

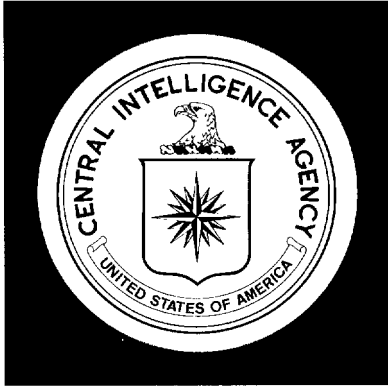
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Secret

13 April 1973
No. 0365/73

DOS, DIA, NAVY reviews completed

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

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Chou En-lai

china

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A CERTAIN DISTANCE

[Redacted]

Chinese economic and political support would continue. The current Sino-Vietnamese military aid pact almost certainly runs through the end of 1973, and there are signs that aid under this pact is continuing. It should be up for renegotiation in the autumn, and further hints about Peking's course almost certainly should be available before then.]

4 [Public and private Chinese statements since the cease-fire in Vietnam underline Peking's desire to see it removed as a major issue in big-power politics. Not only are the Chinese taking a relaxed and positive attitude toward the situation, but they may also be using their influence with Hanoi to this end.]

4 [There are other signs that Peking is rethinking the military aid question. Sihanouk recently claimed that Chou En-lai had declared that no new Chinese military assistance to the Khmer insurgents will be forthcoming because the Paris Agreement flatly prohibits such deliveries.]

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4B [A "commentator" article in the party daily of 7 April—the first article since early January to use this authoritative by-line—charged that the US was using its power "to negotiate with an intention of dividing and provoking the socialist countries." This formulation, with its implicit criticism of Chinese and Soviet attitudes toward big-power detente, has not appeared in the North Vietnamese media since last August when Hanoi was under heavy pressure from its big patrons to be forthcoming at the Paris talks.]

4 [In any approaches to the North Vietnamese on this matter, Chinese attitudes would be conditioned by their appraisal of prospects for Soviet military aid to Hanoi and US support for Saigon.]

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ARGENTINA: TERRORIST CHALLENGE

4 The army and police forces have launched a counter-offensive against the radical leftists who have terrorized Argentina with a rash of bombings, murders, and kidnappings in the past few weeks. The Peronists, who are still trying to placate the terrorists with the promise of amnesty for political prisoners, are beginning to doubt that they will have much success.

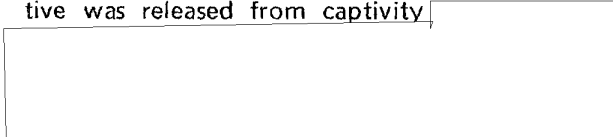
ment and have claimed that it would cease if they won the election. In public, President-elect Campora has continued to take a conciliatory line in the apparent hope that terrorists will lay down their arms in exchange for amnesty. He has called on the terrorists to observe a "truce" to let him prove that he "is on the right path."

5 The security forces arrested several suspected terrorists and confiscated arms and subversive propaganda in a series of raids and searches of homes and automobiles beginning on 10 April. They failed, however, to turn up any of the so-called "people's prisons," where at least 25 kidnap victims so far this year have been held for periods ranging from a few days to several weeks.



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8 Two recent kidnap victims—a retired Argentine admiral and a British businessman—are still being held. Earlier this week a US business executive was released from captivity.



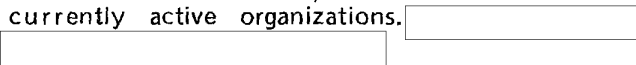
5 If the terrorism continues, the most likely effect will be to make the Peronists more dependent on the military and thereby strengthen the hand of armed forces leaders in the next government. Working together, the Peronists and the military might be quite effective against the various terrorist organizations. In their years out of power, the Peronists have occasionally worked with and claim to have penetrated most of the currently active organizations.

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6 The violence is finally beginning to worry the Peronists. They have long blamed terrorism on the repressive tactics of the military govern-



Families of Terrorist Victims



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**Arabs-Israel
TRUNCING THE FEDAYEEN**

10 In the early morning of 10 April an Israeli para-commando company carried out a three-hour operation against the fedayeen in Lebanon, hitting seven targets in Beirut itself and one in Sidon. This time the Israelis sought out and killed three top fedayeen leaders. In addition, the Israelis blew up an apartment belonging to the

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Popular Democratic Front for the Liberation of Palestine. They attacked two weapons workshops, the reputed headquarters for Fatah operations in the Gaza Strip, and a vehicle repair shop at Sidon. As was the case in the raid against seven guerrilla targets north of Tripoli, Lebanon, on 20 February, the commandos were transported by patrol boats and put ashore and brought out in rubber dinghies; helicopters were used to evacuate the casualties.]

10 [The deputy chief of Israeli military intelligence, Brigadier General Shalev, said that the strike was "part of Israel's policy of hitting those responsible for international terrorism." He said the raid was not in direct response to the fedayeen attempts against the Israeli ambassador and the El Al aircraft in Cyprus and obviously had been planned much earlier.]

10 [Chief of Staff Lieutenant General Elazar underscored the Israeli view that most terrorist plots are hatched in Lebanon, where terrorists have "complete freedom." [Since the slayings of one Belgian and two American diplomats in Khartoum on 2 March, Palestine guerrillas have killed an Israeli leather merchant in Nicosia who they claimed was an Israeli spy. There have also been a growing number of fedayeen-inspired incidents on the Israeli-Lebanon border, including one in which two Arabs and one Druse on a hunting party were killed by a mine. There has also been an increase in guerrilla activity in the Gaza Strip, and several explosions in Israel itself. The subsequent arrests of a number of guerrilla suspects in the occupied west bank indicate the raid was successful in its intelligence gathering aspects.]

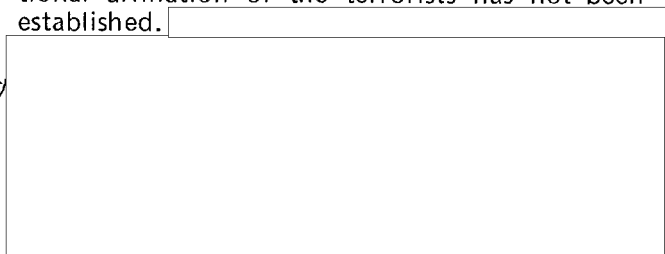
9 [The precision of the Israeli action in Lebanon stunned the Palestinians. When the fedayeen leaders recover, they will turn to the problem of retaliation.] The deaths of three senior Fatah officials, including a leading Black September figure and the destruction of installations, are not crippling losses. As with previous Israeli raids, the one this week will not affect the guerrillas' commitment to international terrorism. As they see it,

the fedayeen have no alternative. Nevertheless, the raid must have had a chilling effect on fedayeen morale, and restrictions imposed by Lebanon and Syria have severely limited their capability to strike directly at the Israelis in cross-border operations.]

13 [For the moment, Fatah leader Yasir Arafat is trying to exploit sympathy for the fedayeen dead.] [As part of this effort, the fedayeen command charged that the US collaborated with the Israelis in staging the strike and that the US Embassy in Beirut is harboring members of the Israeli assault team.] [Several mass protests against the US were organized,] [and there were threats of fedayeen terrorist action against the US Embassy itself.]

16 [The Lebanese Government has been shaken severely. Prime Minister Salam submitted his resignation, apparently because President Franjyah would not agree to dismiss the army commander for what Salam regarded as negligence. Salam seems to want to dissociate himself from the government and to preserve his standing with the Muslim community. His resignation has not yet been accepted, but Franjyah is said to be considering the formation of a government of "national union," presumably including more leftist, pro-Palestinian sympathizers.]

17 [Meanwhile, Cypriot President Makarios, commenting on the fedayeen actions in Nicosia, has publicly warned the Arabs and Israelis not to extend their conflict to Cyprus. Criminal charges have been brought against the terrorists, but it is not clear whether they will be tried.] [The organizational affiliation of the terrorists has not been established.]



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CAMBODIA: SIHANOUK RESURFACES

19 [After being out of the public eye for almost two months, Prince Sihanouk is back in his favorite position—the limelight. The former Cambodian leader reappeared in Hanoi late last week professing to have just returned from an extensive tour of the “liberated zone” in Cambodia. The attention that Sihanouk received in the North Vietnamese capital, including strong support for his claim as Cambodia’s “legitimate” chief of state, is the clearest indication to date that Hanoi is willing to endorse Sihanouk’s return to a position of power in his homeland.]

20 [The North Vietnamese apparently calculate that the deteriorating situation inside Cambodia improves the chances that negotiations with Sihanouk will eventually prove acceptable to Phnom Penh. Even if such negotiations prove impossible, the new emphasis helps convey an impression of Khmer Communist unity and legitimacy.]

21 [Sihanouk contends that he now enjoys the unreserved allegiance of the Khmer Communists in Cambodia and is entitled to speak and act for them. He lost little time in assuming this role, asserting that the indigenous Communists had asked him to tell the world that they would never accept any settlement or cease-fire with the Lon Nol government. Sihanouk indicated that his trip had reduced political frictions within the anti-government forces via a “marriage” of non-Communist and Communist factions. He made it clear, however, that he expects the Communists to dominate any future government in Cambodia.]

22 [On the military side, Sihanouk stressed that his “army” is an “independent” force, now totaling 120,000 “effectives”—an obvious exaggeration. Despite this boasting, he played down the possibility of a direct assault on Phnom Penh, claiming that, because of US air support, it would be better to wait for the Lon Nol government to collapse of its own weight. Asserting that military deliveries from Peking were stopping, Sihanouk claimed that the Khmer Communists had already

been given enough materiel to allow them to keep fighting until 1975.]

Nearly Out of Gas

23 [Phnom Penh almost literally ran out of gas early in the week, but a major fuel emergency was avoided when four petroleum tankers braved Communist shellfire and moved up the Mekong from South Vietnam to the capital. They delivered about a week’s supply of gasoline and other POL products. The tankers were part of an 18-vessel resupply convoy. Four other ships from the convoy carried general cargo. The remaining nine, including five tankers, did not get through. One was sunk. If the remnants of the convoy are not able to run the Mekong gauntlet within a week, Phnom Penh’s petroleum reserves will again be dangerously low.]

The River and the Roads

24 [Most of the fire directed against the convoy came on the South Vietnam side of the border. On the Cambodian side, the security situation along the Mekong has improved. Government troops have regained control over sizable stretches of the river’s banks north of Neak Luong. With the aid of air support, they have also cleared all but two sections of Route 1 between Phnom Penh and Neak Luong. In the southwest, the Cambodians reopened a section of Route 4 north of the port of Kompong Som on 9 April without meeting any resistance.]

25 [The government’s situation along Route 2 south of Phnom Penh has deteriorated. Khmer Communist units have kept up their harassment of Cambodian positions in the vicinity of Takeo, as well as their shellings of the isolated provincial capital. A few miles west of Takeo, the Communists pushed government forces out of the town of Angtassom—a serious setback which substantially increases the threat to Takeo. Route 5, Phnom Penh’s rice line to the northwest, remains closed between Oudong and Kompong Chhnang.

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VIETNAM

The ICCS Shootdown

22 [The ICCS contingent in South Vietnam suffered its first fatalities on 7 April, when one of its helicopters was shot down near Khe Sanh in the Communist-held part of Quang Tri Province. The aircraft, one of two on a flight to a designated Communist resupply point, was hit by a small surface-to-air missile. All aboard—one Indonesian, one Canadian, two Hungarians, two Viet Cong, two Americans, and a Filipino—were killed.]

level since the cease-fire went into effect last January. [Shells are still falling on some government positions, however, especially in forward bases near Viet Cong areas.]

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23 [The helicopter was in an area the North Vietnamese are turning into a major military base. Regret has been expressed in Communist propaganda output.]

25 [At the same time, the Communists have done their best to shift the blame for the incident to the ICCS. They tried to persuade the crew and passengers from the second Commission helicopter, which landed safely a mile or so from where the first crashed, that both aircraft were far off course.] [Communist media have taken up the same theme, charging that the aircraft was lost because its "US crewmen did not adhere to the established itinerary."] [Actually, a Viet Cong official was navigating, and the pilots of the second helicopter say they are sure the aircraft were right on course.]

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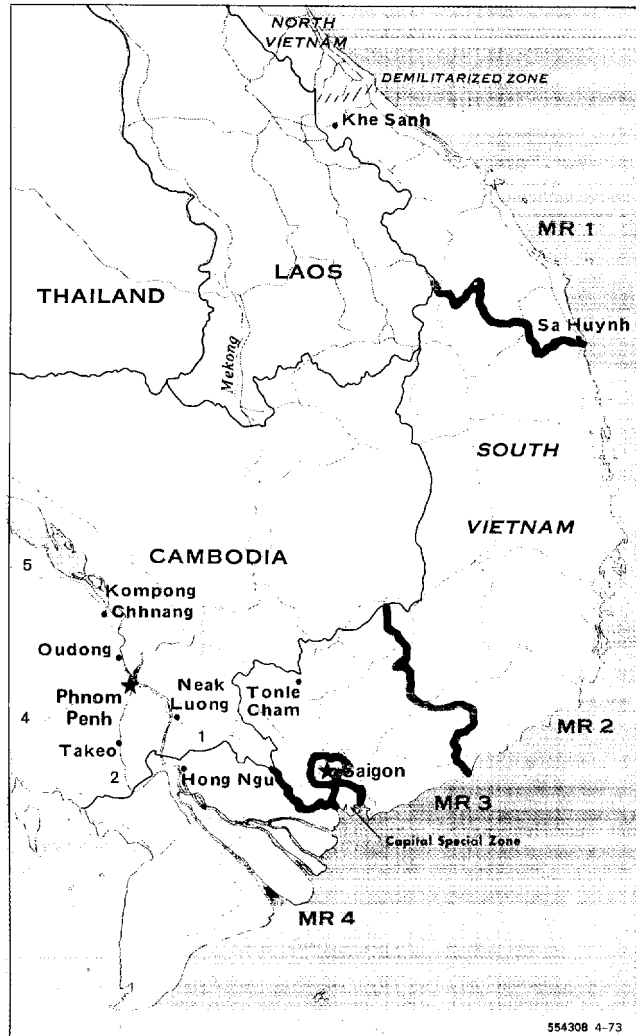
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27 [ICCS inspection efforts in Communist-controlled areas are sure to be inhibited, at least for a time, and those who question the value of the whole supervisory operation under the present cease-fire guidelines will become a bit more cynical.] [Moreover, even though Communist members of ICCS local teams are angered by the Viet Cong's handling of the incident, they apparently will not be allowed to lean very hard on the Vietnamese Communists.]

27

The Military Situation

28 [In the northern provinces, ground fighting in some areas during the past week was at the lowest



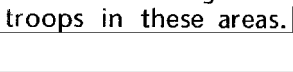
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30 In the southern provinces, the Communists are maintaining their pressure on the isolated Tonle Cham ranger camp. The Communists have the capability to overrun Tonle Cham, but apparently hope to starve out the defenders, who have only a few days' supply of food and ammunition. Efforts to arrange a truce in the area have borne no fruit. 31 The South Vietnamese military commander in the region, General Minh, views the situation around the camp as a crucial test of ICCS effectiveness, and sees the ability, or inability, of the ICCS to investigate the fighting as setting a precedent. 30 Another possible test of ICCS effectiveness could be shaping up near the provincial capital of Phuoc Long northeast of Tonle Cham, where Minh believes the threat of a new Communist assault is "very serious."

32 There have been sharp skirmishes in several delta provinces at points close to Communist base areas or entry points. Dinh Tuong Province has had considerable fighting, and the Communists have managed to scare much of the population out of the western delta town of Hong Ngu—an ICCS border entry checkpoint. Some of the fighting is intended to divert government attention from the infiltration of supplies and men, but much of it suggests that the Communists are bent on eliminating remaining South Vietnamese troops in these areas. 34



LAOS: PASSING OUT PORTFOLIOS

35 Although the two sides remain far apart on many issues, Communist and government negotiators this week reached tentative agreement on the make-up of a new coalition cabinet. Under the agreement, Vientiane will retain the ministries

of defense, and finance; the portfolios for public works, foreign affairs, and information will go to the Communists. Bargaining continues over the interior ministry. Posts of lesser importance will be divided evenly between the two sides. Vientiane will appoint the number-two man in each ministry headed by a Communist, and the Communists have the same right in regard to the ministries headed by the government.)

34 Despite the progress on political issues, formidable obstacles remain. The Communists are maintaining a hard line on military matters, and this could block the formation of a new government for some time. Specifically, the Communists demand a formal demarcation of the zones of control, a prohibition on the integration of irregulars into the Lao Army, the dismantling of irregular bases such as Long Tieng, the abandonment of enclaves such as Bouam Long, and a severely circumscribed role for both the Lao supervisory body and the International Control Commission. The Communists almost certainly intend to give way on some of these demands as the talks progress, but at the moment they are showing no signs of yielding.

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Long Tieng Area

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KOREA: VARIATION ON A THEME

77 Pyongyang has always hoped that its dialogue with Seoul would lead to the termination of the UN's role in Korea and an acceleration of US military withdrawal. Seoul, however, not only retains UN support but has recently received strong reassurances of continued US backing. Frustrated by these developments, Pyongyang is appealing directly to foreign governments in an effort to stir greater support for its position.

39 100 Its message is an old one, with some new twists. Speaking before the Supreme People's Assembly on 6 April, Premier Kim Il-song decried the presence of US forces as the major obstacle to progress in the North-South talks. He said that Pyongyang was ready to reduce its armed forces by 200,000 men if the US withdrew its 40,000 troops. This was a departure from Pyongyang's previous proposals which have tied any reduction in its forces to cutbacks in the larger South Korean forces. Kim called for the abolition of the UN Command and the United Nations Commission on the Unification and Rehabilitation of Korea and insisted that North Korea be allowed to attend the discussion of the Korean situation at the UN General Assembly this fall.

23 These themes were repeated in letters sent to various governments. One addressed to the US Congress did not contain the specific offer to reduce forces; it did warn that the US presence and continuing military support for the South Koreans increased the possibility of conflict on the peninsula.

40 The North Koreans probably realize that their offer of troop reductions will not be taken seriously, but, by appearing to be flexible in talks with the South, Pyongyang may hope to increase international support for its position. The North Koreans may believe that direct appeals to the US will complicate relations between Seoul and Washington.

40 More specifically, North Korea's campaign is designed to undercut Seoul's contention that there should be no consideration of the Korean issue at the UN this fall lest it jeopardize progress in the talks. Both in public speeches and in the private high-level talks with Seoul last month, the North Koreans have warned that there will be no progress in the talks until there is some agreement on military matters. In the absence of such progress, Pyongyang and its allies can be expected to lobby strongly for consideration of the Korean issue at the UN.

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The North-South Talks

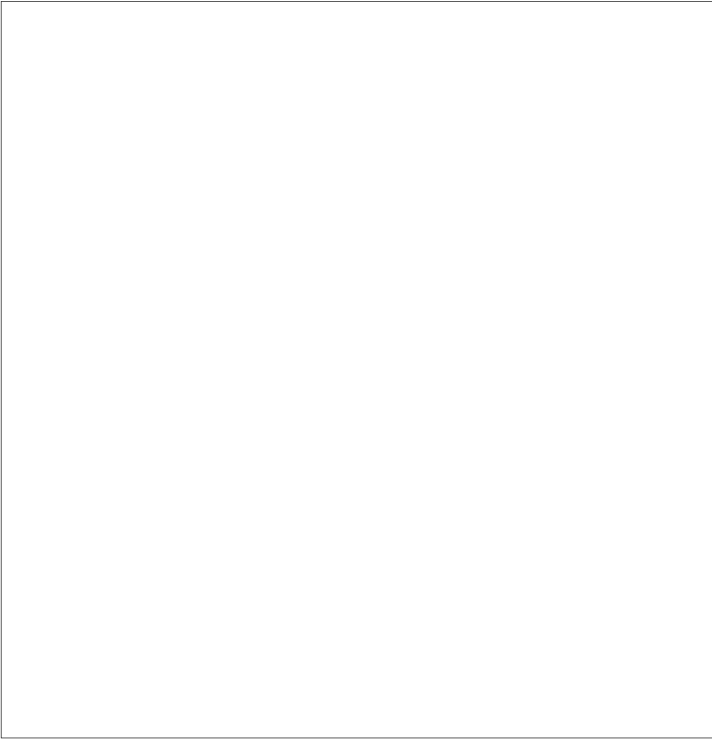


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ing Maurice Schumann who lost his assembly seat in the election. Jobert is one of Pompidou's closest working associates and a foreign affairs specialist. Robert Galley, a technocrat and strong Gaullist replaces a hard-line Gaullist, Michel Debre, at the Defense Ministry.)

50 } The Independent Republicans, the Gaullists' major partner, increased their strength vis-a-vis the Gaullists in the election, but gained only one additional cabinet post. Giscard d'Estaing, their leader, retained the Ministry of Economics and Finance. Pompidou reportedly has suggested that the Gaullists and Independent Republicans become more unified and has singled out Giscard for special praise. Pompidou may be trying in this way to dilute arch-Gaullist influence, but the flattering attention given Giscard will raise speculation that an heir is being drawn forward.)

51 } The removal of Debre, along with some of the other cabinet changes, is aimed at convincing the voters that Pompidou is responsive to demands for change. Creation of a new ministry for administrative reform is another signal.) (The new government has announced plans for social reforms, including changes in the controversial draft law, increases in the minimum wage, and more flexibility in retirement programs. It has also proposed redrawing the boundaries of election districts and shortening the presidential term from seven to five years.)

FRANCE: THE NEW TEAM

50 } The cabinet appointed on 5 April shows certain changes in President Pompidou's approach, which reflect his stronger personal position after the legislative election last month. Over half of the 22 cabinet positions went to Gaullists, but for the first time in the Fifth Republic only one Gaullist "baron" figures in the government, and the exception is a close friend of the President. Pompidou's own men hold the major posts. The new line-up does not foreshadow a sharp move away from the basic tenets of Gaullism to which Pompidou is committed. It does suggest that the President will be better able to react pragmatically to events than he could when orthodox Gaullists were stronger in the government.)

51 } Michel Jobert, formerly the head of the presidential staff, is the new foreign minister, replac-

51 } Arch-Gaullist Prime Minister Messmer was reappointed, though his tenure may be short. Messmer has served only since last July, and Pompidou may plan to retain him for several months as a face-saving device. Conspicuous by his absence from the government is Jean Lecanuet, head of the centrist faction that cooperated with the government in the last round of the legislative race. Lecanuet declined Pompidou's offer of a post. Lecanuet may be waiting to see if Pompidou acts on reforms and may be watching to see if Messmer is replaced soon. He probably also wants to be free to regain control over the centrists who split with him over cooperation with the government.)

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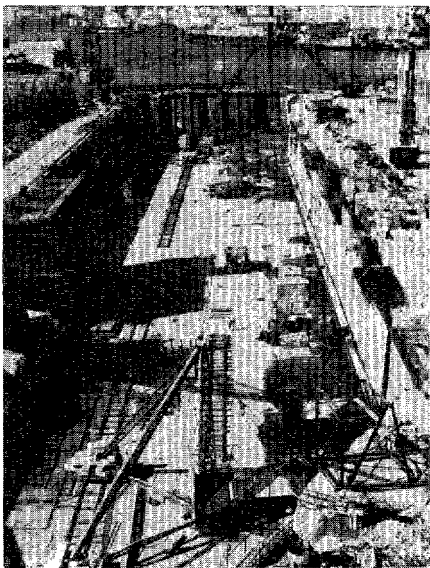
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MALTA: IN THE WEB

57 [While Prime Minister Mintoff chips away at the complicated problem of NATO payments for the use of naval facilities in Malta, domestic problems are piling up on the island. Unemployment is acute, inflation is zooming, and discontent has cropped up among the Labor government's regular supporters. Mintoff's government has not really faced up to these serious problems.]

55 [On the base payments issue, Mintoff, who has never really sought to create an atmosphere of cooperation, is caught by fluctuating exchange rates. There are disagreements over the special payments provision of the base agreement by which NATO countries are compensating Malta for losses caused by the sterling float last June. These have been made worse by the dollar devaluation and the decision by other countries to float their currencies. He has been pressing for advance guarantees of exact amounts to be paid and assurances about the level of future payments for the duration of the agreement. He has not yet received them.]

56 [On the domestic front, Mintoff's public pronouncements of a rosy future created high expectations and have led to bitter disappointment as promises fail to materialize. He is getting



Empty Dry Dock

complaints from the labor force, which customarily provides him solid support. In an effort to soothe disgruntled dry dock workers, Mintoff signed an agreement providing for pensions, a reduction of the work week, and a cost-of-living bonus. He refused to grant wage increases and insisted that economic sacrifice will be necessary; this is likely to irritate the impatient workers.]

53 [An estimated 8.5 percent of the work force is unemployed. In an effort to reduce the ranks of the unemployed, Mintoff has established the Pioneer Corps, a paramilitary unit that will concentrate on public works projects. Measures such as this and the concessions granted to port workers merely poke at the edges of the economic problems facing the island. If the Maltese economy is to recover, Mintoff must address himself to inflation and to economic growth. Without a positive business climate to stimulate new investments an economic turnaround is unlikely to develop.]

52 [If he does not get the economy moving, his political future will be threatened. As disillusionment with Mintoff grows, the Labor Party is losing popularity. So far, the rival Nationalist Party, which suffers from disorganization and the absence of an articulate leader, has not been able to put together an effective challenge to Mintoff.]

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DENMARK: BACK TO WORK

58 [Workers and employers this week accepted a settlement to end a nationwide strike that had idled some 260,000 workers for nearly three weeks. The employers' federation ended by acquiescing in an agreement similar to the one it rejected earlier, apparently reasoning that it was better than a government-imposed settlement.]

58 [Other European labor organizations had pledged support to the Danish workers, and the employers may have felt that further recalcitrance would only hurt Danish industry. The price for two years of labor peace was a 7.5-percent increase in wages and benefits and a reduction in man hours that may result in a two- to three-percent loss in production.]

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USSR: EAST AND WEST

In Asia

60 [Moscow recently has picked up a few new endorsements of party chief Brezhnev's four-year-old proposal for "an Asian collective security system." In the communique issued at the end of Premier Kosygin's visit to Iran in mid-March, the Shah agreed to work for the realization of such a system. Subsequently, in an interview in *Pravda*, Japanese Foreign Minister Ohira said that Japan would be willing to exchange views with any country interested in the idea. The Soviets are using these statements in their own effort to enlist more Asian support for the concept, but they almost certainly realize that the idea will not become a reality soon.]

62 [Brezhnev introduced the proposal in 1969 to take advantage of Asian concerns about China and the announced US plan to withdraw militarily from Indochina. The proposal was purposefully left vague so that it would appeal to the largest possible number of Asian countries. Moscow's chief aim was not actually to create such a system, but rather to remind Asians of the USSR and its security interests when Asians were preoccupied with their shifting relations with China and the US.]

62 [In early 1972 after the Indo-Pakistani war, the Soviets undertook new demarches on behalf of Brezhnev's proposal. Brezhnev at that time listed the "principles" on which such a system should be based:

- renunciation of the use of force,
- non-interference in the internal affairs of other states,
- recognition of the inviolability of borders,
- the development of mutually advantageous bilateral ties.

These are so anodyne that they give governments like Japan and Iran little difficulty, particularly

because the USSR is now publicly on record that the system is not aimed against China.]

64 [The Soviets are under no illusions that the recent endorsements will bring Brezhnev's scheme closer to fruition. A senior Foreign Ministry official this month noted some of the hurdles to be overcome first: a European security arrangement, a solution to the Arab-Israeli conflict, and normalization of relations between India, Pakistan, and Bangladesh. What has happened is that the Asian collective security system proposal is now firmly a part of Moscow's diplomatic effort to increase its acceptability in Asia.]

In Nordic States

62 [President Podgorny and Premier Kosygin were in Finland and Sweden, respectively, last week and appear to have scored modest successes. Still both were upstaged in the Soviet press by reporting on plans for party chief Brezhnev's visit to West Germany next month.]

62 [While Podgorny attended ceremonies in Helsinki marking the 25th anniversary of the Finno-Soviet Friendship Treaty, Foreign Minister Karjalainen represented Finland at the similar celebration in Moscow. Lesser demonstrations of Finland's close ties to the USSR included a Soviet Week in Finnish schools and a large Soviet scientific exposition in Helsinki that will run until 15 April. Finnish President Kekkonen's anniversary speech was obsequious, especially on the sensitive issue of the Winter War of 1939-40, and has garnered stinging criticism in Finland and Sweden.]

62 [During Podgorny's visit, Helsinki announced that it will sign the Finnish-CEMA economic cooperation agreement, something Moscow has long advocated. Nothing was said, in public at least, about the proposed free-trade agreement between Finland and the EC. Podgorny did confer with Kekkonen in private for several hours, and a key topic presumably was the Soviet attitude on this problem. Soviet reservations about the EC arrangement undoubtedly have not lessened.]

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Kosygin's Uncomfortable Press Conference

62A, In Sweden, demonstrations by Jews and Baltic emigres and an awkward press conference severely damaged Kosygin's hopes of scoring a public relations success. He had smoother going in his political talks with Prime Minister Palme. The resulting joint communique was bland and avoided explicit criticism of the US. The economic talks produced no substantial accord. The Swedes complained about the recent sharp drop in Soviet imports of Swedish goods, but the Soviets claimed that inadequate Swedish credits were at fault. The parties agreed to open negotiations next month on Soviet uranium enrichment services for Sweden.]

62A, [Pravda for two days running gave less play to the Nordic sojourns than to plans for Brezhnev's travel. On 5 April, Chancellor Brandt formally announced that Brezhnev had accepted his invita-

tion to come to West Germany. The visit, a first for a top Soviet leader, is tentatively set for 12-17 May. [redacted] it will be a "working visit," rather than a state or official one. Both sides expect it will result in some progress toward the resolution of outstanding political and economic questions. [redacted]

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USSR: SOVIET NAVY STIRRING

66 [After a normal winter lull, the Soviet Navy is currently engaging in a variety of exercise, surveillance, and relief operations. An anti-carrier defense exercise is being staged in the Norwegian Sea. A surface force, led by a Sverdlov-class cruiser, is simulating a carrier force and serving as a surveillance target for Soviet naval aircraft. Except in 1972, the Soviets have conducted similar exercises in the Norwegian Sea for a number of years. Last fall, US-NATO participants in exercise "Strong Express" were treated as aggressors by Soviet aircraft performing reconnaissance and simulated air-to-surface missile attacks.]

67 [Activity in the western Mediterranean involved the helicopter-carrier Moskva and other units in a series of anti-carrier and anti-submarine exercises. This activity coincided with the arrival of the initial contingent of submarine relief units from the Northern Fleet. Five F-class diesel attack submarines and one J-class cruise missile unit entered the Mediterranean submerged in an apparent attempt to avoid detection. The Soviet Mediterranean Squadron will doubtless monitor a US amphibious exercise that begins on Sardinia on 13 April.]

67 [In the Far East, units of the Pacific Fleet are also engaging in spring exercises. Fourteen surface combatants in the Northern Sea of Japan were noted conducting operations on 11 April.]

67 [A turnover of ships on the West Africa patrol also is taking place. An Alligator landing ship arrived in the vicinity of Conakry, Guinea, on 9 April, relieving a destroyer that had been on station since November 1972. [redacted]

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YUGOSLAVIA: DEFENSE DOCTRINE RECAST

71 [The party presidium's new ideological journal, *Socijalizm*, has recently stated the case for flexibility in forming wartime alliances and for closer party control of the military. [The journal opened new ground when it admitted that Yugoslavia would consider military alliances if attacked and that emergency alliances with capitalist countries are permissible.]

72 [Such an admission has long been inhibited by Tito's doctrinaire opposition to alliances of any kind. Heretofore, the party line held to the dreamy view that the UN, nonaligned friends, and "other progressive forces" would come to the rescue if Yugoslavia were attacked. The absence of any substantial effort to save the Czechoslovaks in 1968 destroyed whatever credibility this theory ever had and created pressures in Belgrade for more solid security guarantees.]

73 [Even so, Tito refused to budge for almost five years. He has lately been trying to improve relations with the Soviet Union and thereby reduce the threat from the East. The *Socijalizm* article serves to remind the party elite that Brezhnev's doctrine of "limited sovereignty" could still pose a danger to Yugoslavia. The article, in effect, is a signal that Tito and his colleagues are taking due account of the Soviet threat and that they are looking into Yugoslavia's options. *Socijalizm* does emphasize that nonalignment is the best policy for normal times, because formal peacetime alliances restrict national sovereignty and frequently prove useless in a real emergency.]

74 [The Yugoslav military was put on notice that its internal role of defending the state against domestic enemies is "disappearing"—an admonition designed to persuade the generals to stay out of politics. Tito has generally agreed with critics in the military that the party had been too soft on nationalists and liberals, and he has used military backing in his purges. Now that he has set about restoring party supremacy, he does not want further military interference.]

75 [The article hinted at personnel changes in the military hierarchy. Defense Minister Ljubicic

is a likely candidate for the axe. Last December he made veiled threats against Vienna over the problem of the Slovene minority in Austria. *Socijalizm's* complete rejection of "all thoughts of aggressive acts, threats, or pressures against other states" is thus an indirect slap at the defense minister. [redacted]

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BULGARIA: ROOM AT THE TOP

76 [On 7 April, 44-year-old Dimitur Stoyanov was appointed minister of interior. He joined a growing number of young leaders who have been moved into prominent jobs in the aging Bulgarian hierarchy over the last two years.]

77 [Since party boss Todor Zhivkov has been ailing and been out of sight for six weeks, Stoyanov's elevation at this time has sparked rumors of some dark Balkan intrigue. For the moment, however, the change seems to be nothing more than a recognition in Sofia that age is catching up with the Bulgarian old guard. Most of its members are now in their late sixties and seventies, and Zhivkov, himself 62, is well aware of the need to groom replacements. After the sudden death of Foreign Minister Ivan Bashev, Zhivkov turned to Petur Mladenov, at 36 the youngest foreign minister in Europe.]

78 [In the party, Ivan Abadziev's star is rising. At 42, he has already been entrusted with a number of delicate assignments, including the thankless task of attempting to patch up party ties with the Yugoslavs. Abadziev now appears strong enough to challenge Boris Velchev, the current number-two man, for the title of Zhivkov's heir-apparent in the party.]

79 [Washington will get a firsthand look at one of the new breed when Deputy Trade Minister Andrei Lukanov leads an economic delegation to the US in late April or early May. At 34, Lukanov has been assigned the task of promoting Bulgarian trade with the West. He has already had some success in economic talks with the British. [redacted]

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INTERNATIONAL MONEY (76)

The dollar has been relatively strong in international financial markets in recent weeks, and the Europeans have had little difficulty in maintaining their joint float. Since the float was initiated on 19 March, the dollar has risen slightly against the joint float currencies. Only modest interventions have been required of European central banks to maintain the joint float. Activity on the international money markets has been sluggish, but the lack of trading indicates hesitancy and uncertainty rather than faith in the new exchange rates.

The mere existence of the joint float band serves as an inviting target for money managers and speculators who have tens of billions of dollars at their disposal. Balance-of-payments trends will probably produce short-term pressures for appreciation of the mark and the French franc and for depreciation of the Scandinavian currencies, and any unsettling economic or political news from a country whose currency is involved in the joint float is a potential source of speculative pressure. Among other currencies, the yen will be under upward pressure and the Swiss franc and sterling subject to downward pressure; any substantial variation from present exchange rates by any of these currencies also will have a destabilizing effect on the European band. Unless the Europeans demonstrate a firm determination to support the band when the pressures increase and unless provision is made to control the massive funds available to speculators, a successful attack on the float is likely, probably before autumn.

International monetary reform will be delayed until major US-European differences over a number of trade and monetary issues can be resolved. Most foreign officials feel that long-range monetary stability will require increased US cooperation and a firmer attitude by the Americans toward trade and financial imbalances. They regard the joint float as a satisfactory temporary expedient but seek a return to a more conventional, if slightly more flexible, international exchange rate structure.

DOING BUSINESS WITH ROMANIA

The signing of Romania's first joint ownership agreement with a US firm and the visit to the US later this month of a deputy prime minister highlight the positive trend in US-Romanian economic relations. The joint ownership agreement, involving Control Data Corporation, is the first time Romania has allowed US ownership to accompany an infusion of US capital. The joint venture, to be known as Romcontroldata, will produce computer equipment. Production will be supervised by a joint management staff and board of directors with Control Data holding 45 percent of the equity. Both partners will be allowed to market the computer equipment, and this may indicate that Control Data will not make its most advanced technology available to the Romanians.

Romania was the first CEMA country to legislate for Western equity participation, but until recently was unwilling to follow through and allow joint ownership. US firms were more reluctant to enter into cooperative production ventures without the benefits of ownership and, eventually, the Romanians, who are much interested in increasing hard currency earnings, gave in. Romania is not alone. Hungary has already enacted a law permitting equity participation, and Poland is considering such a law. These legal changes, along with Eastern Europe's quest for technology and managerial techniques, will continue to attract US capital under terms more favorable to US firms.

Economic relations will undoubtedly be on the agenda when Emil Draganescu, deputy prime minister and minister of transportation, visits the US at the end of this month. Romania wants most-favored-nation status. In the strongest of a series of public and private signals, the Romanian press gave front-page coverage to President Ceausescu's comment to a Western journalist that most-favored-nation status would increase bilateral trade three or fourfold. The Romanians are interested in offsetting import contracts with barter deals to minimize hard-currency deficits. Even if Romania is accorded most-favored-nation treatment it would probably continue to run a trade deficit with the US.

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ITALY: THE FRAGILE MARGIN

84 } Prime Minister Andreotti, who comes to Washington next week, faces growing disaffection at home. His tenure is uncertain. Some of his colleagues are already talking about a successor government but hope to postpone decisive action until June.]

84 } Discipline in the government parties is feeble, and government bills have been faring badly in parliament. On 11 April Andreotti survived two votes of confidence by margins of only four. He has been holding to the view that only his defeat on a formal vote of confidence would cause him to resign. This position is contrary to custom, but it has lengthened Andreotti's stay as prime minister. Only once, in 1953, has an Italian government been ousted through a vote of no confidence; usually the fall comes about by party action outside parliament.)

85 } Last week, Vice Prime Minister Tanassi's Social Democratic Party officially invited the Christian Democratic, Republican, Liberal, and Socialist parties to separate meetings with the Social Democrats for preliminary soundings on how and when to change the government. The Tanassi initiative is taking hold and some meetings may be held soon. In talking with US officials, Tanassi has declared that he distrusts the Socialists, but publicly he has expressed hope for a return to the center-left formula of 1962-72. The center-left included Socialists as well as Christian Democrats, Social Democrats, and Republicans. Business-oriented Liberals replaced the Socialists in 1972.)

85 } These formal inter-party meetings must work out agreements on economic policy and on relations with the Communists. The Republicans, Liberals, and Socialists lay particular stress on economic issues while the Social Democrats emphasize the Communist question. The Christian Democrats are deeply concerned with both.)

84 } Despite a more pro-business government orientation during the past year, Italy's economy is showing few signs of a strong self-sustaining revival. The present government's program to stimulate the economy and restore rapid growth will help boost consumer prices eight percent this year. Labor-oriented political leaders feel the program is skewed in favor of business and against the consumer. The government's failure earlier in the year to float the lira jointly with other EC countries is also controversial. The Republicans, in particular, claim that the Andreotti government is repudiating Italy's long-standing commitment to European unity.)

84 } The Communist issue was played up by both the Christian Democrats and the Social Democrats in campaigning against the Socialists in parliamentary elections last May. Christian Democratic leaders were responding to pressure from their own voters who threatened to defect to right-wing parties. The Christian Democrats now will be anxious to see the Socialist Party take new public positions which can be adduced as representing greater conservatism, even if the changes are only for appearances. The Social Democrats, on the other hand, value Socialist loyalty to the center-left formula in local and regional governments as well as in Rome; this would require the Socialists to forgo good jobs in Communist-dominated local governments.)

84 } Even if discussions go smoothly, a change of government may be delayed. Political leaders want first to assess the strength of left and right within the Christian Democratic Party. The leaders will be able to do this at the party's congress scheduled for early June; they will not push for a government change before then, although one may be forced upon them by growing disaffection. [redacted]

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SECRET**SIKKIM: POLITICAL UPHEAVAL**

111 [Important political changes are taking place in this tiny Himalayan kingdom. Weeks of unrest, culminating in several days of demonstrations, led this week to negotiations aimed at a compromise between the 50-year-old chogyal (ruler) and the opposition, which is dominated by ethnic Nepalis. The latter, mostly Hindu, make up 75 percent of the 200,000 people in this Indian protectorate. They are demanding an end to political and economic discrimination that favors Sikkim's original inhabitants, the Bhutias and Lepchas, who are Buddhists and culturally oriented toward Tibet.] 114

111 [The current unrest was sparked by elections last January to the 24-member State Council. The results endorsed the status quo. Shortly after the votes were counted, the Nepalis accused the government of rigging the elections, and skirmishes broke out between the rival communities. Things quickly got out of hand, and the chogyal had to ask for Indian assistance. The approximately 30,000 Indian soldiers regularly stationed in Sikkim restored order. The chogyal, possibly under Indian pressure, subsequently "requested" India to take over full administration of his kingdom. There were few casualties, and the royal family, including the chogyal's 32-year-old, American-born wife, was unharmed.] 114

111 [A capable Indian official was sent to Gangtok to assume administrative control. He will also try to work out a compromise between the ruler and the Nepalis. The chogyal will have little alternative but to accept an Indian-dictated compromise.] 114
112 Such a compromise will probably curtail his already

limited authority. His new role is likely to be spelled out in a written constitution and a one-man, one-vote system. The State Council may be expanded to give the Nepalis representation proportionate to their numbers.]

112 [By encouraging more representative government, New Delhi may create problems for itself. Nepali youth leaders are committed to ousting the chogyal completely and might not be satisfied with the political compromise New Delhi has in mind. In the end, however, India, whose officials fill key positions in the Sikkimese bureaucracy, can be expected to take whatever measures are necessary to preserve Indian security interests.] 114
113 Because of Sikkim's location facing China, New Delhi is not likely to permit any substantial change in the 1950 Indo-Sikkim Treaty, which gives India control over Sikkim's defense, external affairs, and communications. The Indians are anxiously looking for Peking's reaction to this sign of instability on India's northern frontier.

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The Chogyal (l) In Happier Times

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KUWAIT-IRAQ: STALEMATE

87 [Three days of direct negotiation brought no solution to the impasse growing out of Iraq's seizure on 20 March of a police post on the Kuwaiti side of the border. Iraqi Foreign Minister al-Baqi was in Kuwait last weekend, ostensibly to begin negotiations on a border demarcation, but he arrived without authorization to conclude a border agreement or to compromise on Iraq's demands for Kuwaiti territory. When Kuwait proved equally unbending, al-Baqi packed up and went home.]

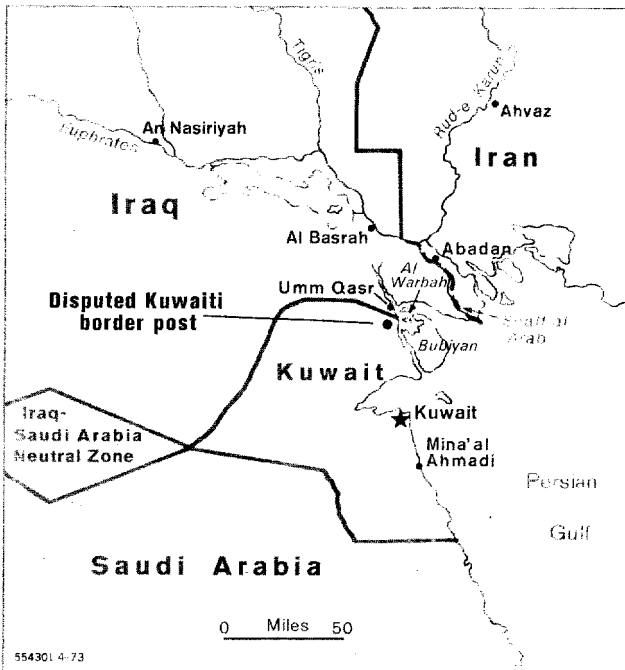
87 [Baghdad looks deadly serious about retaining control of the area it occupied. The area overlooks the Iraqi naval base at Umm Qasr. Baghdad may have withdrawn some forces from the disputed area, but Kuwaiti forces have not reoccupied it. Iraq covets the Kuwaiti islands of al-Warbah and Bubiyan, which are strategically located on the approach to Umm Qasr.]

87 [Kuwait holds that the border runs where a somewhat vague 1963 bilateral agreement said it

87 [did, and the Kuwaitis are willing only to negotiate a more specific line. The territory under dispute is clearly inside Kuwait. The Kuwaitis are somewhat more flexible on the two islands; they might agree to lease a part of both, but they will not entertain any arrangement which permanently cedes the islands to Iraq.]

87 [The dispute thus remains stalemated. Kuwait may try for another round of direct talks, or request further mediation by other Arab states, or appeal to the Arab League for intervention. The desirability of UN mediation is also being weighed. Each of these courses, except the last, has been tried before to no avail, and there is little reason to expect that further diplomatic effort will be any more fruitful. The Iraqis contend, in blithe disregard of the 1963 agreement, that the territory they occupy is rightfully theirs, and Kuwait is in no position militarily to eject them.]

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RHODESIA: GROPING

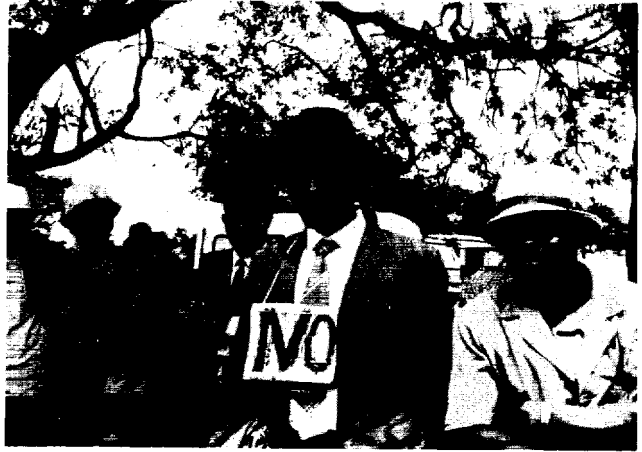
87 [Prime Minister Smith told the Rhodesian parliament last week that he would try once more to settle the seven-year-old dispute with Britain over Rhodesia's unilateral declaration of independence.] Although Smith may have an ace up his sleeve, it is more likely that he is reacting to economic and political pressures that could be alleviated by international recognition]

87 [According to Smith, he will seek to convince the British that most black Rhodesians have come to accept the provisional agreement negotiated between London and Salisbury in November 1971. Bishop Muzorewa, whose African National Council convinced the visiting Pearce Commission in early 1972 that most black Rhodesians

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9) opposed the agreement, declared last week that the Council still rejects it. Smith may claim that the Council is no longer as broadly representative as two other groups, the African Settlement Convention or the Rhodesian Settlement Forum.]



Black Reaction

Zimbabwe African National Union—has been contained in northeastern Rhodesia, a white farmer was recently killed 60 miles south of Salisbury, and two armed terrorists were captured in the capital itself.]

9) A settlement with Britain that did not provide for early majority rule would not stop guerrilla activity, but it would at least reduce, if not eliminate, the impact of international sanctions. Smith claims that the resulting economic progress would be shared by Rhodesian blacks and would make them less susceptible to the militant minority. This is at least questionable, but an end to the sanctions surely would ease the financial bind, facilitate procurement of more materiel for the security forces, and enable more white farmers to stay on the land—a critical factor in any counterinsurgency effort.]

9) [Smith's heaviest political liability appears to be the cumulative effect of the insurgency that began last December when some 200 foreign-trained guerrillas infiltrated from Zambia through Mozambique and began to raid farms held by whites. Although no more than a dozen white civilians, soldiers, and police have died, hundreds of reservists have been kept on active duty, a sense of physical insecurity is evident in the white community, and the capabilities of the security forces have been questioned in parliament.]

90 [Although the main group of guerrillas—the

9) [Although such considerations may push Smith toward a new accommodation with London, there are limits on what he can and will offer. Recent terrorism may have stiffened the feeling in the dominant Rhodesian Front that white rule must be maintained, and Smith has always preached that steadfastness would eventually bring the British around.]

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SECRET**SOUTH ASIA: FAINT HOPES**

117 [Hopes for improved relations among India, Pakistan, and Bangladesh were given a slight boost during the week. President Bhutto's victory on the new constitution should permit him to focus more attention on foreign relations; he followed up his victory with a call on his countrymen to accept the "realities" of the subcontinent and make an effort to improve relations with their neighbors.] Bhutto recognizes, however, that he still faces a major task in selling the need for early recognition of Bangladesh to his countrymen, particularly the strongly nationalistic Punjabis.]

116 [A ranking Indian Government official says that progress toward improved relations among the three countries is likely "soon." He indicated that the recent exchange of views between Prime Minister Gandhi's representative and Prime Minister Mujib were not as unproductive as pictured in the press. The Indian said Mujib concentrated on the need to release Bengali civil servants held in Pakistan since the war. Mrs. Gandhi's representative probed Mujib's position on the approximately 90,000 Pakistani prisoners of war held in India. Apparently, Mujib did not press his position that no movement on the prisoner issue would be possible until Pakistan formally recognized Bangladesh. Mujib made clear, however, that he still feels Islamabad must make the first gesture.]

115 [Mrs. Gandhi has been concerned both over growing domestic and foreign criticism that India is violating the Geneva Conventions by continuing to hold prisoners of war. She also worries about the costs of maintaining them. Nevertheless, she is not likely to risk relations with Dacca by using India's considerable leverage as one of Bangladesh's major sources of economic, military, and technical aid to force Mujib to make major concessions on the prisoners.]

115 [One highly emotional issue could scuttle any early movement toward better relations. Mujib is publicly committed to holding war crimes trials for at least some Pakistani prisoners—150-250 has been suggested as a likely number. He considers it his moral duty to hold such trials. Bhutto has



Some Prisoners Returned

repeatedly warned that war crimes trials would provoke a violent reaction in Pakistan and could destroy any chance for early recognition of Bangladesh.

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PAKISTAN: NEW CONSTITUTION

118 [On 10 April, President Bhutto and the opposition reached agreement on a new constitution, which the National Assembly then approved by a near-unanimous vote. The opposition, which had been boycotting the assembly, finally gave in, ostensibly because Bhutto agreed to some fairly minor amendments. These amendments left the constitution basically the way Bhutto wanted it. There is speculation, however, that he also agreed to return control of two provinces to his opponents. Efforts to form pro-Bhutto governments in both have been under way since February without success.]

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SECRET**TURKEY: FINALLY A PRESIDENT**

122 [The 25-day deadlock over the presidency ended on 6 April with the election of Senator Fahri Koruturk. The 70-year-old former commander of the Turkish Navy and ambassador to the Soviet Union won on the 15th ballot. Koruturk's last-minute candidacy was sponsored by leaders of the country's three largest parties and sanctioned by military leaders; still he received only 365 votes, 47 more than the simple majority needed.]

120 [Koruturk is a moderate who has remained aloof from party politics since appointed to the Senate in 1968. As a senator, Koruturk won the approval of Turkey's leftist intellectuals when he was one of the few to vote against a constitutional amendment to establish state security courts. On the other hand, he supports the use of the army to curb leftist extremists and backs the army's martial law activity.]

123 [One day after Koruturk's election, Prime Minister Ferit Melen submitted the resignation of his 11-month-old "above-parties" government. It was accepted by the new president, who is now consulting with party and parliamentary leaders about the choice of a prime minister. The new cabinet will probably be a coalition headed by the Justice Party and will function as a caretaker until the parliamentary elections, scheduled for October.]

122 [Melen, who was from a small centrist party, was not very successful in getting the conservative majority in the legislature to go along with the reforms demanded by the armed forces. The new government may not be under quite the same military pressure for these reforms. The presidential race revealed a few chinks within military ranks, and these may make Justice Party leader Suleyman Demirel and the other politicians even more reluctant to follow the lead of the military.]

CYPRUS: MAKARIOS VS GRIVAS

129 [Violence reached a new high last weekend, but President Makarios insists that he has matters well in hand. Despite the optimism, the lines between Makarios and Grivas are more sharply drawn than ever, and more violence is all but inevitable.]

126 [The latest round of violence began on 5 April with the assassination of a Makarios supporter. Three days later, pro-Makarios forces set off 33 explosions against property controlled by Grivas elements. Makarios then issued his strongest public condemnation so far of the violence, and the press reported that the archbishop intended to speed up the formation of his auxiliary police force and to reimpose a 1971 emergency law. Ignoring the archbishop's warnings, Grivas' raiders attacked three police stations on 9 April; one raider was killed and three policemen were wounded in the attack. The Arab terrorists' attack on the Israeli ambassador's residence in Nicosia and on the El Al airplane at the airport did nothing to calm the situation.]

125 [On 9 April Makarios told Ambassador Popper that "the public" will eventually condemn Grivas and thereby curb the activities of his followers. The Grivas camp believes that the government's failure to respond effectively will sap public support for Makarios. There can be no doubt that the fight has intensified since Makarios' supporters launched their campaign of retaliation following the archbishop's uncontested re-election last February. There can be little doubt that more violence is in store for the island.]

127 [All this has had an effect on the intercommunal talks. Neither side has been very forthcoming in recent negotiating sessions, and the disarray among the Greek Cypriots simply encourages the Turkish side to resist Greek offers. The negotiators recessed on 6 April and will resume meeting on 17 April, but prospects for an early settlement are getting more and more remote. In addition, the Turkish community is nervous over the violence, fearing it will spill over into the Turkish enclaves.]

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PANAMA: VOX POPULI

131 General Torrijos is spending the first part of April indulging in one of his favorite pastimes—jaunting around the country, talking to local leaders, and mingling with the Panamanian people. He is "informing" the country about the results of the UN Security Council meeting and feeling the popular pulse on the state of relations with the US. The consultations, which are to end on 18 April, serve two additional purposes. They give him time to consider his options with respect to negotiations with the US, and they enable him to claim popular support all over the country for whatever policy he decides to follow.]

132 [His language and that of the officials accompanying him has been relatively restrained. The general clearly does not want to close any doors in his dealings with the US. Even UN Ambassador Boyd, who has been the chief foreign policy spokesman while Foreign Minister Tack is at the OAS meeting in Washington, has spent most of his time explaining how the Security Council meeting represents world support for Panama's position.]

133 [Torrijos has repeated several points of Panama's current position on the Canal. He says the canal must come under Panamanian control within the lifetime of the present generation of Panamanians and that police duties and similar functions in the Canal Zone must pass to Panamanian hands in a shorter time than the 15 years proposed by the US. He is taking a stronger line on the canal defense issue. Torrijos has repeated the Panamanian contention that the Canal's best defense is strict neutrality and that the presence of large numbers of US forces in the Canal Zone constitutes a danger to Panama because of the risk that a country at war with the US would attack US military installations there.]

134 [Torrijos has received votes of confidence from the various provincial councils he has "consulted." [By citing the need for secrecy in diplomatic negotiations, he has in effect requested and received a blank check insofar as the Canal talks are concerned.] [At the same time, he has promised to comply with the constitutional requirement

that a new treaty be submitted to a national plebiscite.] [Given the extensive government control over the media, Torrijos could arrange for either the approval or the defeat for such a document.]

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CHILE: A TRUCE

134 [President Allende's Popular Unity coalition has weathered another bad stretch as the Communist and Socialist parties have patched up their differences, if only for the moment. The twenty-one years of their collaboration is a saga of personal rivalries and basic divergencies in approach. The disagreements became more marked when the two Marxist parties gained power by electing Allende president in 1970; the stresses came to the fore again during the recent congressional election campaign.]

134 [Following the election, however, both parties held meetings that showed renewed determination not to let their differences get the upper hand. The secretary general of the Socialist Party, Senator Carlos Altamirano, perhaps sobered by his own and other extremists' mediocre showing, did not find it prudent to carry out his threat to lead the "true revolutionaries" out of the Popular Unity in order to make common cause with the *miristas* and other devotees of violence. Instead, he stayed. In return for accepting more moderate Allende partisans in the cabinet and party, he got the departure of the military from the cabinet, the retention of his party post and other commitments. The deal is a measure of how far Allende and the Communists are willing to go to preserve the coalition.]

137 [Meeting together on 6 April, top leaders of the two parties ironed out their differences enough for the Communists to rate the results, "very positive." In the horsetrading, the Socialists reportedly agreed to moderate some of their

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policies such as illegal land seizures and obstruction of the commodity distribution system set up by an air force general at Allende's direction. The Socialist leaders gave no quarter, however, in opposing concessions to the US.

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created at the first meeting of Latin American petroleum ministers last August in Caracas is to become a permanent body.]

[Redacted]

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]During the Quito conference several delegates voiced concern that the increasing cost of oil imports threatens the foreign exchange positions and development plans of their countries. They took the view that Venezuelan proposals for a unified petroleum policy benefit only Venezuela and Ecuador—the two principal producers—and cause still higher oil prices. They urged the adoption of preferential prices for petroleum sold by Latin American producers to Latin American consumers. Although no agreement was reached, Venezuelan representatives were sensitive to these criticisms and indicated that an adequate way of meeting them would be sought.]

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]The Communists are taking advantage of the situation to improve and expand their party organization and their influence in official economic policies and activities. The former is their most effective long-term asset; the latter is the key to greater power, to needed government efficiency, and to more Soviet assistance.]

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]Meanwhile, Allende is moving ahead with his effort to create a Popular Unity political force transcending the two parties and their quarrels. His new cabinet reflects not only the Socialist-Communist truce but also his apparent plan to play a greater personal role. Capable Foreign Minister Almeyda will resign to help the President, and other cabinet adjustments are likely to follow as Allende and his major supporters jockey for advantage.

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]The Venezuelans obviously hope that a Latin American agreement on petroleum policy will strengthen their hand in dealing with the United States on a long-term energy agreement. The agreement envisages that the large reserves of oil in the eastern Orinoco Petroleum Belt would be developed for sale in the US by private companies with appropriate guarantees for the large investment required. Discussion of this project has been stalled by Venezuela's preoccupation with the presidential election to be held in December, as well as by its uncertainty over what it wants out of the agreement. In a talk with the American ambassador, President Caldera's chief foreign policy adviser and negotiator on petroleum, Julio Sosa Rodriguez, said that his government is no longer interested in hemispheric preference for its petroleum. Citing changing world conditions, Sosa said that his government would insist on higher prices and not worry about market security, since the latter is assured by the world energy crisis. However much the Venezuelans may be mesmerizing themselves, Sosa's statements undoubtedly reflect the intention of President Caldera's party—should it be returned to office in December—to take a much harder position in petroleum negotiations with the US or the oil companies.

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VENEZUELA: ENERGY RESOURCES

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]President Caldera's government has made some gains in its efforts to forge a Latin American consensus on the hemisphere's energy resources.]

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]Energy and petroleum ministers from 20 Latin American nations met in Quito last week, with Cuba attending for the first time, and agreed to create a Latin American Energy Organization and a Latin American Development Bank to finance development of energy resources. Both proposals were advanced by the Venezuelans. The delegates also decided that the ad hoc secretariat

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PERU: MODERATES ON THE MOVE

142 } The removal of a President Velasco protege, General Rafael Hoyos Rubio, from command of the armored division strengthens moderate elements of the military who are maneuvering to ensure that someone acceptable to them, probably Prime Minister Mercado, succeeds the President.

143 } Hoyos' recent closeness to radical elements and his threats to use force to resolve the succession issue contributed to his downfall. He was fired by Mercado, acting in his capacity as army commander and minister of war. The new

armored division commander is a top-notch officer with outstanding leadership qualities who can be trusted by the moderates.

143 } Loss of effective control over the key Lima-based unit will seriously erode Velasco's ability to hang on to the presidency indefinitely and limit his influence in the choice of his successor. The change in command also weakens the position of the radicals, who were counting on the support of the armored division in the struggle over the presidency.

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