

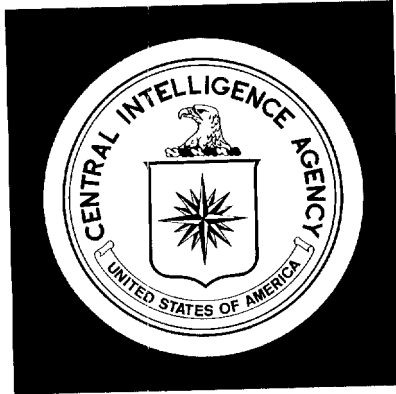
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WEEKLY SUMMARY

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18 May 1973
No. 0370/73

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



CONTENTS (18 May 1973)

- 1 USSR: Brezhnev; Grain Crop
- 4 Middle East: Lebanon
- 5 Indochina: Control Commission; Politics in Command; Cambodia

FAR EAST

- 9 Korea: Limited Talks
- 10 China: Economic Problems
- 10 Japan: A Small Opening
- 11 Australia: Labor's Hold

EUROPE

- 12 Ireland: New Broom
- 13 Europe: Force Reduction Talks
- 13 Yugoslavia: An Old Soldier
- 15 Money and Gold

MIDDLE EAST AFRICA

- 16 South Asia: Inching Backward
- 16 India: A Problem of Money
- 17 Bangladesh: Food Shortages Ease
- 18 Burundi: The Hutus Again
- 19 Third World: Arms Customers
- 20 Changes in Sudan

WESTERN HEMISPHERE

- 21 Chile: No End in Sight
- 21 Peru: Mundane Concerns
- 22 Argentina: All Systems Go
- 23 Mexico: The Students Again

25X1



Brezhnev Meets Honecker in East Berlin (L); with Young Admirer and Gierk in Warsaw (R)

USSR

BREZHNEV PREPARES FOR BONN

[The past week saw action on several fronts in preparation for Brezhnev's arrival in West Germany on 18 May. Last weekend the Soviet party chief made 24-hour visits to Poland and East Germany. These were hand-holding sessions designed to reassure the two allies that he will not sacrifice their interests during his talks with the West Germans. As a further sop, Brezhnev heaped lavish personal praise on Gierk and Honecker and awarded each of them the Order of Lenin.]

[During the Warsaw stopover, which officials of both countries said "went well," Gierk asked Brezhnev to encourage Bonn to be more conciliatory on compensation for Nazi war crimes and economic matters, and less demanding on the resettlement of ethnic Germans.]

[In East Berlin, where his hosts strained to get a huge turnout, Brezhnev stressed the gains that East Germany has made on the international scene, as if to remind his listeners that their past concessions were worthwhile. Brezhnev had an implicit warning, aimed possibly at both Germans. He observed, "If we put our signature to a treaty, it means we are determined to implement the letter and spirit strictly and fully.... We expect the same approach from our treaty partners."]

[The East Germans, like the Poles, were well aware that Brezhnev's visit was mainly window dressing. Despite the kind words and pledges from Moscow, Pankow no doubt fears that closer Soviet relations with West Germany will lead in the end to new pressures to speed up the inter-German negotiations.]

[Meanwhile, the West Germans and Soviets were briskly trying to ensure that Brezhnev's visit will be marked by specific accomplishments. Bilateral agreements on cultural exchanges, economic cooperation, and civil aviation were initiated in Moscow this week after compromises were reached on their Berlin clauses. Brezhnev granted a two-hour interview to *Stern* Sunday, his first formal meeting with reporters from a non-Communist Western publication. While the bulk of the media treatment on both sides has been optimistic, the West German press has been aroused by Soviet tactics at the USSR's recent trade fair in West Berlin. The Soviets used a variety of petty methods to strengthen their basic contention that West Berlin is a separate political entity. It thus appears inevitable that despite Brezhnev's desire to concentrate on the larger political and economic picture, the status of the West German Government's ties with West Berlin will come up at his meeting with Brandt.]

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AN EARLY LOOK AT THE GRAIN CROP

(NO SOURCES)

Favorable weather for planting and a massive sowing campaign, backed by a special decree authorizing the transfer of men, materials, and machinery from other sectors of the economy to agriculture, have improved the outlook for the Soviet Union's grain harvest this year.

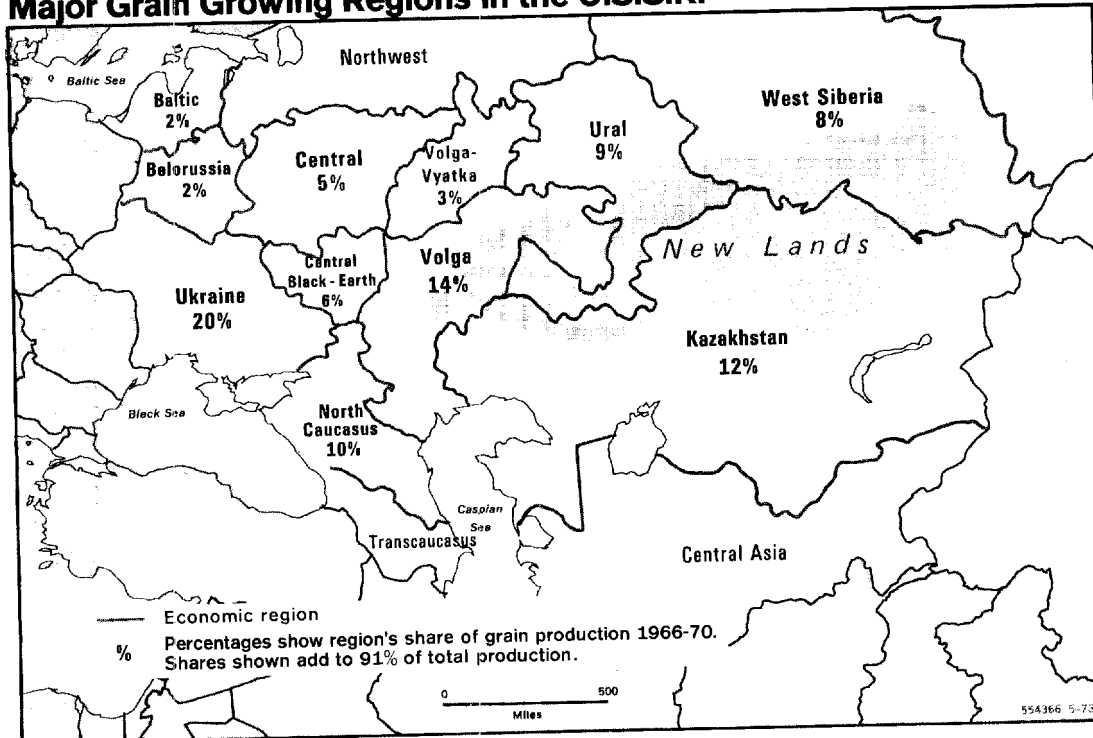
It was very dry in the USSR's winter grain belt last year, and fall sowing fell 20 percent short of the plan. Thus, despite only a normal winter-kill, the surviving grain area is somewhat less than the 23.5 million hectares that made it through last year's very heavy winterkill and far less than the average of 31 million hectares harvested annually in the 1966-70 period.

In response to the expected shortfall in the winter grain harvest, a record-breaking spring sowing campaign is being undertaken, especially in the Russian Republic. Aided by an early spring, the enormous amount of field work required in

Area Sown to Spring Grain (million hectares)			
	1970-71 Actual	1972 Actual	1973 Plan
USSR	88	99	104½
RSFSR	54	61	68½
Kazakhstan	21	22	23
Ukraine	8	11	7

this effort has so far gone smoothly. By 7 May 53 million hectares had been sown to spring grains, compared with 47 million sown at this time a year ago. If the Soviets are able to keep up the pace, the grand total for the year could exceed 125 million hectares—some 4 million above the average sown to grain for the last five years. The effort to increase the area sown to grain, however, is likely to exact a penalty in terms of lower

Major Grain Growing Regions in the U.S.S.R.



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Grain Production in the USSR <u>a/</u> (Million metric tons)		
	Official Claims of Gross Production	Estimate of Net Production <u>b/</u>
Average, 1961-65	130	106
Average, 1966-69	163	131
1970	187	150
1971	181	148
1972	168	134
1973: Plan	197	160
Preliminary forecast	190	154

a/ Including pulses.
b/ Estimate of usable grain. Net usable grain is estimated as the officially claimed gross output minus excess moisture, unripe and damaged kernels, weed seeds and other extraneous materials, post-harvest losses incurred in loading and unloading grain between the grain harvesting combine and storage facilities, and suspected biases in the official reporting of grain production.

average yields, since some of the area added will be of marginal worth.

Despite this effort, the USSR still may not be able to cover domestic requirements of bread grains (wheat and rye). The Soviet strategy in response to an acreage shortfall in fall-sown bread grains is to plant more feed grains (barley and oats), which promise higher yields than spring wheat. The feed grains will be used in Brezhnev's livestock program.

Taking into account the soil moisture and the area, we estimate that the winter grain crop will be about 37 million tons of usable grain—about 8 million tons more than the poor crop last year but still more than 12 million tons below the average for 1970-71. It is too early to project spring grain yields at other than their long-term trend values, but these would give a spring grain

harvest of about 117 million tons—12 million tons above last year and 17 million tons above the average for 1970-71. Taken together this would produce a record combined harvest of 154 million tons of usable grain. At this stage in the development of the 1973 crop, there is still a wide range of uncertainty around such a projection.

Even if the Soviets were able to bring in a bumper harvest, Moscow would still need to import large amounts of grain to meet domestic and export requirements in the 1974 crop year. So far in 1973 the Soviets have contracted for or are rumored to have purchased about 9 million tons, much of which is scheduled for delivery by this fall.

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Middle East

LEBANON: A TIME FOR TALKING

15 [The heavy fighting that broke out on 2 May
16 between the Lebanese Army and the fedayeen
17 tapered off this week, and a cease-fire appears to
18 have taken hold. The question now is the extent
of the controls that will be put upon the fedayeen, and talks on this nagging problem are getting under way.]

15 [At present, President Franjiah is trying to
16 enlist broad support for his tough bargaining
17 stance with the guerrillas in the negotiations that
began on 15 May. At a minimum, he wants all but
light weapons removed from Palestinian refugee
camps, he wants army access to the camps for
inspection and control, and he wants fedayeen
movement outside the camps to be closely
regulated.]

15 [Franjiah's desire to curb the Palestinians
16 has the support of the Christian community and
17 the army. An important segment of the Muslim
community is sympathetic to the Palestinians,
however, and Franjiah has not had much luck in
bringing Muslim political and religious leaders
around to his point of view. If the pressure on the
18 fedayeen increases, the confessional split in
19 Lebanon could worsen and lead to civil strife.]

15 [In view of various pressures on him, Fran-
16 jiah will probably be forced to accept fewer
17 restrictions than he would like. The important
business community is eager for a resumption of

normal commercial activity. The army performed
effectively against the fedayeen, but it wants to
avoid an all-out confrontation. The 14,000-man
army is not adequate to sustain a prolonged,
country-wide campaign which would be necessary
to crush the estimated 6,000 guerrillas supple-
mented by 10,000 lightly armed militia from the
refugee camps.]

15 [The fedayeen are on the defensive. They are
aware that they cannot regain the considerable
freedom of action which they had before the
fighting. They will probably work toward a for-
mula which allows them some freedom of move-
ment in the countryside and leaves them in con-
trol of the refugee camps. In any case, their loss
of the Jordan base in 1970 severely narrowed
their operating options against Israel, and they are
now intent on preserving a measure of operational
capability in Lebanon. If Franjiah can impose
more rigorous controls on them, they may be
forced to rely even more on foreign terrorism.]

15 [Other Arab states, particularly Egypt, played
a useful role in arranging the cease-fire and dis-
suading Syria from open interference. The Arab
states are likely to argue against the imposition of
tighter controls. Syria has permitted a modest
number of fedayeen to infiltrate into Lebanon,
but might open the gates if a harsh settlement
were imposed. The Syrians, fearing Israeli retaliation,
would even in this case probably stop short
of sending in regular troops. [redacted]



Left to Right:

Mediation Meeting in Lebanon

Egyptian Envoy Al Khuli, Saiqah Leader Muhsin, Yasir Arafat, Socialist Leader Jumblatt, Syrian Foreign Minister Khaddam

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INDOCHINA

The Control Commission

THE VIEW FROM OTTAWA

24 } Canada has promised an announcement on whether it will remain on the International Commission for Control and Supervision in Vietnam by the end of the month. It could come sooner. The arguments are running heavily for a pullout, and, barring a drastic change in the current point of view, Ottawa will decide to withdraw its contingent by the end of June.

26 } From the outset, Canadians of all political colorations have been uneasy about the Canadian role in Vietnam. When the minority Trudeau government agreed on 27 March to remain on the commission, it did so chiefly in response to pressure from Washington. Since then, parliamentary, press, and public opposition to Canadian involvement has grown considerably.

26 } The public considers the commission ineffective and fears for the safety of the Canadian members. In addition, there is concern over the level of military activity in Indochina, including US bombing. Even if the commission were operating efficiently, Ottawa would probably stick to its belief that the commission is an unnecessary adjunct to the Paris agreement. Canadians doubt that the commission is contributing to a lasting peace in Vietnam.

26 } A number of factors will have a bearing on Ottawa's decision. A positive Communist response to Washington's efforts to secure adherence to the Paris accord would be very important. Less obstructionism from the Hungarian and Polish members of the commission would go a long way toward placating domestic critics. The fast-approaching rainy season in Indochina, which should contribute to a slower military tempo in Vietnam, will help.

25 } The press has begun to suggest that the Watergate affair will have an effect on the Canadian decision and that a pullout now would not unduly harm bilateral relations with the US. One influential columnist who may be reflecting official thinking contends that the Watergate disclosures have struck a severe blow to the administration's influence on Congress. He reasons that, as a result, the administration's trade legislation will fall victim to a protectionist Congress, leaving President Nixon little leeway in his dealings with Ottawa on the economic matters so important to the Canadians. With the administration thus affected, Ottawa no longer has any reason to be apprehensive about the consequences of withdrawal because the Congress would have already set a harsh tone for future Canadian-US economic relations.

THE VIEW FROM JAKARTA

(2-8)
[With Canadian withdrawal from the commission an increasing possibility, Indonesia's willingness to stay on is of growing importance. Jakarta shares much of Ottawa's concern over the performance and effectiveness of the commission, but the Indonesians are reluctant to end their participation. Indonesia views its role on the commission as serving several important foreign policy interests that, for the time being at least, outweigh the frustrations and costs of membership.

Beyond its oft-stated desire to help ensure peace and stability in South Vietnam, Jakarta sees its membership as an important step toward establishing Indonesia's credentials as the future leader of Southeast Asia. The Indonesians see their role as that of spokesman for regional interests in an otherwise non-Asian body.

The role of a disinterested regional spokesman has proved a frustrating one for the Indonesians. During his tenure as commission chairman,

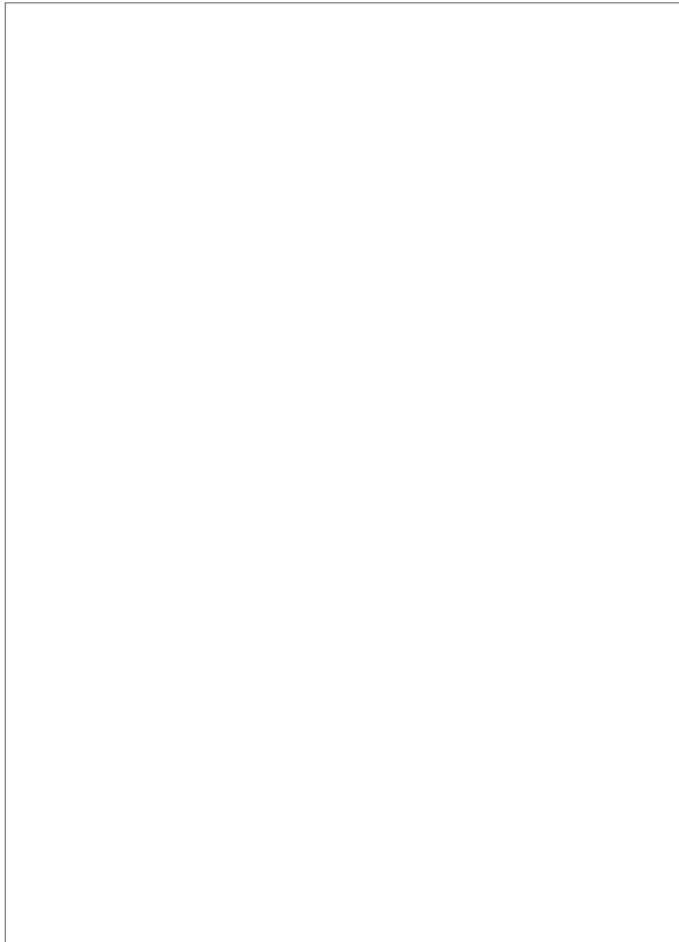
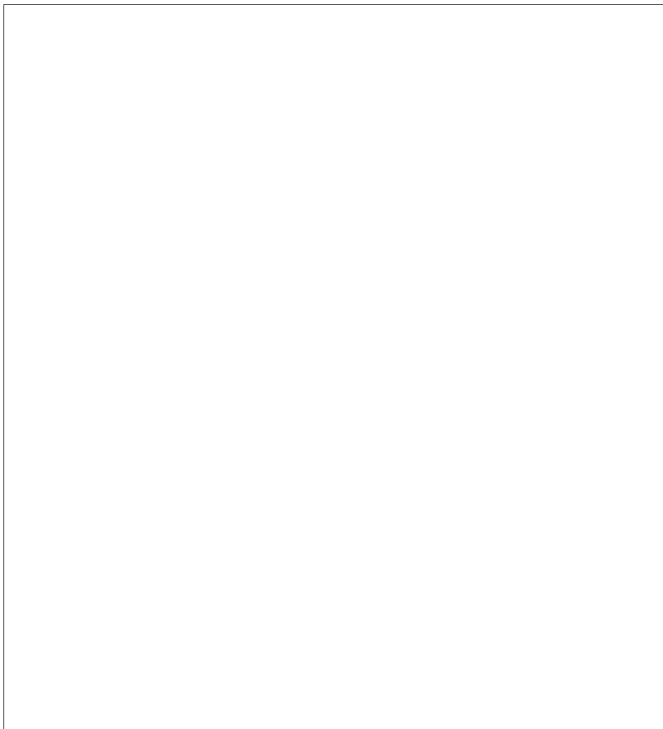
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the Indonesian representative acted in typical Javanese fashion—stressing areas of agreement while postponing discussion on divisive issues. The Indonesians believe that their efforts to serve as an unbiased mediator were constantly misinterpreted by both the Canadians and the Communist delegations. The Indonesians strongly object to being lumped with the Canadians as the “Western” or pro-US faction on the commission. The Indonesian members have also become resentful of what they consider the tendency of the Canadians to treat them as “younger brothers” without the right to an independent view.

Still, Jakarta is unlikely to pull out. Barring a total collapse of the supervisory effort in South Vietnam—which might occur if Canada is not replaced or if there is a major breakdown in the Vietnam cease-fire—Jakarta’s own commitment to the commission will probably endure.

POLITICS IN COMMAND



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UNCODED

Opposition Wins A Round

31 The President’s supporters in the Lower House last week tried to restore provisions in the Senate election bill that give the President’s Democracy Party a big edge in August elections. The Thieu backers failed to muster the necessary two-thirds vote to override Senate amendments eliminating the party’s special privileges. The President’s only recourse now is to make amendments of his own, which he must do before the end of next week.

32 Some legislators expect Thieu to go back to the original version of the bill. They think he will

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get his way since the Assembly has rarely rejected presidential amendments. If so, it seems likely that only the Democracy Party will be able to run senatorial candidates.]

31 [Some opposition figures are also becoming more outspoken about the government's position in the peace talks. A 30-member anti-government bloc in the Lower House issued a statement last week indicating that they preferred some provisions of the latest Viet Cong proposal to Saigon's plan. The statement also disputed recent govern-

ment assertions that there is no "third segment" in South Vietnam. The anti-government bloc represents a small minority in the 159-member Lower House, but it does include members of the An Quang Buddhists and supporters of Big Minh.]

CAMBODIA: A NEW GOVERNMENT

33 [After lengthy bargaining and bickering, the ruling High Political Council has finally formed a new government. Late last week, the impasse over the selection of a prime minister was broken



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when council member In Tam was tapped for the post. The council subsequently approved his slate of cabinet appointees, and on 16 May the cabinet was officially installed.]

34 [Thirteen of the ministers are holdovers from the previous cabinet; ten are newcomers, but most of them have had some type of ministerial experience. The able Long Boret remains as foreign minister, and Major General U Say, currently ambassador to Laos, has been named minister of

PRIME MINISTER IN TAM HAS DECLARED THAT THE PRIMARY TASK OF THE NEW GOVERNMENT IS TO REVITALIZE AND REFORM THE ARMY.

defense. About half the cabinet positions went to members of Lon Nol's Socio-Republican Party, the remainder were divided up by the republican and democratic parties and political independents.]

35 [Prime Minister In Tam has declared that the primary task of the new government is to revitalize and reform the army. Much of the responsibility for that enterprise apparently will fall to a commander in chief of the armed forces. The commander in chief will be outranked militarily only by Lon Nol, who will retain his title of "supreme commander." On the problem of ending the war, In Tam reiterated Cambodia's demand that all foreign troops be withdrawn and ruled out any negotiations directly involving Sihanouk. The new prime minister, however, reportedly hopes to set up contacts with Communist leaders in various regions of Cambodia, apparently to induce them to stop fighting. He may also try to enlist the services of Son Sann—who served as a prime minister in the Sihanouk era—to woo some of Sihanouk's camp followers in Paris.]

The Military Situation

33 [Khmer Communist military activity was at generally reduced levels for the second week in a row, suggesting that the Communists may be resting and refitting after several months of fighting. The Communists kept up their pressure in the Phnom Penh area, however, with a series of attacks on government positions south of the capital along Route 3.

[redacted] On the government side, clearing operations along sections of Routes 1 and 5 registered little or no progress. [redacted]

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Cambodian Troops

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KOREA: LIMITED TALKS

The unification talks⁽³⁶⁾ between Seoul and Pyongyang are entering their second year with little progress to show. The opening of a dialogue between the two adversaries has been important, if only because it gives each a more realistic appreciation of its limited ability to influence the other's policy and political processes. The dialogue has also contributed significantly to the general reduction of tension on the peninsula.

The talks have probably been more advantageous to Pyongyang, boosting North Korea's legitimacy and moving it into the international diplomatic arena. More than a dozen countries have recognized North Korea since the talks began, and Pyongyang now has a chance to secure observer status in the UN this year or certainly in 1974.

Pyongyang is working to exploit its improved status to develop additional international backing for a mutual reduction of forces in Korea and the withdrawal of all US troops. Although the North Koreans have little hope at present of forcing a US withdrawal, they may believe they can complicate US - South Korean relations over the troop issue; a major propaganda campaign is being directed toward this end.

Pyongyang's objective is to weaken the military and political underpinnings of the South Korean Government, but this does not mean that the North Koreans plan renewed military aggression against the South. There are indications that Pyongyang believes a reduction in Seoul's armed strength would allow the North to reduce its own military spending and devote more of its resources to the development of heavy industry.

For its part, South Korea has derived benefit from the talks, but at the expense of its former position as the sole representative of Korea in the free world. Seoul's goal was to develop a relationship with Pyongyang that would preclude a North Korean attack. The South was motivated, at least initially, by uncertainty over what the Nixon doctrine meant for US forces in Korea.



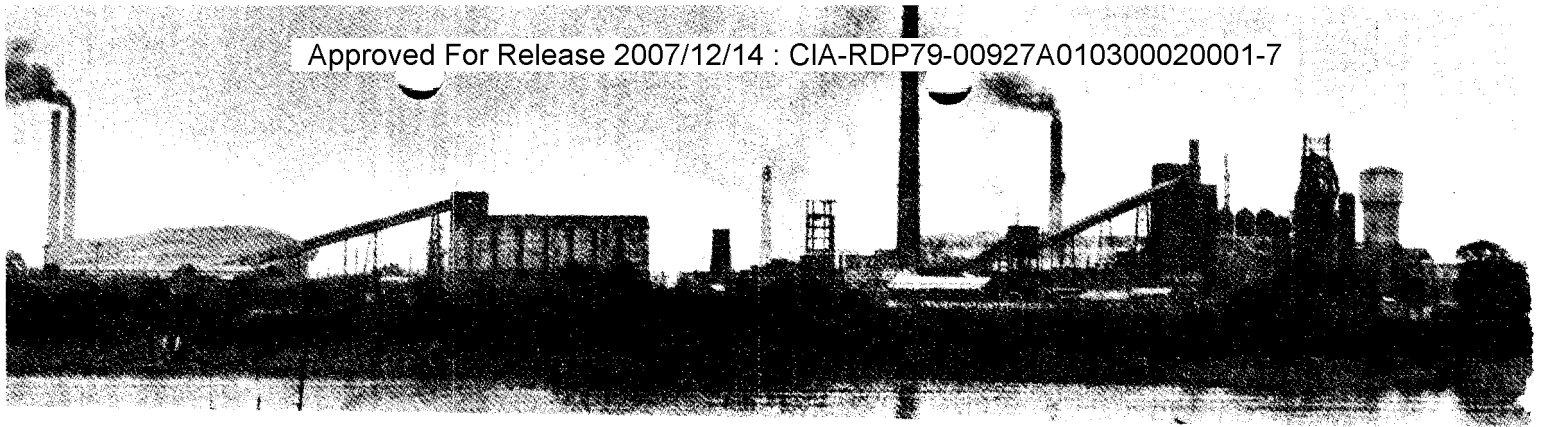
North-South Talks in Pyongyang

There was also a domestic factor. President Pak Chong-hui used the talks to justify his re-shaping of South Korean life along more authoritarian lines. He told the people that it would be necessary to tighten national discipline in preparation for political contacts with the Communist North. These domestic objectives are largely accomplished; he is more confident about the presence of US forces and thus less fearful of new North Korean military action. His interest in the talks has therefore diminished.

Despite their differences, both Seoul and Pyongyang recognize that the big powers want detente on the peninsula and are capable of applying military and economic constraints to prevent backsliding. For this reason alone the talks are likely to continue, though the pace may be slowed. They may yet produce some lowering of barriers to non-political contacts and cooperation, but larger achievements are unlikely in the near future.

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CHINA: ECONOMIC PROBLEMS

(31)
China's task this year is to restore momentum to an economy that has been plagued by declining growth rates since the Fourth Five Year Plan was launched in 1971. Although weather has been favorable thus far this year, lagging agricultural production is still at the forefront of China's economic problems. In the face of an inadequate harvest last year, China has contracted this year for imports of grain, cotton, and vegetable oil, worth a record \$900 million.

Increasing the volume of farm imports is a short-term palliative. China's leaders apparently have concluded that low-grade fertilizer and other semi-modern products of small rural factories cannot raise agricultural production fast enough to meet China's growing needs. In recent months, Peking has been curtailing the construction of these small ventures and has signed contracts worth \$300 million with western firms for four huge chemical fertilizer plants and four man-made fiber facilities.

Industrial production appears to be increasing moderately. Peking claims that production of mining equipment, agricultural machinery, and light industrial products made from non-agricultural raw materials increased in the first quarter of the year. Peking has not released any claims for nationwide output of major industrial commodities like steel, coal, petroleum, or electric power. Official media have carried only a handful of first-quarter claims for provinces and major cities.

Although the expansion of basic industries seems to have a lower priority than the expansion of agriculture, Peking is also looking to imports for industrial growth. Firms in West Germany and

Japan are competing to sell China a \$300-million steel complex, which would add 3 to 4 million tons of finished steel to China's current annual output of about 17 million tons. In the electric power field, the Chinese have been negotiating with several countries for conventional and nuclear generating equipment that might be worth as much as \$500 million. Peking also is seeking to improve its transportation and communications systems. Most of the recently purchased industrial facilities, however, will not become operational until the late 1970s and thus will not accelerate economic growth during the remainder of the current five-year plan.

[Redacted]

[Redacted]

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JAPAN: A SMALL OPENING

38 [The foreign investment liberalization program, which became effective on 1 May, is the broadest yet, but it is unlikely to generate large amounts of investment from abroad. Although foreign investment will increase significantly in some industries where 100-percent foreign ownership is being permitted for the first time, investment will be restricted in many firms that would be most attractive to the potential investor. These include the firms dealing in computers, food processing, and large retail sales operations.]

37 [The liberalization program increases from 228 to about 800 the number of industrial branches where 100-percent foreign ownership of new firms is permitted. Most of the 22 industries remaining under restriction are scheduled for liberalization within the next three years.]

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38 } Foreigners also are being permitted for the first
 4 time to own more than 25 percent, or even to
 39 buy out completely, existing Japanese firms. Such
 actions, however, will require the approval of the
 Japanese firm, and obtaining such approval could
 be a complex and difficult matter }

38 } Tokyo's attitude and interpretation of the
 new regulations will determine the level of foreign
 investment the new regulations will attract. In the
 40 past, the Japanese Government has used tactics
 such as delays in processing applications, exces-
 sive requirements for reports, and guidelines on
 production and sales set by Japanese industry
 associations. Foreign firms ignoring such guide-
 lines have in many cases been unable to use the
 most efficient marketing channels or to obtain
 credit locally. Such market sharing arrangements
 are technically illegal, but the government has
 chosen to ignore the law and allow industry as-
 sociations to operate in such a manner. }

38 } Although the industries scheduled for grad-
 ual liberalization over the next few years hold
 attractive possibilities for investment, these indus-
 41 tries already are girding to resist foreign encroach-
 ment. The Japanese computer manufacturing
 industry, for example, is—with the government's
 blessing—working out plans to standardize the
 production of peripheral equipment and the
 development of software. Other industries are
 likely to take similar actions to limit the scope for
 new foreign investment. [redacted]

AUSTRALIA: LABOR'S HOLD

42 } After only six months in office, Prime Min-
 ister Whitlam's government is considering new
 national elections in the hopes of putting Labor
 in a commanding political position for years to
 come. A developing parliamentary stalemate over
 trade union legislation could provide the opening.
 The government has introduced bills that will
 reduce union liability in strike actions and de-
 emphasize arbitration in favor of collective bar-
 gaining. The opposition Liberals see these bills as
 confirmation of their fears that the Labor govern-

ment will cater excessively to union interests. The
 government's proposals have passed the Labor-
 controlled House of Representatives, but appear
 headed for almost certain defeat or unacceptable
 amendment in the opposition-controlled Senate.]

42 } Prime Minister Whitlam looks on these bills
 as a test of his ambitious domestic legislative
 program and has implied that he will dissolve
 both houses and call elections if the bills are
 blocked. Under Australian law, legislation must
 fail on two separate occasions before Parliament
 can be dissolved in this manner. This is a time-
 consuming process so Whitlam will probably not
 be making a final decision until late this year or
 possibly early 1974.]

42 } The opportunities new elections offer the
 Labor government make the gamble attractive.
 Although a recent Gallup Poll showed a slight
 slippage in the government's public following, it
 did not indicate a corresponding jump in the
 standing of the divided and colorless opposition.
 Labor has a majority of nine in the House that it
 is unlikely to lose in an election in the near term.
 In the Senate the government has 26 seats, the
 opposition coalition 31, and independents 3.
 Labor would need only a moderate increase in its
 vote to gain control of the Senate. If that were
 achieved, Whitlam's domestic program would be
 ensured. The government would also be in posi-
 tion to reapportion electoral constituencies and
 amend other procedures which now favor the
 opposition. These steps would dramatically
 change the Australian political landscape.]

43 } Whitlam's decision will be influenced by the
 outcome of the Victoria State elections on 19
 May. The national elections last December pro-
 duced a 6.2-percent swing to Labor in Victoria.
 Although Labor is unlikely to pick up enough
 seats to form the next state government, many
 observers believe that the trend toward Labor in
 Victoria will continue and that the party will cut
 deeply into the Liberal majority. If this proves to
 be the case, Prime Minister Whitlam will be
 encouraged to move for national elections later
 this year. [redacted]

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Garret Fitzgerald

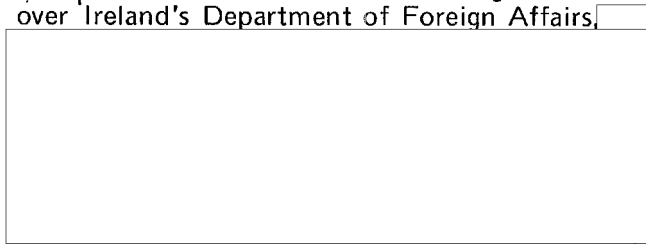
IRELAND: NEW BROOM

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A few weeks after Garret Fitzgerald took over Ireland's Department of Foreign Affairs,



tion of Ireland, took note of the "openness" of British views on the problem of a divided Ireland, and reaffirmed support for London's white paper on Ulster's future.]

46 Fitzgerald emphasized Dublin's new role as a member of the EC. He believes that the way for Ireland to get maximum economic benefits from its membership is to put great stress on maintaining the common agricultural policy. Fitzgerald acknowledged Ireland's continuing need for large-scale US investments, but he served notice that Dublin would oppose any efforts to modify the common agricultural policy in a way that would undermine its value to Irish farmers. Fitzgerald also wants the EC to adopt a strong regional development program—of which Ireland would be a prime beneficiary.]

48 First he summoned all 19 Irish ambassadors and the senior officials in the department to a four-day policy conference. Such a meeting was a novelty in Dublin, and it must have been a taxing experience for the ambassadors. Prime Minister Cosgrave, in his opening remarks to the diplomats, stressed his desire to make an Irish contribution, "necessarily small, but never negligible, to peace and progress in the world." He told the diplomats that their primary task was to promote vital economic and trade relations with other countries. Although he did not put it in so many words, Cosgrave's long-term goal is a lessening of Ireland's economic ties with Britain.]

47 Fitzgerald followed up the conference with a speech on 9 May outlining the foreign policy of the new coalition government. He reiterated the government's moderate approach to the unifica-

44 The new look in Dublin can be directly traced to Fitzgerald, a dynamic and innovative foreign minister. His energy is likely to make him the most visible man in the Cosgrave government—a situation that at times will create friction between him and the more conservative prime minister. Fitzgerald's political views appear to follow the main trends of European social democracy. This makes him somewhat of a radical in Ireland.



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EUROPE: FORCE REDUCTION TALKS

52 [After 100 days of informal negotiations, the participants in the preliminary talks on force reductions in Europe have gotten around the knotty problem of Hungary, the issue that occupied the diplomats almost since they assembled in Vienna on 31 January. That country has been placed, at least temporarily, in the "observer" category just as the Soviets desired. NATO retains the right to reopen the question during the actual negotiations, but a precedent has been established that will be difficult to overcome.]

52 [The delegates resolved other procedural matters with relative ease, although a number of issues remain that will require informal talks between now and the anticipated starting date for the substantive talks in October. One of the issues still unsettled is the agenda for the later talks.]

51 [The plenary sessions this week gave the delegates an opportunity to comment generally on force reduction. Representatives of the Warsaw Pact states praised detente generally and characterized the force reduction talks—for which they took credit—as an important contribution to the further relaxation of tension. The speakers gave nothing away on the future pact position on substantive aspects, though they did stress that

reductions should not endanger any country's security. The pact speakers also left open the possibility of inviting additional European countries—meaning France and the neutrals—to take part in the formal talks and raised the prospect of similar talks later on other European regions.]

52 [The hassle over Hungary led to some problems among the Western allies, and the strain on allied unity may well reappear. The British, in particular, felt that the West was too quick to give in to the Soviets.]

52 [The preliminary talks could conclude this month. The Soviets, however, will have no trouble finding ways to drag them out if they so desire. In this regard, there is at least an implicit connection between the force reduction talks and a Conference on Security and Cooperation in Europe. The Soviets are not likely to agree to set a date for force reduction talks until one has been set for a security conference.]

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YUGOSLAVIA: AN OLD SOLDIER

52 [The ravages of time, fatigue, and possibly ill health seem to be catching up with Tito, and party secretary Stane Dolanc is taking over some of the functions of the aging leader.]

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Participants in Force Reduction Talks	
"Full" or "Direct" Participants	"Special" Participants (observers)
Belgium	Bulgaria
Canada	Denmark
Czechoslovakia	Greece
East Germany	Hungary
West Germany	Italy
Luxembourg	Norway
Netherlands	Romania
Poland	Turkey
USSR	
UK	
US	

57 [After the conference, Dolanc announced that Tito will no longer perform "unnecessary protocol duties" because of his advanced age.]

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Stane Dolanc with Tito

Dolanc said that other leaders will help Tito so that he can carry on as party chief and president of the country for "as long as possible."

58 } This announcement will advance Dolanc's claim as heir apparent even further. Dolanc dominated the conference and gained some of the nationwide attention he will need to establish himself as the rightful successor. Four years ago, Tito plucked Dolanc from an obscure post in Slovenia and he has come a long way since. At 47, his style closely resembles that of the younger Tito. Like Tito, Dolanc is a straight-talking, no-nonsense man of the people, totally dedicated to preserving Yugoslavia's federal system.

56 } His self-assured performance at the conference set the tone for future appearances. Dolanc predictably gave unstinting support to Tito's drive

for tougher party discipline, but he also spoke of the need for "creative Marxism," presumably to reassure Yugoslavia's dispirited liberals that he can be pragmatic. Dolanc focused on economic problems and courted the workers by demanding an end to the recent decline in their standard of living. He did not say how this is to be done, but urged party and government leaders to correct the situation.

55 } As Tito had arranged in advance with the republic party bosses, Dolanc was re-elected unanimously as secretary of the Executive Bureau at a presidium meeting after the conference. This puts him in an ideal position to influence the party congress due next spring and gives him a chance to show whether he can deal with the manifold problems facing Yugoslavia.

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MONEY AND GOLD

(57-62)

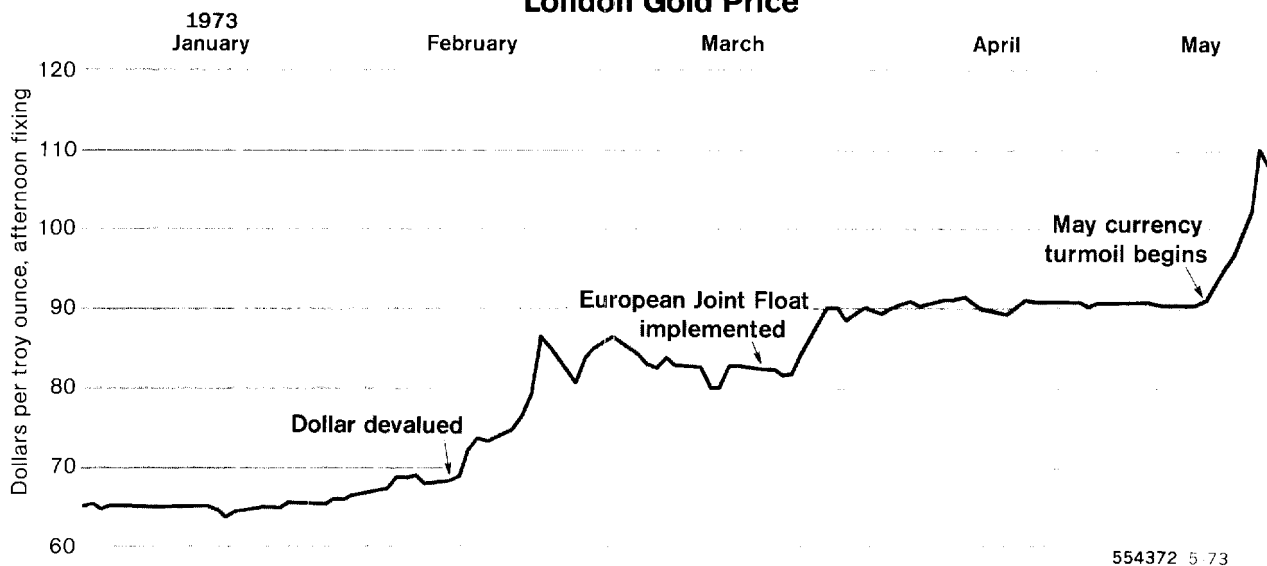
European money markets have come under their first severe speculative pressures since the joint float began on 19 March. The dollar was under strong attack for the first time in more than two months, and although it firmed on 16-17 May it remains substantially below its early May levels. The Bank of England is the only European central bank reported to have provided dollar support. If the run on the dollar were to resume, the European participants in the joint float may well attempt, through limited intervention, to prevent too rapid an appreciation of their currencies against the dollar in order to minimize the impact on their foreign trade.

The weakening of the dollar in Europe abruptly halted the Bank of Japan's heavy dollar selling in the Tokyo market. Foreign exchange banks and other private sources have replaced the central bank as dollar sellers in the Tokyo market. Continued strong demand for dollars to finance imports and foreign investment has resulted in the dollar losing only moderately against the yen.

The free market price of gold soared to a record last week. The price on the London market, which had stabilized at about \$90 an ounce between late March and early May, reached \$112 on 15 May before dropping back somewhat. The attack on the dollar clearly contributed to the rise in the price of gold. Tight exchange controls on the continent, which have made it more difficult and expensive for money managers to shift funds among currencies have added to the attraction of gold. Other factors are: reduced South African sales, reflecting reduced output; rumors that President Nixon will discuss new gold price arrangements with Soviet party chief Brezhnev in Washington next month; and tension in the Middle East.

Many traders attribute the dollar's problems primarily to the Watergate issue, but Watergate has only added to an already pervasive uncertainty about the dollar in the wake of two devaluations. The New York Stock Exchange's poor performance, worries about the US balance of payments, and inflationary pressures in the US are other contributing factors.

London Gold Price



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SOUTH ASIA: INCHING BACKWARD

63 } April saw some slight progress toward a South Asia settlement, but the movement has been in the opposite direction this month.

67 } India and Bangladesh offered Pakistan a package deal in April; it called for the return of 90,000 Pakistani prisoners of war (except 195 to be tried for war crimes), the release of about 150,000 Bengalees from Pakistan, and the transfer to Pakistan of some 260,000 Biharis from Bangladesh. Islamabad rejected the offer, but did suggest discussions with India on mutual problems.

63 } On 5 May, several hundred senior Bengalee civil servants resident in Pakistan were rounded up by the authorities. The move—ostensibly in preparation for their repatriation—was designed to convey two messages from Islamabad to Dacca: that Pakistan had senior Bengalees it could try for treason if Bangladesh went through with the war crimes trials, and that the delay in sending the prisoners-of-war home was worsening the situation of the Bengalees in Pakistan. } Reaction in

both India and Bangladesh was adverse, and it appears to have made concessions by New Delhi and Dacca less likely.

66 } India rejected on 8 May Pakistan's offer to talk. Two days later, Islamabad reiterated its rejection of the India-Bangladesh package and announced it was taking its case to the International Court of Justice to prevent India from transferring the prisoners to Bangladesh for war crimes trials.

67 } Despite the May events, both India and Pakistan want a settlement. President Bhutto is expected to make a formal reply to the Indian message of 8 May, and in so doing he could make further proposals. New Delhi still appears anxious to settle its differences with Pakistan, but remains unwilling to act without Dacca's concurrence. The Indians have not yet been able to shake Dacca's insistence that Pakistan accept the Biharis and that war crimes trials be held.

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Pakistani Prisoners in India

INDIA: A PROBLEM OF MONEY

68 } Negotiations are slated to begin on the disposition of the large sum in rupees held by the US in India. Some \$900 million in rupees have piled up over the past 20 years as a result of US loans and PL-480 agricultural sales to India that were repayable in rupees, rather than hard currency. Another \$5 billion in rupees will be added over the next 35 to 40 years as outstanding principal and interest on other loans by the US to the Indian Government become due.

68 } New Delhi became quite concerned with the US balance since PL-480 aid repayable in rupees was all but halted. Until 1968, India enjoyed a surplus from the arrangement. After 1968, however, US rupee expenditures from the fund exceeded India's local earnings from sales of

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PL-480 commodities and New Delhi became concerned that the funds might give the US influence over India's economic policies. The concern is exaggerated since aid agreements stipulate that most uses of these funds by the US must be approved by the Indian Government.]

68 | US-owned rupees have been spent in India for a variety of purposes. Some \$450 million have been used to finance the expenses of US government agencies in the country; almost \$2 billion went into development loans to India; \$150 million were made available as loans for US businessmen; and \$75 million bought Indian goods as aid for Nepal until New Delhi halted the practice last year.]

70 | New Delhi most likely will try to write off as much as possible of the rupee balance and debt.

[Redacted]

The Indians will probably allow the continued use of rupees to operate the US Embassy during this period. New Delhi may agree to use the rupees to help finance the country's development budget. Protracted negotiations may be necessary before an agreement can be reached. Future use of US rupees in any event will continue to be closely restricted.

BANGLADESH: FOOD SHORTAGES EASE

(71-74)
[Deliveries of food grains to Bangladesh from abroad since January have filled more than half the projected food deficit for 1973 of 2.7 million tons. The spring rice harvest now under way is expected to yield a record 2.3 million tons. This crop accounts for about 20 percent of annual rice production. Food grains have been distributed more efficiently this year than last because many bridges have been repaired and more river vessels are in service. As a result, no serious food shortages have been reported.]

Dacca has purchased 1.1 million tons of food grains on the world market since January and has received aid pledges for another 800,000 tons—mainly from Canada, the US, the European Community, Japan, and Australia. Deliveries have been running slightly ahead of domestic distribution, resulting in an increase in government food grain stocks from 200,000 tons in January to 500,000 in early May. This is approximately a two-month supply. To fill the remaining gap of 800,000 tons for the last quarter of 1973, Dacca has requested 400,000 tons of food grains from the US under PL-480 and has approached other donors for the rest. In addition, Dacca has asked the US for another 450,000 tons of food grains for the first half of next year.]



Bazaar Day in Bangladesh

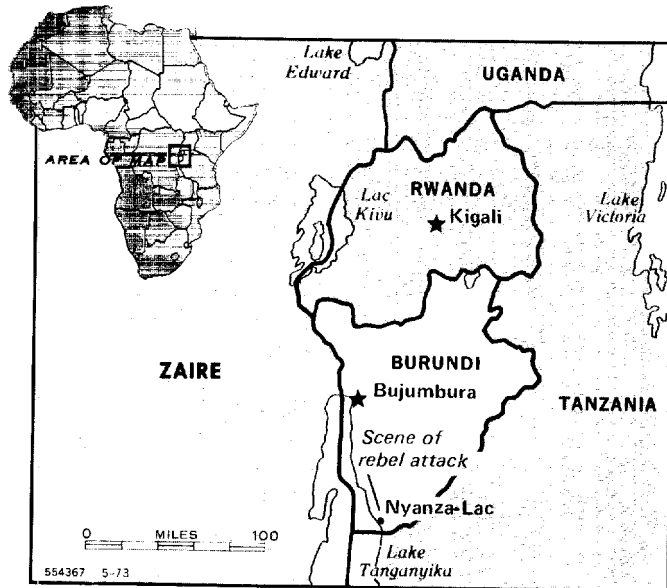
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(71-74)

The distribution of food is gradually being taken over by the government. The UN mission is beginning a phased withdrawal and plans to end its operations by December. The government maintains ration shops throughout the country; these sell food grains at low fixed prices and provide one third of the country's population with a minimal 15 ounces per day. The remainder of the population relies on its own crops or the free market.

Despite the large food grain imports, free market prices on rice have risen more than 60 percent since December and 80 percent since April 1972. Normally, rice prices are stable during the first half of the year and increase moderately before the major rice harvest in December. Bengalees normally eat rice, but wheat has been the primary import because rice on the world market is higher priced and in shorter supply. Since almost all wheat is imported and sold in ration shops, the price has remained stable and low. The spring rice harvest probably will reduce rice prices temporarily; but a sustained price decline is unlikely at least until next December.



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BURUNDI: THE HUTUS AGAIN

79 [Hutu rebels in the remote southern border region appear to be ready for another attempt to overthrow the Tutsi government. The Hutus may be better organized than last year when tribal hatreds led to the deaths of hundreds of thousands.]

75 [In the early morning hours of 11 May a rebel force of perhaps 100 men attacked a number of villages and army installations in southwestern Burundi near the border with Tanzania.] The rebels had some automatic weapons and their attacks were well coordinated. The army's key garrison at Nyanza Lac on Lake Tanganyika was easily overrun.]

76 [Two days later the Burundi radio announced that government forces had crushed the dissidents] although the US Embassy reported that the rebels faded away before army reinforcements

arrived. The Burundi Government is accusing Rwanda and "trade union circles" in Belgium of supporting the rebellion, but so far has refrained from implicating Tanzania.]

77 [In a separate action on 12 May, about 1,000 Burundi refugees living in a camp in Rwanda responded to reports of the attacks and launched forays of their own into northern Burundi. Scattered fighting was still taking place three days later, but the south is the greater problem area for the government.]

78 [Southern Burundi long has been a target for Hutu dissidents intent on overthrowing the oppressive Tutsi regime, which represents only about 15 percent of the 3.7 million population. Just over a year ago in the same area, a rebel attempt to spark a general Hutu uprising was quickly put down by the government. The rebellion led to a summer-long campaign of reprisals against the Hutus in which perhaps as many as 200,000 were killed and another 100,000 forced to flee into Rwanda, Tanzania, and Zaire.]

79 [This year, the Hutu rebels seem to be organizing for an extended insurgency, and this would severely test Burundi's weak 3,000-man army.]

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THIRD WORLD: CUSTOMERS FOR ARMS

Arms shipments to Third World countries have averaged about \$3 billion annually in the past three years. Since 1966, the US has accounted for approximately half of the arms reaching this market each year. In the previous ten years the US accounted for more than 60 percent of the total. About one third of the current flow comes from Communist countries, mainly the USSR; the remainder comes from Western Europe.

The demand for arms has been generated by continuing regional animosities and a felt need to improve military inventories. The main recipients have been the countries directly involved in the Arab-Israeli conflict (Israel, Egypt, and Syria), India and Pakistan, and the contenders for dominance in the Persian Gulf (Iran, Iraq, and Saudi Arabia).

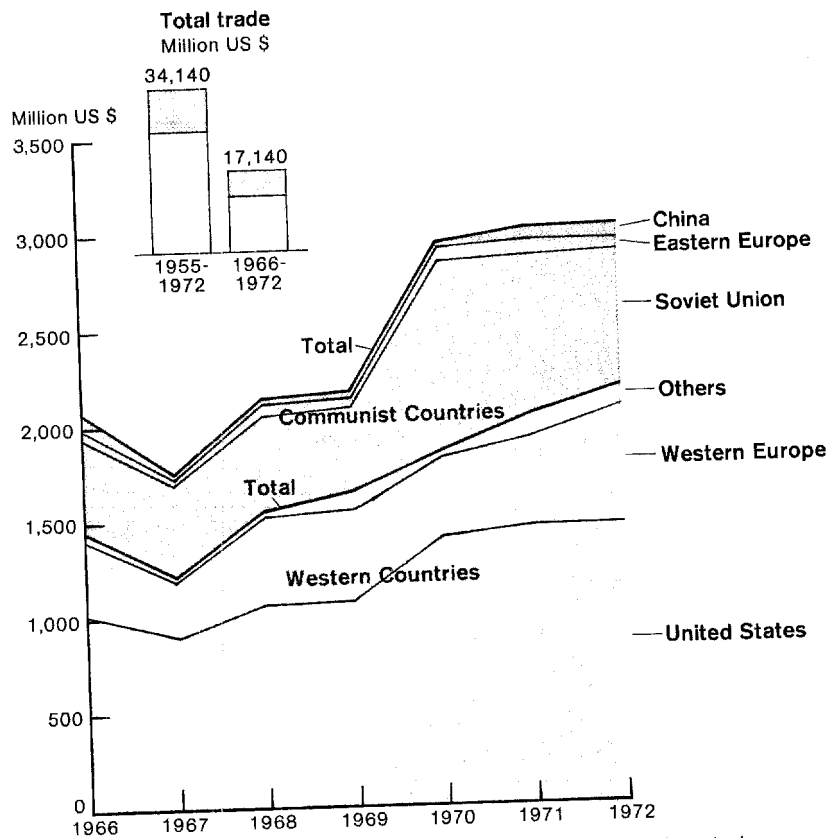
Almost all types of arms, except nuclear weapons and strategic missiles, have been provided. During the last three years, more complex weapons systems have been supplied, including advanced surface-to-air missile systems, supersonic jet fighters, guided-missile patrol boats, radar-controlled anti-aircraft guns, and sophisticated tanks. This equipment not only has a high initial cost, but also requires extensive and continuing technical support.

Agreements concluded in the past few years be-

tween suppliers and Third World customers assure a substantial growth in deliveries over the next several years. The types of arms will become even more sophisticated, raising questions about the ability of the recipients (with the notable exception of Israel) to maintain and use the equipment effectively.

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Arms Exports to Third World Countries



The ten major arms recipients are Egypt, Greece, India, Indonesia, Iran, Israel, Pakistan, South Korea, Taiwan and Turkey.

US data do not include some \$15.7 billion of arms provided under the Military Assistance Service Funded (MASF) program, designed to support foreign forces engaged in combat in Indochina or some \$700 million in naval equipment made available under the Ship Load and Lease Program.

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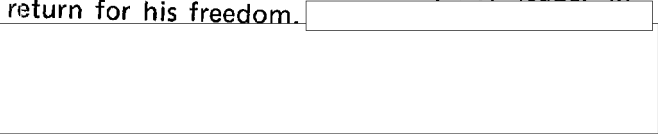
CHANGES IN SUDAN

81 President Numayri last week signed Sudan's first "permanent constitution" which incorporates the terms of the peace accord reached last year ending the 17-year-old southern rebellion. At the same time, Numayri named a new cabinet, released a number of political prisoners, and announced several reforms designed to improve governmental efficiency. He is still struggling with the problem of the Arab terrorists who killed three diplomats in Khartoum last March.]

84 [Among the most important detainees released was former prime minister Sadiq al-Mahdi, head of the banned Umma party, and the Ansar Muslim sect. Because of his large following, Sadiq represents a potential source of serious opposition to the regime. Numayri may have extracted some quid pro quo from the Umma party leader in return for his freedom.]

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81 [The cabinet has fewer faces but virtually no new ones. Significantly, Arab sympathizers and leftists lost their last prominent spokesmen in the shuffle. Several former army officers were appointed to key provincial posts with the rank of deputy minister. Otherwise, the changes simply increased the power of men already close to the President.]

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81 [Numayri reportedly tried to inject some new blood into the government; somewhat surprisingly he was unable to do so. Although the President is personally popular, many Sudanese intellectuals and businessmen apparently remain opposed to the authoritarian nature of his rule.]



President Numayri



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CHILE: NO END IN SIGHT

(85-482)

As the newly elected congress prepares to convene on 21 May, government and opposition forces are hardening their positions. Internal divisions still nag both camps, particularly the efforts of extremists to promote violence.

The reduction of the opposition majority in congressional elections in March has strengthened Allende's resolve to override obstructions raised by the congress, the judiciary, and the comptroller general to a broader implementation of his program. A showdown seems imminent on the expropriation of over 100 businesses, on wage readjustments, and on the division of power between the executive and congress. The predilection by some on both sides to postpone, side-step, or accommodate is not in evidence at this time.

The Christian Democrats, although they have not yet decided to join the conservative National Party in an effort to impeach the entire cabinet, have elected a new directorate that represents the least compromising wing of the party. The shift does not seem to have alienated the more leftist Christian Democrats, possibly because outright opposition is proving politically popular—and effective—even among workers who have in the past supported Allende.

The sudden widespread police raids on the ultra-rightist Fatherland and Freedom group brought it little sympathy, particularly since one of its leaders was calling for civil war from safe-haven in Buenos Aires. Indeed, the group's antics provided convenient support for the government's charges that the real aim of its opponents is civil war.

The armed forces are still involved in many day-to-day government activities. Allende's opponents contend that officers in economic posts, such as the chief of the national distribution secretariat, are being used to impose controversial socialist policies. The imposition of states of emergency in two provinces gave the military greater powers to ensure public order, a primary concern of senior officers. The government's exaggerated accusations of opposition plotting

reinforce the officers' nearly obsessive fear of civil war, a fear that is a major factor in the reluctance of even the most adamant of Allende's military opponents to move against him.

Moderates within the government are again attempting to curb the ultra-leftists, whose taste for violence has set off numerous recent disturbances. Even a word of caution from visiting Cuban Vice Prime Minister Carlos Rafael Rodriguez did not deflect the revolutionaries. In their latest outing, the ultra-leftists invaded the meeting of the leftist Latin American Students' Organization in Santiago to protest their exclusion from the administration-controlled gathering.

[Redacted]

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PERU: MUNDANE CONCERNS

87 The country has been shaken by labor unrest 88 for much of the past month, and opposition 89 groups, emboldened by strikes, by President 90 Velasco's illness, and by the apparent absence of a strong hand at the helm, are taking advantage of the situation.

90 Part of the trouble stems from a policy that gives the Labor and Interior ministries and Sinamos, the "social mobilization" apparatus, overlapping responsibilities. These entities have been working at cross purposes, hampering the effort to entice unions into a government-controlled labor confederation where they can be better controlled.

90 The current round of labor trouble began earlier this year when militant miners' unions broke away from a Communist-controlled central labor organization. The Communists have been struggling to salvage what is left of their favored status with the government and have been under heavy pressure from the regime [Redacted] to avert mine strikes. The miners' demand—that construction workers at two US-owned mines be

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made regular mine employees—was taken up by extreme leftist groups that oppose both the government and the Communists, was added to a number of local grievances, and was fanned into a widespread strike in key areas of the volatile south.

90 Further issues were provided when the government promulgated an unpopular retirement law and announced a nationalization of the fish-meal industry that threatened to cost many workers their jobs. When students and teachers joined in to press their demands, the regime found itself faced with the most serious manifestation of discontent it has encountered in five and one-half years in power.

90 The government responded by announcing that implementation of the retirement law will be delayed and by compromising on other issues in the south. These steps helped ease the strike situation this week, but it may turn out to have been only a lull in the storm.

88 97 The American Popular Revolutionary Alliance, the military's archenemy which has been semi-dormant since 1968, is stirring. The party is attempting to organize a one-day nationwide general strike to take place today. The party sees many potential gains from such a venture, particularly a show of strength that it hopes might secure it a role in the choice of Peru's next president.

90 The party may even believe that the moment of government weakness it has been waiting for is approaching. The strikes may, however, have given Peru's military hierarchy a refresher course in the need for armed forces unity that could help resolve the continuing struggle over a successor to the ailing Velasco.

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ARGENTINA: ALL SYSTEMS GO

91 Preparations are under way for the inauguration next week of president-elect Hector Campora. As the Peronists prepare to take power



Campora and Peron

92 again after 18 years on the sidelines, Campora is taking a conciliatory line toward his political opponents and appears to be seeking a broad "national accord." Even the anti-Peronists in the military seem prepared to accept the turnover of power to the Peronists on 25 May.

93 The inauguration of Juan Peron's surrogate promises to be an interesting affair. The Peronists have issued invitations to a wide variety of Latin American personalities. In addition to Secretary of State Rogers and the foreign ministers of many Western Hemisphere nations, Cuban President Dorticos will attend and Chilean President Allende may come. Such other notables as former Colombian dictator Gustavo Rojas Pinilla and former Bolivian president Juan Jose Torres will also be there. Current Bolivian President Hugo

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Banzer, who ousted Torres, is also scheduled to attend.]

93 [With the countdown entering its final days, Campora still has not indicated who will fill cabinet posts and other executive offices. He has continued to sound as if he wants to include representatives of the opposition Radical Party in his government. His call on all "political and civil forces" to join in a five-point program of "national reconstruction" can be interpreted as an effort to soothe his opponents and attract the Radicals who have demonstrated an interest in joining the government. The first few months of the new administration will be difficult as it seeks to push through some of its more controversial programs, such as amnesty for political prisoners, and the broader the cooperation the better Campora's chances of preventing things from getting out of hand.]

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92 [The armed forces in particular are going to take some lumps, but they now seem to have given up whatever hope they once had of stopping the process. Even the most obstinate uncompromising anti-Peronists in the military have seen their support dwindle and have given up hope of finding a pretext that would generate enough backing to block the Peronists.]

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MEXICO: THE STUDENTS AGAIN

98 [Students in Puebla and Mexico City have quieted down after a week of agitation, but they have a unifying cause, the government demonstrates little give, and further clashes could occur.]

[Redacted]

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The Puebla incident was only the latest manifestation of discontent that has been simmering—and occasionally surfacing—in Mexico's universities during the

past year or so. Tensions at Puebla University have been running high since the assassination last year of two leftist professors, apparently by a right-wing terrorist group. The culprits have not yet been caught. In addition to this issue, leftist agitators have for some months been in conflict with rightist authorities over university and local questions.]

95 [The situation in Puebla became explosive when on 11 May student agitators and the conservative business community attempted to hold simultaneous demonstrations. State officials intervened to avert a confrontation. Business leaders, angry that student "hoodlums" were able to force the resignation of the rightist state governor, appear to be following deliberately inflammatory policies. Student and university groups, elated at bringing down the governor, are now levying demands on his successor.]

98 [Echeverria has for the most part stood back from the Puebla mess, confining himself to a general condemnation of violence all around.]

[Redacted] He is no doubt sincere in wanting a "dialogue" with students, but knows this is impossible without the true democratization of the political system he has promised them.]

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98 [He is convinced that leftist rabble-rousers must be stopped lest they touch off more bloodshed. Echerria wants no repetition of the violent student-government clashes of 1968 and 1971. He is known to shudder at the mere mention of the word "halcones," government-trained toughs used to disrupt student demonstrations in 1971. Yet these right-wing terrorist bands are still active, either because Echeverria is not strong enough to challenge those in the government and the universities who control these groups or because he does not want to. The Puebla deaths provided a ready-made cause for unified student protest. Whether this will lead to a new cohesiveness and increase the possibility of large-scale student-government clashes will depend in great part on how Echeverria handles the situation.]

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