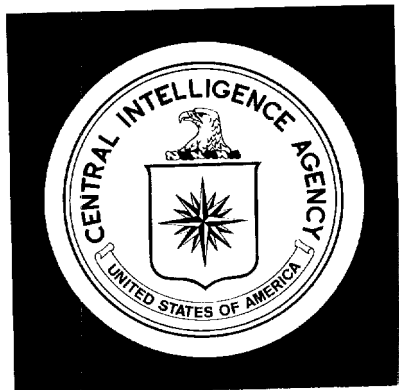


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Weekly Summary

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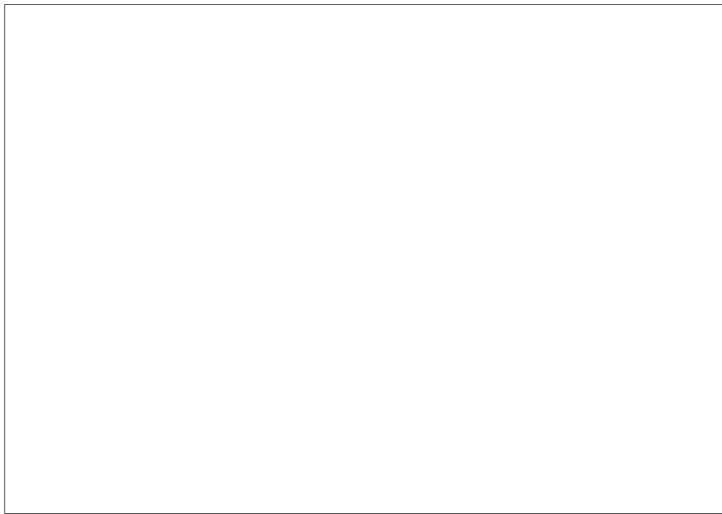
CONTENTS (20 July 1973)

The WEEKLY SUMMARY, issued every Friday, summarizes the Office's current intelligence reports and major activities. It covers the week through noon of the following day. It frequently includes material coordinated with the Office's External Affairs, the Office of Strategic Services, and the Directorate of Science and Technology. Topics include, but are not limited to, foreign political, economic, and social developments.

WARNING

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25X1



- 1 Argentina: Peron's Last Chance
- 2 Rhodesia: Guerrillas Settle In
- 4 Libya: Qadhafi's Crusade
- 5 Cambodia: All Fight, No Talks

FAR EAST

- 6 Indochina
- 7 Australia: Good Show
- 7 Japan: The Soybean Crunch

EUROPE

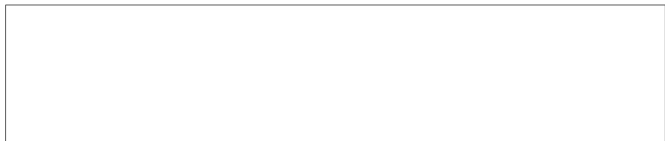
- 8 Iceland: Smoother Sailing
- 9 USSR: Gas, Grain
- 10 Yugoslavia: Talks With Tito
- 11 Eastern Europe: More Debts
- 11 Bulgaria: The Changing Mood
- 12 The Germanies: Pankow Backs Down; Festival
- 13 France: Pompidou Beset
- 14 EC-Africa: Association Questions
- 15 Portugal: Atrocity Charges

**MIDDLE EAST
AFRICA**

- 16 Greece: Getting Out the Vote
- 17 Egypt-USSR: Strained Relations
- 18 India: Nuclear Setback
- 18 Nepal: After the Fire
- 19 Iraq: A Regime in Ferment
- 20 India: The Arms Trade
- 21 Afghanistan: Now a Republic

**WESTERN
HEMISPHERE**

- 22 Chile: No Improvement
- 23 Cuba: Holiday Atmosphere
- 24 The Americas: Changing the OAS
- 24 Guyana: Elections
- 25 International Money



25X1

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Argentina

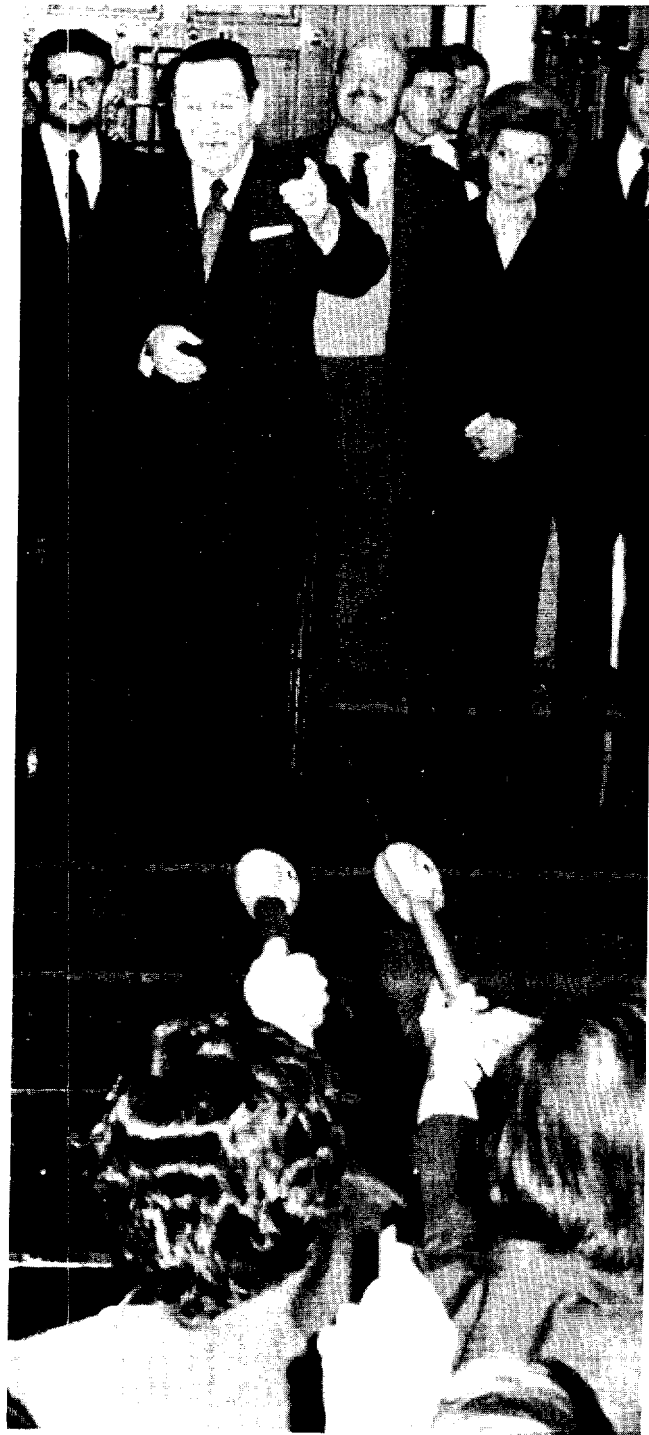
PERON'S LAST CHANCE

9 [The resignation of the Campora government has paved the way for populist leader Juan Peron to resume direct rule of Argentina. Campora has been succeeded by Raul Lastiri—the son-in-law of a close Peron aide—who will serve as provisional president until elections are held, possibly within 45 days. Such an election, which he will win handily, will do little more than give formal sanction to his decision to return to power.]

1+9 [The newly installed provisional president said elections would take place in accord with the old practice rather than under the revised laws decreed by the military government. However, some [] believe that the laws will be amended to allow for a direct election on the basis of a popular vote. The presidential term, if it follows the old system, would be six years, but some uncertainty also remains on this point.]

1 [Speculation centers on who will be Peron's
4 vice president—a key spot since the incumbent
4 would be next in line to succeed the aging Peron,
4 whose health is deteriorating. Peron's choice
4 appears to be Radical Party leader Ricardo
5 Balbin, who ran against Campora last March. The
8 Radical Party, split over Balbin's possible can-
9 didacy, will meet in a national convention, pos-
sibly at the end of July, to settle the issue of an
alliance with the Peronists. There are also objec-
tions to Balbin within the Peronist movement. A
Peron-Balbin ticket would pool the support of
most of the nation's voters.]

2 [In announcing his availability for the top
2 post following Campora's resignation, Peron
6 emphasized his respect for constitutionality,
4 probably to alleviate military fears that he was
4 preparing to take over in a patently illegal man-
4 ner. Army chief General Carcagno told Peron he
4 could expect full support for any governmental
4 changes as long as they were made within the law.
9 The army high command reportedly believes that
there is only slight opposition within the military
to Peron's take-over. Peron has been currying
favor with armed forces leaders since he returned,



A jubilant Peron

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deferring to their wishes on several occasions and showing an intent to forge stronger ties with the military establishment from which he has long been estranged.]

9 In policy matters, Peron appears to be borrowing heavily from former president Lanusse's Grand National Accord. Peron seems to want an alliance of the nation's major political forces: Peronists, Radicals, and the military. Plans to achieve stability through "national reconciliation" are eliciting support from some former enemies, but Peron has a long way to go before he will be able to point to real progress in solving the country's myriad economic and political problems.]

7] Foremost among these problems is a fragmented society threatened by left-wing elements inside and outside his own highly diverse movement. Initial leftist reaction to Peron's action was muddled, but there is evidence to suggest that leftists see it as a right-wing "putsch." Peron's statements and actions to date have provided leftists with little in the way of reassurance. If Peron pursues the moderate line he has outlined so far, he will find it extremely difficult to avoid an open schism between the orthodox labor wing of the movement and youthful leftist elements who

a short time ago were pressing Campora for a sharper move to the left. The dominant union forces in Cordoba have already clashed with right-wing Peronist armed groups, and the situation in this important industrial center is clouded by the prospect of serious violence as leftists try to wrest control of the unions from Peron's supporters.]

9 Alienated leftist groups may yet join forces with Marxist terrorists in a campaign of violent opposition to the government. These elements could well run up against the combined weight of the security forces and the bulk of the Peronist labor movement. The military is apparently insisting that Peron undertake a full-scale frontal attack against the extremists, and this may be just what Peron has in mind.]

9] Such an approach, does seem to offer the best chance of restoring social peace and lifting the country from the doldrums. In this regard, Peron's ability as a skillful political manipulator will be put to the test as he tries to retain the support of as much of the left as possible, while isolating and eliminating groups bent on violence. Peron must succeed on this score before he can turn the government's attention to other pressing problems. [REDACTED]

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Rhodesia

GUERRILLAS SETTLE IN

4] Rhodesia appears to be in for a long struggle against some 100-200 foreign-trained guerrillas who infiltrated from Zambia through Mozambique late last year. The guerrillas have not sparked a mass uprising, but scattered bands remain active despite intensive countermeasures.]

14] Since last December no more than 20 whites have been killed in raids on outlying farms, in land-mine explosions, or in ambushes. Most of the terrorist incidents have taken place in northeastern Rhodesia within 100 miles of the Mozambique border. The guerrillas have taken heavy casualties in these actions and at present do not

appear capable of significantly extending their operations. Rhodesian forces have, however, failed to cut the rebels' flow of recruits and supplies.]

1] [Containing the guerrillas has produced manpower difficulties for Prime Minister Smith's regime, which had not previously been faced with a sustained guerrilla effort. Hundreds of white reservists have been called to active duty in the security forces, and in June, Smith asked parliament to extend the state of emergency for a year. Despite problems of this kind, Smith's political position does not seem to have suffered.] [Parliament approved his emergency measures, and a

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by-election in May showed that he is without rival among the predominantly white electorate.]

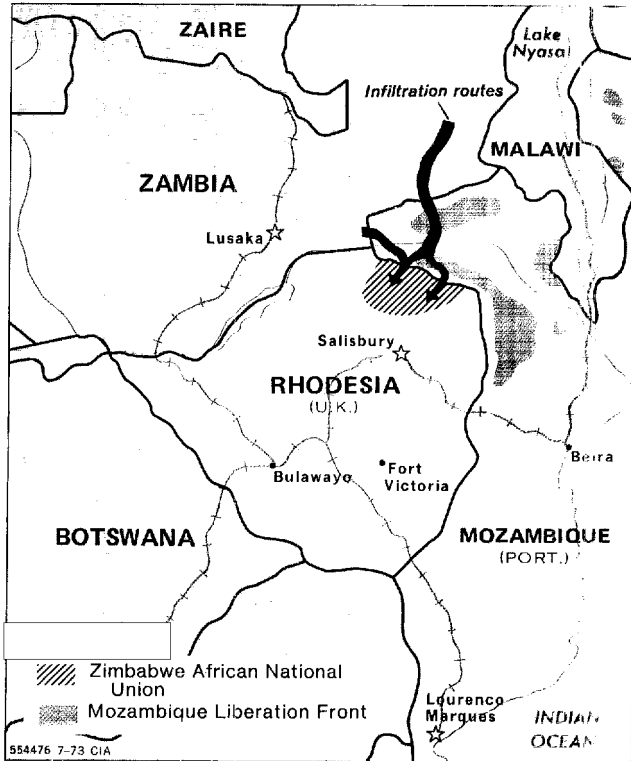
13]n the longer term the white Rhodesians know that they must sustain a substantial rate of immigration if they are to remain a viable community. They will have been sobered by a sharp decline in the surplus of white immigrants to Rhodesia over emigrants during the first four months of this year as compared with the same period of 1972. Such an adverse trend, if continued, is likely to have a demoralizing effect on a white community already outnumbered 20 to 1.]

14]Guerrilla leaders assert that persistent terrorism will goad the white authorities to repressive measures that in turn will provoke a mass uprising by the blacks. Results to date do not bear this out. In January, collective penalties were authorized against villages where anyone was suspected

of aiding guerrillas. Such penalties, which have been used sparingly, appear to have slowed an initial trend toward collaboration with the insurgents.]

14]On the other hand, the Zimbabwe African National Union, which has fielded most of the guerrilla units now operating in Rhodesia, apparently is getting enough recruits in Rhodesia and support abroad to continue small-scale terrorism for an indefinite period. The group has exfiltrated some African youths to Tanzania for training, while others have gone into action after brief training in Rhodesia. Last March the African Liberation Committee of the OAU patched together an alliance of rival Rhodesian guerrilla organizations that gave leaders of the Zimbabwe African National Union greater access to material from foreign donors. By June, many adherents of the rival group were switching to the national union.]

Central Africa: Areas of Guerrilla Activity



THE WHITE RHODESIANS KNOW THEY MUST SUSTAIN A SUBSTANTIAL RATE OF IMMIGRATION IF THEY ARE TO REMAIN A VIABLE COMMUNITY.

14]The Rhodesian insurgents benefit from the presence and cooperation of their anti-Portuguese counterparts in northwest Mozambique. Because of the rugged terrain, this area can be used to infiltrate men and material much more easily than Rhodesia's border with Zambia. Farther south in Mozambique the anti-Portuguese guerrillas are gradually moving closer to the rail line and high- 25X1 way linking Salisbury with the port of Beira. If the line were cut, it would have serious consequences for Rhodesian whites. []

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Libya: Qadhafi's Crusade

17 President Qadhafi launched a "march on Cairo" this week to dramatize his demand for complete and immediate union with Egypt. Some 40,000 Libyans are expected to join the motorcade as it travels along the 1,600-mile route that leads to Cairo. The cavalcade, however, is very apt to encounter serious difficulties before it ever reaches its destination.

19 Qadhafi, deeply frustrated by the negative Egyptian attitude toward his concept of union and revolution, hopes that the march will force President Sadat to abandon his gradualist approach toward merger. As a demonstration of Libyan resolve, the marchers reportedly intend to destroy all control checkpoints at the Libyan-Egyptian border. Once in Cairo, the Libyan crusaders plan to stage a sit-in and to confront Sadat with a demand that he establish im-

mediately a union based on "popular" and Islamic principles. These happenings in Cairo are scheduled to take place on 23 July—the anniversary of the Egyptian revolution.

20 Should the motorcade weather the formidable problems of traveling across Libya, the scene could be set for trouble once it reaches Egypt. Sadat has publicly warned Qadhafi to call off the march.

16 Qadhafi apparently has no immediate plans to return to the capital from Benghazi, nor is he willing to compromise his position on the merger, despite considerable pressure from his colleagues and President Sadat. His decision to sponsor the march clearly indicates that he is willing to place his prestige on the line.

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Qadhafi on the move



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Cambodia

ALL FIGHT, NO TALKS

23 [Prospects for a peaceful solution to the conflict in Cambodia appeared no brighter this week with Sihanouk and the Khmer Communists both maintaining a hard line. At mid-week, Sihanouk, who is packing his bags for a three-week visit to North Korea, reaffirmed his refusal to meet with Dr. Kissinger saying that the question of negotiations was no longer in his hands and would have to be decided by the Khmer Communists.]

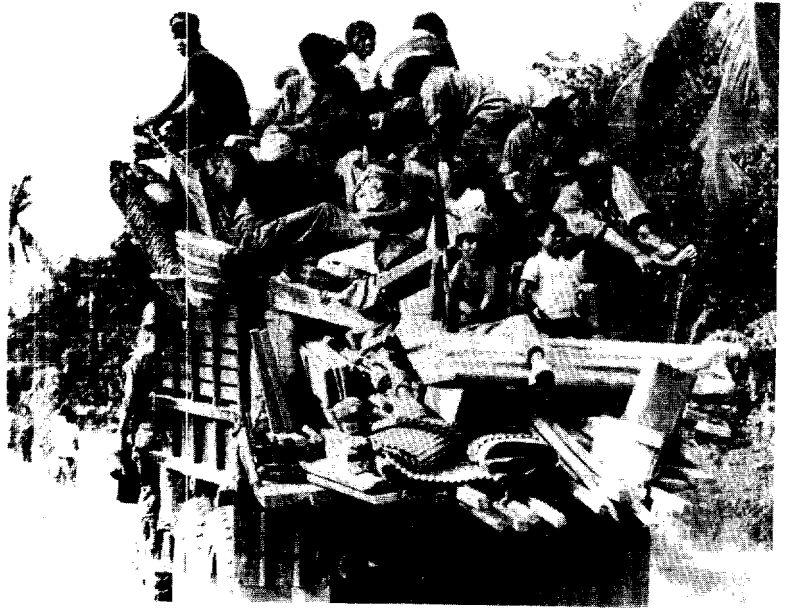
25 [At the moment, the insurgents seem far more interested in turning the military screws on Phnom Penh]

25 [An estimated 57 enemy battalions totaling approximately 17,000 men are now located within a 25-mile radius of the capital. The bulk of these units is concentrated below

Phnom Penh and some of them are now only ten miles from the city. Sizable insurgent forces are also operating north and northwest of the capital. Despite heavy air strikes and supply problems, the Communists have gradually gained ground against the numerically superior government defenders. The flow of refugees into the already badly overcrowded capital area has been increased.]

21 [On the government side, the beginning of conscription and Lon Nol's recent delegation of

25 [increased authority over military affairs to Sirik Matak were steps in the direction of greater efficiency, but prospects for an early improvement in the Cambodian Army's performance are poor. Government strength has been severely taxed by the recent steady fighting, and few units are left in the capital's general reserve. Corruption, poor tactical planning, and mismanagement of resources at command levels continue to compound lackluster field leadership. Morale—precarious in a



Cambodian troops and dependents

number of outfits—shows signs of falling even further. Although the small Cambodian Air Force is getting better, its ability to offset the impending loss of US air support on 15 August is quite limited.]

24 [In the midst of the military turmoil, Phnom Penh's fragile political stability and unity was put to another untimely test. The problem was a familiar one—a threat by Prime Minister In Tam to resign. The latest threat was brought on by In Tam's disgruntlement over his virtual exclusion from military affairs. Lon Nol has indeed kept In Tam some distance from the military, largely because senior military officers make no secret of their dislike for the Prime Minister. Early in the week, however, In Tam showed signs of backing off. He was mollified temporarily by the prospect of becoming interior minister to go 25X1 along with his prime ministership and by indications that Lon Nol is passing some of his military responsibilities to others.]

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INDOCHINA

Thin Gruel in Moscow

26 Party boss Le Duan and Premier Pham Van Dong ended their official visit to the Soviet Union on 16 July, and although both sides indulged in the usual linguistic flourishes, the visit could not have been a cheering one for the North Vietnamese. Like the recent junket to Peking, the trip to Moscow showed the distance that has opened between Hanoi and its two big patrons in this period of big-power detente.]

26 [The Moscow visit seems to have dealt with the same two major substantive issues as were dealt with in Peking—future aid levels and the implementation of the Paris agreement. On the latter the North Vietnamese apparently were subjected to a good deal of hectoring from their hosts on the need for the Vietnamese Communists to improve on their performance.] In the final communique, in fact, the North Vietnamese felt constrained to state explicitly that they had told the Soviets about “measures directed at the strict fulfillment” of the agreement—a departure from Hanoi’s usual assertion (repeated for the record elsewhere in the communique) that it is

only South Vietnam and the US that need to do better.]

26 [The talks seem to have been equally unsatisfactory to Hanoi on the subject of aid. In Peking the North Vietnamese did conclude the annual aid pact; in Moscow they only managed an aid agreement “in principle,” and it emphasized economic rather than military aid. The failure to work out a detailed agreement may be the reason Le Duan stayed on in the Soviet Union ostensibly for a vacation, while Pham Van Dong began a swing through Eastern Europe.] Earlier reports had indicated that the two would go together at least as far as Warsaw, and Communist media reflected unusual uncertainty over Le Duan’s travel plans right up to the time of his colleague’s departure.]

26 [Whatever their private unhappiness, Hanoi’s public treatment of the visit has been duly effusive; there have been none of the overt expressions of discontent that surfaced last fall and momentarily this spring. This suggests that the North Vietnamese have decided they have no choice but to make the best of their new relationship with their patrons.]

North Vietnamese and Soviet leaders at Moscow



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AUSTRALIA: GOOD SHOW

Prime Minister Whitlam rose to the occasion at the Australian Labor Party's biennial policy conference last week. US interests emerged largely unscathed as Whitlam successfully piloted the contentious issue of US defense installations past leftist opposition.

33 Careful preparations that undercut the left wing were the key to Whitlam's success. Recent negotiations in Washington on an expanded Australian role at the US Northwest Cape naval communications station in Australia helped to head off an acrimonious debate on American defense installations. The question of building a US navigational aid station in Australia was left open by passage of a vaguely worded compromise resolution. Although the proposal still faces a sharp challenge in parliament, Whitlam and his closest advisers support the project, and this improves its prospects.

32 During the conference, Whitlam emphasized his government's cordial yet independent stance toward the US. He criticized both the hostility of leftists in his party toward the ANZUS alliance and the tendency of the previous government to see every issue as falling within the ANZUS framework.

35 Formal cabinet approval of a long-standing decision to withdraw Australian ground troops from Singapore, which had been announced the week before, forestalled leftist-inspired debate on the stationing of Australian troops overseas. Canberra has not, however, withdrawn from the Five Power Defense Arrangement covering Singapore and Malaysia and maintains its air squadron in Malaysia.

34 On domestic matters, the party leadership won endorsement of a resolution for exclusive central government control over the exploitation of minerals and fuels, an issue that figures prominently in the sensitive relations between Canberra and the states. State party leaders lobbied against the proposal, which could lead to a considerable paring down of the extensive rights the states now hold under the loose federal system.

JAPAN: THE SOYBEAN CRUNCH

43 Japan will be accelerating its search for new suppliers of agricultural imports as a result of the imposition of US controls on soybean exports. Except for rice, Japan depends almost totally on imports of grains and soybeans. The US is by far the leading source, supplying nearly 60 percent of the 18 million tons of grains and soybeans imported last year.

36 Japanese missions will visit all major producing countries this summer to check on export prospects. Japanese firms reportedly already have offered to buy 2.5 million tons of soybeans from Brazil next year, or roughly two thirds of Japan's estimated requirements. For the longer term, the Japanese have begun investing directly in agricultural production abroad.

39 While lining up new suppliers, Tokyo will press Washington to fulfil existing contracts for the shipment of grain and soybeans. The Japanese had contracted for delivery during the third quarter of this year of 660,000 tons of soybeans, about two months' consumption; this amount has been cut in half as a result of the US export controls announced on 2 July. Japan will require a resumption of normal US soybean shipments sometime in late September or early October if serious shortages are to be avoided.

41 To secure supplies, Japan already has altered its agricultural buying practices. In the past, Tokyo purchased wheat in small amounts for shipment within 30 to 60 days and kept stocks at a minimum level.

42 Recently, Japan has been signing larger contracts for shipment within six months and apparently plans to increase markedly its stockpiles of wheat. In June, Tokyo received a commitment from Australia for deliveries of 730,000 tons in 1974—about half the normal amount that Japan imports from Australia in a year. Japanese traders reportedly also began negotiating with US commodity dealers for much larger than normal amounts of corn and soybeans from the 1973-74, and even the 1974-75 crop years.

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ICELAND: SMOOTHER SAILING

49 [Foreign Minister Agustsson on 13 July outlined his government's opening position in the forthcoming negotiations over the future of the US-manned NATO base at Keflavik. This is the first reasonable statement on the subject by an Icelandic official in nearly two months. The negotiations remain linked in Icelandic minds to the unresolved fishing dispute, but prospects for retaining the base in a modified form seem improved.]

49 [Agustsson proposed that some of the functions of the defense force be ended and up to one-third of the military personnel removed over the next five years. The functions to be axed are negotiable, and the military personnel can be augmented by American and Icelandic civilians. In addition, the Foreign Minister recently tried to turn aside demands by the Communists and leftists in the government to include their officials on the Icelandic negotiating team.]

51 [Last August, the Foreign Minister was asking for greater Icelandic participation in base activities, a significant reduction in the number of military personnel living off base, and unimpeded civilian access to the international airport at Keflavik. Agustsson now goes further, but his latest position is a far cry from the demands by other officials last month for the removal of all troops and Iceland's withdrawal from NATO.]

51 [There are several elements behind this new reasonableness. Iceland has been unable to make good on a number of its self-imposed Cod War deadlines. The government, under great pressure as a result of the introduction of British warships on 18 May, tried to pressure the US, prior to the Nixon-Pompidou summit, to intercede against the British "aggression." This failed, but Iceland sought NATO intervention against the British prior to the meeting of NATO foreign ministers in mid-June, threatening to invoke the termination clause (Article VII) of its defense agreement with

the US if not satisfied. The Icelanders were again disappointed and, thus committed, invoked Article VII on 25 June.]

51 [The Cod War may be headed for a seasonal hiatus that could relieve some of the domestic pressure in Iceland. The British are nearing a catch of 170,000 tons, the limit suggested by the International Court of Justice last year. Presumably, British trawlers and frigates will soon leave Icelandic waters and incidents will cease. Negotiations on British fishing rights, which broke off earlier this year, may then resume. The two sides are not far apart, and recent agreements between Iceland and several other NATO states may ease the way for London and Reykjavik to settle their differences.]

50 [Furthermore, a belief that the coalition government's two Communist ministers are divided over tactics may also have encouraged Progressive Party leaders to be more relaxed. The main aim of Prime Minister Josefsson, a Communist, is to resolve the fishing dispute with the British, and he is not now willing to work actively for troop withdrawal. His ministerial colleague Kjartansson, on the other hand, stakes his political career on the troop issue, even if it means toppling the government.]

51 [The Progressive leaders may see in the current situation an opportunity to reclaim control of the government from the Communists who capitalized on popular outrage over the introduction of the Royal Navy into the fishing dispute.]

52 [Prime Minister Johannesson has joined his foreign minister in projecting a more favorable attitude in an interview published on 14 July. Johannesson emphasized that the coalition agreement did not stipulate unconditionally that the defense force leave Iceland before the end of his government's current term.] Formal base negotiations are to start in September, and Agustsson, wishing to get some of the spadework out of the way, has asked for informal talks next month.

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USSR

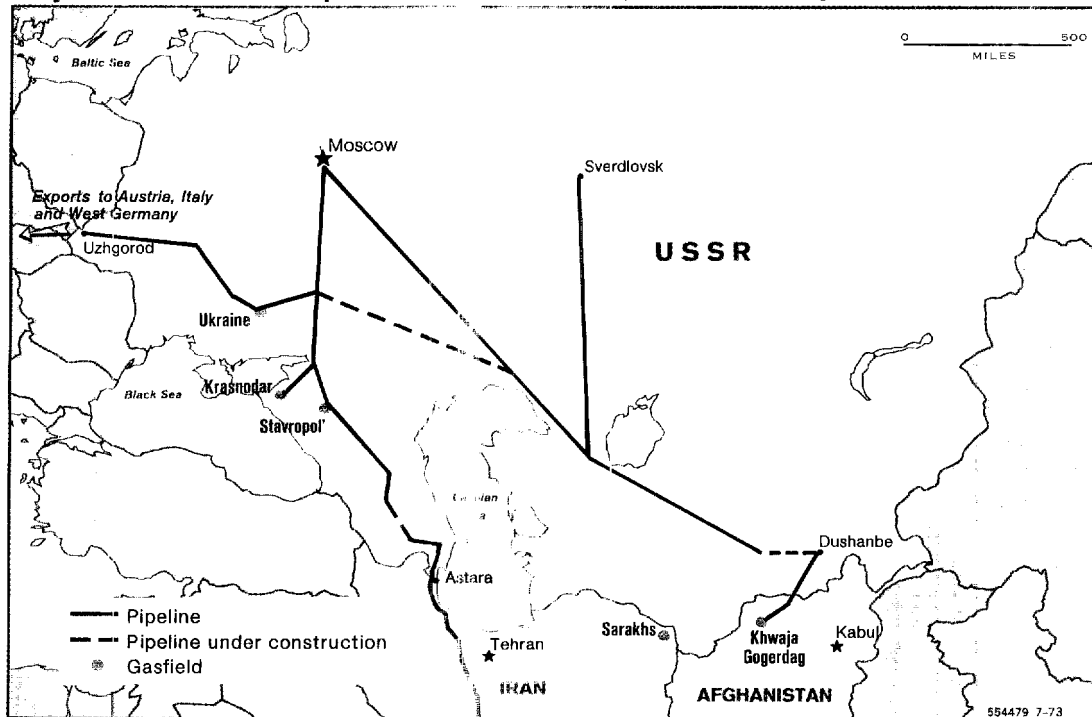
GAS IS GOING UP

(53-62)
 The USSR faces the prospect of paying more for its natural gas imports; both Iran and Afghanistan are pressing for higher prices in current negotiations. Moscow relies on Iran and, to a lesser extent, Afghanistan for all of its natural gas imports, which last year totaled 388 billion cubic feet, valued at \$79 million. Deliveries from Iran and Afghanistan, in repayment for Soviet credits, have helped overcome regional shortages in the USSR and offset Soviet exports of gas to Western Europe. Last year the Soviets earned about \$23 million in hard currency from exports to Austria alone. This year, the Soviets need to import more because they plan to export gas to West Germany and Italy, and supply shortages are developing within the USSR. Depletion of the USSR's major gas fields at Stavropol, Krasnodar, and the Ukraine has left the European USSR badly in need of additional gas supplies.

The Soviets have come forward with various proposals for expanding Iranian deliveries, including the construction of a pipeline parallel to the existing 687-mile line to Astara or another line from the giant Sarakhs field in northeast Iran. Construction of a new gas pipeline will take a long time, and Tehran probably will insist on better payment terms prior to undertaking any major expansion in gas output for the USSR. Tehran is in a strong bargaining position as it has a number of prospective buyers reportedly willing to pay 30 cents per 1,000 cubic feet for gas as compared with the USSR's 19 cents. The two countries have been discussing the matter for some time, and there is speculation that an agreement setting higher prices will be signed during Prime Minister Hoveyda's visit to Moscow on 19 July.

The Afghans, who are in a weaker bargaining position, began negotiating with the Soviets for

Major Natural Gas Pipelines in the USSR, Iran, and Afghanistan



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YUGOSLAVIA: TALKS WITH TITO

higher prices on 14 July. Last year, Kabul received only 16 cents per 1,000 cubic feet for its natural gas. In June 1973, President Podgorny reportedly offered to raise prices to 19 cents, but this apparently did not satisfy Afghanistan. If Tehran gets a price increase, Moscow probably will have to adjust Afghan prices too, regardless of the coup in Kabul.

63 [Tito's talks with Romanian President Ceausescu on 15-16 July demonstrated anew the wide range of common interests between the two leaders. This, their seventh meeting since the Soviet invasion of Czechoslovakia in August 1968, was held at Tito's Brioni Island retreat, where the Yugoslav leader has been resting.]

Higher prices and larger deliveries would raise the USSR's natural gas import bill to well over last year's \$79 million. Most of the imports probably will not involve cash outlays by the USSR, and Moscow undoubtedly will try to pass part of the price increase on to its West European customers. Gas sales to Western Europe this year could be affected by the USSR's problems with natural gas output and with the construction of export pipelines.]

63 [Moscow can take little consolation from the meeting. The final communique stresses the equality of all states, regardless of size, and applauds nonalignment as a struggle between the "haves" and "have nots"—the Soviet Union, of course, being one of the "haves." The communique's treatment of the talks on European detente is designed to counter Soviet claims to hegemony in Eastern Europe and to ensure Romanian and Yugoslav participation as independent and equal in future talks.]

SOVIET HARVEST PROGRESS

By 16 July the Soviets had cut 14.5 million hectares of grain, 11 percent of the area sown to grains this year. Only 8 million hectares of the cut area had been threshed. It has not been possible to thresh the remainder of the grain directly because of wet weather. Heavy rains and winds lodged grain in large parts of the Ukraine, Belorussia, Moldavia, and the North Caucasus, causing considerable delay in threshing, compared with last year. According to a 13 July radio report from the Ukraine, 2.5 million hectares were lodged: this is one third of the republic's winter grain area and could amount to more than 6 million tons of grain. Lodged grain is difficult to harvest without loss and retains much moisture, reducing its milling quality. This week the weather cleared over most of the Ukraine and North Caucasus and harvesting is picking up. [redacted]

(NO SOURCE)

63 [On bilateral issues, Tito and Ceausescu pledged even more frequent party and government meetings, and economic cooperation was stressed.]

64 [In contrast, Tito's session earlier in the week with Hungarian party leader Janos Kadar was more pleasing to the Soviets. It was the first meeting of the two leaders since 1967, and put relations between the two parties on a more even keel. Tito suggested that the two leaders might resume the frequent meetings that had earlier marked their relations.]

64 [Judging from the communique, the two devoted special attention to economic cooperation, an area where ties had already been improving. Hungary and Yugoslavia have much in common in their shared spirit of economic pragmatism. [redacted]]

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EASTERN EUROPE: MORE DEBTS

Eastern Europe's debt to the industrial West rose about one fourth last year and reached nearly \$5 billion by year's end. Most of the increase resulted from a surge in purchases of machinery and equipment by Poland and Romania. The outlook is for more of the same. With the possible exceptions of Romania and Bulgaria, none of the East European countries has a serious debt servicing problem. The United States is picking up a large part of the debt, reflecting the extension of Export-Import Bank facilities to Poland and Romania and increased agricultural sales to the entire region.

Eastern Europe's debt will mount rapidly. Poland alone has credit lines of \$500 million from France and Japan, in addition to numerous smaller credits. Romania is ignoring its own prescription to cut back imports and is actively seeking new sources of credit in the West. So is East Germany, which would like to decrease its heavy reliance on trade with West Germany. In the rest of Eastern Europe, indebtedness will probably rise more slowly. For the present, Bulgaria and Hungary appear to be holding back on large purchases requiring hard currency, and Czechoslovakia is taking no steps toward changing its cautious trade policy.

The US is on the way to becoming an important East European creditor. Poland and Romania are taking advantage of their access to the Export-Import Bank. So far this year, the bank has authorized partial financing of over \$200 million worth of Polish and Romanian orders for machinery and equipment. US agricultural sales are booming, financed partly by credits from the Commodity Credit Corporation. Poland alone has ordered \$150 million worth of agricultural commodities for delivery this year.

[Redacted]

BULGARIA: THE CHANGING MOOD

Concern in official circles over the possible negative consequences of detente may be well founded. The US Embassy reports a distinct undercurrent of feeling that change is in the wind and that new openings to the West lie ahead. This impression is strongest among those Bulgarians who have kept up with Brezhnev's visit to the US.

Resentment over Bulgaria's isolation from the West and subservience to mediocre Soviet intellectual fare had already led to stirrings of discontent among generally apathetic Bulgarians. Youngful actors and writers have been spirited out to the villages whenever Western theater or cultural groups come to Sofia, and some of them have begun to take out their resentment by surreptitiously reproducing and circulating translations of Western journals and "unacceptable" articles by liberal Soviet authors.

A few of the bolder ones have even discussed their problems with Americans, not only in Sofia, but in at least three provincial capitals. Given the limited access of most Bulgarians to Westerners, their willingness to complain openly bears witness to the depth of their dissatisfaction. The closest this discontent has come to formal expression is in the current hit of the Bulgarian stage, a tragicomedy with anti-Soviet nuances.

If rising popular expectations over detente remain unfulfilled, they could pose problems for Zhivkov. These difficulties would be compounded if Sofia were to continue to subordinate nearly all aspects of Bulgarian life to the Soviets. The regime, however, is reacting in typical fashion. The Bulgarian press has warned that reactionary circles in the West will try to use detente to undermine "socialism," and Bulgaria has signed a new cultural and scientific cooperation agreement with the Soviets under which each promised to "contribute to uniting and rallying their Socialist community."

[Redacted]

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presence of an 80-member Israeli delegation and the prospect that leftist fringe groups will cause trouble.⁷

69 [A larger problem for the Soviets is how to stir the proper anti-imperialist emotions among the delegates without straying too far from Brezhnev's commitment to cooperation with the West. Presumably those managing the festival will find a way through this ideological thicket, but the task will not be easy.

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FRANCE: POMPIDOU BESET

73 [Questions about President Pompidou's health prolonged the shakedown period for the government he formed last April. It has intensified rivalries within the coalition and generated intense jockeying among potential presidential contenders. As France moves toward the August vacation period, the government seems adrift, reacting rather than initiating, except in the fields of foreign and defense policy.

Prime Minister Messmer, a technically competent but colorless leader, has shown a deep-seated conservatism in handling major domestic issues. Messmer, for example, renewed pledges of economic and social reforms, but damaged the credibility of the commitment by adding that the reforms would be effected at some indefinite time in the next five years. One reason for Messmer's caution is the need to reconcile increased spending on social programs with the need to control inflation.

The balance sheet on the assembly elected last March has not been impressive. It has not tackled the overhaul of the social and economic system, which was promised the French people during the campaign. In fact, the most passionately debated issue at assembly sessions was the proposal to impose a speed limit on all roads except superhighways. Attendance has been spottier than usual.

It has become clear since April that the alliance between the governing coalition's two major parties is beginning to waver. Gaullist spokesmen have lately been virulent in attacks on

Economic and Finance Minister Giscard d'Estaing, the leader of the Independent Republicans. The Gaullists resent his popularity, and some fear he may already have the inside track to succeed Pompidou. One Gaullist spokesman has said his party will back former prime minister Chaban-Delmas. Recent polls giving Giscard about a 60-40 edge over Chaban provide the key to Gaullist concern and to the jockeying for position by would-be candidates.

The opposition alliance between the Socialists and Communists has held together, but each is deeply suspicious of the other. Each party seeks to increase its own influence and to reaffirm its ideological autonomy. The centrist coalition seems to be heading for a split, largely because of rivalry between the leaders of its two factions. One of the factions, led by Lecanuet, may choose to join the government.

Throughout all this, Pompidou's command of major presidential responsibilities—defense, international trade and finance, and foreign policy—has not wavered. He is reportedly deeply pessimistic over the international monetary situation, the disarray in Western Europe, and the inability of the French to change the situation. He feels that these developments, plus US-USSR "collusion," have compromised US willingness to defend Europe and could propel West Germany into neutrality.

This has led to a general review of French positions related to these problems. The French have struck back at the US on trade matters, where they feel they have some leverage. Paris, for example, has said it will not participate in actual negotiations at the coming multilateral trade talks as long as the present monetary disorder prevails. The French are also seriously considering the possibility of extending European political and defense cooperation. A French official has said that he expects the political directors of the EC foreign ministries to begin discussing defense topics. In the past, the French have generally opposed discussing such topics in that 25X1 forum. Paris is also considering possible models for the projected "European union" which would create a truly united Europe.

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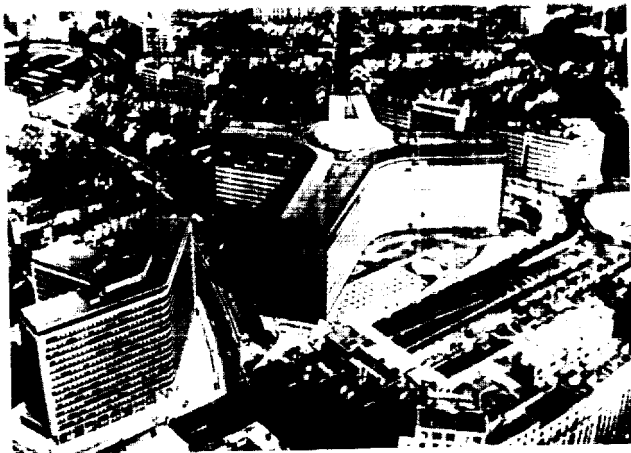
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EC - AFRICA: ASSOCIATION QUESTIONS

74-81

Preliminary talks on association between European states with the EC begin on 25 July in Brussels. The talks are preparatory to the start of substantive negotiations in September involving the African states attending the 15th session of the Yaounde II Convention of 1973. 2 Commonwealth countries, three of which have similar ties with the EC under the 1971 Arusha agreement; and Ethiopia, Liberia and Sudan. The Yaounde and Arusha conventions, expired in 1975, and the terms for the UK's entry into the EC provided that its African Commonwealth trading partners would be eligible for some kind of association with the enforced EC.

The nine EC states are not in agreement on the talks. The chief stumbling block concerns continuation of the reverse preference arrangement that requires the African partners to a low duty free or preferential entry for imports from the EC in return for the preferences the EC gives African exports. The EC Commission, strongly supported by the French and, to a lesser extent, by Belgium and Luxembourg, would prolong this trade off. The British, West Germans, and Dutch, sensitive to the objections of other major trading nations such as the US and Japan, are opposed.



EC headquarters

European Economic Community
and
Associated and Associable African States

EEC Members:

- *Belgium
- *France
- *Germany
- *Italy
- *Netherlands
- *United Kingdom

Associated African States and Malagasy Republic (AASM)
(Yaounde II Convention):

- *Algeria
- *Cote d'Ivoire
- *Guinea
- *Guinea-Bissau
- *Mali
- *Mauritania
- *Mauritius
- *Senegal
- *Sierra Leone
- *Togo
- *Upper Volta
- *Zambia

Commonwealth States Associated With EC Through
Arusha Agreement:

- *Kenya
- *Tanzania
- *Uganda
- *Zimbabwe

Commonwealth States Eligible for EC Association:

- *Belize
- *Botswana
- *Brunei
- *Ceylon
- *Malaysia
- *Nigeria
- *Singapore
- *Sri Lanka
- *Zambia

Other African States Considered Eligible for EC
Association:

- *Ethiopia
- *Liberia
- *Sudan
- *Guinea
- *Mali
- *Mauritania
- *Senegal
- *Sierra Leone
- *Upper Volta
- *Zambia

*Refuse to attend Brussels meeting

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The African side, at first glance, appears more united. The trade and finance ministers of the OAU met in Lagos last week and raised no objections to a negotiating position that rejected the principle of reverse preferences. Essentially the same negotiating principles were agreed upon earlier by the OAU chiefs of state at their meeting last May in Addis Ababa.

Many African states, however, continue to dissent in private. Some of the Yaounde countries, strongly influenced by Paris, favor the benefits offered by the Yaounde Convention such as some \$918 million in aid and loans. The Commonwealth countries also are sharply divided. Nigeria vehemently opposes reverse preferences and has indicated it will reject formal ties with the EC, although it will attend the Brussels meeting. The poorer Commonwealth states, such as Malawi, which are dependent upon European trade, would accept a Yaounde type of arrangement.

Reports from Brussels indicate some softening of the EC Commission's insistence on reverse preferences. On the other hand, Bonn is reported to be willing to compromise with the Commission on the issue. The EC Council is expected to take up the problem of the European position at its meeting on Monday. The Council agenda contains numerous other items, however, and it will be difficult to arrive at a definitive stand on Africa in the time allotted. [redacted]

PORTUGAL: ATROCITY CHARGES

82 [Allegations that Portuguese troops in Mozambique have been guilty of mass murders will complicate Lisbon's relations with its NATO allies and make more difficult the coming talks on the future of the US base in the Azores.]

82 [Lisbon firmly denies its troops massacred several hundred natives last December, a charge raised in London by a British missionary. The Portuguese view the charge, made public on the eve of Prime Minister Caetano's arrival in London, as an effort to mar the visit. *The Times* deferred

its publication of the story and followed up with added details of killings from the Spanish missionaries who were the source of the first story. A rival paper sent a correspondent to the area of the reported December killings, but he found nothing to substantiate the allegations.]

82 [The American consul in Lourenco Marques believes there probably were some civilian deaths last year and these have been blown up into the massacre story. Other small-scale incidents occurred near the Mozambique-Rhodesia border in 1971. There is nothing to suggest, however, that atrocities or terror are deliberate features of Portuguese counter-insurgency policy. Foreign critics of Portugal's position in Africa, nevertheless, seem quite willing to accept these allegations as fact.]

84 [In the UK, street demonstrations and a debate in Parliament on the propriety of inviting the Portuguese prime minister greeted Caetano on his arrival early this week. Dutch and Swedish officials have called for an international investigation. International organizations are already looking into the charges. Portugal is likely to face renewed pressure at the UN to comply with the resolution of December 1960 on granting independence to colonial countries and peoples. The Vatican is under heavy pressure to denounce Portuguese repression in Africa. Publicity like this will aid efforts of the native rebel organizations in Portugal's African provinces to gain support in their fight for independence.]

86 [This burst of criticism may cause Lisbon to ask for US support for its position in Africa. The request may well be linked to renegotiation of the Azores base agreement, due later this year. The Portuguese are unhappy with the agreement of 1971; they especially deplore the fact that the US has not come up with equipment that Lisbon is willing to accept. In earlier renegotiations of the base agreement, which permits the stationing of US forces at Lajes Airfield, the Portuguese have sought in vain for US support of their African policy. A possible solution transforming Lajes into a permanent NATO base—it is already available for NATO use during wartime—is unlikely, given Dutch and Scandinavian objections. [redacted]

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GREECE: GETTING OUT THE VOTE

104 [The junta has put its propaganda machinery into high gear in preparation for the plebiscite scheduled for 29 July. The Greeks will be voting on constitutional changes that will make Greece a republic and install George Papadopoulos as president until 1 June 1981. The government clearly means to ensure a large yes vote.]

announce the end of the last vestige of martial law still in force in the Athens area.]

100 [Governmental pressure is being felt behind the scenes. Government employees have been ordered to vote "yes." Some of them have been given four days off to return home and convince ten others to vote the same way.]

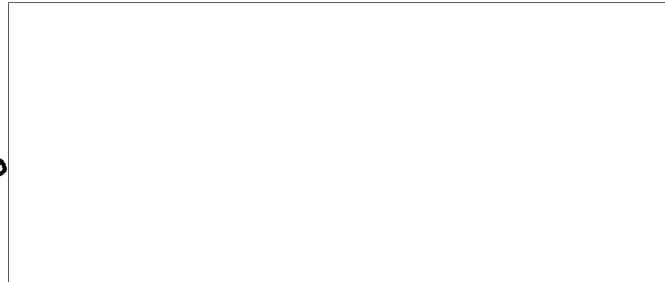
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99
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18 [The authorities have concluded from independent surveys that an affirmative vote of 55 to 60 percent could be attained without government tampering. Now that the government's propaganda machinery is running all out, the percentage will doubtless be higher.]

101 [The regime has also contacted as many as 150 members of the former parliament, dangling the prospect of participation in the new government in return for public support now. Of that number, only 22 reportedly have been interviewed for positions.] [One prominent political figure, Spyros Markezinis, says he will make a statement favoring the referendum. The ambitious Markezinis probably is hoping to receive the prime ministership as reward. Many military officers favor his entry into the government, but Papadopoulos may be reluctant to put Markezinis, who has an independent turn of mind, in so high a position.]

104 [High-ranking government officials are speaking at rallies throughout the country extolling the advantages of the new republic. They are portraying the plebiscite as an important step toward the restoration of normal democracy in Greece. The pro-regime press is speculating that Papadopoulos will address the nation prior to the voting and

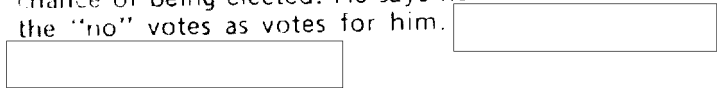


A supervised vote



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103 A somewhat different brand of opposition is posed by retired Colonel Dimitrios Stamatelopoulos—one of the original members of Papadopoulos' 1967 coup group who became disillusioned with the junta leader a few years ago. Stamatelopoulos publicly proclaimed his "candidacy" for president on 14 July.] [The plebiscite has no provision for any candidate other than Papadopoulos, and Stamatelopoulos has no chance of being elected. He says he will count all the "no" votes as votes for him.]



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EGYPT-USSR: STRAINED RELATIONS

Cairo, whose relations with Moscow have been placed under added strain by moves toward US-Soviet detente, appears to be taking a more relaxed view of the relationship as a result of presidential adviser Hafiz Ismail's visit to Moscow last week.

take additional measures to lessen the influence of pro-Soviets in the government.7

102 } President Sadat has announced that he is drawing up an "ideological document," which will outline Egypt's attitude toward, and long-

106 } Strains clearly remain. The TASS treatment of Ismail's meeting with Brezhnev on 13 July indicated that there were some disagreements.7

105 } For one thing, Cairo is known to be unhappy at the level of Soviet military support. For another, the Egyptians have been especially concerned that detente would lead the Soviets to pull back from support of the Arab position on a settlement. +
106 } Ismail was reassured that the Soviets continue to back Egypt's demands for a complete Israeli withdrawal from the occupied territories.7

105 } This reassurance was not the full measure of support Cairo could once have depended upon. Egypt is evidently trying to make the best of it. The usually well-attuned Cairo press has recently been taking the line that, although Egyptian-Soviet differences exist, this does not necessitate outright hostility. Rumors persist that President Sadat, scheduled to speak to the nation on 23 July, Egypt's revolution day, will announce a major move against the Soviets—such as renunciation of the Soviet-Egyptian friendship treaty or closure of Egyptian ports to Soviet ships.7
106 } This seems unlikely. TASS has noted that Ismail and Brezhnev reaffirmed the treaty's "great significance," and Cairo forced a French news agency to retract a story that the treaty would be abrogated.7

105 } Instead, Cairo may take more gradual steps to ease itself away from the Soviets.7
107 } There have been some indications that the Egyptians intend to move away from their socialist orientation on economic matters.7
105 } Sadat and the conservative Saudi Arabian regime are moving closer together in a relationship that could also have political impact at home. The Egyptian leadership could



President Sadat

range policies in the light of, US-Soviet detente.7
105 } The Cairo press has consistently in recent months emphasized that the proper line is self-reliance—meaning reliance of Arab upon Arab and independence from the major powers. Sadat's document is likely to constitute a government affirmation of this principle and a restatement of the non-aligned policy that Egypt attempted to pursue before its heavy involvement with the Soviets. 25X1

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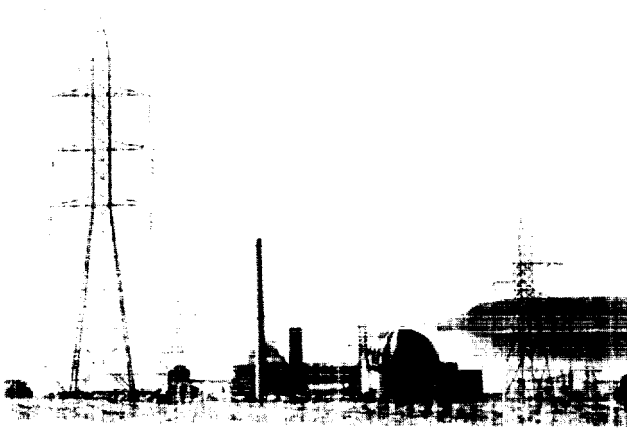
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INDIA: NUCLEAR SETBACK

(108-112)

Canada has informed India that it will no longer provide technology, heavy water, fuel, or any equipment specifically designed for use in power reactors. Ottawa took this action because New Delhi refused to sign the treaty on the non-proliferation of nuclear weapons of 1968. As a result, India will have to develop and build all of its own equipment— which will take considerably longer than would be the case with continued Canadian assistance— or purchase equipment from countries like France that are willing to sell without safeguards. In any event, India's nuclear power program is likely to be set back for some years.

New Delhi has one nuclear power plant in operation. It was built by General Electric using enriched uranium. India, which has indigenous supplies of uranium but no facilities or technology for enrichment, discarded this type of reactor in subsequent projects to avoid dependence on other countries for fuel. Canada is assisting in the construction of a second nuclear power plant in Rajasthan. One of two reactors is now in operation. The two 200-MW, Canadian-designed reactors use natural uranium; the reactors are under safeguard arrangements that preclude their use in a weapons program.



Rajasthan Atomic Power Station

India's third nuclear power plant, being built near Madras, is similar to the Canadian-designed station. It originally was to have been built wholly by India, but India does not yet have the ability to produce certain essential items, such as primary coolant pumps, special forgings, and fabricated zirconium pressure tubes. These and other special items were to be purchased from Canada. Commissioning of the Madras nuclear station has already been delayed from 1973 to 1976 because of bottlenecks in fabrication and failure to obtain needed imported raw materials. Canada's withdrawal of assistance will exacerbate the problem.

India has committed itself to using the Canadian type reactor for its nuclear power program, which is planned to reach 2,700 MWs by 1984. Plans call for construction of stations with 500-MW reactors. India, however, does not have the technical capability to extrapolate from the 200-MW reactors it is now using to 500 MWs without Canadian assistance.

If India completes the Madras nuclear station, without having to accept safeguards, it will for the first time have reactors that could legitimately be used to produce weapons-grade plutonium. It would then have all the facilities and materials necessary for a nuclear weapons program. Any decision to proceed with such a program, however, would be based more on political than on technological factors. India has declined to officially launch a weapons program in the past, but it has also refused to sign the non-proliferation treaty, thus keeping its options

open
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NEPAL: AFTER THE FIRE

114 The recent fire that destroyed the central secretariat in Kathmandu hastened the long anticipated resignation of Prime Minister Bista and the formation this week of a new cabinet

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115 headed by veteran politician N. P. Rijal. The new man, who took part in the 1951 revolt that restored the monarchy, seems likely to get along better with young King Birendra than did Bista, a holdover from the reign of Birendra's father Mahendra.

117 Bista had difficulty in adapting to the changeover and resented the 27-year-old monarch's tendency to bypass the prime minister and the cabinet and to rely on a coterie of young advisers recruited by the King. Bista was made even more unhappy recently by several personnel appointments made by the King without reference to the prime minister. Dissatisfaction with the King's plan for investigating the fire was the final straw for Bista.

116 The preliminary investigation by the Nepalese police indicates the holocaust resulted from overloading of the electrical wiring, not from arson. If this finding holds up, it will eliminate the fire as a source of friction with the Indians.

117 The foremost requirement of a prime minister in Nepal is unswerving loyalty to the ruler and a willingness to carry out directives from the palace. Although pressure for political liberalization is growing, the King still calls all the shots and cabinet shifts are a traditional method for exercising control.

[Redacted]

IRAQ: A REGIME IN FERMENT

118 Events of the past week have done little to clarify the relationship between President Bakr and strong man Saddam Husayn Tikriti, but they have produced attempts to consolidate their power, broaden the base of the ruling Baath Party, demonstrate national unity, and to extend a hand to the West. The Revolutionary Command Council, headed by Bakr and Saddam Husayn, who at this time seem to be acting in concert, has amended the constitution to increase the powers of the presidency. At the same time, the far-reaching purge of the Baath Party and the Directorate of Security is continuing.

119 In a move designed both to demonstrate and promote national unity, Bakr, in the name of the Baath, has signed a joint statement of principle with the Iraqi Communist Party. The signing clears the way for the creation of a national front that may ultimately include the Kurdish Democratic Party. The Communists, with Soviet backing, have long been beating the drums for such a united front and have actively sought Kurdish support as an essential element. Kurds, under Barzani, have forcefully rejected all Communist, and most Baathist, overtures, and they have indicated they will have no part of the new arrangement, at least until the government follows through on its pledge of autonomy for the Kurds. Bakr, in publicly hailing the joint statement, stressed its progressive character and his personal desire for a similar agreement with the Kurds.

119 In a possibly related move, the Revolutionary Command Council, the highest authority in the government, has announced that a 100-member National Assembly will be established by October. The members will be selected by the ruling council from among representatives of various political, social, and economic groups and from "national elements and progressive forces." The Baath Party leadership has also called for elections to party offices within four months, for the formation of an enlarged party command, and for the establishment of a "political bureau" within the party. The proposed bureau would presumably become the focal point of power within the Baath.

118 The coup attempt has had repercussions for Iraq's external affairs. Moscow has applauded the movement toward a national front, but the purge following the coup move reportedly has caused consternation among Communist diplomats. They regarded one of the Baath leaders caught up in the conspiracy as a very good friend. Saddam Husayn, who emerged from the coup try in at least as good a position as ever, has publicly extended the regime's hand to the West. He has signaled a desire for rapprochement with both the UK and the US and has shown a new concern for Iraq's image in the West.

[Redacted]

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INDIA: THE ARMS TRADE

(121-129)

New Delhi is using an expanding arms export and military assistance program to earn badly needed foreign exchange and to cement political ties with other less developed countries. India has sold arms to a number of nations and has provided military assistance to some of its South Asian neighbors. Altogether, India's arms exports are equal to nearly 5 percent of India's defense production of over \$500 million. New Delhi is providing eight developing countries with technical military assistance, and some 300 foreign military personnel are training in India.

In terms of military equipment, India exports mostly military trucks and jeeps produced under West German and Japanese licenses, basic infantry weapons, ammunition, and supplies. Although it makes a wide range of aircraft, India has sold only 12 trainer and one transport aircraft. Several countries have expressed interest in purchasing the GNAT jet fighter, which is manufactured in India under a British license. A single patrol boat provided to Bangladesh has been India's only naval export. The Indians have performed refits, repairs and other services on foreign aircraft and naval ships.

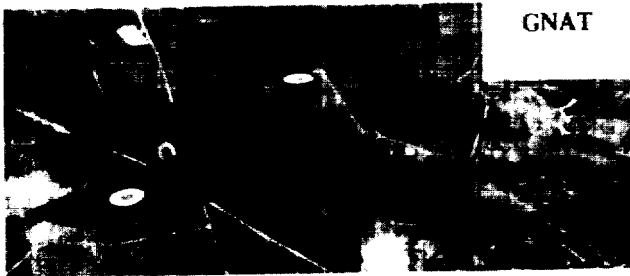
Foreign training in India and technical military assistance abroad are equally divided among the army, navy and air force. Army training focuses on basic infantry instruction. Naval training, done mostly at bases at Bombay and Cochin, is primarily in gunnery, navigation, maintenance and repair. A few trainees have received instruction in torpedo and antisubmarine warfare tactics, and in the handling of sonar, radar, and telecommunications equipment. Some basic air training is provided, but most air force instruction and

technical assistance is in maintenance procedures. Foreign officers study military tactics at India's National Defense College and other service schools.

Most of New Delhi's military assistance goes to its South Asian neighbors. India provided Dacca with about \$15 million of small arms, mortars, recoilless rifles, and vehicles. India assumed the major role in the training of the Bangladesh army and navy and is assisting the Bangladesh air force in the utilization and maintenance of its newly acquired Soviet aircraft. Nepal relies on India for basic military training and for most of its infantry weapons and supplies. The military units of Bhutan and Sikkim are equipped, trained, and commanded by Indians. Burma and Sri Lanka have purchased small amounts of Indian military equipment.

India's efforts extend to the Middle East where New Delhi desires to offset Pakistani influence. Earlier this year, New Delhi signed a military assistance agreement with Iraq; it calls for increased training and assistance to the Iraqi air force. There is, however, no evidence of any substantial increase in other training, assistance, or equipment transfers. A small Indian air force mission is stationed in Iraq, and Iraqis are training in India. New Delhi also has provided Iraq with small arms, aircraft spare parts, and supplies and has performed maintenance on Iraqi aircraft engines.

India has sent trucks, supplies, and ammunition to Oman and has a small army training contingent and some medical officers there. In 1972 Oman agreed to buy additional Indian artillery small arms and ammunition, but canceled the deal under pressure from Pakistan. About 25 Indians are reportedly in Egypt assisting in MIG maintenance, and Cairo has asked India to supply spare parts for these aircraft. Military supplies also have been provided to Jordan, Kuwait, Lebanon, and Sudan.



GNAT

[Redacted]

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AFGHANISTAN: NOW A REPUBLIC

(131-140)

The well organized and executed coup that ousted King Zahir on 17 July appears to have been the work of a relatively few younger army officers acting under the leadership of former prime minister Mohammed Daud. The take-over apparently was all but bloodless, although unconfirmed reports are circulating that military hospitals in Kabul contain many wounded.

There was little opposition in Kabul and some jubilation—particularly among the young. By the following day, activity in the city had largely returned to normal. Information from the Afghan countryside is sparse, but indications are that most of the military commanders have readily accepted the change in government. Presumably Daud will soon call for meetings with important tribal leaders to receive their oaths of fealty.

Most members of King Zahir's family, including the crown prince, are in custody, along with members of the last government, including Prime Minister Shafiq. The King's son-in-law, Major General Abdul Wali, a power in the previous government, is also reportedly under arrest. King Zahir is in Italy, where he was on vacation; three of his five sons were also out of the country at the time of the coup.

In his broadcast announcing the end of the monarchy and creation of a republic, Daud criticized the "pseudo-democracy" of the last ten years. He said that the old order had brought chaos and economic collapse to the nation, and he promised eventually to establish a "real and reasonable democracy." For the present, Daud has assumed the key roles of president, prime minister, foreign minister and minister of defense.

The 64-year-old Daud, who is both a cousin and brother-in-law of the King, ruled Afghanistan as virtual dictator from 1953 to 1963; Zahir had been relegated to the role of figurehead sovereign by his relatives since he became monarch in 1933. Daud proved to be highly intelligent and a competent administrator, but also stubborn and intolerant of opposition. He sought to modernize his backward country. On this performance, his new government is likely to be both authoritarian



Zahir—Out



Daud—In

and reformist. Zahir removed Daud and reasserted his own authority in 1963 and set about to create a limited constitutional monarchy. Between 1964 and the present, the King experimented with governments under five different prime ministers, but always kept the real power in his own hands.

There is no firm evidence that the Soviet Union had a direct hand in the coup, although Moscow may have been aware that plans were under way since many of the younger officers involved were trained in the Soviet Union. Daud, when in power before, turned to the USSR for large-scale economic and military assistance, but claimed he did so only in the absence of alternative sources in the West. He is primarily a nationalist. While he may lean more toward the Soviets than Zahir, Daud will probably try to continue Afghanistan's traditional policy of playing off the big powers, each against the others. In his broadcast, Daud reaffirmed his government's policy of non-alignment.

Daud's assumption of power will stimulate concern in Iran and Pakistan. Some Iranian officials purport to see the move as yet another in Moscow's grand design to ring Iran with Soviet or pro-Soviet states. Islamabad very likely fears that Daud will push, as he did during his earlier period in power, for the creation in Pakistan of an autonomous state for the Pathans, members of the same tribal group which dominates the gov-25X1 ernment in Afghanistan. Daud specifically alluded to the issue in his broadcast, isolating it as Afghanistan's only foreign policy problem. [redacted]

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CHILE: NO IMPROVEMENT

144 It has been another tense week in Chile. While the Popular Unity government exchanged verbal salvos with the National and Christian Democratic parties, the far-rightist Fatherland and Freedom movement announced that it will go underground and use "all available methods" to combat the regime.7

may or may not be true, but the movement's bellicose declarations and admitted involvement in the abortive military uprising last month lend credibility to the Popular Unity charge that the opposition, not the government, imperils Chile's democratic institutions.7

145 [Allende is making little perceptible progress in easing tensions. Lines of communication reportedly have been established between the Popular Unity parties and the Christian Democrats, but Allende has rejected as "insolent" the latter's terms for initiating a formal dialogue.7

President Allende has warned the nation to expect a wave of terrorist attacks, some of which he says will be disguised to look like the work of leftists.7

142 [Not all of Allende's problems are with the opposition. The Communists reportedly are vigorously pursuing their recently adopted tough policy and are, along with the Socialists, impeding Allende's attempts to reach a new modus vivendi with the Christian Democrats.]

145 [Fatherland and Freedom already is being blamed for a series of bomb attacks on naval installations in Valparaiso and the dynamiting of a railroad bridge near Antofagasta. The charges

145 [The country's economy, meanwhile, continues to slide downhill. The Paris club of creditors has declined to go along with Chile's proposal for a nearly complete refinancing of its debts. The creditors are skeptical of Chile's willingness to take needed corrective measures. A number of creditors are also disturbed by continued worker occupation of factories in which their nationals have substantial investments. Their concerns will not have been eased by a government announcement that "monopolistic" businesses and those of "strategic importance" will be incorporated into the social area of the economy. The creditors will meet again in October.]

145 [The armed forces are much concerned over the continued arming of the government's civilian supporters and over suggestions by some Popular Unity leaders that soldiers should evaluate the constitutionality of their officers' orders before obeying. There is no information that any progress is being made by officers plotting against the regime.



Salvatore Allende

SECRET

SECRET

CUBA: HOLIDAY ATMOSPHERE

146 [Preparations for the 20th anniversary of the attack on the Moncado barracks, which opened Castro's revolution, point to a major celebration. Of particular note is the inclusion of a military parade, the first in several years. Castro is expected to make the usual address to climax the ceremonies on 26 July in Santiago de Cuba.]

147 [To guarantee an international flavor to the festivities, Castro has invited a grab bag of foreign notables and has pressed for high-ranking representations from so-called third world countries. Angela Davis of the US Communist Party's central committee was among the first to arrive. She was followed by a man who has long been at odds with Castro, Brazilian Communist Party Secretary General Luis Carlos Prestes. Other top Latin American Communists will probably be filtering in, as will key figures in the revolutionary movements of the hemisphere.]



Larger crowds expected

146 [Although this will undoubtedly bring some old enemies face to face, the Cubans are well aware of the potential for friction and will try to head off problems by stressing the need to patch up old differences.]

146 [Delegates from several countries of Africa and the Middle East are coming, but their rank may not be all that the Cubans wanted. The same may hold true for Latin American delegations, despite the fact that the ceremonies mark the most celebrated event on Castro's revolutionary calendar.] [Foreign Minister Raul Roa's arm-twisting early this month failed to elicit a promise of attendance from any of the chief executives of Guyana, Barbados, Jamaica, and Trinidad and Tobago.]

150 [The military parade—to take place on 22 July, presumably in Havana—is probably aimed more at impressing the visitors, particularly those

146 [from this hemisphere, than at showing off new equipment.] [The Cuban arsenal has changed little in recent years, and it is unlikely that any new weapons will be shown. Even so, by Latin American standards the Cuban military is first rate, and Armed Forces Minister Raul Castro can be expected to put on an excellent show. The parade will no doubt also have an impact on the domestic audience, inspiring or depressing according to the viewer's political bent.]

146 [Fidel's speech will give him a chance to blow up his government's successes on both the international and domestic fronts. Cuba's fortunes do seem to have been improving, and there seems nothing in the immediate future to reverse the trend.] [Notwithstanding this optimistic note, Cubans have been warned against "carrying any kind of weapons in the carnival areas" lest their exuberance get the best of them and lead to incidents.]

25X1

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THE AMERICAS: CHANGING THE OAS

(151 + 152)

The special committee on reorganizing the OAS has concluded its first sessions with little in the way of specific recommendations. A majority of Latin Americans seem to want broad reforms leading to a revitalized inter-American system that would recognize the "ideological pluralism" of the region, permit all American states—including Cuba—to belong, and reduce the influence of the US.

Washington was strongly criticized during the sessions by Chile, Peru, Panama, Mexico, and Ecuador, but there was no support for the particularly strident blast by the Argentine delegate or for his proposal that the US be excluded from regional organizations. Delegates from virtually all of the 23 member states favor structural changes that would make existing hemispheric organizations more effective or, in some cases, radically reconstitute them. Peru, the most energetic advocate of change, found support for its plan to replace the three permanent OAS councils with two—one for political and one for economic matters. There was broad agreement that at least some of the inter-American bodies should be located in Latin American capitals and that hemispheric defense arrangements should be revised.

The Rio Treaty, signed in 1947 to provide for collective response to aggression, came under

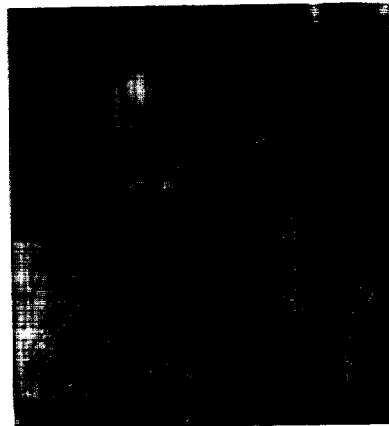
attack as a "Cold War anachronism." Although a few countries—including Mexico, Chile, and Argentina—wanted the treaty voided entirely, others proposed alterations to eliminate the possibility that the treaty could be used against "subversion" in the hemisphere. A few countries appeared to endorse Ecuador's recommendation that the treaty be interpreted to include the concept of "economic aggression," i.e., those actions of the US or multinational corporations considered economically damaging by a Latin American country.

The talks will resume at OAS headquarters in Washington in mid-August and are expected to continue until a package of proposals is ready for presentation to the Permanent Council in November. If the mood of the latest round is sustained, proponents of wide-ranging reforms and reduced US influence in the hemisphere will undoubtedly see at least some of their ideas adopted. For example, Venezuela is expected to push for a vote on a resolution designed to terminate the OAS sanctions against Cuba. Nine other countries have already lined up with Venezuela. The delegates of two others indicated in Lima that their governments oppose the sanctions. Thus, a majority of the OAS may have coalesced in favor of ending the policy, in effect since 1962, of isolating the Castro regime.

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GUYANA: ELECTIONS

153 Incomplete returns from the election on 16 July indicate that Prime Minister Burnham's People's National Congress will remain in power. Burnham may have exceeded his announced goal of winning two thirds of the seats in parliament. The voting was marred by scattered violence and opposition charges that Burnham supporters rigged the vote. 154 Some rigging apparently did occur.



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INTERNATIONAL MONEY

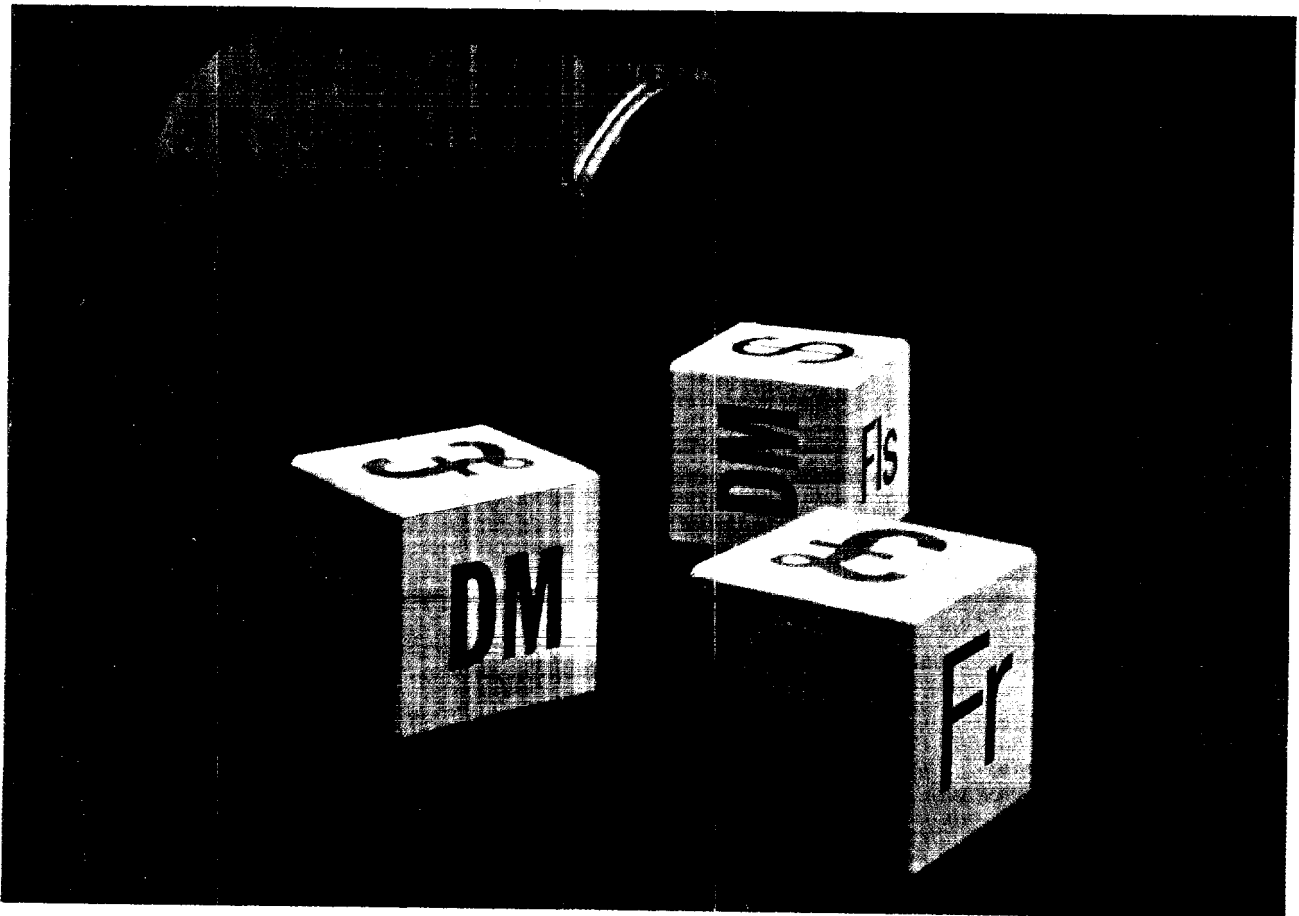
(155 + 156)
 Official confirmation of US intervention in support of the dollar over the last week and the announcement of details of the Nixon administration's Phase Four policy have yet to convince traders that prospects for the dollar have improved. Intervention by both the US and European central banks to date has been small, and general promises of further support have lost weight in the market. Some dealers called the Phase Four rules a disappointment, but given their lack of confidence in the dollar, they probably would have expressed skepticism over almost any new program.

The mark is again at the top of the European joint float band; this raises the possibility that speculators will try to push the mark out of the

band or try to force another revaluation. Bonn is tightening controls on foreign investment in German securities; the controls are aimed at making it more difficult for foreigners to acquire German marks for speculative purposes. Similar controls, however, have done little to slow the mark's climb in recent years.

The continuing rise of the mark has produced complaints by the other West European countries. They point to the higher prices of West German exports as evidence that Germany is exporting its inflation. At the same time, they see the severe credit restraints imposed by Bonn to slow its own inflation as curtailing German demand and, thus slowing their exports to Germany.

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