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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

NAVY review  
completed.

State Dept. review  
completed

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9 March 1973  
No. 0360/73

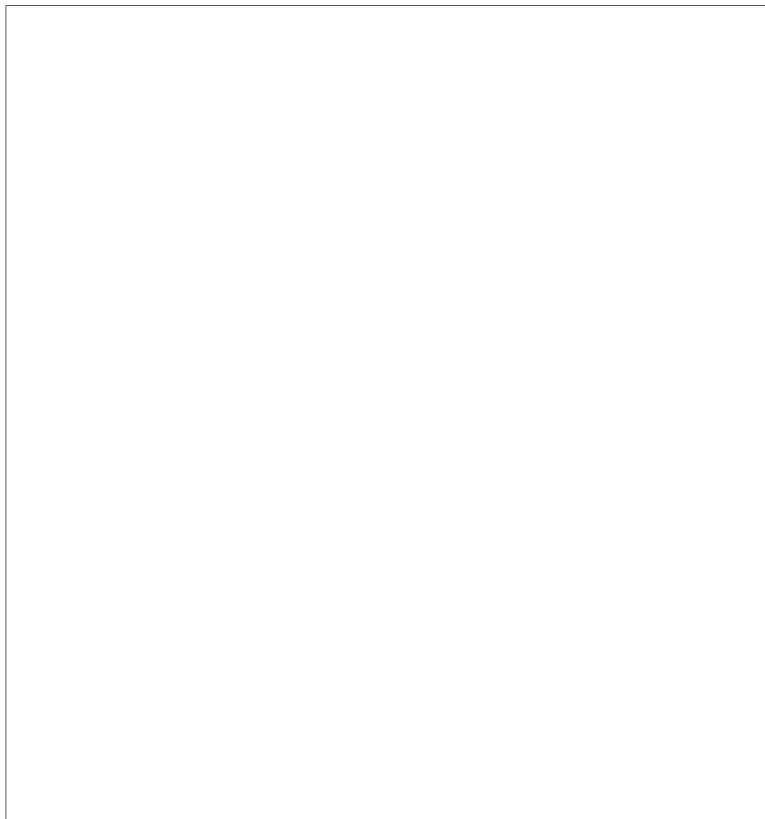
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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

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(Published separately)

Cuba's Diplomatic Gains

Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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## good omens from paris

(No omens)

The international conference on Vietnam came off last week without a really serious hitch. There were a few polemical lapses on the Communist side and a possibility that POW problems might disrupt the proceedings, but with the US and North Vietnam doing most of the substantive work away from the conference table, there was never much real chance of extended controversy at the sessions themselves.

Although some delegations were nonplused that the conference itself had so little to do, most of the participants were satisfied with the outcome. The North Vietnamese were clearly pleased with the central role they played, and the treatment of the final conference document in their media indicates they think they have an arrangement they can live with. In particular, Hanoi seems to see worthwhile benefits emerging from its new relationship with the US.

Although Moscow and Peking refrained from an open airing of differences, their competition for influence in Hanoi surfaced once or twice. Foreign Minister Gromyko started the process in his opening statement when he called on the conferees to recognize the Viet Cong as a government. According to the press, he subsequently twitted his Chinese counterpart, Chi Peng-fei, for failing to urge such recognition. Chi responded after the signing of the final declaration by issuing a statement describing the Viet Cong as the genuine representative of the South Vietnamese people.

Moscow welcomed the results of the conference and generally played down the significance of continuing cease-fire violations. In his final remarks before leaving Paris, Gromyko emphasized that all sides must strictly implement the cease-fire accords—a message that was underscored to the Vietnamese Communist ambassadors in Moscow when they presented statements on cease-fire violations to Deputy Premier Mazurov on 2 March.

The Chinese have also blessed the conference's results. A *People's Daily* editorial on 3 March, echoing Chi Peng-fei's endorsement at the closing session, declared, "The signing of the Paris agreement has put an end to the war in Vietnam." The editorial restated Peking's promise never to "hinder or violate" the agreement and again called for its strict implementation. While the US was lumped with South Vietnam in a phrase which called for an end to violations, Saigon alone was singled out for "obstructions" to the agreement. The Chinese delegation in Paris appeared well pleased with the role they played in the conference.

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### SIGNING THE PACT

- Gromyko
- Nguyen Duy Trinh, North Vietnam
- Nguyen Thi Binh, Viet Cong

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### ELECTIONS

#### The Irish Change Horses

The Fine Gael coalition with Labor squeaked out a narrow election victory on 28 February, ousting the Fianna Fail party which had held power for all but six of the last 36 years. The new Dail will meet on 14 March to install Fianna Gael's Liam Cosgrave as prime minister. Brendan Corish of the Labor Party will become deputy prime minister; the full cabinet has not yet been announced.

The coalition won 73 seats in the parliament; Fianna Fail took 69, and two independents will probably support the opposition on a number of issues. Close as it was, the outcome was a signal



Cosgrave Congratulated By His Daughter

victory for the coalition, which initially seemed to have little chance to defeat Jack Lynch and his Fianna Fail. The coalition seized the initiative and put the government on the defensive on social and economic issues. Despite a last-minute effort, Lynch could not save the day.

The coalition profited from a system that allowed voters to list candidates in order of their preference and thus permitted some trading of votes between the two parties. Moreover, the presence of many hard-line republican candidates drew votes away from the Fianna Fail ticket. Finally, although the government had gerrymandered the election districts to favor its own candidates in 1969, the population had shifted enough by 1973 to cancel this advantage.

The stability of the new government will depend on several factors. The coalition has a number of internal differences to iron out, particularly in the realm of economic policy. The strong personalities in the top echelons of the coalition could also create friction. Cosgrave himself has been a target for younger Fine Gael members who regard him as too conservative. These internal problems, however, are actually fewer than those Lynch successfully faced during his last years in office, and the coalition, tasting power after a long stay in the wilderness, will be strongly motivated to resolve its differences.

Indeed, the key to government stability may well rest with the defeated Fianna Fail. The party had long seemed to assume that it was entitled to govern and is ill-prepared for its new role as the loyal opposition.

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Certain coalition members have already outlined the new government's economic policy. A temporary price freeze, a longer term national wage agreement, a new long range economic plan, and a reorganization of the tax structure are said to be involved. The new government is hopeful of selling an incomes policy to the unions by making social reform and price controls an integral part of the package.

#### A Close Thing in France

Contrary to many press reports, the governing coalition did not meet a significant rebuff in the first round of the French legislative election last Sunday. In fact, the round was something of a setback for the left, which won less than the opinion polls had predicted. The latest projections show that Pompidou's coalition can either win a slim majority on its own in the second round or retain control by enlisting centrist support.

Although the coalition went into the race trailing the leftists by 8 to 10 percentage points in opinion polls, it in fact trailed by less than four. It emerged with 38.4 percent of the total vote—slightly better than its performance in 1967, while the left alliance with 41.6, dropped two percent from its 1967 level. Pompidou's candidates won 50 Assembly seats outright in the first round, the left alliance nine, and the extreme left one.

In French legislative election, the percentage of votes in each district, rather than nationwide totals, determines the composition of the



Political Posters

Assembly. The government has drawn district boundaries to allow its candidates to be elected with fewer votes in more districts. Leftist voters, largely concentrated in highly populated urban areas, must expend large numbers of votes to elect a single representative. In the 1967 elections, for example, both the opinion polls and the actual voting showed the left leading by a margin comparable to that shown in the polls last week, but the government still ended up with 50 more seats.

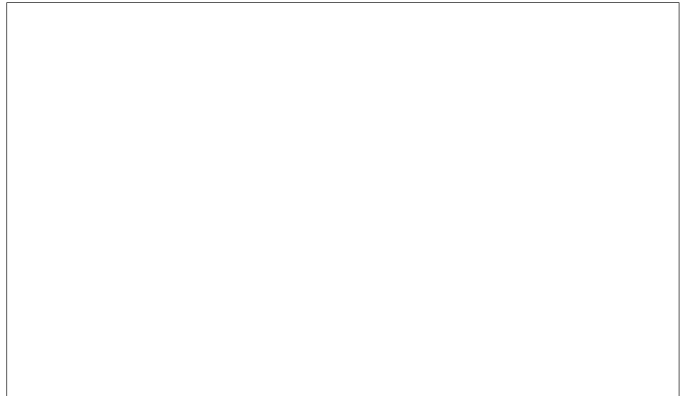
The past week has been filled with frantic bargaining in which the parties agreed to withdraw candidates in certain districts in return for backing in others. The governing coalition and the centrists agreed to withdraw in each other's favor in races where rivalry between them could ensure a leftist victory. In about 310 races, there will be a straight fight between a leftist and a Gaullist or centrist in the final round on 11 March.

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§ Within the left alliance such bargaining was complicated by the failure of the Socialists to achieve the lead over the Communists predicted in the polls. This strengthened Communist candidates in their reluctance to withdraw in favor of Socialists who ran behind but were actually more likely to win in the second round. Communist leaders, already wary of the dominant position Socialist leader Francois Mitterrand has established in the left alliance, have been concerned that the Socialists could emerge from the election as the major leftist party. The presence of a fair number of Communist candidates on the second ballot should in fact benefit the government. Polls of the crucial uncommitted third of the electorate have indicated that these voters would swing overwhelmingly to government candidates opposing Communists, but that they would split evenly between a government candidate and a Socialist.



13 Hector Campora is expected to lead in the balloting Sunday. Both Ricardo Balbin, the Radical candidate, and the conservative Francisco Manrique believe that Campora will fail to capture the majority needed to avoid a runoff and that he can be beaten in the second round due on 8 April. This reasoning is predicated on the belief that the Argentine electorate is primarily divided between Peronists and anti-Peronists and that Campora will be unable to attract much additional support for the second round.

13 This logic has been instrumental in convincing the military to go through with the election, despite its reluctance to risk the Peronists returning to power. The logic probably will hold up if Campora falls below 40 percent of the vote in the first round. The Radicals, who are expected to finish second, would then be able to put together an anti-Peronist coalition that would have a good chance of carrying the April runoff.

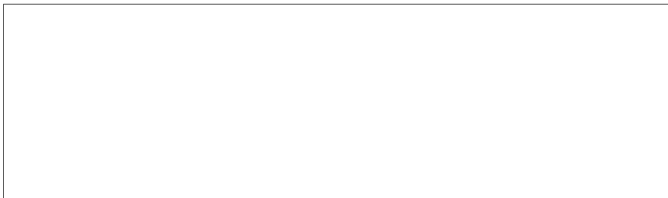
13 If Campora exceeds 40 percent in the first round, however, Balbin's chance of overtaking him in the second round would be slim. The Peronists should be able to attract another 10 percent of the vote from left-of-center tickets that did not qualify for round two. If Manrique should upset Balbin and win the second runoff slot, that, too, would play into the hands of the Peronists. Many Radicals would switch to the Peronists rather than vote for a conservative like Manrique.

13 A strong showing by Campora and by Peronist candidates for lesser offices would severely test the military's undertaking to turn

**First Round in Argentina**

|| Argentines will go to the polls 11 March amidst heavy security measures for the first round of the first national elections since 1965 and the first presidential race since 1963. Some 200,000 troops have been mobilized in an effort to assure orderly balloting.

|| President Lanusse is expected to announce that the state of siege that has been in effect since 1970 will be lifted for 24 hours on election day. The junta may decide against this action, however, in light of Juan Peron's call for "massive and violent protests," if the election turns out to be a "trap." Peron's definition of a trap appears to be any situation in which the Peronists do not win.



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power over to an elected government. A Campora majority in the first round or prospects for a second round victory would put strong pressure on the generals to take preventive action. If the way seems open to the Peronists and if serious violence erupts, the temptation to proscribe the Peronists or to postpone the runoff may well be overwhelming.

#### Chile: Winning With a Minority

The results of last week's congressional elections were a psychological victory for President Allende, and he is prepared to exploit it. The opposition polled 55 percent of the valid votes, but they had predicted a much larger majority and they lost legislative seats. The opposition majority in the 150-seat Chamber of Deputies was whittled from 93 to 87 and in the 50-seat Senate from 32 to 30.

Allende has contended that he can create a socialist system by constitutional means and with public approval, and he seems certain to push ahead. He has already proven adept at getting around congress. Even the minimal drop in the opposition majority will encourage him to greater use of the presidential "additive veto" powers to obtain legislation that Congress rejects. He is likely to renew his calls for a unicameral legislature and executive curbs on the judiciary.

Allende is also likely to ask the armed forces to prolong their active support of his government by remaining in key administrative jobs, including cabinet posts. If interior minister and army chief General Prats decides to stay, even officers squirming over their identification with an inept Marxist government would probably follow suit, seeing themselves as a much-needed moderating influence.

Moderation will need all the advocates it can get. Socialist Party candidates did so well in the election that this most radical element increased its primacy in Allende's Popular Unity coalition. The Communists almost matched their top showing but will still have trouble convincing the Socialists that the government must slow down its



Allende: The Psychological Vote

drive to socialism if it is to get the outside help Chile's reeling economy so desperately needs. The Communists feel the coalition must consolidate its gains to become less vulnerable. Since the five small coalition parties did very poorly, the two Marxist parties—and their differences—now in effect are the Popular Unity.

The small opposition parties also fared badly. The Christian Democrats, with around 30 percent of the vote and the National Party, with about 20 percent, are as uncongenial as are the Socialists and Communists. The Nationals' setting of the unrealistic goal of winning two thirds of congress in order to impeach Allende probably damaged the opposition campaign before the line was muted. The Christian Democrats had hoped that many low-income Chileans would vote against shortages and inflation rather than for their generally improved economic situation under Allende.

The Popular Unity's additional vote probably came primarily from the 40 percent of the electorate that had not been eligible to vote in a national election before. The Christian Democrats will probably now take steps to increase their appeal to low-income groups and may oppose the administration less adamantly. This course would lead to more differences with the Nationals, whose political appeal, the Christian Democrats probably calculate, has peaked in the present climate of discontent.

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## INDOCHINA

### Toward a Workable Peace in Vietnam

20 [The South Vietnamese Government is taking additional steps to comply with the cease-fire agreement and ease tensions with the Communists. It has agreed to open substantive talks with the Viet Cong in France with a view to setting up the Council of National Reconciliation and Concord and discussing elections. A delegation headed by Deputy Prime Minister Nguyen Luu Vien will leave Saigon for Paris early next week, and the talks are to begin on 19 March. The government has also agreed to release another quarter of their list of Viet Cong prisoners, as called for in the agreement, despite their belief that the Communists are holding back on the number of South Vietnamese they hold.]

21 [President Thieu earlier this week instructed his general staff to prepare new orders to all military commanders to reduce the level of fighting throughout the country, and generally to stop attacking the Communists. He also issued new orders to the national police to curb demonstrations and harassing actions against the North Vietnamese and Viet Cong representatives to the Four-Party Joint Military Commission. Finally, the President ordered a study of the effect of a demobilization of some 300,000 regular army troops. He cautioned that such measures should be kept in line with the demobilization and withdrawal of Communist units and that the army must maintain an adequate defensive capability.]

24 [Cease-fire violations are occurring in several areas, notably in the northern provinces, as both sides continue their efforts to improve their military posture. Most of the fighting consists of Communist shellings of outlying government positions and occasional counterattacks against South Vietnamese clearing efforts. [redacted] reflect a Communist intention to focus on the political side of the struggle for the time being; they will, at the same time, continue to rebuild and refurbish their military forces.]

### Politicians Oppose Thieu's Tactics

25 [As the Thieu government tries to broaden its political base through the Democracy Party and a new "popular front," one prominent Catholic group chose this past week to maintain its independence. The group formed the Freedom Party, which became the first to apply for provisional recognition under the presidential decree on political parties. It has the backing of influential Catholic bishops, who want to offer the people a choice between the Communists and the Democracy Party.]

26 [The Freedom Party has an uphill struggle to meet the stiff terms of the decree on parties. It will need substantial non-Catholic support to survive, since Catholics represent only about 10 percent of the country's population and the party will have to win 20 percent of the vote in the upcoming senate elections.]

27 [Leaders of the Freedom Party apparently are leaving the door open to join Thieu's popular front at a later date. The Catholic leaders fully agree with the front's anti-Communist objectives but are afraid the front will become a handmaiden of the Democracy Party. Some Catholics are considering cooperation with opposition figures like Big Minh.]

28 [Another opposition group has followed up Big Minh's recent call for a "third force" role by issuing a similar statement. A 29-member Lower House bloc, consisting largely of An Quang Buddhists and associates of Minh, claims that a majority of the people has not followed either side in the war and should play a key role in restoring peace and rebuilding the nation. The statement also contains one of the strongest public attacks on Thieu's political policies in recent months.]

### Laos: Marking Time Again

30 [Thanks to unusually energetic efforts two weeks ago, government and Lao Communist

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negotiators managed to conclude a peace agreement before the Paris Conference on Vietnam convened. The two sides now face another important deadline—forming a new provisional government by 23 March—but the joint commissions charged with implementing the agreement thus far have turned in a lethargic performance.]

27 [The commissions have met four times. Discussions at the sessions of the political commission have been marked more by cordiality than by substance. The military commission, which is supposed to work out the mechanics of the withdrawal of foreign troops and the exchange of prisoners, is bogged down over minor procedural matters. As was the case in negotiations for the peace agreement, the commissions are likely to limp along until chief Communist negotiator Phoumi Vongvichit returns from strategy meetings in Sam Neua and Hanoi armed with the necessary authority to make binding decisions.]

27 [While the talks in Vientiane tick along, the level of military incidents declines. Communist and government units near Paksong on the Bolovens Plateau traded the occasional shot during the week, and in the north Vang Pao's irregulars skirmished with North Vietnamese elements near the Plaine des Jarres. Elsewhere in the country, field commanders reported little action. As the fighting waned, the number of Lao T-28 bombing missions was reduced.]

#### Cambodia: Inflation and Unrest

31 [International interest in Cambodia may be focused on the military situation, but the urban Khmer is far more concerned about the economic problems engendered by the war. Rising prices are having an immediate effect in Phnom Penh, where inadequate incomes make it difficult for the residents to cope with the high cost of food and other necessities. Two organized groups in the capital, teachers and students, are expressing open dissatisfaction with higher prices on rice, gasoline, and electricity.]

31 [The teachers' meeting with several cabinet ministers was conducted in an unpromising atmosphere. Besides pressing their demands for higher wages, the teachers complained about the excessive salaries paid members of the national assembly and the presidential staff. At least one minister indicated his support for the teachers' complaints, but the rest of his colleagues denounced them. At the conclusion of the meeting, government spokesman Brigadier General Lon Non told the teachers that their problems would be aired at the next cabinet meeting. He acknowledged that official corruption was indeed widespread, but did not indicate that anything would be done to curb it.]

31 [Phnom Penh's university students, striking in sympathy for their instructors, received no more satisfaction from a meeting with government representatives. At last report, student leaders were planning a student congress for next week, presumably to put more pressure on the government.]

34 [The government probably will not back down on the inflation issue since higher, more realistic prices are an essential part of its economic reform program. It may, however, grant teachers a wage increase similar to that approved last month for factory workers. If the regime does stand fast, it is possible that the present frustration in Phnom Penh could eventually lead to public disturbances in the capital on the order of last September's rice riots. In any case, the situation does point to a paucity of popular support for the Lon Nol administration.]

#### The War Slows Down

32 [The Khmer insurgents stayed on the attack on several fronts this week. Most of their military effort was directed against widely separated government positions along the major road between Phnom Penh and the South Vietnam border. Cambodian clearing operations along several sections of the highway made little headway.]

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### CHINA: PEKING'S SIREN SONG

In the wake of the latest Sino-US communique, Peking has stepped up its campaign stressing reunification of Taiwan with the mainland. Through such devices as extended broadcasts to Taiwan, Peking gave wide publicity to a commemorative meeting on 28 February, the anniversary of an uprising of native Taiwanese against the Nationalists shortly after World War II. Peking propaganda had ignored the event since 1965; the last comparable celebration was in 1957. Speeches at this meeting, including one by former Nationalist general Fu Tso-i, who defected to the Communists during the civil war, have been widely publicized.

The speeches, which were generally conciliatory in tone, stressed Peking's determination to "liberate" Taiwan but made no reference to the use of force. While the speakers called for "unity of action" by people on the mainland and on Taiwan, the main appeal for reunification was clearly addressed to leaders of the Nationalist government. General Fu called specifically for direct negotiations, adding that informal contacts might be a first step if the Nationalists are not ready for formal negotiations. The speakers claimed that Taipei could not count indefinitely on US support and that neither Peking nor Washington would permit a "third party"—obviously the USSR—to guarantee the island's separate existence.

Since last autumn, Peking has engaged in a largely private two-pronged effort to move the Taiwan issue in the direction it desires. In talks with Asian and European officials, Chou En-lai and other Chinese leaders have emphasized that Peking does not contemplate the use of force to regain the island, that reunification may be a

prolonged process covering perhaps several decades, and that present foreign investment on the island would not be disturbed at least at first.

At the same time, Peking has actively attempted to influence a broad range of political, social, and economic groups on Taiwan to start thinking in terms of unification. Mainland leaders have encouraged Taiwanese living abroad and others with ties to the island to visit China, where officials have stressed the themes of reconciliation, flexibility, and "leniency" for political "mistakes." Pride in China's international and domestic achievements is played up while conditions on Taiwan are criticized. This may not be the wisest course, since the criticism is often unrealistic.

Peking obviously judged the time ripe to put this campaign in higher gear. Despite Taipei's tight controls on news from the mainland, the Communists may have succeeded in worrying the Nationalist leadership; recently two university professors and several students were arrested for "united front activities."

Conscious of their relative diplomatic isolation and suspicious of long-range US policy toward their government, the Nationalists have reacted cautiously to Peking overtures. Taipei has deprecated the overtures, but has avoided a categorical no. Rather, a regime spokesman refused to comment on Peking's appeals, saying that he did not want to dignify them by a reply. In any event, there is obviously more to come. The Communists have thus far not spelled out, either privately or publicly, their terms for reunification.

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The Philippines:  
**CROSSING SWORDS WITH ISLAM**

53 The Muslim problem in the southern Philip-  
pines has bedeviled governments in Manila since  
the Spanish first stepped ashore in the sixteenth  
century. President Marcos, like his predecessors,  
has vacillated between accommodation and armed  
force, but he is threatening to escalate this  
hitherto isolated security problem into an inter-  
national issue.

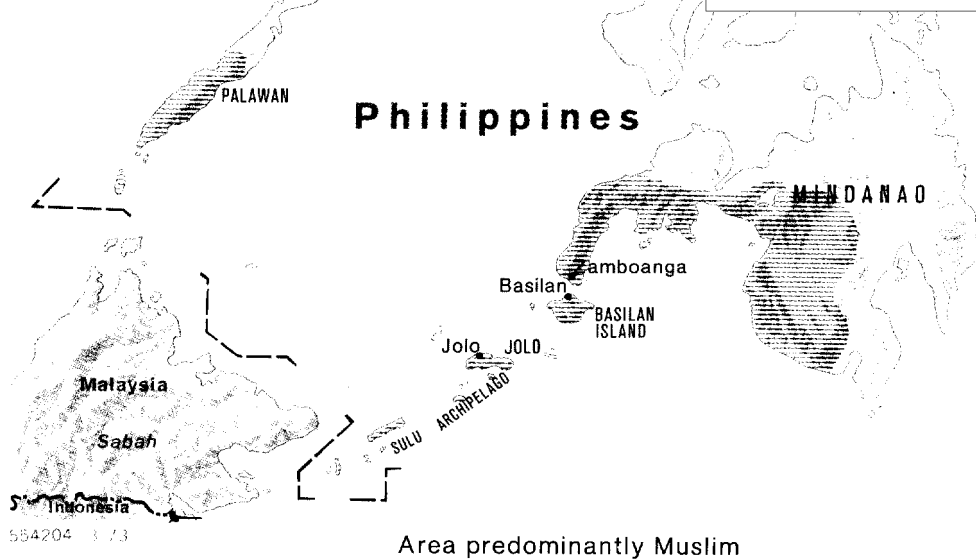
53 Although worried about Libyan involve-  
ment, Marcos is more concerned about Malaysia.  
The chief minister of the Malaysian state of  
Sabah, Tun Mustapha, has long been involved  
with Philippine Muslim dissidents with the  
knowledge, but not active support, of Kuala Lum-  
pur. Manila has already officially lodged a com-  
plaint with Kuala Lumpur, and if present military  
operations founder, Marcos will probably turn the  
heat on Malaysia.

48 A major military effort recently launched  
against Muslim strongholds appears likely to de-  
generate into an inconclusive but protracted af-  
fair. Charging that "foreign interests" are aiding  
the Muslims, Marcos has asked for emergency  
deliveries of US military equipment for his forces.  
The President may be proceeding on the assump-  
tion that if he can highlight the security threat in  
the south, he can persuade the US to raise the  
level of its military assistance program. He prob-  
ably also wants more US military supplies as  
tangible evidence that Washington supports him.

51 Malaysian Prime Minister Razak, noncom-  
mittal in public, is trying to use the Muslim issue  
to extract territorial concessions from Manila. In  
return for restraining Mustapha, Razak has asked  
Marcos to give up Manila's historical claim to  
Sabah. Marcos was instrumental in elevating the  
Philippine claim to a matter of national honor in  
1968, and he would find it difficult to retreat on  
the issue now.

50 Renewed government military pressure in  
the south could give some credence to charges by  
President Qadhafi of Libya, who interests himself  
in Muslims anywhere, that Manila is engaged in a  
campaign of genocide. Qadhafi has been trying in  
vain to orchestrate an international protest on  
Philippine actions against the Muslims, but thus  
far he has had little response.

53 Barring a further escalation of Manila's mili-  
tary or diplomatic offensive, Kuala Lumpur will  
probably remain aloof while closely monitoring  
the developing situation. The antagonism between  
Kuala Lumpur and Manila over the Muslim issue,  
however, could eventually threaten the develop-  
ing role of the Association of Southeast Asian  
Nations and the prospects for regional unity in  
general.



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**THE GERMANIES: SLOWDOWN ON DETENTE**

East German leaders are for the present declining to proceed on further agreements with West Germany. Pankow's chief negotiator, Michael Kohl, was uncooperative and "chilly" during a session with West Germany's Egon Bahr on 28 February. It was their first meeting since the basic treaty was signed last December, and Kohl rejected almost all of Bahr's initiatives, including discussions of a commercial air agreement and the mechanics of setting up diplomatic missions in Bonn and East Berlin. The two will meet again later in the month.

Pankow has achieved one of its main goals, international recognition, and will probably await ratification of the basic treaty this spring before moving on to follow-up agreements with Bonn on such matters as posts and telecommunications, and judicial relations. The East Germans may also be unsure how far Bonn will go on other issues, such as the accreditation of journalists. Pankow has accredited some West German journalists to East Germany, established a joint border commission, and opened new border entry points.

The unproductive Bahr-Kohl talks have deepened apprehensions in West Germany that Pankow will not implement all the cooperative ventures provided for in the basic treaty. Indeed, some West Germans are worried that the East Germans would like to discredit Chancellor Brandt's Social Democratic Party by sabotaging the treaty. Pankow's principal concern is the appeal of Brandt and the West German brand of social democracy to the East German people. While East Germany is likely to maintain a conservative attitude toward further inter-German cooperation for the time being, there is little evidence that it intends to renege on the agreements already concluded.

**YUGOSLAVIA: TITO LOOKS OUTWARD**

Apparently satisfied that his get-tough line in domestic matters is moving the country in the

desired direction, Tito is turning his attention to foreign relations. He seems interested in reviving, if possible, the nonaligned movement and in settling problems with his immediate neighbors, some of which grew out of his domestic concerns.

In an interview published late last month, Tito reacted to Western press speculation and some internal grumbling about "leaning toward Moscow." He asserted that nonalignment was Belgrade's only foreign policy. He weakened this somewhat by alleging that Soviet party leader Brezhnev "fully agrees" and that neither Egypt nor India had given up its nonaligned status by signing friendship treaties with the Soviet Union.

Believing that a policy of active cooperation with the Third World is essential if Yugoslavia is to avoid involvement in great power disputes, Tito has taken several steps to breathe life into the nonaligned movement and to ensure a key role for himself at the meeting of the heads of state of the nonaligned nations now scheduled for September in Algeria.

As a first step, Tito is trying to revive relations with his old nonaligned partner, Egypt. Tito received Egypt's Anwar Sadat in January and another Egyptian official in February. He has also sought Egyptian good will by calling for a Middle East settlement in letters to Western heads of state—including President Nixon. Stane Dolanc, number two man in the Yugoslav party, will lead a "powerful" delegation to Cairo later this month, and Prime Minister Bijedic is making a month-long trip which will include India, another of the old nonaligned states.

Tito has also shown concern about his neighbors. In late February, Dolanc spent five days in Bulgaria in a vain attempt to resolve the long-standing and sensitive problem of Macedonia. High level government contacts with Vienna and Rome appear to be taking some of the turn-of-the-year chill off Belgrade's relations

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with its closest Western neighbors. With this in mind, Foreign Minister Minic will meet with Italian Foreign Minister Medici at Dubrovnik in mid-March. The visit of Czechoslovak Foreign Minister Chnoupek to Belgrade this week marks a thaw in political relations with Prague, cool since the Soviet invasion and the downfall of Dubcek in 1968. [REDACTED]

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**UK: THE UNIONS AND THE BUDGET**

Prime Minister Heath is most unlikely to pit himself against the labor unions by calling a snap general election. Despite his party's poor showing in three by-elections last week, he remains determined to stand on his anti-inflation policy in the face of growing union militancy. The new budget, given a cool reception by labor leaders, aims at rapid economic growth and raises the possibility of exacerbating the already strong inflationary pressures.

The leaders of the Trades Union Congress failed to maintain control of the special meeting held on 5 March to discuss ways of opposing the government's anti-inflation policies. In particular, the leaders had wanted to avert any call for a general strike against the government's pay policy. Despite their efforts, the delegates overwhelmingly approved a resolution calling for a nationwide day of protest action and for help to unions engaged in disputes arising from government policy. No date has been set for the general strike, but it will be the first such national action by labor since the general strike of 1926.

In addition, further wildcat strikes by both moderate and militant unions are likely in the coming weeks. So far, Prime Minister Heath has been adamant about maintaining his wage guidelines and has given the unions no sign of flexibility. Thus, any resumption of government-labor talks in the near term appears unlikely.

The usually moderate gas workers' union has been on strike for some three weeks, forcing thousands of industrial plants to close and many households to restrict their gas consumption. The union announced that it intends to cut off household supplies early next week unless the British Gas Corporation stops supplying gas to industrial facilities. Such an action would create real hardship for individual consumers. Strikes by hospital workers have spread to more than 750 hospitals, forcing patients to go home. The railroad engineers have staged several one-day strikes that have caused massive traffic jams. In another potentially disruptive confrontation, the miners' union and the National Coal Board are at an impasse over fringe benefits.

Although the new budget took into account the needs of the poor and aged and tried to offer something to everybody, labor's response has been negative. The moderate general secretary of the Trades Union Congress, Vic Feather, said, "There was next to nothing to reduce the resentment aroused by the government's prices and incomes policy." Militant labor leader Jack Jones called it a "bad budget." Several measures, however, will appeal to the average citizen. The value-added tax scheduled to go into effect next month will not be placed on food or certain children's items, the elderly are to be given some tax relief, and a land hoarding charge should help to ease the housing shortage.

The budget aims at sustaining a five percent rate of economic growth over the long term. Growth is not to be halted either to reduce inflation or to cope with a current account deficit in the balance of payments. The government, of course, wants to control inflation and is calling for greater responsibility and effort all around. Public expenditures are expected to increase about 13 percent, but the government is trying to avoid adding to the inflationary spiral by posing that a higher proportion of savings be channeled to the government through savings bonds and other means. [REDACTED]

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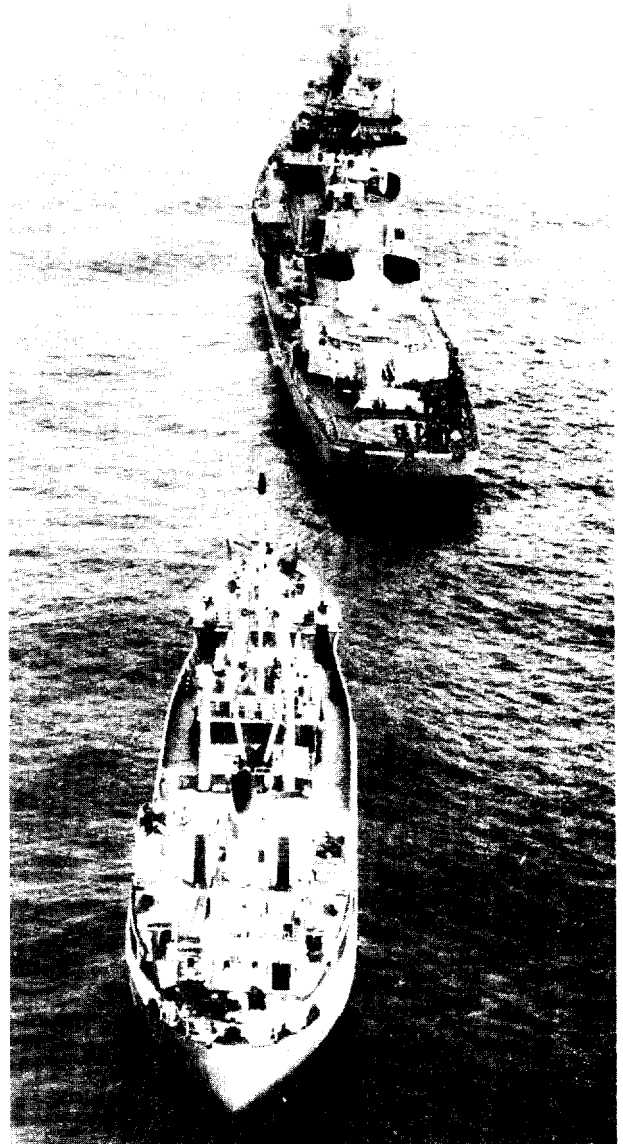
USSR: MEDITERRANEAN EXERCISE (67-01)

During the past ten days, the Soviets have added nine major naval combatants to the Mediterranean Squadron and have completed the initial phase of what probably will be a large-scale exercise.

The Soviets began to augment their Mediterranean force on 28 February and on 1 March sent the new Kara-class cruiser down from the Black Sea. The next day the Soviets sent two more ships from the Black Sea Fleet into the Mediterranean. One of these was the Moskva, a helicopter carrier that had not been out of the Black Sea for nearly three years. On 6 March the Zhdanov, a Sverdlov-class cruiser modified to serve as a command ship, entered the Mediterranean bringing the number of major combatants there to 14. A cruiser and destroyer returning home from Cuba also entered through Gibraltar on 7 March and may take part in the exercise.

The Soviet ships gathered at the Kithira anchorage near Crete. On 4 March they moved some 50 miles south of the island and began an anti-submarine warfare exercise. On 6 March the ships ceased operations and six of them, including the Moskva and the Kara cruiser, entered the Gulf of Sollum anchorage near the Egyptian coast.

When the naval activity resumes, other fleets could become involved, possibly as part of the impending Soviet multi-force exercise. During the last large-scale Soviet naval exercise—called "Okean"—in 1970, activity in the Mediterranean began some two weeks ahead of the other fleets.



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**SUDAN: SEQUEL TO BLACK FRIDAY**

73 [The execution by Black September, Fatah's terrorist arm, of three diplomats last week is still causing reverberations throughout the Arab world. The execution involved the first Fatah murder of hostages in cold blood—the Israelis at Munich were killed during an exchange of fire between police and the terrorists.]

prominent Black September member and 15 other fedayeen now under sentence of death in Jordan, the terrorists will probably now try to seize more hostages for the guerrillas held in Jordan as well as those in Khartoum.

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73 [In choosing the Saudi Arabian Embassy in Khartoum as the site, Black September trampled on Arab interests which have heretofore been sacrosanct. The Saudis are undoubtedly taking a hard look at their aid to Fatah. The Libyans, however, can be expected to keep Fatah financially afloat.]

73 [Numayri, deeply embarrassed and bitter, reacted this week by pledging just application of Sudanese law to the terrorists. Numayri pointed out that the murders were a criminal act which had "nothing to do with revolution or courage." The penalty for murder in Sudan is death. He pinned responsibility for the incident on Fatah.]

73 [Sudan's ties with Libya will reach the breaking point if Numayri's suspicions of Libya's complicity are confirmed. Two Sudanese employees of the Libyan Embassy are among six people arrested in connection with the Black September operation.]

73 [Black September, meanwhile, gives every indication of not being deterred from staging further terrorist operations. The curtailment of fedayeen operations against Israel by Lebanon and Syria leaves the fedayeen with international terrorism as a primary means of drawing attention to Palestinian grievances. Because the Khartoum operation failed to bring about the freeing of a



Terrorist on Balcony Watches Security Guard

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## INDIA: THE SAME OLD PROBLEMS

30 Religious divisions, ethnic, class and generational conflicts, regional jealousies, political antagonisms and the grinding problems of scratching a living out of an underdeveloped land are perpetual undercurrents of Indian life, but they seldom have flowed as close to the surface as they do today. With the unifying experience of war with Pakistan now only a memory, these time-honored problems impinge directly on Prime Minister Indira Gandhi's time and attention, detracting from her ability to govern the nation.

77 A highly visible example of this is her inability to turn aside the persistent demand by the residents of the Andhra region of the state of Andhra Pradesh for separation from the less developed Telengana section. Deep-rooted caste as well as economic pressures are at work, and both areas want separate statehood. Any show of accommodation from New Delhi could stimulate similar demands in other states. New Delhi has yet to propose a solution for this problem, which recently erupted into rioting that abated only after Mrs. Gandhi promised the separatists a fair hearing.



Nandini Satpathy

77 Mrs. Gandhi suffered a setback recently in the backward and perennially unstable state of Orissa. As part of an overall plan to substitute "progressives" loyal to her for more conservative regional or communal leaders, Mrs. Gandhi organized the collapse of Orissa's opposition-led coalition government in June 1972 and then brought pressure to bear on the Orissa Congress Party to accept her friend, Mrs. Nandini Satpathy, as chief minister.

77 Mrs. Satpathy proved unable to work with powerful vested interest groups within the party, and her attempts at land reform, as well as other efforts to implement Mrs. Gandhi's promise to "abolish poverty," alienated these and other important non-Congress groups. Defections from the Congress Party resulted, forcing Mrs. Satpathy's resignation on 1 March. Although the opposition claimed and probably had the strength to form a new government, New Delhi took over direct administration of the state two days later.

80 In recent months the overburdened prime minister has had to deal with student riots on university campuses, a prolonged teacher strike in the state of Haryana, and violence in Assam over opposition to a proposal that Assamese become the sole language used for higher public instruction there.

80 All these problems have arisen while Mrs. Gandhi is trying to cope with the most serious drought since the mid-60s. The drought has led to sharp rises in the price of food and consumer items. The prime minister's opponents have seized on the effects of the drought as an ideal issue on which to attack her in the 12-week parliamentary session which opened on 19 February.

80 None of these problems endangers Mrs. Gandhi's hold on the reins of power, but the "Indira Wave" which elected governments beholden to her in practically every state in March 1972 is losing force. Criticism of the prime minister, once rare, is on the increase, and although she is likely to win most of her battles, over the short run at least, the time when she could do this easily is at an end.

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A Gamble in Food

(S1 - S3)  
Despite severe food shortages and a predicted decline in production of 9 or 10 million tons in the crop year that ends in June the government has limited its purchases of foreign grain since December to about 1.65 million tons. So far, New Delhi has avoided large-scale imports by drawing down buffer stocks and reducing the government-subsidized grain ration. The government has said that it will reassess the need for further imports after determining the size of the spring harvest, which is just beginning.

New Delhi is no longer releasing data on its buffer stocks, but it appears that they have been reduced from 9.6 million tons in mid-1972, when

the drought began, to about 3 million tons. Much of what is left may be unfit for human consumption. Rations in most parts of India are being held at no more than half of the normal level. Nevertheless, there have been no reports of widespread starvation, largely because of the arrival of the first 200,000 tons of imported grain, greater government efforts to redistribute domestic supplies, and the beginning of the spring harvest in southern India.

Shortages of drinking water and animal fodder, however, continue to cause people and livestock to leave drought areas. These movements are expected to increase in the next few months, although government officials are confident they can cope with the situation if the monsoon begins on schedule in June. 7



Ration Line

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(81-83)  
 New Delhi's decision to limit food imports for the present is a calculated risk based on a combination of high hopes for the spring harvest, steep world prices for grain and shipping, a reluctance to ask for foodgrain imports on concessionary terms, and an unwillingness to draw heavily on its foreign exchange reserves. New Delhi has, however, continued to make small purchases of cheap grains, including 150,000 tons of grain sorghum obtained from Argentina. India probably paid about \$70 per ton for it compared with the current world wheat price of more than \$100 per ton.

The spring harvest probably will not be as good as the government anticipates. Unusually warm weather during mid-February in several parts of India expedited the maturity of the crop, but probably also reduced the yield. In the northern part of the country beneficial rain fell during the last week of February, and this may have improved crop prospects there.

New Delhi is pushing ahead with nationalization of the wholesale grain trade, hoping that by increasing the amount of grain in government hands, it can prevent further increases in food prices. A decision on large additional purchases of grain abroad probably will be deferred until the government determines how successful this move is, the size of the spring crop, and the extent to which the monsoon relieves the drought.

No New Soviet Credits

84 85 The first session of the Joint Indo-Soviet Commission on Economic, Scientific, and Technical Cooperation, although touted by both sides as heralding a new stage in bilateral relations, failed to produce new Soviet backing for India's 1974-79 economic plan. It was plain that new

Soviet undertakings would have to be financed from existing Soviet credits.

84 85 The commission was formed last year with the primary function of coordinating the Indian and Soviet five-year plans, but its first session does not appear to have produced concrete measures toward this goal. New Delhi, dissatisfied with the kind of aid provided in the past by the USSR, turned down Soviet offers for items that India can produce domestically.

84 Moscow did agree to expand the planned capacity of two important Soviet-assisted steel plants in India, but, again, the new assistance will cover import of only those items that cannot be produced locally. Expansion of these projects has been the subject of intermittent negotiations spread over several years. The Soviets also may provide financing for a large alumina plant and a copper facility.

84 85 It was agreed that prospects for increasing Indian production of goods for export to the USSR, including leather goods, industrial fasteners, auto parts, and slaughterhouse and electronics equipment would be studied. In addition, Moscow agreed to study the possibility of expanding imports into the USSR of products manufactured at existing Soviet-assisted projects in India; this would help these facilities operate closer to capacity. Under-utilization of Soviet-built plants has long produced strains between the Soviets and the Indians. The USSR also has come under fire for reselling rupee-financed imports from India to hard-currency markets.

84 85 The modesty of the commission's efforts undoubtedly fell far short of both Indian and Soviet expectations.

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**SECRET****MOROCCO: THE LONELY KING** (NO SOURCES)

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On 3 March King Hassan marked the beginning of the 13th year of his reign with the usual speech. If this year's was at all remarkable, it was for the unusual effort made to project an image of an all-powerful, benevolent, and paternalistic monarch. In fact, he is increasingly isolated and beset by problems with the economy, with restless students, and with a discontented military.

The King detailed the accomplishments of his regime. In noting the economic progress achieved during the last five-year plan, however, he ignored one factor that contributed largely to the country's economic growth—five consecutive years of unusually good weather resulting in bountiful harvests. The economic benefits are shared by a diminishing percentage of the country's elite, while the vast majority of the rapidly increasing population exists at a subsistence level.

Hassan referred obliquely to the regime's problems, promising merely to meet them firmly. He called on parents, teachers, and others involved in education to see that disaffected students are put on the proper path. As a sop to Morocco's radical nationalists and Pan-Arabists, he reiterated his intention to turn more to Islamic and Arabic education. He made no reference to last month's closure of the university or the lockout of half the student body.

The King expressed considerable confidence in the military, a tribute belied by restrictions placed on military personnel and the pervasive security measures surrounding his travel to Fez for the anniversary. A military promotion list, the first issued since the first coup attempt in July 1971, was another sop to his disaffected and demoralized forces.

Despite rumors that another military coup might be attempted, only one incident marred the holiday. An armed group, allegedly Libyan-backed, attacked an auxiliary unit in a traditionally troubled area southwest of Fez. Garrisons in the region have been put on reinforced alert. A number of attackers remain at large.

Meanwhile, in a speech on 22 February, Hassan announced that he would send "troops and war machines" to Syria, thereby keeping a promise made in mid-February to Syria's visiting foreign minister. The first contingent was scheduled to leave this

week and will include about 650 troops, at least 40 T-54 tanks, and ten 100-mm. assault guns.

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Hassan probably hopes to lessen the chances of another coup attempt against him by including in the contingent military officers whose loyalty he suspects. He has been faced with two military coup attempts within the last 20 months and is fearful of a third. His offer to Syria can also be viewed as a political move to refurbish his image at home and in the Arab world.

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**TURKEY: MAKING OF A PRESIDENT**

(S&amp;T-C)

[The election of General Faruk Gurler as president on 13 March now seems almost a certainty. Earlier this week he resigned as chief of the General Staff and was duly appointed to the senate by outgoing President Cevdet Sunay. The Turkish president is chosen by parliament from among its own members, and it is most unlikely that the 59-year-old Gurler would have stepped down had he not been assured of the necessary votes.

The chief of the Justice Party, Suleyman Demirel, and other party leaders are grumbling about Gurler, but have been unable to come up with another candidate. Gurler, as head of state, would be the fifth of the six presidents since the founding of the republic in 1923 to have come from the army. The only civilian was Celal Bayar, who was ousted in a military coup in May 1960.

As an officer, Gurler had the reputation of being a plotter and a political activist. He was one of those who, in the midst of leftist-inspired violence in March 1971, signed the military memorandum that forced the resignation of Prime Minister Demirel and called for parliament to enact basic social and economic reforms. In the two years that have elapsed, Turkey's conservative parliament has dragged its feet on the military-backed proposals. On 28 March when Sunay's seven-year term officially ends, Gurler may get his chance to see what kind of results he can obtain from a reluctant legislature.

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**OMAN: MAINBRACE HOLDS**

Quick foreign assistance has relieved the immediate threat to Mainbrace, an important government position near the Aden border, but action around the position may signal an increase in the tempo of the guerrilla rebellion in Dhofar, Oman's westernmost province. The action began in early February when forces of the Popular Front for the Liberation of Oman and the Arab Gulf increased pressure on a 500-man garrison at Station Mainbrace, which was established last spring deep in enemy-held territory with the idea of cutting off guerrilla supply lines from neighboring Yemen (Aden).

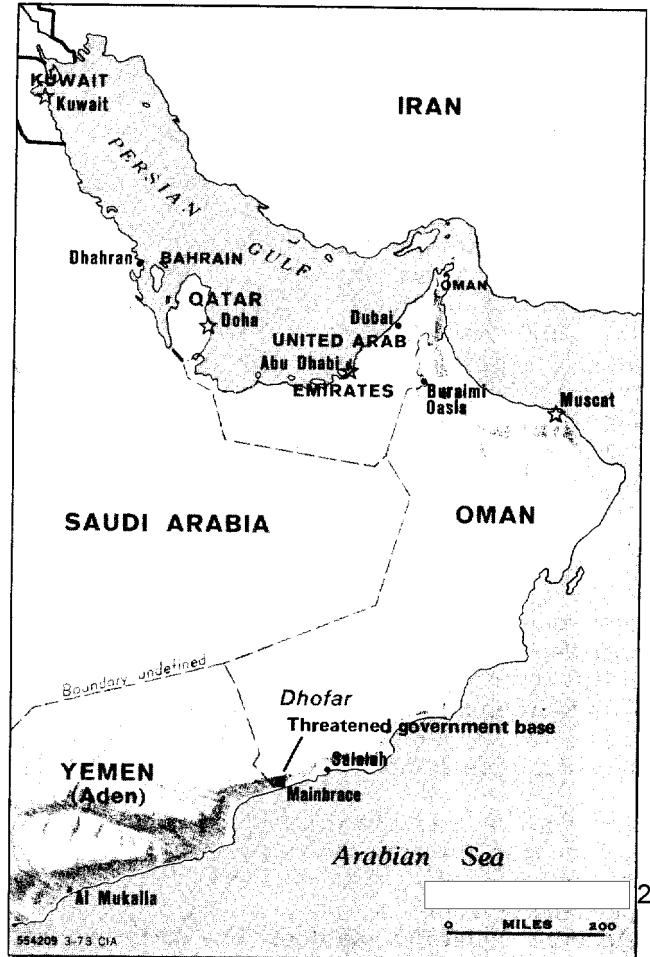
36 The Popular Front guerrillas may in fact have stepped up their efforts in response to Oman's own buildup. Although by late 1972 the Omani forces had achieved little better than a stalemate, their operations had hurt the guerrillas. Sultan Qabus' determined pursuit of the war could only bode ill for guerrillas. Both sides now seem determined to put a maximum effort into the war, and it is probable that the coming months will see an upsurge in activity.

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The emergency provision in mid-February of six helicopters by Iran and two by Saudi Arabia for resupply of Mainbrace has raised morale and lessened the possibility that the base will have to be evacuated. Abandonment of this forward position would be a serious psychological blow to Sultan Qabus' efforts against the guerrillas. Continued enemy shelling, heavier ground attacks, and a guerrilla buildup in the area, nonetheless, indicate that pressure on government positions at and in the vicinity of Mainbrace will not be eased.

The Popular Front may be receiving increased aid from Aden, which has for several years been the rebel's main source of both moral and material assistance. The guerrillas would be hard put to sustain any serious effort without this aid. The Adenis funnel Soviet arms to the guerrillas, and some of the increased Soviet deliveries to Aden in 1972 have probably found their way to the Dhofar front.

Oman itself has recently received infusions of economic and military aid from its neighbors. Oman now numbers among its benefactors Iran; Jordan, which has an advisory contingent in Dhofar; Saudi Arabia, which is giving developmental aid, military equipment, and instructors; and the United Kingdom. British officers are the mainstay of the Omani armed forces, and two British army units, one a training and the other an engineer unit, operate in Dhofar.



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GREECE: CONTINUING STUDENT PROBLEMS

(91-92)

Prime Minister Papadopoulos, furious over the continuing student unrest, is ready to take strong measures unless order is quickly re-established in the universities. In speeches on 2 March—first to senior educators and then to students—Papadopoulos said that the government will hold each campus faculty responsible for resolving its problems. If a faculty cannot control its students, the prime minister warned, the government will, "using every means available." In a conciliatory gesture, Papadopoulos added that no more students will be drafted into the military unless university administrations advise such steps.

Papadopoulos may well be convinced that anti-government elements, possibly including leftists, are behind the student problems. His tactics are aimed at scaring the students into submission, thus depriving anti-regime groups of a potential ally. In addition, Papadopoulos probably hopes that his action will prevent student discontent from spilling over into society at large. Nevertheless, the government's harsh measures could easily generate greater student defiance.

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[Redacted]

NICARAGUA: OPPOSITION BLUES

The only legal opposition party, the Conservatives, has split over how much cooperation to give General Somoza and his majority Liberal Party. The leader of one faction, Fernando Aguero, had threatened several times to resign as the Conservative Party's member of the triumvirate to protest Somoza's practice in the aftermath of the earthquake of bypassing normal government channels. Edmundo Paguaga and his faction feel the dwindling party has more to gain by cooperating with Somoza and contend that Aguero's leadership has been less than productive.

assembly elections rolled around last year, the 25 percent it "won" was partly a gift from Somoza to keep the only legal opposition from looking too bad.

It is now likely that Aguero will continue to lose support and will lead what remains of his faction into other political pastures—perhaps further to the left as he tries to appeal to some of the unregistered mini-parties. Paguaga, on the other hand, has said that he will make every effort to woo back Conservatives expelled by Aguero over the years.

Last week, the constituent assembly, acting on a request from the Conservative Party directorate, removed Aguero from the triumvirate and installed Paguaga. The shift preserves the established framework of the government and the facade of bipartisanship at least for the present. It also provides Somoza with a more tractable opposition representation.

Somoza, for his part, could have avoided much of the difficulty by keeping up appearances of governing through the bipartisan framework he had so carefully constructed. In an effort to streamline the post-earthquake operation of the government, however, he has run it almost single-handedly. The opposition, especially Aguero, has thus been denied even cosmetic trappings of power. For the moment, the change makes little difference, but the struggle for control of the minority representation and the ever more obvious weakness of that representation will undoubtedly discredit the bipartisan government even further over the coming year.

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URUGUAY: TROUBLE WITH CONGRESS

97 [Congress reopens on 15 March, and this could touch off the first challenge to the military's virtual control of government. So far, few of Uruguay's usually voluble politicians have commented publicly on the fact that the armed forces have appointed themselves overseers of public policy. Such restraint is not likely to continue, especially since the military officers seem intent on injecting themselves into a number of areas reserved for the civilians.]

94 [President Bordaberry, after capitulating to the military last month, seems pleased with the generals' desire to move forward in revitalizing Uruguay's deteriorating economy. If the congress tries to stop or impede the economic recovery plan, Bordaberry has hinted that he might resort to rule by decree. Or if the civilian opposition were too blatant, the President might with military support close the congress, thus dealing the final blow to what is left of the civilian institutional facade.]

96 [Meanwhile, the armed forces have quietly but quickly moved to establish their position in the government hierarchy. They have set up a National Security Council, consisting of the service chiefs and key government ministers. While the council ostensibly will serve at the pleasure of the President and advise him on policy, it will more likely be the tool by which the armed forces will dictate government operations.]

97 [The military also is pressing its campaign to stamp out endemic corruption. The campaign is likely to discredit large segments of Uruguay's political and business communities.]

98 [redacted]  
99 [redacted] The military probably will purge its own ranks to demonstrate sincerity and attract support from the people who have been apathetic so far toward the military's new role in government. [redacted]

GUYANA: ELECTION WARM-UP

100 [Prime Minister Forbes Burnham has been engaging in a variety of domestic and international moves with an eye to the national election that probably will be held in June.]

100 [On 20 February, Burnham gave Guyanese workers a week-long vacation to celebrate the third anniversary of the republic and incidentally his own 50th birthday. The official festivities were replete with expressions of praise for the prime minister and his programs. Burnham himself issued lofty calls for racial brotherhood.]

100 [Two other announcements dealt with issues long exploited by Cheddi Jagan, Burnham's only real political opponent. Local rice farmers were assured that they will be getting more for their crops because the government had succeeded in negotiating better prices abroad. The prospect of new public housing, to be built by the government on some 5,000 acres of under-utilized sugar land, was dangled before the homeless poor who recently tried to squat on acreage belonging to private companies.]

100 [On the international scene, Burnham, in a sudden about-face, has agreed to allow the Soviets to establish a small embassy in Georgetown. According to the Guyanese foreign minister, the USSR will be authorized to send a resident charge after the national election. The decision was made only after Soviet Ambassador Sergei Mikhailov, now accredited to Guyana on a non-resident basis, assured Burnham that the USSR would discontinue direct dealings with Cheddi Jagan and would channel future scholarships, training, and other assistance through the government. There is likely to be further haggling between Moscow and Georgetown over the precise terms of the new relationship, and in any case a Soviet mission will not set up shop until sometime after Guyana's elections.]

100 [Burnham's reluctance to accept a Soviet presence in Guyana was apparently overcome by the prospect of depriving Cheddi Jagan of one source of financial support in the coming elections. Burnham may also see a resident Soviet mission as a counterpoise to the apparently growing influence of the Chinese.]

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**UN: MEETING IN PANAMA**

103 [Next week the Security Council meets in Panama and is likely to produce no winners and at least one loser. The one real issue at the meeting, US and Panamanian positions on the canal dispute, will be little affected by the proceedings, but the United Nations will suffer from the misuse of its most powerful body.]

103 [After two-and-a-half years of bilateral negotiation, Panamanian Government leader Torrijos turned to the Security Council as a device for focusing world attention on his claim to full sovereignty over the Canal Zone. So far, Panama has displayed little skill in exploiting the Council session and has even failed to marshal support in Latin America. The Latin American caucus in the UN holds that Panama's desire to use the Council meeting for its purposes may be detrimental to Latin American prestige. Several of Panama's neighbors have serious reservations about the proposed scenario for the meeting.]

103 [Under that scenario, the first half of the four-day session would be devoted to general debate by permanent representatives, foreign ministers, and visiting delegates. This half of the session would conclude with the presentation of a "Declaration of General Principles"—as yet undrafted. It would likely do little more than uphold the equality and territorial integrity of states, and the principles of non-intervention. The declaration would be vague enough to permit an interpretation that supports Panama's position but does not offend the US.]

103 [The last two days of the meeting would be reserved for Council discussion of regional topics. Panama is likely to prove unable to focus the debate on the canal issue, and these sessions may explore such matters as fishery claims, control of multinational corporations, and Bolivia's access to the sea. Some council members—among them

Yugoslavia and Guinea—may take the opportunity to direct the debates toward their own concerns. It is doubtful that these discussions would produce more than vague resolutions calculated to embarrass the US.]

103 [The UN Secretariat and the permanent Security Council members are approaching the meeting with considerable caution. Both Secretary General Waldheim and the US have ex-



Secretary General Waldheim

pressed strong reservations. There has been a noticeable weakening of the Council in recent years, and the meeting in Panama can only further this trend. Many developing states are anxious to focus world attention on their concerns, and there is already speculation about a Council meeting in Asia. The danger is thus real that the Security Council will become little more than a movable grandstand for the airing of national grievances.

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## INTERNATIONAL OIL DEVELOPMENTS

[107-111]

The tensions between oil-producing governments and western oil companies have eased somewhat now that agreements have been reached between Baghdad and the Iraq Petroleum Company and between the Shah of Iran and western oil companies. The easing may be very temporary since Libya and Nigeria are negotiating with the companies on participation in company operations within their borders. Moreover, the Organization of Petroleum Exporting Countries will hold a special meeting on 16 March to discuss the implications of the world energy situation for oil-producing countries.

After long months of hard bargaining, Baghdad concluded an agreement last week with the Iraq Petroleum Company. The accord, favorable to Iraq, will resolve the dispute that included Baghdad's nationalization last June of the company's Kirkuk oil fields and related facilities. Under the agreement, the company will receive, without cost, oil worth about \$300 million as compensation for all claims against the government, including those for the North Rumaila field expropriated in 1961. The company will pay Iraq about \$350 million in back taxes and promised to make every effort to more than double production from its southern oil fields by 1976. Iraqi oil production probably will increase substantially as a result of the agreement, and with world demand for oil strong, Baghdad probably can sell all of the increased output.

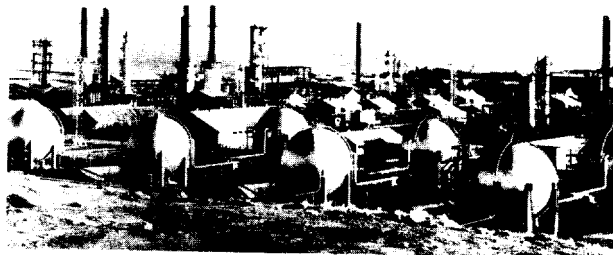
Although final details of the Shah's agreement with the western oil consortium have yet to be worked out, the settlement will largely meet the Shah's demand for greater control over the operations of the companies. The government apparently will conclude a five-year management contract, which will be renewable, and a 20-year sales contract enabling the companies to continue to produce and market the major share of Iran's output.

The companies and the Shah had reached a tentative agreement last spring, but the Shah reopened negotiations in December because he felt that the Arab Persian Gulf producers had

fared better than Iran in their participation agreements with the oil companies. Since the Iranian terms are expected to be financially equivalent to the Gulf agreement, they should not cause these countries to seek re-negotiation of their agreements.

The Libyans, in recent negotiations with western oil companies, continued to insist on a 50-percent participation arrangement. The government and the Oasis Oil Company, Libya's largest producer, still are far apart on the participation issue, on a compensation formula for company assets, and on the price for oil to be marketed by the company on behalf of the government. The two sides are, however, inching closer as Tripoli has shown some flexibility on the compensation issue. Negotiations on these same issues with Nigeria also promise to be protracted.

The OPEC meeting next week is being convened at Venezuela's request, but Caracas has been vague about the proposals it will make. The Venezuelans probably want to discuss their ideas on how the producing countries can best take advantage of their dominant position as energy suppliers to the industrialized countries. Caracas may again propose that oil consumers and suppliers meet to discuss common problems. The meeting is also likely to discuss the recent US dollar devaluation and its effect on the oil revenues of member states. Some members have expressed dissatisfaction with the terms of last year's Geneva agreement, which included a provision to compensate the countries for dollar devaluations.



IPC Oil Facility

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## INTERNATIONAL MONEY

112 [Representatives of the Group of Ten and the smaller EC countries will meet in Paris on 16 March to seek agreement on a common approach to the money problem. The meeting was called after the EC finance ministers failed to reach agreement last Sunday on a common position. While major official foreign exchange markets have remained closed all week, trading has continued in unofficial inter-bank dealing. This trading in Western Europe has been light, suggesting that there is sufficient foreign exchange available to finance necessary transactions even though official money markets are closed. In Japan, the Ministry of Finance announced that it would permit inter-bank trading to prevent any disruption in trade as a result of the closure of money markets.]

112 [The EC finance ministers at their meeting last Sunday generally agreed that proposals for a joint float, pooling of reserves, and capital controls form "an adequate basis for defining a common position," but they failed to produce such a common position. British Chancellor of the Exchequer Barber placed stringent conditions on UK participation in a joint float. Britain reportedly will not repeg sterling unless it is assured it will be permitted to readjust the exchange rate if the first repegging proves unrealistic. French Finance Minister Giscard d'Estaing has come out against a joint float, fearing a loss of French competitiveness in international trade if, as is likely, EC currencies as a group appreciate further vis-a-vis the dollar. There are indications, however, that Paris would go along with a joint float if London does.]

112 [Reports from Tokyo indicate that the government is prepared to let the yen appreciate up to 20 percent as Japan's contribution to a currency settlement. If the EC currencies float,

Tokyo will probably allow the yen to float until summer. Japan's foreign exchange controls, which have been a major factor in the dollar's strength on the Tokyo market over the last two weeks, would almost certainly be continued.]

112 [The dollar weakened somewhat in light inter-bank trading early in the week. Sterling and the Swiss franc weakened significantly, probably because of expectations of lower rates against the dollar if and when a joint EC float occurs. In Frankfurt, dealers expected the dollar to weaken further since any resolution to the current impasse will probably include a mark appreciation against the dollar.]

112 [The EC finance ministers generally believe that the recent dollar devaluation and the associated changes in other currencies have created an acceptable set of international parities and therefore have urged the US to cooperate actively in defending it. If US cooperation cannot be obtained—and many Europeans are not optimistic that it can—EC officials must reach agreement on a common float, despite the inherent difficulties, or face unilateral floats by the member countries, which would seriously handicap the Common Agricultural Policy and negate the progress that has been achieved toward monetary union.]

112 [The Wednesday meeting of EC finance ministers apparently did not produce any significant modification of London's stringent demands, nor of Paris' insistence that UK participation is a sine qua non for French agreement to a common float. The EC finance ministers appear pessimistic that a "European solution" can be found in time. 25X1

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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Cuba's Diplomatic Gains*

**Secret**

**№ 39**

9 March 1973  
No. 0360/73A

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# CUBA

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Cuba's efforts to develop normal relations with other nations reached a high level during 1972. Fidel Castro made official visits to 11 nations. Cuba established diplomatic relations with 11 countries—not the same 11—and expanded its political, economic, and cultural ties with many others.

Havana's increased participation in world affairs stems in part from a major shift—initiated in 1968—away from unequivocal support of armed revolutionary violence and into a more conventional pursuit of closer economic and political ties with other nations. The pursuit started in Latin America, but spread to Africa and the Middle East, where Castro has modest aid programs going and where he keeps his revolutionary credentials in order by lending support to several insurgency efforts.

Cuba's relations with the Soviet bloc have also grown closer, although not always in ways to Castro's taste. For example, Cuban adherence to CEMA and the economic agreements reached last year with the Soviet Union seem to have given Moscow a greater role in the formulation and execution of Cuban economic policy. Castro is bound to chafe under such restrictions. This will put some pressure on him to look for alternatives. For the present, he seems to prefer pursuing his diplomatic successes in the Third World to undertaking moves toward a rapprochement with the United States.

Although Castro has softened his anti-American oratory and has kept flexible the conditions he sets for dealings with the United States, he seems confident that the OAS sanctions policy has failed and that he therefore has no need to make concessions.

#### Latin America

The change to a more rational foreign policy—initially tentative and cautious—concentrated at the outset on a few selected nations of Latin America. Castro has long seen himself as a modern-day Bolivar, destined to lead Latin America in its “second war of independence”—this time from the US. In his eyes, the US was responsible for many of Cuba's economic difficulties and had replaced Spain as the colonial power in the hemisphere. His aggressive support of insurgency was designed to reduce, if not eliminate, US influence in Latin America through a sort of revolutionary confrontation. Having discovered these tactics were non-productive, Castro turned to more orthodox methods to build his influence in the region and to undermine the US and OAS policy of isolating Cuba.

In these efforts, Castro has been able to capitalize on several factors.

- The increasing tide of nationalism throughout Latin America.
- The accession to power in Chile, Peru, Panama, and Ecuador of regimes that wish to demonstrate their independence of the US.
- The decline of Cuban support for local revolutionary groups has reduced fears of Cuban subversion in many Latin American nations.
- The belief of some governments that the US may embarrass them by suddenly reversing its policy on Cuba.

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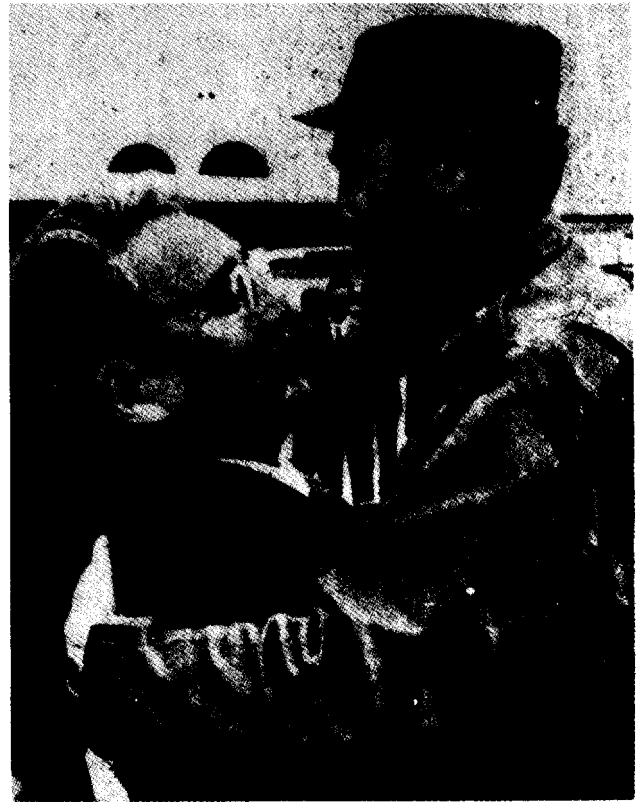
Raul Castro and Peruvian officers watch Cuban military exercise, December 72.



Fidel in Moscow, June 72.



Fidel in Czechoslovakia, June 72.



Fidel welcomes Mongolian Prime Minister Tsedenbal to Cuba, November 72.

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**Cuban Contacts With Latin America Since 1968**

	Visited by Cuban athletic teams	Sent athletic teams to Cuba	Sent technical delegations to Cuba	Technical delegations from Cuba	Trade delegations from Cuba	Sent trade delegations to Cuba	Trade delegations from Cuba	Diplomatic relations to Cuba	Trade	Diplomatic relations	Other
Argentina		•									
Bahamas											
Barbados											• Frequent Cubana charter flights
Bolivia											
Brazil											
British West Indies											
Chile	•	•	•	•	•	•	•	•	•	•	• Castro visit in 1971; Regular Cubana air service
Colombia	•	•	•	•	•	•	•	•	•	•	• Cuban-Colombian Friendship Institute
Costa Rica		•	•	•	•						
Dominican Republic		•	•								
Ecuador											• Castro visit in 1971
El Salvador											
French West Indies						•				•	
French Guiana										•	
Guatemala											
Guyana					•	•					•
Haiti											
Honduras											
Jamaica		•	•	•	•	•	•	•	•	•	• Frequent Cubana charter flights
Mexico	•	•	•	•	•	•	•	•	•	•	• Regular Cubana air service
Netherlands Antilles						•					
Nicaragua		•	•	•	•	•	•	•	•	•	• Earthquake relief
Panama	•	•	•	•	•	•	•	•	•	•	• Frequent exchange of delegations
Paraguay											
Peru	•	•	•	•	•	•	•	•	•	•	• Castro visit in 1971; Regular Cubana air service
Surinam										•	
Trinidad & Tobago						•	•				•
Uruguay											
Venezuela	•	•	•	•	•	•	•	•	•	•	• Cuban-Venezuelan Friendship Institute

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Nine months ago, Cuba had diplomatic relations with only two Latin American nations—Mexico and Chile. The total is now seven, though most of the additions were small island states in the Caribbean. Diplomatic relations were resumed with Peru in July and established with Jamaica, Barbados, Trinidad-Tobago, and Guyana in December. Other nations in the hemisphere, including Venezuela and Panama, are considering closer relations with Havana.

Cuba has used a variety of methods to maintain and increase economic, cultural, and political ties with its Latin neighbors. At Castro's invitation, high-level military delegations from Peru and Chile witnessed combat exercises by the Cuban armed forces and came away impressed. The Cuban news agency, Prensa Latina, opened bureaus in Argentina and Panama, bringing its Latin American total to six. Cuban cultural, athletic, and technical delegations visited at least 11 Latin American nations last year. The provision of relief supplies and a medical team to victims of the Managua earthquake is a recent example of Castro's determination to change his style. Castro has also subdued his language; for example, in his public speeches during the past three years, he has rarely made an explicit call for violence.

This moderate approach does not extend to the Organization of American States itself. Castro has usually reserved his most vituperative language for that organization. Because he has established friendly relations with some of its members, he has recently taken care to differentiate between "progressives" and "reactionaries." Castro's reluctance to offend certain nations may cause him to soften his flamboyant rhetoric against the organization, but there is little chance that he will ever rejoin. He has called for the creation of a "union of Latin American states" that would exclude the US.

Although the intensity of his anti-US oratory has been reduced since September, he was probably attempting first to encourage US politicians who wanted to make Cuba an issue in the US presidential campaign and then to expedite the hijacking talks. Castro, wishing to retain maximum flexibility, has frequently altered the condi-

tions he sets for any dealings with the US. For the present, he seems confident the sanctions policy has failed; thus, he probably sees no need to make meaningful concessions.

### The Third World

Cuban activity in the Third World increased significantly during 1972. The most dramatic evidence of this was Fidel Castro's visits last year to Guinea, Sierra Leone, and Algeria. Twice—in July and again in December—he stopped briefly in Morocco. All of these stops were made either on the way to or from the USSR. He has plans for a trip during the first half of this year and has already scheduled stops in Yemen (Aden) and Mongolia. Last year, Cuba established diplomatic relations with six African and Middle Eastern nations: Sierra Leone, Yemen (Aden), Zambia, Equatorial Guinea, Mauritania, and Somalia. In several others, Cuba is attempting to raise its representation from a non-resident to a resident basis. This was accomplished in Mali and Cyprus last year. Relations with Ghana, interrupted in 1966, are expected to be restored early this year.

Despite chronic economic difficulties, Cuba is conducting modest aid programs in Africa. It has sent medical teams and agricultural technicians to at least a half-dozen African nations, but the major part of the Cuban assistance in this area has been of a military nature. For example, there are several hundred Cuban advisers in Guinea, many of whom have been engaged in training the militia and the presidential bodyguard. A similar program has recently begun in Yemen (Aden). Such projects not only increase Cuba's prestige but also enhance Castro's role among Third World leaders. Cuba may be angling for African support in international organizations. The Cuban maneuvers on the Puerto Rico issue in a UN committee last year may lead to other attacks in such bodies against the US that would be more directly related to Cuban interests.

There is another feature of Cuban aid to Africa. When Havana turned away from insurgency in Latin America, it shifted more of its attention in this respect to Africa. It is providing training as well as financial and material assistance

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to several revolutionary groups, primarily the Conakry-based rebel movement which seeks to gain control of Portuguese Guinea. Cuban advisers with the insurgents have occasionally accompanied units into combat. Castro probably sees this shift of emphasis as a means of maintaining his image as a revolutionary leader with less risk of alienating the US or Latin American governments.

### **The USSR and Eastern Europe**

Cuba has developed a closer relationship not only with the countries of Latin America and the Third World, but with the USSR and other countries of Eastern Europe as well. Cuba's poor economic performance, despite large amounts of Soviet aid, has brought increasing pressure from Moscow for more rational economic policies. The pressure has been particularly heavy since Castro's ill-conceived and unsuccessful effort to produce 10 million tons of sugar in 1970 led to severe economic dislocations.

It also led to greater Soviet involvement in the Cuban economy. In December 1970, a Soviet-Cuban Inter-governmental Commission for Economic and Scientific-Technical Collaboration was created. During 1971, Cuba received visits from two high-powered Soviet delegations headed by senior economic ministers. Shortly after Fidel Castro's summer visit to the USSR in 1972, Cuba became a full-fledged member of the Soviet-led Council for Economic Mutual Assistance (CEMA). Although Castro probably can expect some additional assistance from the East European members of CEMA, the organization will in large part serve as a device to press Cuba for more orthodox economic planning while binding it ever more closely to the Communist bloc.

The economic agreements concluded during Castro's visit to the USSR in December 1972 reflect the steady tightening of the Soviet-Cuban knot. Castro described some of the key aspects of the agreements in a televised speech on 3 January, but his presentation suggested that he had paid a bitter price. His subdued attitude suggests that the Soviets may have demanded a still greater role in the formulation and implementation of Cuban

economic policies. Castro may also have been pressed to delegate more responsibility in domestic matters to his subordinates. He probably had to accommodate the Soviets on both points.

Castro is undoubtedly deeply disturbed over the ramifications for Cuba of improving US-Soviet relations. He was excluded from the negotiations that defused the 1962 missile crisis, and he cannot help but feel that Cuban interests might be adversely affected by Moscow's present dealings with the US. Although Castro has paid lip service to Moscow's detente policy, he and other Cuban leaders have occasionally made indirect criticisms along the line that "imperialism's apparent cooperation...is deceptive and false in the long run."

### **Foreign Initiatives for 1973**

Cuba's policy of pushing for normal diplomatic ties in Latin America, Africa, and the Middle East is expected to continue. Castro's scheduled official visits to Mongolia and Yemen (Aden) this year almost certainly will be supplemented by other stops in the Third World. Havana may not manage diplomatic relations with as many nations in 1973 as it did in 1972, but it will undoubtedly concentrate on maintaining and strengthening those ties it has, particularly in Latin America and Africa.

Despite the change in tactics, Castro's goals in Latin America show little change. He still wants most of all to reduce US influence in the hemisphere, discredit the OAS, and secure a major role for Cuba. He will probably work to achieve these goals by trying to take advantage of the momentum achieved in largely neutralizing the OAS sanctions. Although the OAS general assembly may in April further emasculate the sanctions policy, Castro is unlikely to moderate his antipathy toward the organization.

Castro will probably give priority to moving even closer to Chile and Peru, assuming the present administrations stay in power in the two countries. Attention will be paid to the possibilities for expansion of ties with Venezuela, Panama, and perhaps Ecuador. In addition,

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Fidel greeted by Algerian President Boumediene.



Fidel in Guinea.



Fidel in East Germany.

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Fidel greeted by Algerian President Boumediene.



Fidel in Guinea.



Fidel in East Germany.

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