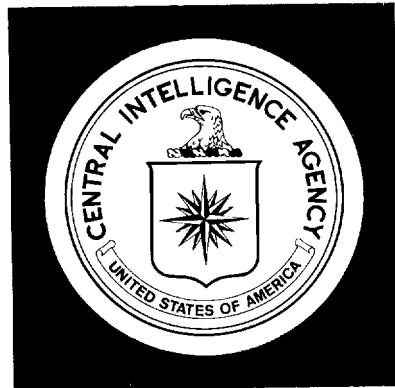


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Weekly Summary

Navy review completed.

State Dept. review completed

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23 November 1973
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

WARNING

The WEEKLY SUMMARY contains classified information affecting the national security of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

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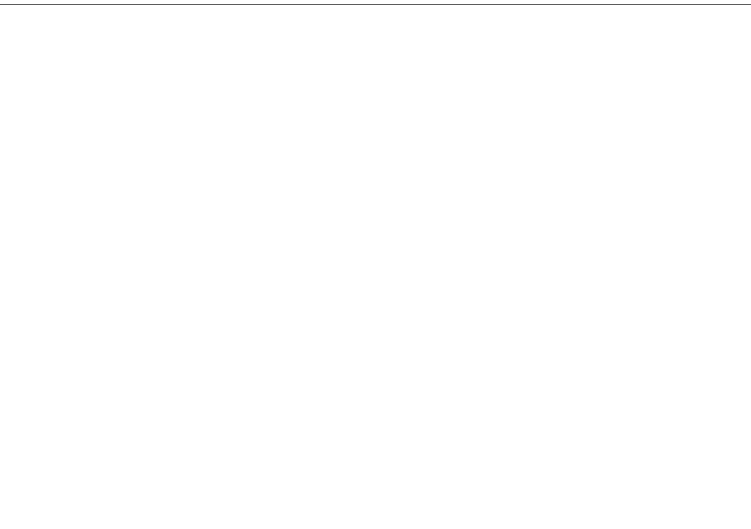
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Middle East

1 Egyptians and Israelis were cooperating on some issues this week. The exchange of prisoners of war was carried out with only minor snags, and Egyptian soldiers and civilians surrounded by Israeli forces got a steady flow of essential supplies. Egypt has now turned its attention to Arab summitry, and Israel continues to prepare for next month's elections, but in spite of these distractions and problems, the interest of the two parties

in addressing the basic issues of a settlement remains alive.

1 The Syrians are most unhappy about being left out of Egyptian arrangements, but so far have confined themselves to just grumbling about it. Moscow, also feeling a little left out, has been emphasizing its support of the Arab cause and is examining the Palestinian potential in talks with fedayeen leader Arafat in Moscow.



Israeli POWs go home . . .



. . . and so do the Egyptians

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Military Situation

1 [Occasional small arms, artillery, and mortar fire broke the cease-fire this week on both fronts. Most of the firing was along the Suez Canal, where at least one Israeli aircraft was downed by Egyptian surface-to-air missiles. Firing on the Syrian front was primarily in the northern sector; little damage and few casualties were reported on either front. The disposition of Egyptian, Syrian, and Israeli forces changed little in the past week. Each continues to reinforce its positions, however, and to outfit their forces with substantial quantities of new weapons obtained abroad.]

1 [Egypt, meanwhile, has protested to the UN about Israel's efforts to construct a causeway across the Suez Canal, charging that such activity constitutes a serious violation of the cease-fire and a major engineering change of the canal.]

9 [There was no significant change in Soviet naval forces in the Mediterranean during the week. Most of the Soviet ships remained at anchorage or in port with only eight war ships trailing the US Sixth Fleet. The squadron now includes 19 submarines, 26 warships, and 31 support ships.]

Diplomacy

1,8 [This week, the Egyptian-Israeli prisoner exchange proceeded with only minor complications, and all captives were scheduled to be home by 22 November. Non-military supplies for the Egyptian Third Army and for Suez city moved unimpeded through the UN and Israeli checkpoints. All but a handful of wounded civilians have been evacuated from the city.]

1,8 [Talks on the more troublesome questions of a return to the 22 October cease-fire lines and the disengagement of forces got off to an inauspicious start. On 18 November, Egypt canceled a meeting at Kilometer 101, apparently in reaction to Israeli calls for a return of Egyptian and Israeli forces to

their own sides of the Suez Canal and for the establishment of a ten-kilometer buffer zone on each bank. Later, the Egyptians publicly rejected the proposal. Little information has been released about subsequent meetings, but statements from each side attest there is considerable disagreement between them. The meetings are continuing, but it is unlikely that these questions will be resolved quickly.]

1,8 [The UN Emergency Force for the Egyptian front grew to nearly half its prescribed strength of 7,000. No progress was made toward securing funds for its maintenance, however, as efforts to gain approval of a financing resolution were stalled. An Arab proposal to exempt Egypt, Syria, and Jordan from assessments on the grounds that they are the victims of aggression threatened not only to delay the necessary funds, but also to raise the explosive issue of accountability for the war. An effort to fix responsibility for the hostilities also seemed to underlie a Soviet proposal for an entirely new scale of assessments that would increase the contributions of the developed states, including Israel, while reducing those of the East European states.]

New Reality in Israel

1,8 [Prime Minister Meir has again affirmed Israel's desire to talk peace with the Arabs, but is suggesting that it would not be desirable to hold formal peace talks prior to the Israeli election set for 31 December. This position reflects the dilemma in which Mrs. Meir finds herself. On the one hand, she heads a government that is under fire for its allegedly negligent conduct of the war; on the other, she is under strong international pressure to make meaningful concessions to Israel's enemies.]

1 [In an effort to put to rest the apprehensions of most Israelis about the government's performance and to turn their attentions to thoughts of peace, Mrs. Meir has proposed that a commission be established to inquire into the armed forces'

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preparedness for and conduct of the war. Israel's political parties differ greatly over what would constitute a viable peace settlement, and Mrs. Meir will need a new mandate before her government can confidently move forward in negotiations. 7

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5
The Israeli public may be ready to accept a peace settlement with Egypt. The US Embassy describes the signs pointing in this direction as "fragile," but a clear change from the widespread attitude that Israel should not surrender one inch of the territory taken in 1967. Anxieties about US intentions and deep suspicions about Soviet and Arab objectives remain, but a number of commentators are exhorting the government to abandon its post-1967 "immobilism." 7

1 Defense Minister Dayan, in a number of public appearances, has stressed the "new reality" theme: that Israel's international political position has changed dramatically as a result of the late war; that the pace of events is beyond Tel Aviv's control; and that Israel must, therefore, reconsider all its positions. 7

1 The Israeli press is hinting that government teams are busy formulating an Israeli position for the negotiations. A well-placed journalist has echoed what is probably an official worry. It would be difficult, he wrote, for Israel to discuss "secure borders" without the prior resolution of several other issues:

- an end to the Arab oil embargo;
- a US-USSR agreement to limit arms shipments to the area;
- Big Power guarantees of Israel's security and navigation rights;
- a way to prevent the inundation of Israel by Palestinians. 7



Israeli General Yariv (hatless) and Egyptian General Gamazy

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1 [General Aharon Yariv, who has headed the Israeli team in the cease-fire talks with the Egyptians, apparently will be replaced soon. Yariv is a candidate for the Knesset and, according to Israeli law, must end his army service if he wants to campaign. There has been some speculation that Mrs. Meir, displeased with Foreign Minister Eban, is considering making Yariv the top negotiator at any future peace conference.]

1 [General "Arik" Sharon, one of Israel's new military heroes, is also seeking political office and is on the list of Likud, a right-wing group severely critical of the Meir government. Sharon, unlike Yariv, has said that he will stay in the army if the election law cannot be changed to let him be a candidate.]

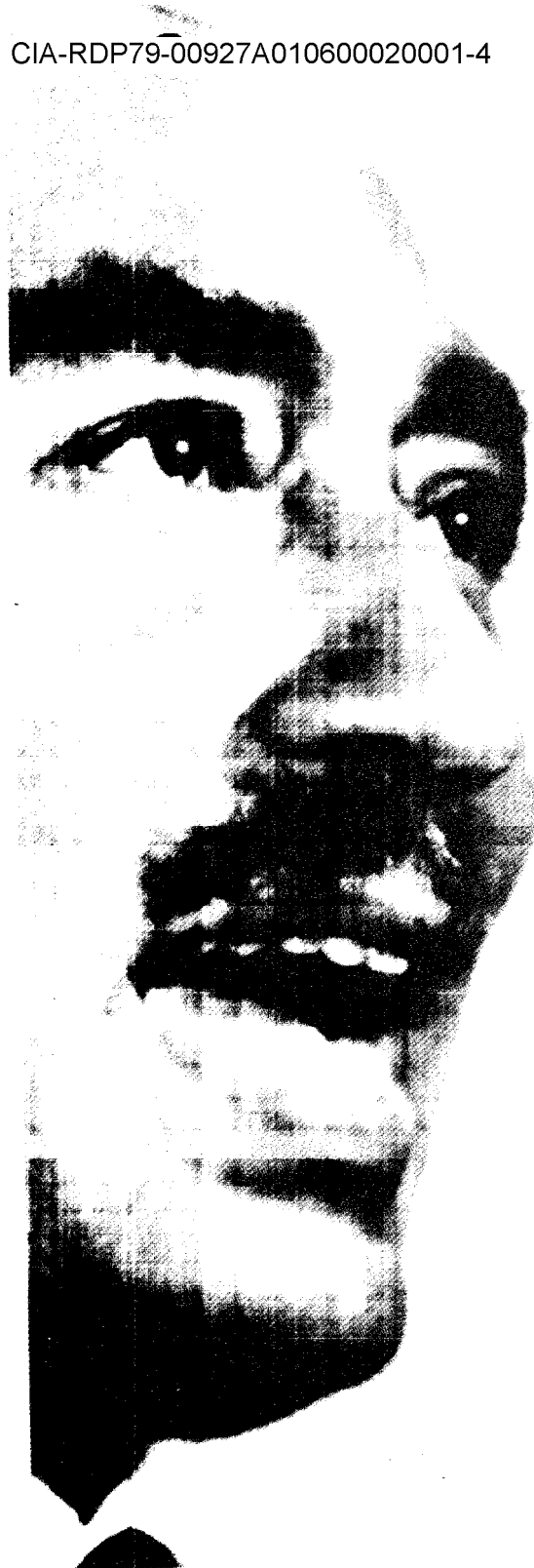
IN ARAB CAPITALS

The Egyptians

1,8 [Cairo is having almost as much difficulty with its Arab allies as it is with Israel. As negotiations with Tel Aviv turned to controversial questions, Cairo appeared as concerned about trying to convince its Arab neighbors of the merits of dealing with Israel as it was about furthering the negotiations themselves.]

1,8 [President Sadat is under public fire from Libya and Iraq and private censure from a variety of other Arabs for accepting the cease-fire, agreeing to the truce arrangement, and sitting down in talks with the Israelis. Concerned that these criticisms might broaden Arab disunity at the forthcoming summit conference and hopeful that negotiations with Israel can begin with some degree of Arab solidarity, Sadat has dispatched emissaries throughout the Arab world to mobilize support.]

1,8 [Where quiet persuasion has not worked, as with Libya, Sadat appears to be trying carefully tuned public criticism. Last weekend, a leading



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Cairo columnist mounted an indirect but pointed attack on "the country" that talked most about war and contributed least when war came, an unmistakable allusion to Libya. At the same time, the writer emphasized that Sadat cares more for building effective Arab unity than for asserting his own authority or Egypt's hegemony over the Arab world—a clear attempt to ease Arab fears, including those of President Qadhafi, that Sadat will ride roughshod over his neighbors to achieve Egypt's ends.7

8 [Some of Egypt's maneuvers in talks with Israel this week may have been designed in part to demonstrate to other Arab states that Cairo will not bend to Tel Aviv's demands. Cairo's cancellation of the Egyptian-Israeli meeting on 18 November, for example, may have been intended to emphasize to Israeli and Arab alike that Egypt will reject any plans that call for the cession of Egyptian territory.7

1,8 [Similarly, War Minister Ismail's long exposition, in an interview, of Egypt's planning and preparation for the war was probably intended for Arab as well as Israeli consumption. This was the first public acknowledgement that Egypt and Syria initiated the fighting and, although it contained no obvious threats of renewed action, reminded the Arabs of Egypt's fighting ability at a time when many are criticizing Cairo for talking.7

The Syrians

1 [Syrian Foreign Minister Khaddam visited Cairo last weekend, reportedly to air Syria's complaints and to work out a coordinated strategy for next week's Arab summit. Privately, the Syrians are still bitter about not being informed of Egypt's intentions, but a serious falling out between Cairo and Damascus does not seem likely.7

The Jordanians

1,8 [King Husayn, with the occupied West Bank still uppermost in his mind, has been sounding

out other Arab leaders about a proposal to resolve the sticky Palestinian question. The King is suggesting that Jordan first negotiate the return of the West Bank and East Jerusalem at a peace conference, then—following an Israeli withdrawal—allow the UN to hold a plebiscite to determine whether Palestinians want union or federation with Jordan, or complete independence.7

1,8 [Lebanon's President Franjijah and Syria's President Asad have reportedly responded favorably to the idea. Saudi Arabia's King Faysal and the Emir of Kuwait, who were consulted last Sunday, are unlikely to raise serious objections. Amman has not been able to obtain the all-important reaction of President Sadat, who has been holding Husayn at arm's length since the cease-fire. Husayn, who hopes to appear flexible on the issue, reportedly intends to make his proposal public, but probably not until after the Arab summit in Algiers.7

Libyans and Others

1,8 [Libya's President Qadhafi is on a nine-day visit to Belgrade and Paris—his first trip outside the Arab world since his military junta took power in 1969. Qadhafi apparently is shopping for military equipment and assistance in exchange for oil, but his hard line on the cease-fire agreement has dominated discussions in both European capitals. The Libyan leader considers Yugoslavia and France to be Europe's most independent states and may believe they will be receptive to his arguments against Great Power imposition of a settlement. Qadhafi reportedly will wind up his stay in France with a press conference this weekend, just prior to the Arab summit in Algiers. He may hope to divert attention from the meeting, which he recently denounced as a facade for rubber-stamping what has already been decided in Cairo. Qadhafi has said that he will not attend the summit, but a last minute change in his travel plans suggests that he wants to keep his options open.7

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1,8 [Arab foreign ministers are scheduled to meet in Algiers on 24 November to prepare for the Arab League summit that is to begin on Monday. A majority of member states have agreed to participate, although at least two important leaders have said that they will not—Qadhafi of Libya and Bakr of Iraq. Their expected absence will make it considerably easier for the moderate Arab leaders to dominate the session.]

SOVIET ACTIVITY

1,8 [With the cease-fire holding, Moscow has turned its attention to the "pull-back" elements of the agreement and preparations for a peace conference. An article in *Pravda* on 15 November insisted that Israel must withdraw to the lines of 22 October, but took the rather optimistic view that "new political factors" have created "more favorable conditions than ever" for the resolution of Arab-Israeli problems. Soviet concern that it is being left out of political developments in the area still comes through clearly. Moscow has also mobilized communist parties in the Middle East and responsive newspapers there to play up the Soviet role in Arab successes and to stimulate

distrust of the US and those Arab leaders willing to work with Washington.]

1,8 [As one step to get back on center stage, the Soviets finally got Yasir Arafat and the leaders of most of the major fedayeen organizations to Moscow on 19 November. The delegation's visit had been postponed several times while both Arafat and the Soviets worked hard to convince the heads of the more radical organizations to attend. George Habbash, chief of the militant Popular Front for the Liberation of Palestine held out, although his organization is represented by one of his key advisers.]

1,8 [The trip is designed to hammer out a common position on Palestinian participation in a peace conference. Moscow has been urging creation of a Palestinian state centered on the West Bank, but fedayeen leaders have been reluctant to abandon their long-standing objective of a return of displaced Palestinians to Israel. The Soviets apparently hope that support of the Palestinians will strengthen what Moscow would see as a "progressive" force at a peace conference and, more generally, in the area.]

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Europe: Preparing for Less Oil (NOT SOLVED)

The Arabs' scheduled 5 percent reduction in December oil production will not be applied to EC members. The Arabs were reacting to the EC resolution supporting their position. Of the nine EC members, only six will be directly affected: the UK and France are on the Arabs' favored countries list and already exempt from cutbacks, while the Netherlands remains embargoed. The six remaining members were expecting to lose 180,000 barrels per day of Arab oil in December. The French have made their point that "helpful" declarations for the Arabs bring results.

The selective restoration of the cutback compounds the dilemma of EC members who give lip service to European solidarity while refusing help to the embargoed Dutch. The new Arab statement presumably will still permit "informal" oil sharing by the international companies and may even marginally increase what is available for such shifting of supplies to the Dutch and others damaged by the embargo. Nevertheless, the distinction between the Netherlands and the other EC members is heightened, and the Dutch—while themselves hoping to convince the Arabs of the Hague's "even-handed" policy on the Middle East—are talking increasingly of abandoning the pretense of community solidarity. The community has called off a council session on energy policy scheduled for 26 November. The Nine will address the Middle East and energy questions at their summit in Copenhagen on 14-15 December.

Even with the Arab exception, Western Europe will face serious problems. The area is dependent on Arab sources for over 70 percent of its crude oil requirements; the proportion is closer to 80 percent for France and Italy, and is over 80 percent for Spain. Despite stocks of between two and three months, West European countries are taking steps to conserve energy. All consuming countries have urged voluntary energy conservation, but have been reluctant thus far to impose rationing. If the Arab oil cutbacks continue, however, rationing may be necessary in a number of countries early in 1974. The piecemeal restrictions differ from country to country.

West Germany On 9 November, the Bundestag gave Brandt sweeping powers to restrict consumption. The law empowers the government to impose specific measures concerning production, transport, storage, and distribution of energy sources. Earlier this week, Bonn announced a ban on Sunday driving.

France The government has urged Frenchmen to curtail automobile use and lower household thermostats. The sale of gasoline in containers has been prohibited.

Italy Rome has placed controls on the export of petroleum products.

United Kingdom The government has ordered an immediate 10 percent reduction in all petroleum product deliveries. It has urged the public to stop driving on Sundays and to reduce speeds to 50 miles per hour. The sale of gasoline in containers has been banned. Several weeks ago, London placed controls on oil exports outside the EC.

Netherlands The Dutch have introduced an export licensing system on most petroleum products. Oil companies have agreed to reduce deliveries of most petroleum products (excluding gasoline) by 15 percent. Sunday driving has been banned. The government has urged voluntary observation of a 60-mile-per-hour speed limit and lower household temperatures. Authorities estimate that these steps could yield a 10 percent saving in petroleum products.

Belgium An export licensing system has been set up for most petroleum products. The government has placed the country's petroleum business under its control.

Austria On 14 November, the government raised the price of motor fuel and heating oil by 22 to 35 percent to discourage hoarding and compensate for higher crude prices. The Austrian parliament has given the government authority to ration petroleum products. The sale of gasoline in containers has been prohibited.

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Spain Export of petroleum products has been curtailed.

Portugal The price of gasoline has been raised and service stations ordered to close on Saturdays and Sundays.

Denmark The government has taken steps to reduce oil and gasoline consumption by 25 percent.

Price controls have been waived, and sulfur content regulations have been eased. The sale of high-octane gas is prohibited, and speed limits are reduced to 50 miles per hour.

Greece Gasoline and electric power consumption have been restricted. Speed limits have been reduced and the sale of gasoline in containers prohibited.

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GREECE: Government Challenged

19 ¶ Greece's experiment in more open democracy received a setback last weekend when the government had to call in the army to put down large-scale rioting in Athens. Prime Minister Markezinis subsequently promised to go ahead with his plan to return Greece to political normalcy, but the task will be much more difficult following the weekend's events.

days later. The demonstrators attempted to take government buildings by force and were beaten back by police. As a result, 12 were dead, 350 injured, and over 1,000 arrested. A large number of workers were among those arrested, indicating that a student call for worker support had met some success.

19 ¶ The concessions that the government had made—the lifting of martial law, the meeting of some student demands, the talk of elections—emboldened both the students and the political opposition.

14 ¶ Martial law was declared on 17 November, and army tanks knocked down the gate of the Athens Polytechnic Institute; the students left peacefully. By 19 November order had been restored.

16 ¶ Earlier this month police clashed with anti-government demonstrators following a memorial service on the fifth anniversary of the death of former prime minister George Papandreou.

16 ¶ The government has claimed that the trouble had been caused by anarchist elements who were trying to prevent the government from announcing its plan for elections. Security forces claim that supporters of Andreas Papandreou's Panhellenic Liberation Movement started the trouble and that Communist and other labor elements later took over the leadership of the demonstrators. The government has closed the universities for three weeks and arrested many known or suspected regime opponents.

16 ¶ Another outbreak began on 14 November when students barricaded themselves in the Athens Polytechnic Institute and issued demands for more academic freedom, "Americans out," and immediate democracy. Violence came two

15 ¶ President Papadopoulos, disturbed by the situation, tried to salvage his efforts to restore

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political normalcy. At first, he gave orders that no non-Communist politicians be arrested; he later placed three prominent politicians under house arrest, including ex-prime minister Kanellopoulos. All three have been outspoken opponents of the regime. Kanellopoulos had issued a statement in support of the demonstrators, and on 19 November he called for the government to resign and make way for a government of national unity. Papadopoulos has ordered Prime Minister Markezinis not to make any public statements about future elections, which he says will not be held until order has been fully restored. 7

20 (The US Embassy says that the government may have to try a new approach to get its "politicalization" program back on track. Given the visibility of the army in putting down the disorders and the strong criticism of politicians by the government, it is even more unlikely that politicians such as Kanellopoulos would agree—or perhaps even be allowed—to participate in elections. Most army officers are strongly opposed to these old-line politicians, and Markezinis has the army looking over his shoulder to make sure that any initiative he may take does not lead to new disorders.

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YUGOSLAVIA: THE KIEV DOCUMENT

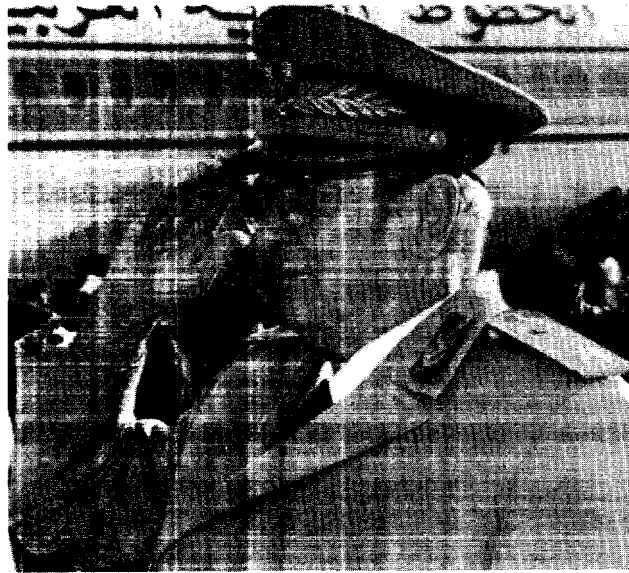
23 Tito's very friendly talks with Brezhnev in
24 Kiev last week will heighten concern at home and
abroad about Belgrade's rapprochement with
Moscow. Such concern will not deflect Tito, who
is determined to pursue both improved ties with
the Kremlin and a strongly pro-Arab policy.

23 The exceptionally warm language of the
24 communique exceeds anything Tito has signed
with the Soviets since the great schism of 1948.
The Kiev document twice refers to "trust" and
specifically describes the talks as taking place in a
spirit of "mutual understanding." Although Tito
has privately stated that he trusts Brezhnev, he
has never before used the word in a formal docu-
ment.

23 The document lacked any of the familiar
24 Yugoslav references to the right of socialist states
to differ on domestic and foreign policy. Simi-
larly, Belgrade's standard list of basic principles
guiding good bilateral relations—respect for inde-
pendence, sovereignty, and territorial integrity
along with non-interference in domestic affairs—
was also omitted. Tito did tick off these princi-
ples at a welcoming reception, but he signally
failed to insist on their inclusion in the communi-
que.

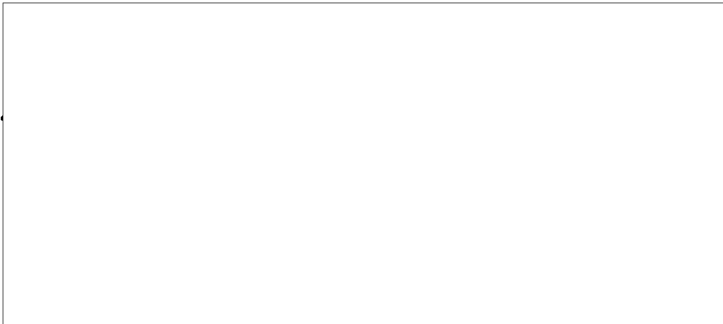
24 The visit to Kiev will increase public appre-
hension over Tito's eager cooperation with Mos-
cow during the Middle East war. Tito's militant
support of the Arabs placed Yugoslavia, for the
first time since the Tito-Stalin break, squarely on
the Soviet side in a major international crisis.
Moreover, Belgrade's strident pro-Arab stand
simultaneously underscored Yugoslavia's estrange-
ment from Washington. It also put Tito on the
outs with his Balkan colleague, Ceausescu.

23 An official campaign to counter the jitters
24 over this unfamiliar and unpalatable role is al-
ready under way. It has not had much effect yet;
indeed, public uncertainty has reached the state
that rumors alleging a US-Soviet agreement to
partition Yugoslavia are fairly widespread. This
week, Todo Kurtovic, the party executive bureau
member in charge of the press, tried to discourage



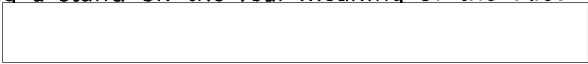
Tito

such rumors by blaming them on psychological
warfare against Yugoslavia conducted by the US
and its friends.



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23 Although the Soviets almost certainly paid a
24 price for Tito's concessions in the Kiev document,
the *quid pro quo* has not yet emerged. There has
been little Yugoslav press commentary on the
visit since Tito's return, suggesting that Yugoslav
leaders are waiting for a briefing by Tito before
taking a stand on the real meaning of the Kiev
visit.



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FRANCE

Looking East

25 [The French have been busily making contact with Eastern Europe this fall. French officials visited Warsaw, Prague, and Bucharest in October, and more exchanges are in the offing. Paris' immediate aims are largely economic, but it hopes to reap political benefits that will improve its position throughout Europe.]

25 [Paris regards Economics and Finance Minister Giscard's talks in Warsaw with Polish party leader Gierek as the major event, believing that the visit underscored France's key place in Poland's relations with the West. The French also sent a high-ranking Quai official to Prague to breathe the new life into that relationship, strained since the Soviet invasion in 1968. Both sides hope that the visit of a French minister to Prague later this month will be a large step in that direction. Paris has sent a high official to Bucharest to help prepare for the visit to Paris next year of Romanian Foreign Minister Macovescu.]

25 [The French now plan to dispatch an ambassador to East Germany, almost a full year after negotiations opened. The next item on the agenda is the arrival in Paris next week of the Bulgarian foreign minister. Last September, France proposed that Bulgaria be included in the EC scheme of generalized preferences for developing nations, and Sofia apparently is anxious to pursue the matter.]

25 [This activity does not point a new direction in French policy, but it does underline Paris' continued interest in developing a political Europe that extends at least to the Soviet border, if not—as deGaulle had it—to the Urals. While French attention is currently centered on building the unity of the EC, in the long run Paris still hopes that the EC will act as a magnet, drawing Eastern Europe toward it. With detente essential to these ambitions, Paris has another reason to



Giscard d'Estaing

chafe over what it regards as the US-Soviet effort to monopolize detente.]

25 [The French are, of course, attracted by the market potential of Eastern Europe, and they also hope their involvement there will to some extent take the play away from West Germany's Ostpolitik. Moreover, the French regard ties with East European countries as an important element in maintaining their "special relationship" with Moscow. At the same time France feels it is competing with the Soviets for influence in the region, and the current strains in Franco-Soviet relations over the management of detente may encourage Paris to be more active in that regard.]

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FINLAND: AN EC AGREEMENT

34 The most significant event in Finnish foreign policy over the past decade occurred last week when parliament ratified the free-trade agreement with the EC. It came after nearly 17 months of on-again, off-again deliberations, and despite a last-minute flurry of Soviet criticism. President Kekkonen was expected to countersign the accord this week, just days before the deadline ending Finland's special trade arrangements with its former European Free Trade Association partners that have already joined the EC.

34 With a nod in Moscow's direction, the Finns attached a rider stating that if the EC accord with Brussels disrupts Finnish-Soviet cooperation, Helsinki could terminate the agreement. The ambiguous language of the clause could cause Finland trouble if the Soviets decide their neighbor is drifting too far toward the West. The Finns will probably try to placate Moscow on other issues in order to redress the balance in its relations with East and West.

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SPAIN: CHURCH-STATE TROUBLES

37 ¶ The government is moving to reduce tensions with the Catholic Church over the practice of putting priests convicted of political crimes in special prisons. With the Roman Catholic Church trying to dissociate itself from the Franco regime and a new concordat between the Vatican and Madrid being discussed, the prison issue has taken on a special significance.

ment reportedly does not want to abandon its veto power over the appointment of bishops in Spain and wants to exclude the church from political and social matters that the regime regards as its exclusive preserve. Negotiations are likely to be protracted.

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[Redacted]

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38 ¶ This week, the seven priests who began a hunger strike two weeks ago at a special prison were transferred to the hospital of a regular prison outside Madrid. The priests—of whom six are Basques serving 10 to 50 years—had previously set fire to their special jail to dramatize their demands to be placed in a regular one. They argue that the special prison, which is permitted under the Concordat, shows that the church has surrendered its independence to the state. The hunger strike occurred shortly after the visit to Spain by Monsignor Casaroli—the Vatican equivalent of foreign minister. He was in Madrid to discuss the possibility of negotiating a new concordat.

BREZHNEV TO INDIA

(41-45)

¶ Soviet party leader Brezhnev arrives in New Delhi on 26 November, hoping to burnish the USSR's credentials as a moving force behind Asian detente. He also hopes to demonstrate that Moscow's pursuit of better relations with the West has not been at the expense of Soviet ties with clients like India. Brezhnev doubtless would like to restore some of the warmth that Soviet-Indian relations had during the Indo-Pakistani war in 1971.

39 ¶ Several other clerical demonstrations followed Casaroli's visit. Some 50 Basque priests last weekend began a sympathy sit-in at the bishop's palace in Bilbao. At least 150 clergy staged a similar sit-in at a seminary in San Sebastian, another Basque city. In Madrid about 150 priests and laymen held a 20-hour sit-in at the Vatican Nunciature.

The Indians, who have been preoccupied with domestic problems and relations with Washington, are grateful for Brezhnev's visit, which demonstrates the continuing Soviet interest in India. Basically, they are really interested in what they can get out of him in the way of new economic and military aid.

40 ¶ The tension aroused among the priests reflects the three-way differences over church-state relations among the bishops conference, the Vatican, and the Spanish Government. Cardinal Tarancon, who heads the bishops conference, takes a tougher attitude than the Vatican on the need to separate the church from the Franco regime and on the right of the church to speak out on political and social problems. The Vatican is interested in a nearly complete separation of church and state and is willing to renounce most or all of its special privileges. The Spanish Govern-

Talks between the two sides will range over a number of international and bilateral issues. As always, China looms large. Brezhnev will probably solicit Indian support for as many anti-Peking schemes as he can, particularly his own Asian collective security idea. He will also encourage Indian detente efforts in South Asia, and press for closer Soviet-Indian military cooperation.

The Indians probably are prepared to endorse Soviet detente efforts in Europe and various Soviet disarmament schemes. The Indians seem anxious to avoid the question of exclusive privileges in India for the Soviet Navy.

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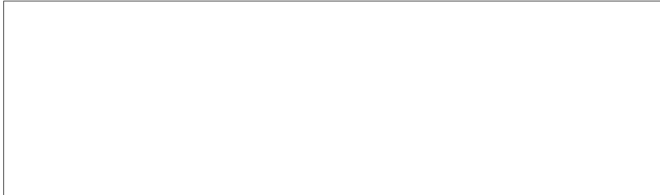
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agreement on military and economic aid questions. India is interested in more advanced fighter aircraft and has ambitious plans to expand and modernize its navy. Moscow probably will be willing to provide some of what the Indians want eventually. At least some progress will be made on economic problems, particularly if Moscow offers to help India meet its energy needs and ease credit terms on outstanding debts.

The two countries are expected to sign a consular convention. There probably also will be

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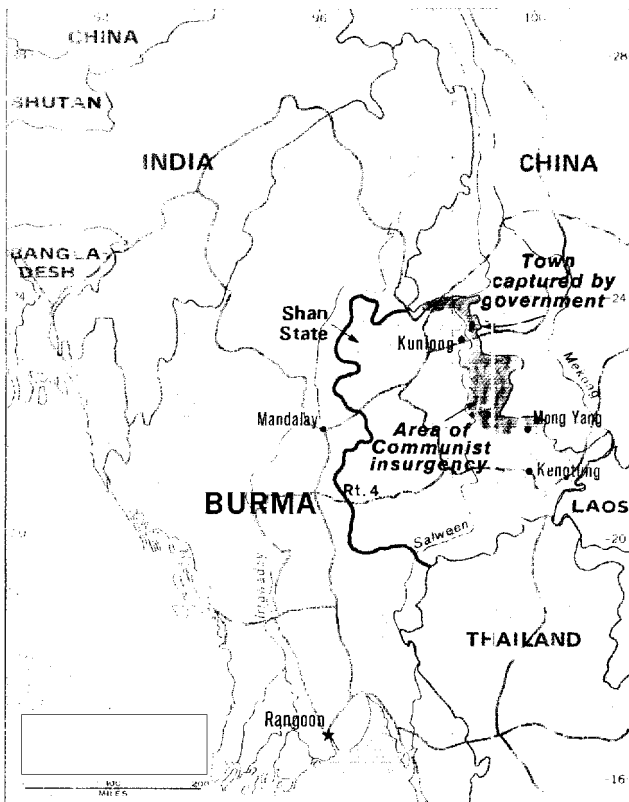
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BURMA: COUNTERING THE INSURGENTS

[Rangoon has been moving with unusual vigor in recent weeks against the well-established Communist insurgency in the northeast, but it is doubtful that the Burmese military can long sus-

tain the momentum of its offensive, now two months old.

47 [Stung by the Communist seizure on 1 November of Mong Yang, the last major garrison between Kengtung and the border, the Burmese Army moved quickly to take diversionary action farther north. With insurgent attention focused on the Mong Yang area, the government succeeded in capturing a town only five miles from the border. The army is now moving against other long-time Communist depots and strongpoints in this area. The insurgents, supplied and directed in part by the Chinese, had enjoyed relatively undisturbed sanctuary along this stretch of the border.



46 [In spite of the government gains in the north, the situation around Kengtung is worrisome. The Communists have followed up their seizure of Mong Yang by moving reinforced units to within 20 miles of Kengtung. Anticipating this, the government has sent reinforcements into the Kengtung area to defend the town and Route 4; the army is making plans for a counterattack.

46 [Supply problems, plus the heavy casualties sustained by Burmese forces since the offensive began, raise questions about Rangoon's ability to sustain operations on two fronts. Moreover, the rout at Mong Yang took its toll on troop morale, and some unit commanders are new and inexperienced. Rangoon has assigned its deputy defense minister as regional commander, reflecting the seriousness with which it views the situation.

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CAMBODIA: ANOTHER NEAR MISS

(48-51)

Many of Lon Nol's superstitious countrymen must by now be convinced that the President leads a charmed life. For the second time this year, Lon Nol escaped unharmed when a disaffected Cambodian Air Force pilot bombed his residence in Phnom Penh on 19 November. The wayward pilot's motives for staging the raid are unknown, but he apparently acted alone and presumably has sought refuge in a Khmer Communist-controlled area of Cambodia.

The capital quickly returned to normal after the incident. The government reacted in familiar fashion by temporarily grounding the air force's fighter aircraft and by arresting the pilot's family. It is possible that the attack may also result in the removal of the chief of the air force.

For his part, Lon Nol appeared to be taking the incident in stride. At midweek, there were no signs that the President was preparing another widespread crackdown against anti-government elements in the capital similar to the one conducted in March—when the first attack occurred. The repressive actions at that time were largely the work of Lon Nol's impetuous younger brother, Lon Non, who has been in the US since July.

Military Mire

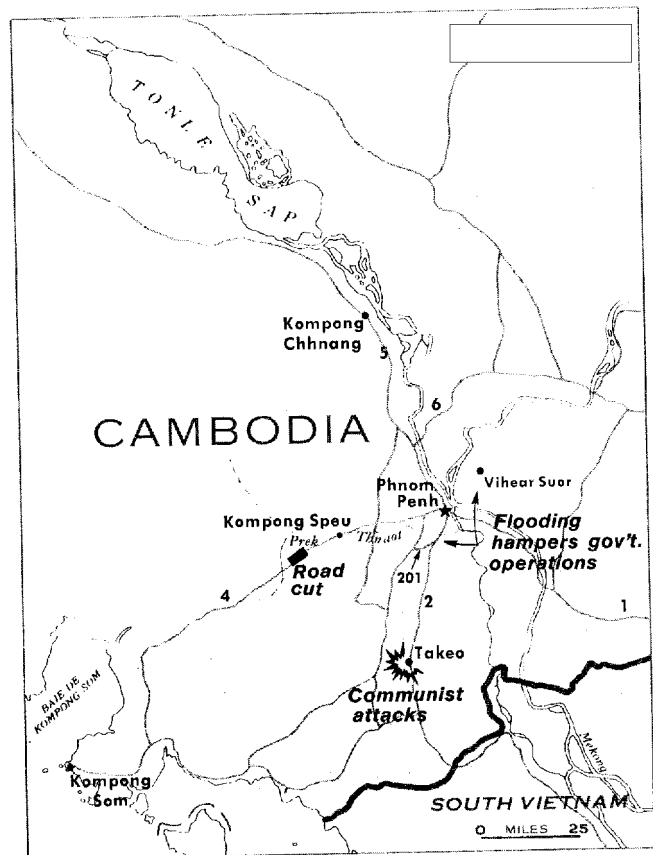
Typhoon rains struck the Phnom Penh region this week, bringing military activity to a temporary standstill. South of the capital, the flooding of the Prek Thnaot River has disrupted government resupply operations and has forced elements of two government divisions to halt their advance along Routes 2 and 201. Flooding in the marshy area ten miles northeast of the capital has slowed the government effort to relieve the market town of Vihear Suor.

In other areas, the Khmer Communists kept up the military pressure. There are signs that a

major Communist push is developing against the provincial capital of Takeo, 40 miles south of Phnom Penh. The city has been subjected to a series of ground attacks since late last week, and the government commander there estimates that his 2,000-man garrison faces as many as seven Communist battalions.

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Elsewhere, sporadic fighting continues along the Communist-controlled four-mile section of Route 4 west of Kompong Speu City



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SOUTH VIETNAM: PALACE SQUABBLING

54 [President Thieu may be forced to curb or dismiss two of his most important aides—presidential assistant Nguyen Van Ngan and Information Commissioner Hoang Duc Nha—who have been vying for influence for some time. Earlier this month at a meeting attended by Thieu and the cabinet, Ngan and a large group of pro-government legislators recommenced that Nha's Information Commission be abolished because it was ineffective, corrupt, and incompetent. Ngan has since persuaded the Lower House to vote down a large supplementary budget request for Nha's commission. Ngan and his followers are also calling for a reduction in the political powers of the country's military region commanders.]

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54 [The country's senior military commanders have little use for either Nha or Ngan. [redacted] most of the senior officers are pleased that the dispute between the two civilian aides has bubbled to the surface, and they hope Thieu will fire both of them.]

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[redacted]

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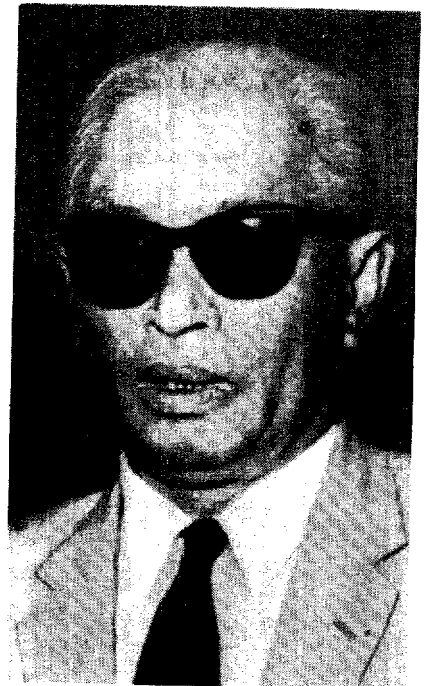
56 [There is no indication what Thieu will do, [redacted] Nha, Thieu's cousin, is the President's closest civilian adviser; Ngan has achieved a lesser, but still important, role. Thieu depends heavily on the backing of the military establishment; if it came to a showdown between his civilian advisers and the senior commanders, the President would be unlikely to go against the military. Although there are few signs that the rivalries have impaired government effectiveness, they could become a threat to stability, particularly if combined with other domestic problems or pressure from the Communists.]

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THAILAND: OFF TO A GOOD START

57 [Prime Minister Sanya's government, despite its caretaker status, has turned in a creditable performance during its first month in office. It has handled the immediate problems of restoring order and establishing confidence by:

- getting the army to promise publicly to stay out of politics;
- giving the students an indirect voice in government affairs;
- shaking up the police department, best known for its venality;
- sacking several notoriously corrupt officials;
- seizing the assets of exiled leaders Thanom, Praphat, and Narong, and bringing criminal charges against them.]



Prime Minister Sanya

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58 [Most important from the students' point of view, the Sanya government has moved expeditiously to draft a new constitution. There is also evidence that Sanya has plans to turn the military-dominated National Assembly into a civilian body.]

60 [The degree to which real civilian rule will be allowed to develop remains an open question. In a country that has known little but military rule for the past 40 years and a strong monarchy before that, it is not surprising that the new set of actors, lately thrust upon the political stage, are unsure of themselves and their future. The student movement, for example, has split into factions over what part, if any, students should play in politics.]

58 [Although the military has agreed to stay in the background, Prime Minister Sanya is troubled by continued student criticism of the police and military. Fearing that such complaints could trigger a move by the army to restore the status quo ante, Sanya has publicly cautioned the students to avoid further provocative acts.]

59 [If the students and military are unsure of what part they should play, the bureaucrats are not. Long-frustrated civil servants are now being given the decision-making power previously reserved for the military-dominated cabinet. The general public will probably judge the civilians on their performance on bread and butter issues, such as the cost of rice and other necessities.] The military will doubtless be watching closely to see if the bureaucracy can provide the same stability that military rule imposed. While all the returns are not yet in, Prime Minister Sanya is off to a good start.

Thus far, however, the students are still groping for a slogan or issue that can crystallize feeling against the government.

Student leaders are thinking in terms of mass demonstrations focused on government economic shortcomings or on Suharto's plans to enact a secular marriage code. The latter is particularly offensive to Islamic students.

By themselves, the students probably cannot seriously threaten the government. Ambitious men within the regime or among those who have been pushed out in recent years, however, could try to capitalize on the unrest. One such possibility is General Sumitro, who heads the state security apparatus. He has been unusually prominent of late, politicking in the countryside and talking with students. Sumitro says he is just pouring oil on troubled waters, but it is clear that he would like to be in position to pick up the ball if President Suharto fumbles.

A potentially serious complication for the government is the involvement of an army-sponsored youth group in the antigovernment planning. Located in Bandung, with its history of student radicalism, this group is the youth arm of the army's Siliwangi Division—a former elite corps long involved in politics at the highest levels. Under Suharto, ambitious officers of the Siliwangi have been quickly retired or exiled to unimportant positions, and the division's former autonomy has been severely curtailed.

Although troublesome ingredients are present, the mixture has not yet reached a critical stage. Moreover, there are no signs of serious cracks in the solid front that the military leadership presents to the public. The army high command is not without its opportunists, such as Sumitro, but the students will have to prove that they can get a real anti-regime movement going before any important military man will make common cause with them against Suharto.

Indonesia

REMEMBRANCE OF THINGS PAST

(61 - 65)

[The recent success of Thai students has rekindled the political ambitions of Indonesian students. The students have played an important role in Indonesian politics in the past, and the government is keeping a close eye on the situation, wary that the students may be able to exploit latent discontent among segments of the population.]

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SOUTH KOREA: QUIETING THE STUDENTS

69 ¶ Although the South Korean Government is capable of dealing with domestic opposition in uncompromising terms, it has shown a certain moderation in handling campus unrest over the past few weeks. The persistence of the unrest, together with growing support for the students among Christian organizations and intellectual groups, has prompted the government into a stronger response. 7

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67 ¶ On 19 November, universities were advised to discontinue classes and hold final exams by the end of November—in effect, closing the schools several weeks before the customary three-month winter vacation. At the same time, the regime is intensifying pressure on school faculties and individual students to conform. The Ministry of Education, for example, has tightened control over government scholarships, making political rectitude a requirement for financial assistance. 7

69 ¶ The early closing of most colleges will ease the immediate problems on the campuses, but the students' activities have stirred up other segments of society, and this disgruntlement seems likely to persist on a small scale for the next several months. There are some indications that Seoul is considering measures—such as lowering the profile of the hated Korean CIA—which it hopes will help defuse the situation. [redacted]



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SOUTH ASIA: REPATRIATION

71 The three-way repatriation on the sub-continent continues, despite charges of bad faith by Bangladesh, India, and Pakistan. So far, about 35,000 Bengalees have arrived in Bangladesh from Pakistan, about 15,000 non-Bengalees have moved in the opposite direction, and India has released over 20,000 of the 95,000 Pakistani prisoners of war.

70 India has deliberately kept the repatriation of the Pakistani prisoners of war at a relatively slow pace. It has told Islamabad that it will speed up the release of prisoners only when the repatriation of non-Bengalees is accelerated. Recent Pakistani explanations of the difficulties and misunderstandings involved appear to have satisfied the Indians, however, and the prisoners may soon begin returning home in greater numbers.

72 Pakistan appears to be sending home Bengalees as quickly as it can, despite accusations by Dacca and New Delhi that it is holding back. India claimed, for example, that Islamabad was refusing to repatriate 203 senior Bengalee civil servants and was holding them hostage for 195 Pakistanis whom Bangladesh still threatens to try as war criminals. The International Red Cross, however, said that almost all of these senior Bengalees had already been repatriated. Dacca may have greater cause for suspicion in the future, because some 175,000 Bengalees had been expected to leave Pakistan, but Islamabad claims that only about 126,000 have applied for repatriation.

72 The issue of Kashmir has also cropped up again. Although public reaction in India has been restrained, New Delhi is clearly annoyed by some of Prime Minister Bhutto's recent statements. These included a call to be prepared for an eventual general strike in Kashmir, and also implied support for guerrilla warfare to free the disputed state from Indian rule.

72 None of the parties seems willing to press their grievances to the point of endangering the repatriation process. The movement of all three groups appears likely to continue, but at a slow pace and with continuing charges of bad faith.

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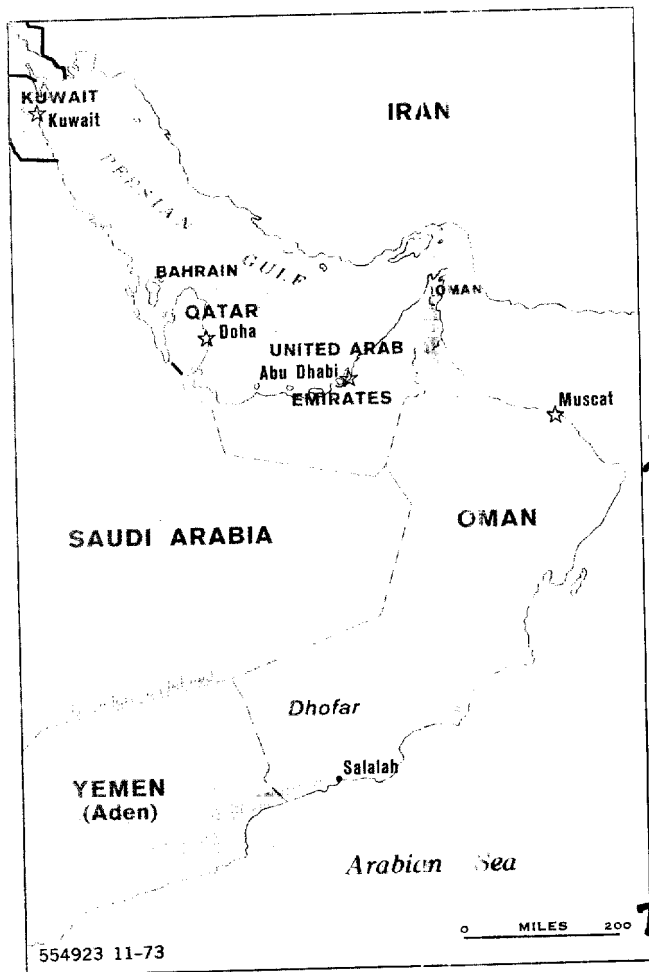
72 India and Bangladesh also suspect that Pakistan does not intend to honor the promise it made last August to take a "substantial" number of the quarter million non-Bengalees in Bangladesh. Islamabad's original low estimates on the number of Pakistanis in Bangladesh was seen as an attempt to set an arbitrary ceiling. Pakistan has since denied such an intention, but it has turned down many applicants for entrance on the grounds that they do not qualify as Pakistanis. Some in Bangladesh see this as another arbitrary move to limit the number of non-Bengalees to be admitted. For its part, Islamabad claims that one reason for the low number admitted so far is inefficiency in Dacca. Bangladesh has, for example, been unable to locate some non-Bengalees whose applications for repatriation have been approved.

OMAN: THE SULTAN'S WAR

73 Fighting between the 7,000-man Omani armed forces and the rebels in Dhofar Province has taken its normal seasonal upsurge. Since the end of the monsoon in late September, small groups of the Popular Front for the Liberation of Oman and the Arab Gulf have stepped up mine-laying operations as well as ambushing government forces and shelling strongpoints. The Omanis have countered with air strikes against

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the Popular Front continues to get arms and provisions through to its scattered units. In recent months, a variety of Soviet weapons have been delivered, including the Katyusha 122-mm. rocket that has been fired against targets near the coastal town of Salalah and against the nearby air base that supports the air war against the insurgents—both times without damage or casualties. The rebels have managed to bring in a number of anti-aircraft machine guns, in an attempt to discourage government helicopter operations. 7

73 The Sultan is hoping for outside assistance to shift the military balance in his favor. Thus far, Iran has been the most receptive to his appeals. 7
 76 Next month a fully equipped airborne brigade with subordinate medical and engineering units will join an Iranian special forces unit already on the scene. The first mission of the 1,300-man unit will be to clear an important truck route from the interior to Salalah. The UK has contributed about 150 officers, who lead the Sultan's army and run his air force. A limited number of Jordanians and Pakistanis hold middle-level positions in training, logistic, and technical-support units. 7

73 For their part, the rebels can count on continued support from the Marxist-oriented Adenis, who view the Omani sultanate as an obstacle to the revolutionary goals of the Popular Front. 7
 77 Since Aden gained its independence in 1967, it has served as a conduit for arms to the insurgents in Dhofar and has provided safe havens and bases for training. The Dhofari rebels could very well be receiving training from Cuban advisers assigned to the Adeni militia school. Earlier this year, Aden underscored its commitment to the rebellion by sending in 200 "volunteers." 7

rebel bases in Dhofar and search-and-destroy operations. They have tried to cut rebel supply routes from Yemen (Aden). A modest civic action program has been established in the backward, westernmost province in an effort to win the loyalty of the mountain tribesmen. Still, the rugged terrain gives the guerrillas great advantages and they get substantial support from across the border in Aden. No end is in sight in this decade-long guerrilla war. 7

73 The Omanis are not now capable of crushing the Dhofar insurgency, and their financial resources are strained to the limit by war-related expenditures that absorb about two thirds of government revenues. Thus, the past pattern of the guerrilla warfare seems likely to continue, with neither side gaining a marked advantage. 7

73 The Omani Army has tried in various ways to intercept supplies from Aden to the rebels, but 75

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SUDAN: TRYING THE TERRORISTS

78 Pre-trial inquiry into the assassination last March of one Belgian and two US diplomats began last week after a seven-week postponement. From the outset, the accused Palestinians disturbed the proceedings by shouting pro-Palestinian and anti-US slogans. The magistrate's highly unusual decision to allow the terrorists to address the court directly will permit them to air their political justification for the killings.

78 Unexpectedly, the Palestinians' spokesman asserted that the murders were ordered by the Palestine Liberation Organization—a contradiction of the organization's own denial of responsibility.

bility. The terrorists may be using this ploy to strengthen their argument that they were acting as agents of an "internationally recognized" body, to give the operation an aura of respectability.

78 At the next session, on 24 November, the defense is expected to argue that Sudan has no jurisdiction because the crimes were committed in the Saudi Arabian Embassy, a contention that the court will probably reject. In spite of the terrorists' outbursts, the US Embassy believes the inquiry is generally proceeding in accordance with accepted Sudanese legal procedure.

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FOREIGN MINISTERS MEET

87 Representatives of 23 Latin American and English-speaking Caribbean nations—including 16 foreign ministers—met in Bogota from 14 to 16 November to discuss US - Latin American relations. They endorsed a broad but generally moderate agenda for an expected meeting with Secretary Kissinger early next year in Mexico.

87 The idea for a meeting of American foreign ministers dates from early October when Secretary Kissinger visited the UN and talked with Latin American representatives about increasing high-level contacts. Foreign Ministers Rabasa of Mexico and Vasquez of Colombia appear to have been behind the decision that the Latin foreign ministers should meet first, without US participation, and seek a consensus. Rabasa later explained to the US ambassador in Mexico that the preparatory meeting would allow the Latins to "let off steam" and get unreasonable proposals "out of their systems."

87 The Colombians, together with Brazilians, Chileans, and several Central Americans, dominated the proceedings at Bogota. Peru, Venezuela, Mexico, Jamaica, and Panama unsuccessfully sought to inscribe several contentious proposals on the agenda. Panama did win support for a resolution that calls on the US to conclude a

canal treaty that will satisfy Panama's "just aspirations," but it was watered down from the original proposal.

88 Among the topics agreed upon for discussion with the US are:

- greater hemispheric cooperation for development;
- the international monetary system;
- the role of multi-national corporations;
- the transfer of technology;
- the revitalization of the inter-American system.

89 Delegates expressed confidence in the special OAS commission on reorganization currently meeting in Lima, but many apparently feel that there should be more regular consultations outside the OAS and without US involvement. In their closing addresses, however, Rabasa and Vasquez made it clear that they and many of their colleagues desire direct and frequent communications with Secretary Kissinger.

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CUBA: THE REVOLUTION REGROUPS

91 } Fidel Castro's speech closing the National Labor Congress on 15 November reversed a number of policies his regime had long defended. 93 Pleading "revolutionary inexperience," Castro admitted having tried to go too far, too fast in his efforts to bring communism to Cuba. He acknowledged that communism "cannot be applied by decree."

91 } These admissions, which received an implicit stamp of approval from other key figures of the regime, recognize the validity of the criticism 93 heaped upon him, not only by his Soviet and East European benefactors, but also by adherents of the pre-Castro Communist Party who had been purged for opposing his political and economic theories. His pledge to terminate some measures that have enjoyed wide public approval indicates that he is serious about changing many of the utopian but impractical schemes that have hobbled his administration.

92 } The policy changes were not unexpected; the regime's "mass organizations" had been priming the population for many of them for almost a year. Some of the measures undoubtedly drew considerable opposition, and the government was at some pains to demonstrate broad public support for the policy shifts. Of the 1.7 million workers eligible, 88 percent took part in the voting and reportedly approved the shifts "overwhelmingly"; those abstaining or signifying disapproval allegedly constituted no more than one percent of the vote on any specific item. This display of Cuban "democracy" may impress a few of the more unsophisticated, but the majority of those who will suffer from the change will look upon the statistics with skepticism.

91 } Castro touched on a broad range of topics. He made it clear that material incentives, for example, are no longer anathema and that some forms of overtime pay will be authorized. So-called voluntary work, often mismanaged and uneconomical, will be curtailed and organized in a more orderly fashion. On the other hand, utility rates, which were reduced sharply after Castro came to power, will be increased; premium pay

and the practice of retiring exemplary employees on full pay will be terminated. To soften the impact, Castro hinted at the possibility that luxury items such as cars and color television will become available. He also revealed that work is already under way on the drafting of Cuba's first five-year plan.

91 } The policy changes reached so deeply into the regime's ideological underpinnings that Castro apparently felt it necessary to have his brother Raul and President Dorticos on hand with him for all sessions of the congress. Seven of the eight members of the Political Bureau—the party's highest policy-making body—and the entire party

CASTRO SAYS HE HAS TRIED TO GO TOO FAR, TOO FAST IN BRINGING COMMUNISM TO CUBA.

Secretariat were present during his closing speech. By their presence, they signified their approval of the measures being adopted and their recognition of the rising influence, if not predominance, of Cuba's "old" communists.

91 } As if to underscore the latter point, an "old" communist, Lazaro Pena, was elected secretary general of the Central Organization of Cuban Workers, replacing "new" communist Hector Ramos Latour. The 62-year-old Pena had helped form the federation of labor unions in 1939 and had served eight years as its first secretary general, but he played no significant role in aiding the Castro revolution. Ramos Latour, on the other hand, is about 12 years younger than Pena and is a brother of a dead hero of the Castro revolution. He himself served in Castro's underground and helped organize union support for the rebel movement. His replacement by Pena is symptomatic of the gradual shifts in Cuba that are drawing it ever more closely into the Soviet orbit.

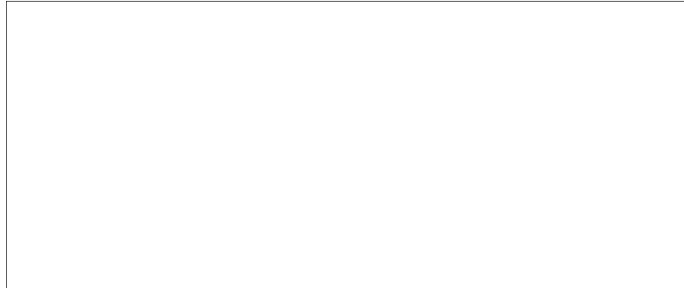
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TRINIDAD-TOBAGO: SEARCHING

(94-96)
Former attorney general Karl Hudson-Phillips has emerged as the most probable successor to Prime Minister Eric Williams as leader of the ruling People's National Movement. The party has set a national convention for 2 December and if Hudson-Phillips wins as expected, he will become prime minister shortly thereafter.

Since Williams announced his intention to retire from public life, the battle for control has crystallized the party's racial divisions. The former attorney general has the solid support of the party's black majority, while his chief rival, Minister of Health and Local Government Kamaluddin Mohammed, commands the loyalty of its East Indian minority.



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Under the present system, elections must be held by 1976, but Williams' successor probably will feel compelled to seek a popular mandate within a year. Before the election takes place, the new prime minister will have to convince the electorate of his ability to head an honest and effective government, promote racial harmony, and lessen unemployment. If he does not succeed in at least some of these objectives, the party could be ousted for the first time since the 1950s.

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Kamaluddin Mohammed



Karl Hudson-Phillips

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VENEZUELA: AN UNEVENTFUL CAMPAIGN

(97898)

The campaign for the national election on 9 December is moving into its final stage with a winner not yet in sight. Some strong political rhetoric has stirred up an occasional disturbance, but there are not enough substantive differences between the two major parties to enlist the real passions of the Venezuelans.

Of the 14 presidential hopefuls, only Lorenzo Fernandez, running for the governing Social Christians, and Carlos Andres Perez, the Democratic Action candidate, have a chance to win. The lead in public opinion polls has been seeing-sawing between them. With considerable fanfare, President Caldera has inaugurated a wide range of industrial and public works projects in the hopes of giving a boost to Fernandez.

Thus far, the focus in the campaign has been on domestic issues. Anti-US themes and complaints about foreign investment by US oil companies have been generally avoided. Democratic Action is portraying its candidate as a man of law and order who will control the spiraling cost of living and deal with other bread-and-butter issues. Until recently, the governing party concentrated on presenting Venezuela as an international leader. The party tried to appeal to the left with a pacification program at home and a call for relations with socialist countries abroad.

After recent polls showed that the left was cool to this tactic, however, party leaders turned to basic domestic issues that appeal to the poor. Fernandez' present poor showing in the polls has spurred speculation that President Caldera may try some dramatic last-minute acts to strengthen the pro-government vote. Most mentioned are moves against the oil companies and efforts to stabilize the cost of living and end shortages of staple commodities.

The election may be marred by a large—perhaps even a record—number of null presidential votes. The followers of the exiled ex-dictator, Perez Jimenez, who have no candidate of their own, may try this tactic. Abstention, although illegal in Venezuela and carrying stiff penalties,



Perez

may be popular with others as a means of expressing displeasure with the poor choice of candidates.

Either the Social Christian Party or Democratic Action will win the presidency, but the composition of the next national congress remains uncertain. Venezuela's proportional representation system favors small-party representation, which has encouraged a multitude of groups to offer congressional slates. The new congress could therefore represent a further fragmentation of political power with no party receiving more than 20 percent of the seats. The marxist Movement To Socialism is expected to do well, largely as a result of the popularity of its presidential candidate, Jose Vincente Rangel, a socialist independent, who is expected to come in third.

Although there are occasional rumors of coup plotting, there appears to be little danger that extremists of either the far left or right will trouble the election.

The military has reiterated its pledge to guarantee the results of the election, and both major parties have agreed to abide by the outcome.

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THE DOLLAR STAYS STRONG

After making ^(NOT SOURCED) strong gains in early November, the dollar was steady on major foreign exchange markets over the past week. Profit taking, a sharp rise in British lending rates, a flurry of speculation related to the revaluation of the Norwegian crown on 15 November, and the Arab announcement that December oil cuts would not be applied to "friendly" European nations all contributed to a slight easing after the high point on 12 November. An announcement the next day that major central bankers had agreed to permit free market sales of official gold had little impact, and the dollar showed its underlying strength by coming back later in the week.

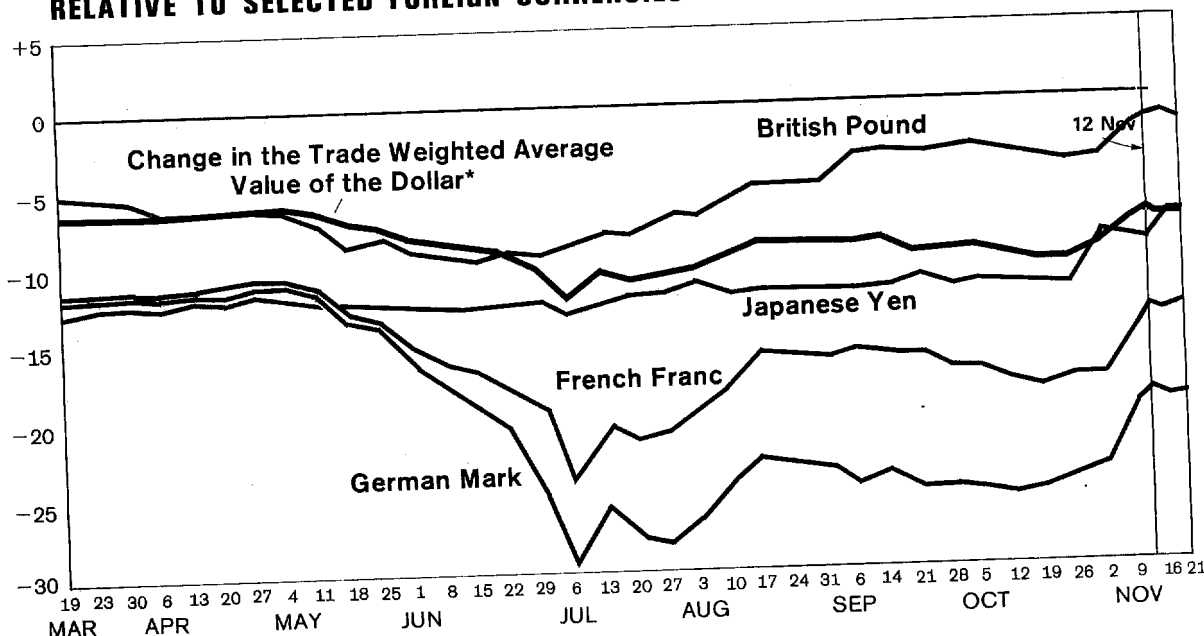
rise had been laid earlier by the improvement in the US balance of payments. Many who had speculated against the dollar earlier in the year were encouraged to reverse their strategies.

The oil price hikes and production cutbacks by the Arabs make money market predictions hazardous, but prospects for further dollar appreciation appear reasonably good. The US balance of payments will probably continue to improve, a delayed effect of the substantial dollar devaluation since 1971. This will add to commercial demand for dollars and will encourage firms and individuals to build up their dollar holdings.

The dollar's upward surge in the early part of November was set off by fear that the economies of Europe and Japan were vulnerable to the Arab oil boycott. The groundwork for the abrupt

The exchange market demand, in turn, will require increased dollar sales by foreign central banks. Japan has sold over \$2 billion in recent weeks and West Germany almost \$400 million.

**PERCENT CHANGE SINCE 2 JANUARY 1973
IN THE VALUE OF THE US DOLLAR
RELATIVE TO SELECTED FOREIGN CURRENCIES**



*Relative to 16 major currencies.

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Tokyo has already taken steps to slow the drain on the dollar. Bonn is less concerned, at least for the moment, and reportedly will use dollar sales to prevent too abrupt a depreciation of the mark. The other European capitals probably will be similarly inclined, although they welcome the improvement in trade competition associated with the stronger dollar.

exile government at the 1974 conference could come up. Prior to the General Assembly vote last week, a group of communist and nonaligned states planned to press for an invitation for both the Provisional Government and Sihanouk's group, but these plans were scuttled at the last minute when the Chinese backed off and urged the nonaligned states to do likewise.

World gold markets have been quiet since the end of the two-tier gold pact on 13 November. Commercial users had already purchased sufficient stocks to last into early 1974, while speculators are awaiting a move by central bankers who apparently have not yet decided whether to trade in gold on the open market. Central banks will be tempted to realize profits on the increased value of their gold holdings, especially if faced with the need to borrow money for intervention purposes.

995 Once over the arrangements hurdle, the conference next summer will face the very tough substantive issues involved in drafting an international Law of the Sea treaty. Among the controversial questions are:

- 81 101 • determining the extent of a nation's exclusive territorial waters;
- the area to be included in a wider area of more limited national control;
- the status of deep seabed resources;
- the sharing of ocean resources between coastal and land-locked states.

LAW OF THE SEA CONFERENCE

100 81 101 The UN General Assembly last week voted virtually unanimously to convene a second Law of the Sea conference in Caracas from 20 June to 29 August 1974. A preparatory session will take place in New York on 3-14 December of this year.

995 The preparatory session will consider a number of procedural questions, and a few thorny issues such as seating the Provisional Government of South Vietnam and Sihanouk's Cambodian

The lack of progress in the UN Seabeds Committee, which earlier this year failed to develop an agenda for the conference, bodes ill for quick action. Nothing happened at the current General Assembly session to lessen speculation that a third Law of the Sea conference might be necessary in 1976.

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