

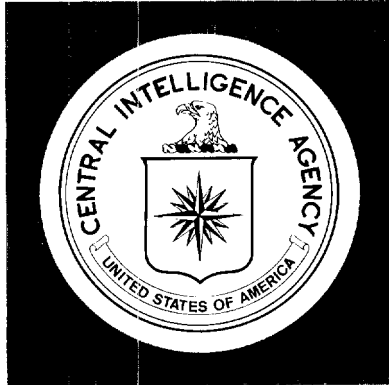
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WEEKLY SUMMARY

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25 May 1973

No. 0371/73

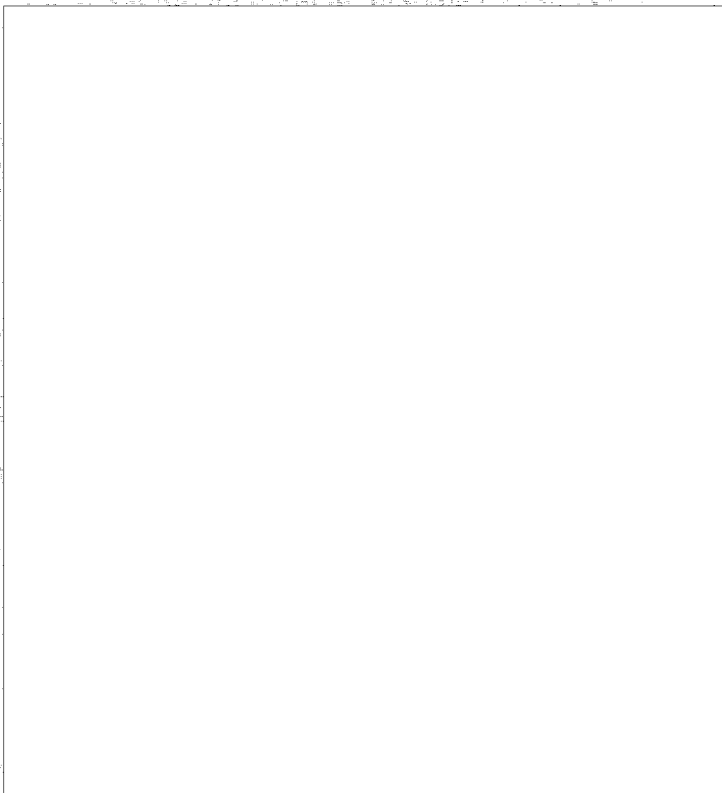
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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

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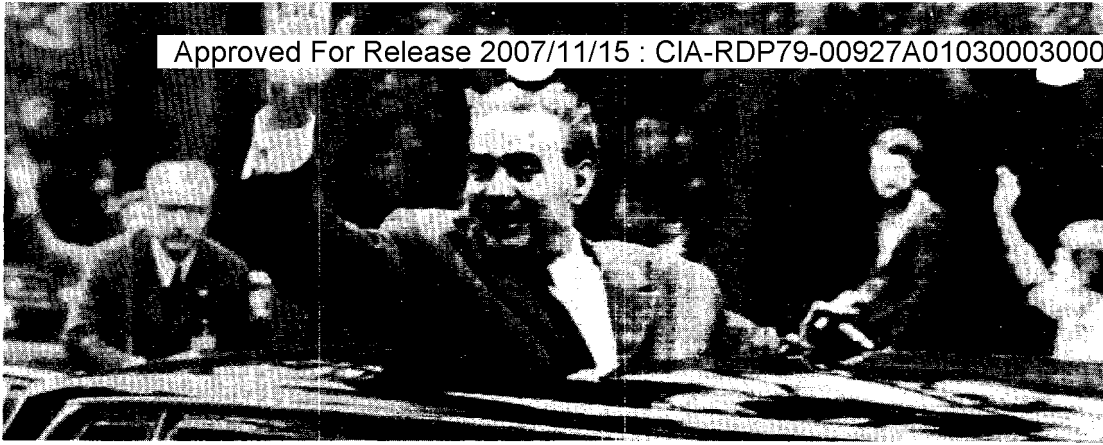
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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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Brezhnev in Bonn

moscow faces west

EMPHASIS ON DETENTE

1,2 } Last month, the CPSU Central Committee resolved to carry out its foreign policy activities in such a manner as to make detente with the West an "irreversible" fact of life. Having so resolved, the Soviets have accelerated the efforts to trace their current policy back to Lenin himself and show that the policy has the firm backing of all segments of Soviet officialdom.

1,2 } Although Moscow's formal treatment of detente makes no distinction among the various Western powers with which the USSR hopes to improve relations, it is clear from Soviet behavior that the US is central to Soviet calculations. For the past several weeks, the Soviets have been playing up everything positive in US-Soviet relations; they have even let the accent on the US overshadow Brezhnev's historic trip to Bonn.

1,2 } The importance the Soviets attach to relations with the US has been indicated in a number of ways. Soviet media have given favorable coverage to the US and to official statements from Washington, have played down vigilance themes customarily directed against "imperialism," and have given scant treatment of the Watergate affair. Continuing problems in Indochina have been largely ignored, and the top Soviet leaders have gone out of their way to meet with visiting Americans (most recently, Premier Kosygin's talks with Mayor Lindsay).

2,3 } While Moscow's behavior toward the US can no doubt be attributed in part to Brezhnev's coming trip to Washington, some of the propa-

ganda, at least, suggests that the Soviet leadership is engaged in an effort to convince its domestic audience of the wisdom of its policy. For instance, an article in *Pravda* last week by Yury Zhukov seemed noteworthy not only as a testimonial to the Soviet need to deal with the US, but also as a signal to various elements of the Soviet bureaucracy to accept this need.

2 } Zhukov said the Moscow summit last year was of "paramount international significance" and quoted Brezhnev as saying that the possibilities for further improvement in relations with the US are "real." In defense of detente with the US, Zhukov recalled Lenin's own interest in improving business relations with the US even during the Soviet civil war when US military forces were on Russian territory. Zhukov also cited Lenin's demand in 1922 that Soviet officials responsible for denying visas to American businessmen be severely punished.

2,3 } Earlier this week in Bonn, Brezhnev called the shift toward detente a radical turn in Soviet policy that had been difficult to make. He implied that the leadership consensus is now solidly behind that decision and that he can speak confidently on behalf of all Soviet leaders. In effect, he was seeking to put the US on notice that when he meets President Nixon in Washington next month, the US can expect to be dealing with a politician who is in a strong position to accept or reject agreements on their merits. Despite this show of confidence Brezhnev, like other political leaders, must be conscious of more conservative colleagues who will be looking over his shoulder.)

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BREZHNEV ON THE RHINE

4 } The billing of Soviet party leader Brezhnev's sojourn in West Germany as a working visit was no euphemism. Plans to squeeze some sightseeing into the trip gave way early on as the business agenda lengthened. His only remaining scheduled jaunt outside the Bonn area was scrubbed when security officials decided the risk of demonstrations was too great. As a result, Brezhnev spent about 30 of his approximately 100 hours in the Federal Republic in conversation with Chancellor Brandt. Their top advisers were equally busy.

4 } The visit produced no surprises and was the success everyone expected. Brandt and Brezhnev added to the list of bilateral agreements concluded over the last two years by signing pacts for economic, industrial, and technical cooperation; cultural collaboration; and air travel. They opened the way for other agreements and exchanges in energy, sports, youth, tourism, and medicine. The two leaders also agreed to meet again and to schedule more frequent political consultations by subordinates.

4 } The image of a convivial Brezhnev and his stress on creating a new era of Soviet-German friendship served the Soviet objective of showing their great interest in European detente. Brezhnev may not have been as successful in obtaining commitments for economic cooperation, and such commitments were the major Soviet goal. German firms, for example, are ready to build a steel-rolling mill and a machine-tool factory in the USSR. But the Soviets wanted long-term commitments and low-interest credits that the Germans feel they cannot grant. German industrial leaders expressed interest in "medium-term" planning in some fields, but when Brezhnev denigrated interest rates as unimportant, he turned off German bankers.

4 } Plain, hard bargaining characterized the talks. The communique's wording on the Conference on Security and Cooperation in Europe and on mutual and balanced force reduction talks was carefully weighed. Given the Soviet aversion to "balanced," for example, the two leaders settled on the phrase "not jeopardizing...security."

Brezhnev made his expected pitch that the security conference be concluded with a summit meeting, but, in the face of Brandt's caution, settled for "at a level corresponding to its international importance."

4 } Although the three agreements contain a clause extending them to West Berlin, the communique does not reflect any softening in the Soviet attitude toward West German ties with the city. The two sides agreed on the need for "strict observance and full implementation" of the Quadripartite Agreement on Berlin: a scant improvement over the language used during Brezhnev's visit to East Germany on 12-13 May. The inability of the two sides to agree on a clause on Berlin prevented signature of agreements on science and environment that had been drafted for the visit.

4 } Brezhnev could not have been expected, in any event, to embarrass the East Germans by agreeing to West German desires on Berlin in a public document, and Brandt probably did not anticipate that he would do so even in private conversation. Brandt, Scheel, and Bahr got the point across in the advisers' meetings, and Bonn can only hope to see results in future Soviet and East German actions.

4 } In general, the Germans were pleased with the results of the visit and apparently believe they have made a big stride forward on the international stage. They see both the US and the USSR as being interested in close ties with West Germany, and this has added to a growing sense of self-confidence in Bonn.

4 } The West Germans found Brezhnev an interesting, if somewhat bizarre, guest. He clearly dominated the Soviet delegation, and the Germans had some difficulty in making their points as the Soviet leader held the floor.

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ARGENTINA

RETURN OF THE PERONISTS

The inauguration of Hector Campora as President of Argentina on 25 May propels the Peronists back to power after nearly 18 years in the political wilderness. The return to an elected civilian government, which Argentines hope will give birth to a new era of cooperation and progress, is being celebrated throughout the country by Peronist and non-Peronist alike.

The presence of high-level delegations from abroad adds dignity to the ceremonies and provides the opportunity for significant meetings among the various foreign leaders. Secretary of State Rogers winds up his tour of South American countries in Buenos Aires, returning to the US by way of Jamaica. President Allende of Chile, Cuban head of state Dorticos, and Uruguayan President Bordaberry are also in Buenos Aires. Several other Latin American states have sent foreign ministers, including Tack of Panama, who hopes to convey to Secretary Rogers his country's hope of renewing the canal negotiations soon.

Juan Peron, the man most responsible for Campora being sworn in as Argentine president, stayed in Spain, preferring, he says, not to divert attention from Campora. It is also true, although he does not say so, that his presence on the stand when Campora receives the presidential sash would be like rubbing salt into the military's wounds and might stir up trouble. Peron's absence should not be viewed as indicative of the future. Campora, long Peron's "obsequious servant," has so far given no indications that he can act or make decisions independently of his mentor.

The cabinet that Campora will bring into power with him is a tightly held secret, which could mean that Peron has not yet told the fledgling president who will get what post. Campora has, however, been working on the Radical Party and may hope to entice a Radical or two into his cabinet. Even without the Radicals, Campora should have little difficulty pushing his program

through congress, where the Peronists hold a comfortable majority on their own. His major problem does not lie in finding a working relationship with the opposition, but in holding his own divergent coalition together. Minor party members of Peron's election coalition have shown signs of disquiet, and within the Peronist movement itself, differences between middle-aged moderates and young radicals could easily flare into serious problems.

Campora has also avoided discussing in any concrete terms the policies he plans to follow.



Campora Greets Supporters

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Indications are that he will pursue basically moderate policies on the domestic front in the hope of obtaining some form of "national accord." On the issue of amnesty for "political prisoners," he will likely urge legislation that in theory provides for sweeping amnesty but in fact requires that each prisoner's case be considered separately. In addition, he is apt to announce, with considerable fanfare, across-the-board wage increases while asking labor to make sacrifices in the fight against inflation.

At the same time, he will try to placate extremists and radicals with nationalistic rhetoric, policies aimed at restricting the profits and activities of foreign businesses, and a more independent approach to foreign affairs. Among the new government's first initiatives will be the establishment of diplomatic relations with Cuba, probably followed closely by recognition of North Vietnam, North Korea, and East Germany. The

Peronists are also likely to move Argentina into the forefront of those Latin Americans calling for an OAS that excludes the US.)

In all these areas, the guiding hand of Juan Peron will be evident, although he will probably shun any involvement in the day-to-day functions of government. Instead, Peron seems bent on carrying his message of Latin American unity and integration to everyone who will listen. He sees himself as a political figure of world importance whose primary theater of operations is Latin America. To assure his place in history as a true revolutionary and to give substance to his claim that Latin America must either be united in nationalism and socialism or be "dominated by the imperialists," Peron may press to move Argentina toward more radical policies after he has consolidated his hold on power.

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ICELAND

ENTER THE ROYAL NAVY

"There are occasions when, greatly daring, it is necessary to raise a small and diffident voice in favor of the rights of the strong against the weak." UK Labor Party MP.

The introduction of British warships into the fishing dispute has again raised questions in Iceland about the usefulness of its membership in NATO. All Icelandic political parties condemned London's move and expressed disappointment at NATO's failure to prevent it. Public support for the US-manned NATO base at Keflavik has probably been eroded.

On 19 May, two British frigates sailed into Iceland's unilaterally declared 50-mile fishing zone. Their mission was to protect the British trawlers there. Reykjavik prudently ordered its coast guard not to engage the British ships, but closed all Icelandic airfields, including Keflavik, to British military aircraft and recalled its ambassador to London. The Icelanders say they will not negotiate as long as the warships remain in the disputed waters, and the British say they will not withdraw the warships as long as Iceland is likely to harass trawlers.

On 21 May, the government asked all Icelandic political parties for advice on a possible course of action. One proposal under consideration is to request the UN Security Council to meet to consider Iceland's charge that the British move was an act of aggression. While a British veto in the council would prevent UN action, the Icelanders probably would hope to gain international sympathy in the process. Iceland may also ask for a NATO review of the British action, in accordance with that organization's guidelines for the resolution of disputes among its members. Norway has offered to mediate. All else failing, the two adversaries might even get back to the negotiating table without outside help. The British reportedly are concerned that Reykjavik may decide to withdraw from NATO.

The tense situation provides a far from ideal atmosphere for the visit of presidents Nixon and Pompidou to Iceland next week. Icelanders who were expected to demonstrate against the base may now be joined by their more moderate countrymen who feel the US and other NATO states have deserted Iceland in the fishing dispute.

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SECRET**INDOCHINA****VIETNAM**

Communist military activity this week was at the lowest level since the cease-fire began. Much of the Communist action that took place was in response to South Vietnamese security operations.

Communist mortar and rocket fire against the outer government defense line west of Hue appears to reflect such a response. Heavy fighting has been reported just north of Kontum City following a government move to replace an army regiment that had arranged a local truce.

The Communists have been openly aggressive only in several troublesome delta provinces, and much of their action there seems to be aimed at protecting Communist infiltration routes. Most of the Communist attacks have been concentrated in Chuong Thien and Dinh Tuong provinces and involved shell fire directed at government outposts and other fixed positions.

Elsewhere, the Communists have limited themselves to minor harassment and terrorism. The railroad in Military Regions 2 and 3 has been hit frequently as have the major highways. Several terrorist attacks have resulted in heavy civilian casualties.

Thieu Announces Economic Program

The Saigon government is beginning to implement a series of measures largely designed to improve its standing in the countryside. Last weekend, President Thieu announced general goals for post-war economic recovery and development, which call for economic self-sufficiency by 1980. Citing the establishment of funds for refugee relief, reconstruction, and rehabilitation, Thieu emphasized the need to develop agricultural production as a basis for future economic growth. He was not precise about foreign support, but large amounts of Free World aid will be needed to achieve the extremely ambitious 1980 targets.

Although the government program represents a good first effort to chart the country's economic course, it is not an integrated economic plan. His targets are unrealistically high, and there

are numerous gaps in its implementing detail. Further details are expected soon, along with announcements concerning a government reorganization and administrative reforms.

HANOI STRESSES RECONSTRUCTION

Hanoi is increasing the emphasis on reconstruction. North Vietnamese leaders focused on this theme in May Day speeches, and recent reports indicate the rhetoric is being converted into new guidelines for using more of the manpower pool to rebuild the country.

[redacted] new billboards in the capital urging young men to join "reconstruction brigades" have replaced military recruitment posters, suggesting that reconstruction has been accorded a higher priority than conscription. General Giap hinted on May Day that the North Vietnamese Army would play a prominent role in rebuilding the country, and an editorial in the army newspaper on 16 May indicates that local militia and self-defense forces will be the first military units to join the reconstruction effort. The editorial urged them to serve as the "shock forces in labor productivity" and to take on difficult long-term projects involving land reclamation and irrigation.

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Although the North Vietnamese have started to reallocate at least unskilled manpower to the rebuilding of the country, Hanoi expects difficulties in the transition to a civilian economy and is proceeding slowly with the implementation of plans for reconstruction and economic expansion.

CAMBODIA: FIGHTING RESUMES

The brief lull in Khmer Communist military activity in the Phnom Penh region ended this week when the Communists attacked Cambodian positions on the east bank of the Mekong River near the government base at Neak Luong. The Communists also attacked government positions on the Mekong's east bank midway between Phnom Penh and Neak Luong and along the west bank opposite Neak Luong. Although US air strikes helped government troops hold their ground, there are indications that the Communists will try to keep pressure on Neak Luong. If

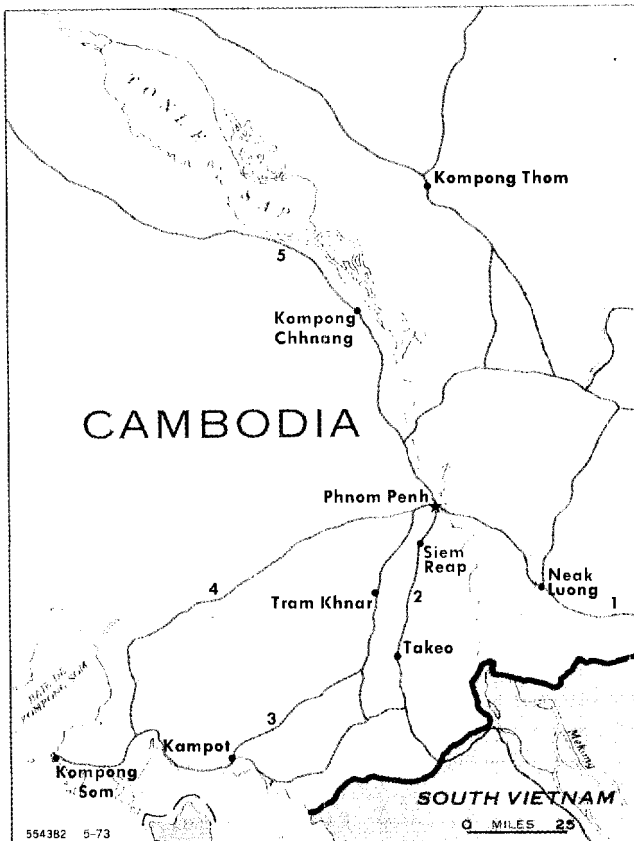
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the lightly defended base were to fall, the Communist threat to Mekong resupply convoys would increase considerably.

South of Phnom Penh, Cambodian troops took advantage of the withdrawal of some Communist units from the Takeo area to expand that city's defensive perimeter and to clear a short section of Route 2 below Takeo. Other government forces met little resistance in clearing Route 3 between Phnom Penh and the village of Tram Khnar. Farther west, government units cleared a section of Route 4 some 20 miles northeast of the seaport at Kompong Som; the highway is now open to truck convoys. In the northwest, however, government clearing operations along Route 5 continued to make little headway. Some six miles of that highway are still under Communist control.

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BURMA: DETOUR ON THE ROAD

The government ⁽³⁵⁻³⁸⁾ has shifted away from its rigid pursuit of the Burmese road to socialism that has characterized economic policy during the past decade. The shift follows the Ne Win government's belated recognition of the severity of Burma's economic problems. Production, investment, and exports are stagnant, and foreign exchange reserves have dropped to their lowest level in the past 25 years. Rice exports this year are likely to be the smallest since World War II as a result of drought and the government's inept rice procurement program.

Burma is hopeful that oil will help turn the economy around. It has invited US oil companies to compete with Japanese and other foreign firms for rights to conduct offshore oil exploration. Previously, Rangoon had insisted that financing from abroad come exclusively from governments, not private companies.

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Rangoon is also prepared to negotiate an agreement with the US, which would permit the US Overseas Private Investment Corporation to issue political risk insurance to US investors in Burma. Rangoon recently obtained two development loans from the World Bank to improve railroad and inland water transportation. The two loans total about \$30 million and are the first Burma has received from the World Bank since General Ne Win came to power in 1962. Burma's joining of the Asian Development Bank demonstrates its interest in expanding economic relations with its neighbors.

On the domestic side, Ne Win last month called on all citizens—including those previously forced out of business by his government—to involve themselves in developing the nation's economy. Subsequently, some 380 businessmen, who had been jailed for economic crimes, were released. The government, after seven years, is getting out of the internal trade in food grains. This move is intended to induce farmers to release their stocks of rice and alleviate the current shortage.

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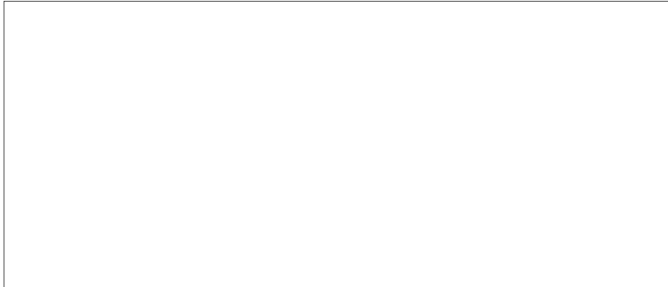
KOREA: PYONGYANG'S GAIN

27 [North Korea's admittance into the World Health Organization last week will bolster Pyongyang's determination to seek a wider international role and will open the door for entry into other UN agencies. Observer status at the General Assembly this fall is now all but assured.]

habilitation of Korea. Seoul is not likely, however, to allow diplomatic setbacks to lead it to compromise on issues it considers vital, such as the stationing of US forces in the South and the continuation of the UN command.

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28 [The North has, of course, gained in stature by entry into its first major international organization, and this success is encouraging wider diplomatic recognition. This week, Iceland recognized Pyongyang, while Denmark and Finland opened talks on diplomatic relations.]



29 [Seoul's setback in the World Health Organization will probably prompt it to move cautiously toward acceptance of two Koreas and a realistic adjustment to the changing situation in which it finds itself. It will almost certainly lead Seoul to accept some change in the way the UN handles the Korean issue, including possibly an end to UN political involvement in Korea as represented by the UN Commission for the Unification and Re-



South Korea Votes in World Health Organization



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FRANCE: SPACE LAUNCH SERIES

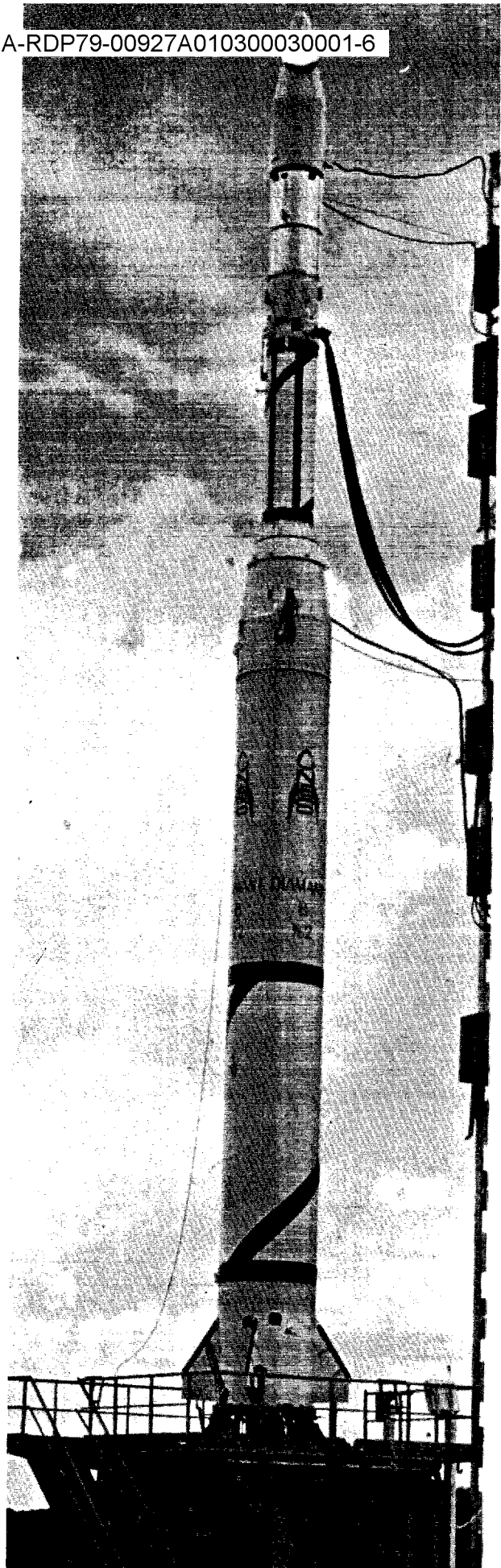
41 } An attempt early this week to orbit two scientific satellites from the French Guiana space center ended in failure when the third stage of the Diamant B launch vehicle did not function correctly. } The last in a series of five Diamant B launches, the abortive try was the second failure in a row after seven consecutive successes over nearly eight years. The other failure came in December 1971 when a malfunction occurred in the second-stage engines. }

43 } France will not resume launch operations from its space complex until early next year. At that time, a new launch vehicle—designated the Diamant B/P4—should be ready. That launch primarily will be to test the new vehicle, which will carry only a technology test satellite. } A scientific satellite will first be orbited by the new Diamant B/P4 in late 1974. The new launch vehicle will have a more powerful second stage than the present one. The vehicle's performance should be about equal to that of the improved US Scout, the present work horse of the US space program. }

42 } The French have been trying to interest other European countries in using their Diamants on a fee basis. To date, they have found no takers. Paris still hopes to launch satellites for other countries and believes its new Diamant will prove more attractive, particularly to Western Europe. Outside business would help France amortize not only the cost of the launch vehicles but the large investment in its space center in French Guiana. }

44 } The center was also set up to handle launches of space vehicles built jointly with other European countries. The only cooperative European launch vehicle programs—the Europa II and III—have been canceled, and a new European launcher program is not likely to produce a new vehicle until 1980. Meanwhile, the largest of the three launch pads at the French space complex probably will be standing idle. }

Diamant B Launch Vehicle



SECRET**ROMANIA****MORE POWER TO CEAUSESCU**

45 President Ceausescu has taken over direct supervision of the nation's economic development and will do likewise with police and security affairs. These steps tighten his already firm grip on the country and put his prestige on the line in economic and security matters, where performance has fallen short of Ceausescu's demands. 46

45 On 16 May, Ceausescu named himself head of the new Supreme Council for Economic and Social Development. The council, first proposed last year, is designed to increase economic efficiency and to ensure quick implementation of party programs and directives. Virtually all top leaders with economic responsibilities have been named to executive positions on the council and are, of course, responsible directly to Ceausescu. 46

45 Ceausescu set up the council because of continued economic inefficiency and balance of pay-

ments difficulties. By taking over the council himself, Ceausescu will have greater control, but will also be more vulnerable to criticism in the event of serious economic difficulties. 46

45 Ceausescu also plans to take a direct hand in supervising the nation's police and security apparatus. He has fired the minister of interior and the party secretary responsible for military and security affairs. Colonel General Coman, former head of the army's political directorate, will take over the responsibilities but not the title of party secretary; Coman will report directly to Ceausescu. 46

45 Ceausescu has been concerned over inefficiency and corruption in the security apparatus for some time. The failure of the officials in power to respond to his orders to weed out the incompetent and dishonest apparently prompted Ceausescu's move. 46

**Romanian Aid Extended to Third World
Oil Industries (1956-72)**

Country	Total Aid Extended (In Million US\$)	Type of Aid Provided
Iraq	35	Exploration and development
Indonesia	30	Exploration; refineries
Egypt	27	Exploration; machinery and equipment
India	21	Refineries; drilling equipment
Brazil	8	Drilling equipment
Chile	6	Drilling equipment
Argentina	3	Drilling equipment
Sudan	3	Exploration and development
Tunisia	3	Exploration and development
Ghana	1	Exploration
Morocco	1	Exploration
Yemen (Aden)	1	Exploration
Syria	a/	Oil equipment
TOTAL	139 b/	

a/ Less than \$500,000.

b/ Does not include oil aid extended as part of large economic aid credits.

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ALBANIA: INOCULATING YOUTH

46. Stories are still circulating in Bucharest about additional leadership changes, but Ceausescu's activities suggest that most of the changes he means to make have been made. On 21 May, he was confident enough to take time out from his duties to become the first Romanian chief of state to visit Rome since the close of World War II.

AID TO OIL INDUSTRIES

(47 + 48)
In early May, Romania signed a \$6-million contract to provide oil development assistance to Chile. This aid reflects Bucharest's growing interest in helping the less developed countries find and exploit oil deposits. Since 1956, Romania has extended \$140 million to 13 developing countries to finance petroleum exploration and development. Most of this has been extended in the last five years. More than 2,000 Romanian oil workers have been employed abroad, and at least 1,000 oil technicians from developing countries have trained at Romanian facilities. Romania also sells petroleum equipment and provides oil expertise primarily to developing countries and other Communist states.

In the beginning, Bucharest's involvement in petroleum development in the Third World was limited to countries with little or no production and to those in which Western oil companies showed little interest. In recent years, however, Romania has concluded agreements with more important producers that have nationalized their oil industries.

Many of these agreements—including those with Iraq, Algeria, and Libya—stipulate settlement of accounts in petroleum, and Romania is acquiring crude oil, primarily to refine and export as oil products. The agreements also are opening additional markets for Romanian oil equipment. Romania is a distant second to the US as a world exporter of such equipment.

Although Bucharest still is a net oil exporter, it began importing crude oil in 1968 and last year imported some 3 million tons. About half of this came from Iran and the remainder was obtained from Algeria, Iraq, Libya, and Saudi Arabia.

51. Tirana is taking stern new measures to combat undesirable Western influences. The measures are aimed largely at young Albanians and reflect the leadership's concern that ideological contamination could result from increased exposure to the West.

49. The latest in the series of xenophobic moves was an attack on symbols of Western youth culture like long hair and "elephant-bottomed" pants. The number of visitors to Albania, already small, will dwindle further because the regime is refusing entry to long-haired and modishly attired travelers.

50. Tirana has also moved to make sure that popular Italian and Yugoslav radio and TV programs cannot be received in Albania. A teacher has been put on trial for encouraging nonconformist—i.e., Western—behavior among young people as the first step in the formation of a spy network.

52. The campaign has been accompanied by exhortations to Communist orthodoxy, Albanian style, by calls for a purely national literature, and by an extra measure of anti-religious vituperation. This rigorous line suggests that the leadership is contemplating a modest increase in its diplomatic and economic relations. Cultural agreements are already being negotiated with several countries, including Italy. In addition, cultural contacts with Yugoslavia have been increased, and there are signs that Albania is looking for ways to expand its foreign trade.

51. Such contacts could slowly ease Albania out of its long period of self-imposed isolation. By cracking down now, Tirana is trying to limit the risks in advance. The leadership fears that if the country's youth pick up Western ways, the country would face a monumental generation gap. Its concern is well founded because more than half the country's population is under 19 years of age.

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SECRET**ARAB STATES**

52 Talk of war from Cairo has abated somewhat as Egypt continues its diplomatic maneuvers in preparation for the forthcoming UN Middle East debate, scheduled to begin on 4 June. The Egyptian UN representative has been in Cairo this week discussing strategy for the debate, and Egyptian officials are active in attempts to buttress their position with other nations. Presidential adviser Hafiz Ismail returned on 21 May from a one-week visit to Paris and Madrid, and Foreign Minister Zayyat will travel to Moscow for a two-day stop on 27 May. President Sadat will attend the summit conference of the Organization of African Unity this weekend in Addis Ababa, where he apparently hopes for a resolution on the Middle East that will further aid his position at the UN.

53 The Egyptians have not yet given a clear idea of their strategy in the Security Council—particularly, whether they will urge a re-interpretation of Resolution 242 or will press only for further UN mediation. They apparently wish to avoid a US veto, however, and thus will probably steer clear of provocative debate. A Foreign Ministry official has noted that Egypt is interested in maintaining US "neutrality" as far as possible and will work for a positive, non-condemnatory resolution.

54 Israel will go along with the debate as a necessary evil and professes confidence that Egypt will not attack the US for fear of ultimately weakening its position by arousing a crisis atmosphere without achieving conclusive results. The Israelis are on guard, however, against a resolution that redefines Resolution 242 or expands the UN mandate in the Middle East dispute. The Israeli press has expressed some misgivings that the UN secretary general's Middle East report, issued this week, will lead to just that.

LEBANON: ARMED TRUCE

60 On 17 May, the Lebanese Government came to terms with the Palestinian liberation organizations. The "protocol," as the agreement is called, reflects Beirut's tougher policy in regulating fedayeen activity and is, in effect, a statement of the sovereignty of Lebanese law over Palestinians residing in Lebanon.

60 The agreement stipulates that:

- fedayeen units will not be permitted in refugee camps situated near populated areas;
- fedayeen patrols are responsible for security inside the camps;
- criminals within the camps must be turned over to the Lebanese police;
- heavy weapons are to be removed from the camps;
- military training is to be restricted to Syria and eastern Lebanon.

Earlier restrictions that continue in force are a prohibition against the fedayeen entering the area near the Israeli border and a ban on fedayeen cross-border operations into Israel.

61 While there has been no serious effort thus far to sabotage the accords, the real test is yet to come. Further trouble would not be long in coming if the fedayeen attempt to block army efforts to follow through with full implementation of the agreement. The army seems likely to try to remove from the camps at least some of the rocket launchers and mortars that fired on army positions during the fighting earlier this month. There would be considerable sentiment in fedayeen ranks, especially among the extremists, to oppose such an effort.

OIL AND POLITICS

63 Libya, Kuwait, and Iraq took part in a brief oil stoppage on 15 May as a gesture backing the Arab struggle against Israel and protesting US support for Tel Aviv. The three states were responding to a call by a conference of Arab professional unions for a one-hour oil-pumping stoppage and a one-day boycott of US interests by all Arab states.

64 The call met little other response, and even the three respondents did not follow the call to the letter. Saudi Arabia and Abu Dhabi refused to participate, and Algeria despite press reports to

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part, signifies that the political climate is increasingly favorable for efforts of this kind.]

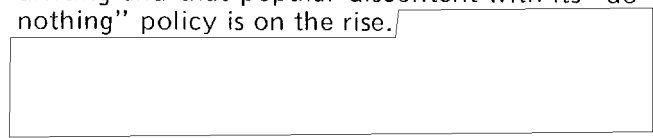
JORDAN: KINGLY WORRIES

69 [King Husayn is worried that Jordan will be caught in the middle if another Middle East conflict breaks out. His advisers have told US officials that the King is beginning to take Sadat's talk of war more seriously and that the King believes Syria may be planning military action against Israel along with Egypt. Although Husayn would like to remain a spectator, he fears Jordan would be dragged into the fighting—if Syrian forces cross Jordan to attack Israel.]

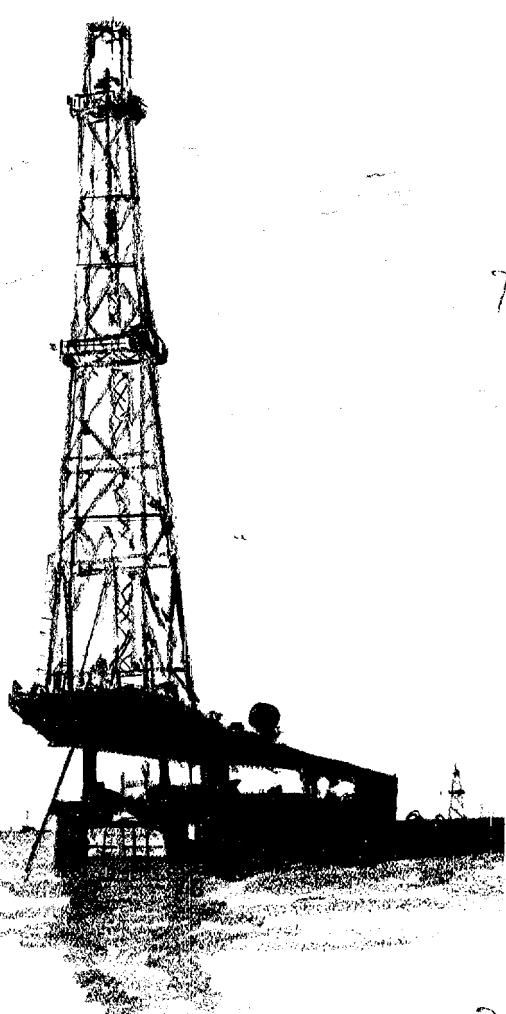
70 [Husayn is especially concerned right now about his relations with Damascus. He is afraid that President Asad will again close the Syrian border to commercial traffic and take other steps in conjunction with Cairo to isolate Jordan. At present, these worries seem exaggerated.]

73 [Husayn faces some real economic problems. Jordan is having its usual difficulties making ends meet and has been hit by one of the worst droughts in recent memory. Government spending is threatening to spiral out of control. The defense budget alone is already as large as—and is growing faster than—total government revenues, excluding foreign aid. Husayn has shown no inclination to apply the brakes.] In fact, his appetite for more and better military equipment seems to have grown since his return from Washington last March.]

72 [The council of ministers has also failed to come to grips with the problem; indeed, the ministers recently added to it by raising their own salaries. Husayn is aware that the government is drifting and that popular discontent with its "do-nothing" policy is on the rise.]



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68 the contrary—failed to join.] Although Libya extended its participation to 24 hours, it did not boycott all US interests and it only stopped loading operations into oil tankers; pumping was not affected, and damage to oil company interests was minimal. Kuwait stopped loading operations for one hour in what amounted to a symbolic move.] no oil tankers were scheduled for loading on 15 May, and the Kuwaiti action had no tangible effect. Despite the minimal damage and the failure of many large producers to take part in the boycott, the gesture, particularly on Kuwait's

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79 Ultimately, the Jordanians are likely to turn to the US to bail them out.

Jordanian hand wringing—although a reflection of genuine concern—is probably also intended to elicit assurances of continued US support.

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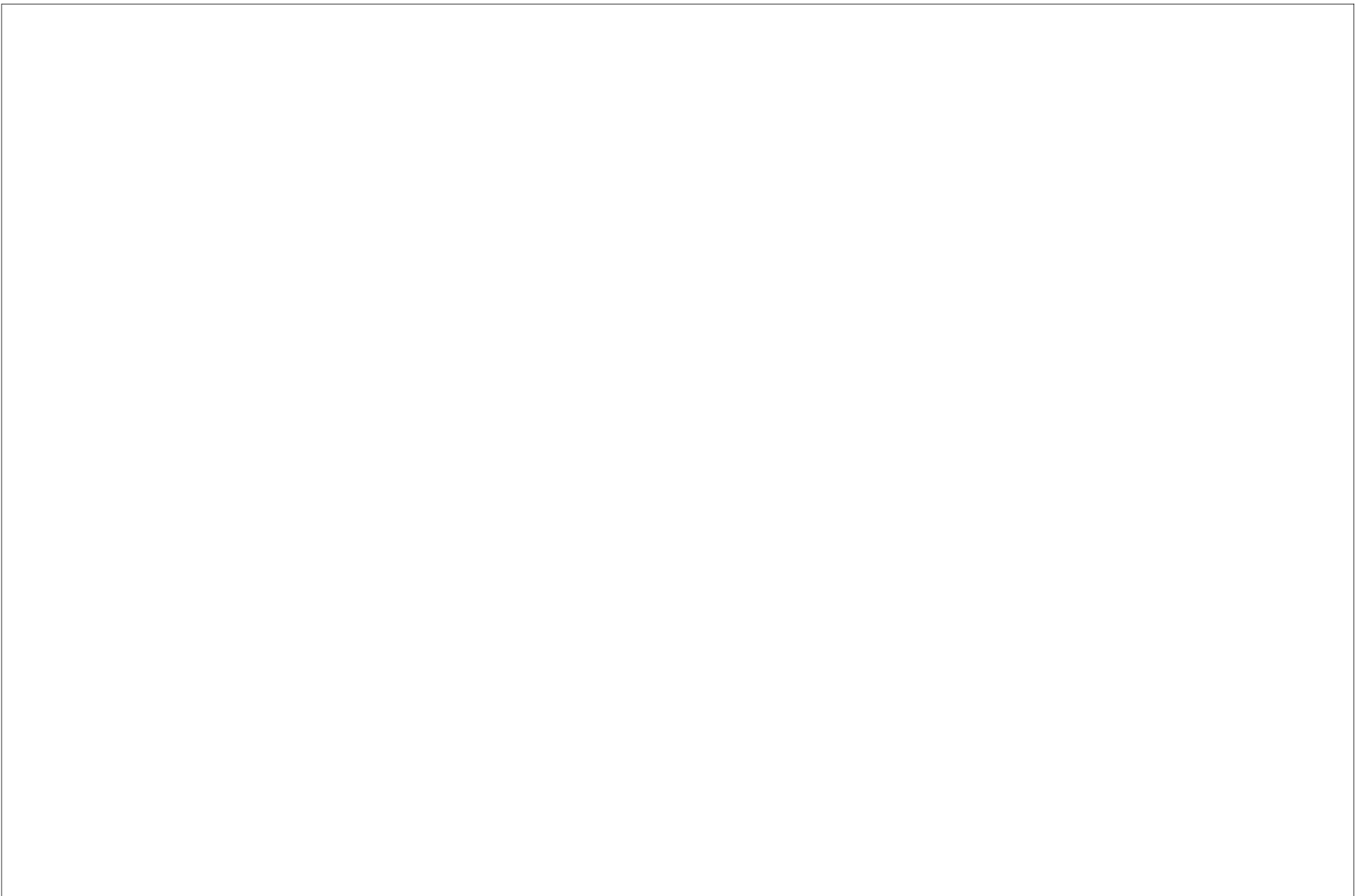


Desert Police

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SUDAN: CRACKS IN THE SOUTH

80 } Fourteen months after the end of the southern rebellion, the facade of solidarity is beginning to crack. Old tribal animosities are re-emerging in the south and popular discontent is on the rise as a result of food shortages, governmental inefficiency and corruption.

81 } At present, the unrest does not appear to pose a serious threat to the peace accord. Much of the dissatisfaction, in fact, is focused

on southerners who run the regional government rather than on the north or President Numayri, whose personal popularity remains high. Numayri reportedly has considered a shake-up of the southern government, but a shake-up would involve him in the thankless task of trying to balance the myriad of conflicting tribal interests. He may therefore leave it to the southerners to sort out their own problems unless civil unrest threatens to get out of hand.

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CHILE: DOWNWARD SPIRAL

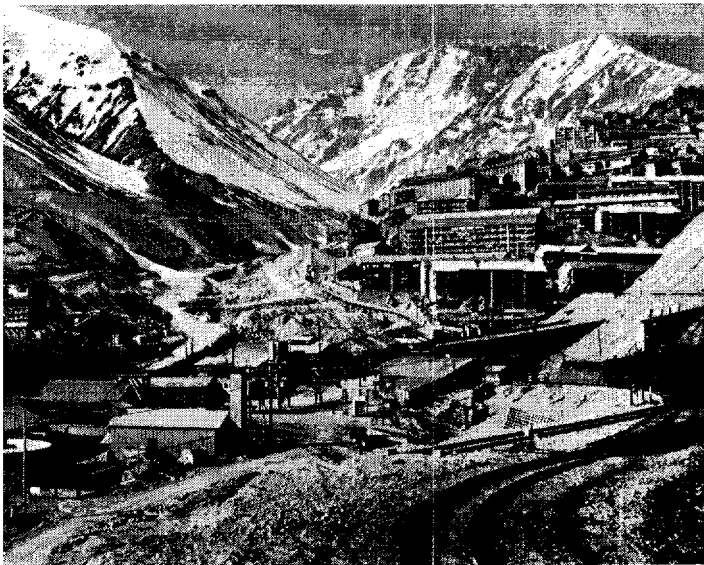
95 [President Allende's trip to the inauguration of Argentine President Campora will give him a welcome respite from problems at home. Under Allende, economic and political relations with Chile's old adversary, Argentina, have substantially improved. He probably hopes the *peronistas* will be even easier to deal with than their military predecessors.]

95 [Allende left the outgoing foreign minister, Clodomiro Almeyda, in charge of an unhappy and uneasy country.] Even sympathetic observers are appalled by the Chilean economy's downhill slide and by the government's inability to deal with its problems. Allende assumed some of the blame for the economic situation in a curiously low-key State of the Nation speech to the new congress this week; he announced no new economic measures. Help from several countries such as Mexico, West Germany, and Czechoslovakia has been welcome, but is no more than a stopgap. Development Minister Vuskovic is almost certainly seeking more help during his current trip to Moscow,

95 Copper complex is now in its second month. The government refuses to negotiate, believing that the wage demands are excessive and prejudicial to less-privileged workers. The struggle at El Teniente has its political ramifications, and leftist extremists and Christian Democrats are both encouraging the strikers to hold out against the Communist labor and finance ministers.]

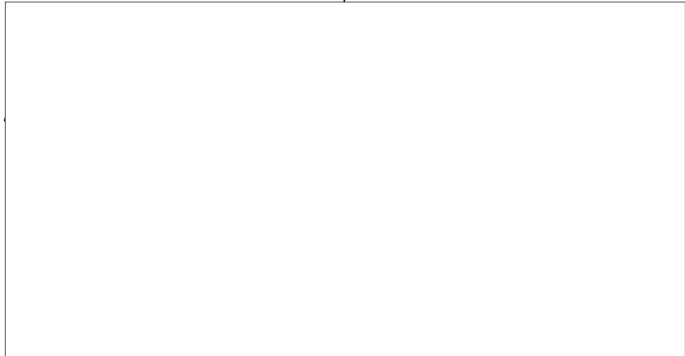
95 [Additional serious strikes are threatened, and private bus owners stopped operations on 22 May. This could be the first move by Allende's opponents to combine business shutdowns with blue-collar labor disputes and winter-worsened shortages. They may hope to cause disruptions worse than those brought by last October's prolonged shutdown. The goal, ultimately, is the downfall of a government they accuse of deliberately fostering economic disintegration as the quickest path to socialism and absolute power. It is true that the Allende administration's control of the economy has grown even as the economy had deteriorated. Economically inspired challenges have often led to take-overs of the offending enterprises. Since the military ministers resigned in March, the cabinet has overruled the comptroller general's decision that many of the take-overs were illegal. Few of the businesses seized have been returned to their owners, and even fewer are efficiently run.]

25X1 [Mean- while, the costly strike at the huge El Teniente



El Teniente Mine
Strike bound

95 [Although the latest bus strike was immediately effective in Santiago, the government promptly put the companies under control of an army general. Thus, the government has public irritation over transportation shortages as well as the army working for it]



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PANAMA: NEW CANAL POSITION

99 } General Torrijos has taken a hand in shaking a new position paper on canal talks out of a recalcitrant Foreign Ministry. The statement offers a slight concession on the issue of duration—Panama will now accept a treaty on the present canal running to the end of the century—but it holds fast to other Panamanian demands. The statement is generally moderate, and the Panamanians have even referred to the “positive tone” of President Nixon’s State of the World message.

of the “protection of vital installations” would offer limited prospects for satisfying US security interests, but there seems little basis for reconciliation between the US wish for long-term control of an interoceanic waterway and Panama’s insistence on quickly obtaining full jurisdiction.

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99 } The new statement, which is in the form of a letter from Foreign Minister Tack to US Ambassador Anderson, retains Panama’s insistence on blanket recognition of its full jurisdiction and effective sovereignty over all territory. This is a matter of principle, according to Tack, and agreement on it must precede discussion of the details of concessions that Panama would make to the US for the operation, maintenance, and “protection of vital installations” of the canal. All that Panama appears willing to negotiate is the scheduling of US withdrawal.

101 } Tack was even less accommodating on the question of a new canal. He has announced that Panama has commissioned its own study of possible routes and will use that study as the basis for deciding where any new canal will go. Tack appears willing to allow the US to build a new canal for Panama, but only if Washington decides to do so quickly. In the event the US were to build a new canal, Panama would retain full jurisdiction over all land and water areas and would prohibit foreign military bases. In any case, Tack has said Panama will not even discuss the subject until its route study is finished next year.

101 } Tack, who advocates a policy of confrontation, has presented this statement to Ambassador Anderson at General Torrijos’ insistence. Torrijos and President Lakas have been anxious for the canal talks to resume, and they have discussed the appointment of a single negotiator as a means to that end. This method would bypass the Foreign Ministry, though it has not been demonstrated that such a negotiator would be able to go beyond Tack’s new position paper. A broad interpretation

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URUGUAY: WATCHFUL RESPITE

107 JA guarded calm has descended on Montevideo after a period of brinkmanship by the military and Blanco Party politicians over who should have the final word in government decisions.

107 J The confrontation was provoked by a military demand that the congressional immunity of leftist Senator Enrique Erro be lifted so that he could be tried for collaborating with the once powerful Tupamaro guerrillas. Even though Erro has long been recognized as a public spokesman for the Tupamaros, the largest faction of the Blanco Party decided that the time had come to challenge the armed forces' encroachment into government.

107 J The services stood firm in their request, apparently because of growing concern in the ranks that the armed forces are losing the initiative gained in mid-February when they won a larger voice in running the government. As a show of military determination, about 1,000 troops were brought to the capital city during the confrontation.

107 J After weeks of jockeying, a showdown was averted when the Senate declared itself incompetent to decide Erro's fate, and left it open for the Chamber of Deputies to begin impeachment proceedings against him. Some senior military officers may have supported the Senate's move. Others believe that in accepting it the military is compromising with discredited politicians and permitting an erosion in the military's new-found prestige. Their criticism may be tempered by recognition that the vote is likely to go their way now that the issue has been reduced from a contest for power between the military and the congress to an issue of guilt or innocence of an individual senator.

107 J The more important issue of who is to control the government remains undecided and unless an effective dialogue is established between the military and congress there are likely to be uglier clashes.

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BOLIVIA: AFTERMATH OF A PLOT

111 President Banzer's government has been shaken by the death of an accused coup plotter, and it will be difficult for the President to rebuild the carefully nurtured facade of unity and tranquility within the government coalition.]



Colonel Selich

110 The initial announcement of the arrest and "accidental" death of Colonel Andres Selich was problem enough. He was publicly charged with heading a coup group composed of military officers, dissident members of the right-wing Bolivian Socialist Falange, and other exiles. The far-rightist coloration of the group was enough to confirm the worst fears of many members of the moderate leftist Nationalist Revolutionary Movement that the conservatives were out to grab power for themselves alone. When Interior Minister Arce later admitted that Selich had died from a police beating and named the allegedly guilty parties, it was time for the right to squirm, as they controlled the ministry until recently.]

111 Now that it is public knowledge that some rightists were scheming to seize power, the moderate leftists in the government can be expected to increase their own discussions about their future. The top leaders of the parties may still go through the motions of claiming unity, but their juniors, never enthusiastic about the "oil-and-water" coalition in the first place, will be even less so now. The military probably will grow more dissatisfied with both political parties.]

110 The Falange leaders voted to leave the government if Arce was not fired as minister, and the armed forces commander publicly expressed the "consternation" of the military. Banzer had little choice but to remove Arce, and a military man was named to replace him. The President is furious with military leaders for expressing an independent stand.]

110 The press and some politicians are already calling for a public examination of what they believe to be other skeletons in Banzer's closet. Anything but the most limited investigation into Selich's death could easily snowball, with unpredictable results for the government.]

Rumors of Banzer's imminent resignation or replacement by a junta have been denied.]

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INTERNATIONAL MONEY

(115-117)

The dollar, under pressure again on 21 May, has strengthened somewhat since.

- Since 7 May, when the dollar was at its strongest level in recent months, it has depreciated by about 3.5 percent against the European joint float currencies;
- The free market gold price peaked Monday at \$112 an ounce, up \$22 since May 7, but it has since fallen off slightly.

The absence of intervention by the European central banks apparently has reduced the volume of trading on the currency exchanges, but has resulted in sharper movements in exchange rates. The major impetus for the wave of dollar selling last week could have come from a number of quarters. US banks, multinational corporations, and Middle East interests have been cited by one source or another as the largest sellers.

The European joint float initiated on 19 March has easily weathered the storm on the currency markets. The floating currencies are all strong relative to the dollar, and only modest

interventions have been required to maintain the band. If the dollar continues to depreciate, however, substantial interventions could become necessary and internal pressures on the European joint float would increase.

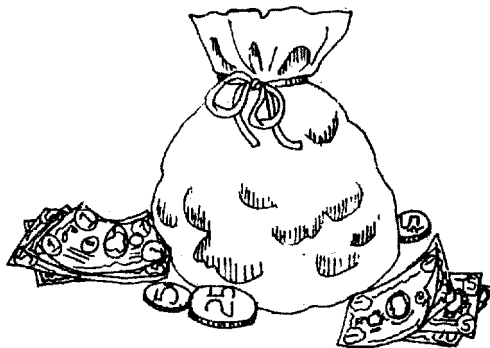
Strong differential pressures among the currencies would mean that member nations would have to choose among even greater interventions to maintain the band, dropping out of the band, or adjustment within the band. According to EC officials, if an EC currency were to come under strong pressure and if the necessary credits and support were not forthcoming, exchange rate adjustments within the band would be more likely than a withdrawal from the float. This solution probably would be acceptable to Sweden and Norway, whose currencies have been the strongest in the joint float, but not to Bonn, which probably would prefer to float the mark independently rather than resort to still another revaluation. Despite the rapid appreciation of the mark in recent weeks, it remains at the bottom of the band and thus has more room for further appreciation than other currencies in the joint float.

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Exchange Rate Changes Since 19 March
(in percent)

	7 May	15 May	21 May	23 May
Mark	-0.9	+2.0	+3.1	+2.8
Guilder	-2.1	+1.0	+2.0	+1.9
French Franc	-0.4	+2.6	+3.4	+2.9
Sterling*	+1.3	+4.3	+4.5	+3.9
Swiss Franc*	0.0	+3.4	+4.9	+5.0
Yen*	-0.3	+0.5	+0.2	+0.7

*Independently floating



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