluntary anti-inflationary pact. Whether the freeze will work depends largely on the willingness of the militant left-wing unions to cooperate.]

48 [The effort to slow Britain's rampant inflation comes at a critical juncture, with EC entry less than two months away. Retail prices are rising at nearly eight percent annually and manual workers' wages at more than 15 percent. These increases, as well as the lack of progress in the talks on voluntary restraints, contributed to sterling's recent weakness. The pound fell to an all-time low of \$2.32 in late October. More ominous for the long haul, new investment has been frightened off, hampering modernization of British industry.]

47 [The freeze went into effect on 6 November, although the 90-day period will not begin until the bill receives royal assent. Government sources expect the bill, already through its second reading in Commons, to become law at the end of the month. The bill contains a provision for extending the freeze an extra 60 days, so that it could last as long as six months. Despite the failure so far, Heath still hopes to work out a voluntary anti-inflation agreement. Any pact, statutory or voluntary, must have at least the passive acceptance of labor and management to succeed.]

48 [Anticipation of the freeze seriously diminished its initial impact. An estimated 1.2 million workers got under the wire to win pay increases, and automobile manufacturers raised prices by five percent or more last week. Stores recently have been hiking prices, by as much as 20 percent.]

46 [The public welcomed the freeze, hoping it would curtail the rise in consumer prices and the decline in the value of savings. The government has set up hot lines to receive complaints about violations and has asked for public support in making the regulations stick. Business leaders,



who had been cooperating with the government on voluntary price restrictions, regard controls as a step toward putting the economy in order before EC entry in January. A slower rate of inflation would aid Britain's export potential and permit domestic producers to compete on more even terms with other European firms. A representative of the powerful Confederation of British Industry, however, commented last week that wage and price controls should provide for orderly increases.]

47 [Cooperation from the unions looks doubtful. Along with the Labor Party, they are expected to mount stiff opposition on the grounds that the program curtails their right to strike for higher wages and improved working conditions. The unions dislike the provision giving the government power to take unions and companies to court if they flout the freeze. Trades Union Congress leaders have indicated they will not resume talks on a voluntary pact until the 90-day freeze ends. Whether the talks resume will depend largely on the ability of the more moderate union leaders to convince left-wing militants that talks are a sensible path.]

25X1

SECRET

Page Denied

SECRET

BLAND GENERAL ASSEMBLY

60 [Compared with past sessions, the 26th General Assembly so far has been quite temperate. Except for Chinese jabs at the Soviets, the major powers have been treating each other gingerly. In this polite atmosphere, the assembly has been unable to come to grips with urgent problems.]

57 [The assembly has not, for example, been able to come out strongly against terrorism. The US has pressed hard for convening an international conference in 1973 to conclude a treaty on the protection of diplomats—a move that might hasten agreement. The assembly's legal committee, however, has voted to defer consideration of a treaty draft until next fall, with a view to adopting it by the end of 1973. Another US initiative calls for a conference to conclude a general treaty against terrorism, but many UN members want this matter put off to next year.]

58 [The Soviet Union has been trying to help the US modify its anti-terrorism proposal to attract maximum support. The Soviets also have tried to make their own initiatives widely acceptable. They were willing, for example, to modify their proposal for a world disarmament conference to make it more palatable to the US, although it is still doubtful that the two countries will be able to get together on this issue.]

59 [The Chinese continue to attack Soviet initiatives. They called Moscow's non-use-of-force proposal a "sheer hoax" and pose impossible conditions for Chinese participation in a world disarmament conference. Peking's representatives, however, are becoming known less for their polemics than for their grasp of UN issues and skillful diplomacy. They know the superpowers no longer call all the shots at the UN. The US anti-terrorism resolution, for example, cannot be approved without African and Asian votes, and without similar support the US will have a hard time winning assembly endorsement of a reduction in its contribution to the UN budget.]

60 [During the last month of the assembly, several issues will be resolved to one degree or another. The delegates will likely pass a terrorism

resolution, though it may not be one totally agreeable to the US. The Soviet proposals for a world disarmament conference and the non-use of force may also be approved. There may be a resolution calling for a comprehensive nuclear test ban. The US may even get its assessment reduced. Little will be done to advance perennial issues such as the Middle East problem toward solution. The assembly is almost certain, however, to approve the recommendations of this year's Stockholm environmental conference and to prepare the way for a law of the sea conference, probably in early 1974. [REDACTED]

25X1

NETHERLANDS: TOGETHERNESS AGAIN

65 [The overriding question in their national election on 29 November is whether the kind of conservative coalition that has governed the Netherlands for most of the past 14 years can be reconstituted. Twenty parties are competing for voter attention. Although the center-right coalition partners enjoy distinct advantages, the latest polls indicate that they will fall short of a collective majority. The three confessional parties seem likely to suffer the greatest losses as the voters turn to secular and leftist parties. An opposition progressive bloc led by the Labor Party may receive as much as 40 percent of the vote.]

65 [Nevertheless, the Biesheuvel government—composed of the confessional parties plus the Liberals—can derive some encouragement from recent developments. Two weeks ago it demonstrated its solidarity by defeating an opposition attempt to cut the 1973 defense budget. More importantly, the Democratic Socialists, a small party that bolted the coalition last July, now hint that they might rejoin their former colleagues. The Liberals are openly advocating a restoration of the five-party coalition that was formed after the 1971 national elections.]

SECRET

SECRET

65 [This new spirit of cooperation arises from a feeling on the part of many that there is no viable alternative to another center-right arrangement. Earlier this month, the Labor Party tried to lure the Catholic People's Party from its coalition partners by proposing pre-electoral talks, but the attempt failed.]

67 [Negotiations among the center-right parties will not be easy, however, and there is little assurance that a coalition of these parties will be a stable one. The Democratic Socialists, conservative on economic matters, are reiterating their demand for vigorous anti-inflationary measures as payment for their support. Last month, prices were 7.4 percent higher than a year ago.]

65 [Prime Minister Biesheuvel, sensitive to pro-labor sentiment within the Catholic People's Party and his own Anti-Revolutionary Party, has been unwilling to institute wage or price controls. He prefers the easier policy of "voluntary restraint" on the part of labor and business. The conclusion last week of a voluntary accord on wage and price guidelines for 1973 is a plus for the government, but Biesheuvel's failure to stem inflationary pressures may still strengthen the hand of the Democratic Socialists.]

FINLAND: THE KEKKONEN CONNECTION

(66, 67, 68)

[Helsinki's draft treaty with the EC is now enmeshed with Finnish domestic politics, and several of Finland's eight major parties are withholding support for the agreement. The touchy question of exceptional legislation to extend President Kekkonen's term of office has become entangled with treaty approval.]

Recently, a Swedish newspaper—claiming that its report was based on the verbatim record of Kekkonen's talks with Soviet leaders last August—said that Brezhnev had warned of the negative consequences for Finland if Helsinki ratified a treaty with the EC. According to the story, only Kekkonen's personal pledge to maintain close bilateral ties with the Soviets mollified Moscow.

The story may exaggerate the strength of Soviet reservations, but it does add substance to other reports linking EC treaty approval and special legislation to extend the President's term. Center Party chairman Virolainen hinted of such linkage following negotiations with the Social Democrats earlier this month. Both parties will hold executive committee meetings next week to discuss a package deal involving cooperation on

25X1

PARTY POSITIONS ON CURRENT ISSUES					
	Party	Support Linkage	Opposed to Presidential Extension	Opposed to EC Treaty	Number of Seats in Parliament
GOVERNING COALITION	Social Democrats	X*			55
	Center Party	X			35
	Swedish Peoples Party		X		10
	Liberal Party		X		7
OPPOSITION	Conservatives		X**		34
	Rural Party		X		18
	Christian Peoples Party		X		4
	Communists			X	37
<p>*Presuming the party executive approves the linkage at its mid-November meeting **The Conservatives prefer a referendum on the presidential extension question</p>					

SECRET

SECRET

the EC issue, on domestic economic questions, and on special legislation to extend the President's term.

Right now, only the Center Party approves linking the EC treaty and presidential extension. The Social Democrats may have difficulty swallowing the tradeoff. The other two coalition partners—the Liberal Party and the Swedish Peoples Party—oppose the automatic extension of Kekkonen's term. The Centrists and the Social

Democrats might try to persuade the large Conservative Party, which favors the EC treaty, to support the linkage by offering concessions on the pension reform and other fiscal matters. Furthermore, the "revelation" that Moscow acquiesced in Finland's EC arrangement only after Kekkonen's personal pledge of continued cooperation with the Soviets may convince the other parties of the necessity of linking the EC treaty, which most Finns support, to the extension of Kekkonen's presidency, which is le popular. [redacted] 25X1

UGANDA: NEXT THE BRITISH

69 [All but a few Asians managed to get out of Uganda by President Amin's deadline of 8 November. About 35,000 who are citizens of the UK, India, Pakistan, or Bangladesh departed for those countries. Several thousand stateless Asians left for the US, Canada and other countries.]
70 [About 1,200 stateless Asians remained after the deadline, however, along with a few thousand Asians holding Ugandan papers and Asians exempted from the expulsion order because they possess certain skills.]

69 [Amin, who once indicated that stateless Asians would be placed in detention camps, recently gave assurances that the remaining Asians will "be dealt with humanely."] The UN and other relief agencies have set up departure centers for stateless Asians and probably will attempt to move them to Europe and elsewhere by the end of the week.] Rumors have been circulating for weeks, however, that the army will take drastic action against those who remain. Roadblocks have been re-established, the army has been placed on full alert, and house-to-house searches are likely.]

69 [Amin has directed that Asians who are Ugandan citizens must leave the cities and live in rural areas where they will be permitted to engage in little more than subsistence farming. This in effect will hasten the departure of citizen Asians.]

72 [The President also has ordered that all Asians must assemble on 9 November at selected locations where government officials will count them and determine if they are Ugandan citizens, stateless, or exempted from the expulsion order. According to the government, the Asians will then have to select a rural area to which they will be relocated.]

73 [Amin evidently will turn on the British next. Last weekend, the Ugandan President, who now labels the expulsion of the Israelis and Asians as "part of an economic war" designed to put the economy in Ugandan hands, announced that his next step will be "aimed against the British."] [The President has kept up a steady stream of charges against the British Government and its citizens living in Uganda. Recently, he accused British businessmen of spying and announced that the regime will "buy out" British-owned farms in western Uganda. British residences in the area have since been searched by security forces.]

69 [Amin has tempered these remarks with high praise for British leaders and by saying he "intends to remain friendly to the British."]

25X1

SECRET

SECRET

THE ARABS: GATHERING IN KUWAIT

75 77 [The usual wrangling is expected when Arab defense and foreign ministers convene in Kuwait on 15 November.] [Kuwaiti officials preparing for the meeting readily admit that there is little hope of meaningful military or economic cooperation among Arabs unless their differences are resolved. For this reason, Kuwait has recently been involved in a number of mediation efforts. These have been directed at problems between Lebanon and the fedayeen, Egypt and Jordan, Jordan and the fedayeen, Egypt and Sudan, and between the two Yemens. Kuwait was chosen as the location for the meeting because it is considered neutral ground where virtually all Arab representatives can come.]

76 [Most Arab states, with the apparent exception of Jordan, are planning to attend. The Jordanians have been chary of attending Arab conclaves since the assassination of Prime Minister Wasfi Tal by a Black September team when he went to Cairo to attend a similar meeting. Jordan's problems with Egypt and the other Arabs may well be one of the topics on the agenda in Kuwait. The assembled Arabs will also discuss a coordinated Arab plan for dealing with the Israelis. Such a plan will not be easy to achieve.]

LEBANON: LEASHING THE FEDAYEEN

78 [The Lebanese Army is keeping a close rein on the fedayeen through roadblocks, checkpoints, ambushes, and patrols. The US defense attache in Beirut reported that no fedayeen have reinfilitrated into the areas that were cleared after the government issued its ultimatum on 17 September. The guerrillas have also been kept away from populated areas in the south and away from the border.]

78 [Nevertheless, the Lebanese Army does not want to take stronger measures that might provoke an all-out confrontation with the fedayeen. Such a development would strain the army's

resources and exact a heavy toll in Lebanese lives and property, especially in cities where the fedayeen are strong.] [So far, the Lebanese population, including the generally pro-fedayeen Sunni Muslims, have acquiesced in the government's policies. Army morale is high, and it is conceivable that the government may eventually try to impose further restrictions, such as control over the refugee camps.]

77 [Despite the army's success so far, the Lebanese, and guerrilla leader Yasir Arafat himself, are concerned about keeping extremists among the fedayeen in check. Continuing minor skirmishes between army units and undisciplined bands of guerrillas reflect the restiveness of the local fedayeen and the ineffectiveness of fedayeen leadership.] [The smaller, more extremist groups in the Palestine Liberation Organization repudiated immediately the September agreement that the leadership signed with the government. Within Arafat's own Fatah group, the largest of the fedayeen organizations, extremists have condemned Arafat for "capitulating" to the Lebanese; last month there were two bloody fights between pro- and anti-Arafat elements.]

72 [The power struggle within Fatah is stimulating further fragmentation of the organization. Fatah's terrorist arm, Black September, may be ready to split from its parent organization. Black September's militant leaders apparently believe they are losing out in the power struggle.]

80 [The Lebanese suspect that Syria is encouraging the infighting among the guerrillas in an effort to replace Arafat with someone more susceptible to Syrian control and less amenable to compromise with the Lebanese.] [Memories of Syrian intervention in Lebanon in 1958 and 1969 are still fresh in Beirut, and the Lebanese realize that a fedayeen movement directed by Damascus would be more difficult to contain. The Syrians reminded Beirut of their ability to cause trouble last summer when they instigated raids by one guerrilla group into Israel in violation of the "freeze" then in effect.]

SECRET

SECRET

CYPRUS: THE INTERCOMMUNAL TALKS

107 [A bit of progress has improved the climate for the intercommunal talks, now in their fifth month. At the urging of the UN participant, the mainland Greek and Turkish representatives have presented a proposal for reshaping the legislature to fulfill both national and communal functions. The proposed legislature would consist of 60 Greek Cypriot and 15 Turkish Cypriot deputies, a ratio more closely reflecting the relative size of the two groups than the 35-15 split specified in the 1960 constitution. In addition to national legislative functions, the two groups of deputies would meet separately to exercise the local government powers given by the 1960 constitution to the two communities.]

107 [The proposal has some attractive features for both communities, and Turkish Cypriot negotiator, Rauf Denktash, and his Greek Cypriot counterpart, Glafcos Clerides, have registered guarded approval.] [The two men are proceeding cautiously as they assess their communities' willingness to compromise and calculate what effect endorsement would have on their own careers.]

107 [Denktash, for example, reacted favorably to the proposal because it would force the Greek side to revive the defunct communal authority, thus supporting the Turkish contention that communal affairs should be left to the communities.]

111 [Once the proposal was made public, he said he had some serious reservations.] [Having announced his intention to run for vice president next February, Denktash clearly wants to avoid alienating those Turkish Cypriots holding out for complete local autonomy. At the same time, he knows Ankara, which supports a compromise solution, will have a major influence on the contest.]

107 [Clerides, meanwhile, also received the proposal favorably at first, because of its more equitable distribution of parliamentary seats.] [The Greek Cypriot Council of Ministers, however, has since cautioned Clerides to withhold endorsement until Denktash clarifies his position. In any case, the Greek Cypriot decision rests with President Makarios, who has yet to take a stand.]

112 [Even if the two sides adopted the new legislature, the road ahead would be rough. The negotiators would still have to face up to the question of which matters should be considered local and which national. This question has stalemated the talks in the past and could easily do so again.]

25X1

MOROCCO: ANOTHER FALSE START

113 [Last week, King Hassan appointed his brother-in-law, Ahmed Osman, to form a coalition government, but principal political leaders refused to negotiate with the prime minister - designate.] [Osman is the director of the royal cabinet, and most politicians view his appointment as clear evidence that Hassan does not intend to give up any of his power.]

116 [The principal opposition groups—the conservative Istiqlal and the two factions of the left-wing National Union of Popular Forces—had expected one of their ranks to be named prime minister. These opposition groups are all demanding a diminution of the King's power and major economic and political reforms as prerequisites for cooperation. The Istiqlal has added to the list the release of all political prisoners, the elimination of all foreign bases, and the nationalization of basic sectors of the economy.]

116 [Hassan apparently feels that the opposition price is too high. The parties' rejection of Osman is undoubtedly an embarrassment to the King and may well intensify his antagonism toward all politicians. He may direct that a government be formed without their backing in order to avoid a complete stalemate.]

25X1

SECRET

SECRET

OMAN: STATE OF A REBELLION

89 [The guerrilla struggle in Oman's Dhofar Province, which began as a normal separatist movement, is in its ninth year and has become a leftist-controlled war of liberation.] The ruler of Oman, Sultan Qabus, is optimistic about the outcome, but he knows the fight will not be brought to a quick end.]

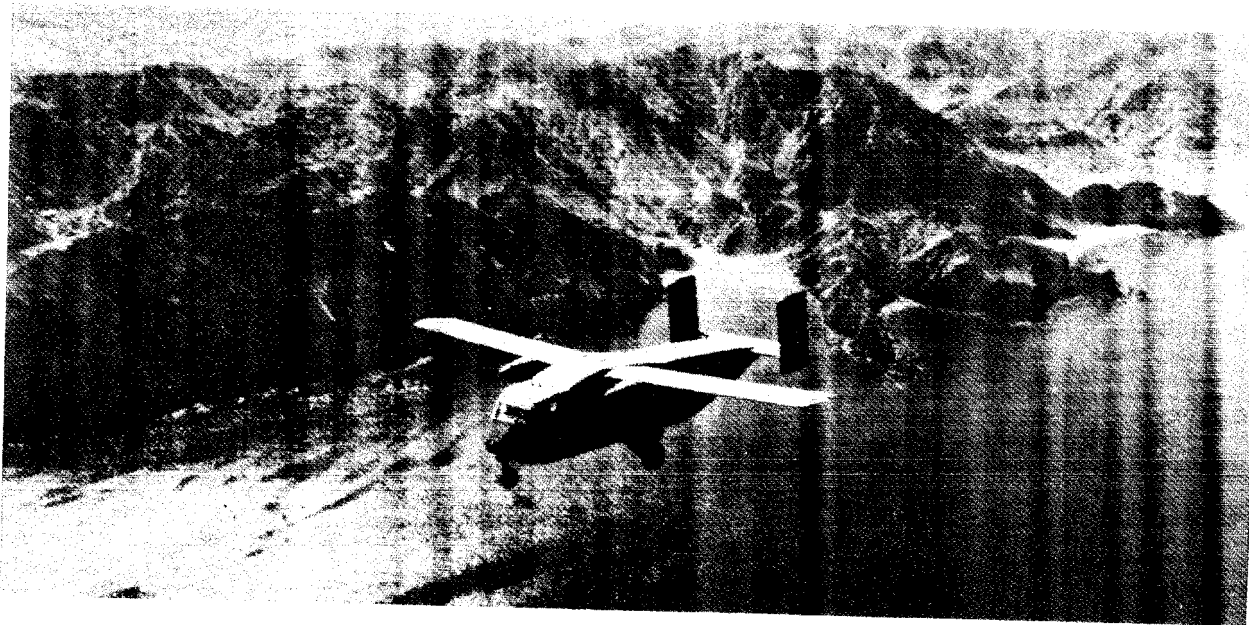
90 [The fighting goes on hundreds of miles from the country's population centers and does not directly touch most Omanis. Nevertheless, Sultan Qabus worries that vital domestic development projects may have to be postponed because of the growing costs of the war. More than half of the sultanate's annual revenue of about \$140 million—almost exclusively derived from oil—is being spent to combat the insurgents.]

91 [The 1,000 rebels operate in small bands, employ hit-and-run tactics and make good use of the difficult terrain. When pressed by the Sultan's forces, they pull back to sanctuaries in neighboring Yemen (Aden). The Aden regime appears

to be the only one in the Arab world that provides arms and money to the rebel Popular Front for the Liberation of Oman and the Arab Gulf. The group may also get a little aid from China.]

88 [Last month, the Sultan's British-led forces resumed their offensive against the rebels following the annual summer monsoon, which for the most part grounds the Omani Air Force. Much of the success of the Sultan's forces is attributable to the air force, especially its helicopters and Skyvan transports, which supply units in isolated mountain posts.]

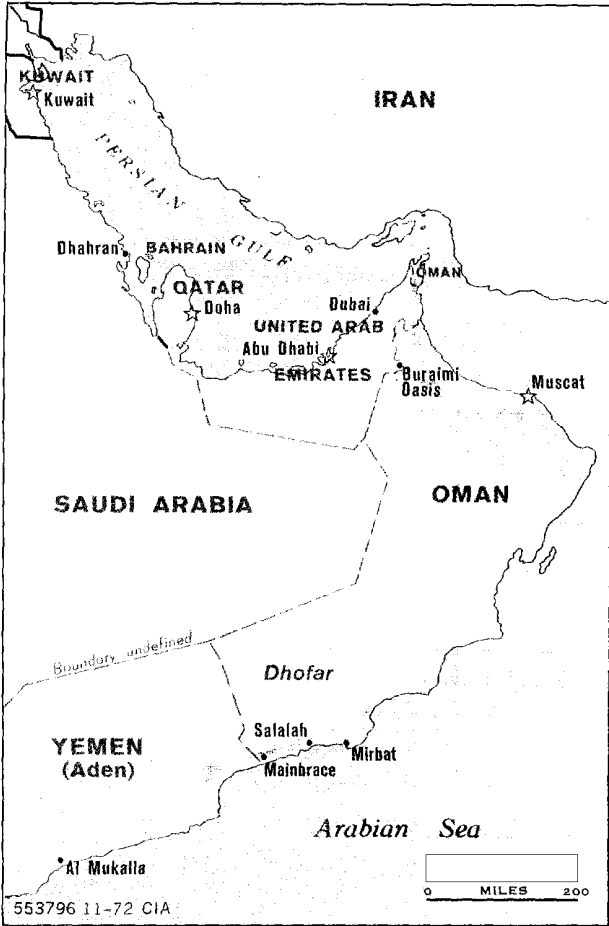
89 [In the coming months, Qabus' forces will step up Operation Simba, an effort to interdict the principal rebel supply line from Yemen (Aden). The operation is mounted from Station Mainbrace, a mountain-ridge army base and landing strip near the Aden border. More than 1,500 mortar and artillery rounds—up to 80 on some days—have been fired at the base since last April.]



An Omani Skyvan transport off the Dhofar coast.

SECRET

SECRET



is bustling with development. Roads around Salalah are still swept for mines, however, and barbed wire rings the town.]

92 [From headquarters in the city of Aden, the Popular Front reports a stream of military clashes with Omani forces—often exaggerating its success.]
75 [The biggest engagement of the year was back in July when a rebel force of about 200 attacked and almost captured Mirbat, a coastal town about 40 miles east of Salalah. Nearly 50 of the attackers were killed. Helicopter-borne reinforcements and jet sorties were necessary to turn the tide in favor of the Sultan.]

93 [Oman is receiving military assistance from the UK and several other countries. About 150 British officers lead the Sultan's army and operate his air force. In addition, Jordan has provided a limited number of officers, Iran is believed to have supplied several helicopters and crews, and about 100 Pakistanis hold middle-level and technical positions in the army.]

88 [Oman has tried to obtain financial aid from Abu Dhabi and Saudi Arabia, but has run into snags. Sheikh Zayid of Abu Dhabi is willing to provide funds for civilian development projects, but prefers not to have his aid used to buy military equipment. Zayid fears an adverse reaction from Arab radicals if he becomes closely associated with the military effort. Omani officials have been critical of Saudi sluggishness in responding to Omani requests.]

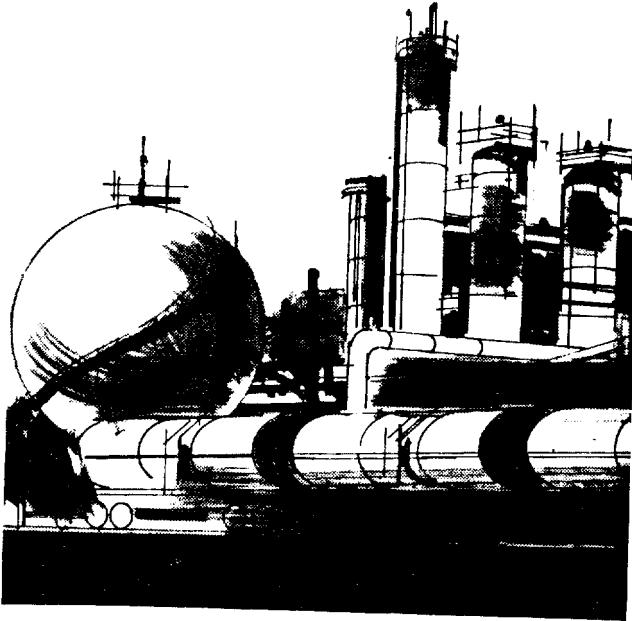
90 [Although Sultan Qabus has declined to set a timetable for crushing the rebellion, there are signs that the Omani efforts are succeeding. Morale in the Sultan's armed forces is reportedly high and the Dhofari provincial capital of Salalah

94 []

25X1

SECRET

SECRET



IRAQ: OIL AND THE ECONOMY

102 [The nationalization of the Iraq Petroleum Company's northern oil fields in June has not seriously affected the country's foreign payments position. Iraq's balance of payments probably will show a surplus this year, largely as a result of the sales of nationalized oil and austerity measures imposed after nationalization. The domestic economy, however, has been hard hit by the austerity measures, which have been unnecessarily severe. Discontent with the regime, in particular with strong-man Saddam Tikriti, is becoming more vocal within military and civilian circles, including the Baath party.]

104 [Although oil production was sharply curtailed immediately following nationalization, it has been coming back and now is about 1.4 million barrels per day, compared with the 1.7 million barrels per day produced in 1971. The current rate of production equals that just before nationalization.]

102 [Iraq receives hard currency for almost all of its oil exports. Basrah Petroleum Company and a

partly state-owned French company are buying about 1 million barrels per day. The USSR and East European countries are taking somewhat less than 100,000 barrels of crude oil per day as payment for military and economic aid in lieu of hard currency. Most of the remaining oil is exported under barter arrangements, some of which specify partial payment in hard currency. Since September, Iraq's oil revenues have been roughly equal to average monthly receipts in 1971.]

102 [Still, Iraq lost some \$130 million in oil revenues from curtailed output from June through August. Thus far, Iraq has received an estimated \$50 to \$90 million from other Arab nations to help make up the loss. To conserve foreign exchange, the government cut imports sharply, including those for development projects. Further savings of foreign exchange have occurred because of the favorable agricultural crop this year, which has permitted Iraq to export rather than import grain.]

105 [The austerity measures and the worsening domestic economic situation have not helped the image of the Baathist regime. The Baath justified nationalization by saying it would raise living standards. The claim looks hollow today. The "sacrifice taxes" imposed on all civilian and military employees, allegedly enrich Baath leaders and are a source of extreme irritation. Cuts in imports have resulted in shortages of consumer and capital goods. Most importantly, the development program, which was just beginning to show some real progress, has been sharply reduced.]

105 [The Beirut press has reported the existence of an alliance among a splinter from the Baath, disparate anti-Baath groups, and Kurdish leader Barzani, whose common goal is the elimination of the present regime. Neither this nor any other anti-government combination now seems in a position to unseat the present leaders without outside assistance—say from Syria or Iran. The Baath leaders may be somewhat at odds with each other, but they will probably be able to hang together enough to maintain control by means of strict security measures and terrorist tactics. [REDACTED] [REDACTED]

25X1

SECRET

SECRET

INDIA: ECONOMIC DIP AHEAD

123 [National income this year is likely to decline
+ for the first time in six years. The modest gain of
124 about four percent a year in recent years resulted
+ primarily from good weather and good crops, but
125 the drought this year will reduce farm output
+ markedly. Prices of food grains and other basic
126 consumer items are rising, while per capita in-
+ come, hovering around \$100 per year, is declin-
127 ing.]

128 [The Green Revolution and five successive
+ years of favorable weather, which brought India
+ steady increases in farm production, account for
+ the economic growth since 1967. Because of
+ erratic rainfall this year, the food-grain crop is
129 likely to decline to 95 million tons, about 11
+ million tons less than the last crop year. The fall
+ crop now being harvested is down sharply from
+ last fall. Inadequate soil moisture and fertilizer
+ supplies and some farmer resistance to expansion
+ of irrigation now threaten the spring crop.]

130 [Barring a sharp reversal in the prospects for
+ the spring grain crop, New Delhi will need food-
+ grain imports next year well above the 450,000
+ tons already planned. New Delhi's current grain
131 stocks of 5.5 to 6 million tons are probably
+ adequate to meet the requirements of the public
+ distribution system for the next six months. New
+ Delhi is reluctant to deplete its stocks, however,
+ and probably will seek grain from abroad. It has
+ not requested a resumption of US PL-480 ship-
+ ments, which, until halted late last year, provided
+ the bulk of the country's food-grain imports.]

132 [Industrial production, in a slump for two
+ years, shows little sign of recovery. Public and
+ private investment are in the doldrums. Govern-
+ ment harassment, indecisive industrial policies,
+ and threats of stepped-up controls, especially over
+ large private industries that have capital to invest,
+ continue. There are a host of other problems:
133 shortages of raw materials, spare parts, and im-
+ ported capital goods; transport bottlenecks;
+ electric power shortfalls; strikes and labor unrest;
+ and managerial weaknesses. Many industries are
+ operating well below capacity.]

134 [Imports of raw materials and spare parts for
+ industry and fertilizer for agriculture could al-
+ leviate some of India's problems. New Delhi, how-
+ ever, is reluctant to increase such imports for fear
+ of depleting foreign exchange reserves and pre-
+ cipitating foreign exchange difficulties. Despite a
+ high level of foreign exchange reserves—now at
+ \$1.1 billion, or the equivalent of about six
+ months' imports—India's foreign exchange com-
+ mitments are heavy, and reserves have dropped by
+ \$85 million so far this year. Exports are not doing
+ well, and foreign debt payments and defense-
+ related foreign expenditures are rising. Net for-
+ eign aid slumped to \$500 million last year, com-
+ pared with an average annual \$900 million
+ throughout the 1960s.]

25X1

TURKEY: MELEN SOLDIERS ON

135 [Prime Minister Melen appears to be weather-
+ ing the squall that blew up when the Republican
+ Peoples Party withdrew support from his govern-
136 ment.] Although the military leadership chose to
+ avoid a government upheaval at this time, Melen's
+ fundamental problem remains: how to enact the
+ reform legislation the military wants.]

137 [The catalyst for the Republican Peoples
+ Party action was the recent passage of a new
+ five-year development plan, which the party de-
+ nounced as capitalist-oriented. In addition to dis-
+ agreement over social and economic matters, per-
+ sonal relations between Melen and Republican
+ Peoples Party leader Ecevit had been souring for
+ months.]

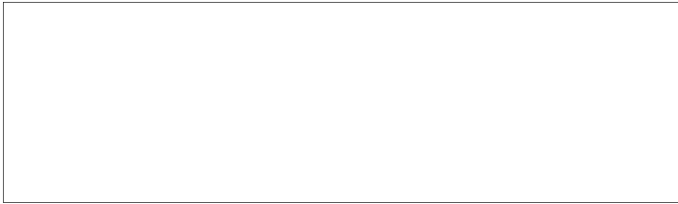
25X1

UNCODED

SECRET

SECRET

25X1



party's members of parliament will resign from the party before the dust settles. Turkey's elder statesman and former party leader, Ismet Inonu, has already resigned and may seek to succeed President Sunay when his term expires in March. Ten Republican Peoples Party parliamentary delegates resigned earlier this year over the party's drift to the left and formed the Republican Party. At least some of the new defectors may join that group.

25X1

Although the military leaders have played down the Republican Peoples Party withdrawal,

they still intend to press for the reform program. Melen has had very little success in moving the program through the legislature. If the program continues to languish, the military may replace him with another "above-parties" prime minister or even assume direct control.

As for the Republican Peoples Party, it seems to have been weakened considerably, at least in the short run. Perhaps 25 percent of the

Despite the defections, party purists apparently believe that their organization will be in a stronger electoral position because it can campaign as a genuine opposition. The more moderate Ecevit has promised to cooperate with the government on reform legislation—probably recognizing that without reforms the elections may not be held at all.

25X1

MEXICO: FOREIGN INVESTMENT

Businessmen and foreign investors are puzzled over the government's ambivalent attitude toward foreign investment. On the one hand, they are reassured by top government officials, including President Echeverria, that foreign investment is welcome when it "accelerates development, improves technology, produces exports, and contributes to the achievement of national goals." Most investors can live with provisos like these:

At the same time, however, they hear top government officials, including the President, say that foreign investment must adhere to lofty and hazy principles such as "service to mankind," "social functions," and "true collective needs." They no doubt also are concerned that the government take-overs of several private firms in the telephone, banking, mining, tourist, and tobacco industries, although not calamitous for business, will lead to more government control.

An indication that the government hopes to encourage certain types of foreign investment was the recent opening up of the "border industry" program to most of the country. This program offers foreign companies, mainly US, exemptions

from import duties and restrictive investment regulations as inducements to establish plants producing for export. Government officials clearly have swallowed their nationalism in this instance, chiefly because the program responds to the administration's economic goals—it creates jobs and expands export earnings.

Meanwhile, there are signs that the government is dissatisfied with several other aspects of foreign investment. The latest foray against private business was the establishment of a government enterprise to control the tobacco industry. Private tobacco firms, mostly US- and British-owned, will slowly be incorporated into the enterprise, which in time will engage in all activities connected with the production, processing, and marketing of tobacco. The government stepped in, one official said, to see that the best interests of the peasants and workers were protected.

In another area of foreign investment, the government may be about to take control of contracts to transfer technology. Officials have

SECRET

SECRET

often complained that Mexico is, among other things, paying too high a price for the use of foreign technology.] A law has been submitted to the legislature that would give the government almost complete control over such matters as the transfer of technical services and the leasing of and payment for patent and trademark rights between companies in Mexico and foreign firms.]

140



[The economic nationalism is partly for domestic political consumption, partly to spur Mexican firms to greater efforts, and partly to caution foreign concerns. Some of the actions the government proposes to take might inhibit foreign capital and technology, but it is more likely that its proposals will be negotiable. The government does not seek to undermine the operations of the domestic private sector and will back off from measures that seriously jeopardize Mexico's attractiveness for foreign capital. In many areas, the government is trying to stimulate private enterprise.]

136 [So far, no major Mexican businessman has taken public issue with the government and none is likely to do so. Should the government decide that the country's priority needs require closer control of the economy, more restrictions on foreign capital, and more take-overs of private firms, then a real test of wills between the government and the private sector may begin.]

THE STAGE IS SET FOR PERON

144 [President Lanusse has added his voice to those who expect former president Juan Peron to return to his native Argentina within a short time. Only hours after Hector Campora, Peron's personal representative in Argentina, announced on 7 November that the 77-year-old Peron would return on the 17th, Lanusse told the nation that the armed forces would guarantee the former president's personal safety and warned against any

breaches of the peace by either pro- or anti-Peronists.]

145 [This guarantee of Peron's personal safety nearly completes the arrangements for the trip. Travel arrangements have been made by Peronist leaders in Argentina who have chartered an Alitalia airliner for Peron and his entourage. Conflicting stories out of Madrid last week on the impending visit had sown considerable confusion among both admirers and enemies as to whether the aging ex-dictator was actually coming. Campora's announcement, after he had flown to Madrid to confer with Peron, seemed to reassure everyone that this time the promise to return would be kept.]

145 [Peron has said before that he would return. Once he even got as far as Brazil before being turned back. This announcement could be no more than another attempt to throw the opposition off balance and to pressure President Lanusse into agreeing to Peron's political demands. It seems more likely, however, that this time Peron has gone too far and must return or face a serious loss of prestige. He has been unable to maneuver the government into barring the trip, and the negative reaction of his followers to press stories that the trip was off probably warned him that his position as the leader of the largest political movement in Argentina would be seriously eroded if he failed to appear this time.]

145 [The speculation in Buenos Aires has been that when Peron returns, it will be for only a few days and for the purpose of personally endorsing an electoral accord with the military. The short lead time for the trip and the tenor of Lanusse's speech indicate that the Peronists and the government may be very close to an agreement on the conduct of the national elections next March and on the government that will take power in May. It is uncertain whether the accord will include an agreement on who will replace Peron on the Peronist ticket. It is doubtful that there has been enough time since serious negotiations began for the military and the Peronists to work out all aspects of an accord, but the trip could be postponed until some time in December or the details may be worked out after an agreement in principle is reached.]

25X1

SECRET

SECRET

CHILE

SETTLING DOWN

146 [The naming of the army commander, General Prats, as interior minister was the key to halting the long protest shutdown. His agreement to join the cabinet, along with an air force general and an admiral who accepted lesser portfolios, lent military prestige to President Allende's government and provided an implicit guarantee to the opposition that the legislative elections next March will be fairly conducted. The retention of strong civilian ministers and the choice of several new ones indicate, however, that Allende plans only tactical moderation of the political and economic policies that led to the shutdown.]

149 [Prats' first order of business as interior minister was to meet with the protest leaders. He offered terms that differed little from those

Allende had offered three weeks earlier. This time the offer was accepted, in part because of the exhaustion of the strikers' finances but also because Prats was a guarantor. The terms are more political than economic, and although Prats may have commitments from Allende to back him up, neither man may be able to control the more reckless members of the government who are bent on reprisals.]

152 [In fact, despite the easing of political tensions and the restoration of economic activity, the entrance of the military into the cabinet is not a source of satisfaction for many Chileans. There are military officers who believe that Prats' decision to bolster the Allende government reflects his own ambitions more than the interests of the military, and they will judge his conduct accordingly.]



Prats and Allende
Tensions Easing

SECRET

SECRET

157 [Many of Allende's own political advisers yielded only reluctantly to the President's long-standing desire to get the military more deeply involved. They rightly suspect that this move strengthens his position more than that of the Popular Unity coalition. The Communists are fundamentally suspicious of the military, and most Socialists believe the military ministers will be a stumbling block in the rapid imposition of the coalition program. Some striking groups are not convinced that their interests will be protected; others find the conditions of the government's terms less than reassuring.]



Tear Gas Disperses Strikers, October 1972

148 [Allende, having reasserted his authority, may now go ahead with the trip he had planned to Mexico, Cuba, and UN headquarters later this month. Some reports include Moscow on the itinerary.]



STRIKE AFTERMATH

156 [Although the shutdown is over, the damage to the economy will continue to be felt for several months. The shutdown contributed to serious supply and distribution problems; to increasing shortages of farm supplies, such as fertilizers, seeds, and pesticides; and to a further delay in plantings. Harvest prospects, poor before the strike, have worsened appreciably because the interruption occurred at the height of the planting season. Food stocks are at their lowest level in many years, and imports of high-cost foods such as beef and butter have been cut because of foreign-exchange shortages.]

158 [Initially, the shutdown had little effect on industry because industrial workers did not participate. As the strike continued, however, many firms began to run out of the raw materials and components normally delivered by striking truckers. Grain shortages at mills in Santiago threatened serious bread shortages, while other industries also were pinched. When retail outlets closed, inventories of finished goods began to pile up. Production in many plants will have to be held down until raw materials can be obtained and inventories of finished goods depleted.]

158 [In the near term, available transport facilities largely will be used to meet immediate needs for grain, fuel, and other necessities, consequently, shortages of less critical items are likely to persist. The transportation system, which was strained before the shutdown began, will be hard pressed to eliminate the accumulation of goods that have piled up. One of the striking truckers' major grievances was the shortage of tires, batteries, and other spare parts. Repair time for both the truck fleet and the nation's railroad stock has been increasing. Moreover, port congestion became more severe during the strike as few goods were removed from the wharves or port warehouses after they were unloaded.]

155 [After four weeks, during which only limited consumer supplies were available, housewives' larders are severely depleted and restocking will increase the demand for goods in short supply. Since stores reopened, supplies of many essential consumer items have simply disappeared from the shelves.]

157 [During the disruptions, President Allende pushed ahead with the nationalization of several large private firms, and many of these will not be returned. With this exception, all trucks and businesses requisitioned are to be returned to their owners now that the strike has ended. The government, however, almost certainly intends to retain a much larger role in the marketing and distribution process than it had before the disruption.]



• • •

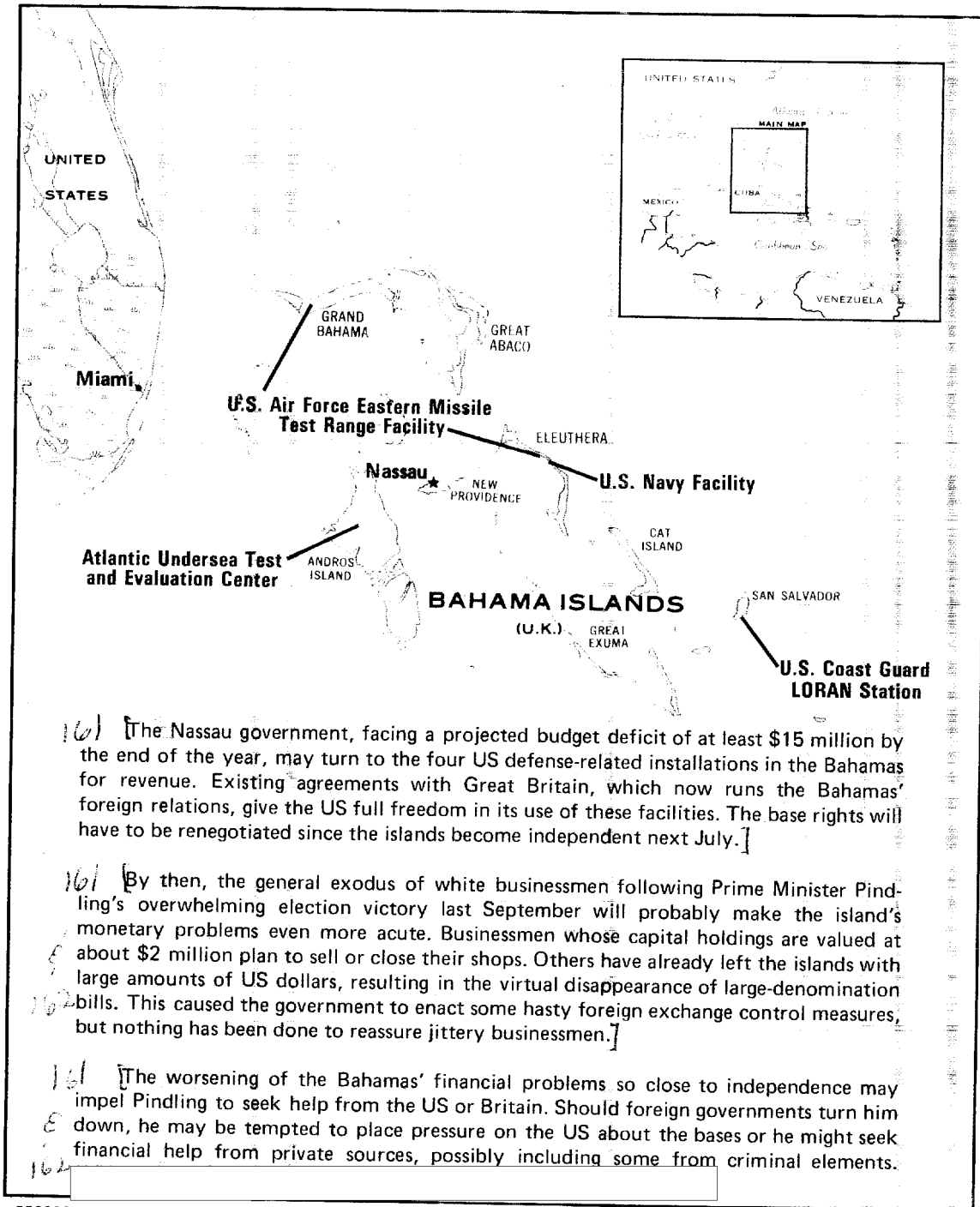
SECRET

25X1

25X1

SECRET

BAHAMAS MAY SEEK HELP



161 [The Nassau government, facing a projected budget deficit of at least \$15 million by the end of the year, may turn to the four US defense-related installations in the Bahamas for revenue. Existing agreements with Great Britain, which now runs the Bahamas' foreign relations, give the US full freedom in its use of these facilities. The base rights will have to be renegotiated since the islands become independent next July.]

161 [By then, the general exodus of white businessmen following Prime Minister Pindling's overwhelming election victory last September will probably make the island's monetary problems even more acute. Businessmen whose capital holdings are valued at about \$2 million plan to sell or close their shops. Others have already left the islands with large amounts of US dollars, resulting in the virtual disappearance of large-denomination bills. This caused the government to enact some hasty foreign exchange control measures, but nothing has been done to reassure jittery businessmen.]

161 [The worsening of the Bahamas' financial problems so close to independence may impel Pindling to seek help from the US or Britain. Should foreign governments turn him down, he may be tempted to place pressure on the US about the bases or he might seek financial help from private sources, possibly including some from criminal elements.]

553802 11-72 CIA

SECRET

25X1

Page Denied

Secret

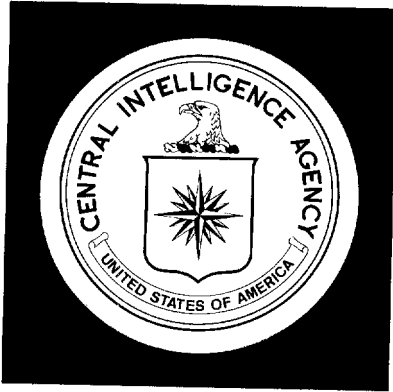
Secret

Page Denied

Next 15 Page(s) In Document Denied

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Soviet Naval Operations Off West Africa

Secret

№ 43

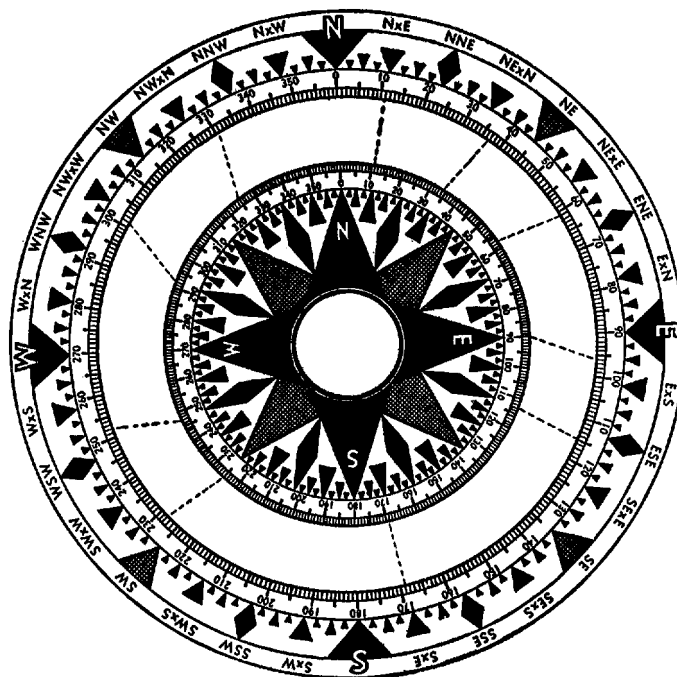
10 November 1972
No. 0395/72B

Page Denied

Next 1 Page(s) In Document Denied

SECRET

25X1



SOVIET NAVAL OPERATIONS OFF WEST AFRICA

14 [Moscow has been quietly developing its naval operations in the waters off West Africa during the past four years. As a consequence, the Soviets have achieved short-range political and economic gains in West Africa as well as a potential beachhead for future military operations.]

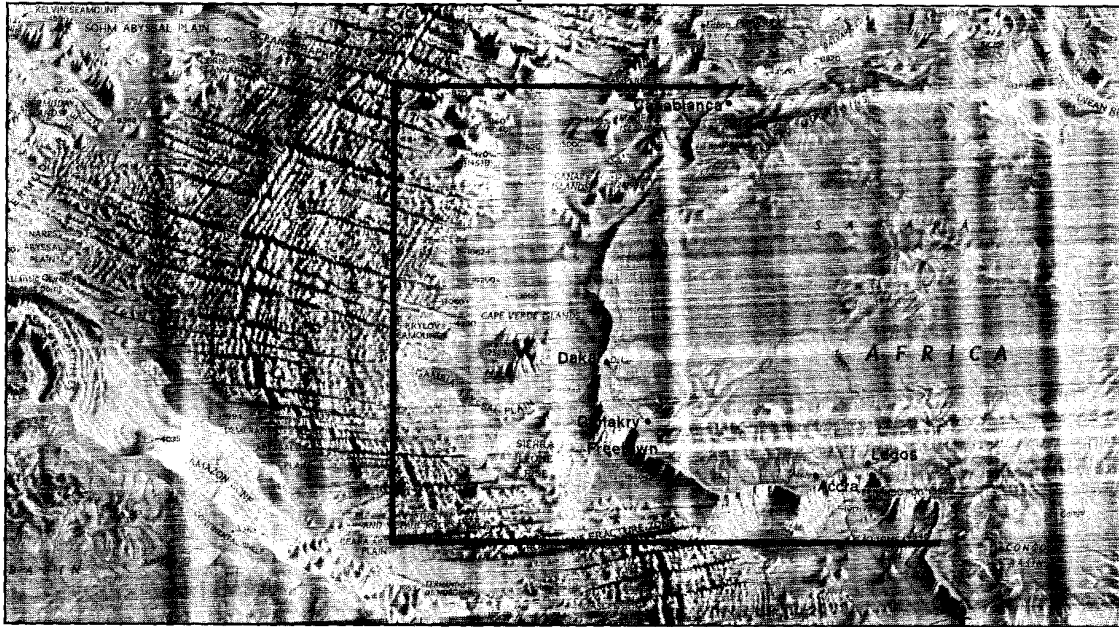
14 [On occasion, these Soviet naval operations have assumed an aspect of old fashioned "gunboat diplomacy." For example, in 1968, the Soviets used these limited operations to coerce the Ghanaian regime following Accra's seizure of two Soviet fishing trawlers. More recently, Moscow has used its navy to support the Guinean Government since the Portuguese-sponsored raid on Conakry in November 1970.]

SECRET

SECRET

25X1

Area of Soviet West African Naval Operations



553786 11-72

12 [The Soviet naval force off West Africa since late 1970 usually has consisted of two surface ships and a support ship. Measured in ship days, these operations make up less than five percent of the total Soviet naval activity on the high seas and are only about a third of the level of Soviet operations in the Indian Ocean. They are noteworthy primarily because they represent an example of the limited use of naval power to further Soviet interests.]

14 [West Africa is but one area where the Soviet Navy is being used for political effect. Soviet warships have also been used to further Moscow's political objectives in the Mediterranean, the Caribbean and the Indian Ocean. The spread of these operations reflects the general expansion of the Soviet Navy's world-wide mission.]

Ghana: Pressuring a Small African State

14 [In October 1968, Ghana seized two Soviet fishing trawlers that had violated its territorial waters. The Accra government suspected the trawlers were rendering clandestine support to subversives seeking to restore the ousted Nkrumah.]

13 [In early February 1969, two Soviet missile destroyers, a diesel submarine, and an oiler left the Mediterranean and headed south

along the African coast. The Soviets apparently wanted to make certain that the Ghanaians were well aware of the warships and had them stop en route for a short port visit in nearby Guinea.]

13 [The port visit in Guinea was unusual in that Moscow announced not only the arrival of the ships and their anticipated length of stay, but also confirmed their departure. The Soviet warships then moved to a station off the coast of Ghana—not close enough to be

SECRET

SECRET

25X1

seen from the beach but where they could be spotted by Ghanaian patrols.]

13 [The presence of the Soviet warships apparently contributed to Accra's decision to release the trawlers and their crews, although a stern diplomatic note from Secretary Brezhnev, Soviet economic pressures, and the failure of Ghanaian officials to find any proof of espionage activity doubtless also contributed to Accra's decision to let the Soviets go. Nevertheless, Moscow had used its navy in a limited show of force to increase its political leverage against a small African state.]

Guinea: Propping Up the Toure Regime

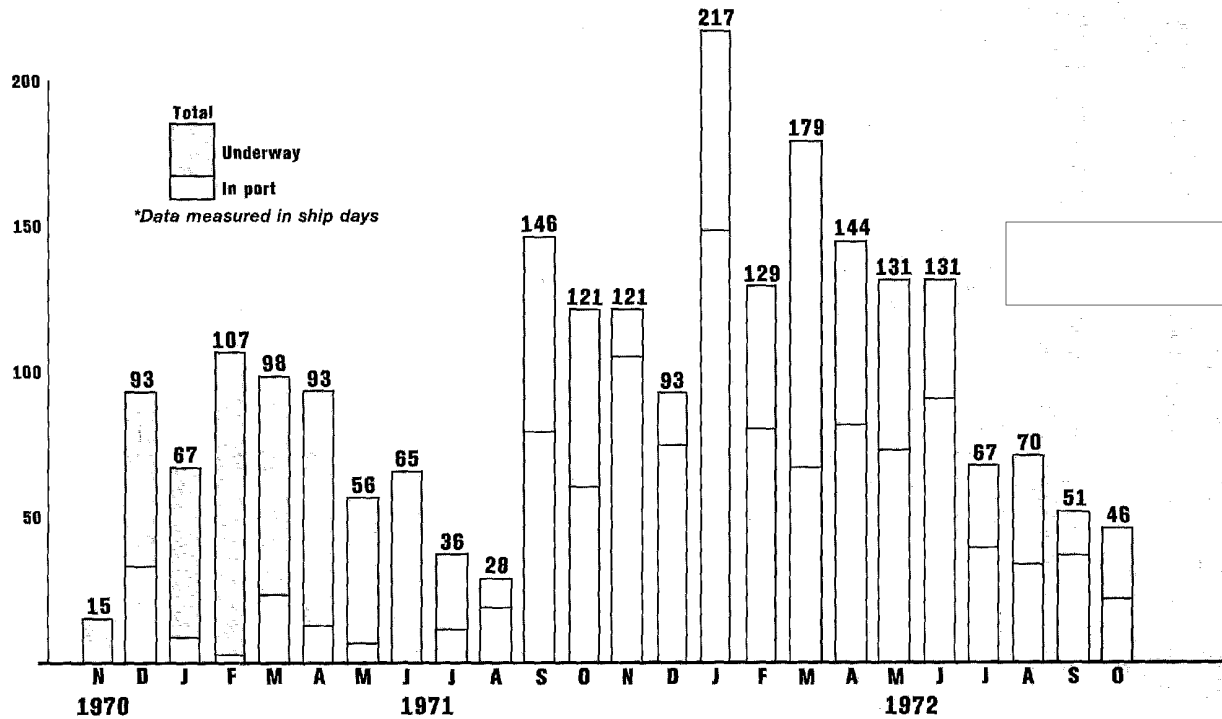
14 [Moscow's initial involvement in Guinea was back in 1958 when Soviet aid proved instrumental in keeping the Sekou Toure regime afloat. At the time, the French abruptly granted Guinea independence and withdrew their support. Since

then, Soviet-Guinean relations have remained generally cordial, but with some strains. Although President Toure emphasizes his country's membership in the socialist camp, he is fundamentally an African nationalist who reacts strongly to any development he believes compromises Guinea's sovereignty or his dignity. Toure has expelled Soviet ambassadors on two occasions because he suspected them of links with enemies of his regime.]

// [Moscow also has been involved economically in Guinea, including cooperative ventures with Conakry in fishing and bauxite mining. Soviet military and economic assistance to Guinea from 1958 through 1971 amounted to \$215 million dollars. In 1971, Moscow exported \$12.4-million worth of goods to Guinea while importing about \$3.3 million—primarily bauxite and agricultural products.]

25X1

WEST AFRICA: Scope of Soviet Naval Operations*



553793 11-72 CIA

SECRET

SECRET

25X1

WEST AFRICAN OPERATIONS
NAVAL UNITS BY TYPE*

1970	1971	1972 (through October)
1 destroyer	1 destroyer	1 missile cruiser
1 missile destroyer	7 missile destroyers	5 missile destroyers
1 tanker	1 attack submarine	2 destroyers
<u>3 total</u>	2 landing ships	2 attack submarines
	1 repair ship	5 landing ships
	2 replenishment ships	2 replenishment ships
	<u>5 tankers</u>	8 tankers
	19 total	<u>1 submarine tender</u>
		26 total

*Including naval-associated merchant ships.

1A [The Soviet naval involvement came as a direct result of the amphibious assault in November 1970 on Conakry by a combined force of Portuguese military elements and Guinean exiles opposed to Toure. President Toure—fearing subsequent Portuguese attacks—asked several nations, including the USSR, for assistance in the defense of his government.]



25X1

i4 [These Soviet missile ships probably were not the primary deterrent to further Portuguese attacks, and it is not likely that they would have engaged hostile aircraft. Toure, however, may have believed that they would.]

14 [In August 1971, an Alligator-class landing ship joined the Soviet naval contingent in Conakry. It had a light load of amphibious vehicles and a small complement of troops. When fully loaded, a ship of this type can carry a battalion of some 500 troops plus their amphibious equipment, which includes PT-76 tanks. Alligator landing ships have been used for political effect in the Middle East and in the Indian Ocean, where they have engaged in naval exercises and staged military demonstrations for friendly states. By mid-1972, the Alligator had become the mainstay of the Soviet contingent in Guinea. Thus far, the Soviets have not used the ship for a naval demonstration in Guinea.]

25X1
25X1

12 [In the early period Soviet naval ships off Conakry usually consisted of two destroyers and an oiler. Two surface-to-air missile (SAM) ships were in the small force that visited Conakry in March 1971. Since then, a total of ten other SAM-equipped ships have called at Conakry.]



SECRET

SECRET

25X1

In September and October 1972, one of these landing ships, anchored in Conakry's harbor, moved close into shore opposite the presidential palace during night-time hours in an apparent show of increased protection of Toure. The move took place during Guinean independence celebrations when Toure was claiming that another invasion was imminent.

25X1

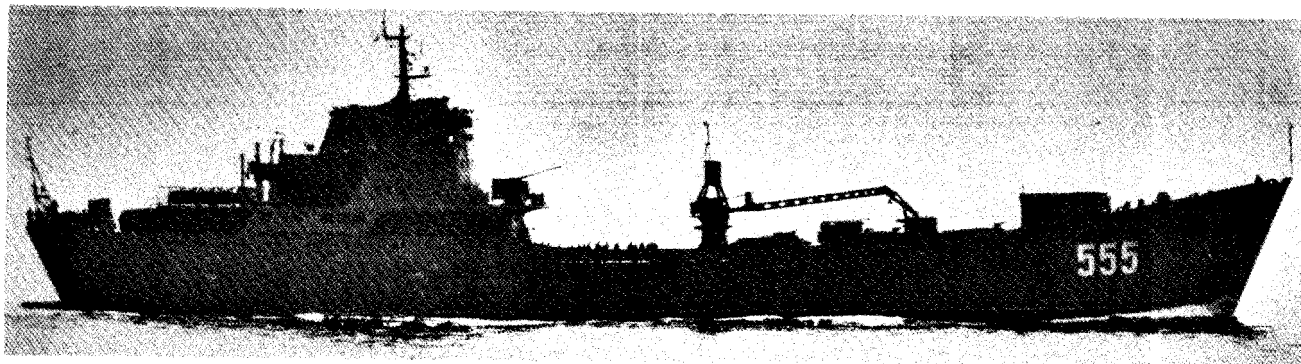
Scope of Soviet Operations Off West Africa

/2 [The largest Soviet force to make the scene off West Africa included a Kresta-class guided-missile cruiser, a Kotlin-class guided-missile destroyer, an Alligator-class landing ship, an F-class diesel submarine, and an oiler. This force visited Conakry last January before heading for the Caribbean.]

/2 [During 1971, the average length of stay per ship was 59 days, while total ship days exceeded 1,000. Between August and December 1971, the Soviet ships spent more than a third of their time in port. Thus far in 1972, the level of operations is 60 percent higher than in 1971, and the Soviet ships visiting Conakry have spent virtually all of their time in Conakry port or at anchor off nearby Tamara Island.]

/2 [Moscow appears to be keeping only as many ships in Conakry as deemed necessary to assure President Toure of Soviet protection. Since July 1972, there has been a decrease in Soviet naval activity in the waters off Guinea. The landing ship returned to Soviet waters in mid-October, and a lone submarine tender has been maintaining the Soviet presence in West African waters. President Toure, however, is again showing the jitters with the approaching second anniversary of the Portuguese invasion, and a Soviet destroyer and tanker that are headed toward Conakry could arrive in port by 10 November.]

Alligator Class Landing Ship



SECRET

SECRET

25X1

12 [The Soviet naval foothold in Conakry has provided a convenient base from which to make good-will visits to other West African ports. Since early 1971, for instance, Soviet warships and auxiliaries have visited Freetown in Sierra Leone and Dakar in Senegal, as well as ports in Morocco. Moscow also has a fishing fleet working off Guinea. In addition, several Soviet space support and oceanographic survey ships frequently operate in these waters.]

Indian Ocean. Conakry, however, has not become a regular way station for the Soviet Navy.]

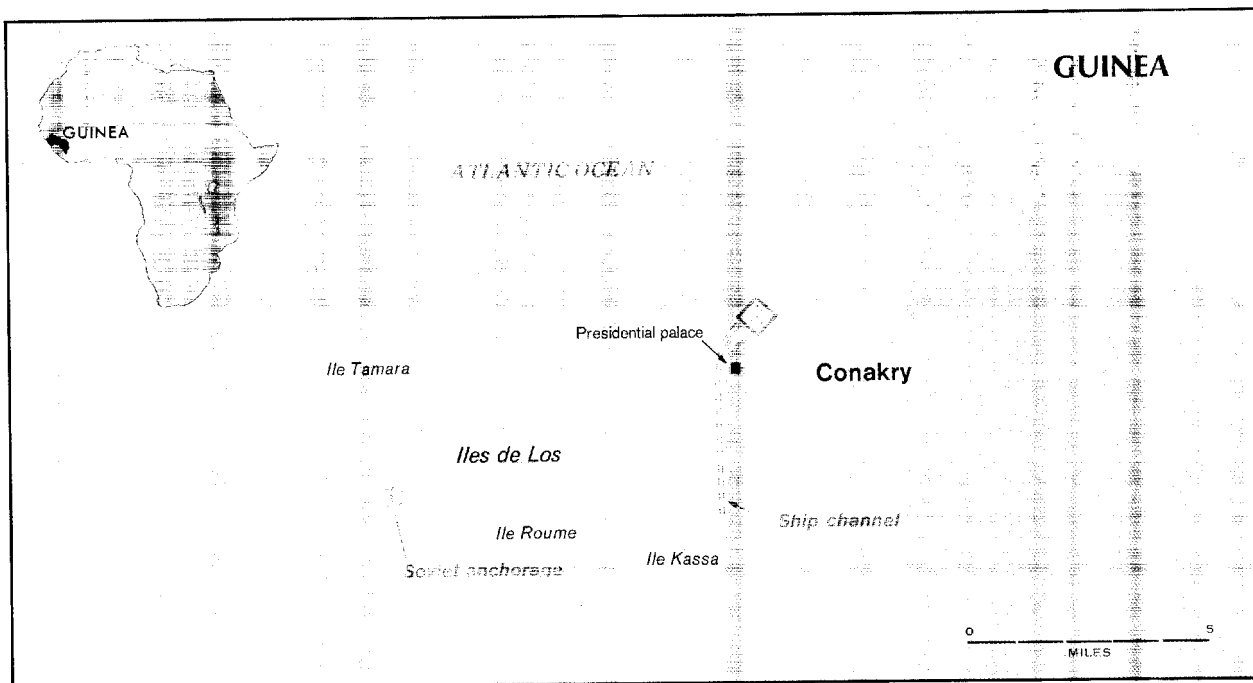
14 [Nevertheless, Conakry could provide a well-located shore facility for Soviet submarines. The waters off West Africa could be used for logistic support of submarines in wartime or during periods of prolonged tension when Moscow might not wish to force its way through the Norwegian Sea where NATO's anti-submarine warfare forces are concentrated.]

Potential Soviet Military Gains

14 [Although the Soviet Navy is off West Africa more for the political than the military gain, there are some military benefits]

12 [The West African ports that the Soviets frequent are convenient stops for warships to and from European ports and the Indian Ocean. During 1971, for instance, three of the naval units stopping in West Africa were on their way to the

14 [In 1967, a Soviet submarine tender, a cruise-missile support ship, and a nuclear-powered cruise-missile submarine spent three months in these tropical waters evaluating logistic support methods for submarine operations on the high seas. Several other submarines and surface ships operated with this group for shorter periods. In early 1972, Moscow also sent its newest naval replenishment ship, the *Boris Chilikin*, to West African ports for an apparent evaluation of its fleet support capabilities.]



553784 11-72

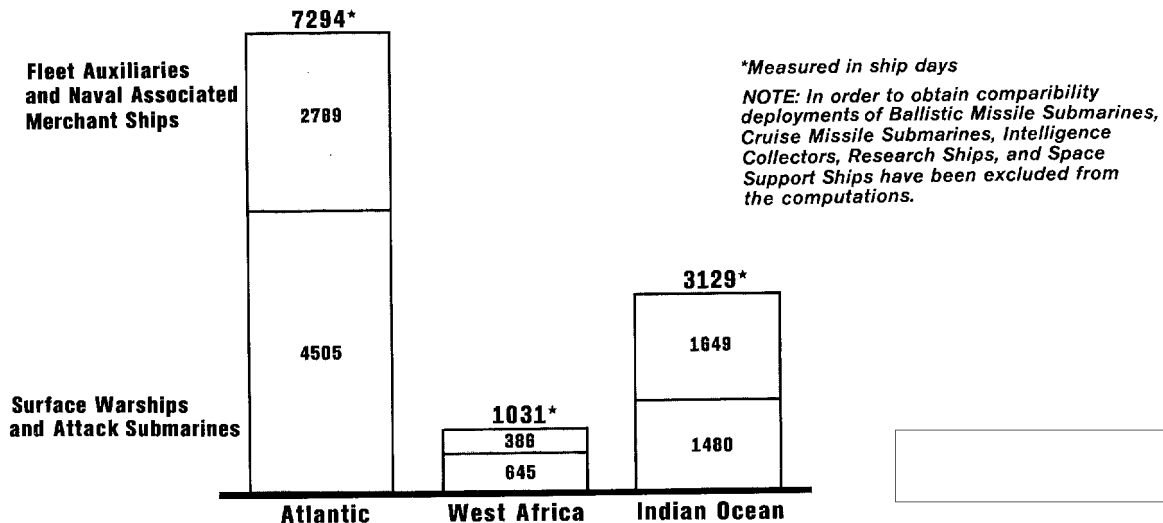
SECRET

SECRET

25X1

25X1

Statistical Comparisons Soviet West African Naval Operations 1971*



553794 11-72 CIA

14] In a general war with NATO, the Soviets would almost certainly try to get a large part of their submarines to sea. A submarine tender operating from a port such as Conakry could provide support services such as replenishment, change of crews, and minor repairs. In addition, a Lama-class cruise-missile support ship located there would permit Moscow to resupply its cruise-missile submarines and surface ships, most of which carry no on-board reserves.]

12 [The Canary and Cape Verde basins are areas of frequent operations of Soviet oceanographic research ships. Unique hydrometeorological and oceanographic conditions make this area a significant zone for research into basic ocean sciences. Much of the oceanographic and hydrographic activity conducted there thus far does not appear to be directly related to anticipated military operations. Soviet hydroacoustic research ships have worked the waters east of the mid-Atlantic ridge for the past ten years. The ridge forms an effective sound barrier between submarine detection systems in the western Atlantic and submarine transit lanes and operating areas to the east. In

addition, space-support ships stationed in the Canary and Cape Verde areas monitor the re-entry phase of Soviet manned-space operations as well as the injection from earth orbit of Soviet space probes.]

14 [Use of a port facility in West Africa for resupply could extend the duration of present distant patrols by Soviet submarines in the western Atlantic. This could increase on-station availability of the submarines by as much as 30 to 60 percent.]

14 [Soviet submarines fitted with the new 3,100-nautical-mile missile would be within potential launch range of the US coast soon after leaving Conakry, but the problems involved in basing ballistic missile submarines overseas probably weigh against such a use. Attack submarines using cruise missiles and torpedoes operating from a base in Guinea, would be only a few days from vital Western shipping lanes from Europe to South America, South Africa, and the Indian Ocean. The jumbo tankers carrying oil from the Middle East to Europe and North America would

SECRET

SECRET

25X1

14 be vulnerable to Soviet submarines operating in these waters. By the end of this decade, about 25 percent of the US total crude oil supply and over half of its imports will traverse these seaways. About 75 percent of Western Europe's oil imports, or two thirds of its total supply, will also be delivered via this sea route.

facilities, there are significant political reasons why the Soviets would be reluctant to make the heavy economic and military commitment necessary to establish a permanent base in Guinea. Moscow, moreover, realizes that Toure is unlikely to grant such facilities. The Soviets have been burned often enough in becoming deeply involved in the support of one-man regimes. In this context, they appreciate that their present entree into Guinea is largely due to Toure's distrust of his own security forces' ability to protect him and that an overbearing Soviet presence might unleash nationalistic forces that could erode whatever gains the Soviets have made.

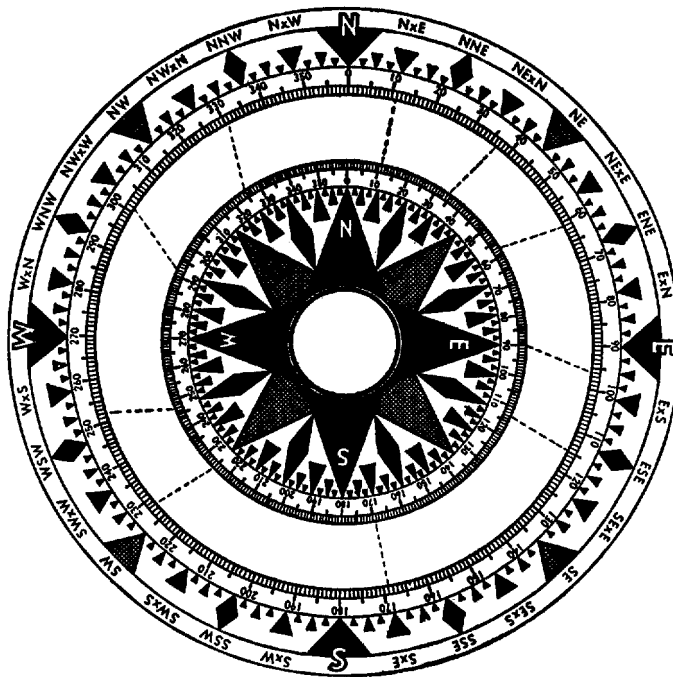
[Redacted]

Rumors have abounded since 1959 that a Soviet submarine base would be built on Tamara Island but Moscow has not pressed the issue. Despite the military advantages that might be gained by such

[Redacted]

25X1

25X1



SECRET

Secret

Secret