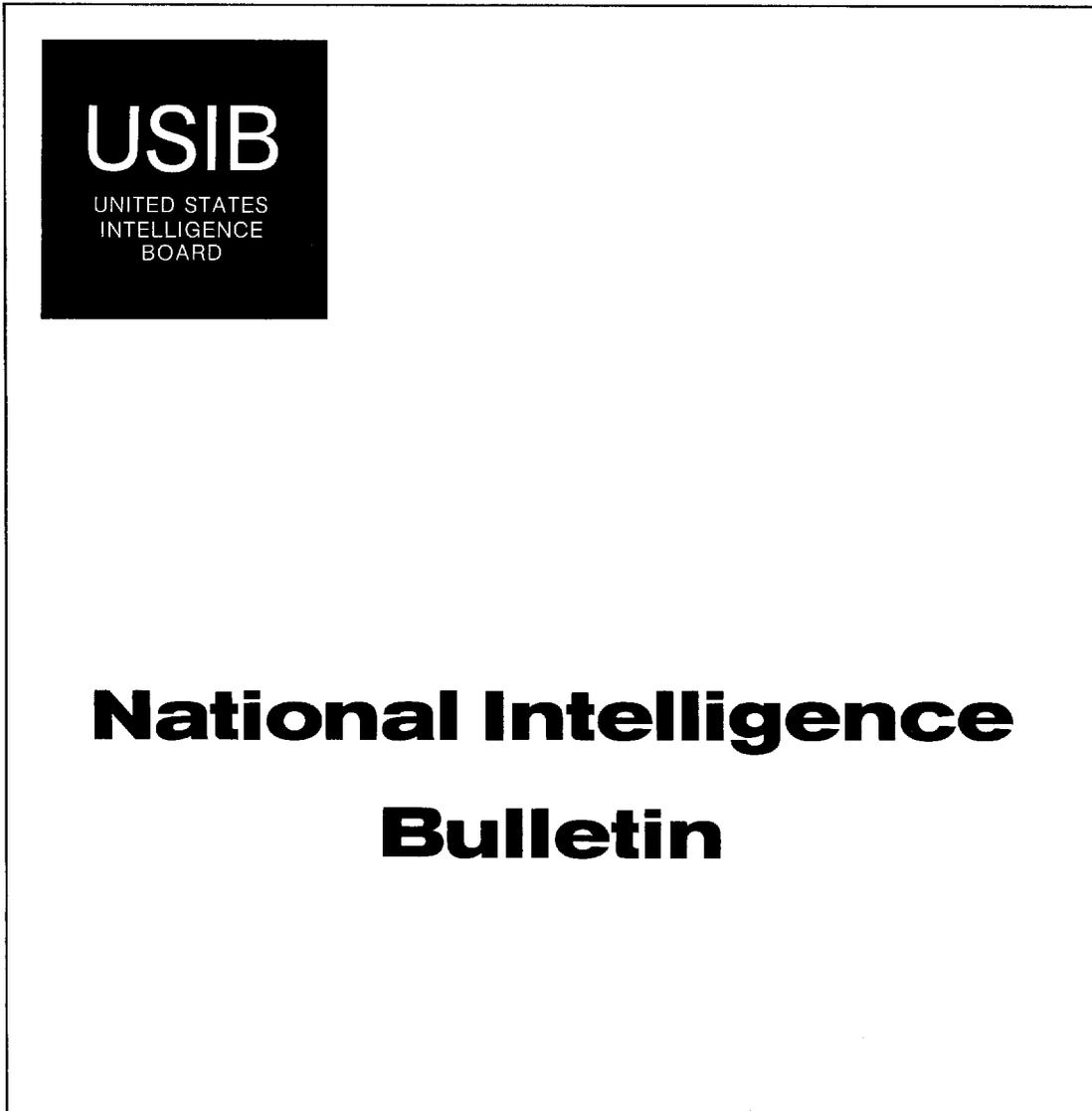


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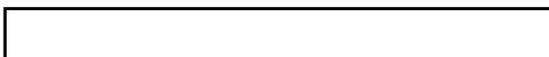
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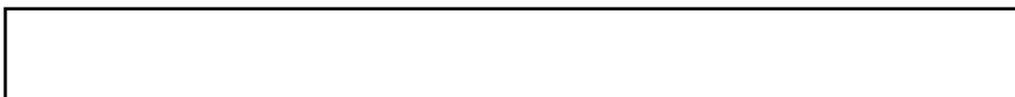
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BANGLADESH-INDIA

The most recent coup in Dacca is causing deep concern in New Delhi, with the result that India is almost certainly re-examining its options—including possible early military intervention.

The Indian foreign secretary, in conversation with embassy officials yesterday, noted that his government's main concern was the possibility of a mass exodus of refugees from Bangladesh into neighboring Indian states. As in 1971, when such an exodus last occurred, the refugees would pose an immense relief problem for India and possible political problems as well. The Indian official admitted that no flight of refugees had begun, but he feared that continued deterioration of the situation in Bangladesh might evolve into civil war and chaos. He seemed to imply that intervention could become necessary.



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DIA

There is no hard evidence that India is about to intervene in Bangladesh militarily. Nevertheless, continuing instability in that nation, reported popular demonstrations against both India and Indian firms in Dacca, and the possible deaths of two Indian army officers during the recent fighting in Dacca all increase that possibility.

The Bengalees are of course aware of the threat of Indian intervention. Major General Zia ur-Rahman, who seized power yesterday, and his associates are attempting to bring calm to the capital and unify the country. Zia, who originally announced that he had assumed the post of chief martial law administrator, has stepped aside in favor of A. M. Sayem, the respected but largely figurehead President. Sayem will be assisted by Zia and the two other service chiefs, acting as deputies. Effective power presumably will remain in Zia's hands.

Both Sayem and his predecessor, Khondakar Mushtaque Ahmed, who resigned the presidency earlier this week after being forced from power, made radio speeches to the nation yesterday evening. They joined in praising the armed services and other sectors of the population for participating in the "revolution" that toppled Major General Musharraf. They called for national unity, hard work, and discipline.

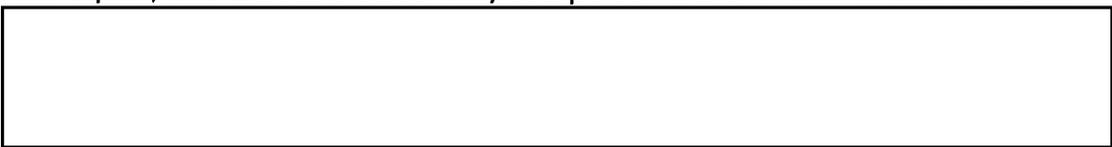
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The security situation in Bangladesh appears to be easing. There are reports of scattered shooting in Dacca and a few other cities, but a curfew has been imposed in the capital, and Zia has ordered army and police units to return to their barracks.

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INDIA

The Indian Supreme Court yesterday overturned a lower court conviction against Prime Minister Indira Gandhi for campaign violations in 1971, thereby freeing her from the threat of being debarred from elective office for six years. In addition, the court accepted the validity of electoral laws, passed since the emergency was declared, that retroactively eliminate the basis for the charges against her.

The court has not yet ruled on the legality of a constitutional amendment—rushed through Parliament with the electoral laws last August—that would retroactively exempt from judicial review the election of a prime minister and several other key officials. That question, however, is now academic as far as Gandhi's case is concerned.

Having won the court battle, Gandhi may soon give an indication of whether general elections will be held when the term of the present Parliament expires next March. She probably is now more inclined to go ahead with elections, even though she could legally postpone them under the state of emergency.

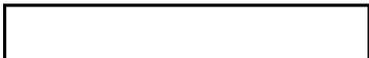
Partly owing to the government's repressive emergency measures, the opposition parties are too weak to pose a serious challenge to Gandhi's Congress Party at the polls. Moreover, the general public appears satisfied with—or at least reconciled to—her authoritarian rule, largely because of the nation's favorable short-term economic prospects. Gandhi may be sufficiently encouraged by this trend to ease some of the restrictions imposed under the emergency.

The Prime Minister may also take steps to restructure the government. In recent months, she has defended the need to change the constitution and indicated her desire to reduce the powers of the judiciary while strengthening the legislature, which is controlled by her Congress Party. Parliament is expected to convene this month, and such changes may well be on the agenda.



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PORTUGAL

The government, with solid backing from the ruling Revolutionary Council, has announced a strict crackdown on civil disruptions by its far-left opponents. Although the government evidently feels it has the means to follow through, the use of force could lead to violent countermeasures.

Late Thursday the cabinet issued a stern and seemingly uncompromising warning to the left that it would no longer tolerate breaches of public order and would take all measures necessary to enforce its authority and ensure civil peace. The statement, which followed several days of disturbances by the leftists, was announced after a joint session of the cabinet and the Revolutionary Council.

The council subsequently issued an endorsement of the cabinet's position and cautioned unspecified groups to refrain from exploiting discontent among the 200,000 recently returned refugees from Angola. [REDACTED]

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The council's unqualified support for the government's new policy toward the left was boldly underlined yesterday when it authorized paratroopers to seize and destroy a leftist-occupied radio transmitter outside Lisbon. The radio had contributed to unrest in the capital by urging leftist demonstrators to lay siege to the Information Ministry.

The crackdown comes as a sharp contrast to previous indications that the government would assert its authority gradually and in areas where there is little organized opposition. Direct confrontation with militant leftists had been regarded as a risky policy that might make martyrs out of the dissidents.

In recent weeks, however, the government has been encouraged by the failure of the far left to mount effective antigovernment demonstrations and by an impressive show of support for the Azevedo government in the provinces. It may be inflating its strength relative to that of the left, however, since the antigovernment demonstrations failed for lack of support by the Communist Party. The provincial rallies have been carefully stage-managed by the military's government partners—the Socialists and the Popular Democrats.

The inherent danger in the crackdown, which had to come sooner or later, is that the government still may not have had time to put together the security force necessary to enforce its will upon a well-armed, recalcitrant left.

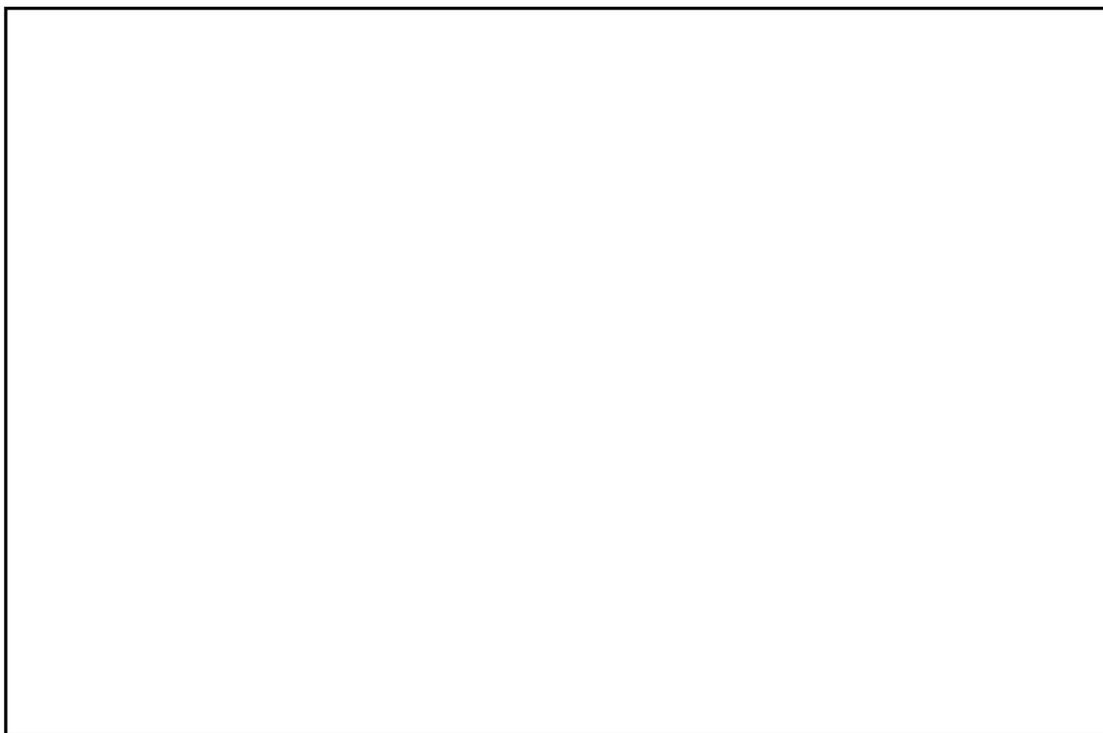
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According to the US defense attache's office in Lisbon, the government will shortly launch military maneuvers that will involve units throughout the country. One of the purposes of these exercises will be to test the responsiveness of various units to the government's directives.

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SPAIN

The Sahara problem has given Prince Juan Carlos the opportunity to create an initial impression of energetic leadership, but he faces serious tests on the domestic front in days to come.

Juan Carlos' surprise visit to the Sahara last weekend boosted his public image; even the illegal opposition has praised it. Perhaps more important, the visit strengthened his political base with the military, whose support will be crucial during the transition period.

On his return, the Prince immediately called for a meeting of the National Defense Council, overriding objections that it was Sunday night. The Defense Council recently has been chaired by Prime Minister Arias, but Juan Carlos exercised his prerogative to convoke and preside over the meeting in a decisive manner. In contrast to 1974, when Juan Carlos briefly held power, the meeting was held at the Prince's personal palace, the Zarzuela, instead of at Franco's residence, the Pardo.

Franco's lingering illness nevertheless continues to place a great strain on Juan Carlos. The Prince probably does not feel free to begin policy innovations on internal issues until he is sworn in as king. Meanwhile, the left is stepping up its demands for liberalization.

So far, fragmentation and bickering within the opposition have averted a serious challenge to Juan Carlos' leadership. The joint communique issued recently by the two loose coalitions of the left—the Communist-dominated Democratic Junta and the Socialist-dominated Platform of Democratic Convergence—lacked teeth and apparently was agreed to only after weeks of arduous negotiations.



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The Platform coalition is troubled by internal squabbles. The most extreme member, a revolutionary Catholic labor organization, has withdrawn in protest over the coalition's moderate position toward Juan Carlos. Another party in the Platform group, the late Dionisio Ridruejo's Social Democratic Party, has split.

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The recent rash of arrests and detentions of students and moderate oppositionists will make it more difficult for the moderate opposition to hold to the line of giving Juan Carlos a "period of grace" in which to move toward liberalization.

Labor Minister Suarez told Ambassador Stabler that the arrests did not reflect a hard-line attitude at the upper levels of government. He attributed the actions to the "policeman in the street" who is used to having his own way for the past 35 years.

In a grim reminder that violent confrontations can be sparked by extremists of both left and right, masked gunmen—identified by police as right-wing extremists—pistol-whipped seven lawyers representing groups in the two leftist coalitions.

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WEST GERMANY - USSR

West German President Scheel and Foreign Minister Genscher will make what is being described as a protocol visit to the Soviet Union next week. The visit will no doubt be used to celebrate the establishment of Soviet - West German relations 20 years ago and the signing of the treaty normalizing Bonn's relations with Moscow five years ago.

The West Germans will spend some time with their Soviet counterparts Podgorny and Gromyko, and plan to meet briefly with Premier Kosygin. No meeting has been set with Brezhnev, but the possibility of arranging one has been kept open.

Scheel plans to stress the broad context in which German-Soviet relations are conducted, while Genscher intends to home in on the West Berlin question. The continuing dispute over West Germany's relationship with Berlin has blocked progress toward concluding cultural, legal, and scientific agreements between Bonn and Moscow. Genscher also intends to complain about the new Soviet - East German treaty, the cancellation of a visit by Soviet mayors to West Berlin, and failure to make progress on the joint nuclear power plant project in Kaliningrad.

There probably will not be any forward movement on these issues, but the atmosphere may be a little warmer as a consequence of Chancellor Schmidt's recent visit to China. The Soviets have praised what they regard as his steadfastness in defending detente against Chinese criticism.

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UK

Britain announced yesterday that it had applied to the International Monetary Fund for a loan of some \$2 billion.

More than half the loan—\$1.2 billion—will come from the Fund's special oil facility; the remaining \$0.8 billion will come from Britain's normal credit rights in the Fund. This will be the first IMF loan to the UK since the beginning of the oil crisis two years ago.

The loan has been under consideration for some time and preliminary discussions with the IMF have already taken place. With its anti-inflation program now firmly in place, Britain should have no difficulty meeting the conditions the IMF is likely to require in granting the loan.

Despite a sharp improvement in its trade position this year, Britain has found it increasingly difficult to finance its continuing payments deficits. In 1974 it ran a current-account deficit of \$8.8 billion; this year the deficit will be closer to \$3 billion.

The deficit last year was financed by a large Eurodollar loan and by substantial investments by members of the Organization of Petroleum Exporting Countries. This year the inflow of OPEC funds was slowed to a trickle as rampant inflation and festering economic problems have made foreign investors nervous about accumulating sterling assets.

Unfavorable interest rates have deterred the UK from trying to raise another Eurodollar loan. As a result, Britain has had to dip slowly but steadily into its international reserves to meet its international payments and prevent the pound from dropping too rapidly.

A large borrowing now from the IMF has several attractions for London. It will get a better interest rate than it could in open credit markets. The oil-facility loan will carry an average interest rate of 7.75 percent, while the credit tranche drawing will bear an interest rate of 4 to 6 percent. The oil facility is now under review at the Fund, and there is a possibility that it will not be available to Britain next year.

With next year's current-account deficit likely to be about the same size as it is this year, a \$2-billion drawing from the IMF, coupled with a recently announced \$400-million loan from Iran, should cover most of Britain's financing needs through the middle of next year. By then, London hopes that its anti-inflation program will be showing results and exports will be growing as world trade begins to recover from the recession.

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ANGOLA

The Organization of African Unity, which is making a last-minute effort to patch together a coalition government of Angola's three warring liberation groups, announced yesterday that leaders of the groups were studying an OAU proposal that would establish an "interim" government to accept sovereignty from Portugal next Tuesday. The OAU also continued to urge the Angolans to accept a cease-fire.

The African initiative, which was supported by the Portuguese, probably has little chance of success, despite optimistic press reports out of Kampala and Lisbon.

In the absence of a coalition government, the Portuguese are likely to withdraw without extending sovereignty to any of the liberation groups. The last 2,000 Portuguese troops will leave the territory Monday night. The Portuguese high commissioner recently remarked that he will simply "take down the flag and sail away."

The Popular Movement for the Liberation of Angola on one side and the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola on the other will probably declare rival "governments" and intensify their military effort as they vie for international recognition.

In Brazzaville yesterday, a spokesman for the Popular Movement claimed that "about 80" communist, Third World, and African states will recognize an independent Popular Movement government in Angola on November 11. These states already have sent congratulatory messages to Movement President Agostinho Neto and many have accepted the Popular Movement's invitations to attend Independence Day celebrations, according to the spokesman. The announcement was designed to enhance the Movement's image as the popularly accepted successor to Portugal.

The National Front and the National Union are also soliciting international support for a rival government. the two groups believe they can garner significant support, but they will not be able to match the Popular Movement.

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At present, heavy fighting continues in many areas, but reporting is sketchy and often contradictory. The Popular Movement is still claiming to control the important rail and port complex of Benguela-Lobito,

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 The complex is a vital resupply point and a symbol of control over Angola's transportation system.

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After being stalled at Quifangando, 12 miles northeast of Luanda, for almost two weeks, National Front forces trying to move on Luanda reportedly were forced to retreat on Thursday by a heavy rocket barrage from Popular Movement forces.

In Luanda, Portuguese officials believe an attack could come at any time and have called on all medical personnel to report for duty. Widespread rioting and looting may occur if the city is attacked. Popular Movement cadres fear the emergence of a National Front fifth column. Popular Movement military forces in the city have been confined to barracks.

In Cabinda, the Popular Movement's dominance reportedly continues to be contested by the Zairian-backed Front for the Liberation of the Enclave of Cabinda, which is almost certainly assisted by Zairian troops. Congo continues to deny Zairian charges that it has sent its troops into the enclave.

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ZAIRE-USSR

Relations between Zaire and the USSR have become seriously strained over the two nations' support for rival liberation groups in Angola's civil war. President Mobutu may be considering breaking or suspending diplomatic ties.

Late last month the Soviet charge in Kinshasa presented a demarche to the Zairian government concerning Angola and, presumably, Zaire's support for the National Front for the Liberation of Angola. We do not know the substance of the demarche, but it was immediately and publicly rejected by the Zairians.

Since then, the Zairian media and Mobutu's official party have kept up a steady barrage of attacks on the Soviet Union. The Soviets have been charged with encouraging fratricidal warfare in Angola, with waging a diplomatic effort to intimidate Zaire into ceasing its support for Angola's true nationalists, and with attempting to turn Angola into "another Congo," an allusion to Soviet involvement in the turmoil that occurred in Zaire (the former Belgian Congo) in the early 1960s.

So far, Soviet officials in Kinshasa have remained silent. In Moscow, the media have been steadily increasing their coverage of the Angolan conflict as the military fortunes of the Soviet-backed Popular Movement for the Liberation of Angola have declined. Soviet propaganda has emphasized foreign intervention in Angola, with specific references to Zaire's support of the National Front.

Mobutu has long taken a dim view of the USSR, having led his government's forces against Soviet-supplied leftists that tried to take over the country in the 1960s. He would probably have no qualms about telling the Soviets to leave if Moscow recognizes, as it may, the unilateral declaration of independence that the Popular Movement plans to proclaim on November 11.

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ISRAEL

Defense Minister Peres, who is also responsible for administering the Israeli-occupied territories, is spearheading an apparent effort by the government to inflate the importance of the elections for 57 West Bank village councils. Those elections ended this week.

In recent public statements, Peres has cited the elections to support claims that a trend toward limited self-rule is emerging in the territories.

The Israelis, of course, are eager to foster a local Arab leadership independent of the Palestine Liberation Organization to help counter claims by the PLO to be the sole representative of the Palestinian people.

The US consul in Jerusalem reports, however, that most local observers attribute little political significance to the recent series of council elections, even though they were the most extensive since the start of the Israeli occupation in 1967. Local issues figured almost exclusively in each election, because most better educated West Bankers who might have injected more important regional issues declined to take an active part.

The outcome of the 57 contests did not significantly alter the traditional local power structure even though a relatively large number of new councilors was elected. Most of these newcomers apparently filled seats previously held by older members of their family or clan. According to press reports, 80 percent of the eligible voters did cast ballots. The elections were held in accordance with Jordanian law; thus, only males over 18 years of age were allowed to vote.

Despite earlier predictions in Jordanian dailies that Arab activists would sabotage the elections, no attempts to disrupt the voting have been reported. One West Bank notable explained to a US consular official that the PLO did not oppose the elections. The Arab press, particularly in East Jerusalem, has so far largely ignored them.

The Israelis plan to hold possibly more significant municipal elections on the West Bank early next year, and they may also call for local elections in the Gaza Strip.



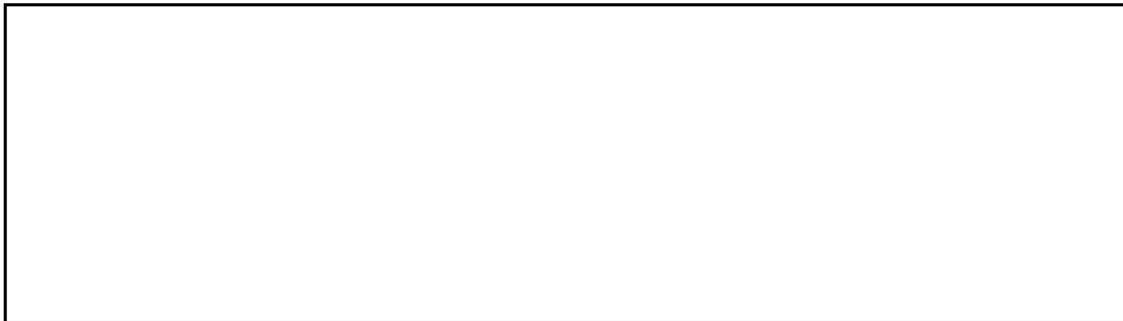
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AUSTRALIA

The opposition is weakening in its determination to force general elections by blocking government appropriations in the Senate.

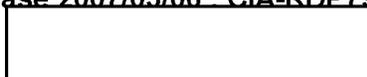
Prime Minister Whitlam has counterattacked with telling effect, raising an alarm about the dire consequences of impending government bankruptcy as a result of the opposition's money blockade. Increasing numbers of disenchanted Australians are swinging back to at least temporary support of the Labor Party, agreeing with Whitlam that the Liberal-Country coalition is to blame for the political crisis and the possible economic dislocations.

Second thoughts among Liberals over the wisdom of stalling on appropriations may have undercut opposition leader Fraser's prospects of forcing early elections as the price for funds. Several Liberal senators, unenthusiastic from the start over this unprecedented tactic, are threatening to break ranks in another vote. Worried by the strength of public reaction, other Liberals are talking of replacing Fraser.

Fraser's new doubts were reflected this week in his offer to delay elections for six months—a proposal quickly rejected by the Prime Minister. Fraser has not yet abandoned his challenge to the appropriations bills, but the opposition's ability to resist a possible move by the Governor General to force a political compromise has clearly been weakened.



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VIETNAM

The Vietnamese communists are preparing to issue a statement that may announce agreement on the process for formal reunification of the country.

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[redacted] the communique is scheduled to be released on Sunday. Party functionaries in the South apparently decided on their own to publicize it on Friday, but they subsequently reversed their decision under pressure from Hanoi.

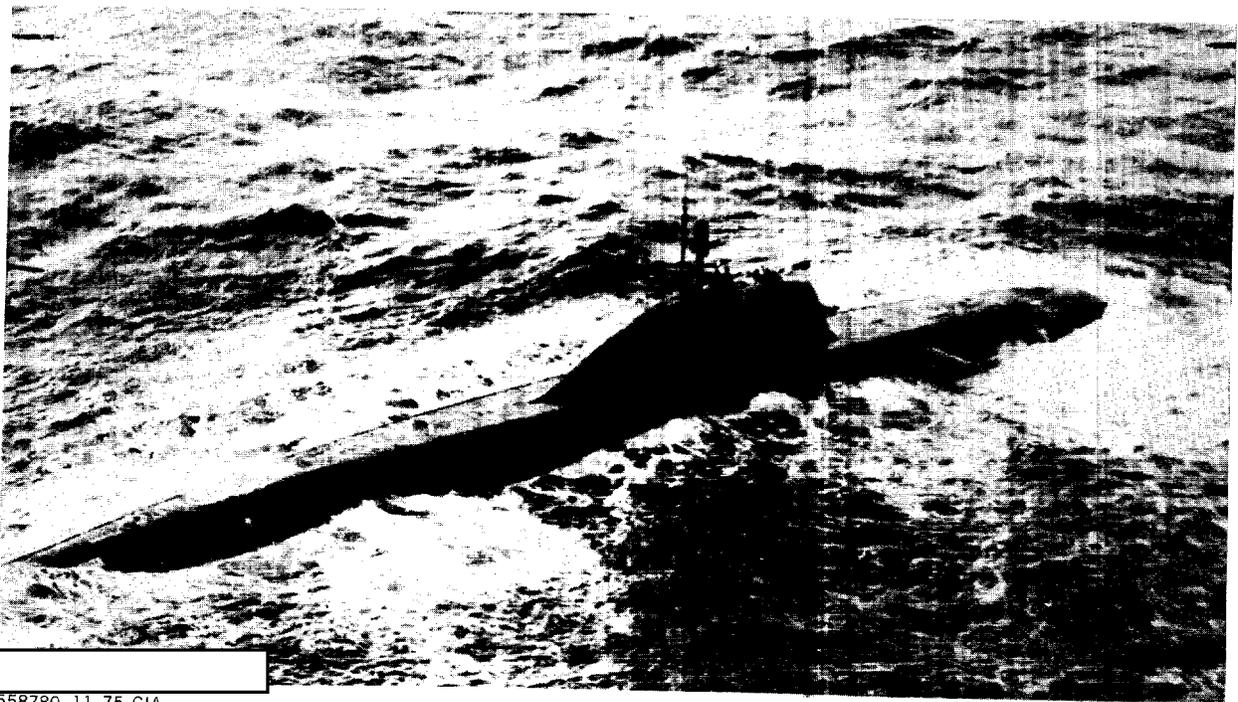
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Although South Vietnam has been under the control of the Hanoi regime since last April, formal reunification probably will not occur anytime soon. North Vietnamese military authorities still have day-to-day administrative control in many urban areas in the southern part of the country, and the government in Saigon is merely a shell, with real authority exercised by Hanoi through the party and ad hoc committees. Hanoi may want to bring the governing apparatus in the South more in line with what exists in the North before moving too far toward formal reunification. The regime may also want to achieve further progress in institutionalizing social and economic reforms.

The communique will most likely restrict itself to vague generalities about the need for reunification, but it could spell out some of the formal steps leading to this goal.

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V-class Submarine

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FOR THE RECORD

USSR: What probably is a Soviet V-class attack submarine has been detected some 120 nautical miles off the coast of North Carolina. No Soviet submarine of this type has previously been identified closer than about 300 miles from the US coast. The nuclear-powered V-class is operating near a Primorye-class intelligence collection ship. The Soviet naval units probably are attempting to gauge US response to Soviet submarine operations in waters near the US coast. The combined capabilities of sensors on the V-class, which is designed to hunt and attack other submarines, and on the intelligence collector, which has a wide range of electronic monitoring equipment, would increase Soviet chances of detecting a US reaction.

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UK-EGYPT: London is considering lifting its ban on the sale of a major offensive weapon to Egypt. According to a senior British official, the Defense Ministry may recommend lifting the embargo on the sale of the Anglo-French Jaguar supersonic fighter aircraft to Egypt. In the past, London's reluctance to sell Cairo more sophisticated weapons systems like the Jaguar and the Chieftain tank was based on the concern that such sales could upset the military balance in the Middle East. Opposition to an end to the embargo is likely from pro-Israel members of Parliament and elements of the British Labor Party.

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