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Saturday July 24, 1976

CI NIDC 76-173C

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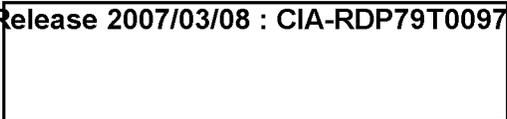
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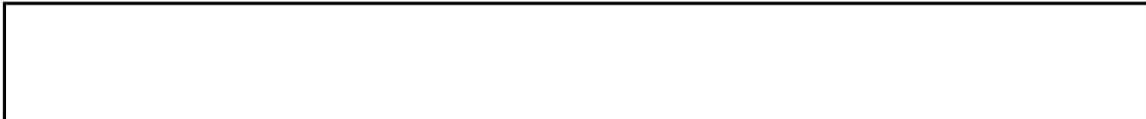
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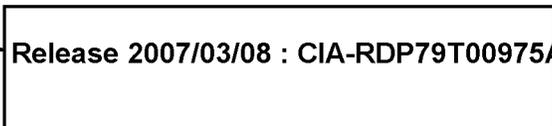
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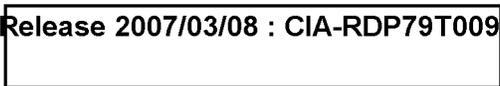
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EGYPT-LIBYA: Propaganda Exchanges

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[] Propaganda exchanges between Egypt and Libya have risen to a new and more threatening pitch in the last few days and, during a speech on Thursday, Egyptian President Sadat added a note of official sanction to his country's threats, implying that Egypt could no longer tolerate Libyan President Qadhafi.

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[] Referring to Qadhafi as "the maniac of Libya," Sadat said repeatedly that Egypt would not stand for Libya's "international gangsterism." He said Cairo is fully aware of Libya's subversive activities and, hinting that Qadhafi will have to pay for his actions, held up Egypt's warning for "the whole world to see, without any ambiguity."

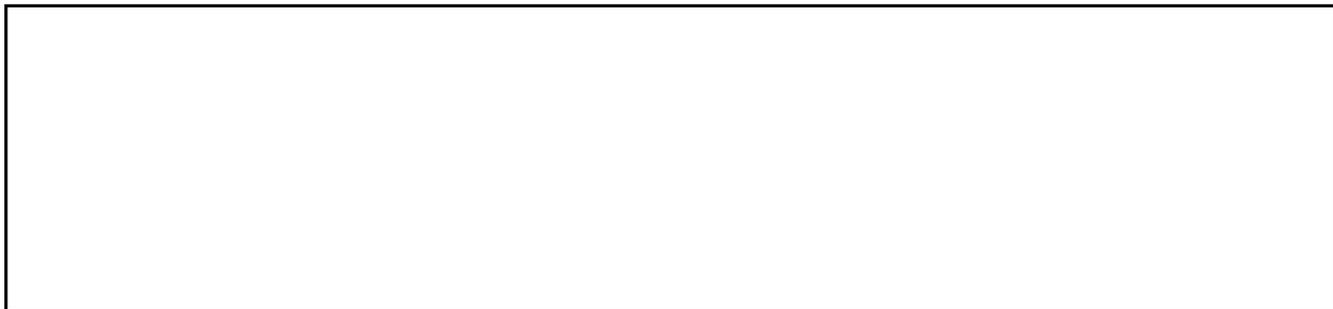
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[] Libya's official news agency yesterday responded to the speech with a denunciation of Sadat as a "Caesar" who conspires against Libya and is no longer justified in staying in office.

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[] The statement was among the strongest issued by Tripoli in two years of vitriolic propaganda attacks.

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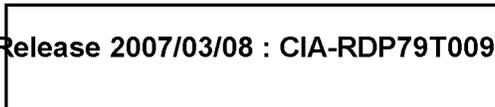
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[] Cairo may have nothing more in mind than intimidating Libya. //The US embassy in Cairo doubts Egypt would move militarily against Libya in the absence of a clear Libyan provocation.//

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LEBANON: Situation Report

25X1 [] //Syrian Deputy Prime Minister Haydar told US officials on Thursday he was optimistic about the talks being held in Damascus between Palestinian and Syrian representatives, but felt it would take several weeks to make any significant headway in negotiations.//

25X1 [] //Haydar candidly admitted that President Asad's stern warning to the Palestinians in his speech Tuesday had complicated matters, adding that Syria could not move "one centimeter" from the position Asad had staked out in the speech.//

25X1 [] George Habbash and other leaders of the fedayeen rejectionists have strongly criticized the decision to send the PLO delegation to Syria, and warned yesterday that they will not be bound by any agreements reached in Damascus. Their warning, coupled with Lebanese leftist leader Kamal Jumblatt's staunch refusal to treat with the Syrians, will make it especially difficult for the Palestinians in Damascus to be conciliatory.

25X1 [] We have not been able to confirm that Yasir Arafat is participating in the talks, although the information we have on his whereabouts suggests that he did leave for Syria on Thursday.

25X1 [] We have no new information on the unusual military precautions recently taken in west Beirut by leftist and Palestinian forces, who presumably are bracing for a Christian-led assault.

25X1 [] The leftists have moved additional men and military equipment into the coastal district and seem to be preparing for an attack by sea.

25X1 [] In response to mounting tensions in the capital, Arab League representatives are hurriedly trying to arrange an expansion of the newly created buffer zone at the main cross-over point between the Christian and Muslim sectors of the city.

25X1 [] The buffer zone is currently manned by a Saudi contingent of the Arab League peace-keeping force.

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[redacted] The Christians have agreed publicly to let the league troops establish posts on their side of the buffer zone, //but apparently are being cooperative only to disguise preparations for further military moves.//

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[redacted] The Christians, meanwhile, continue to shell Tall Zatar. They prevented another attempt yesterday to evacuate wounded and others wishing to surrender. They also launched a ground attack on the Shia Muslim district of Nabaa, the only remaining leftist-Palestinian stronghold in the area near Tall Zatar.

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[redacted] Christian troops fighting to recapture territory in the mountains east of Beirut reportedly gained some new ground yesterday but are moving slowly because of heavy artillery fire from Palestinian strongholds in the mountains.

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Although there are apparently only a small number of Palestinian fighters in the area, they have been anticipating the Christian drive for months and are making full use of the rough terrain.



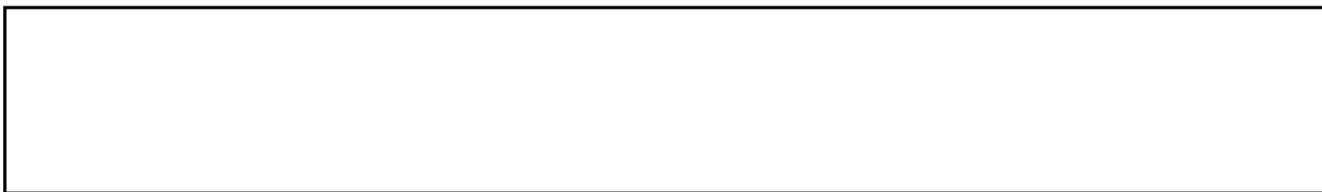
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KENYA-UGANDA: Relations

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//A high-level Kenyan official told the US ambassador this week that the air and sea visits by US military units have played a significant role in deterring Ugandan President Amin from taking military action against Kenya.//

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Amin appears so far to be keeping his public pledge to Kenyan President Kenyatta to halt anti-Kenyan propaganda. The Ugandan will be tempted to resume his saber-rattling, however, if Nairobi's restrictions on the delivery of petroleum and other commodities are not relaxed soon. Kenyan officials have expressed concern that the oil refinery at Mombasa would be especially vulnerable to Ugandan air attack or sabotage.

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[redacted] //The Kenyans continue to curtail severely the delivery to Uganda of food and petroleum supplies--especially aviation fuel--and are holding at the port of Mombasa shipments of military supplies destined for Uganda.

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[redacted]

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[redacted] A Ugandan government announcement yesterday warned the public that the fuel shortage was likely to lead to disruptions in electricity supplies. According to a late press report, Uganda last night cut off the electricity it supplies to Kenya.

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[redacted] Amin is still directing much of his wrath at the UK. According to Radio Uganda, Amin plans to confront the British acting high commissioner with charges that London is engaging in "malicious propaganda" against Kampala.

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[redacted] Amin also asserts he was not informed of the appointment of the acting high commissioner, whose predecessor was expelled last week on charges he knew in advance of the Israeli raid on Entebbe airfield earlier this month.

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[redacted] //Amin has not yet carried out reported threats to arrest the British diplomat and other Britons in Uganda. Amin apparently believes such a move would force London to press Kenya to end its economic restrictions.//

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[redacted]

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PORTUGAL: New Cabinet

25X1 [redacted] Portugal's new prime minister, Socialist leader Mario Soares, and his 17-man cabinet took office yesterday, promising to restore economic and social order.

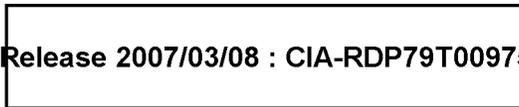
25X1 [redacted] The new government still must seek the approval of the 263-member Assembly of the Republic by submitting a general plan of proposed legislation within 10 days. The assembly will then vote on the plan and most likely approve it.

25X1 [redacted] As Soares had indicated, the cabinet consists mostly of Socialists, with three military officers and three independents.

25X1 [redacted] Soares refused to form a coalition with any other party, claiming that a one-party government would be able to draw up stronger legislation and hasten the country's recovery.

25X1 [redacted] The new ministers are generally experienced in government matters, with eight having held cabinet posts since the April 1974 coup and eight others having served at the subcabinet level. The team appears technically competent, but may not have the imagination or political clout to draw up strong new measures and implement them against strong opposition.

25X1 [redacted] Soares has managed to strike a balance within his own fragmented party by including representatives from both the Marxist and social democratic factions. The two ministers selected from the left wing, however, were given control of the labor and agriculture ministries, where Communist influence is strongest.



25X1 [] Agriculture Minister Lopes Cardoso, who held the same position in the previous government, apparently has little sympathy for Communists in his ministry, but his firm belief in agrarian reform has earned him the distrust of conservative farmers in the north.

25X1 [] The new labor minister, Marcelo Curto, will not be as tough on Communist initiatives in labor as his predecessor, air force Captain Tomas Rosa.

25X1 [] Soares will probably keep a close eye on the activities of individual ministries, however, and has named two ministers without portfolio, both Socialists, to help him. Soares will probably play an active role in formulating foreign policy with Foreign Minister Madeiros Ferreira, having once considered keeping that portfolio for himself.

25X1 [] Both of the active military officers in the cabinet are close to President Eanes, particularly the new defense minister, Lieutenant Colonel Firmino Miguel. Miguel headed the defense ministry under former president Spinola. [] 25X1

TURKEY-GREECE: Sismik I Sails

25X1 [] Turkey remains silent about the course of the research ship Sismik I, which departed Istanbul and entered the Sea of Marmara yesterday.

25X1 [] The vessel is presumably heading for the Aegean Sea and could arrive sometime this weekend. [] 25X1
25X1

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25X1 [redacted] Public tensions in Greece over the Aegean question have recently subsided somewhat, but Greek officials continue to follow developments concerning the Sismik I with great concern.

25X1 [redacted] //Some Greek forces are reported in a heightened state of readiness.// One Athens press report claims that some Greek naval vessels have moved into the northern Aegean, presumably to monitor the Sismik I's activities.

25X1 [redacted] Athens issued a statement on Tuesday outlining its interpretation of portions of the 1958 Geneva continental shelf convention relevant to the current Aegean dispute. The statement seemed to be phrased to permit Athens a range of responses depending on Sismik I's activities.

25X1 [redacted] Press coverage of the statement--following a government "background" session with reporters--noted that the waters around the Aegean islands of Limnos, Lesbos, and Rhodes are of particular concern to Greece. [redacted]

25X1

CYPRUS: Advice Against Talks

25X1 [redacted] //UN special representative to Cyprus De Cuellar has informed US Ambassador Crawford that he is advising Secretary General Waldheim against calling a sixth round of Cyprus talks in August.//

25X1 [redacted] //De Cuellar's soundings in Ankara and Athens and with Cypriot President Makarios this month have convinced him that another round of talks now would fail and could terminate the entire negotiating process.//

25X1 [redacted] //De Cuellar told Ambassador Crawford he now believes none of the parties to the problem is really interested in making progress.//

25X1 [redacted] //He said that the Turks had apparently decided movement on Cyprus now would be politically risky for the Demirel administration; that the Greeks were unable or unwilling to try to influence Makarios; and that Makarios was bent on playing his cards on the international scene.//

25X1 [redacted] //According to De Cuellar, there is little hope for a resumption of talks before early next year in view of the nonaligned conference in Sri Lanka next month, the Greek Cypriot elections in September, and the expected debate in the UN General Assembly this fall.//

25X1 [redacted] //To keep the negotiating process alive, he proposed a resumption of the humanitarian talks between the two sides in Nicosia while he continues to search for a common basis to reopen the political negotiations. [redacted]

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25X1 [redacted]
EC-TURKEY: Problems on Association Agreement

25X1 [redacted] //Turkish officials have rejected an offer to meet with EC representatives in Ankara today to discuss improvements in the terms of Turkey's association agreement with the EC.//

25X1 [redacted] //The Turks said, however, they would not object if the EC announced on July 27 the formal opening of negotiations on Greek entry into the community. Substantive negotiations on Greek entry will probably begin in September.//

25X1 [redacted] //EC foreign ministers earlier this week approved a new aid package for Turkey, including \$360 million in financial aid and preferential access for 90 percent of Turkey's agricultural exports to the community. Ankara is dissatisfied, however, with EC concessions on freedom of movement for migrant workers.//

25X1 [redacted] //EC members have tried to maintain an informal link between the two sets of negotiations and had feared that Turkish difficulties with the EC aid package would force postponement of the negotiations with Greece until this fall.//

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[REDACTED]

FRANCE-USSR: Ambivalence Toward Giscard

25X1 [REDACTED] French Foreign Minister Sauvagnargues' visit to Moscow last week apparently did little to change Soviet ambivalence toward the Giscard government's policies.

25X1 [REDACTED] The importance attached by the Soviets to drawing France into a bilateral and multilateral disarmament relationship was underscored by the presence of General Secretary Brezhnev and other high-level officials at the signing of an accord on the prevention of nuclear accidents.

25X1 [REDACTED] The Soviets, who have been disturbed recently by government statements that have led them to believe that French defense policy would be more closely coordinated with NATO, indicated that they were not convinced by Sauvagnargues' assurances that there had been no change.

25X1 [REDACTED] In talks with a French Socialist Party delegation that visited Moscow early this month, the Soviets reiterated their suspicion that Giscard is hunting for a pretext to reintegrate France into NATO's military structure.

25X1 [REDACTED] The Socialists, who were pleased with their warm welcome, came away "relatively convinced" that Soviet disenchantment with President Giscard was developing to the point where the Soviets were willing to accept a union of the parties of the left as a possible alternative.

25X1 [REDACTED] It is, of course, in Moscow's interest to apply pressure to Giscard by raising the possibility that the Soviets might favor the election of his opponents. [REDACTED]

[REDACTED]

ETHIOPIA: Ruling Council Consolidates Control

25X1 [redacted] Forces loyal to Ethiopia's ruling military council have reasserted control over military dissidents in Eritrea Province.

25X1 [redacted] Some of the dissidents had begun discussing a move against the council after General Getachew Nadew, the former military commander in Eritrea, was killed in Addis Ababa on July 10 by security forces sent to arrest him on charges of coup plotting.

25X1 [redacted] The US consul in Asmara has received reports that six of the dissident officers were arrested this week. One of them committed suicide, and there are rumors that the other five have been executed.

25X1 [redacted] The commanding officer of the airborne battalion, one of the army's most disaffected units, reportedly was among those arrested. The battalion has apparently been moved to a town south of Asmara.

25X1 [redacted] The military council's renewed confidence was demonstrated this week by the arrival in Asmara of Major Berhanu Bayeh, a council member who has been instructed to try to begin a dialogue with secessionist guerrillas.

25X1 [redacted] The arrival Thursday in Asmara of approximately 400 troops from a new army division will also help the council's position in the province. These troops are said to be more loyal to the council than most of the units in Eritrea.

25X1 [redacted] Radio Asmara, sabotaged 10 days ago by the council's supporters to prevent it from being used by the dissidents, remains off the air. The Eritrean garrison's seizure of the station in 1974 marked the beginning of the military revolt that led eventually to the overthrow of Haile Selassie.

25X1 [redacted] The council seems confident of its control of Addis Ababa. Security patrols in the city are light and generally inconspicuous. The recent executions of civilians and prominent military officers have apparently had the intended effect of intimidating potential troublemakers.

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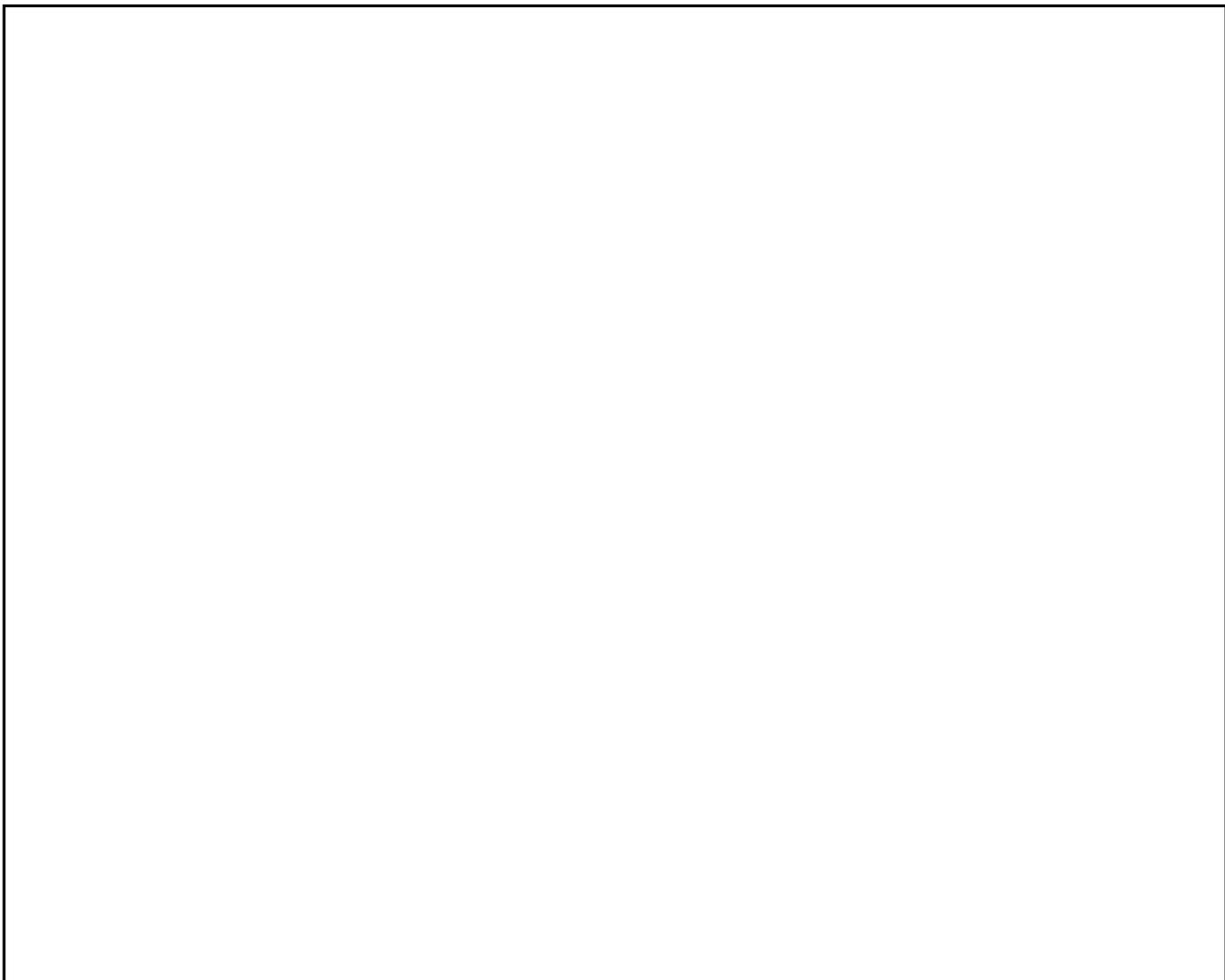
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Although the unpopular council has temporarily cowed its opponents, it is sure to face more military and civilian unrest. The arrest of a few of the more outspoken dissidents in Eritrea may quell active coup plotting, but the council must still contend with the troops' low morale, indiscipline, and refusal to undertake aggressive operations against the guerillas.

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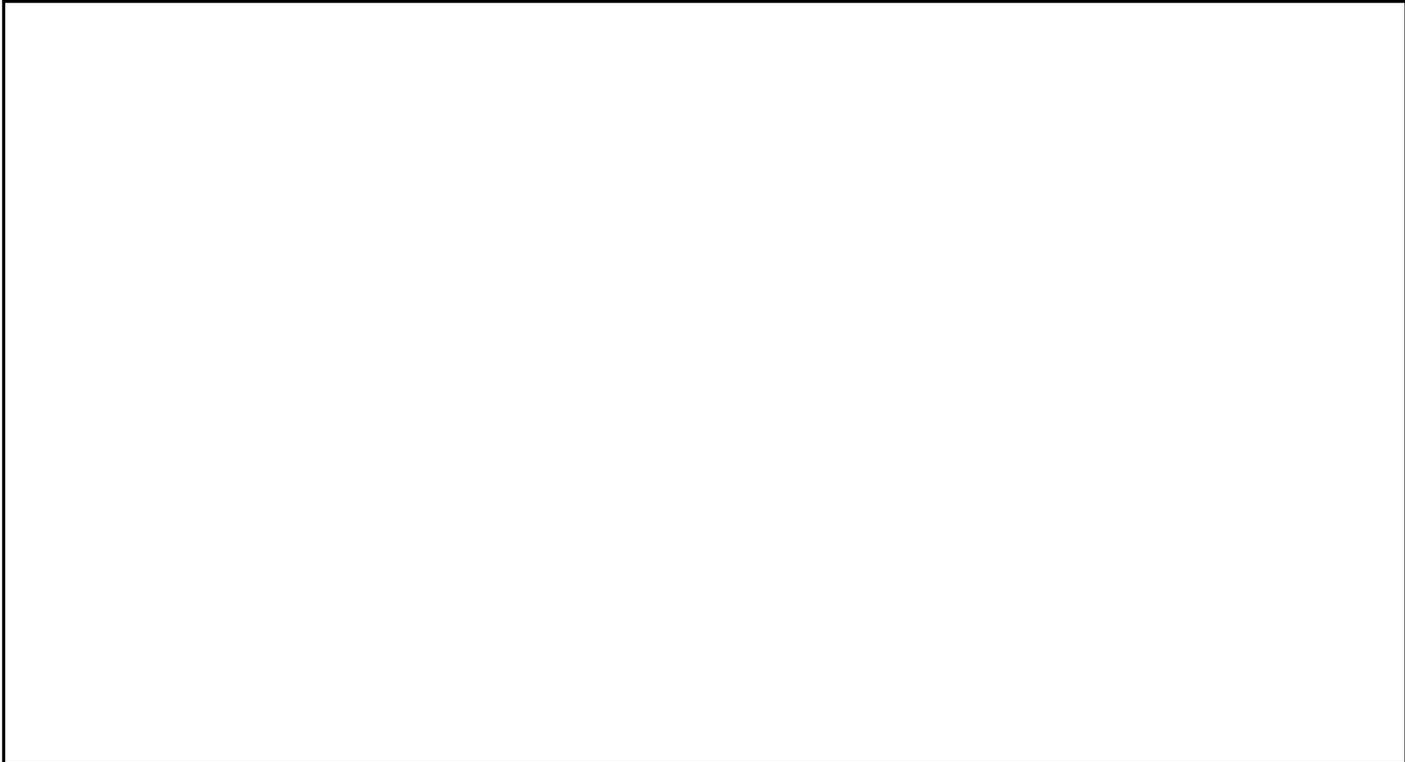
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PERU: Economic Policy Changes

25X1 [] Decrees issued by the Peruvian military government immediately following the first cabinet meeting since last week's resignation of leftist prime minister Fernandez Maldonado signal moderation in Peru's economic policies.

25X1 [] Peru's anchovy fleet of 800 trawlers, nationalized three years ago by former president Velasco, is to be sold back to the private sector. Fishermen who have been working for the government fishing monopoly will be offered loans and be given 90 days to buy the ships on a preferential basis. The government fishing monopoly will continue to process and sell all fishmeal.

25X1 [] New petroleum concessions are to be offered for international bids. Awarding of such concessions was suspended in 1973. The new operating contracts will be tailored to operational characteristics of each area to increase their attractiveness to the companies. []

BRAZIL: Oil Exploration Problems

25X1 [] Brazilian officials are discovering that foreign companies are not eager to explore for oil under the restrictive terms offered by the Geisel administration.

25X1 [] When the government announced last October that it would permit foreign exploration on a risk contract basis, 56 companies quickly submitted applications. At the end of the final bidding process last week, however, only five companies still expressed serious intentions to sign contracts.

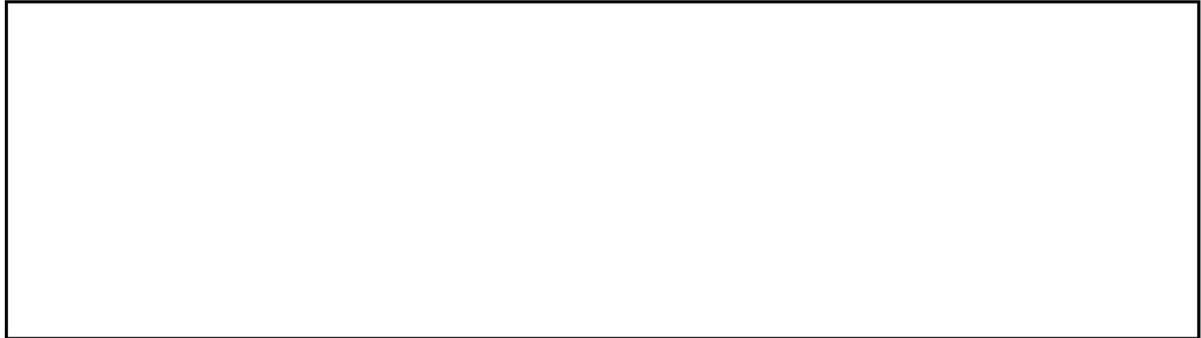
25X1 [] Even if all bids are accepted by the Brazilians, only six of the ten areas they opened for exploration will receive attention.

25X1 [] Until last year Brazil was committed to a highly nationalistic but over-ambitious policy of exploiting its own oil resources. When it became clear to government planners that that policy was inconsistent with efforts to reduce heavy foreign exchange payments for oil imports--costing the economy approximately \$3.5 billion annually--the decision to allow foreign commercial exploitation was made, but only on a risk-contract basis.

25X1 [] Even so, it was only with great difficulty that President Geisel was able to gain the backing of the military high command and of opposition critics for the policy. They were led to expect a positive response from the oil companies and substantial benefits to Brazil. This has not happened, largely because present-day oil economics makes the terms Brazil has offered insufficiently attractive to major commercial oil developers.

25X1 [] Further negotiations with the oil companies are therefore inevitable. []

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25X1 [redacted] Brazilian officials currently estimate that final contracts with oil companies will not be signed for at least two months, but the process could take much longer. Nevertheless, the government is strongly committed to reaching some kind of arrangement that will encourage companies to explore for oil.

25X1 [redacted] Petrobras plans to spend \$345 million of its billion-dollar investment program this year on oil exploration. Recently, Mines and Energy Minister Ueki stressed the need to do even more by saying that Brazil has 39 drilling platforms and needs 200 to 400.

25X1 [redacted] Those Brazilians who may have hoped for an early improvement in the economic situation via oil development will not find the present circumstances easy to understand or accept, and their criticism will fall heavily on the government and the oil companies. [redacted]

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