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Weekly Summary

Secret

13 July 1973
No. 0378/73

State Dept. review completed

Copy No 50

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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 those published separately as Special Reports are listed in the contents.

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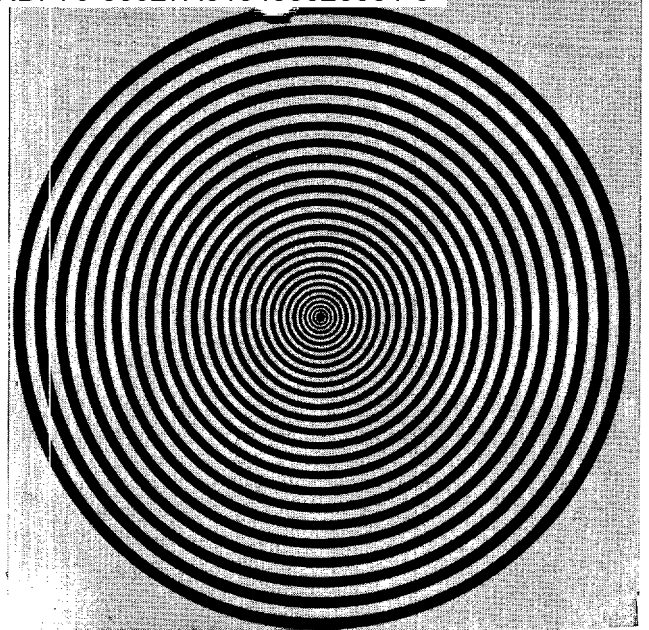
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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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STILL NOT IN FOCUS



(1-3)

The "year of Europe" has had rough going so far. Recent monetary, trade, and political developments have, on balance, tended to erode confidence across the Atlantic, and the Europeans have made little progress in pulling themselves together for a fruitful dialogue with the US.

In the absence of real economic factors to explain the troubles the dollar has been having these past weeks, many Europeans attribute the continued unloading of dollars to the general lack of confidence in the way the US manages its economy. The European reaction has not been uniform. While the French, especially, profess to fear the competitive edge given US exports by the depreciation of the dollar, Bonn sees the dollar devaluation as one way to slow Germany's excessive export growth, and others see it as a probably temporary, if unwelcome, effect of the floating-rate system.

In any case, the prolonged uncertainty has made negotiated reform of the international monetary system extremely difficult. The EC joint currency float has become a symbol of European unity, and Bonn's decision to revalue rather than float the mark unilaterally was due largely to this political consideration. Although many authorities consider the currency band a wrongheaded approach to economic unity, its demise under market pressures would be a severe psychological blow to the community and to its ability to negotiate with the US.

While the community has been more cohesive in elaborating a common position for the coming multilateral trade negotiations than on monetary questions, the trans-Atlantic atmosphere leaves much to be desired in the trade area as well. The French, for example, have used the monetary situation to buttress their insistence that the trade talks take account of the commercial advantages the US may gain from a devalued dollar. Moreover, the other EC members are having great trouble in trying to persuade Paris to permit the community to offer any of the compensation claimed by the US for losses it will suffer as a result of the EC enlargement. On top of this, the sudden and unexpected controls on certain US farm exports have aggravated the situation. In the view of at least some European importers and farmers, these controls call US reliability as a supplier into question—even as the US presses for freer access to the community's agricultural market.

On the political side, the anxieties the Europeans have felt as a result of US-Soviet agreements at the recent summit meeting were alleviated by President Nixon's briefing of NATO permanent representatives in California last week. Discquiet nevertheless persists. Europeans fret about the adequacy of US-NATO consultations and about the long-term consequences for European defense of the US-Soviet understandings on the use of nuclear weapons. These misgivings may account for recent hints from France that it may

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25X1 be reconsidering its reservations about European
25X1 defense cooperation. This otherwise helpful sign
is mitigated by the uncertainty of Paris' motiva-
tions. [redacted]

[redacted] a large element in France's thinking about
security is a suspicion that West Germany may
drift into neutralism in the new area of super-
power detente.

While the Europeans are aware of the rela-
tion between these economic, political, and mili-
tary issues, they nevertheless have yet to find a
way to bring the issues into focus for discussion
either among themselves or with the US. A meet-
ing in Helsinki last week of the EC Political Com-
mittee made clear that France still resists com-
munity discussion of the economic and political
dimensions of US-European relations. The British
have proposed that the political committee pre-
pare a "working document" for the Nine on a
European identity vis-a-vis the US, and others
among France's partners appear to believe that
Paris can be brought gradually into a compre-
hensive review of these issues. Even if this proves to
be the case, it will still be difficult for the Nine to
reach a concerted position on an Atlantic declara-
tion by the time the President visits Europe this
fall. The foreign ministers of the Nine will, how-
ever, take a first stab at sorting out their views at
a meeting on 23 July. [redacted]



London Money Market

[redacted] entered the market this
week for the first time since March to support the
dollar. The dollar purchases reportedly were very
small, and the rally stalled Thursday when inter-
vention failed to meet expectations.

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Intervention alone is unlikely to lead to a
sustained recovery of the dollar in 1973, although
the longer-term outlook is somewhat more favora-
ble. The near-term burdens on the dollar—infla-
tion, the psychological impact of domestic politi-
cal uncertainties, and the potential damage to the
US balance of payments by agricultural export
controls—clearly far outweigh in traders' minds
the longer-term prospect for improvement in US
balance of payments resulting from the already
substantial devaluation of the dollar.

International money managers, representing
the large multinational firms, commercial banks,
some less developed countries, and the big oil
producers, believe that in the short run other
currencies, particularly the German mark, are
more likely to appreciate than the dollar. To the
extent the money managers act on this belief, it
becomes a self-fulfilling prophecy. The German
mark is the currency favored by traders because
of its remarkable performance in the last year, the
continuing strength of the German economy, and
Bonn's aggressive anti-inflationary pro-
gram. [redacted]

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INTERNATIONAL MONEY (4-5)

After falling to new lows on international
money markets last Friday, the dollar strenght-
ened this week against the major European cur-
rencies and against the Japanese yen. The major
impetus to the rally was speculation that the
United States was about to intervene substantially
in the exchange markets. An announcement that
US "swap lines" with foreign central banks had
been substantially enlarged was interpreted by
many traders as a signal that the United States
was preparing to act in support of the dollar.
Bundesbank President Klasen added to this senti-
ment when he announced that the Americans are
prepared to intervene and want to see the dollar
supported. The West Germans, [redacted]

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BAHAMAS: NATIONHOOD

6 The colorful independence ceremonies in the Bahamas on 10 July introduced political changes that are more a matter of form than of substance. The Bahamas have been almost completely self-governing for 20 years, and Lynden O. Pindling, the islands' first black prime minister, has led the country since 1967. Independence will, however, permit the Bahamians to make themselves heard on international issues for the first time. The islands' basic alignment with the West should remain unaltered, but the government will side with other small countries against the large ones on a number of issues. Because of its small size, the new nation is at first unlikely to send diplomats to posts other than Washington, London, New York, and perhaps a Caribbean capital or two, but limited relations of some sort with Havana are likely soon—primarily because Cuba, like the US, is a next-door neighbor.

6 The moderately nationalistic Pindling government enters independence in good political shape at home. There are no significant extreme leftist or black radical organizations in the islands to pose an internal security threat. Legal opposition parties exist, but are quite weak and pre-



Independence Congratulations
Prince Charles and the Pindlings

occupied with their own unity problems. A small group of white Bahamians on Abaco Island feared life under an independent government controlled by blacks, and they lobbied before independence for the right to remain under the British crown. Their threats to resort to violence have since died down. Most "secessionists" seem reconciled to independence, and there remain only a few hot-heads who might foment minor violence on this issue.

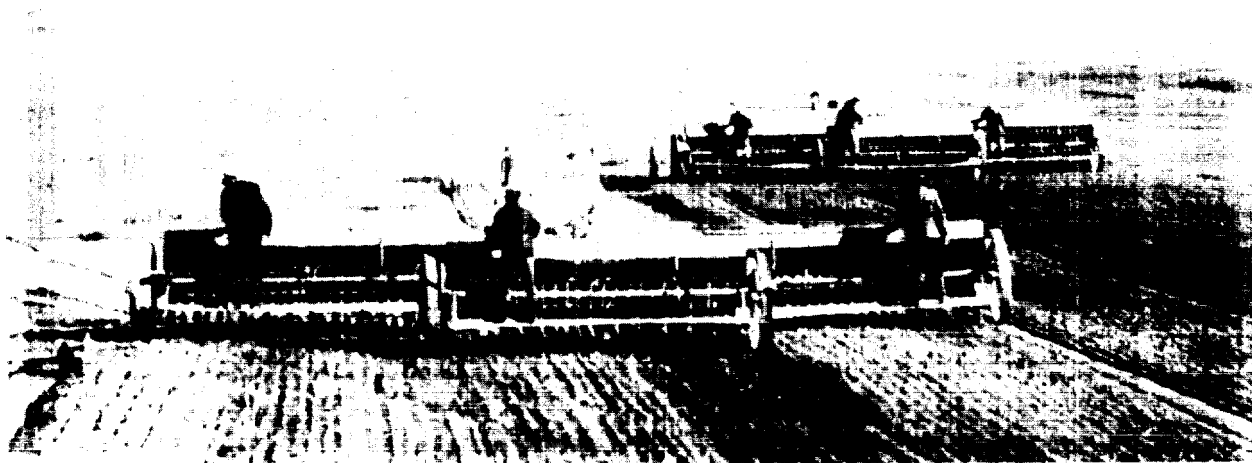
6 Economically the Bahamas are on shakier ground. Foreign investors remain uncertain about the Pindling government's economic intentions even though it has said it will follow a pragmatic policy designed to encourage foreign capital inflows. The economy is vulnerable to sudden fluctuations in tourism, a notoriously unpredictable industry, but the islands' near-perfect climate, their proximity to the US, and their suitability as sites for oil refining and transshipment facilities are advantages the government is eager to capitalize on.

6 Pindling and his government intend to realize financial and possibly material compensation for the Bahamas from the presence of three important defense-related US bases. Temporary arrangements are being made that will extend the old US-UK agreements under which the bases were established, but the negotiation of new agreements could be time-consuming and complicated. Thus far the Bahamians have not tipped their hand on their formal asking price or their negotiating strategy, but indications are that they will be well prepared for talks with US officials. Pindling does seem convinced, however, that his country's security rests upon a continued close association with the US, so protracted Bahamian unreasonableness in the base negotiations seems unlikely.

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Planting

GRAIN PROSPECTS

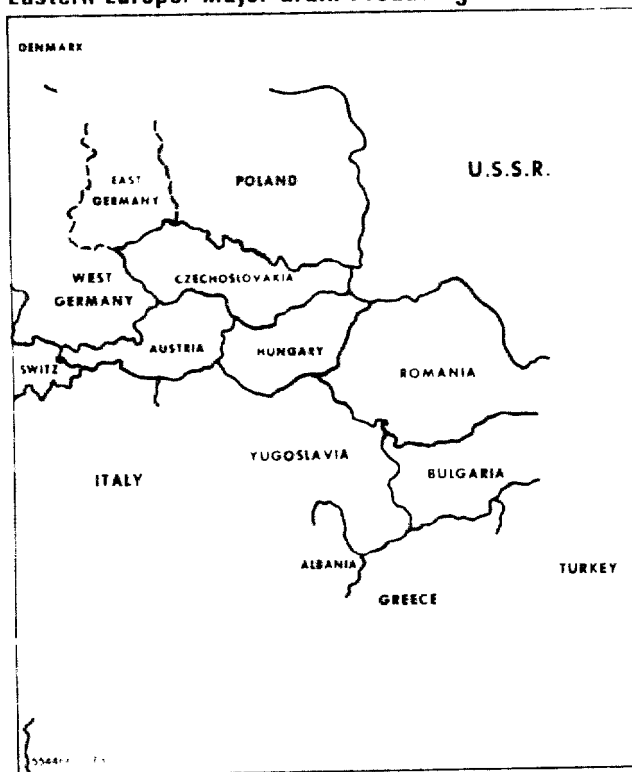
GOOD IN USSR

(10)
The Soviet grain crop this year could reach a record 194 million gross tons (157 million net usable tons) if favorable weather prevails for the rest of the growing and harvesting season. The previous record of 150 million net tons was set in 1970; last year only 134 million net tons were harvested. Even if a record harvest materializes, the Soviets will need to import about 15 million tons of grain during fiscal year 1974 to cover domestic and export requirements.

The largest acreage ever was sown to spring grains, more than offsetting the shortfall in the sowing of winter grains. The total area sown to grain is at the highest level since 1965. As in 1972, the Soviet strategy was to sow relatively more area to feed grains than to the lower yielding spring wheat in order to give the greatest possible support to Brezhnev's livestock program.

So far, both winter and spring grains have been developing well. At the end of June, moisture conditions for the winter grains were better than normal and far better than last year. These grains are now being harvested. As for the spring grains, timely rainfall as well as improved organization seem to have gotten the crop off to a good start. They are now at a critical stage, requiring

adequate rainfall and cool temperatures. During most of June it was extremely hot and drier than Eastern Europe: **Major Grain Producing Areas**



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Harvesting

usual in much of the important New Lands area. More of this weather in July could easily erode Soviet hopes for a harvest substantially better than the record year of 1970.

Through mid-June, the Soviets had contracted for about 9 million tons of grain for delivery by the end of fiscal year 1974. Almost 7 million of this was purchased from the US. Some of the Soviet purchases are slated for delivery this summer and fall and, therefore, should be viewed as covering shortfalls in the crop last year. In any case, more than 6 million tons must still be purchased to cover the estimated 15 million tons required for fiscal year 1974. During the last fiscal year, the Soviets imported about 27 million tons of grain, over half from the US.

AND ALSO IN EASTERN EUROPE

June rains (11) have improved the prospects for Eastern Europe's grain harvest this year, and it could total about 83 million tons if average growing and harvesting conditions prevail this summer. This would be a drop of only 3.5 percent from the record 1972 crop and an increase of 17 percent over the annual average in the 1966-70 period. This year, the use of fertilizer increased, and larger areas were seeded to wheat and corn at the expense of lower-yielding rye and oats. As a result, the output of corn may exceed last year's, and the quality of all grains should be better than last year.

The winter grains—wheat, rye, and barley—were sown later than usual last fall, but a mild winter prevented excessive damage. One of the driest winters on record in East Germany, Poland and Czechoslovakia reduced soil moisture to dangerously low levels by 1 April so that officials were pessimistic about crop prospects. Rainfall in April and June, however, has improved the outlook, and it is now expected that yields for wheat and barley will be above average. Both grains were sown on larger areas than a year ago.

Prospects for the spring-planted grains—barley, oats, and corn—are uncertain because of weather. Cold, wet weather in April delayed corn planting in Hungary, Romania, and Bulgaria, and slowed development of barley and oats in most countries. May was hot and dry, adversely affecting germination and growth of spring crops in Hungary and Czechoslovakia. On 30 June, soil moisture levels were 15 percent or more below normal in Bulgaria, East Germany, and Hungary.

Even with a good grain harvest, Eastern Europe will still need to import between 8 and 9 million tons of grain in fiscal year 1974. A large share of these imports will consist of feed grain to support record numbers of livestock. Imports could go even higher depending on the output of important non-grain feed crops in the northern countries. The upward trend in purchases of protein meals by all East European countries will probably continue in the coming year.

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THE SOVIETS AND THE ARABS

15 Moscow is engaged in a flurry of diplomatic and political activity in the Middle East aimed at preserving its own position in the area; as a bonus the Soviets hope to pick up information on what the Arab nations intend to do next in their dispute with Israel. Not the least of the Soviet difficulties in this quest is how to explain that better relations with the US do not mean a reduction in Soviet support for the Arab cause. 7

mediator or that it believes there is much mileage to be gained by inserting itself in the stormy Syrian-Lebanese-fedayeen relationship 7

12 } Some of the USSR's more serious problems in the Arab world will be aired during the current visit to Moscow by Egyptian President Sadat's national security adviser, Hafiz Ismail. Soviet-Egyptian relations have gone from tepid to cool over the last few months, and both sides have some explaining to do. The Egyptians will want more authoritative Soviet explanations of Soviet policy in the Middle East in light of the Washington summit meeting. The Soviets are concerned that Cairo is about to take further action against their position in Egypt and will want to compare notes on the resumption of the UN Security Council debate on the Middle East. Soviet officials have expressed annoyance at Egyptian failure to consult on this subject and say they were taken by surprise by some of Egyptian Foreign Minister Zayyat's comments on the Palestine issue at the security council debate in June. The UN is expected to resume consideration of the Middle East later this month, probably on 20 July. 7

12 } One step was taken last week when Moscow 15 dispatched senior Politburo member Andrey Kirilenko to Syria to represent the USSR at the opening of a new phase of the Soviet-sponsored Euphrates Dam project. During his visit he met with Syrian Government leaders and top figures from the Baath and Communist parties. His public remarks were carefully calculated to reassure his hosts that the Soviets still support Israeli withdrawal from "all occupied territory." He offered nothing more in the way of practical aid, however, than the dire prediction that if the Israelis do not move toward a just settlement, they will "inevitably clash with the growing power of the Arab people." This did not impress the Syrians, who responded by lauding Soviet economic help but made only passing reference to Soviet support in the Arab-Israeli confrontation. 7

15 } The results of these consultations will probably be mixed. The Soviets can cite the treatment of the Middle East in the US-Soviet communique as proof that they have not sold out Arab interests, and they can repeat their standard support for the Arab position on Arab-Israeli issues. The Arab leaders, however, are looking beyond the wording of the communique to the evidence of a broader Soviet interest in improving relations with the West. This they take to be the true barometer of what help to expect from Moscow, and they have made it clear that they do not like what they see. [redacted] 7

25X1 13 } From Syria, Kirilenko went on to Beirut this week. [redacted] he sought the visit and since his arrival has had meetings with government leaders and Lebanese Communists. 14 } Soviet Foreign Ministry officials used the visit to assure the US Embassy once again that Moscow has no desire to complicate Lebanese-Syrian relations and, indeed, is urging restraint on both parties. 15 } Presumably Kirilenko has taken this line, at least with the Lebanese, but it is doubtful that Moscow expects it will be able to act as a

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24 After six months of preparatory talks, the
 25 Conference on Security and Cooperation in
 Europe opened in Helsinki last week with a five-
 day meeting of foreign ministers. There were few
 surprises, but the meeting highlighted the dif-
 ferences among the participants and suggested
 that the substantive phase of the conference has
 its work cut out for it.

22 The ministers adopted with relative dispatch
 23 the agenda "mandates" on security, economic
 24 and scientific cooperation, humanitarian contacts,
 25 and follow-up machinery. These had been ham-
 mered out in the preparatory talks. Committees
 will use the "mandates" as the basis for their
 work during the next stage of the conference. The
 ministers had more difficulty agreeing on other
 procedural questions, largely because Moscow

wants an early conclusion to the conference. The
 ministers eventually decided that the next stage
 will begin on 18 September, as the West desired;
 in order to mollify the Soviets, they agreed that
 preliminary organizational meetings will get under
 way in late August. The West resisted Soviet pres-
 sure to make plans for stage three, insisting that
 progress in stage two must first be assessed.

22 The opening presentations in Helsinki re-
 vealed no willingness on anyone's part to concede
 basic positions before the real bargaining gets
 under way. Soviet Foreign Minister Gromyko
 reiterated Moscow's position that unconditional
 recognition of the inviolability of frontiers is of
 prime importance. The Western delegates, per-
 ceiving in this emphasis a desire to sanctify the
 status quo in Eastern Europe, stressed self deter-
 mination and the importance of human contacts.
 West German Foreign Minister Scheel, in



Conference Greetings
Gromyko escorted by Foreign Minister Karjalainen

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particular, challenged Soviet conceptions with pointed proposals for the free movement of journalists, tourists, and publications between East and West.7

25 ¶ The West Europeans, hopeful that an agreement enhancing the security and welfare of Europe can be attained, consider the precise terms of proposals important and worth arguing about. They doubt that the US shares their sense of priorities and suspect that Washington might be willing to accept an innocuous outcome in exchange for gains elsewhere. Thus they will be reluctant to see the talks acquire a momentum that might sweep them along against their better judgment. Stage two may take some time.7

Discord in the East

140 SOURCES

Yugoslavia and Romania see the conference as a forum to counter Soviet hegemony in Eastern Europe. In Helsinki, both espoused positions that differ from those of the US and Soviet Union, but both were careful not to push these to the point of disrupting the gathering.7

Yugoslavia, mindful of the Tito succession period, proposed ten principles governing future relations between European states. They amount to an international "hands off" approach. One principle would forbid "instigating or tolerating" emigre subversive or terrorist activity; others are aimed at limiting worrisome problems like irredentism, military pressures and disregard for the rights of small states.

Romania obviously believes that meaningful negotiations will begin only at the next round of talks. Foreign Minister Macovescu's address left no doubt that to Bucharest, European security and military problems are inseparable. He called for the dismantling of military bases on the territories of others, a gradual reduction of military troops and budgets, a renunciation of maneuvers on the borders of neighboring states, and the creation of denuclearized zones in Europe.

The Romanians are wasting little time in mounting a campaign to link the security conference with the later force reduction talks and to

lay the groundwork for a Balkan regional disarmament conference. Bucharest has already approached Turkey about taking part in such a gathering. Tito and Ceausescu will have a chance to discuss further collaboration at a meeting scheduled to begin on 15 July. [redacted]

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BULGARIA-US: NEW ERA

27 ¶ Along with the other East Europeans, the Bulgarians are taking a friendlier attitude toward the US. The warming trend was first discernible when Secretary Rogers met with Foreign Minister Mladenov at the UN last November, but during the last two months Sofia's desire for improved relations has become more evident.7

27 ¶ A major Sofia daily ran a favorable editorial marking the 4th of July, a highly unusual event. It conveyed "best wishes for peace and prosperity" to the American people and noted that despite "distances and differences," the two countries can and must establish mutually advantageous relations. Peking has replaced Washington as the archfiend in the Bulgarian press.7

26 ¶ For three weeks in May, a four-man US customs team visited Bulgaria to train some 50 customs officials in narcotics control. This training was part of an agreement reached earlier in the year that also provides for exchange of intelligence on drug smuggling.7

27 ¶ Bulgarian foreign policy is an appendage of Soviet policy, and Sofia's more positive attitude toward the US reflects Moscow's interest in detente. The Bulgarians, however, have reasons of their own for wanting improved economic relations with Washington. The reception given the customs officials, as well as the improved treatment of the US in the Bulgarian press, is designed to create a good atmosphere for the Bulgarian trade delegation scheduled to arrive in Washington on Sunday. The Bulgarians hope that this delegation will open a new era of improved economic relations. [redacted]

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GERMANY: FLIES IN THE OINTMENT

29 [Signs of improved relations between the Germanies were overshadowed this week by more shooting and an angry demonstration at the Berlin Wall.]

30 [The East and West German foreign ministers, Otto Winzer and Walter Scheel, met in Helsinki on 4 July and agreed that permanent missions should be established in East Berlin and in Bonn by late summer. Egon Bahr, who has been seeing his East German counterpart to iron out details on the missions, publicly stated that he expects the West German representative to be in residence in East Berlin on 15 September.]

30 [Another sign of better relations has been the entry into force of an agreement providing for one-day visits by West Germans to formerly restricted East German communities. This agreement, part of the inter-German basic relations treaty package, was at first ignored by West Germans, but authorities in states bordering on the East are now receiving numerous applications for visit permits. Thus far, no real problems have arisen during the visits.]

29 [In contrast to these signs that the Germans are edging toward a modus vivendi, the incident at the Berlin Wall suggested that the relationship between East and West Germany will continue to be an uneasy one. Border guards foiled an attempted escape by opening fire on three people, one of whom was reportedly wounded. An angry group of West Berliners later ripped a hole in the wall. The East Germans subsequently protested, saying that only their "restraint" prevented a major incident.]

29 [The East Germans demonstrated in a less dramatic, even petty, fashion their claim that there are no political ties between West Berlin and Bonn. To stress that West Berlin is a separate political entity, the East Germans continue to insist that a separate agreement be signed between the East German sports organization and the West Berlin chapter of the West German sports federation. To emphasize the point, the East Germans raised a West Berlin flag at an international

regatta in the Baltic Sea. These incidents add to the skepticism with which many West Berliners view Brandt's Ostpolitik.]

31 [Their concern will increase if the East Germans continue to reject applications for visits to East Berlin during the World Youth Festival from 28 July to 5 August. After first threatening to grant access only in "hardship cases," the East Germans reportedly acquiesced in a suggestion from the West Berlin Senat that they appeal to West Berliners not to visit during the Festival. Pankow, however, began rejecting visit applications this week. The explanation to Western officials that the East Germans wish to prevent "another Munich" is self-serving; the East Germans are primarily motivated by a desire to ensure that the anti-imperialist flavor of the Youth Festival is not diluted. The East Germans have attempted to lessen the effect of their action by stating that they will not curtail access by West Berliners or West Germans to other parts of East Germany. Any restriction on access, however, is viewed negatively by West Berliners, who are already concerned that while Ostpolitik has brought some benefits, their basic situation has not improved significantly.]



Berlin Wall

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UK: HEATH'S THREE YEARS

36] In office since 1970, Prime Minister Heath has accomplished much of what he set out to do. He still faces problems, primarily those affecting labor and the economy. His success in controlling inflation and maintaining industrial peace will largely determine the outcome of the next general election, which must be held before mid-1975.]

34] The Heath government has fulfilled many of his campaign promises; and some of his reforms, particularly in taxation, are beginning to have an impact. Britain's economic growth rate has increased to close to six percent, partly through expansionary government budgets. Unemployment, which rose following Heath's election, is now at a politically tolerable level.]

34] Heath has been less successful in dealing with inflation. He has been unable to control rising food costs. He imposed a freeze, and then controls on wages and prices. The government did manage in this way to slow down the rate of wage rises. Price inflation, however, continues at about nine percent annually, and food costs have gone up more than 15 percent in the past year. This has caused concern among the general public and will prompt labor to press for relief. The government is consulting sporadically with the Trades Union Congress in an effort to encourage the unions to hold the line voluntarily on wage increases. The unions are unlikely to cooperate; they are more likely to demand wage increases as long as prices, especially food prices, continue to go up.]

36] After 1972, the most strike-ridden year in Britain for nearly half a century, the labor scene was almost bound to improve. A confrontation earlier this year between the unions and the government over the wage-price controls was averted largely because of Heath's firm stand and the poor financial condition of some of the unions. This fall will bring another testing period because contracts involving the several militant unions are

to be renegotiated. The Industrial Relations Act, hated by the unions, remains in effect; and while some of its provisions may be moderated, the Heath government will not agree to abolish the act and allow the country to drift back to the labor chaos that existed earlier.]

35] EC membership is still the cause of some friction. The opposition Labor Party is on record as intending to renegotiate the terms for membership if it returns to power, and Enoch Powell, long a thorn in Heath's side, is strident in his opposition to EC membership. According to a recent public opinion poll, popular opposition to membership is increasing. The percentage of voters wanting to pull out of the EC has nearly doubled in the past six months, and 42 percent now favor a renegotiation of the terms. This display of popular displeasure could strengthen Britain's hand in internal EC negotiations. The domestic inflationary pressures, in particular, will reinforce London's desire to reform the expensive EC farm policy.]

36] Heath has been unable to settle the Ulster problem, but some progress has been made toward reaching a political solution. The Labor Party thus far has supported the government's policies but recently stated that unless the Ulster moderates prevail and the situation improves, it may reconsider its position.)

34] Although the conservatives suffered setbacks in several recent local and by-elections, the party seems inclined to read the political signposts optimistically. Its record thus far has been good, and if it can master the economic problems now before it, it is likely to win the next election. The opposition Labor Party is torn by dissension and is unlikely to recover within the next year. The Liberal Party, which has made a good showing in several by-elections, is not a serious contender. [REDACTED]

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ITALY: CENTER-LEFT UNDER WAY

37 Although the new center-left government should enjoy smooth sailing for a while, its prospects over the longer run are threatened by 38 lingering dissension among and within the coalition parties. The new prime minister, Mariano Rumor, was able to present a government to President Leone after only 17 days of negotiations. The key development was the decision by the Socialist Party to rejoin the government after a year in the opposition.



Prime Minister Rumor being sworn in

42 The relative speed with which Rumor was able to form a government attests to his bargaining skill but indicates that the more divisive issues were papered over or set aside. The program that emerged from last week's bargaining gave high priority to emergency economic measures. The parties pledged to fight inflation, implement tax reforms, stimulate the building industry and consider a pension increase. They set 37 aside the contentious problem of radio-TV regulation—instrumental in the collapse of the previous government—by assigning it to a study committee. Consideration of explosive “law and 39 order” issues was also put on ice. The center-left program was equivocal on the perennially sticky matter of parliamentary relations with the Communist Party.

38 The Socialists' acceptance of the invitation to return to the government was marred by 41 internal party feuds. The majority and minority faction leaders are still at loggerheads over the terms on which the party accepted coalition membership. Indeed, the minority leader has refused to permit his faction to participate in the government.

38 Government cohesion may be threatened by 42 other disputes. The cabinet has no vice-prime minister because the Socialists and Social Democrats could not agree on a candidate for the post. In addition, the Republican Party's advocacy of government austerity clashes with

Socialist opposition to major cuts in social programs.

38 Although all Christian Democratic factions are represented in the new cabinet, some in the party are dissatisfied with the new government. The party's left wing is disgruntled at receiving only two minister-without-portfolio slots, and major right-wing leaders appear to be keeping their distance from the renewed center-left. For example, former prime minister Giulio Andreotti refused to accept a cabinet post, despite heavy pressure to do so.

42 Nevertheless, the government should have no trouble in parliament next week and probably will not encounter major problems right away. Rumor will benefit from the momentum generated by his rapidly concluded negotiations, and prospects are good for agreement on emergency measures to check inflation and spur the economy. The nearly sacrosanct August vacation period will postpone consideration of other touchy legislative issues until fall.

42 Over the longer term, the coalition will be subjected to powerful centrifugal pressures when 25X1 the parties have to face specific choices on such divisive issues as housing, legal reforms and the pending divorce referendum.

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INDOCHINA

Fighting in Kontum

(50-58)
The fighting continues for control of two villages west of the provincial capital of Kontum. Both sides want to establish firm control over the disputed territory: the Communists would like a buffer zone between themselves and the South Vietnamese; the government would like to deny the Communists easy access to the outskirts of Kontum City.

During the past few days the two sides have sharpened both the rhetoric and the fighting. The Communists have conducted rocket attacks on South Vietnamese rear areas and the government has responded with air attacks against the other side.

Most recently, the government has greatly exaggerated the size of the Communist units involved in the attacks and has threatened to use additional units to cope with the Communist attacks.

There is yet no sign, however, that either side is ready to go all out on the Kontum front. Both the Communists and the South Vietnamese currently lack the necessary strength for decisive action.

Le Duan and Pham Van Dong

North Vietnam's leaders are getting a very warm public reception from Soviet leaders during their current visit to the USSR. An unprecedented number of Politburo members, including Brezhnev, Kosygin, Podgorny, Gromyko and Grechko, took part in the arrival ceremony on 9 July and the first formal talks on 10 July.

These first talks apparently went fairly well and reportedly covered everything from "topical international questions," i.e., the recent Soviet-US summit, to specific problems in Soviet-Vietnamese bilateral relations. At the luncheon that followed, Brezhnev announced the USSR had decided to absolve the North Vietnamese of their military and economic aid debts and said the



Le Duan with Podgorny

USSR was interested in developing full-scale "economic" relations with Hanoi.

The rest of Brezhnev's remarks could not have been very comforting to the visitors. Brezhnev underscored the need for all parties to abide by the cease-fire agreements, and he vigorously defended the USSR's detente policies. He said nothing about future Soviet military assistance.

Le Duan's reply contained the necessary verbal flourishes, but he indicated that Hanoi is indeed less than fully pleased. Unlike Brezhnev, Le Duan specified that it was the US and Saigon that must respect the agreement. In a rather pointed comment, he asserted that the Vietnamese "are fully determined to overcome all difficulties and privations" and to continue the struggle until "final victory."

Saigon's Foreign Relations

(50-58)
During the war years, South Vietnam seldom gave much attention to its diplomatic relations with countries other than the US. Although Saigon maintains some form of relations with some 80 nations and has permanent representation in 31, the performance of some of the country's diplomats, as well as of some senior Foreign Ministry officials, has been less than effective.

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Since the Paris agreement was signed last January, Saigon has been working to spruce up its image overseas. The prospect of US disengagement from Southeast Asia and of increased political competition with the Communists appears to have prompted the Thieu government to give more attention to its diplomatic relations. New ambassadors have been appointed to several posts, and President Thieu's closest aide, Houng Duc Nha, has been playing a greater role in foreign affairs.

The government's major concern has been to ensure a continued flow of aid from the US, as well as to develop new sources of aid from other countries. This was the main purpose of Thieu's spring trip to the US and to several European and Asian capitals. Saigon apparently considers its current aid negotiations with Japan to be particularly important. South Vietnam and France recently re-established full diplomatic relations, and a newly arrived South Vietnamese diplomat in Paris has indicated that his most important task is to stimulate a French aid program.

One thorny problem at the moment is the Vietnamese Communist effort to enhance their own diplomatic standing, a campaign that, if successful, would undermine Saigon's claim to be the only valid regime in the South. The Thieu government apparently is considering whether to change its policy on dealing with countries which recognize the Viet Cong. In the past, Saigon cut all ties with a dozen such countries, but Foreign Minister Lam indicated a more flexible approach last week, recommending to Thieu that South Vietnam not break relations with Senegal, which announced recognition of the South Vietnamese Communists last week. Lam did say he felt energetic measures were necessary to head off other African states which might be considering such action.

CAMBODIA: TOUGH TALK FROM SIHANOUK

47) Prince Sihanouk is one of the world's more zealous publicity seekers. Last week, on his return to Peking from a two-month tour of African and East European countries, he made the headlines once again by claiming that it was "too late" for

any negotiations between himself and the US. There is a degree of posturing in this statement, but it does indicate that the prospective bombing halt has reinforced the determination of Sihanouk and the Khmer Communists to stand on their present demands in the belief that the US will eventually accept them as the price for a truce. Their demands include:)

49) the termination of US military involvement in Cambodia,

- the withdrawal of all US military personnel,
- the removal of the Lon Nol government,
- the acceptance by all of a Sihanouk-led government.

47) The Chinese have supported Sihanouk's tough stance, although they have avoided explicit endorsement of his tactics. In welcoming Sihanouk's return, Premier Chou En-lai warned against Thai or South Vietnamese intervention in Cambodia—a message which has been echoed by other Chinese.



Sihanouk in Peking

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Moving the Troops

47 [In a press interview at midweek, Sihanouk left open "a tiny door." He said the US could use Chou—but not the Soviets or the French—as an intermediary to put forward proposals for negotiations with the Khmer Communists.]

The War

47 [On the ground in Cambodia, Khmer Communist forces this week launched fresh attacks along Route 3 south of Phnom Penh, pushing government units back several miles toward the capital. To the north, Communist attacks squeezed the remaining government troops on Route 6 into a narrow perimeter around the ferry landing on the Tonle Sap River.]

Cambodian Army units did succeed in re-opening Route 4 west of the capital early this week, and supply convoys are again rolling inland from the port of Kompong Som. Supplies are also

moving down Route 5 from Battambang City for the first time in almost three weeks, and several river convoys have steamed up the Mekong to Phnom Penh despite the loss of two ships to Communist shore fire.]

New Highway in the Panhandle

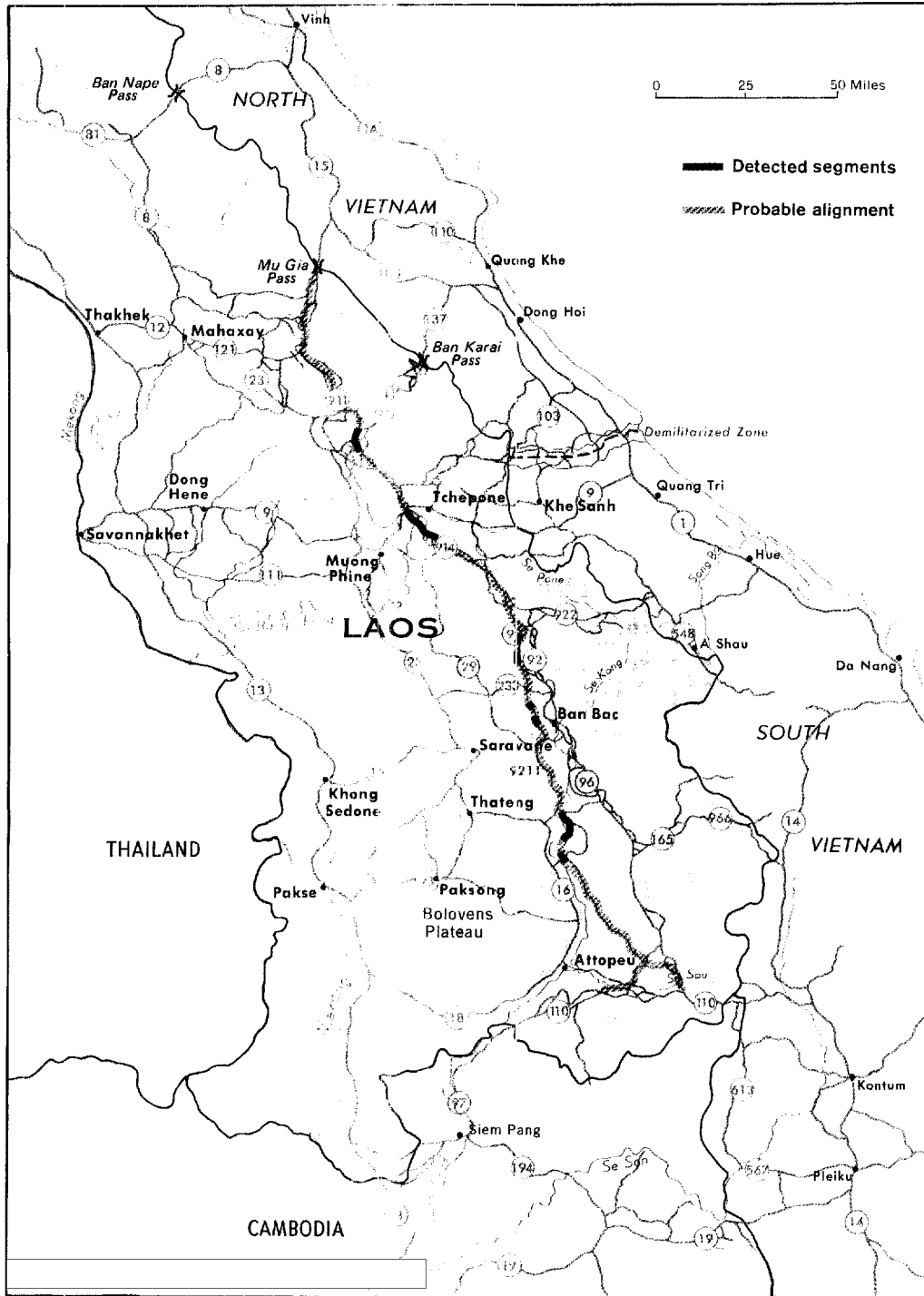
43 [While haggling continues in Vientiane over the shape of a final Laotian settlement, the North Vietnamese have been wasting little time on another front. They are building what appears to be a major new road along the length of the Lao panhandle. Aerial photography during the past two months has revealed road crews and bulldozers working on widely scattered segments of new roadbed through the central supply corridor route. The location of these segments and the similarity of design suggest that by next spring, or even earlier, they will be joined into one 300-mile highway from the Ban Karai and Mu Gia passes in the north to the southern Lao border.]

44 [The new road will be superior to those previously constructed by the North Vietnamese in the Lao panhandle. Roads built by the North Vietnamese have been single lane and have had no extensive protection from the effects of monsoon rains. The new segments are wide enough for two lanes, drainage ditches have been dug on either side of the road, and culverts are being built in some areas.]

44 [The construction of the highway is clear evidence of the continuing importance of the Laotian infiltration corridor to Hanoi. The new road will increase the North Vietnamese ability to move supplies through Laos in all seasons; it will presumably supplement a road of similar design and capacity being constructed southward from the North Vietnamese border through Communist-controlled territory in South Vietnam.]

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North Vietnamese Building New Road



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JAPAN: CONFIDENCE RISING

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Predicting elections is as hazardous an occupation in Japan as anywhere. This was proved again this week in the Tokyo municipal elections, widely heralded as a pacesetter for the Upper House elections next year. The Tokyo voters upset the forecasters by retaining the Liberal Democrats in all their 51 seats in the 125-seat municipal assembly.

The Communists did pick up six seats, but far more extensive gains by the leftist parties had been widely predicted. A few days earlier, in nearby Yokosuka, the conservatives ended 16 years of leftist control of city hall by electing their candidate for mayor.

A variety of explanations are being offered for the turnabout, the most plausible being that the sense of impending doom galvanized the conservatives into a massive pre-election drive for votes instead of sitting on their hands as they did in urban contests earlier this year. While there is unrest over inflation and deteriorating conditions in the cities, personal prosperity is at an all-time high. The growing middle class in Tokyo may have responded to the widely publicized conservative argument that these gains would be threatened if political control passed to the leftists.

It is not clear whether Communist refusal to condemn Chinese nuclear testing helped dampen voter enthusiasm for the party. This position, however, was widely criticized in the press. Low voter turnout because of the polls coincidence with the first weekend of the seaside season may also have had some effect on the left's failure to achieve a major victory.

The unexpected victories will increase the party's confidence in its voter support and will help alleviate the sense of approaching calamity that has gripped the party ever since the Communists registered major gains in the Lower House elections last December. The Tokyo assembly campaign revealed, moreover, serious tensions between the Socialist and Communist parties. Prime Minister Tanaka was enough encouraged to announce this week that he will force several controversial bills through the Diet.

The Tokyo election results may also detract from Tanaka's hopes of pushing an election reform favorable to the Liberal Democrats through the Diet. Tanaka has had an uphill fight in selling the reform package to many members of his party. They believed it would damage their careers and be politically unwise to force a confrontation on this issue with the opposition parties. These opponents are now likely to argue that the ruling party can pull through the Upper House elections and will be less inclined to support the Prime Minister on reform.

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CHINA: IMPORTANT MEETINGS ON TAP

59 [In a return to pre-Cultural Revolution practice, Peking allowed the 52nd anniversary of the founding of the Chinese Communist party to slip by without fanfare or a commemorative editorial. Nevertheless, a major milestone in the life of the party is apparently just around the corner. This week a senior Chinese official in Peking remarked that a national party congress would be held in August and would be followed by a National People's Congress in November. These events may well provide a capstone to the progress made by the regime at home after a long period of uncertainty and apprehension in the wake of the Lin Biao affair in 1971.]

There are rumors that a central committee plenum will precede the opening of the party congress—another return to older practice. The last congress in 1969 was not immediately preceded by a central committee meeting.

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59 [An authoritative party gathering has been needed for some time. The party constitution has to be revised, the Politburo reconstituted, and steps taken to resolve the succession question. A number of important party veterans purged during the Cultural Revolution have been

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rehabilitated in recent months, and more will probably be restored to political life in connection with the meetings now being planned. There is an obvious need to redefine the objectives of the Cultural Revolution if its victims are to be reinstated to top party posts. Moreover, the political role of the armed forces needs to be rationalized in order to restore the confidence of the military and to permit a normal restaffing of the badly crippled army high command. An authoritative party endorsement of China's current foreign policy is also in order. At the subsequent National People's Congress, vacant State Council posts presumably will be filled and the Revolutionary Committees—administrative organs set up during the Cultural Revolution—presumably will be phased out.

tural Revolution. Major decisions have been made in the field of economic planning, particularly with respect to the importation of foreign technology.

59 [The process of consolidation and readjustment has been evident in China for several months now. Mass organizations have been resurrected, important provincial posts filled, and the proportion of veteran civilian cadres in lower-level party committees greatly increased. Moreover, there has been some movement toward a return to practices in education followed before the Cul-

59] This progress has not been without cost and has clearly met resistance in some areas. The rehabilitation of veteran officials in particular has led to resentment and apprehension among those who profited by the Cultural Revolution. The domestic media have contained numerous indications that these groups have been attempting to conduct a rear-guard action against current trends. Such tensions are not likely to be completely eradicated by either the party congress or the people's congress; tensions may be increased, at least temporarily, by the imminence of these conclaves. Indeed, the planned opening of a National People's Congress in September 1971 may have precipitated the Lin Piao affair. While such a repetition of history is unlikely, the handling of these meetings and the appointments that come out of them will probably provide a fresh insight into the balance of political power in China.

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UN MIDDLE EAST DEBATE

96 [With the debate tentatively scheduled to resume next week, little seems to have changed since the UN recess just prior to the Nixon-Brezhnev summit. In the intervening month, discussions have focused on a possible Middle East visit by Secretary-General Waldheim. He has indicated that he is willing to undertake such a mission, and Israel in particular has supported the plan, as a means of avoiding more politically sensitive issues in the debate. Although the Arab states have reportedly been discussing a combined Waldheim-Jarring visit, Egypt has given no clear indication of its position, which will of course be a key ingredient in the outcome.

council, and the US are firmly opposed to any tampering with the resolution's delicately balanced formulations. Egypt has suggested, nonetheless, that it might seek a clarification, which, by emphasizing Egyptian territorial integrity, would commit Israel to withdraw from the Sinai.

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96. [Given the complexity of these questions, it is entirely possible that the debate may again end without formal action. The US, Israel, and some Western powers have urged that the session end with an anodyne statement and avoid the confrontation inherent in a vote. Such a conclusion to the UN exercise would not provide Egypt with the clear sign of progress it wants, but Cairo may be willing to sacrifice drama at the UN in exchange for a visit by the Secretary-General and an aura of continuing diplomatic activity.

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[If Egypt chooses to press for propaganda effect, it may propose that the guiding council resolution on the Middle East be clarified to its advantage. Israel, several Western members of the

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SECRET**PAKISTAN****ECONOMIC GAINS AND LOSSES**

69] Since Bhutto assumed the presidency, Pakistan has chalked up some impressive economic gains, although serious problems persist. Among the gains:

- The substantial devaluation of the rupee and increased world demand for cotton, textiles, and rice—Pakistan's traditional exports—have combined to raise export earnings above those of the formerly united Pakistan.

- At the same time, the resumption of foreign aid and the short-term debt relief provided by the consortium of Western creditors have allowed Pakistan to boost imports and to nearly triple its foreign exchange reserves to nearly \$500 million.

- Islamabad harvested a record wheat crop in the spring of 1973 and has hopes of achieving self-sufficiency in food grains starting in 1974.

- Following a two-year industrial recession, production began an upswing in the first half of 1973.

This generally favorable situation is clouded by some serious economic problems:

- Private investment, both domestic and foreign, has been held down by controls on profits and by government-imposed labor and management reforms; public investment has been held down by budgetary constraints.

- Rising food grain prices and the desire to maintain per capita consumption levels have prompted Islamabad to request 1 million tons of food grains from the United States under PL-480 for delivery during the fiscal year that ends in June 1974.

- The burden of defense spending has increased since the loss of East Pakistan and

now amounts to about 8 percent of gross domestic product.

- Pakistan requires a long-term rescheduling of its foreign debts to avert an increase in debt service liabilities, which took an estimated 24 percent of export earnings in the fiscal year that just ended. The failure to arrive at a final formula for dividing foreign debt obligations with Bangladesh is complicating Pakistan's relations with its creditors.

Pakistan received an estimated \$325 million in net economic aid in the fiscal year that just ended. The US provided about one fourth of the total—mainly PL-480 wheat and other food.7

67] In Washington Bhutto is likely to ask for support of his effort to obtain long-term debt relief from the Western aid consortium. Pakistan has already agreed to a US proposal for an interim solution to the problem of dividing foreign debt obligations between Pakistan and Bangladesh. Under this plan, Pakistan will be held liable by the consortium for servicing more than \$700 million in non-project debt accrued in East Pakistan, but will have to service project debt in what is now Bangladesh for only one more year. Bhutto may hope to trade off an acceptance of non-project liabilities for long-term relief.7

69] Bhutto also may ask for US assistance in a major land reclamation program. More than two thirds of Pakistan's irrigated, cultivable soil suffers from a high salt content or excessive water at the root level of plants. Earlier Pakistani reclamation projects have restored only about 3 million acres, or less than 15 percent of the area affected. Up to 100,000 acres go out of production each year. Bhutto also may raise questions about the continued availability of wheat and soybeans from US producers.7

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SECRET**BHUTTO'S SITUATION**

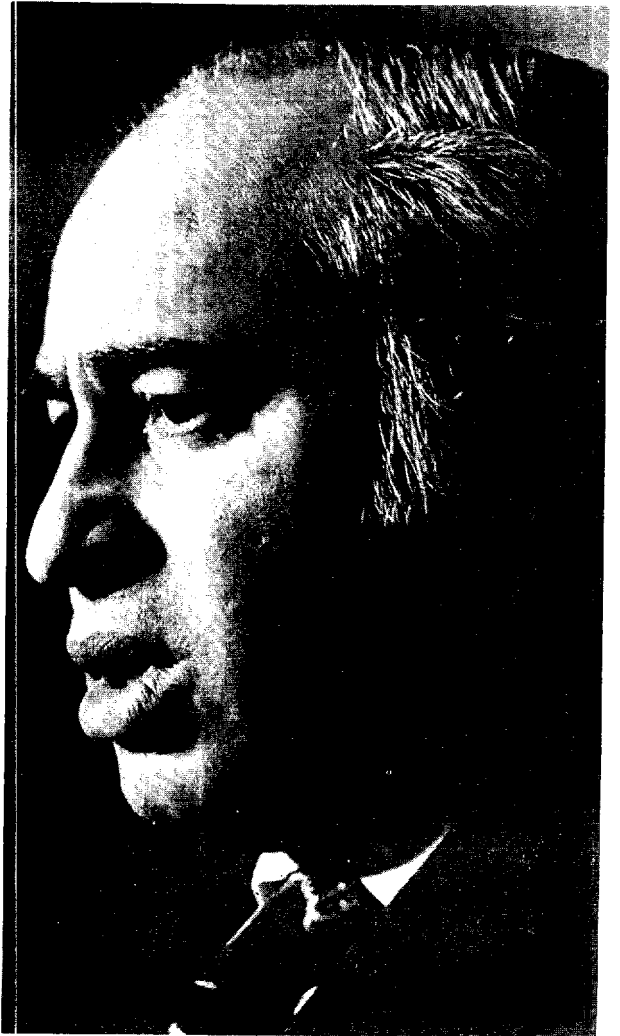
(70)
 [President Bhutto comes to Washington next week in a strong position at home, although he still has potentially serious political problems there, quite apart from his unresolved difficulties with India and Bangladesh.

Bhutto's Pakistan People's Party has an overwhelming majority in the National Assembly and controls the governments of the two most populous provinces. There is, however, discord in the party, which is held together primarily by the personal popularity of Bhutto. A large minority is unhappy that he has not made more sweeping economic and social reforms.

Although Bhutto's party is not in power in the other two provinces, Baluchistan and the North-West Frontier, their governments are in friendly hands. The opposition, which demands greater provincial autonomy, is strong in both provinces, however, and controls a majority of the assembly in Baluchistan. Many politicians in these frontier provinces who are now supporting Bhutto have switched their allegiance in the past and could do so again. In recent months there have been only a few armed clashes in these unruly provinces, but Bhutto knows that the opposition could quickly resort to violence if pressed too hard.

The military forces support Bhutto mainly because they see no alternative. Recent efforts to clean house in the army and air force, after coup plotting was reported among younger officers, have lowered morale and increased dissatisfaction among junior officers. Although the military is no threat to him now, Bhutto is aware that should he stumble, the generals might once again take over the government.

One reason for Bhutto's continuing popularity with the voters is the major social and economic reforms he has promised—particularly in health, education and rural development. He will have difficulty in delivering on these promises, however; indeed, some of them are quite beyond his country's resources.

**Bhutto**

Concern with possible adverse domestic reaction will be a major constraint on the Pakistanis in the high-level talks with India that are likely to start late this month. Most Pakistanis support Bhutto's efforts to reach an accommodation with India and Bangladesh, but a minority is willing to take to the streets to prevent any concessions by Pakistan. Last December, for example, Bhutto had to stop a campaign for recognition when students rioted in Lahore.

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LEBANON: NEW CABINET, OLD PROBLEMS

71 [The installation early this week of Prime Minister Taqi al-Din al-Sulh's expanded cabinet has eased tensions in Beirut, but it will not solve Lebanon's pressing problems with Syria and the Fedayeen.] President Franjijah remains firmly in charge and has made only minor concessions to his critics.]

72 [The new government is Lebanon's third in as many months. Like its immediate predecessors, it is led by a weak politician who the President hopes will be obedient to him, yet acceptable to his critics. Among the latter, leftist leader Kamal Jumblatt, important Muslim leaders, and some pro-Fedayeen newspapers have commented favorably on Sulh's selection, and, for the moment, they are cooperating with him.]

71 [Franjijah has attempted to marshal support by sanctioning the distribution of a record number of ministerial posts among Lebanon's confessional and political groups. The country's most



Prime Minister Sulh

influential politicians have not been included, and the new cabinet is therefore unlikely to exhibit much dynamism in dealing with the country's fundamental problems. Even so, its installation has been greeted with relief by most Lebanese.]

72 [Whether this latest Lebanese cabinet can retain domestic support depends largely on the President's treatment of the new interior minister. Franjijah reluctantly assigned that sensitive portfolio to Bahij Taqi al-Din, an associate of Kamal Jumblatt. As long as Jumblatt feels that he has some influence in the government through his associate, the new government probably will not come under leftist attack. If Franjijah pursues the more likely course of maneuvering around the new interior minister, however, the cabinet would quickly come under fire.]

72 [Fedayeen reaction to the new government will be important in itself and because of its influence on Syria. Damascus is keeping economic pressure on Beirut by refusing to reopen the Lebanese-Syrian border, closed since the outbreak of fighting between the Lebanese Army and the Fedayeen in early May. Sulh is reported to have good relations with Palestinian leaders and close personal ties to Syria. Neither has indicated support for his government, but both have moderated their severe propaganda attacks on Lebanon.]

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IRAQ: THE DUST BEGINS TO CLEAR

^{NO SOURCES}
[The recent coup attempt in Iraq has left the ruling socialist Baath Party shaken. The regime headed by President Bakr and Saddam Husayn Tikriti, the deputy chairman of the Revolutionary Command Council, appears to have survived, but a bitter intra-party struggle is still going on. Thirty-six people, including one member of the Revolutionary Command Council, have been executed thus far.]

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The balance of power between Bakr and Tikriti has been disturbed by the coup episode. Tikriti, who has managed to portray himself as largely responsible for putting down the coup, seems so far the major beneficiary of the recent turmoil. He is the only leader appearing regularly in public. Bakr remains in virtual seclusion. The President did preside over a Baath meeting on 7 July, and he is scheduled to make a public speech on the fifth anniversary of the 17 July revolution that brought the present regime to power. He reportedly will announce important decisions concerning national unity and a new charter of national action.

The army appears to have remained largely on the sidelines; it can hardly be pleased, however, that the net result has been the effective removal of two of the three generals on the ruling council. Only Bakr remains. [redacted]

RWANDA: CHANGING THE GUARD

74 [The military junta that ousted President Kayibanda last week is moving to redress the regional grievances that prompted the coup and to ease tribal tensions between the Hutus and the Tutsis. The junta set up a National Committee for Peace and Unity, composed of senior officers of Rwanda's army and headed by General Habyarimana who led the coup. The coup group sacked the old cabinet, dismissed the national assembly, suspended all activities of the official party, and placed Kayibanda under protective custody.]

74 [The coup did not disturb Hutu domination of Rwanda. It was primarily a product of the resentment among Hutus in the northern part of the country over the monopolization of government jobs by Hutus from Kayibanda's home area in the south. The new rulers moved quickly to meet this issue, appointing a balanced batch of northern and southern civilians to head the government ministries.]

73 [The new rulers are also calling for a Hutu reconciliation with the country's Tutsi minority. Since last summer, demands have been growing for action against Rwandan Tutsis in retaliation

for the large-scale repression of Hutus in neighboring Burundi, where the Tutsis are in control.] Early this year, several hundred Rwandan Tutsis were killed after Kayibanda's government imposed a quota on the number of Tutsis to be admitted into the educational system. The government's move coincided with a private campaign to drive Tutsis out of the country's commercial life. General Habyarimana does not share the widespread anti-Tutsi sentiment, and has appointed two Tutsi officers to the ruling committee.]

73 [Rwanda's neighbors, including Burundi, have sent messages of support to the new government. It is doubtful, however, that relations with Burundi can be improved in the near future, despite Habyarimana's good intentions.] [These strains stem in part from sporadic raids into Burundi by dissident Burundi Hutus based in Rwanda; the Rwandans would have difficulty preventing such actions even if they wanted to. For their part, the Burundi Tutsis have shown little willingness to seek tribal reconciliation within their own country, let alone with the Rwandan Hutus.]

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NEPAL: UP IN FLAMES

(80 + 81)
Government operations will be seriously crippled by the fire that devastated the kingdom's central secretariat in Kathmandu on 9 July. The huge building contained all the records of the ministries of finance, defense, home affairs, and foreign affairs. The Nepalese suspect that the fire may have been the work of the exiled Nepali Congress Party, which has long advocated an armed uprising to "re-establish democracy" in tightly controlled Nepal.

That opposition group hijacked a Nepalese aircraft to India last month. Kathmandu is increasingly critical of Indian failure to locate the hijackers, who it presumes are still in India. If the Nepali Government decides that the Nepali Congress Party is implicated in the holocaust this week, relations with the Indian Government will suffer since the Indians allow the party to maintain its headquarters in India. [redacted]

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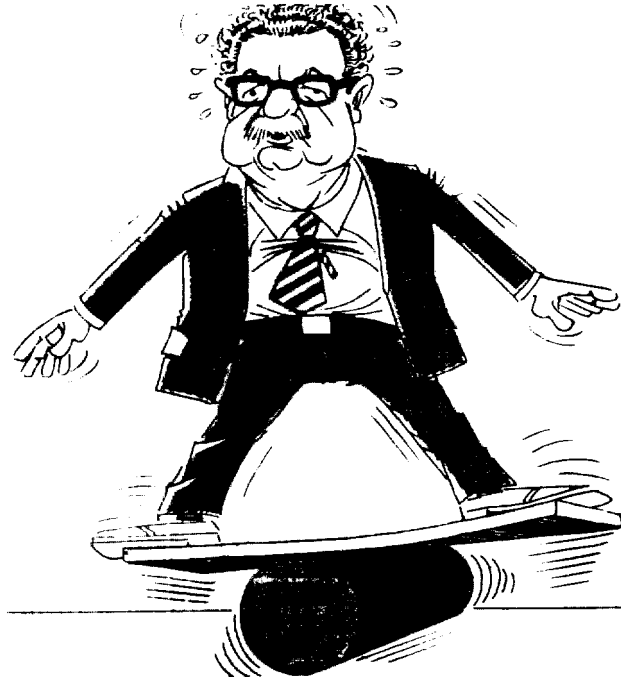
CHILE: A QUIETER PATCH

87 Chile has not yet really settled down after the abortive military uprising of 29 June. President Allende's success that day brought him new problems as well as new opportunities, and he seems to be moving deliberately to realize potential gains and avoid dangerous pitfalls.]

87 Allende still must simultaneously ride herd on his obstreperous supporters, deal with a recalcitrant opposition, and keep a restless military from abandoning its commitment to support the constitutional government.]

85 Widespread military concern over the political situation has been heightened by knowledge that civilian supporters of the government are being armed. Popular Unity and extreme leftist groups have opened their arsenals in order to enhance the effectiveness of their "self-defense" street brigades. Workers still hold the factories they seized at Allende's urging on 29 June.]

87 The extremist Movement of the Revolutionary Left, the Socialists, and even the Communists may believe that the time is right to move the Marxist revolution a major step forward and to smash the opposition once and for all. Allende, on the other hand, believes he cannot move as fast as his supporters would like. He has declared that he intends no let-up in his pursuit of Popular Unity goals, but his spokesmen are calling for dialogue and hinting at compromise.]



A Lesson in Balance

82 For the present, Allende seems to have decided that the best way to deal with the arms distribution issue is to deny its existence and to attack the opposition for spreading such inflammatory falsehoods. The government claims that the only arms seized in raids by the armed forces and police belonged to the extreme rightist Fatherland and Freedom movement. Groups at both ends of the political spectrum are in fact armed.]

82 The armed forces thus far appear to be going along with government efforts to play down the arms problem, perhaps in the expectation that Allende will manage a face-saving, non-violent solution. The three service commanders seem to believe they have exacted a tacit pledge of moderation from the president, but the officer corps remains skeptical. [redacted]

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GUYANA: BURNHAM MARCHING

89 [Chances for a wide margin of victory for the ruling People's National Party in the general election on 16 July have diminished, and the vote is likely to be closer than Prime Minister Burnham had been predicting. He may again need the overseas vote, which ran heavily in his favor in 1968, to gain a clear majority, but his control of the election machinery is almost certain to ensure him victory.]

89 [Although four parties have submitted lists of candidates, the race is essentially between Burnham's black-oriented party and the predominantly East Indian People's Progressive Party, led by Marxist Cheddi Jagan. The opposition parties were unable to agree on a common list of candidates, but they have agreed to challenge government efforts to pad its vote. Similar charges in 1968 were not without foundation.]



Burnham

91 [As a counter, Jagan may instruct his supporters to surround polling places and block access roads to force election officials to make a count before the ballot boxes are taken to government-run tabulating centers. He probably hopes to avoid clashes with government security forces, but his younger followers may decide to move on their own. Violence has occurred already, and more is likely as the hour to vote draws near.]

90 support the People's Democratic Movement. The Prime Minister reportedly has made a last-minute effort to attract the support of business groups that appeared to be leaning toward the Liberator Party.]

89 [The East Indian support Burnham has been counting on will be reduced by the resurgence of the racial issue. Some East Indians in the larger cities will still vote for him, partly because his party is in power and appears unbeatable as long as it controls the election machinery. The vast majority remain loyal to Jagan, even though few share his Marxist views. A few dissatisfied Indians—and many middle-class moderates—may turn to the small multi-racial Liberator Party; the relatively few anti-Burnham blacks are likely to

91 [Burnham will almost certainly do what is needed to ensure victory for his party and continue the socialist policies he has followed since 1968. If the rigging is too obvious or if the majority is unrealistically large, it could provoke widespread civil disobedience, and possibly violent opposition. At any rate, the racial animosity that has been a large factor in keeping the country economically underdeveloped is certain to continue.]

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URUGUAY: SETTLING DOWN

93 [Strikers are returning to work after ending a 15-day general work stoppage called to protest the government's drift toward autocratic rule.]

94 [The decision to return to work, in spite of the government's refusal to make concessions to labor, apparently was forced on the more militant union leaders by a growing weariness among workers who were losing interest in the walkout. President Bordaberry has steadfastly refused to talk with second echelon labor officials on settling the rift between the workers and the government. The president says he will negotiate only with the "true representatives" of the unions, but an arrest order has driven 52 of the top elected labor officials into hiding.]

94 [As a result, the respite offered by workers returning to their jobs will probably be short-lived; some union leaders had already been considering abandoning the general strike for a strategy of harassment involving short strikes and work slowdowns.]

95 [Thus far, the military has supported the president in his contest of wills with those opposed to the new order. Early in the week

when leftists tested the mettle of the government, they collided with troops in battle dress using truncheons, water cannon, tear gas grenades, and cavalry charges. The leader of the leftist Frente Amplio coalition, retired General Liber Seregni, was jailed temporarily after the disorders. Other major groups in the political opposition have not fared any better. At least five leaders of the opposition Blanco Party are said to be in jail. Colorado Party members who oppose the government have avoided a direct confrontation, however, apparently preferring a policy of silent opposition.]

95 [Meanwhile, Bordaberry has taken advantage of the slack in opposition activity to show that his government is not at a standstill. He has appointed four new cabinet ministers to replace those who resigned after he closed Congress on 27 June. The appointments appear to reflect the military influence on the government. Three of the ministers have no apparent strong political affiliation and were selected on merit. The other, the new minister of industry and commerce, was once a close adviser of former president Jorge Pacheco.]

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