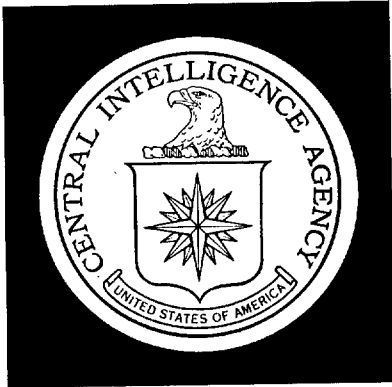


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INTELLIGENCE

WEEKLY SUMMARY

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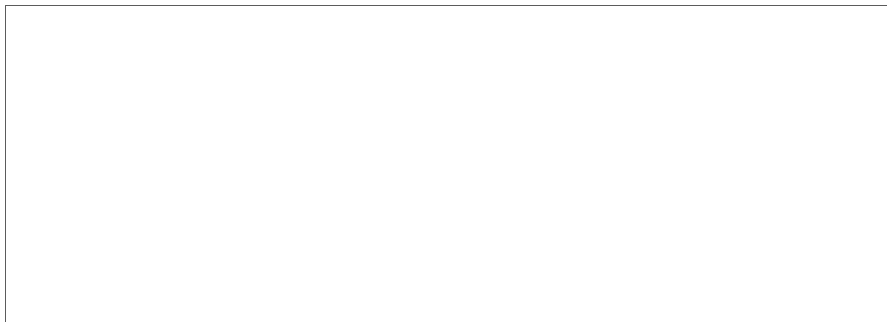
6 March 1970
No. 0360/70

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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 pages.

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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REPRESSION INCREASING IN PERU

The military government appears to be reverting to type with recent political arrests and the expropriation of a major opposition newspaper.

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GUATEMALA IS CALM AFTER ELECTION UPSET

Opposition rightist candidate Colonel Carlos Arana led the three-way presidential race, but his victory depends on congressional ratification.

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THE BRAZILIAN "REVOLUTION": STAGE THREE

President Medici has set major social and political reforms as goals of his administration. These aims will require him both to expand the very restricted role of civilians in governing the country, and to maintain his essential base of support in the military establishment. (Published separately as Special Report No. 0359/70A)

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FAR EAST

The Vietnamese Communists may be setting the stage for new proposals at the deadlocked Paris talks. Hanoi has let it be known [redacted] that it will "soon" quit the talks, a maneuver probably designed to put pressure on the US to name a new top negotiator. In addition, high-level visits between Moscow and Hanoi, as well as some statements out of Hanoi, could indicate that the Communists have some new initiatives in mind.

The relative quiet continues on the battlefields of South Vietnam following a brief surge of shellings in III and IV corps late last week. Although this Communist effort was rather halfhearted, the enemy apparently considered it the opening of another "phase" in the winter-spring campaign.

The Communist offensive in Laos, which had swiftly overrun the Plaine des Jarres, slowed down this week. Both sides are taking a breather to resupply and improve their tactical positions. The government has managed to retake a few small outposts, which the enemy has been probing in an effort to find General Pao's defensive line. The Communists' resupply problem has been compounded by heavy air strikes and the loss of their local labor force, which was evacuated before the Plaine was recaptured.

The Communists in Cambodia are beginning to face increasing pressure from the government, which has expressed new concern about insurgent operations in the provinces bordering South Vietnam. Cambodian security forces have recently made some progress in clearing operations against insurgents in the northeast, and they have managed to disrupt some of the widespread rice smuggling with the Viet Cong.

Since last May's communal riots in Malaysia, the government has muddled along without taking any decisive steps to reduce the basic causes of tensions between the dominant Malays and the economically powerful Chinese. One of the major problems has been the ill health of nearly all the top leaders and the inability of Prime Minister Rahman to make up his mind about retirement. Prospects for a continuing infirm hand at the helm and thus for renewed communal disturbances remain high.

Student demonstrations in the Philippines continued this past week, but restrained and effective police action kept them from getting out of hand. The students can be expected to continue to protest their grievances against the political establishment and against the US, but the inadequacies of student leadership will help the government to keep the lid on. [redacted]

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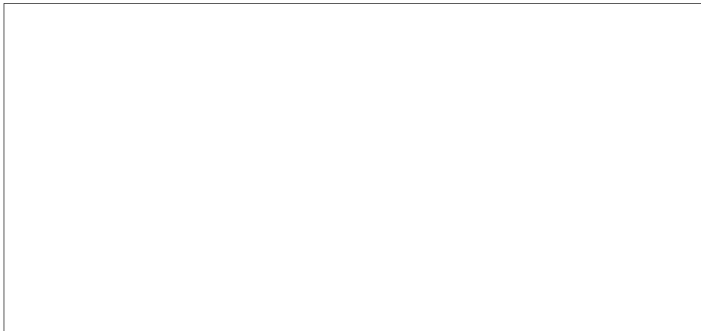
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VIETNAM

Will Hanoi Talk or Walk?

The Vietnamese Communists recently have stepped up their efforts to press Washington for new moves to break the deadlock in the Paris talks. Hanoi has been testing the atmosphere in Paris since late January when Le Duc Tho, the politburo-level "adviser" to its delegation, returned to the city, ostensibly for the French Communist Party congress. When this move failed to elicit a positive response from the US, Hanoi apparently decided on fresh maneuvers to increase the pressure and smoke out the allies.



The North Vietnamese almost certainly would prefer not to rupture the Paris conference at this point. They probably hope that this threat will be enough to dramatize their long standing contention that the US had "downgraded" the talks and to generate pressure on Washington to name a successor to Ambassador Lodge. It is not certain that they in-

tend to follow through on their threat, but even if they do they can be expected first to dress up their intransigent image somewhat, perhaps by hinting at new flexibility in their position.

Evidence has been accumulating for several weeks that the Communists may be getting ready to do some bargaining in Paris. Hanoi recently heaped gratuitous praise on the compromise agreements the Viet Minh concluded with the French in 1946. Last month party first secretary Le Duan, in a long and authoritative article, wrote of a strategy based on "the exploitation of enemy contradictions and on systematic concessions." (b)(3) (b)(1)

Recent comings and goings of high-level Soviet and Vietnamese officials may also have something to do with Hanoi's tactics. There is a strong possibility that Le Duan himself quietly visited Moscow within the past few months, and a Soviet deputy foreign minister who has dealt with the Paris talks in the past was in Hanoi two weeks ago. Despite all these stirrings, there are no solid indications of the Communists' plan or of what they hope to accomplish. It seems certain, however, that they have more in mind than simply lobbying for a successor to Lodge.

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~~SECRET~~Chau Hounded in Saigon

The government has come in for heavy criticism for its handling of the case of Tran Ngoc Chau, the Lower House deputy who has twice been found guilty of pro-Communist activity by a military court in the last two weeks. Following Chau's initial conviction in absentia, Saigon police entered the National Assembly building and seized him in a wild scene during which Chau was manhandled while resisting arrest and a number of newsmen covering the case were roughed up. At his retrial by the same court in Saigon this week, Chau was again found guilty, but his earlier sentence was reduced from 20 to 10 years.

A second deputy sentenced to death in absentia for treason by the same military court has not been apprehended.

Many prominent Vietnamese, including some who usually support President Thieu, have expressed less concern over Chau's guilt or innocence than over the government's alleged disregard of constitutional procedures to achieve the conviction, as well as over the manner of the deputy's arrest. Some observers believe

the government should have waited for a Supreme Court ruling on the legality of the method by which Chau's immunity from prosecution was lifted. Even a Saigon paper that takes a firm anti-Communist line has asserted that government actions have damaged the prestige of the regime and thus have helped the Communists.

The Chau case has once again heightened executive-legislative tensions. The Upper House, meeting on the day after the deputy's arrest, postponed its scheduled debate on the land-reform bill in order to air complaints of the government's treatment of Chau. Independents and at least one prominent supporter of Thieu joined opposition legislators in denouncing the government, and a special committee was established to investigate the circumstances of Chau's arrest. Passions appeared to have cooled somewhat by the following day when the Assembly met in joint session, however; after some further criticism of the executive, the members again gave their attention to pending legislation, approving a presidential amendment to a bill concerning provincial election procedures. Since then, the Upper House has resumed consideration of the long-stalled land-reform bill.

~~The reasons for the government's dogged determination and haste to put Chau behind bars remain obscure. The case was clearly intended to serve at least as a warning to anyone who would entertain~~

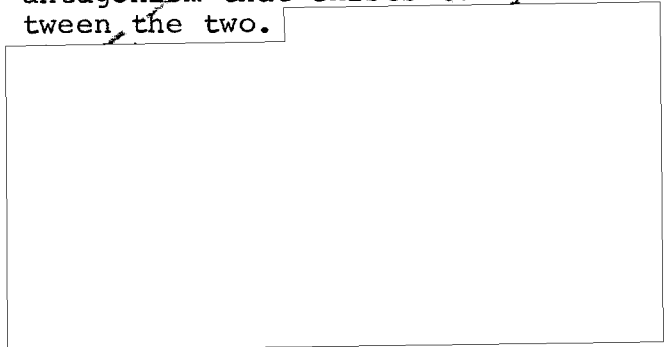
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thoughts of secret contacts or private deals with the Communists, and it may also have been an attempt to discourage legitimate constitutional opposition activity that had been increasing recently. The seemingly inept and harsh handling of the affair was probably countenanced, and may have been calculated, by President Thieu partly with a view to putting teeth in such warnings.

The political cost, however, has been high. The government's tactics have not only put new

strains on Thieu's relations with the National Assembly and raised doubts about his government's respect for the constitution that gives it legitimacy, but have also given Thieu a very bad press abroad. Thieu's apparent readiness to pay such political costs could reflect an element of personal vindictiveness on his part, or on the part of some close advisers. Chau was in close contact with Thieu earlier in his career, and that experience may have contributed to the mutual antagonism that exists today between the two.



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PEKING REAPPRAISING TOKYO'S ROLE

Annual trade negotiations between the governments of Communist China and Japan are slated to begin next week at a time when the Chinese have been forced to take a cold, hard look at their current and future relationship with Japan. Despite their shrinking economic significance, the formal Memorandum Trade talks and mechanism represent the only semi-official channel of communication between Peking and Tokyo. Both have considered this medium a useful political link. The tactics Peking adopts during this

year's discussions could offer some clues as to how the Chinese intend to cope with what they see as an increasingly active and potentially dangerous force in Asia.

The Chinese reappraisal of Japan has been in process since last November's Nixon-Sato communiqué on Okinawan reversion-- a document that reaffirmed basic US-Japanese solidarity but mapped out a more active and influential Japanese role in Asia for the future. Peking's interpretation was short and simple: the United

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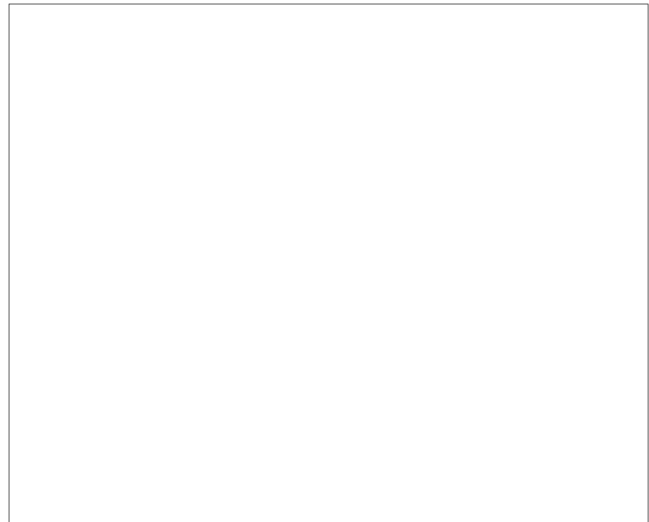
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States, desiring to reduce its own commitment in Asia, now was counting on Japan to counterbalance China. The outcome of the Japanese elections held shortly after the Nixon-Sato meeting also was sobering to the Chinese. The solid victory of the ruling Liberal Democratic Party and the sharp setback sustained by the pro-Peking left wing of the Socialist Party must have brought home to Peking the utter failure of its long-standing policy of support for inconsequential "progressive" Japanese political elements.

As a result of this rude awakening, Chinese propaganda has turned away from its standard treatment of Japan as a simple pawn of American power and pointed toward the threat posed by Tokyo's own imperialist ambitions in Asia. The specter of Japanese remilitarization has been given top billing in this new approach--a line calculated to play on anti-Japanese sentiment in Asia left over from World War II. The Chinese have also appeared particularly sensitive to Japanese interests in Taiwan and have been denouncing with increasing shrillness what they allege are Tokyo's plans to convert the island into a Japanese "satellite."

Given this rather gloomy polemical setting, the outlook for the Memorandum Trade talks is not bright. The Chinese will probably make their usual demand that the Japanese delegation directly condemn Tokyo's "anti-China policy" before actual trade

discussions begin--a method Peking has successfully used in the past to embarrass and attack the Sato government. Conversely, the Chinese could drop or soften these demands; such a relatively flexible approach would exploit the considerable sentiment in Japan for closer relations with China and further Chinese interests by complicating US-Japanese relations. To date, however, there have been few signs that Peking is ready to make such a pragmatic departure from past practice.

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Whatever political turn the talks take, one thing seems fairly certain: the outcome will not have a substantial impact on Sino-Japanese trade. Total trade between the two countries has increased in recent years, reaching a high of \$625 million in 1969, while Memorandum Trade transactions have steadily declined, accounting for only 10 percent of all trade last year.

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BOTH SIDES IN LAOS CONSOLIDATE FOR NEXT ROUND

The pace of Communist offensive activity in north Laos has slowed considerably following the swift reoccupation of the Plaine des Jarres. Over the past week the enemy has limited activities to small probing attacks and other efforts to ferret out the current disposition of government forces south and west of the Plaine.

Most of these efforts have been directed at government positions guarding the northern approaches to General Pao's stronghold at Long Tieng. Several lightly defended positions taken by the enemy were subsequently recaptured by the government, there are still too few Communist troops south of the Plaine to mount a major thrust at Long Tieng.

The lull in the fighting probably can be attributed to a whole range of problems now facing Communist forces near the Plaine. The enemy's first order of business will likely be the rebuilding of large stocks of arms and materiel it lost to government forces in September. Although there is ample evidence the North Vietnamese have moved large quantities of supplies into north Laos over the past several months, their ability to move these goods to forward positions has been complicated considerably by unusually heavy air strikes. Furthermore, the enemy lost its local labor force when the government evacuated 15,000 refugees from the Plaine before the Communist offensive began. General

Vang Pao is using this welcome breathing spell to reposition more troops to bolster his defense line south and west of the Plaine.

Meanwhile in Vientiane Prime Minister Souvanna has put pressure on his generals in southern Laos to provide reinforcements for the fighting in the north. Although Souvanna was able to get them grudgingly to supply some troops to strengthen government positions north of Vang Vieng, their limited numbers and poor quality indicate they will have little effect on the government's ability to withstand a Communist threat from this direction.

Souvanna also is making an effort to shift the conflict back into the diplomatic arena. The prime minister has officially requested the co-chairmen of the 1962 Geneva Conference--Great Britain and the Soviet Union--to reconvene the signatories to discuss the deteriorating military situation in the north.

[redacted] In a statement, on 1 March, the Lao Communists portrayed their capture of the Plaine as an act of "self-defense" aimed at securing Communist "liberated areas" from government operations. The statement routinely condemned Souvanna's call for a new conference, but it did not explicitly rule out the possibility of such a meeting.

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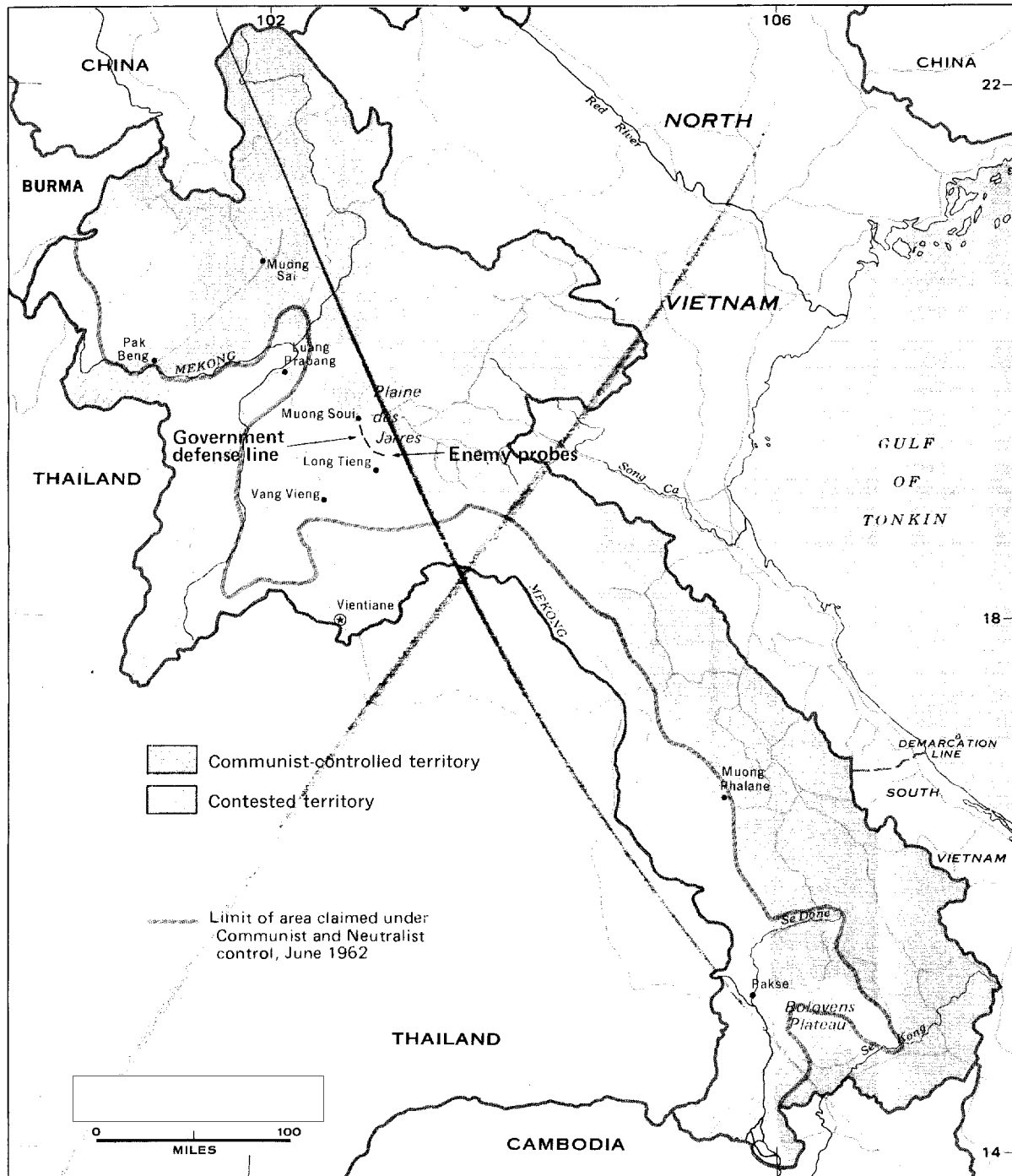
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LAOS: Communist Offensive in North Slows



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CAMBODIA AIRS GRIEVANCES WITH VIETNAMESE COMMUNISTS

Phnom Penh has expressed new concern about several of its fundamental problems with the Vietnamese Communists. The government elaborated on its theme of Viet Cong support to Cambodian insurgents along the eastern frontier in a recently available article in an official journal. The article, attributed to Prime Minister Lon Nol, gave an unusually detailed account of Cambodian guerrilla groups based in Viet Cong - controlled areas of South Vietnam that have been crossing into three southeastern border provinces to spread antigovernment propaganda. The article alleged that these groups, totaling about 450 men, are led by long-time members of the Cambodian Communist Party, and apparently plan to extend their operations westward.

It is not possible to substantiate all of the government's claims, but the Cambodians are not wont to levy such charges without some supporting evidence. The army is taking the insurgent threat seriously, and has made plans to drive the insurgents into the interior to deprive them of the support they get from the Viet Cong.

The government also has been greatly disturbed by extensive Vietnamese rice smuggling. According to recent remarks by Deputy Prime Minister Matak, covert Communist resupply operations on waterways in northern Cambodia have drained away large amounts

of rice. Moreover, he also repeated the widely held Cambodian conviction that tribal insurgents in Ratanakiri in the northeast are being led by the Viet Cong, who, he said, are using the insurgents to shield Communist supply movements.

The government is willing to sell the Viet Cong as much rice as they want to buy, but the Communists evidently either think Phnom Penh's terms are too steep or wish to maintain independent sources of supply as a hedge against future Cambodian uncooperativeness.

With Sihanouk's encouragement from afar, the government has been trying to put some real bite into its present campaign to reduce such smuggling.

Past antismuggling drives generally have been defeated by Communist logistical adaptability and the venality of government officials. Several recent Viet Cong ralliers have stated, however, that increased Cambodian military pressure against the Communists in the southeast has had some disruptive effect on smuggling operations there.

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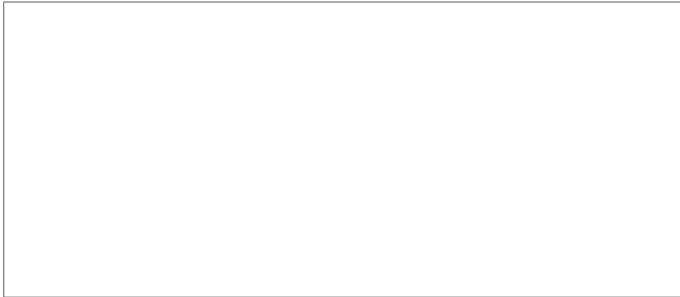
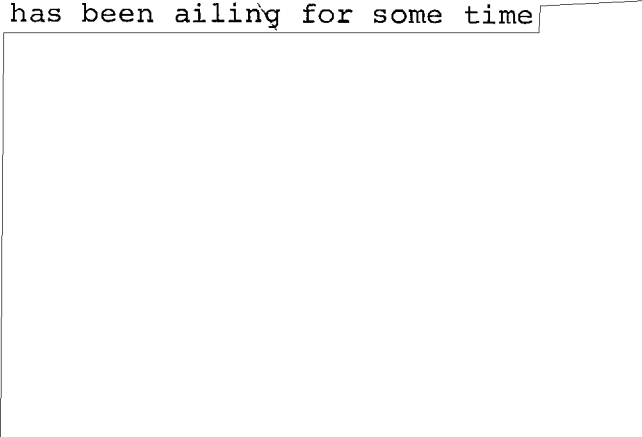
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INFIRMITIES OF GOVERNMENT IN MALAYSIA

Illness and indecisiveness among Malaysia's key leaders make it likely that their administration will continue to be weak. Prime Minister Tunku Adbul Rahman has been ailing for some time



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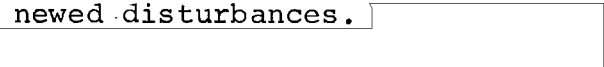
The Tunku has been talking for some time about retiring from the government, and Razak believes that he will be asked to take over in June. Rahman, however, has stated publicly that he will not give up the premiership until internal order is fully restored. June has been his more frequently named deadline, but he has also mentioned November as a possible date, and he could decide to stay on in office.

These uncertainties have contributed to the government's failure to make progress in solving its communal problems. The combined efforts of the Tunku--through his much-heralded Goodwill Committees--and Razak--with his equally heralded National Consultative Council (NCC)--have done little to dispel racial tensions. The NCC, although representative of various racial and cultural groups, is essentially a puppet of the Malay political organization. The government has also shilly-shallied over the problem of whether or not to allow elections in Sarawak. Elections there, suspended after the racial disturbances in May 1969, are necessary before parliamentary democracy can be restored in Kuala Lumpur.

Whatever the Tunku's plans, Razak is making his own tentative arrangements for a future government. He recently stated that with Ismail as his deputy prime minister, Malaysia would have virtual dual leadership. Razak also intends to use in some capacity the astute and effective permanent secretary of the Ministry of Foreign Affairs, Tan Sri Ghazali.

Fortunately for the weakly led government, no real opposition seems to have emerged. Both Chinese and extremist Malay opposition groups have been lying low, and the military, at least in the higher echelons, is loyal to the government. If Kuala Lumpur's leaders continue to drag their feet in solving the country's basic problems, however, some group may take advantage of general dissatisfaction to bring about renewed disturbances.

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EUROPE

During a Foreign Ministry press conference this week, Soviet Deputy Premier Dymshits—the highest-ranking Jew in the Kremlin hierarchy—pointedly denied that Egypt had asked Moscow for “MIG-23s” and sidestepped a question on providing Soviet pilots. The press conference was yet another facet of Moscow’s current anti-Israel campaign. Soviet Deputy Foreign Minister Vinogradov spent most of the week in Cairo, presumably coordinating further diplomatic moves on the Middle East.

The entry into force yesterday of the Nuclear Nonproliferation Treaty (NPT) opens a new disarmament era. The treaty’s effectiveness will depend in part, however, on countries that have not yet adhered. Two nuclear-weapon states—France and Communist China—have shown no interest in becoming members, and prospects remain poor that two near-nuclear states—India and Israel—will sign.

The Hungarian regime’s program for creation of a more participatory and democratic political system, which has limped along since last year, has been given new impetus. Premier Fock on 4 March announced the government’s firm support of the reforms and indicated that a rewriting of the constitution and a reform of the administrative apparatus are in the works. He firmly rejected criticism from unnamed sources that the reform program might be going too far too fast.

Former prime minister Aldo Moro has taken over the task of trying to form a new Italian government. His mandate is more flexible than that of Mariano Rumor, who gave up the attempt last week. Moro can try for any combination of the four center-left parties or for a single-party Christian Democratic government with center-left support.

The UN General Assembly’s seabeds committee this week began consideration of principles for a future international regime to govern peaceful uses of the ocean floor. The less-developed countries want to prevent potential superpower exploitation of the natural resources of the seabeds.

Interest in procedures for dealing with the Soviets’ “strengthening international security” proposal is picking up, well in advance of the fall session of the UN General Assembly at which it again will be aired. NATO members have begun consultations to harmonize their views on the proposal. The Finns this week called for periodic, closed meetings of the Security Council to provide a forum for discreet exchanges on international security issues.

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WEST GERMANS RESUME TALKS WITH COMMUNISTS

The pace of diplomatic activity in Bonn and in East European capitals picked up again this week as East and West German representatives met to discuss a summit-level meeting, and Egon Bahr returned to Moscow to resume exploratory talks with Foreign Minister Gromyko on 3 March.

During their first two preliminary meetings with West German Government representatives, the East Germans raised unexpected obstacles, insisting that Chancellor Brandt must not appear in West Berlin during the course of his negotiations with Premier Stoph. This demand is consistent with the East German claim that West Berlin is a special political entity. The talks recessed until 5 March with the issue involving West Berlin not yet resolved.

Pankow's raising this issue suggests at the least that the East Germans will be extremely tough negotiators. It also suggests, however, that the seemingly always insecure East German leaders may be having second thoughts about the summit meeting. Recent East German propaganda statements and a hard-hitting speech by Erich Hon-ecker have impugned Bonn's good faith and attacked the Social Democrats. These attacks appear designed to warn both East German populace and Pankow's allies not to expect a resolution of East - West German issues.

The West Germans will find it very difficult to agree that Brandt will not visit West Berlin, as this would imply an admission on their part that they have no right to a

presence there. They will probably remain firm on this point, hoping that Moscow will press Pankow into yielding. In the light of these developments, Bonn now expects the preparatory talks to drag on for some time.

Although the West German hope that Moscow will put pressure on the East Germans may not prove well founded, there are some indications that the Soviets and East Germans are not in complete agreement concerning policy toward Bonn. While in East Berlin between 24 and 27 February, Gromyko eschewed attacking Bonn, and the communiqué issued after his visit was temperately worded and contained no direct demand that Bonn recognize East Germany. The East Germans presumably would have favored a tougher statement than was in fact issued.

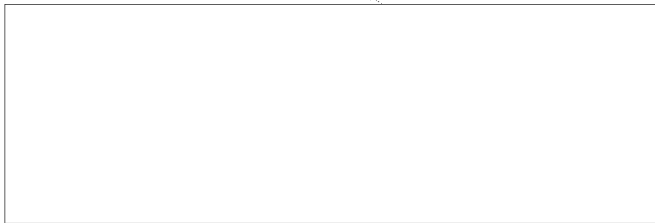
Meanwhile, no new developments have been reported as yet from Bahr's discussions with Gromyko. Prior to his return to Moscow, Bahr and his associates were completely uncertain as to the position Gromyko would take. Gromyko's statements in East Berlin led them to hope, however, that the Soviets are still interested in an agreement.

In a Bundestag foreign policy debate last week, Brandt chose his words carefully to placate Soviet sensitivities. He spoke of his hope for a "European peace system," and emphatically rejected a suggestion from Franz Josef Strauss that the Bonn government seek to play off members of the Eastern bloc against each other.

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Opposition Christian Democratic spokesmen state that they support Brandt's Eastern policies in principle, but they demand a greater amount of consultation, and express fears that Brandt is making too many concessions.



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In the interim, the West Germans have made another effort to interest the Poles in resuming bilateral economic talks, and to sweeten the atmosphere before the

two sides reopen political negotiations on 9 March in Warsaw. Bonn has offered Warsaw a new economic package that presumably contains concessions similar to those the Poles have already obtained from the French and Italians, including a relaxation of trade restrictions over the next five years.

It is unclear, however, how flexible the West Germans have become on financing trade. The Poles have made no secret of their dissatisfaction with previous West German credit offers and have reiterated that they expect Bonn to be considerably more forthcoming before a long-term economic agreement can be formalized.

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TITO ADVANCED NONALIGNED SUMMIT ON AFRICAN TOUR

President Tito returned on 27 February from a month's trip to east Africa, apparently having breathed new life into the nonaligned movement. Tito and the African leaders with whom he met urged the convening of a nonaligned summit before the 25th UN General Assembly session this coming September--probably in July or August. A preparatory meeting is scheduled for 13-17 April in Dar es Salaam.

Support for the summit, previously lagging, was apparently mustered by heightened tensions in the Middle East, the absence of progress toward peace in Southeast Asia, the

alleged threat of a Soviet-US division of the world into spheres of influence during SALT talks, and Tito's personal commitment to a non-aligned gathering. Another factor that heavily influenced the Arab countries was the prospect that a large bloc of nations might voice coordinated and unified support for the Arab cause when the UN convenes this fall.

Yugoslav Foreign Minister Tepavac will tour Southeast Asia this month to drum up additional participation. Addis Ababa is the site favored by most prospective participants.

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NATO CONSIDERS BALANCED FORCE REDUCTIONS

Prospects for talks with the East on thinning out opposing military forces in central Europe will get another close examination at a meeting of the North Atlantic Council this week. The West German representative has informally suggested that NATO consider making an early proposal to the USSR to negotiate a mutual reduction of forces in a major multilateral conference.

In recent months Alliance members have been exploring "model" bargaining positions in the event force reduction talks are ever held. The German representative, Wilhelm Grewe, has now suggested that a firm Allied offer to negotiate need not await the completion of such positions. He proposes that, to counter the continuing Soviet pressures for a vaguely defined European security conference (ESC), the NATO ministers at their May meeting should specify force reductions as the "real" issue of European security and call for an ESC to discuss this subject. This suggestion may have considerable appeal for some of the Allies because, even if the Soviets refuse to meet on the issue, such an overture would enable the West to claim it had regained the initiative for detente.

It is not clear that Bonn seriously views an ESC as a proper--or promising--forum for force reduction talks. In any event, the Brandt government would expect progress on current topics of negotiation, such as Berlin, prior to such talks. The Germans probably believe, however, that their proposal would act as a brake on

possible unilateral US force reductions and pressures for increased payments by West Germany to support US forces there.

The Soviets are almost certain to be cool to anything that would compete with their own proposals for an ESC. Soviet reaction to earlier discussions of the balanced force reduction issue within NATO conclaves has been to regard this as an attempt to sabotage Moscow's own proposals.

Nevertheless, Soviet officials have recently begun to take a slightly less negative position in private. Ambassador Dobrynin told Secretary Rogers on 30 January that Moscow might be willing to discuss force reductions at a "later" ESC, but only after the conclusion of an ESC limited to the negotiation of a multilateral renunciation-of-force agreement and an economic and technical cooperation agreement. Soviet diplomats in other NATO capitals have dropped similar hints in recent weeks. These diplomatic maneuvers seem aimed primarily at blocking any concerted Western effort to add balanced force reductions to the agenda of an ESC.

Moscow's main interest still seems to lie in convening a relatively quick ESC that would support the Soviet effort to legitimize the status quo in Europe. Moreover, the Soviets' conviction that the US military presence in Europe will in any event be sharply reduced in the near future has almost certainly dulled their interest in a negotiated reduction of forces.

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USSR-US DISCUSS PEACEFUL USES OF NUCLEAR EXPLOSIVES

Soviet-US talks on the use of nuclear explosives for peaceful purposes were held in Moscow from 12 to 17 February. This conference was a continuation of talks held in Vienna in April 1969.

The talks concerned the application of nuclear explosives to oil and gas production, the creation of underground reservoirs, mining, canal digging, and safety problems involved in using nuclear explosives for this program. The delegations agreed to hold additional talks to exchange research and engineering data and to discuss future projects.

The Soviet delegation was cooperative and discussed 11 underground nuclear tests related to their peaceful uses program. Although the locations and dates of the tests were not furnished by the Soviets, useful information was provided on several tests that they had not previously revealed. At least three additional tests believed by the US to be related to the Soviet program have not as yet been acknowledged by the USSR.

The Soviets disclosed for the first time that they had used nuclear explosives to extinguish two runaway gas wells. Four nuclear cratering experiments, including one used to dam a river, were also discussed, as were other tests designed to stimulate oil- and gas-well production and to create large underground storage cavities.

Soviet scientists had indicated prior to the conference that the USSR was interested in using this technology in other countries. The 1963 Limited Test Ban Treaty bars the spread of radioactivity outside the borders of the signatories. The cooperative attitude of the Soviets may be attributable to their desire to achieve an understanding with the US regarding the treaty provisions that would be violated by the release of radioactive debris into the atmosphere as the result of a Soviet peaceful nuclear explosion in another country.

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PROGRESS EVIDENT AT DISARMAMENT TALKS

The first two weeks of the resumed arms control conference at Geneva have increased optimism that this year's meeting will be a productive one. Attention continues to be focused primarily on controls on chemical and biological warfare and on the US-Soviet draft treaty limiting the military use of the seabeds.

The UK draft convention to ban the production and use of biological methods of warfare only has picked up increased support. The British may add language to make it compatible with the recent US decision to renounce both offensive and retaliatory use of toxins. The Swedish representative has stated that his government could support the British initiative and that he will soon address the conference on the difficulties of banning chemical weapons. Italy has endorsed London's proposal, and Brazil and Argentina appear sympathetic. India has also been impressed by the argument that agreement on the UK draft would avoid a likely impasse over the more far-reaching Soviet draft treaty, which prohibits both chemical and biological weapons.

Moscow is holding firmly to its draft, but does not appear to be making a big push to secure support for it. Its position could be strengthened, however, should the UK, as it now contemplates, present at NATO over US objections a paper that explores various partial measures for control of chemical weapons.

On the seabeds treaty, the Soviets have given the US a generally favorable response to changes suggested by Canada and Argentina, two

of the more influential critics of the present draft. Representatives of the superpowers are now attempting to reach agreement on a revised text that could be presented to the other 23 participants in the Geneva talks. The Soviet delegates have taken a fairly tough line, stating that referral to Moscow of US-suggested changes will necessitate a lengthy delay in presenting a revised joint draft. Nevertheless, general endorsement of the seabeds treaty is expected at Geneva by mid-summer.

General and complete disarmament, a subject that has not been discussed in detail since 1964 but one that has subsequently served as a Soviet propaganda ploy, may receive significant attention at the 1970 Geneva session. A number of delegates have already referred to the need for work on this problem but have indicated they do not want it to delay action on specific items such as the seabeds treaty and controls on chemical and biological weapons. The Dutch have given the conferees a paper expressing their views on general and complete disarmament, and the Italians are likely to offer an initiative soon in the form of a disarmament program, possibly focusing on some aspect of the problem of conventional arms limitations. This week's entry into force of the Nonproliferation Treaty, whose Article 6 calls on adherents "to pursue negotiations in good faith" on general and complete disarmament, should increase the pressure for action.

Article 6 also prescribes good-faith negotiations on "effective measures relating to cessation of the nuclear arms race at an early

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date and to nuclear disarmament." The nonnuclear states represented at the Geneva conference have indicated they will be watching the strategic arms limitation talks closely and will be pushing for a comprehensive test ban (CTB) treaty. Continuing disagreement between the superpowers over the type of verification arrangements required to police such a treaty, however, apparently precludes any immediate prospect for a CTB. Japan is the latest to join a lengthy list of countries that would settle for the time being on a lesser step, the Canadian proposal for a voluntary exchange of seismic data.

In an unexpected development, UN Secretary General Thant suggested that the conferees consider the military implications of the gas centrifuge method of producing enriched uranium. The chief Polish delegate has reiterated this concern, citing the centrifuge project of the UK, West Germany, and the Netherlands. This statement is another indication that the East European states probably plan to take a tough line during the coming safeguards negotiations between the International Atomic Energy Agency (IAEA) and EURATOM to ensure that the IAEA has an inspection role in the centrifuge project.

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GATT'S GENERAL SESSION FAILS TO MAKE PROGRESS ON TRADE

The contracting parties (CPs) to the General Agreement on Tariffs and Trade (GATT) at their 26th General Session late last month failed to agree on a way to help maintain the momentum of international trade expansion after the last Kennedy Round tariff reductions take effect in 1972.

GATT director Long called on the CPs to agree to avoid any new nontariff barriers--such as specific quotas, health regulations, import deposit requirements--and to plan negotiations to remove existing barriers. The members, however, agreed only to "refrain from aggravating the problems and obstacles" existing at present, and they put off until the 27th General Session next year any action on specific multilateral measures to facilitate either industrial or agricultural trade.

Underlying the inability of the CPs to make greater progress are the

growing differences between the European Communities (EC) and other GATT members on trade questions. EC Commission President Rey last week strongly defended the EC's system of preferential trade agreements, which the US and other CPs have attacked as violations of the GATT. The EC also issued a white paper counterattacking recent US criticism of various EC commercial practices. The EC maintained that European economic integration had created more trade opportunities for the US than it had denied, and countered that there was "concern in the Community" that the US itself might be moving in a more protectionist direction.

Whether GATT in the future can be successful in liberalizing international trade will depend largely on the ability of the US and the EC to cooperate in such an effort.

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AUSTRIANS RETURN TO CONSENSUS POLITICS

The parliamentary election of 1 March, which gave the Socialists their first plurality since World War II, is a personal triumph for party leader Bruno Kreisky. Not only will he be Austria's first Socialist chancellor, he will also be the first Jew to attain this office.

Within hours of his victory, Kreisky indicated that he would pursue a moderate course in domestic and foreign policies. This decision is dictated as much by his own predilections as by the fact that in falling two seats short of a majority in parliament, the Socialists must take in a coalition partner. Because a link with the five-seat, right-wing Liberals would be politically unacceptable, the Socialists by mid-week began talks with outgoing Chancellor Klaus' People's Party to revive the "grand coalition." The Socialists had been junior partners in a series of grand coalitions from 1945 to 1966, when the People's Party obtained a majority and went on to form Austria's first postwar single-party government.

Reflecting the sentiment of many Austrians, Kreisky prefers a grand coalition to a single-party government. He once commented that he believes Austria cannot be governed well without enlisting the cooperation of both major parties. Because other Austrians, however, believe that ad-

versary politics are beneficial to the democratic process, Kreisky hopes to avoid reviving some of the stultifying practices of past grand coalitions. He presumably intends to revitalize the parliament, which in past coalitions acted mostly as a rubber stamp.

The two parties agree on foreign policy issues, which center on Austria's status as a neutral and as a "bridge" between East and West. Moreover, differences on domestic policy are not insurmountable. One of the issues facing coalition negotiators may be defense policy. In the campaign, the Socialists favored cutting compulsory military service from nine to six months, while the People's Party advocated a parliamentary review of the question. A small group of pacifists and far leftists, furthermore, wants a national referendum on whether to have military service at all.

The election victory should strengthen Kreisky's hand within his own party. Championing a moderate, anti-Marxist course, he became party leader in 1967, and most of this year's new voters--an unusually large number because the voting age was lowered to 19--went Socialist. ~~The aging militant Old Guard is still a force to be reckoned with in party councils, however, and it could prove recalcitrant if Kreisky appears to be giving too much away to the People's Party.~~

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MIDDLE EAST - AFRICA

Although an intensified Soviet propaganda campaign against "Zionist aggression" is beginning to cause Tel Aviv some concern, Israel has not been deterred from making almost daily air raids on Egyptian military installations along the Suez Canal. Israel's drumfire of warnings about increased fedayeen activity in Lebanon, meanwhile, has officials in Beirut on edge. Saiqa, the Syrian-run commando organization, is currently the most active of these groups, and its cross-border actions could provoke an Israeli military strike at any time. In Jordan, both sides in the recent confrontation between the government and the fedayeen have found cause for recrimination, either privately or publicly, and each is trying to improve its position.

India's Prime Minister Gandhi presented parliament with a proposed union budget that appears to go just far enough to satisfy her left-wing supporters. The new budget, for the fiscal year that begins on 1 April, contains no radical proposals and should give the opposition few opportunities to embarrass Mrs. Gandhi's administration. Meanwhile, the latest round of Indo-Pakistani talks on apportioning the waters of the Ganges has ended with no apparent progress.

The Black African states are doing their best to get the US to close its consulate in Salisbury following Rhodesia's shift to republican status early this week. They will probably have the UK's tacit support in the UN Security Council when they call on those states still maintaining representatives in Salisbury to close their missions. Rhodesian Prime Minister Smith obviously hopes that the US in particular will retain its consulate

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One year after an alleged coup attempt against Equatorial Guinea's President Macias, the situation has again become tense in this impoverished former Spanish colony. In recent weeks, the mercurial Macias has revived his charges that Madrid is plotting against him, and has banned the importation of all Spanish news media. The police have become increasingly active, and are keeping many establishments—including the US Embassy—under surveillance

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TURMOIL CONTINUES IN MIDDLE EAST

Having made no progress toward a general Arab-Israeli settlement--not even a return to a cease-fire--the contending nations are engaging in ever sharper exchanges of gunfire and invective.

Arab chiefs of state and leaders of the major fedayeen organizations appear to have been sobered by the reaction to the airline bombings, and most have issued statements deploring the incidents. Moscow's initial reaction to the Swissair crash was to accuse Israel and the US of using fabricated press reports to implicate the Arabs. Both Soviet and Arab propagandists continue to inveigh against Israeli bombings of Egypt, and to call for international condemnation of US support for Israeli "aggression."

Israel

Israel's initial fears that a general panic among civil airline operators would cut its aerial lifeline have receded since the Arab terrorist bombings of the Swissair and Austrian aircraft on 21 February. Suspended passenger, mail, and air-freight flights to Israel have been almost completely resumed; concerned governments and airlines have taken additional security precautions; and international organizations dealing with civil air traffic are to hold formal meetings on the terrorist threat in the near future.

Israel's hawkish minister of transportation, General Weizman, has indicated that Israel will await the results of international attempts to eliminate the danger before resorting to independent action, which would almost certainly take the form of retaliation against Arab interests. Prime Minister Golda Meir and Foreign Minister Eban have both emphasized that Israel's objective is to ensure the safety of civil aircraft flights. At the same time, they have made it eminently clear that they would regard any constriction of Israel's air transport connections as an extremely serious matter.

Weizman equated the prospect of a de facto aerial blockade with Nasir's closing of the Strait of Tiran in 1967. Mrs. Meir said flatly that terrorist attacks against air transportation "must stop." Unless the airlines adopt effective security measures of their own, she added, Tel Aviv will act to protect the "freedom of aviation."

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Israel-Egypt

International revulsion over the two airliner explosions served to divert the critical attention that had been focused on the

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Israeli air raid [redacted]
in Egypt [redacted]

Even before this, however, the Israelis had resumed their deep-penetration bombings of Egypt.

[redacted]

Mrs. Meir told students at Hebrew University that the purpose of the raids was to relieve Egyptian pressure on Israeli forces along the Suez Canal, to disrupt Nasir's plans for a new war, and to make the Egyptian people aware of the falseness of Cairo's claims of military prowess. Although she soft-pedaled the thesis that Tel Aviv is seeking Nasir's downfall, it is unlikely that the Israelis' objectives in this regard have changed.

The Fedayeen

Fedayeen leader Yasir Arafat, already under attack within his own organization--Fatah--because of his relatively conservative stance, may find his position, even more shaky as a result of his recent trip to the Soviet Union. Arafat's main objective in Moscow was to gain some measure of political recognition, or at least increased status for the Palestinian cause as a national liberation movement.

[redacted]

[redacted]

Moscow side-stepped the question of political recognition of specific fedayeen organizations by giving Arafat a pledge to work for more-official international recognition, but only after the fedayeen had formed a single united organization, almost an impossible prerequisite at present.

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Lebanon

The government may face renewed difficulties because of fedayeen activities.

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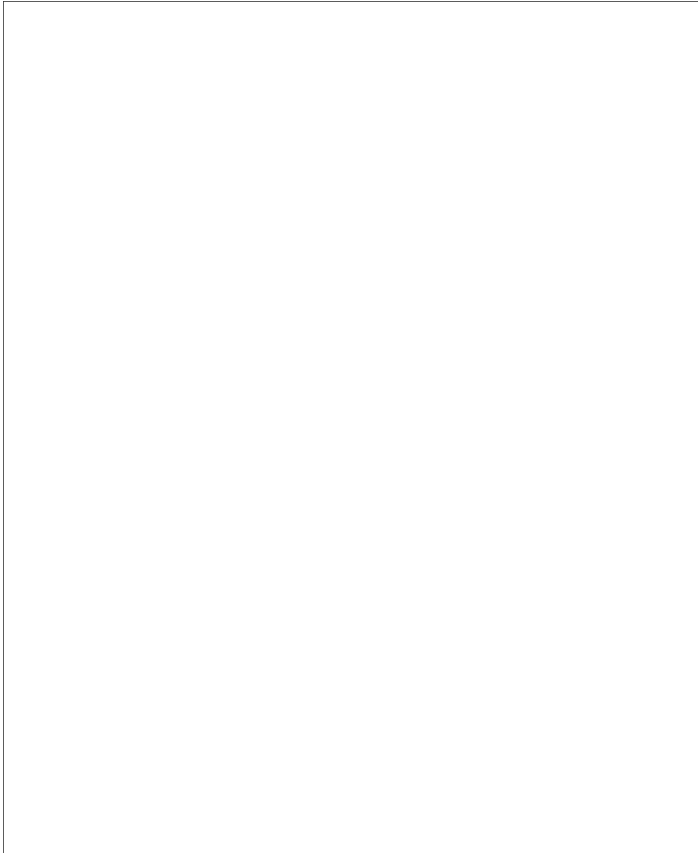
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A Damascus press agency last week (b)(3) quoted Yasir Arafat as saying the (b)(1) King "agrees" with the commando organizations regarding the replacement of Prime Minister Talhuni with Rifai. Arafat is said to have added that the fedayeen also want the King's uncle, Sharif Nasir, removed as commander of the Jordan Arab Army, but he did not indicate whether the King had "agreed" to this as well.

Husayn will probably delay (b)(1) any reshuffle for some weeks in (b)(3) order to avoid the appearance of knuckling under to the fedayeen. Whatever the King's motivation for reshuffling the cabinet, however, he will almost certainly suffer some loss of prestige that will redound to the fedayeen's advantage. The replacement of Sharif Nasir, in particular, would be widely interpreted as a significant concession on the King's part.

Jordan

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King Husayn may be mulling over some changes in his cabinet.



According to press reports, "diplomatic sources" in Beirut consider Foreign Minister Rifai the leading contender for the premiership.

A reshuffle at this time would be generally construed as linked to the negotiations several weeks ago between the King and the fedayeen, who had demanded various cabinet changes throughout the preceding crisis.

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SOVIET PUBLIC PROTESTS AGAINST ISRAEL

A two-week campaign of mass meetings and press articles attacking Israel was climaxed on 2 March with the observance of an "International Day of Protest" in the Soviet Union. A number of nongovernmental organizations participated in the activities of the day, and many well-known Soviet intellectuals added their names to petitions in support of the Arab governments. The day of protest, which was supposed to be observed in all the socialist countries, had all the earmarks of a hastily contrived effort to influence the US decision on arms deliveries to Israel. Many Russians are reportedly comparing the campaign to similar ones in the past against China and in support of Soviet actions in Czechoslovakia.

Soviet propaganda on the Middle East, most of it focusing on Israel, is currently at the highest level since the June war in 1967. Leading Soviet newspapers have carried scathing indictments of Israel by prominent Soviet Jews, including a high-ranking

general who warned that Israeli Defense Minister Dayan may soon have to learn the meaning of the word "retreat." Both Pravda and Izvestia have also underscored Soviet determination to provide the necessary aid to the Arab states to strengthen their defensive capabilities.

The anti-Israel crusade has been carefully orchestrated, of course, by the Soviet Government. It is significant, therefore, that expressions of "rage" over Israeli aggression have been offset by continued declarations in support of peace. According to the US Embassy in Moscow, the US has generally not been in the main line of fire. This manipulation of press attacks and public protests seems intended not only to deter the US from a favorable response to Israeli arms requests but simultaneously to prepare the Soviet public for a possible step-up in military aid to Egypt--perhaps including Soviet military personnel, if that is required.

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DAHOMEAN MILITARY PREPARES FOR ELECTIONS

National elections are scheduled to begin in Dahomey next week, but even if they are held, they will do little to solve the continuing political crisis. At best, the elections will produce a weak coalition government that will still be overshadowed by the country's divided but ambitious army officers.

As set up by the ruling military triumvirate, presidential and parliamentary elections will be held on a district-by-district basis between 9 and 31 March. Four former heads of government--Maga, Ahomadegbe, Apithy, and Zinsou--have filed for the presidency. So far, the brief campaign has been characterized by strident political propaganda and scurrilous personal charges.

Each of the four candidates has a fairly solid following, making it virtually impossible for any one of them to win decisively. If Dahomey's impetuous army officers restrain their inclinations to interfere with the elections, the most likely outcome will be a shaky coalition government over which the army will wield ultimate control.

The army, despite internal divisions, presently seems determined to hold the elections. It remains to be seen, however, whether or not the officers will accept the verdict, particularly if the winner is Dr. Zinsou, whom they ousted last December. Moreover, there is still a possibility that one army faction or another will move to take full power for itself, perhaps using indecisive electoral results as a pretext.

The most likely leaders of a military intervention are Lieutenant Colonels Alley and Kouandete, archrivals who lead the army's two most powerful factions. There is even a possibility, reported in recent weeks, that the two might combine forces to take control of the government and establish some form of mixed military-civilian regime. In such an event, the civilian political leaders would either have to be exiled or given sinecures. An Alley-Kouandete take-over, however, would do little for long-term stability, given the depth of mutual hatred and competing ambitions of the two politically minded colonels. (b)(3)

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WESTERN HEMISPHERE

Attention in Latin America focused this week on the elections in Guatemala, where right-wing candidate Colonel Carlos Arana won handily over both the government and Christian Democratic candidates. The election atmosphere was surprisingly calm, despite the kidnaping of the foreign minister and some minor terrorism on election eve.

The presidential election situation in the Dominican Republic has been muddled by the major opposition party's decision to abstain. Moreover, the Dominican Revolutionary Party's official approval of a radicalized position, including a resolution favoring solidarity with Cuba, may drive moderates out of the party. It could also encourage antigovernment activity, possibly including sabotage of government installations, by some cadres who already cooperate with the Communists.

El Salvador's government party may lose its one-seat majority in congressional elections to be held on 8 March. As no party is likely to have a majority in the new legislature, intensive postelectoral maneuvering is a virtual certainty.

Cuba's sugar harvest is falling further behind schedule. The production goal of 10 million tons will not be reached, but it appears that the Castro regime's previous high of 6.8 million tons in 1961 may be surpassed.

Despite the assurances of Venezuelan officials and the apparent lull in activities, the situation along the disputed Venezuela-Guyana border remains a source of serious concern to both sides. [REDACTED]

[REDACTED] The presence of large numbers of refugees, as well as the proximity of armed troops at the border, could inhibit an easing of tension.

President Pacheco's use of emergency powers to take over Uruguay's traditionally autonomous secondary and vocational schools last month has laid the groundwork for another executive-legislative battle. Pacheco's move, which was made to lessen leftist influence in the schools, has not gained public support. On 5 March the legislature's permanent commission lifted the President's emergency powers, but Pacheco immediately declared the move illegal. Stormy debates are sure to erupt when the legislature reconvenes on 15 March.

Bolivia's new press law resulted in the first edition of a "workers' newspaper" on 2 March. The contents of this issue reflected the views of the leftist minister of information on press freedom, suggesting that the weekly publication will be stridently anti-US in tone and will follow the government's nationalistic line. [REDACTED]

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UNEASE CONTINUES IN PANAMA

Since the abortive coup attempt by dissident National Guard officers last December, Panamanian strong-man General Torrijos has firmly re-established his power position, reorganized the government, and increased his popular support somewhat. Nevertheless, there are still indications of discontent in the business community and of friction within the Guard.

Despite the government's concern for business sensibilities and the moderate pace of reform, there has been no noticeable improvement in business-government relations. The oligarchy is unhappy at being deprived of its traditional political pre-eminence and is suspicious of the government's pro-labor orientation. It has been further dismayed by increased taxes and a proposed bank-reform law. As a result, private investment has continued to decline



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FEW COUNTRIES SUPPORT CALLS FOR REVIEW OF CUBA'S STATUS

Recent public statements by prominent Latin American politicians calling for a review of Cuba's status in the inter-American community have aroused considerable press comment but little sympathy among members of the Organization of American States (OAS). Several governments are willing to discuss the issue if the subject is formally raised but would do so only within the OAS structure and only on the condition that Cuba rejects "export of the revolution" as a basic tenet of its foreign policy. These qualifications, of course, are not acceptable to Havana. In any event, the Castro regime has demonstrated no desire to resume active participation in what Castro has contemptuously labeled the "US Ministry of Colonies."

Leaders in the movement for a review of Cuba's status are Prime Minister Eric Williams of Trinidad and Tobago and Foreign Minister Gabriel Valdes of Chile. The subject was raised during the recent Inter-American Economic and Social Council meeting in Caracas, by Williams in his capacity as conference chairman. He reiterated that various countries in the Caribbean area--Cuba among them--should be integrated more closely into the economic life of the inter-American community. In so doing, he acknowledged that Cuba should be expected to refrain from meddling in other countries' affairs.

In a tactful reply the conference host, Venezuelan President Caldera, chided Williams for suggesting that economic relations could be divorced from political interchange. When Caldera's remarks were misinterpreted by the press as supporting Williams'

stand, Venezuelan Government spokesmen quickly and firmly repeated the two conditions--discussion within the OAS and Cuban rejection of meddling.

Similar positions have been maintained by Bolivia, Costa Rica, the Dominican Republic, and Peru. These countries are amenable to OAS discussions on the subject, but none wants to take the initiative to request a meeting for that purpose. If such a meeting were convened, however, some would be content to vote either way on the question of relaxing sanctions against Cuba, depending on how the majority leaned. Mexico was never in favor of ostracizing Cuba and never broke ties with Havana.

The majority of countries in Latin America are more adamant in their anti-Castro stand and see no advantage to reviewing Cuba's status under present conditions. Nevertheless, Williams reportedly plans to make a trip through South America seeking support for his views on Cuba.

The only agreement with Williams' views has come from Chile, which has long been out in front on this issue. Foreign Minister Valdes has made overtures directed toward a restudy of the Cuban case, and a trade pact has just been signed with Havana. The Frei government denies, however, that its position on Cuba has changed, and it has as yet made no move to place the question of Cuba's status formally before the OAS. Most Chileans probably approve of the trade agreement, and all three candidates in the forthcoming presidential elections have expressed disagreement with the OAS sanctions against Cuba.

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REPRESSION INCREASING IN PERU

The military government's arrest of five opposition labor leaders and its expropriation of two Lima newspapers probably signal a general move toward greater repression. The stage has been set in recent months for a harsher form of military rule than Peru has experienced since the coup in October 1968. Since December, decrees have been issued reorganizing the court system, restricting press freedom, and setting strict penalties for "obstructing" implementation of agrarian reform.

In the past week the government put these laws to use against its opponents. Five key leaders of the sugar workers' union, which is controlled by the military's principal political adversary APRA, were arrested last weekend. The union leaders were charged with obstructing the implementation of agrarian reform when they called a strike on a large sugar plantation taken over by the military government last summer. The strike, largely unsuccessful, was called to protest the death of a child and injuries to several workers on 24 February, when police dispersed a group gathered at the plantation to hear APRA party leader Haya de la Torre. The decision to try the

accused Apristas before a military tribunal could result in even more serious difficulties.

In another move to silence its critics, the military government seized two opposition newspapers on 4 March and declared it would turn them over to a workers' cooperative. The Communist-dominated union at the company that published the influential Expreso and Extra dailies is participating in the formation of the cooperative. If the Communists gain control, as appears likely it could provide the party with an excellent vehicle for its propaganda activities. The expropriation will probably be greeted by outrage from other Lima newspapers, but it will serve the government's purpose of demonstrating that there is a limit to how far opposition can go.

The expropriation of the newspapers and the government's apparent willingness to work with Communists to thwart opposition will almost certainly set back President Velasco's efforts to regain the confidence of private businessmen. This would hinder efforts being made to rejuvenate the Peruvian economy and could encourage the Velasco government to adopt even more repressive and radical measures.

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GUATEMALA IS CALM AFTER ELECTION UPSET

Rightist presidential candidate Colonel Carlos Arana's lead over the favored government slate in the elections of 1 March and his party's probable majority in the legislature have removed much of

the crisis potential for the post-electoral period.

Both opposition parties were prepared to claim fraud if the

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government had won, and the administration was doubtful that the military would remain loyal in a crisis. The government's unexpected defeat demonstrated the honesty of the vote count and cooled political passions.

The presidential election remains technically undecided because Arana failed to gain the required majority. Formal recognition of his victory now rests with the Congress, which must select between Arana and the runner-up, government candidate Mario Fuentes Pieruccini. There is some concern that the government will try to use its majority in the incumbent legislature to elect Fuentes, because the constitution does not say whether the old or the new Congress is responsible for the selection. In view of Arana's 40,000-vote lead over Fuentes and the acceptance of Arana as the next president by the leftist candidate, who took more than 20



Carlos Arana

percent of the vote, however, the Congress seems unlikely to tamper with the voters' repudiation of the present government.

Although Arana's political bent has been unequivocally rightist, as president he may develop a more moderate position, but he may find it hard to control some of the extremists in his camp. Arana's reputation as the country's peerless fighter of Communists may incite subversive groups to terrorism before he takes office. Arana is expected to launch an aggressive campaign against crime and terrorism. He has also taken a hard line on Guatemalan claims to British Honduras and has even spoken publicly of the possible need for a military solution. In office, Arana may disavow efforts by the incumbent government seeking a compromise with the UK that would allow for the colony's independence.

Arana's succession on 1 July would be the first time an elected government of Guatemala had transferred power to an elected opposition. Arana has already displayed statesmanship in his new role by appealing to former presidents now in exile--the extreme leftists Juan Jose Arevalo and Jacobo Arbenz, and the extreme rightist Miguel Ydigoras--to return to Guatemala and participate in its political life.

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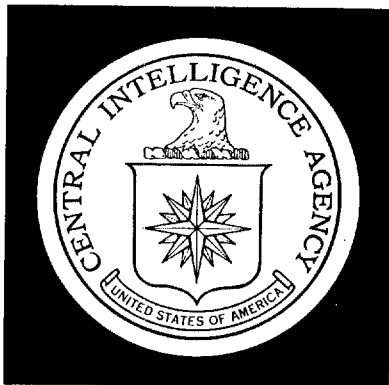
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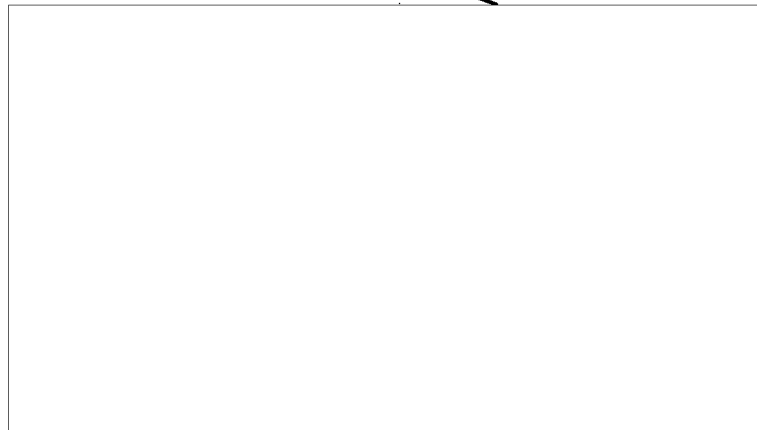
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DIRECTORATE OF
INTELLIGENCE



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WEEKLY SUMMARY

Special Report

The Brazilian "Revolution": Stage Three

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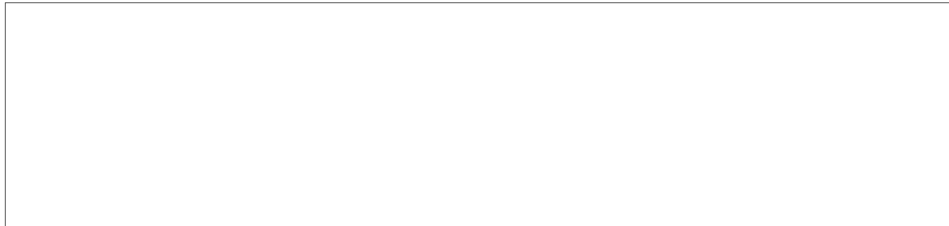
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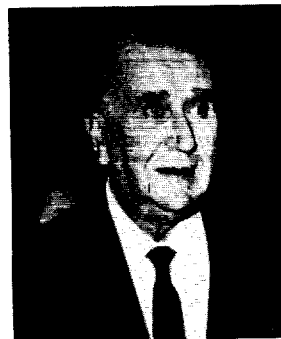
President Emilio Medici is the third former military man to govern Brazil since the armed forces removed leftist-nationalist Joao Goulart in April 1964. Like his predecessors, Humberto Castello Branco (April 1964 - March 1967) and Arthur da Costa e Silva (March 1967 - October 1969), Medici came to the presidency without actual civilian consultation. He was chosen by, and has his power base in, the military establishment; and he inherited some well-established policy lines and practices identified with the 1964 "revolution." Medici now holds unprecedented authoritarian powers, and he has cited a return to democracy, as well as long-overdue reforms in education, health, and agriculture, as major goals of his administration. His programs face many potential hazards, however. Lack of communication and a gulf of mistrust continue to separate the military from civilian politicians, and Medici will need great imagination and diplomacy to bridge the gap by the end of his term in 1974.

THE MEDICI ADMINISTRATION

Emilio Medici is a tough-minded, retired career army officer who has spent most of his life in the service. His only important contact with political affairs prior to assuming the presidency occurred during the period from March 1967 to March 1969, when, as chief of the National Intelligence Service (SNI), he served as one of the President's most trusted confidants. Medici continued to advise Costa e Silva following his assignment to command the Third Army in Rio Grande do Sul, the native state of both men. When the President was incapacitated by a stroke last August, Medici's closeness to the infirm chief executive was one of the reasons for his selection as successor by the military leadership.

The new president is a taciturn, deliberate individual whose style of governing Brazil undoubtedly derives from his 45 years of study and practice of the principles of military command. He almost invariably backs his subordinates and

protects them from external pressures as long as their loyalty to him is untarnished and he continues to find them useful. At the same time, he would act swiftly against anyone whom he suspected of disloyalty or dishonesty, or of permitting news of bickering in the official family to become public. The value Medici places on performance and technical competence was reflected in the selection of officials for his administration. Most of them are capable civilian and military technicians who have no personal political



"By the end of my administration, I hope to leave democracy definitively installed in our country, as well as firm bases for our social and economic development."

President Emilio Medici

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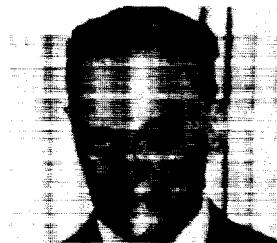
followings. Medici largely reserves the role of dealing with politicians for himself. In announcing his cabinet selections, Medici stressed that he intended them to work as a united team and that he would not tolerate any "solitary or errant stars" who would use their posts to further their political ambitions. Six ministers are holdovers from the Costa e Silva cabinet, and ten are new appointees. Two of the holdovers—Education Minister Passarinho and Transportation Minister Andreazza—are young, politically astute, retired army colonels, whose military backgrounds and civilian ties caused them to be considered possible "transition" candidates for the presidency after Costa e Silva. Under Medici, however, both appear to have set aside, at least for a while, their political aspirations and are concentrating on the considerable problems facing their departments. The new ministers of health and agriculture should perform much better than their predecessors in these key areas. The new justice minister, Alfredo Buzaid, is the cabinet's most conservative member. He is heartily disliked by liberals and students for his alleged role in the purge of more than 60 professors at the University of Sao Paulo last spring. He has recently been sharply attacked by the already semicontrolled press for issuing a decree authorizing the federal police to censor books and periodicals before distribution in order to eliminate "publications and outward expressions against morality and accepted custom." More than 100 new censors are being hired to handle the increased workload.

Medici's actions during his four months in office suggest that he will place much less reliance on the cabinet as a consultative body and on the National Security Council (CSN) than did Costa e Silva. Currently, in the day-to-day operations of the government and in advising the chief executive, the most important official organs are the SNI and the Presidential Military Household, both of which are headed by dedicated supporters of

Medici. SNI director General Carlos Fontoura served as chief of staff of the Third Army until he replaced Medici as head of the SNI in March 1969. Military Household chief General Joao Figueiredo followed Fontoura as Third Army chief of staff, and as such was then Medici's principal assistant and probably now is his closest adviser. In addition to his army experience, Figueiredo served as chief of the SNI's predecessor agency, and from 1964 to 1966 headed the SNI's Rio de Janeiro office. Figueiredo has brought together in the Military Household a highly structured group of able young officers of a somewhat moralistic bent. These officers, and similar military counterparts in the SNI, have mainly been responsible for drafting most of Medici's important policy statements. A new Special Presidential Advisory Office apparently will have increasing responsibilities for coordinating matters coming before the executive. In contrast, Medici thus far has given only a minor role to the Presidential Civil Household, which was quite active under Costa e Silva.

THE VICE PRESIDENT

An unknown factor in the administration is Vice President Rademaker, a controversial retired admiral who made many enemies during his naval career. A staunch conservative, Rademaker helped plan the "revolution" against Goulart, and subsequently had an important part in purging subversive elements from the service. As Costa e Silva's navy minister, he became the senior member of the triumvirate that ruled in Costa e Silva's name following his incapacitation. Rademaker reportedly rejected the vice presidency at least twice, and accepted it only at



Vice President
Rademaker

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Medici's insistence. The President apparently chose Rademaker as a symbol of the continuity of the "revolution," ~~but now may regret this decision.~~ Although Rademaker has assembled a large personal staff, with military officers predominating, his official role remains unclear. The revisions of the 1967 constitution in 1969 took from the vice president his principal, traditional duty of presiding over the Congress. Nonetheless, Rademaker has worked hard to make new contacts with civilian politicians and to keep up his ties with military figures

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MILITARY UNITY

Like that of his two predecessors, Medici's power base lies in the military establishment, and he must constantly be concerned about preventing any signs of division within the armed forces. For the present, he holds several strong cards. His election by top officers was largely due to his excellent army record and reserved personality, which made him acceptable to a broad sector of the armed forces. His selection also provided a welcome solution to the threat to military unity posed by ambitious generals maneuvering for the presidency. Costa e Silva's plans to reopen Congress and overhaul the Constitution had been bitterly opposed by a substantial sector of the military, but these steps were taken by the triumvirate as essential parts of the process of installing Medici, creating a narrow political opening that Medici can expand if he chooses. He has achieved a balance among the military factions by appointing followers of Castello Branco to such high positions as Military Household chief and army minister. The latter, General Orlando Geisel, is a strict disciplinarian who will brook no dissent in the service. Even malcontents such as General Albuquerque Lima, who bitterly attacked the military chiefs for failing to consider him for the

President Medici greets General Albuquerque Lima

presidency, appear to have been brought into line, at least for the present. The triumvirate gave Medici a powerful tool to curb any military dissension with the issuance of Institutional Act 17, which authorizes him to transfer to the reserves any military man whose actions he believes pose a threat to discipline or to hierarchical principles. In more serious cases, he can permanently separate such an individual from the service under the earlier Institutional Act 5. Medici probably has also earned some armed forces favor by authorizing pay increases that will mean an approximately 20 to 25 percent rise in real wages this year, following a similar increment in 1969.

A ROLE FOR CIVILIANS

Immediately after Medici's selection for the presidency, he said that one of his principal goals would be to establish democracy firmly in Brazil by the end of his term. In order to achieve this goal, he must chart a course through dangerous waters. The President's powers will have to be reduced, military support must be maintained, and a legitimate role for civilians must be found.

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Medici inherited far greater powers than those held by his two revolutionary predecessors at their inaugurations. Castello Branco's legacy to his successor was four institutional acts—decrees with the force of law—and a constitution incorporating broad executive authority. By October 1969, however, Costa e Silva and the triumvirate had expanded these powers greatly by means of 13 additional institutional acts, a substantial revision of the 1967 constitution, and a new National Security Law authorizing trial by military courts for persons accused of a wide variety of subversive activities. Medici also inherited a list of over 1,000 Brazilians—including three former presidents—whose political rights have been canceled for ten years on the grounds of corruption or subversion. In many cases the charges were justified; in others, however, the sanction was used to neutralize outspoken opposition spokesmen or to remove political rivals. The President now has the authority to add to this list; to apply additional penalties to persons who have already been deprived of their political rights; to confiscate the property of anyone who has ever held political office; to suspend the right of habeas corpus and most other traditional liberties; and to declare a state of siege for an unlimited time. In order to carry out his directives, he can rely on the armed forces with their individual intelligence services, on the SNI and on the Federal Police, and on the Police-Military Inquiry (IPM), a formal fact-finding body that has played an important role in the purging of individuals at many levels on suspicion of corruption or subversion.

These powers and institutions give Medici a wide range of options within parameters acceptable to the military in governing Brazil. He can operate within the constitution or exercise almost absolute authority. Medici is said to have a profound belief in representative government and in the principles of democracy, and these convictions may lead him to preserve democratic forms

and appearances even when democratic practice proves impossible. Because Medici has largely remained aloof from politics during his military career, there is little information on what his goal of democracy means or how he intends to achieve it. Public statements suggest that he views politics as a means of producing national consensus around high ideals and “great national goals” that have universal acceptance, and that he believes personal ambitions and conflicting pressures by special interest groups have no constructive function in the political process.

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Medici has said that his joining the progovernment National Renewal Alliance (ARENA) party shortly after his inauguration represented the start of the reconstruction of Brazil's political life. He declared at that time that ARENA's function was to give political support to his government and to the “revolution,” and he made it clear that his role in the party would be that of a “firm captain and not of an agile politician.” He rapidly implemented his command role by hand-picking a president for ARENA, as well as its leaders in the two chambers of Congress. This departure from tradition surprised party stalwarts who had expected to get the jobs.

A WARY CONGRESS

Many facets of Medici's political program will be tested in the Congress. Under Costa e Silva, the unexpected refusal of the Chamber of Deputies to allow the lifting of the parliamentary

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immunities of a member accused of slandering the armed forces was a prime cause leading to the imposition of broad new authoritarian powers in December 1968. This executive action resulted in the suspension of Congress, which was reopened only last October to ratify the armed forces' selection of Medici. The Congress that will function under Medici has been reduced both in size and authority. Cancellations of political rights have eliminated 88 members (27 from ARENA and 61 from the opposition Brazilian Democratic Movement-MDB) from the 409-seat Chamber of Deputies, and five legislators (all from the MDB) have been removed from the 66-seat Senate.

During an abbreviated session from 20 October to 30 November, the members of Congress concentrated on avoiding incidents that might cause the government and the military to retaliate and on staking out positions on which they could build a role for the two political parties. The MDB accepted Medici's guidance that it act as a loyal opposition, "pointing out errors, agreeing with correct points, indicating paths." It called for repeal of the institutional acts; for an end to arbitrary and punitive political acts such as cancellation of political rights, confiscation of property, and censorship; for termination of the recently adopted death penalty and banishment; for full popular participation in the national decision-making process by means of direct, universal, secret suffrage; for the restoration of full individual and political rights and liberties; for the restoration of the power and autonomy of the legislative and judicial branches vis-a-vis the executive; and for greater economic and social justice. In setting forth this all-inclusive program, the MDB was careful not to blame Medici for the present authoritarian political situation and applauded his aspirations to correct it. The MDB spokesmen stressed the party's intention to act exclusively within the law and expressed its abhorrence of any sort of violence.

ARENA leaders in Congress often were torn between a desire to act with some degree of independence and their need to demonstrate to the President that they were loyally defending his programs and the "revolution." As a result, the MDB seized the initiative and adopted positions that in fact often were held by the entire "political class."

THE ILLEGAL OPPOSITION

The great majority of the 92 million Brazilians have little knowledge of politics and do not believe that anything they do will significantly affect those who govern them. Those who are politically aware—mainly professional politicians and the economic decision-makers—look upon the present government with views ranging from firm approval to resignation. There is, however, a small minority completely alienated from "the system" and willing to use violence to express opposition to it. This nebulous and fragmented sector, probably numbering not more than a few hundred, includes some purged politicians, former military men cashiered because of their leftist political or subversive activity, students expelled from universities for similar reasons, and members of the radical wing of the Catholic Church who consider the military a reactionary force. In addition, there is probably a considerably larger sector of society that does not engage in violence, but at times expresses considerable sympathy—and at times gives concrete assistance—to those who do.

Some of the individuals who have turned to violence claim they have adopted this course because all channels of peaceful opposition have been closed off by the government's authoritarian measures. Others say they have resorted to clandestine activity because they found their livelihood cut off as a result of government action. These individuals, particularly former students,

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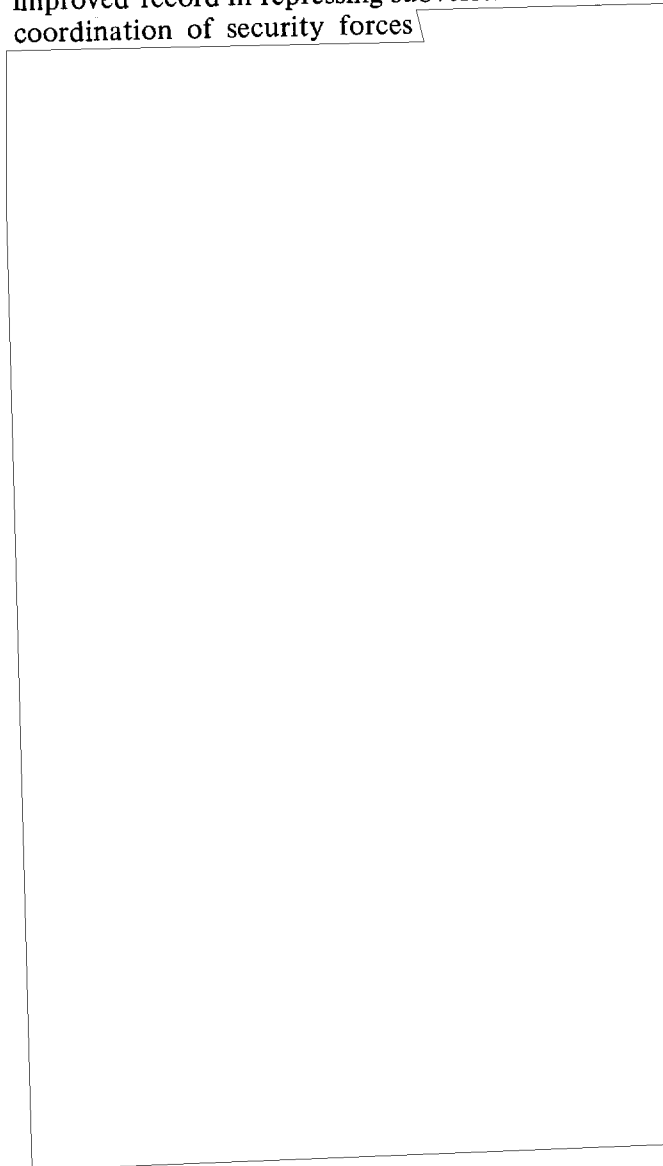
have formed the nucleus of several subversive organizations that have carried on an extensive campaign of antigovernment terrorism over the past two years. In several cases, the leadership has been provided by professional extreme leftists, many of whom have been expelled from the Moscow-line Brazilian Communist Party (PCB) because of their espousal of violent tactics and their admiration for the revolutionary theories of Mao Tse-tung and Fidel Castro. Terrorist activities, which have hit Sao Paulo hardest, have included bombings, kidnappings, robberies of banks and stores selling arms, and airliner hijackings.

SECURITY FORCES ACTIVE

Following the kidnaping of US Ambassador Elbrick last September, security forces went on an all-out campaign to wipe out these subversive groups, and they recently claimed to have neutralized some of the most important ones. These include the National Liberating Action (ALN), the Revolutionary Armed Vanguard-Palmares (VAR-P), and the Revolutionary Brazilian Communist Party (PCBR). Numerous arrests of members of the PCBR and Popular Action (AP) militants in the northeast may have prevented an outbreak of rural violence in that potentially volatile area. The security forces' greatest triumph was the killing last November of dissident Communist Carlos Marighella, chief of the ALN and the country's most effective terrorist leader. Several key figures in other terrorist groups have been arrested, and others have been forced to go into hiding or flee the country. Marighella's heir apparent, Joaquim Camara Ferreira, received a warm reception in Cuba. The fact that terrorism does continue, even though on a considerably lower scale, indicates that remnants of these groups remain at large. Probably the most dangerous of their leaders is renegade Army Captain Carlos Lamarca, who heads the Popular Revolutionary Vanguard (VPR).

One of the reasons for the government's improved record in repressing subversives is better coordination of security forces

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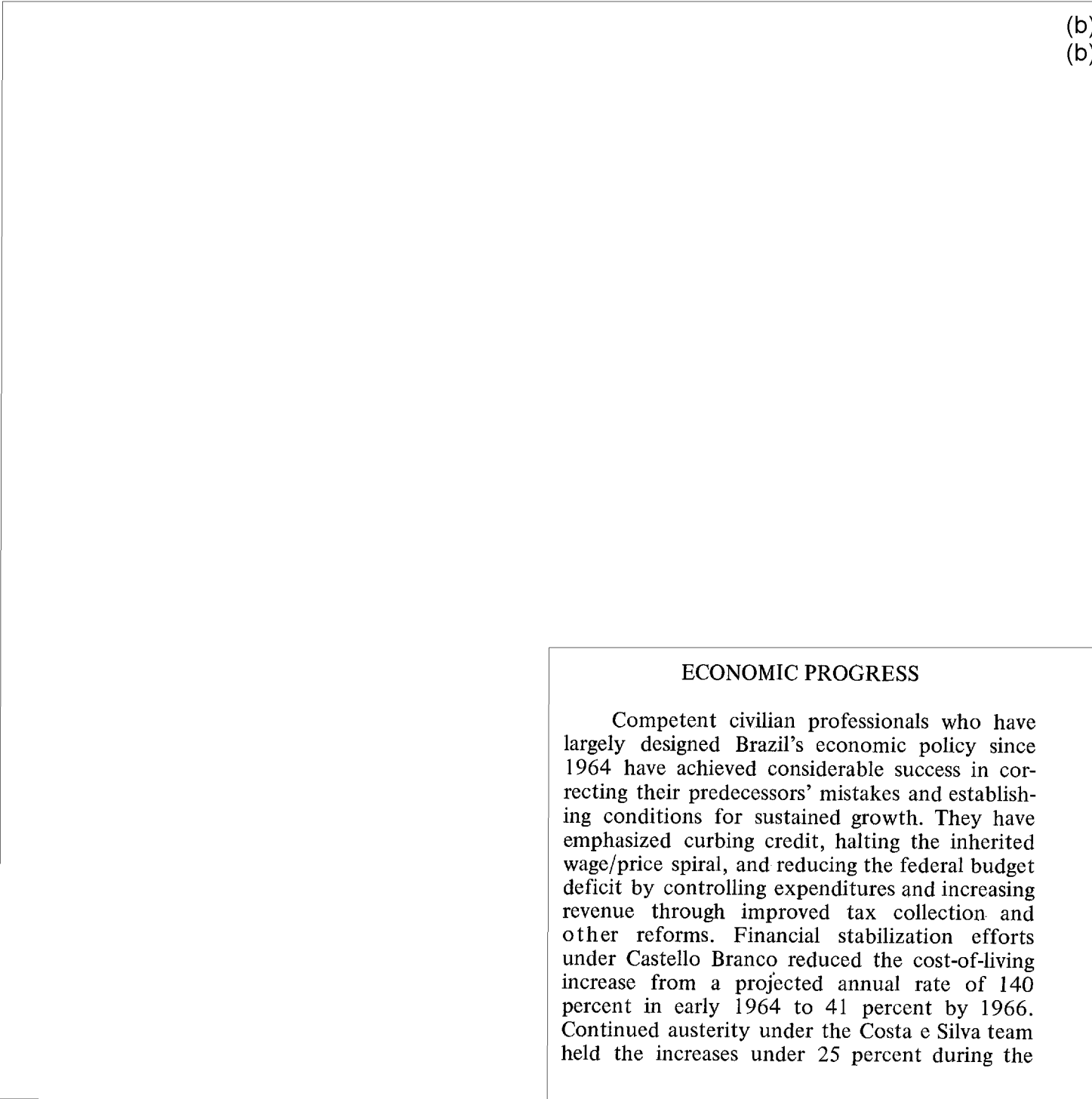
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ECONOMIC PROGRESS

Competent civilian professionals who have largely designed Brazil's economic policy since 1964 have achieved considerable success in correcting their predecessors' mistakes and establishing conditions for sustained growth. They have emphasized curbing credit, halting the inherited wage/price spiral, and reducing the federal budget deficit by controlling expenditures and increasing revenue through improved tax collection and other reforms. Financial stabilization efforts under Castello Branco reduced the cost-of-living increase from a projected annual rate of 140 percent in early 1964 to 41 percent by 1966. Continued austerity under the Costa e Silva team held the increases under 25 percent during the

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past three years. Exports, previously stagnant, have increased throughout the period, and grew by 20 percent in 1969 to the record level of \$2.3 billion. Although imports rose sharply, growing export earnings and capital inflows have enabled exchange reserves to increase steadily. Investment, which remained depressed under Castello Branco, rose rapidly under Costa e Silva. Even though a recession slowed growth early in 1967, total output grew by nearly 5 percent that year; the 8.5 and 9 percent increases in 1968 and 1969 were the highest in Latin America. Many serious problems remain, however. Some industrial growth has been attained at the expense of neglecting agriculture. There are great lags in the development of some regions, and the foreign debt burden is heavy.

GOVERNMENT-LABOR RELATIONS

Despite these major economic gains, the austerity programs of the post-1964 governments have resulted in some decline in the real wages of many workers. The Medici regime's labor minister has said that the government plans to increase the purchasing power of the workers indirectly by providing more educational scholarships, increased medical assistance, and greater funds for the acquisition of private housing. He called for the cooperation of all unions in these endeavors and urged them to organize consumer cooperatives and local schools to assist the government. Workers were unable to find in his words or in those of President Medici any indication that rigid governmental controls over the unions would be relaxed or that the salary policy would be modified.

OUTLOOK

The armed forces appear determined to remain in control of Brazil for at least the next four years. Although differences exist, the military are

united in the conviction that their principal role is to control corruption and subversion, and that the conduct of national affairs must never be allowed to return to those whom they hold responsible for the pre-1964 political turmoil. At the local level, military leaders are confident of their ability to control and direct the areas under their command and have little or no fear of the development of significant opposition to the regime or to themselves. They sympathize with workers but regard unions and union leaders with deep suspicion and with a measure of contempt. The officers are particularly mistrustful of the ability of the electorate to vote intelligently and of the capacity of the political parties to organize and lead the nation.

These widely held attitudes will require the Medici government to be "extremely attentive to its duties toward its base of military support," according to a leading Brazilian political columnist. Medici will almost certainly continue to use all methods available, including the issuing of decree laws, cancellation of political rights, censorship, and suspension of habeas corpus, to make certain that he retains control of the limited return to more normal political processes. He has indicated that campaigning for the gubernatorial elections in October and the congressional elections in November can proceed only when he gives the green light, and he will rely on the SNI and on the army's regional commands to assure him that the political credentials of candidates of both the two parties are acceptable. Medici will certainly exercise a veto over candidates not firmly committed to the goals of the "revolution" and he in fact will take an active role in selecting the men who will collaborate with him as governors, and possibly in Congress as well. This decision not to make any rapid move toward restoring "full democracy" probably is both a reflection of his own inclinations and a judgment that his military base will not allow such a course now.

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The regular sessions of the national Congress and state legislatures scheduled to open in March are likely to test whether the civilian politicians will maintain the cooperative attitude they have shown the government thus far. Some ARENA members may grow restive about the organization's identification as the "1,000 percent" progovernment party, and not all MDB members are satisfied with the limited role of constructive criticism that has been assigned to the opposition. The politicians generally are aware of the military's ingrained distrust of them, and they know that any harsh criticism of the armed forces or of the government could result in civilians being denied even the very restricted participation they now have. The President might make such a decision on his own initiative, or he could be pushed into it, as was Costa e Silva in 1968.

It seems doubtful that Medici can gain much support among those elements that have become deeply alienated from the government particularly some of the university youth and professors and certain liberal sectors of the clergy. Most activist university students have been cowed by the possibility that they could be expelled and prohibited from attending any university for engaging in political activity, but some will probably continue to engage in clandestine antigovernment activity through terrorist groups. The implementation of long-needed reforms in education could reduce their number and influence, but the challenge to the government in this area is indeed a massive one. The arrest of clergymen linked to the Marighella organization was a severe blow, but opposition to the government—in some cases violent—within the liberal sector of the church is likely to grow and to present an increasing dilemma for the hierarchy.

Labor remains unhappy about the government's restrictive wage policies. The unions tradi-

tionally have been run largely from the Labor Ministry, however, and because they have little independent power, it is unlikely that they will be able to pose any significant challenge to these policies in the foreseeable future.

Medici's economic team is expected to continue its predecessors' policies of restraining credit, controlling wages and prices, and promoting increased investments and exports. Further efforts to broaden the capital market and to strengthen regional development will also be made. Prospects, thus seem favorable for realization of the government's goal of maintaining the annual increase in the gross domestic product at 7 to 9 percent during 1970-73. Administration officials have said that agriculture, education, health, and science will receive particular attention from the Medici government. Brazil's economic progress since the revolution has provided an increasing capability to tackle deficiencies in these areas, but such programs will have to compete for scarce resources with other priorities essential to sustained high growth.

Brazil's long-range plans for becoming an important world power are likely to result in adopting some economic policies that frequently will not parallel those of the US, and at times may be in direct conflict with them. Friction has already arisen over issues such as coffee prices, the allocation to shipping lines of goods carried to and from Brazil, and some other bilateral questions.

There remains a possibility that Medici might not be able to complete his term of office.

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[Redacted] Thus the succession issue could again provoke serious differences within the military, a circumstance that could provide an opening for ambitious officers with some civilian backers, such as General Albuquerque Lima. [Redacted]

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