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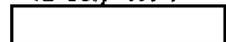


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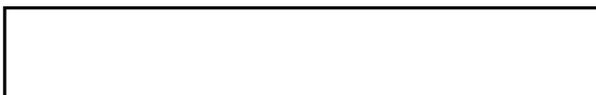
State Department review completed

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12 July 1974



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PORTUGAL

After dismissing the entire cabinet yesterday, President Spinola told newsmen that the new government would continue to be a coalition, including the military, but he did not elaborate. He stated that he has contacted the new prime minister, and the problem of constituting a new government is heading for a solution. The President hopes to announce the new government by Saturday.

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The new cabinet is expected to be predominantly military, containing only a few civilians. The outgoing Socialist foreign minister, Mario Soares, for example, reportedly is slated for reappointment so he can continue the negotiations to end the rebellions in Portuguese Africa and settle the status of the overseas provinces.

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Spinola also announced that the policy of the government will be the policy of the armed forces. This would seem to indicate that Spinola has shelved temporarily any plans he may have had to enhance his own position by reducing the role of the Armed Forces Movement in the government.

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PORTUGUESE GUINEA

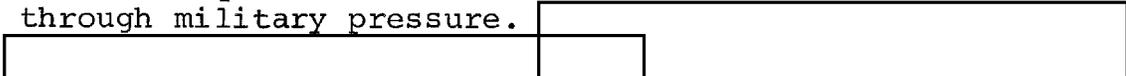
The interterritorial minister in the Portuguese government that was dismissed yesterday told US officials in Lisbon on July 10 that an agreement with the insurgents in Portuguese Guinea "should be signed and publicly announced very shortly." The moves toward the agreement have apparently been in motion for some time, and are not likely to be adversely affected by the cabinet dismissal.

According to the minister, Lisbon, under terms of the agreement, will recognize the rebel-proclaimed "Republic of Guinea-Bissau" as the legitimate government in the territory without insisting upon a public referendum there. The rebels have consistently balked at this condition. The Cape Verde Islands, which the rebels have traditionally claimed to represent, will be excluded from the agreement. Portugal wishes to retain the islands because of their strategic value.



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The Mozambique rebels, with whom Lisbon also has been negotiating, will now press for immediate independence on similar terms. Portuguese officials will point out, however, that the Front for the Liberation of Mozambique, unlike the rebels in Portuguese Guinea, has not been able to establish a "government" that can claim even nominally to represent Mozambique's population. Nevertheless, Lisbon will face increased guerrilla activity in Mozambique as the rebels seek to win a settlement through military pressure.



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ITALY

The postponement of the Christian Democratic Party's National Council meeting, originally set for today, is indicative of the serious internal quarrel that now preoccupies the party. The council--the Christian Democrats' highest deliberative body--will meet instead on July 18.

Christian Democratic leaders are sharply divided over the implications of the setbacks suffered by the party in the divorce referendum on May 12 and the Sardinian regional election in June. The Christian Democratic left, along with some moderates in the party, views these defeats as evidence that the party must respond more effectively than in the past to the desire of the electorate for innovative social and economic programs. The feeling is widespread that the party must also find new and younger faces to replace, or at least augment, the stable of older Christian Democratic personalities who have dominated the party for years and account for the "musical chairs" quality of postwar Italian governments. Many Christian Democrats fear that the party risks losing the dominant position it has held since the end of World War II if it does not act on these issues.

The debate has come to center on 66-year-old party leader Amintore Fanfani. During most of his long career, Fanfani was associated with the party's left-of-center elements, but he has recently acquired a more conservative image. Criticism of Fanfani is rife within the party's left wing, which holds him personally responsible for the downturn in Christian Democratic fortunes. Whether the left is able to pose a real threat to Fanfani, however, will depend mainly on the position taken by the most influential of the party's left-of-center leaders--Foreign Minister Aldo Moro. There are signs that Moro will join the opposition to Fanfani, although perhaps not until next fall.

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The Christian Democrats' weakened position has also exposed them to increased pressure from their Socialist coalition partners and from organized labor. The Socialists have become more assertive in coalition deliberations and may push eventually for some of the more important ministries traditionally held by the Christian Democrats. The labor confederations, meanwhile, will meet next week to formulate an official response to the government's austerity program. Labor is likely to press for sharp cuts in the vast state bureaucracy--one of the Christian Democrats' main power bases.

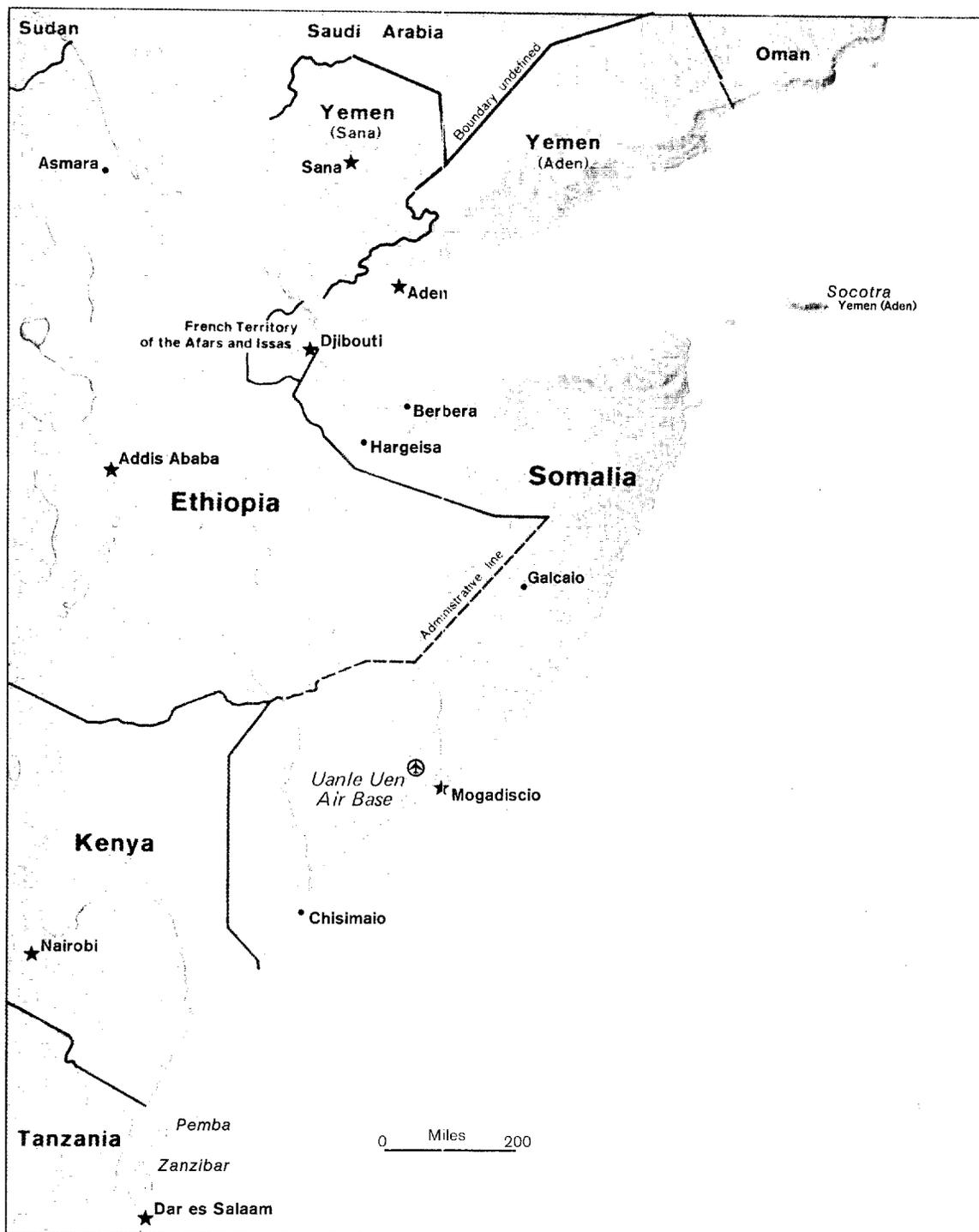
The Communist Party is divided over how best to exploit the situation. The party secretariat, however, reportedly has ordered that no action be undertaken that would worsen the Christian Democrats' internal crisis or lead to a change of government before next fall. Communist chief Berlinguer feels that overly aggressive Communist moves at this time might encourage a shift to the right within the Christian Democratic Party. [redacted]

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USSR-SOMALIA

The Soviets and Somalis yesterday signed a treaty of friendship and cooperation. In a speech last night in Mogadiscio, President Podgorny, who signed the treaty for Moscow, called the agreement the basis for closer Soviet-Somali cooperation. Neither the text nor amplifying details are available yet.

The Soviets had pressed the Somalis for such a treaty for several years, but Mogadiscio had refused, fearing that such an agreement would identify it too closely with Moscow, erode its claims to nonalignment in Africa, and alienate potential benefactors in the Arab world. The Somalis now appear to have decided that their heavy dependence on Soviet economic and military aid makes closer ties with Moscow necessary. They may have extracted pledges of substantial additional assistance from Moscow in return for signing the agreement.

25X1 [redacted] one of Moscow's objectives in pressing for a treaty was to formalize its access to port facilities at Berbera. The Soviets have also been assisting in the construction of an airfield that could be used as a base for long-range reconnaissance aircraft. It is possible that the document grants military concessions to the Soviets, although the Somalis have heretofore sought to maintain a degree of control over Soviet military activities.

In recent years the Soviets have entered into friendship treaties with Egypt, Iraq, and India. Those agreements call for closer military, political, and economic cooperation, and contain provisions for consultations in the event of war.

The treaty will increase the concern of those members of the ruling Supreme Revolutionary Council who were already disturbed over the extent of Somalia's ties to the USSR. Somali President Siad may also face criticism from tribal leaders.

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In his speech last night, Podgorny sought to calm concern among Somalia's neighbors--particularly Ethiopia--by saying that the treaty was not aimed at third parties. Despite such assurances, the Ethiopians are sure to see the treaty as portending greater Somali aggressiveness in pushing territorial claims. Other nations who have been concerned by Soviet activities in the Indian Ocean will see the treaty as an indication of a Soviet intention to expand their influence in the area.

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ROMANIA

Sabotage by factory workers caused at least one of the recent industrial fires in Romania. This is the first confirmed case in some time of worker-instigated violence against the regime. Further incidents could face President Ceausescu with one of the most serious problems of popular discontent that he has encountered in his nearly ten years of rule.

Angered by poor housing conditions, long working hours, and low pay, workers set fire to the huge Brasov truck factory on the night of June 2-3. A subsequent investigation revealed that "many workers" from the plant were involved in the arson incident. Anti-regime slogans had been painted on walls, and investigating officers were beset by numerous anti-regime statements.

[Redacted]

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There have been several other serious industrial fires in Romania in the past few months.

[Redacted]

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Ceausescu's emphasis on the development of heavy industry at the expense of improved living conditions and the production of consumer goods has contributed to the workers' discontent. The living standard in Romania is, with the exception of Albania, the lowest in Eastern Europe.

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SOUTH AFRICA

An official of South Africa's Atomic Energy Board announced Wednesday that his country has the capability to construct an atomic bomb. He added that Pretoria's policy is to use nuclear knowledge for peaceful purposes only.

South Africa may have done research in the nuclear weapons field, but it is not capable of producing a nuclear weapon now. Pretoria has only one nuclear research reactor, a US-supplied unit which is under International Atomic Energy Agency safeguards. The South Africans plan to construct a nuclear power station, but this would not be operational until the early 1980s.

Pretoria is not now able to produce enriched uranium. A pilot enrichment plant will go into production this year, but its product will not be suitable for making nuclear weapons. Nevertheless, the South African process--as is true of all uranium enrichment methods--could probably be altered to produce weapons-grade uranium in the future.

South Africa lacks the other facilities necessary for nuclear weapons manufacture. If a decision is made to start a weapons program, it will take several years to construct the needed facilities. [REDACTED]

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JORDAN AND THE PLO

Egypt and Syria are beginning to focus on the problem of the competing interests of Jordan and the Palestine Liberation Organization, in hopes of finding a solution before the Geneva peace conference reconvenes. Cairo and Damascus want the PLO included in the peace talks in order to honor pledges to "safeguard Palestinian rights." More importantly, the Egyptians and Syrians would like to ensure that the more moderate fedayeen leaders are identified with any general peace agreement made with Israel. In view of the Israelis' unwillingness thus far to deal with the fedayeen, Presidents Sadat and Asad also believe that Jordan will have to be at the conference if there is to be any progress toward an Israeli withdrawal from the West Bank and Arab Jerusalem.

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Both Sadat and Asad have encouraged Husayn to believe that they are sympathetic to Jordan's interests. Jordanian Prime Minister Rifai recently told the US ambassador in Amman that Khaddam agreed with Jordan's refusal to attend the Geneva peace talks unless a Jordanian-Israeli disengagement accord is reached. Rifai said he believed that Syria would in that case also boycott the talks.

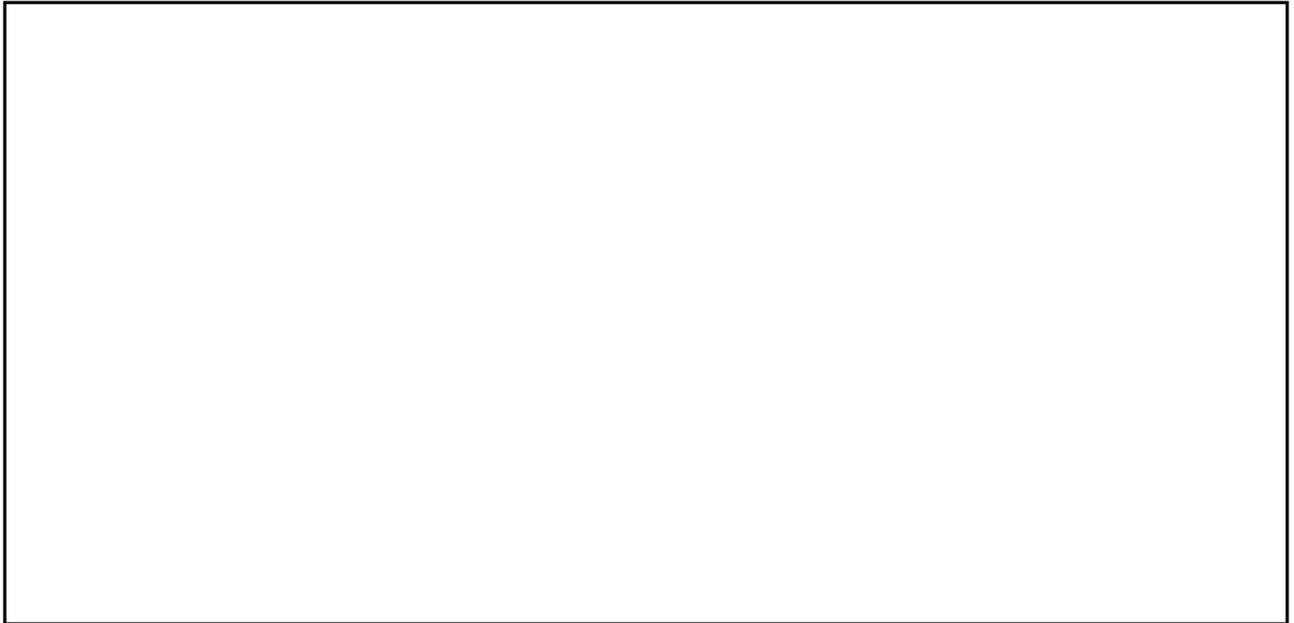
The Jordanians believe that Sadat supports their position because he does not want to move ahead in negotiations with Israel without Syria and Jordan at his side.

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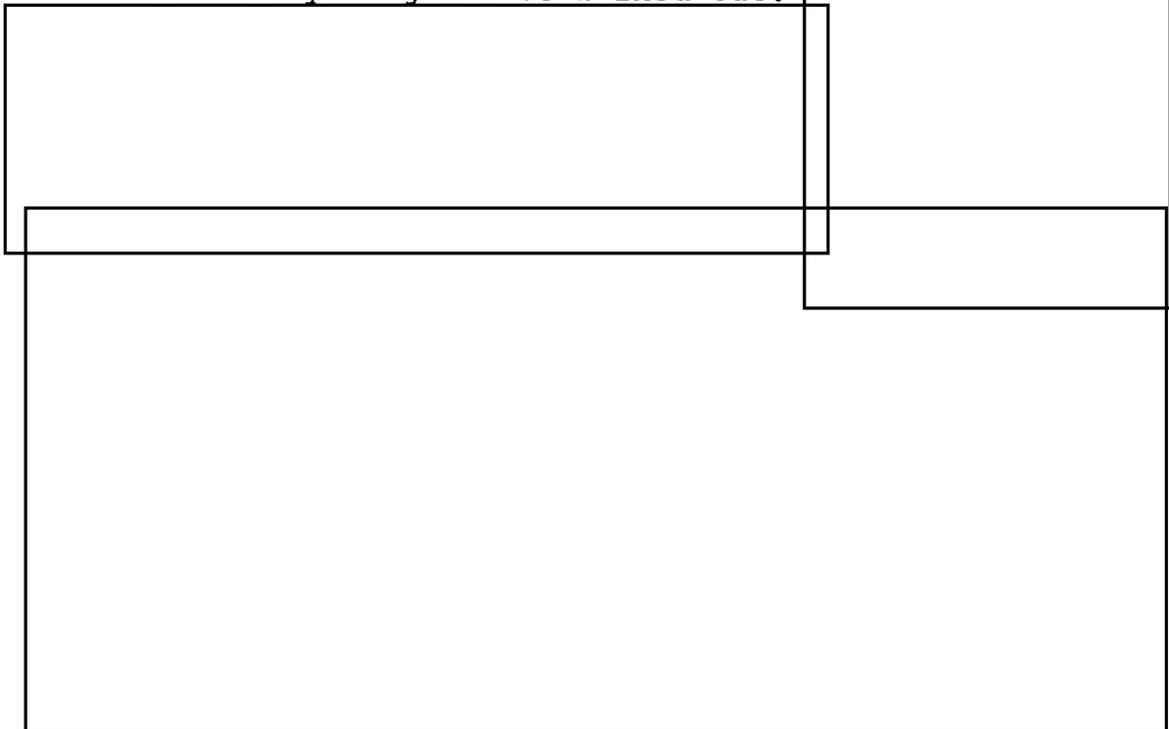
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The Jordanians have not rejected the idea of talks with the Palestinians, but are still undecided on how to proceed. Rifai seems inclined to talk with Arafat, but doubts that anything can be worked out.

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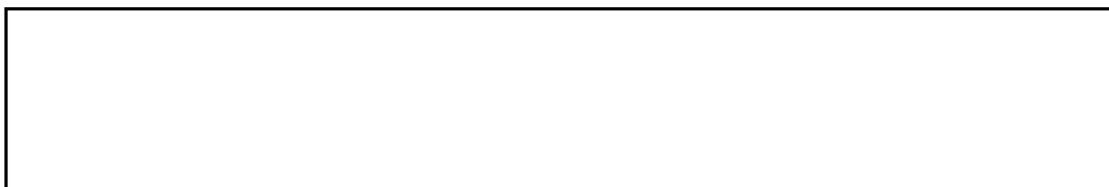


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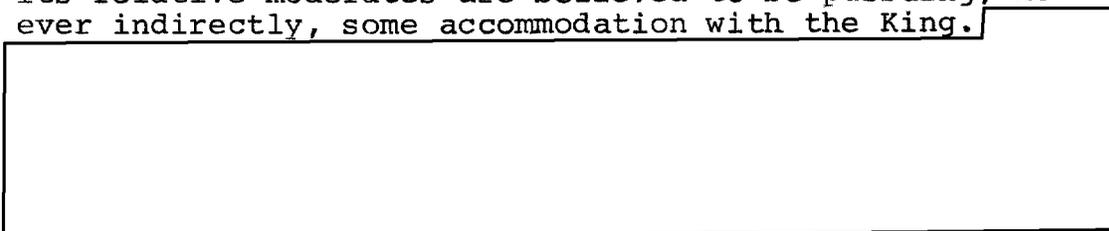
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The PLO's public position on Jordan is still very stiff. The ten-point program adopted by the Palestine National Council at its meeting in early June called, in effect, for the overthrow of Husayn. Since that time, Yasir Arafat of Fatah and Zuhayr Muhsin of Saiqa have both denied for public consumption that the PLO has initiated or had any contacts with the Jordanian government.

Behind this show of public unity, however, the PLO leaders are deeply divided on whether they ought to seek or agree to a reconciliation with Husayn. A number of its relative moderates are believed to be pursuing, however indirectly, some accommodation with the King.

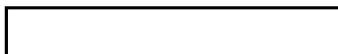
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Pro-fedayeen newspapers in Beirut report that the PLO Executive Committee met in Damascus early this week to debate PLO policy toward Jordan "in light of the mediation which Egypt, Syria, and Morocco have carried out." Despite the recent addition to this committee of members favorable to Arafat, he will have great difficulty convincing either the group as a whole or its radical elements of the desirability of a rapprochement with Jordan. One leftist, pro-Iraqi newspaper has suggested that he might win approval for such a reconciliation "on the condition that Jordan openly recognize the PLO as the sole legitimate representative of the Palestinian people." Jordan is unlikely to oblige.

The most Arafat can realistically hope for is an eventual Executive Committee decision to talk to the Jordanians without any prior commitments or concessions

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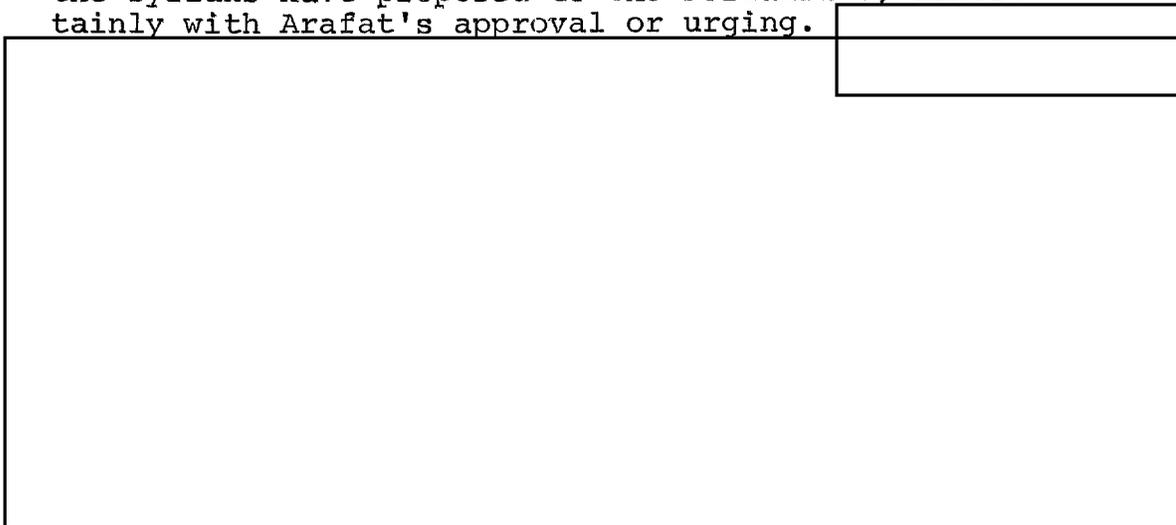


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from the Palestinian side. This is apparently the course the Syrians have proposed to the Jordanians, almost certainly with Arafat's approval or urging.

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