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Central Intelligence Bulletin

CONTENTS

ROMANIA-USSR: Unusual party-government meeting in Bucharest. (Page 1)

INTERNATIONAL MONETARY DEVELOPMENTS: Unsolved problem. (Page 2)

BOLIVIA: The coup plot appears to have been thwarted, at least temporarily. (Page 4)

LIBERIA: The True Whig Party has endorsed Tolbert's hold on the presidency. (Page 5)

MOROCCO: Government moves to upgrade the administration. (Page 6)

ISRAEL - OCCUPIED TERRITORIES: Resettlement of Gaza refugees. (Page 7)

ARMS CONTROL: Pressure for a comprehensive nuclear test ban. (Page 8)

SOUTH VIETNAM: Minh's withdrawal (Page 10)

PHILIPPINES: Easing of Christian-Muslim tensions (Page 11)

DOMINICAN REPUBLIC: Growing balance-of-payments deficit (Page 12)

CENTRAL AMERICA: Uniform fiscal incentives code (Page 12)

25X1

SECRET

SECRET

ROMANIA-USSR: Party and state chief Ceausescu convened a highly unusual joint meeting yesterday of all leading party and government bodies.

Members of the party central committee, Council of State, and Council of Ministers joined with numerous other national-level officials to hear and endorse unanimously a report by Premier Maurer on last month's CEMA meeting in Bucharest and a discourse by Ceausescu on his Asian tour. Romania's obstructionist tactics in CEMA and Ceausescu's unrelenting independent stance in foreign affairs, especially his attitude toward China, long have been subject to attack from Bucharest's allies. Ceausescu's visit to Peking, however, particularly raised anxieties and criticism. This criticism, first raised in Hungary on behalf of Moscow, has since the Crimean summit spread to the propaganda media of other East European capitals.

The timing of the meeting, the day after Soviet Ambassador Drozdenko called on Ceausescu, causes yesterday's session to take on special significance. It is possible that Drozdenko took a threatening line with Ceausescu. Indeed, Romanian media described their talk as "comradely," a term that implies disagreement.

If Drozdenko adopted a menacing approach on Wednesday, yesterday's joint meeting could fall in the category of a defiant reaction. On the other hand, Ceausescu has in the past been willing to compromise without sacrificing national interests. Since late June, however, he has been particularly assertive.

At the same time, there continues to be no evidence of overt military pressure directed against Romania.

25X1

20 Aug 71

Central Intelligence Bulletin

1

SECRET

INTERNATIONAL MONETARY DEVELOPMENTS: The failure early this morning in Brussels of the European Communities (EC) Council to agree on a common policy with respect to the dollar marks a sharp setback to European unity and sets the stage for chaotic conditions when the exchange markets open on Monday.

Deep-seated differences--primarily between France and West Germany--on setting new parities both between EC currencies and the dollar and among EC currencies themselves were strong enough to overcome a desire on the part of all the Six to preserve Common Market unity, or even forge a new basis for re-suming movement toward EC monetary union. The Germans, intending in any case to maintain the existing deutschemark float, wanted the Six jointly to float their currencies with respect to the dollar. France, adamantly opposed to revaluing the franc, urged the establishment of a two-tier exchange market, in which commercial transactions would be carried on with fixed parities.

Both the proposals for a common float and for a two-tier market, however, would have required the Six to establish fixed rates among themselves, and the better part of the Council session apparently was taken up with wrangling over how to realign and maintain intra-EC parities. Any setting of intra-Community rates would have entailed some upward revaluation of the franc, however. Although a Benelux compromise proposal for interim, "pivotal," rates gained majority support in the Council, France balked, considering this tantamount to revaluation of the franc.

An over-all solution now seems unlikely before exchange markets reopen next week with each country adopting its own arrangements vis-a-vis the dollar. Although Council chairman Ferrari-Aggradi has urged the central banks of the Six to intervene on the exchange markets in such a way as to keep intra-EC fluctuations to a minimum, some disturbances of commerce and finance are likely and could, if stability

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is not soon restored, create serious difficulties for the Community's agricultural policy--based on a common unit of account. This will be one of the pressures, particularly on France, for seeking early agreement. A communiqué issued after the Brussels meeting, however, indicated that the Council would not meet again until 13 September.

25X1

20 Aug 71

Central Intelligence Bulletin

3

SECRET

SECRET

BOLIVIA: The Torres government appears to have thwarted the rightist military and civilian coup plot, at least temporarily.

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[REDACTED] Early reports indicated that at least 30 civilians and four military officers were arrested in La Paz. A series of arrests in the antigovernment stronghold of Santa Cruz apparently touched off several hours of rioting that resulted in one death. One of the coup leaders may have been arrested and taken to La Paz. Radio stations in Santa Cruz began calling for the country to rise against Torres.

In the meantime, Interior Minister Gallardo declared a national state of emergency and called on labor and "popular forces" to mobilize to put down the revolt. The important mine workers' union at Catavi has mobilized its armed militia to aid Torres if he should call, according to press reports.

Although the situation is murky, the government may still have the upper hand. If Torres is able to control La Paz for several days he may have enough time to rally needed support. Progovernment civilians already are patrolling the capital, increasing the likelihood of violence.

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LIBERIA: President Tolbert's hold on the presidency for the next four years has been endorsed by the establishment's political organization.

At a public program this week that was arranged by True Whig Party leaders, Tolbert announced that he is to be inaugurated next January as acting president for a four-year term. He also said that the special election required by the constitution to fill the now-vacant vice presidency will not be held until after he is inaugurated. The program included a reading of a declaration of loyalty signed by key party stalwarts.

The term "acting president," which is not mentioned in the constitution, is contained in a 1955 law cited by Tolbert as the legal basis for his announcement. Use of this official title is not likely to dilute Tolbert's actual power and if it causes him international protocol problems, he presumably could get the legislature to remove the word "acting." Tolbert may prefer to serve the next four and a half years as acting president, however, in order to ensure his eligibility in 1975 for a full eight-year term as president in his own right. The delay of the vice presidential election until after his inauguration will probably strengthen his hand in promoting his own choice. [REDACTED]

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MOROCCO: Under the mandate for reform, the government is moving with some deliberation toward upgrading the administration.

On Tuesday, three governors were replaced or transferred, apparently in an attempt to improve the functioning of the administration at the provincial and local level. Mustapha ben Mohamed ben Larbi Alaoui, one-time member of the now left-wing opposition party, the National Union of Popular Forces (UNFP), has been tapped for the key post as head of the Casablanca prefecture. Alaoui, who has held several important positions in state-owned businesses, should be an improvement over his [redacted] [redacted] palace-connected predecessor. Moreover, Casablanca is the traditional stronghold of mass support for the UNFP, and Alaoui may still have influential contacts within that organization.

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In the other two appointments, an able career official in provincial administration, Salah Mzily, moves from governor of El Jadida Province to become governor of politically sensitive Meknes Province, where important military installations are located, and from where most of the army has been recruited. He succeeds Mohamed Labri el-Fahsi, who was transferred to Oujda, a politically less important province on the Algerian border. [redacted] [redacted]

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ISRAEL - OCCUPIED TERRITORIES: The Israelis are continuing to resettle Gaza refugees despite an Egyptian appeal to the UN.

As of 16 August, the Israelis had moved some 2,000 refugee families from camps in Gaza as part of a "thinning out" operation designed to improve security, according to a Ministry of Foreign Affairs official. There is no information on the exact resettlement locations, but the Israeli minister of transport has said that most of the families have been moved to Al Arish in northern Sinai some 30 miles from Gaza. Only about 150 persons are known to have been resettled on the West Bank so far. Later transfers reportedly will be within the Gaza area itself. The transport minister claims that some 2,000 more families are to be moved in the near future, and the Jerusalem Post has reported that the military government in Gaza is also working on longer-range resettlement plans.

Egypt has termed the Israeli action a violation of human rights conventions, and on 15 August formally appealed to the UN to intervene. The Israelis, however, claim the resettlement is necessary for security purposes and almost certainly will not be deterred by the Egyptian complaint. [REDACTED]

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ARMS CONTROL: Several non-nuclear states are pressing for some new initiative toward a comprehensive nuclear test ban (CTB).

The 1963 Limited Test Ban Treaty permits underground testing to continue, but commits the adhering nuclear powers to seek a formula for a CTB. Negotiations since 1963 repeatedly have foundered on the superpower deadlock over verification to the distress of most delegations at the Geneva disarmament talks. The environmental implications of continued testing and the possible relationship of a CTB to strategic arms control have added to the general impatience over the stalemate caused by the USSR's refusal to accept the US requirement for on-site inspection.

Earlier this week at the Geneva talks the Japanese delegate said the CTB subject is the "most important" item on the agenda--a pointed reference to the view that the draft convention on biological weapons is a much less meaningful measure. At a private gathering of several delegations, the Canadian representative was even more forceful and warned that the superpowers can expect a severe chastising on the CTB issue at the upcoming UN General Assembly. Recent speeches by Italy and Pakistan have taken much the same line.

There are some signs that the Soviets may be preparing a new CTB initiative which would both respond to this growing criticism and reinforce the "disarmament offensive" launched by Brezhnev at the Soviet party congress last March. Soviet Ambassador Roshchin has said that he hoped to address the issue in the near future. Judging by his remarks, Moscow remains uninterested in partial measures, such as banning tests beyond a threshold defined by the Richter seismological scale. He has implied, however, that while the Soviets continue to maintain that a CTB can be verified by national means, they

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may be willing to accept an agreement which would be policed by an international "nuclear detection club" utilizing seismic data exchanges. Roshchin suggested that Moscow would not insist that China's participation be a prerequisite to a CTB accord. [REDACTED]

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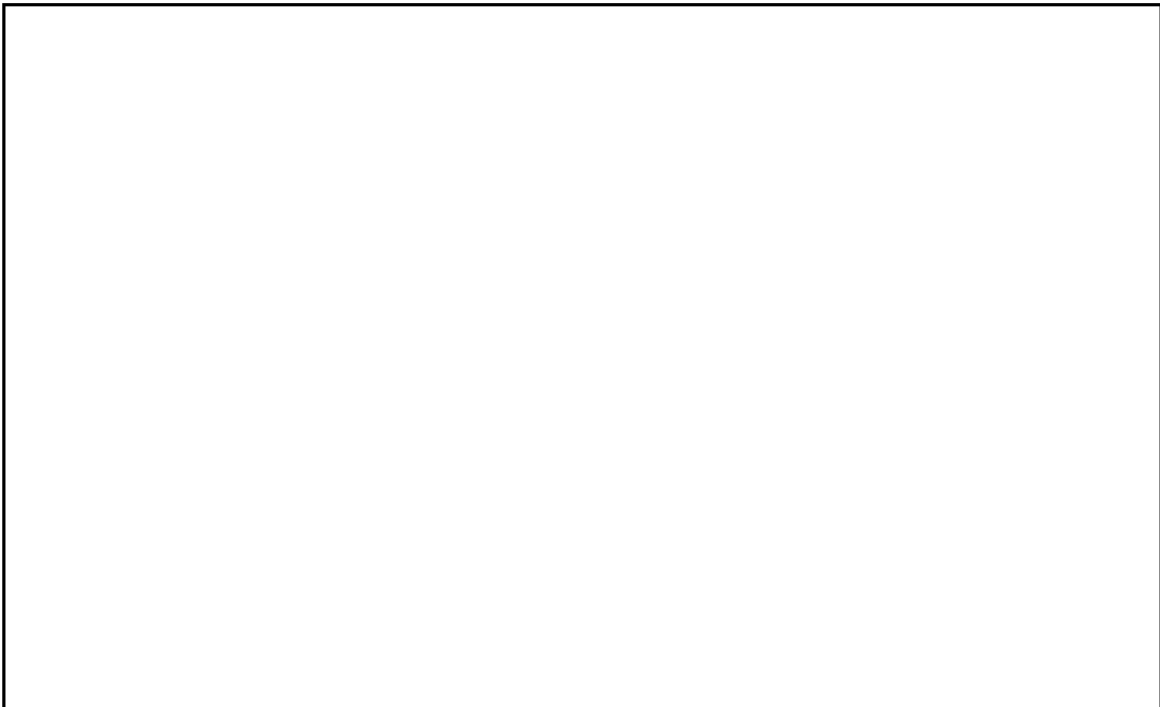
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NOTES

[SOUTH VIETNAM: Big Minh's withdrawal from the presidential race will add to the growing opposition to the government's handling of both the presidential and Lower House elections. Minh announced to the press today that he was withdrawing because of President Thieu's alleged efforts to rig the election. Although the withdrawal leaves Thieu as the only candidate in the 3 October election, the President probably will go through with the contest on schedule, making it a popular referendum on the policies of his government. Nevertheless, the election will now be discredited in the eyes of many observers both within Vietnam and abroad. Opposition to the government's election policies was already increasing prior to Minh's announcement.

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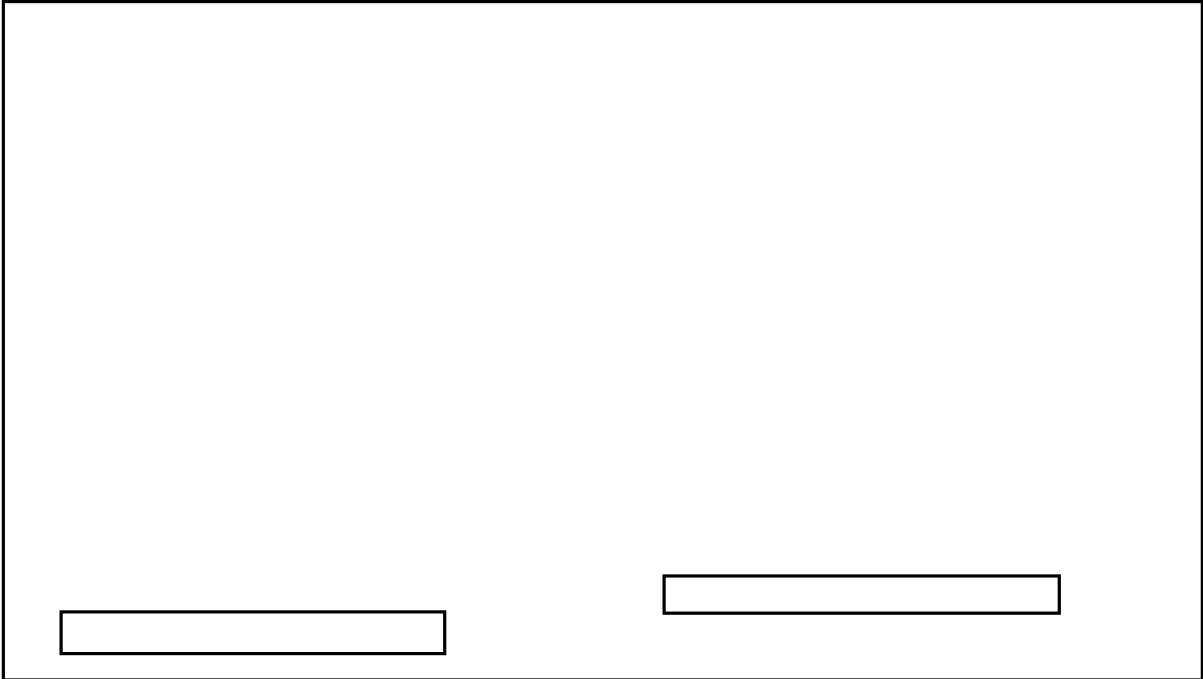
20 Aug 71

Central Intelligence Bulletin

10

25X1

SECRET



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PHILIPPINES: The government's problems with Christian-Muslim tensions may have been temporarily eased as a result of an agreement between President Marcos and Muslim dissidents who had occupied a town on the southern island of Mindanao. The agreement, signed on 18 August in Manila, calls for rehabilitation of the town, which was heavily damaged in a Philippine Army siege of the dissidents. Marcos presumably believed the agreement would be politically beneficial in demonstrating his administration's concern over the welfare of the Muslim minority in Mindanao. In the past such agreements have been short-lived, however. Marcos' determination to follow through on the government side of the bargain could wane following the off-year elections in November and tensions could again rise.

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20 Aug 71

Central Intelligence Bulletin

11

SECRET

SECRET

DOMINICAN REPUBLIC: Central Bank officials are seeking short-term loans from US banks to finance the growing balance-of-payments deficit. During the first half of this year imports soared, but exports and foreign investment grew more slowly. The government's foreign reserve position is weak, and President Balaguer is reluctant to place restrictions on imports for fear of reducing the economy's projected six-percent growth rate and undermining his political position. Nevertheless, these loans would only postpone the need for tighter controls, which probably still will be required, perhaps by the end of the year. [REDACTED]

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CENTRAL AMERICA: After eight years of negotiations, Central American Common Market officials have reached agreement on a uniform fiscal incentives code for new industries. The code, which becomes effective next month, sets graduated tariff and tax exemptions similar to the national law in effect in Honduras but less liberal than those presently operating in the other four countries. The uniformity of the regional code should allow a more rational location of manufacturing industries, which up to now has been adversely affected by regional competition for investment. Its failure to include mining, forestry, and fishing, however, leaves open the danger of continuing unrestrained intraregional competition for investment in these areas. Moreover, despite the concession to Honduras, that country's adherence to the code will be problematical in view of its virtual withdrawal from the market since December. [REDACTED]

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