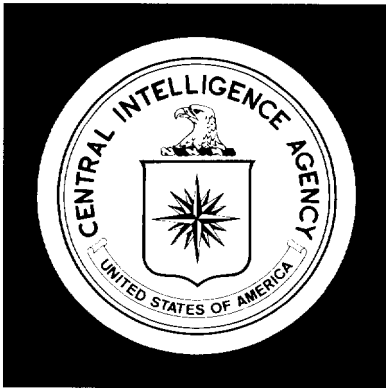


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Dept. review completed

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16 March 1973

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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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ARGENTINA: A PERONIST TRIUMPH

6/7 The Peronists swept the national elections on 11 March in a show of strength that rivaled the best Peron himself managed at the height of his power. The armed forces, in a surprisingly mild reaction, appear to have acquiesced, and Hector Campora, the president-elect, is beginning to set the stage for the inauguration of a "government of national conciliation" on 25 May.

6/ Surpassing the expectations of all but the most dedicated Peronists, Campora polled approximately 49 percent of the vote; the final count could put him over 50. The Peronists did equally well in congressional and provincial elections across the country. Runoffs will be necessary in some races, but the Peronists will come close to having a majority in both houses of the

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national congress and will probably capture most of the provincial governorships.]

The need for a runoff in the presidential race was avoided when the Radicals' Ricardo Balbin, who finished a distant second with just over 20 percent of the vote, conceded victory to Campora. Semi-independent candidates like Francisco Manrique with 14.7 percent of the vote and Oscar Alende with about 7 percent split the anti-Peronist vote that would otherwise have gone to Balbin. Campora appears to have captured a large majority of youthful new voters with a strong anti-government campaign.]

In the flush of victory Campora has adopted a moderate approach, urging his followers to remain calm and claiming that his government will include political leaders from outside Peronist ranks. The campaign promise that the Peronists would work closely with the Radicals after the elections might not be fully implemented, in view of the strong Peronist vote and the poor showing of the Radicals.]

In large part, Campora's moderation seems aimed at neutralizing his many opponents in the armed forces. He has gone out of his way to pacify the military, telling senior generals that he plans no early shake-up of the military hierarchy. He reportedly has assured General Lopez Aufranc, President Lanusse's hand-picked successor as army commander, that he will not oppose his moving up to that post when Lanusse steps down. Lopez Aufranc appears to have the strength to overcome any power play by officers who still harbor intentions of blocking Campora.

Campora owes his new found eminence entirely to Juan Peron, and there is little doubt that his approach to government will reflect this. He has assured the nation that Peron will be present for the inauguration on 25 May and that his programs will be faithfully carried out. It is by no means certain that the old dictator will choose to remain in Argentina and assume responsibility for Campora's success or failure. Peron is more likely to take on the mantle of elder statesman and perhaps return to Spain. Campora and other



Las Bases

Campora (top) and Vice-President Elect

Peronist leaders probably hope that Peron will not stay on. This would inhibit any show of independence by the newly elected leaders and make good working relations with the military all but impossible.]

Peron's influence will be apparent, however, in a tightening up on foreign investment and increased state control over basic elements of the economy. His hand will also be seen in a typically Peronist mistrust of the inter-American system—especially the Organization of American States. Campora is also likely to follow Peron's lead in seeking closer cooperation with Western Europe and forging a foreign policy more "independent" of the United States.]

Campora has announced that his government will open diplomatic and trade relations with Cuba, North Korea, and North Vietnam. In international bodies, Argentina will give greater support to so-called Third World positions, a concept they believe was first offered to the world by Juan Peron. With the Peronists at the helm, Argentina will also seek to re-establish a leadership position in Latin America which could easily put it on a collision course with Brazil.

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FRANCE: VICTORY FOR POMPIDOU

The clear majority won by the governing coalition in the legislative elections on 4 and 11 March was a personal victory for President Pompidou. His coalition will have the support of 274 of the 490 delegates in the new assembly. The coalition pitched its campaign in support of the President, and his two interventions on TV were the only bright spots in an otherwise dull campaign.

Pompidou has thus strengthened his position vis-a-vis the hard-core Gaullists. If he chooses, he probably can absorb additional centrist elements into the coalition to consolidate his hold further. Those who compared Pompidou's coattails unfavorably with De Gaulle's will be hard pressed to explain how he held the left to fewer seats—181—and won more for his own group than De Gaulle did in 1967. Pompidou will have to make social changes that will meet the demands of the electorate if he is to retain this strong position up through the presidential race in 1976.

The centrists, with 31 delegates, failed to gain the pivotal role in the assembly for which they had aimed. They did, however, gain the status and privileges of a formal parliamentary group. Jean Lecanuet could join the government now or later, but he may wish to remain as leader of an independent parliamentary group. Jean-Jacques Servan-Schreiber, by refusing to go along with Lecanuet in cooperating with the government against the left in the second round, further isolated himself. He antagonized his colleagues in the center, and, at the same time, he cannot move leftward so long as the Socialists are linked to the Communists.

The centrists' poor showing illustrates the continuing polarization of French politics. Since the beginning of the Fifth Republic in 1958, it has become quite clear that the center does not constitute a viable alternative in the eyes of the French electorate. If Lecanuet were to join the government, the opposition center would for all practical purposes disappear.

The failure of the left alliance to equal its showing in 1967 may cause serious reconsideration of the value of the common accord, especially among those who have had doubts about it all along. Socialist leader Mitterrand had hoped to emerge as the pre-eminent leader of the left, but his party did not do as well vis-a-vis the Communists as he had expected. The election setback and Pompidou's improved position may well force Mitterrand to change his strategy for the presidential race in 1976. The Soviets can be expected to tell the French Communists in no uncertain terms that cooperation with the Socialists is counterproductive. Moscow nurses a special animosity toward Mitterrand and is surely quite pleased with the outcome of the election.

Foreign policy is Pompidou's personal preserve and is not likely to be significantly affected by the election. On the other hand, the outcome is certain to have repercussions in domestic policy. Pompidou's election-eve promise of social reform indicated he recognizes the depth of the discontent among the voters. Leftist and labor leaders quickly indicated they would be watching closely to make sure he makes good on these promises. They are particularly interested in raising the minimum wage and lowering the retirement age. Although the government's victory has eliminated the possibility of a constitutional crisis of an assembly in opposition to the executive, the threat was there for a time during the campaign and worried many Frenchmen. Resolution of the problem would be extremely complex, however, and Pompidou will not be eager to take it up in the near future.

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Pompidou

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L'Express

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BLACK SEPTEMBER

MORE TO COME

Black September assassinated an alleged Israeli intelligence agent in Cyprus this week, providing further evidence that they will bend every effort to maintain their terrorist operations despite criticism of the murders in Khartoum.

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Demonstrators in Khartoum



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wrap the matter up quickly, the terrorists may be tried, convicted, and possibly executed before the month is out.



Numayri has asked the US for additional security assistance, and steps have been taken to protect the airline and Sudanese diplomats. In deadly earnest, the Sudanese ambassador in Prague, while offering his condolences at the US Embassy, produced a gun to show that he was ready to take on the terrorists.

OUTRAGE IN SUDAN

Some 5,000 trade union workers demonstrated in Khartoum last weekend in a show of support for President Numayri's decision to try the eight Black September terrorists. Although the rally was undoubtedly encouraged by the government, there is little doubt that most Sudanese were outraged by the murder of the American and Belgian diplomats. No date has been set for the trial, but given Numayri's determination to

While displaying no sign of give, Numayri has taken the initiative to blunt Arab criticism. He has offered to produce captured documents showing Fatah's connection with Black September. He also sent an "important message" this week to Arab capitals calling on Arab leaders to take a united position on commando activities. Sudanese civil servant representatives walked out of a meeting of Arab workers in Cairo last weekend when an item was placed on the agenda calling on Numayri to treat the eight terrorists "humanely."

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INDOCHINA

PARIS NEGOTIATIONS AGAIN

Substantive talks in Paris between the Thieu government and the Viet Cong are to begin next week. Saigon will be represented by a deputy premier, Nguyen Luu Vien, and the Communists by one of their Liberation Front diplomats, Nguyen Van Hieu. The talks promise to be difficult and protracted as the negotiators struggle over such problems as the type of elections to be held and the structure of the Council of National Reconciliation and Concord that is supposed to supervise the elections.]

Exchanges this week gave a preview of the sort of disputes that are likely to surface as the sides try to outmaneuver one another. The South Vietnamese say they believe time will tend to favor the Communists, so the South Vietnamese intend to push for early elections. The Viet Cong spokesman in Paris, on the other hand, has made it clear the Communists will not even begin to talk about elections until Saigon has released all the political prisoners it holds.]

One member of the Saigon delegation says that the talks will be broad in scope and that he

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expects to be in Paris for several months. He believes the main difficulty will be—as it has been for months—the problem of “guarantees”; each side wants iron-clad assurances against attack or subversion by the other.]

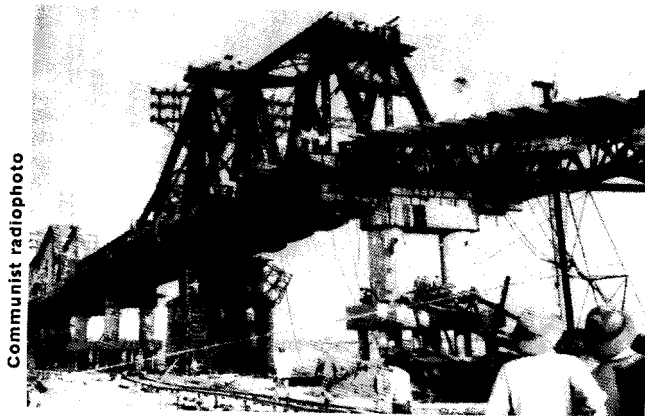
formance of its officials at all levels, both inside the party and out. Many of these key individuals, the politburo asserted, are not doing their jobs, and those who fail to shape up will be removed.

Campaigns like this have occurred in the past, but the regime faces a formidable dilemma in mobilizing the populace now that a measure of peace has come. In the past, it has had little luck through these campaigns of exhortation in altering the haphazard approach of the populace to organization and production. Similarly, improve-or-be-fired campaigns have been conducted in the party before, but party structure and effectiveness has never been greatly affected. The leadership may have more success this time, but the odds seem to be against it.]

North Vietnam: A New Drive at Home (1973)

[Notwithstanding a steady stream of articles condemning the US and Saigon for alleged violations of the Paris accords, Hanoi seems to be concentrating on problems of domestic reconstruction. Signs are accumulating, in fact, that the regime is making a strenuous effort to divert the energies of the North Vietnamese from war to peacetime projects before they have a chance to relax. The party politburo issued a resolution on 12 March asserting that the “building of socialism on a large scale and at a rapid rate” was a prime task for the immediate future, and party First Secretary Le Duan published an article two days later on the same theme.

One of the leadership’s obvious preoccupations as it swings into this campaign is the per-



Communist radiophoto

North Vietnamese repair bridge.

CAMBODIA: GOVERNMENT BACKS DOWN

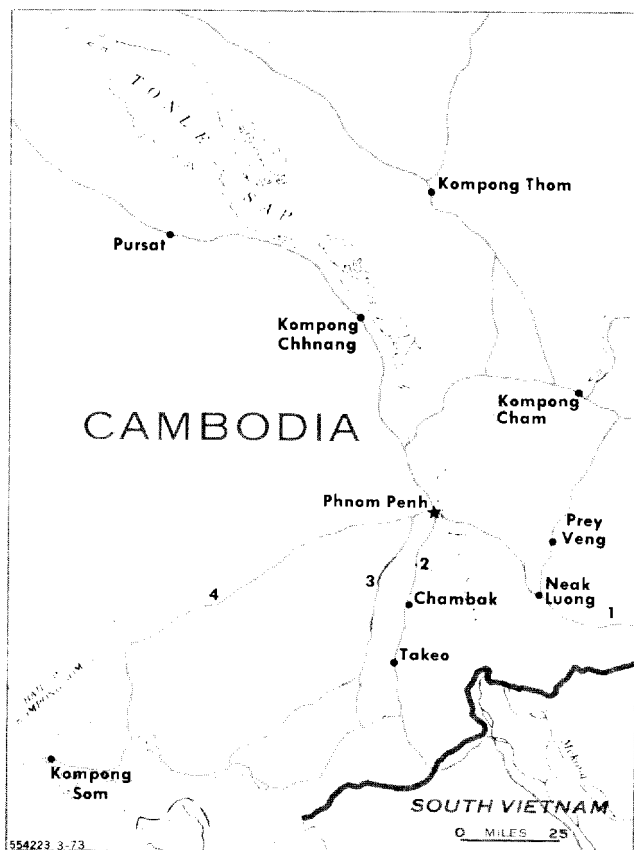
[Alarmed by growing popular unrest over rising prices and charges of corruption within the administration, the Lon Nol government over the weekend modified its recently enacted economic reform program. The government put price ceilings back on rice, postponed scheduled increases in utility rates, and reduced the cost of petroleum products slightly. The government promised to look into allegations of corruption, to control government spending, and to review the salary levels of all workers within three months.]

[The striking teachers and students consider the modifications a victory, but it may prove a hollow one. The imposition of higher prices on key commodities had been a key element in the government’s belated attempts to come to grips with the country’s deteriorating economy and was strongly recommended by the US and the International Monetary Fund as a way to increase tax revenues and to reduce costly government subsidies. Subsidy costs will now rise even higher and, coupled with earlier wage hikes, will feed the country’s inflationary spiral and produce greater problems later in the year.]

[The concessions do seem to have had the desired effect of calming the situation. The

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students have indicated that they may end their strike, in the belief the government should be given time to implement its programs. The teachers believe the concessions do not go far enough and have decided to remain on strike, but growing public sentiment may force them to soften their position.]

Setbacks in the South

27 [Most of the fighting during the week occurred along Route 2 between Phnom Penh and the South Vietnam border. A series of sharp insurgent attacks forced the Cambodians to abandon several small defensive positions along the highway, and on 12 March government troops abandoned the town of Chambak--north of the

provincial capital of Takeo. By midweek, the insurgents controlled most of the roadway. Government operations to clear Route 2 to Takeo are making slow progress. Any attempt to clear the road from Takeo to the border will be particularly difficult because of the recent increase in Communist activity in southern Takeo Province. As a result of the deteriorating security situation in this area, some 5,000 local Cambodians reportedly have fled into South Vietnam.]

LAOS: FAMILIAR REFRAIN

28 [The return to Vientiane late last week of the second-ranking Communist negotiator, Phoune Sipraseuth, sparked hope that the two commissions, which have been discussing the political and military provisions of the peace agreement, could start making some progress. Instead, Phoune called into question the very raison d'etre of the commissions. The Communists now claim that the commissions are merely technical bodies tasked with elaborating the details of articles left vague in the peace agreement and have no real authority.]

29 [By trying to emasculate the two commissions, the Communists are presumably setting the stage for another round of bargaining between Prime Minister Souvanna Phouma and senior Communist negotiators similar to that which produced the 21 February peace agreement. They may reason that Souvanna is more likely to make concessions behind closed doors and under the pressure of time.]

Souvanna himself does not seem overly concerned by the lack of progress. He probably agrees with the Communists that the commissions have little utility but appears willing to allow them to limp along. By letting things slip and then wrapping them up in high-level sessions at the last minute, he can once more present the rightists a fait accompli and neatly sidestep troublemakers. [REDACTED]

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THE PHILIPPINES: DIPLOMATIC WAVES

Although the Muslims have always been unhappy with their stake in Philippine society, President Marcos is inclined to attribute their current restiveness to outside instigation. Last week he turned the heat on Malaysia, implying that if Kuala Lumpur would cease meddling, peace would return to the Muslim areas in the southern islands.

On 6 March, Marcos had Secretary of Foreign Affairs Romulo raise the issue at the emergency meeting in Manila of diplomatic representatives from the Association of Southeast Asian Nations members—Singapore, Malaysia, Indonesia, Thailand and the Philippines. In a carefully staged presentation, Romulo revealed to the assembled diplomats a press release in which Marcos charged Malaysia with providing logistic support and military training to the dissidents. The release alleged that uniformed foreign mercenaries were participating in rebel operations. Following predictable protests from the diplomats, Romulo made a show of contacting Marcos and getting him to withhold the release—at least for the time being.

In his remarks to the diplomats, Romulo implied that Marcos is under pressure from his military leaders, who are upset at losses in the field. There was also an implication that Marcos might be forced to take stronger action if Kuala Lumpur does not curb the chief minister of the Malaysian state of Sabah, Tun Mustapha, who is clearly providing arms and other support to the rebels.

Malaysia shows no signs of being stampeded into disciplining Mustapha; it is holding out for a diplomatic quid pro quo—an agreement by Marcos to drop Manila's territorial claims to Sabah. The other members of the association, although obviously concerned about the consequences of a squabble between two members, are not ready to intervene in the dispute.

Marcos' allegations about Malaysian involvement exaggerate the importance of foreign support to the Muslims—partly for expediency and partly from faulty military intelligence. The Muslims in the recent actions in the south have

proved to be better armed, coordinated, and led than in the past



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KOREA: TALK, NOT FIGHT (27 + 30)

Months of North-South negotiations have produced little in terms of positive results, but they have gone a long way toward reducing tension. The effects of more than 20 years of militant confrontation are still much in evidence along the heavily armed Demilitarized Zone. Despite agreements to avoid hostilities, neither side has lowered its guard in this area, and two South Korean soldiers were killed in an incident on 7 March. Both sides acted quickly to defuse the incident and keep it from adversely affecting the more important objective of preserving the new peaceful competition.



*North Koreans on DMZ
Keeping Their Guard Up*

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(37 + 28)

Without referring to the incident, Seoul and Pyongyang announced on 9 March that they had agreed to begin the next round of talks in Pyongyang on 14 March. The date had been the subject of weeks of haggling following the last formal meeting in December. Shortly before the shooting, Pyongyang had in fact backed out of an agreement to meet in early March. The suddenness with which the new date was set provided reassurance to both domestic and international observers that the year-old detente was not in jeopardy.

The circumstances of the incident indicate that the North Koreans deliberately fired on a South Korean work party. It is possible that the South Koreans were carrying out unauthorized

reconnaissance which may have provoked the North Koreans. Neither side has exploited the incident in propaganda. Pyongyang had made several low-keyed statements, admitting it fired first but alleging provocation. Seoul deliberately delayed its comment until the announcement of the resumption of the talks.

The talks in Pyongyang are not likely to be affected by the events of 7 March. There are indeed some signs that the two sides may finally tackle substantive issues. North Korea has long called for economic exchanges, and Seoul, after considerable deliberation, appears willing to explore the possibility. Both sides will use whatever progress comes from the sessions to fuel their respective campaigns for international acceptability.

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EUROPE: THE SOVIET ALTERNATIVE

(37-47)

A West German power company delegation goes to Moscow next week to discuss Soviet uranium enrichment services for the first core of a 1,200-megawatt nuclear reactor. The deal, if it comes off, has a precedent. The USSR has contracted to supply similar services for a French reactor. The Germans may be serious about the Soviet service. Their trip follows changes, disappointing to the West Europeans, in the US arrangements for providing enrichment services.

The West German power company plans to ship 110 tons of uranium oxide to the USSR between 1974 and 1976 and receive 98 tons of reactor fuel in 1976. Although the West German Government claims this is merely a "test case," it already has sought the acquiescence of its Western trading partners for the transaction. The European Atomic Energy Community (EURATOM) will be represented at the talks, the first Soviet contact with an EC officer acting in an official capacity.

The USSR can produce more enriched uranium than it needs. In recent years, the Soviets have discussed enrichment services not only with the French and West Germans, but with Sweden, Italy, and Japan as well. Political factors, including the prospect of an early IAEA-EURATOM agreement that will police utilization of nuclear fuels, were in part behind Moscow's de-

cision to go ahead with the West German talks. Just as important to the USSR, however, are the profits it foresees in doing business of this nature with the developed states, especially in Western Europe.

Western countries presumably would be reluctant to depend heavily on the USSR for enrichment services. The new US terms for the same services, however, raise the unit price and require orders eight years in advance. The Soviets clearly are trying to take advantage of this development. They have told the Italians that the USSR could offer a much better bargain than "the expensive enriched uranium available from the US."

For the longer run, the West Europeans know they will have to examine closely their plans to expand their own production of enriched uranium. The EC Council on 22 May will examine prospects for an EC enrichment facility. Such a project, however, is still caught up in a rivalry over different enrichment methods: France has the gaseous diffusion system, while a potentially less expensive centrifuge system is sponsored by West Germany, the Netherlands, and the UK. The centrifuge is still in the pilot-plant stage, but the new US terms for enrichment services may influence its sponsors to expand the initial production capacity.

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USSR: THE STRUGGLE OVER SAMIZDAT

The samizdat *Chronicle of Current Events*, published on a bi-monthly basis since April 1968, has repeatedly embarrassed the regime by disseminating news of dissident activities and violations of the law by Soviet officials. In recent months, the effort of Soviet authorities to suppress the journal has seriously disrupted its publication schedule.

works in the West by publishing them first for limited circulation in the USSR, in order to establish a Soviet copyright.

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some samizdat, including at least two works by novelist Aleksandr Solzhenitsyn, have been published for such restricted distribution in the past. Boris Stukalin, chairman of the State Committee for Publishing Houses, Printing Plants, and the Book Trade, recently claimed that foreign publishers who publish the works of Soviet authors without their consent could be held responsible under the terms of the convention. With few exceptions, Soviet officials have had little difficulty obtaining authors' statements claiming that their works were published abroad without their consent.

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In December 1971, the *Chronicle* and its publishers came under the gun when the Central Committee reportedly ordered the KGB to take the steps necessary to suppress the journal. The arrest of Petr Yakir, the reputed leader of Moscow's small dissident community, was the high point of the campaign. Scores of others have either been arrested or called in for interrogation.

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Four issues of the *Chronicle* came out in 1972, but issue Number 28, due three months ago, has failed to appear. Press reports attribute the delay to the publishers' fear that the KGB will carry out its threat to arrest dissidents not necessarily connected with the *Chronicle* if Number 28 appears. In recent weeks, the KGB has increased its surveillance of known dissidents and of foreign correspondents who receive copies of the *Chronicle*.

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The expressed intention of the USSR to adhere to the Universal Copyright Convention on 27 May will give the Soviets yet another weapon to use against dissident and non-conformist writers. Under the terms of the convention, Soviet writers can be held responsible for their works being sent abroad through non-official channels. In Soviet legal terms, such action could be termed a violation of the state monopoly on foreign trade, a criminal offense punishable by up to ten years imprisonment, five years exile, and confiscation of property. A Soviet official recently commented that writers who circumvent official procedures would not be allowed to receive payments from their foreign publishers.

The Soviet Government could use the convention to hamper the publication of samizdat

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DENMARK: SOCIALISTS RETRENCH

(S + 1)
The popularity rating of the governing Social Democrats has sunk to the lowest point in 20 years and has the party running scared. A recent poll recorded a 5-percent drop last year. Years of burgeoning welfare payments aimed at mollifying left wingers have seriously alienated moderate and centrist support. On 8 March, the Social Democrats shifted course and unveiled an austerity program in the hope of regaining lost ground.

The new program would postpone spending on a number of projects for at least one year. The retrenchment would affect education, welfare, worker participation in management, and building projects including the Saltholm airport and the Great Belt bridge. The program also would slow the expansion of family welfare benefits and rent subsidies and would give home owners some tax advantages. The program would increase taxes on corporate income and bond yields. It aims at saving over the next two years more than \$600 million; the budget for the current fiscal year is approximately \$8 billion. The defense budget, already well pruned, will not be affected by the new proposals.

Deadlocked national wage negotiations and an unexpectedly large trade deficit probably figured in the party's policy shift, but the big reason is political nerves. Economics Minister Per Haekkerup, a moderate Socialist and admirer of the US, is the recognized architect of the new policy. His skillful handling of the austerity proposals thus far has prompted the press to label him "super minister" and "prime minister in fact." The government appears to have the support of most of the opposition parties and even the extreme leftist Socialist Peoples Party, upon which it normally depends for a majority in parliament. The latter party can be expected to extract concessions for going along with austerity.

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LIBYA: QADHAFI'S TROUBLES

67 President Qadhafi's eagerness to press ahead with the planned Libyan-Egyptian union is causing the Libyan leader problems at home, and these could get worse. Libyans in general believe they have nothing to gain from the merger. So far, their animosity has been vented on the already sizable Egyptian community in Libya, but as the September deadline for merger draws closer, some Libyans are likely to turn on Qadhafi.

70 The Israeli downing of a Libyan airliner last month brought matters to a head. Many Libyans blamed Egypt for the disaster, and some key military officers threatened to withdraw their support from Qadhafi unless he abandons plans for the union. During the funeral for the airliner victims, unruly mobs protested against the merger and destroyed Egyptian property.

71 Qadhafi, who has an almost mystical attachment to the union, managed to contain his own irritation with Egypt over the tragedy and tried to calm his angry citizens. The members of the ruling Revolutionary Command Council maintained an official silence regarding the air disaster, and all are continuing to promote the union. Nevertheless, Qadhafi and his colleagues were badly shaken by the riots—the first since they seized power in 1969.

64 Qadhafi has never been able to suppress his fear that, underneath it all, President Sadat is seeking a negotiated settlement with Israel. In a speech last week, the Libyan President again criticized all Arab regimes for not joining forces against Israel, and he implicitly accused Egypt of abandoning the Palestinian cause. Qadhafi's apprehensions are likely to be encouraged by influential Libyans looking for any excuse to pull out of the merger. So far, however, these pressures have not deflected Qadhafi from his pursuit of union with Egypt or the elusive goal of general Arab unity.

SYRIA: CONSTITUTION APPROVED

67 The new constitution was endorsed by 97.6 percent of those voting in the national referendum on 12 March, according to official returns from Damascus. This figure was quite possibly inflated to counteract any damage that may have been done to the regime's image by the demonstrations and strikes last month by opponents of the constitution. This activity constituted the most visible display of opposition to the Asad regime since it took over in a bloodless coup in November 1970.

67 Opposition to the constitution came mainly from conservative religious leaders who are enraged that the document does not declare Syria a Muslim state. Many rightist politicians also are unhappy that the dominance of the socialist Baath Party has been written into the new constitution. The dissidents failed to block the referendum, except in Hamah, the fourth largest city in Syria, where press reports claim the boycott was totally effective.

66 The firm government repression of this opposition activity late last month probably did much to discourage further expressions of dissent. President Asad, in a speech on 8 March marking the 10th anniversary of the Baath Party take-over in Syria, sharply denounced "reactionary elements" who oppose the new constitution.

71 The new constitution confirms the wide powers already in the hands of President Asad. He is empowered to appoint and dismiss vice presidents, premiers, and cabinet ministers. Asad also is secretary general of the Baath Party and president of the National Progressive Front, which links minority parties with the Baath. He is also commander in chief of the Syrian armed forces.

71 The new constitution requires that national parliamentary elections be held within 90 days to replace the appointed 173-member People's Council. Asad's presidential term does not expire until 1978.

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EGYPT: A HELPING HAND

70 Cairo is assisting several Arab states in the development of their air forces. Egyptian Air Force personnel are currently assigned to Libya, Syria, Saudi Arabia, and Kuwait; Egyptian MIG squadrons are stationed in Libya and Syria.

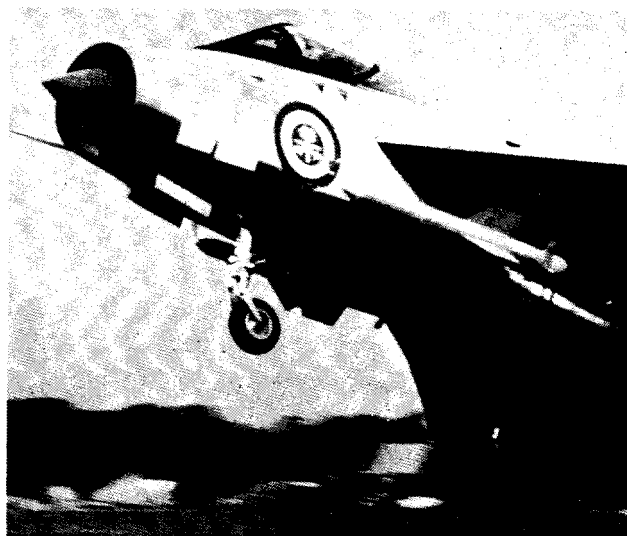
72 Egypt first put MIG-15 and -17 fighters in Libya and Syria in 1970, and Cairo maintains a MIG squadron in each country. These MIG units are training Egyptian pilots as well as those of the host country. In addition, the squadron in Syria periodically flies defensive patrols, although the Egyptian pilots stay away from Israeli aircraft.

73 Cairo also is assisting some Arab countries to operate their own aircraft because of the shortage of trained personnel in the host countries. Tripoli has taken delivery of at least 61 of the 120 Mirages that Qadhafi bought from France. At present, only 20 Libyan pilots are qualified to fly them. Some 15 Egyptians have qualified to fly the Mirages and more are probably in training.

74 Small Egyptian Air Force contingents arrived last May in Saudi Arabia and Kuwait to train on the British-built Lightning—a jet interceptor with a ground attack capability. Kuwait has 14 Lightnings and less than 10 qualified



Egyptian MIG-15



Saudi Lightning

75 pilots. Saudi Arabia has 36 pilots qualified to fly its 39 Lightnings, but some of these pilots may well be training on the F-5s that Saudi Arabia recently began receiving from the US.

75 The Egyptians are to train on the Lightnings in Saudi Arabia at an airfield in the northwest corner of the country. The field apparently is being improved by the Saudis. Jidda's willingness to permit the Egyptians to fly the Lightnings could be a political gesture to show support for the Arab cause. King Faysal, however, would hesitate to allow any Egyptian combat operations against Israel from Saudi territory.

76 Egyptian involvement in the air forces of these Arab states probably stems from a desire to enhance Egypt's standing in the Arab world and to familiarize Egyptian pilots with a variety of Western aircraft. Egyptian assistance may also represent a form of repayment for political and financial support that its Arab neighbors have given Cairo over the years.

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BANGLADESH: MUJIB'S MANDATE

Prime Minister Mujib's ruling Awami League is likely to read its landslide election victory as a mandate to continue present policies. The League captured 73 percent of the popular vote and 292 of 299 seats.

The non - Awami Leaguers elected included five independents and one candidate each from two of the opposition parties. The radical, youth-oriented National Socialist Party showed considerable strength for a new party, capturing over a million votes out of some 18 million cast and electing one of its candidates. The pro-Moscow wing of the National Awami Party was a distant second in the popular vote, but failed to win a seat. As expected, all opposition parties have denounced the election as unfair, accusing the Awami League of intimidating voters and stuffing ballot boxes. These claims probably exaggerate the actual extent of chicanery by the ruling party, which would have won easily in any case. There was no significant violence reported on election day but several killings, apparently politically motivated, have occurred since then.

At home, the Awami League government is likely to go on stressing famine prevention and economic reconstruction within a socialist framework. The government has already granted itself expanded powers for moving against disruptive

and criminal elements, and Mujib may also move to purge his regime of some of its more corrupt officials.

In foreign affairs, the government will remain friendly toward India and the USSR and probably will refrain from excessive criticism of the US, its leading source of economic aid. Dacca will also continue to seek better relations with Peking, but the Chinese are likely to remain aloof until there has been some progress toward resolving the impasse over the 90,000 Pakistani war prisoners being held by India. With the elections out of the way, Mujib will have less reason to worry that a shift to a more flexible policy on the prisoners might have adverse domestic political consequences.

So far, however, Mujib has given no sign that he will abandon his plans to try at least a few of the prisoners or his insistence that the rest cannot be released until Pakistan recognizes Bangladesh. President Bhutto apparently is still afraid that recognizing Bangladesh at this time would only worsen his own political problems. India, which refuses to release the prisoners without Dacca's consent, may urge Mujib to be more forthcoming, but probably will not try to force his hand.

Mujib Victory Celebration in Dacca

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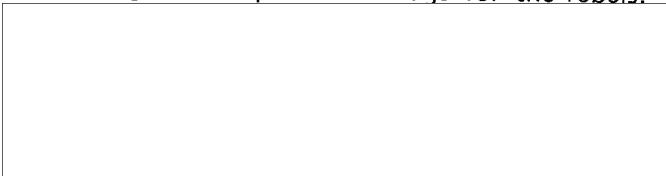


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ETHIOPIA: HARD TIMES FOR REBELS

Heavy fighting has flared again between field units of the two main factions of the separatist Eritrean Liberation Front. The current fighting may have been prompted by the arrival of arms claimed by both sides, a frequent source of friction. The US consul general in Asmara estimates that each faction has had at least 100 killed and an equal number wounded during the past few months.

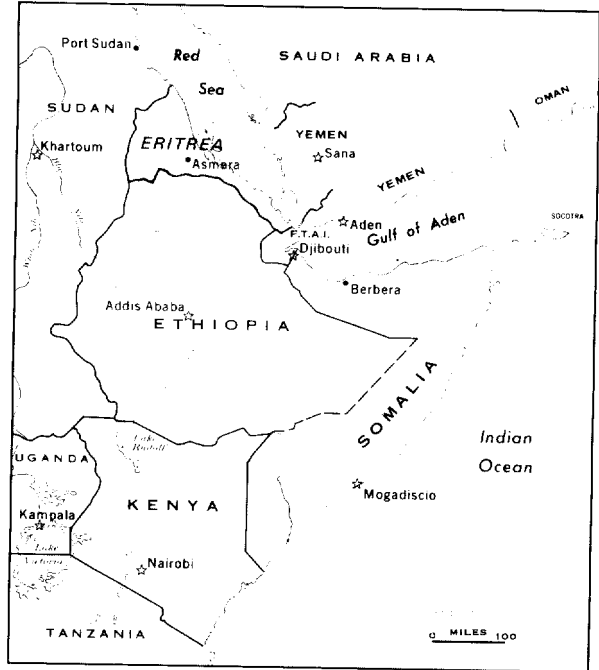
The fighting comes at a time when Sudan is reportedly preparing to oust Eritrean insurgents from areas near the border with Ethiopia that have long been a place of refuge for the rebels.



Numayri had agreed in principle to stop providing aid and refuge for the insurgents some time ago, but some Sudanese officials apparently continued to allow Front troops to use their Sudanese safehaven to stockpile arms and ammunition.

The murder of the three diplomats in Khartoum early this month may have given Numayri the pretext he needed to move against the Eritreans. In a subsequent radiobroadcast, Numayri disclosed that Al Fatah had operational ties with the largely Muslim Eritrean Liberation Front. Al Fatah, he said, supports Eritrean field units with clandestine radio communication facilities. The expulsion of the Eritreans is being coordinated with Ethiopian military units, which have been moved into position to intercept the rebels as they enter Ethiopia.

The renewed fighting and the Sudanese moves will set back Arab efforts to reconcile the rival factions of the front. Libya, a major source of financial and material aid, may be goaded into carrying out a threat to end its support unless the factions patch things up. Reported plans of one faction to intensify its antigovernment activities in Eritrea will very likely have to be postponed.



Even if the Libyans withdraw their support, the insurgents will probably continue to receive aid from other radical Arab benefactors. This would enable them to continue to carry out ambushes, minings, kidnapings, and the occasional clashes with government troops. The Ethiopian Army, for the most part, limits itself to reacting to insurgent initiatives and often fails to pursue the rebels. The diversion of some army units to the Ogaden in response to what the Ethiopians consider to be a threat from Somalia may further diminish military effectiveness against the Eritrean rebels.

These developments could lead to a closer relationship between the Eritrean insurgents and the Arab terrorists, thereby increasing the threat to US personnel and installations in Ethiopia. The insurgents have so far generally ignored US interests in Eritrea, including the highly vulnerable Kagnew communications complex in Asmara, while pressing their struggle against The Addis Ababa government.



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MALAGASY REPUBLIC: A FIRM HAND

General Ramanantsoa has finally begun to take firm steps to calm tribal conflicts on the island. Ramanantsoa's past lack of decisiveness had made the government appear weak as factionalized political groups kept putting forward insistent but conflicting demands for reforms. This played into the hands of disruptive elements seeking to exacerbate the rivalry between the Cotier tribes on the coast and the Merina of central Madagascar.

The government has now arrested some 40 supporters of former president Tsiranana, including two former ministers and several former senators, for inciting the coastal tribes to demonstrate against the Merina-dominated government. The most prominent persons arrested are from Tsiranana's geographic area and ethnic group. The Cotiers also demonstrated in favor of maintaining close ties to France. The French had elevated the coastals to political dominance under Tsiranana, and they benefit economically from the French. They, therefore, view Ramanantsoa's commitment to reducing the French presence as a threat to their own interests.

Ramanantsoa faces a difficult problem in holding tribal rivalries in check. Although the current clampdown is against the Cotiers, the Merina have done their part to fuel the trouble by pressing for reforms the former view with suspicion. Merina-dominated student and teacher groups, for example, are pressing for rapid implementation of reforms that include imposing the Malagasy language, which is essentially Merina, on the educational system. The Merina-dominated press and radio have labeled coastals as traitors for opposing both the educational reforms and the expulsion of French business interests.

The two tribal groups are split on the question of French military bases on the island. The latest demonstrations erupted at Diego Suarez, the headquarters of French military forces in the Indian Ocean, where coastals demonstrated in favor of the French. The future of Diego Suarez is the thorniest issue in the Paris negotiations on revising French-Malagasy cooperation agreements. The two sides may yet find a formula to grant Madagascar sovereignty over the base without requiring expulsion of the French, although such a

solution still would not satisfy the more radical Merinas.

Ramanantsoa's next major test will come at the end of the Paris negotiations, expected sometime this month. The student, teacher, and worker groups, whose demonstrations led to Tsiranana's ouster, may again take to the streets if the new accords fail to satisfy their expectations. The deadline set by the government for completion of the negotiations, 29 March, is the anniversary of the bloody 1947 rebellion against the French.

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TURKEY: GENERALS HIT A SNAG

After four ballots on 13 March, parliament failed to elect a new Turkish president. The impasse has led to further strains between the politicians and the military.

Throughout the balloting, Senate President Tekin Ariburun, the last-minute nominee of the Justice Party, had a wide lead over Faruk Gurler, the military's choice, although Gurler picked up strength on the fourth ballot. Gurler, former chief of the general staff, went into the contest heavily favored, but Suleyman Demirel's Justice Party exhibited a high degree of cohesion in opposition in the face of heavy military pressure.

On the fourth ballot, Ariburun received 276 votes, Gurler 200, and Democratic Party leader Ferruh Bozbeyleli 48. Many legislators belonging to the Republican Peoples Party—it has more than 100 members in parliament—abstained. A majority of parliament, 318 votes, is required for election.

The balloting was a sharp rebuff to Gurler, and the military. If he fails to win the presidency, the military could implement a contingency plan, which has reportedly been drafted, to take over the government. Parliament tries again on 16 March, and the Turkish press speculates that party leaders are trying to defuse the situation by coming up with an alternative candidate acceptable to both the parliament and the officer corps.

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EAST AFRICA: COMMUNITY IN DANGER

The deteriorating security situation in Uganda threatens the viability of the East African Community, a once promising common services organization made up of Kenya, Tanzania, and Uganda. Some community personnel—including Ugandans—have refused to serve in Uganda and some joint services have ground to a halt. The shortage of skilled manpower in Uganda could lead to a collapse of community services there which would have repercussions in Kenya and Tanzania.

For several months the organization has been plagued by political strains among member states. The Tanzanian Government last week arrested 48 Ugandans, most of whom were community employees. They are charged with spying and will be tried in open court.

because many of the detainees were clerical personnel, some of the arrests may have been in retaliation for the disappearance of seven Tan-

zanians in Uganda. They went there last December seeking employment with the East African Community.

Last month, for the first time since President Amin took power two years ago, President Kenyatta met with President Nyerere to discuss a common approach to the Ugandan problem. Hitherto, the Kenyan President had steered clear of the dispute between Tanzania and Uganda that originated in Dar es Salaam's refusal to recognize the Amin government and its support of an abortive invasion attempt from Tanzania by anti-Amin dissidents last fall.

Both Tanzania and Kenya remain committed to regional cooperation through the East African Community. They would prefer to avoid further trouble with the unpredictable Amin, but they are finding it increasingly difficult to ensure the safety of their countrymen in Uganda and may have to pull their community officials out of Kampala.

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PERU: A TOUGH OLD SOLDIER

President Velasco now appears to be recovering satisfactorily from his two recent operations—emergency surgery performed on 23 February for an abdominal aneurysm and the amputation of his right leg after circulatory complications.

If his health continues to improve, Velasco could return to limited duty. He is, in fact, so tough and stubborn that he might try for more than a symbolic comeback. He would, however, find himself under heavy pressure from within the military hierarchy to exit gracefully. He could do so on 28 July, Peru's independence day, or on 3 October, the fifth anniversary of the coup that brought the military government to power.

Prime Minister Mercado has been given limited temporary executive powers. This moves Mercado a step closer to the presidential chair, but he does not yet have the job nailed down. Institutional continuity calls for Mercado's accession, but the prime minister has to tread a wary path between moderate and radical military factions. He must also be careful about Velasco and his close associates. Mercado's task will be to ensure that no military element objects so strongly to the prospect of his taking over that it becomes willing to risk the unity of the armed forces and the stability of the government in an attempt to keep him from the presidency.

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CUBA: THE EMERGENCE OF RAUL CASTRO

As Fidel Castro has over the past few months withdrawn from the limelight, younger brother Raul has been appearing more frequently in political and protocol functions not related to his position of armed forces minister. Almost all high-level visitors to Cuba now touch base with Raul at least once, and in the past eight months he has been one of the regime's busiest spokesmen on both international and domestic matters. In addition, he has presided over the recent meetings that the party has been holding at the provincial level to assess activities over the past year. Despite all this, Fidel is doubtless still number one, but his younger brother is significantly expanding his role.

Party organizational work, which was a key facet of the provincial meetings, has long been an almost exclusive bailiwick of Fidel. Working through such functionaries as Armando Hart and, more recently, Jesus Montane Oropesa, Fidel has carefully monitored the development of the party ever since its formation began in 1962. The attempt that year by members of the old Moscow-oriented Communist Party that existed prior to Castro's accession to power to seize control of Fidel's political apparatus and relegate him to the role of a figurehead had taught him the folly of delegating party-building duties. [It is unusual, therefore, that he failed to make even a token appearance at any of the party meetings.]

In the same fashion, the loquacious Fidel has passed up several key occasions, which, in earlier times, he would have marked by lengthy addresses, while Raul has assumed much of the burden of speaking for the regime. On the 13 March anniversary of a student attack on the Presidential Palace in 1957, Fidel left the oratorical duties to Vice Prime Minister Carlos Rafael Rodriguez. Fidel failed to speak on 28 January, the anniversary of the birth of Cuban patriot Jose Marti. His last major radio and television appearance was on 3 January when, before a handful of regime officials, he outlined the new Cuban-Soviet economic agreement. His last speech before a mass audience was on 13 December during the visit of Chilean President Allende.



Raul Castro

Raul has become the prime mover of the high-priority drive against "ideological diversionism," i.e., failure to obey the regime's dictates blindly. He also has been serving more frequently as the featured speaker on occasions that call for profuse homage to the USSR, a task which seems to be increasingly unpalatable to Fidel.]

These and other signs of Raul's expanding influence and increasing responsibilities do not indicate that the younger Castro is building a power base from which to challenge his brother. By and large, Raul and Fidel are complementary rather than antagonistic personalities, and each realizes his need for the other. The current phenomenon can better be described as the belated emergence of a talented organizer and administrator. [redacted]

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VENEZUELA: OIL IN THE ELECTION

Despite earlier undertakings to avoid the subject, petroleum has developed into a major campaign issue as the two leading parties maneuver to improve their position before the presidential election in December.

President Caldera's Christian Democratic Party and its major opposition, the Democratic Action Party, have been under increasing pressure from leftist and nationalist elements to clarify their positions on issues directly related to petroleum, Venezuela's major export and source of revenue. At present, the Caldera government and its candidate seem more susceptible to leftist pressures, and the government gives greater evidence of believing that a hard line toward the US and the oil companies will be politically profitable.

At least, the Caldera government has been active in exploiting oil on the international front. In an extensive tour of Latin America last month, President Caldera punctuated his speeches with frequent references to Latin American solidarity in defense of natural resources. Although Venezuelan officials subsequently denied it, Caldera's remarks were interpreted as attacks on the United States and specifically on US oil companies. The Caldera government is already trying to profit from the current seller market for oil. At the instigation of Caracas, members of the Organization of Petroleum Exporting Countries will meet in special session next week to discuss the shortage and to coordinate policies to exploit it. Believing that Venezuela and other oil-producing states hold the advantage, President Caldera will push for an international conference of oil producing and consuming states. He has already announced an increase in tax reference values, the basis for estimating oil company taxes for this year.

Venezuela is also taking the lead in organizing the second conference of Latin American

petroleum ministers in Quito in early April. Caldera obviously hopes to get a consensus on petroleum policy that can be used in future negotiations with the US government.

While Caldera and his presidential candidate hammer away at the US, Democratic Action's candidate Carlos Andres Perez is enunciating a more rational and flexible position on the petroleum issue to US Embassy officials. Although Democratic Action must deal with a leftist group within its own ranks, its leaders are trying hard to convince the US that it will be easier to deal with than the present government.

In a frank exchange with the US ambassador, Perez said that, if elected, his immediate objective would be an energy agreement with the US. He believes that any agreement would have to include "free entry" for Venezuelan oil into the US domestic market. Oil prices would be set by the Venezuelan Government, but would reflect the world market. In exchange, Perez would provide guarantees for investment by US petroleum companies. In order to achieve bipartisan national support for this policy, Perez said he would appoint a commission of nine or ten Venezuelan leaders to discuss the basic elements of a long-term oil agreement.

When asked about existing concessions, Perez admitted that the current reversion law, which calls for the return to the state of all concessions beginning in 1983, has been discouraging US investors. He said that if elected he would try to work out a new arrangement with the US oil companies. The arrangement he envisages would give the Venezuelan state-owned petroleum corporation major responsibility for further exploitation of existing concession areas. Perez said details such as compensation could be negotiated later.

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CHILE: LOOKING AHEAD

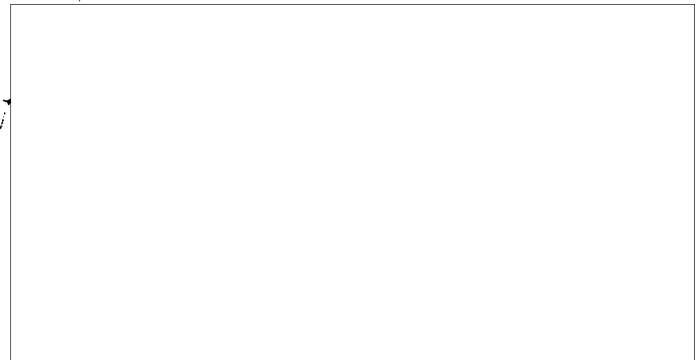
President Allende and his supporters believe that the Popular Unity coalition is now in a position to lead from strength, despite its minority status and the intense internal rivalry that persists between the Socialists and Communists. Buoyed by their candidates' strong showing in congressional elections on 4 March, they consider that the coalition has proved itself a political force that no longer needs to fear the opposition and can carry out its socialization program without major modification.

The President's political strategy in the months ahead reflects a pragmatic assessment of his political backing, of the Chilean armed forces, and of relations with the US. First of all, he will have to deal with the radical element in his own Socialist Party, which he accuses of trying to control his administration. Socialist radicals ran well in the elections for that group to abandon plans to leave the coalition and try to set up a revolutionary force of all extreme leftists. Instead these Socialists, led by Senator Carlos Altamirano, will attempt to use their leadership of the coalition's largest party to overcome the ineffectual reformism of Allende and the Communists. They will probably widen their drive to organize "popular power" groups to step up the "class struggle" apart from the Popular Unity and Communist influence. In these circumstances, Allende will find it difficult to engineer the recapture of Socialist leadership by party moderates.

He intends to steal some of the radicals' thunder by increasing government controls, start-

ing with the issuance of ration cards. Allende also plans, probably with Communist support, to increase non-Marxist representation in his government and to offer carefully drafted legislation to further the process of socialization. He assumes that the Christian Democrats can hardly afford to oppose such legislation in view of their renewed interest in proselytizing low-income groups. Allende believes that steps such as these will also open lines of communication to leftists outside the coalition, furthering the Popular Unity goal of dividing opposition forces.

At present, Allende seems to feel less need for the appearance of strong military support. He apparently plans to retain officers in the cabinet only until final election returns are officially posted in May. After that, he plans to use representatives of the armed forces in lower administrative posts only; this would keep the military involved in his government but reduce the military's political clout.



INTERNATIONAL MONEY

EC members compromised in reaching an agreement on a community approach to the current monetary difficulties. Six EC members—West Germany, France, the Netherlands, Belgium, Luxembourg and Denmark—will float jointly. The UK, Ireland, and Italy will continue independent floats. British participation in the joint float foundered on London's demands for a guarantee

of unlimited financial support in the event of a run on sterling. Although willing to make a substantial contribution, Bonn decided London's price was too high. Paris, which originally demanded UK participation for fear of too rapid an appreciation of the French franc, settled for a small German revaluation. Reaction to the float has generally been favorable. Norway, Sweden,

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and Austria are planning to associate with the float, and Switzerland is still undecided.

The EC will present a new plan to the enlarged Group of Ten in Paris on 16 March. The community anticipates that the US and Japan will cooperate: Washington by agreeing to intervene to support the dollar and Tokyo by allowing the yen to appreciate further. On Tuesday, Tokyo announced that it would hold direct intervention to a minimum when Japan's exchange markets reopen on 19 March. The EC nations' own intervention plans have not been spelled out, but they clearly plan a controlled float.

Light interbank trading in Europe since official intervention ceased early this month has not led to much change in exchange rates. Strengthening of the dollar earlier this week may indicate, however, that money managers and speculators will hold off on dollar sales, at least temporarily, when official foreign exchange markets reopen next week. Indeed a sharp fall in Eurodollar rates this week points to some dollar repayments by borrowers who earlier used them to buy the strong European currencies.

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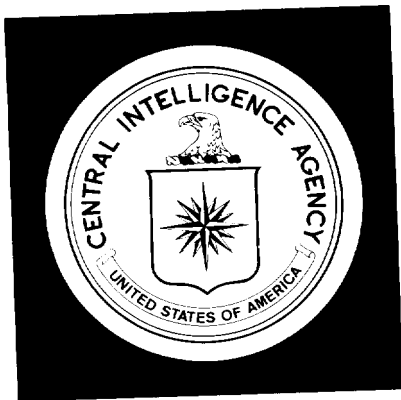
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Communist Aid to the Third World

Secret

№ 41

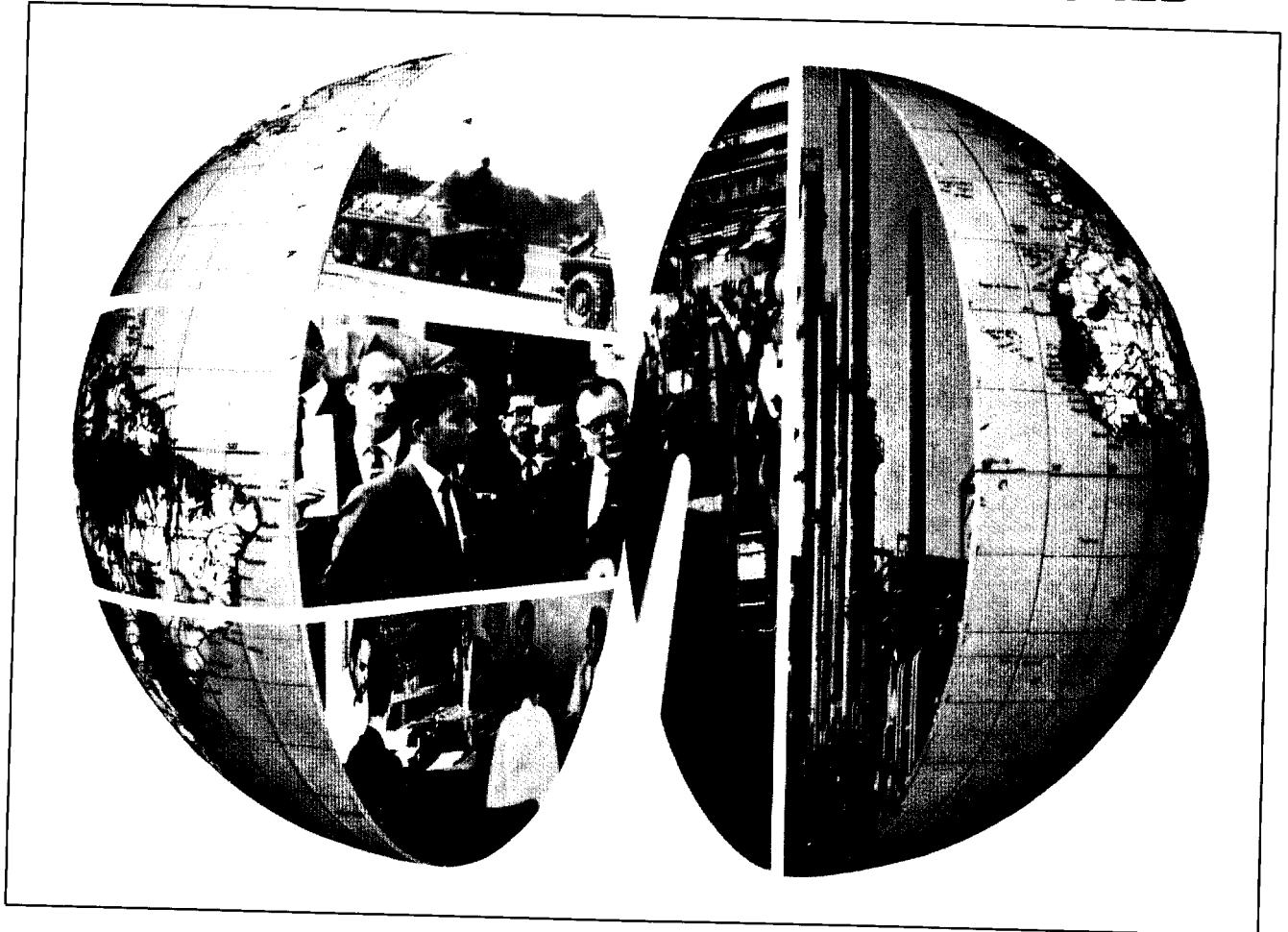
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COMMUNIST AID TO THE THIRD WORLD



Summary

The Communist countries continue to employ foreign aid as a major instrument for expanding their political and commercial interests in the Third World. Nearly \$2.3 billion of new economic and military aid was committed in 1972. Of this figure Moscow contributed nearly \$900 million despite its setback in Egypt. The East European countries, finding increasing commercial reasons for providing new aid, made their largest annual commitments last year. China extended aid to a wide range of recipients, focusing on Africa.

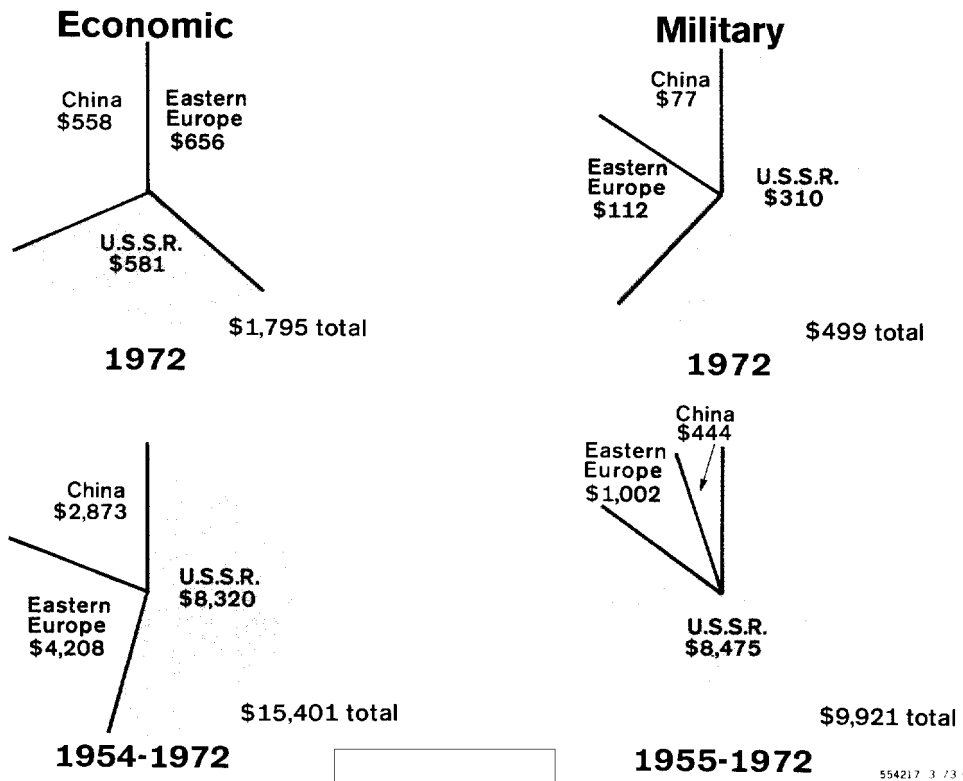
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Although political considerations, at least for Moscow and Peking, are the primary motivation for dispensing aid, economic factors are becoming more significant. Eastern European countries are using aid credits to expand exports of machinery and equipment. Moscow also finds aid recipients useful as markets and as sources of raw materials and consumer goods. Under aid and commercial agreements with less developed countries, the quantities of nationalized oil purchased by the USSR and Eastern Europe have risen sharply. Soviet purchases of products like steel, industrial equipment, and general consumer goods are also increasing. Most of these products are from Soviet-built plants in the developing countries.

Although their experience in Egypt last year will make the Soviets more cautious, they will certainly continue to use aid in 1973 to further their political and economic interests in the Third World. So will the East Europeans and the Chinese. The Middle East and South Asia will be the focal point of most of this activity this year as last.

Communist Economic and Military Aid to Less Developed Countries (million current U.S. dollars)



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Special Report

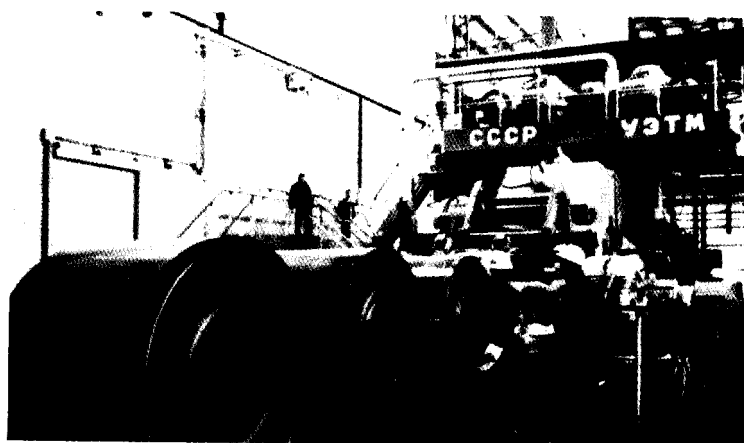
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16 March 1973

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Soviet-constructed Rolling Mill at Helwan, Egypt

Economic Aid

The Communist countries extended a near-record \$1.8 billion of economic aid to the Third World in 1972, bringing the total committed since 1954 to more than \$15 billion. The Soviet share of \$580 million went to five countries, while the East European countries, chiefly Czechoslovakia, Poland, and Romania, extended about \$655 million to 12 countries. Peking, for the third consecutive year, committed more than half a billion dollars in new credits, nearly 40 percent of which went to Africa. This momentum has carried into 1973 with China allocating about \$100 million in aid to Zaire in January.

More than half of new Communist aid in 1972 went to five countries: Afghanistan, Chile, Iraq, Syria, and Turkey. Chile was the largest recipient, receiving more than \$230 million. Seven countries—Burundi, Dahomey, Guyana, the Malagasy Republic, Malta, Rwanda, and Togo—accepted Communist aid for the first time; all of it came from Peking.

Communist economic aid deliveries in 1972 totaled some \$620 million, down 10 percent from 1971. Drawings against Soviet credits and grants declined about \$70 million to approximately \$310 million, largely as a result of reduced construction activities in Algeria, India, and Turkey. East European deliveries declined as well. Chinese deliveries jumped by approximately one third to \$220 million as work on the Tan-Zam Railway

was accelerated and large commodity shipments were made to Chile and Pakistan.

During the past ten years, net Soviet economic aid to the Third World has been narrowed by the rise in repayments and the leveling off of drawings. Drawings exceeded repayments by \$315 million in 1964; the gap had narrowed to \$75 million in 1972. If military aid repayments are added to repayments for economic aid, then the total repayments to the USSR have for some time exceeded Soviet aid deliveries.

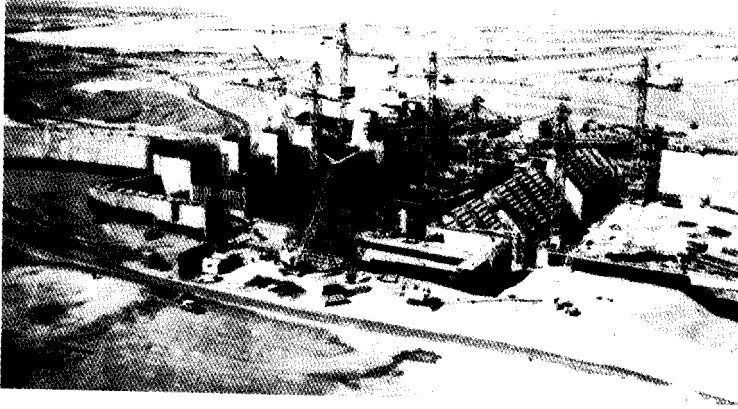
Military Aid

While economic aid commitments have remained high in 1972, new extensions of military aid dropped sharply. Communist countries committed only about \$500 million in military aid last year, down from a high of nearly \$1.3 billion a year in both 1970 and 1971. The record 1970 and 1971 figures were largely a result of commitments to Egypt for its air defenses and to India for its military buildup against Pakistan. The new extensions in 1972 raised to nearly \$10 billion the total amount committed since 1955, 85 percent of which came from the USSR. Of this, an estimated \$8.3 billion has been delivered. Last year, about \$310 million in military aid was committed by the USSR, mainly to Egypt and India, while China committed \$75 million, largely to Pakistan.

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Soviet-assisted Euphrates Hydroelectric Power Project in Syria

Chinese and Local Workers on the Tan-Zam Railway



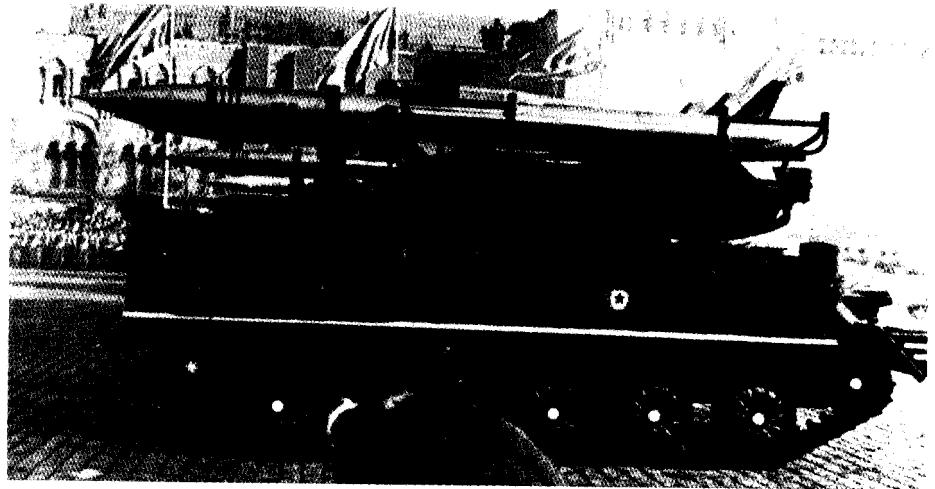
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Soviet SA-6 Surface-to-air
Missile Launcher



Communist military deliveries totaled \$775 million in 1972, 25 percent below the annual average for 1970 and 1971. Moscow provided more than \$650 million in military equipment, including the first shipments to less developed countries of the SA-6 surface-to-air missile (SAM) system, SU-17 (Fitter B) swing-wing fighter-bombers, and T-62 medium tanks. Some of the major recipients received their first SA-3 SAM systems, OSA-class guided-missile patrol boats, and ZSU-23-4 self-propelled anti-aircraft guns.

Middle East and South Asia

Middle Eastern and South Asian nations continued to be the prime beneficiaries of the Communist aid; they got nearly 60 percent of the economic and almost all of the military commitments in 1972. Moscow channeled almost 85 percent of its new aid to the two areas. More than half of all Soviet aid deliveries went to the Middle East.

In July 1972, President Sadat, at least in part because of dissatisfaction with the nature of Soviet military commitment to Egypt, ousted most of the Soviet military personnel from his country. An estimated 13,000 advisers, technicians, and personnel assigned to Soviet operational units in Egypt departed, leaving only a few

hundred technicians to work with the armed forces. Even so, Egypt still received about \$150 million in new military commitments, including an estimated \$80 million of arms turned over by departing Soviet forces. This setback produced no perceptible impact on Soviet economic aid activities in Egypt. Work moved ahead briskly on major projects, like the Helwan steel mill and the Naj Hamadi aluminum plant, and discussions were held on possible new aid for Egypt's new five-year plan.

In Syria and Iraq, Communist, and especially Soviet, influence grew as Moscow moved to offset its losses in Egypt. Moscow provided Syria with about \$85 million for various petroleum, transportation, and agricultural projects, for accelerated construction on existing railroad projects, and the development of the Euphrates Valley. The Soviets also extended more than \$60 million of new military aid to Damascus and delivered an estimated \$125 million of arms under past commitments, the largest annual deliveries ever made to Syria. In addition, Romania and China gave Syria \$93 million and \$45 million respectively, in new economic aid. Iraq signed a friendship treaty with Moscow, obtained some \$200 million of East European economic aid, and signed an \$80-million agreement with Czechoslovakia. Baghdad also applied for observer status with the

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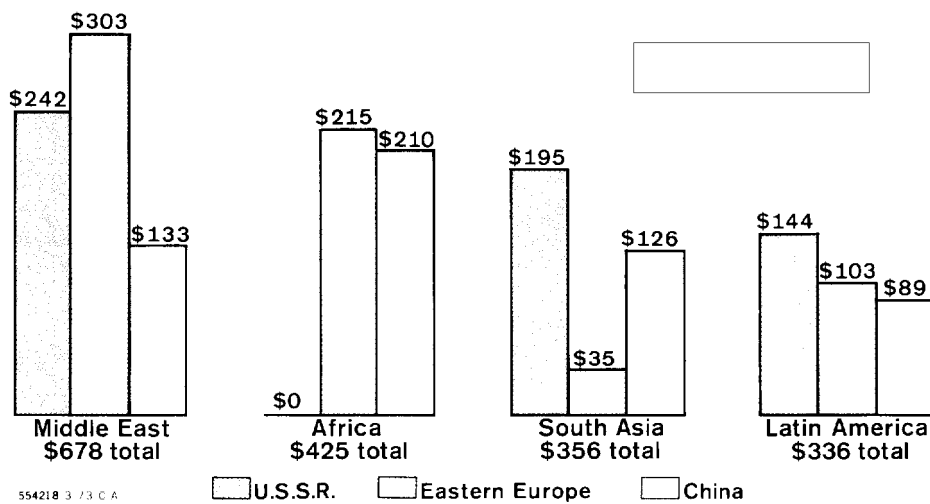
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Soviet-assisted Fanole Dam and Irrigation Project in Somalia.

Geographic Distribution of Communist Economic Aid in 1972 (million current U.S. dollars)



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Soviet OSA-class Guided-Missile
Patrol Boat

Council for Mutual Economic Assistance (CEMA) and agreed to repay most of its aid debts in crude oil.

A Soviet credit of \$158 million to Turkey to expand the Iskenderun steel mill raised Soviet allocations for the project to about \$420 million, making it the costliest single Communist aid undertaking in the Third World. Peking provided Yemen (Aden) and Yemen (Sana) with economic credits of about \$22 million each.

Moscow continued to dominate foreign aid activity in Afghanistan with a \$121-million economic credit that represents about 35 percent of planned investment in Kabul's fourth five-year development plan. Soviet aid outlays accounted for nearly half of total investment during the first three plans. Peking also extended \$45 million of new economic aid to Kabul.

Most European Communist countries moved rapidly to establish diplomatic and economic ties with Bangladesh soon after that country gained its independence. Nearly \$100 million of new aid was made available, and about \$60 million of unused aid originally committed to East Pakistan was reallocated. The Soviets extended about \$75 million, resumed work on projects begun prior to independence, and agreed to provide Dacca with a squadron of MIG jet aircraft. The Soviets undertook to clear the country's harbors of the wreckage of the 1971 war.

Strains in Soviet-Indian economic relations developed over Moscow's unwillingness to reallocate idle industrial development credits to other uses. The major projects are nearing completion, and while drawings have declined, aid repayments have risen rapidly creating a resource outflow in favor of the USSR. Moscow did, however, agree to provide India with an additional \$100 million of arms. China, on the other hand, committed \$65 million in new arms to Pakistan and delivered an equal amount in 1972.

Africa

Africa is the focal point of Chinese aid activities. Peking channeled about \$210 million of its 1972 commitments to seven African countries. East European countries provided about \$215 million to African nations, about \$150 million of which went to Algeria and \$50 million to Zambia. The USSR did not extend new aid to Africa for the first time since the inception of its African aid program in 1959. It did, however, agree to build Somalia's largest project, the Fanole Dam on the Giuba River, and stepped up work on Guinea's Kindia bauxite complex.

Communist aid activities in Africa are highlighted by the construction of the Tan-Zam Railroad, which is approximately one year ahead of schedule. Last year, an estimated \$110 million of Chinese aid funds were expended, and 16,500 Chinese technicians were employed in Tanzania and Zambia on the project. This one undertaking

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employs about three fourths of all Chinese economic technicians in the developing countries and more than 40 percent of all Communist technical personnel in the Third World.

Although Libya has not received Communist financial aid, it has obtained substantial technical assistance. The largest contingent of East Europeans (1,150) engaged in aid projects abroad are in Libya building various port, road, housing, and light industrial projects and working as advisers under individual contracts. The number of Soviets in Libya is still small, but the two countries have signed an agreement for the USSR to undertake oil prospecting, extraction, and refining projects; mineral and gas surveys; and energy resource development. Libya has also contracted to provide the USSR, Bulgaria, and Romania with sizable quantities of nationalized oil. In addition, Moscow has agreed to build two petroleum distillation plants and to study the feasibility of integrating the Libyan and Egyptian power grids.

Latin America

Communist economic relations with Latin America expanded further in 1972 as more than \$335 million of economic aid was channeled to the area. Chile, under Allende, turned more and more to the Communist countries for help in stemming the rapid deterioration of its economy. Santiago received \$230 million of aid commitments, far less than it needed and sought. In particular, there was little Communist help for Chile's balance of payments difficulties. Moreover, while Moscow extended about \$145 million of long-term aid and a short-term revolving credit of \$50 million, it made it clear to Santiago that the Soviet Union had neither the resources nor the inclination to underwrite the Chilean economy. Hungary and Poland provided \$78 million in credits to Peru, and Guyana received its first Communist aid, a \$26-million Chinese credit.

Outlook

Communist countries will continue to employ foreign aid as a major instrument for furthering their political and economic interests



East German Housing in Chile

in the less developed countries. Opportunities and requests for economic aid will almost certainly increase for all major Communist aid donors. Soviet military commitments probably will rise in 1973 because of the abnormally low level of 1972, and will no doubt be concentrated once again in the Middle East and South Asia.

Moscow probably will also concentrate new economic aid commitments in the Middle East and South Asia as opportunities open up for participation in development plans of major aid recipients. In Africa, Moscow may step up its aid activities in areas of special Soviet interest like Somalia and Sudan. Eastern Europe probably will expand trade and credit ties throughout the Third World. China will pursue its aid programs and trade activities in most areas, but its focus will remain on Africa.

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