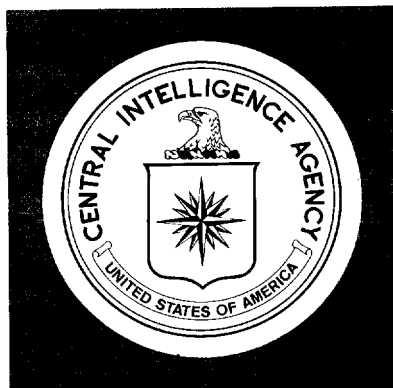


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Weekly Summary

DIA review
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8 March 1974
No. 0010/74

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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.

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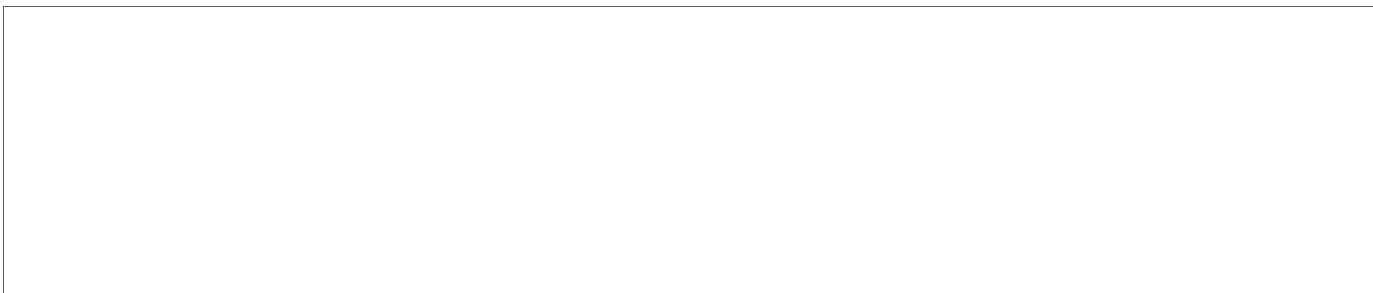


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ISRAEL

Concern Over Syrian Intentions

6 The Israelis are responding to reports of Syrian military preparations on the Golan front that seem to increase the chances of a new round of fighting. Damascus reportedly is concentrating units near the Israeli-held salient with the intention of attacking Israeli positions.

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3 Tel Aviv is said to be worried over Syrian troop concentrations near the cease-fire line, as well as indications that President Asad is coming under pressure from extremists for having released the Israeli POW list. The Israeli cabinet met in an extraordinary session on the night of March 4 to discuss the situation. On March 7, the Israelis refused to permit a UN mail truck to pass through their lines, suggesting that they may be making preparations of their own. The Israeli press reported on March 6 that Israeli units in the Golan Heights are on alert.

A Government At Last

8 Prime Minister Meir finally succeeded in forming a new government this week, more than two months after general elections that reduced the parliamentary strength of her Labor Alignment. With Defense Minister Dayan's last-minute decision to join the new cabinet and with the National Religious Party's decision to participate in the coalition, the new government emerged with a majority in the Knesset.

7 Mrs. Meir told President Katzir on March 6, just hours before her extended mandate was due

to expire, that she had formed a government. The key development that opened the way was the agreement, announced the night before, of Dayan and his Rafi faction colleague, Transport and Communications Minister Peres, to serve in the new cabinet. They attributed their change of heart to the new military situation on the Syrian front, which they said necessitated the formation of a cabinet as soon as possible.

7 Similarly citing the "serious situation" on the Syrian front, the National Religious Party reconsidered its stand and voted to join the government. Some additional negotiations with the Prime Minister are apparently planned, however. Party leaders had been inclined all along to enter the coalition on the basis of the compromise worked out earlier on the disputed religious issue. Until now, however, they had hesitated to override the objections of the party's orthodox youth wing and the advice of Israel's High Rabbinical Council.

ISRAEL-EGYPT: DISENGAGEMENT

9 Israel and Egypt on March 4 successfully concluded their disengagement agreement, 24 hours ahead of schedule. Israeli forces have pulled back to a line 15-20 kilometers from the Suez Canal, where they retain control of strategic Mitla and Gidi passes. Egypt now has control of the canal for the first time in almost seven years. A UN buffer force presently numbering 2,000 men is stationed in a narrow strip separating the two sides on the canal's east bank.

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9 Earlier in the week, Mrs. Meir angrily walked out of an emotion-charged Alignment caucus called to discuss her cabinet nominees. Upset over the continued wrangling displayed at the meeting, Mrs. Meir announced she was giving up her efforts to form a government. Only repeated personal appeals by other Alignment leaders persuaded her to reverse her decision.

8 Domestic critics will cite the similarity between the new cabinet and its predecessor as evidence of further hardening of political arteries in Jerusalem. Only five new faces were among the 16 ministers named by Mrs. Meir. The most noteworthy of these is Yitzhak Rabin, former chief of staff and ex-ambassador to the United States, who becomes labor minister. Rabin's views on US-Israeli relations are reportedly respected by Mrs. Meir.

7 Three cabinet posts—religious affairs, welfare, and interior—were left open for the

National Religious Party, which held them in the old coalition. The post of transport minister is also still unfilled and no mention was made of a new communications minister. President Katzir has given Mrs. Meir until March 10 to fill the vacancies. She also plans to present the new government to the Knesset for a vote of confidence on that date.

3 No significant change in Israel's peace negotiating position is likely to result from the formation of the new cabinet. Barring new fighting, Mrs. Meir remains prepared to enter the projected disengagement negotiations with Syria, but she apparently believes that her mandate to conclude far-reaching agreements is limited. She has already publicly promised, for instance, that on issues such as a Jordan West Bank settlement, the government will call for new elections before signing any agreement.

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USSR: Gromyko's Middle East Travels

14 Foreign Minister Gromyko arrived in Syria and Egypt hard on the heels of Secretary Kissinger. A major purpose of the Russian's travels was to give the appearance that, in contrast to Kissinger's previous round of personal Middle East diplomacy in January, this time Moscow was in the thick of things. In both Damascus and Cairo, Gromyko stressed that the Soviets expect to be closely involved in future Middle East peace negotiations and urged that the talks be returned to Geneva, where the Soviets could play a major role.

10 Gromyko's admonishments did not appear to move Cairo. As they did after Foreign Minister Fahmi's visit to Moscow in January, the Egyptians made a bow in the joint communique to the "importance and necessity" of Soviet participation in all stages of the Middle East peace talks, but they did not appear to make any new commitments.

13 Gromyko sought to stir Egyptian suspicions of US intentions, warning that the Arabs should be wary of those who want to substitute "partial solutions" for a real settlement and who want to drive a wedge between the Arabs and their "allies." These sentiments were not echoed in the communique, indicating that Cairo does not want to set back its budding relationship with the US or upset prospects for peace.

10 Gromyko sought to check the deterioration in Moscow's relations with Cairo, but apparently without success. He emphasized that a "drifting apart must not be permitted" but implied that the Egyptians should take the initiative to improve relations. The communique made no mention of bilateral economic or military matters, suggesting that these questions remain unresolved. The Soviets did pledge to assist with opening the Suez Canal, but only "in principle."

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10 In Cairo, Gromyko also met with Palestinian leader Yasir Arafat. This is the first meeting between a top Soviet leader and a fedayeen to be acknowledged by the Soviets. It represents a small step toward formal recognition of Arafat as representative of the Palestinians.]

10 Information is scant on Gromyko's discussions in Syria, but they were sufficiently difficult as to require his return to Damascus for another round of talks after his Cairo visit. Press reports from Damascus state that Gromyko has been urging the Syrians to go to Geneva rather than Washington to conduct indirect disengagement negotiations with Israel. Such a demarche would be consistent with Soviet intentions to break the US monopoly of the peace talks, and play a more active role in the negotiations. [REDACTED]

mands including a sizable wage increase and greater protection for labor's right to strike and organize. Labor leaders do not appear to be trying to bring down the government and reportedly have told strikers to stay off the streets. Militant students, however, are taking advantage of the strike to demonstrate against the government, and their protests could easily lead to violence. Striking teachers, meanwhile, continue to press demands for salary increases and new educational policies.

Haile Selassie, in a nationwide address on March 6, said he had directed Prime Minister Endalkatchew to call a constitutional conference to draw up new arrangements that will make the prime minister responsible to Parliament, guarantee civil rights, streamline court procedures, and clarify relations among the branches of government.

Ethiopia

THE EMPEROR'S NEW POLITICS

(NO SOURCES)
Ethiopian politics are undergoing a major transformation as the regime attempts to cope with continuing civilian and military unrest. Emperor Haile Selassie on March 6 announced plans to introduce far-reaching constitutional changes, including curbs on his own authority.

With the exception of a few scattered units, rebellious troops have returned to their barracks after forcing the appointment of a new government of younger and more progressive members of the Ethiopian hierarchy. The country remains restless as different groups, emboldened by the military's success in gaining pay raises, press for satisfaction of their special demands. Should this situation continue, the new administration's ability to govern will be seriously challenged.

On March 7, 85,000 members of Ethiopia's normally docile labor confederation began a general strike in support of a 16-point list of de-

The promised constitutional changes would curtail the virtually unlimited authority of the Emperor and place Ethiopia on the way to becoming a constitutional monarchy. The Emperor and his closest associates have recognized that political change is necessary, but hope to control its pace and general direction. The writing of a new constitution will take time, and the new arrangements may be resisted by powerful nobles who fear a threat to their privileged position. Dissident groups will become impatient if the process becomes protracted, and they will be sensitive to any signs that the regime is not committed to establishing a more democratic form of government.

A majority of military dissidents still seems willing to give the new government a chance. Endalkatchew secured their support by appointing a cabinet of experienced, well educated ministers who are sympathetic toward the reforms sought by the military. The new ministers have held a variety of government and diplomatic posts. With few exceptions, they are not closely identified with the discredited former government.

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Two of the most prominent representatives of the progressive movement among the Ethiopian aristocracy received important posts at the insistence of the military. Mikael Imru, Ethiopia's representative to the European UN office, was named minister of commerce and industry. Zawde Gebre Selassie, Ethiopia's UN ambassador, was appointed interior minister. Both have frequently advocated reforms similar to those demanded by the dissident troops, and as a result have been at odds with Haile Selassie.

[redacted] [redacted] appointment of Lieutenant General Assefa, the former armed forces chief of staff, to the post of minister of civil aviation and tourism.

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[redacted]

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[redacted] He and Lieutenant General Abiye, the new defense minister, are the only military men in the cabinet. In an effort to maintain some continuity, Endalkatchew reappointed Minassie Haile as foreign minister.

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The Emperor
Addressing the troops

The constitutional changes and the composition of the cabinet represent a serious effort by the regime to begin dealing with the underlying causes of the disorders. Many civilians, however, are skeptical of the regime's intent to follow through on its promises.

[redacted]

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The new government must cope with several immediate problems. Because of limited financial resources, it is unable to meet economic demands by workers and teachers, a constraint that was instrumental in the regime's decision that it must instead make political concessions. The pay increases granted dissident troops to end their revolt have already seriously strained the budget and at the same time encouraged civilians to assert claims for an improvement in their economic condition.

[redacted]

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VIETNAM

A SPATE OF SPATS

23 } North Vietnam's relations with China and the Soviet Union continue to be marred periodically by irritating incidents that reinforce Hanoi's skepticism over the long-term reliability of its Communist allies.

23 } Perhaps the most serious problem arose when China drove the South Vietnamese out of the Paracel Islands. North Vietnam has never clearly claimed the Paracels as Vietnamese territory, but Peking's action placed Hanoi in an embarrassing position: it could not openly condemn an ally, but neither could it acquiesce in the seizure of what many Vietnamese think of as their territory. In the end, the North Vietnamese merely urged goodwill on all sides and called for negotiated settlements of all such territorial disputes.

18 } There have been other signs of friction with Peking. China failed to send delegations to North Vietnam's recent trade union and women's congresses, though virtually every other Communist state, including the Soviet Union and Albania, was represented.

18 } Hanoi is unhappy both with Peking and Moscow because of their positions on the conflict in South Vietnam. On the first anniversary of the International Conference on Vietnam on March 2, North Vietnam's Foreign Ministry sent a note to the conference members calling upon each by name—including the Soviet Union and China—to condemn US and South Vietnamese Government actions in South Vietnam. On the same day Hanoi's authoritative newspaper *Nhan Dan* editorially demanded that "a number of countries that are signatories to the act that have not yet correctly implemented their obligations change their attitude. . .to prevent the US-Thieu clique from sabotaging the Paris agreement."

18 } Both the Foreign Ministry note and the more pointed editorial seemed aimed at Hanoi's principal Communist allies, the Soviet Union and China. Both countries have muted their support of Hanoi's propaganda campaign against the US in favor of their own broader interest in detente.

19 } Hanoi's Foreign Minister Trinh has also recently voiced North Vietnam's dissatisfaction with the lukewarm support from Moscow and Peking.

23 } Such incidents, irritating as they are, do not portend any fundamental near-term change in the relationship Hanoi has with each of its principal sponsors. Both the Chinese and Soviets appear willing to continue to provide large quantities of economic aid, though probably less than Hanoi wants. Both still provide some diplomatic support. But these incidents do keep the North Vietnamese wary and suspicious.

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MILITARY ACTIVITY UP IN THE DELTA

24 } There has been a marked step-up in Communist-initiated incidents in the delta provinces south of Saigon, partly aimed at countering government efforts to establish a new district in an area long under Viet Cong influence. The proposed new district infringes on a Communist base area in the tri-border area of Dinh Tuong, Kien Tuong, and Kien Phong provinces. Fighting there has been intense for the past two weeks. Communist losses appear to have been heavy, and a need for reinforcements has caused the North Vietnamese 5th Division north of Saigon once again to move some elements back into the northern delta.

25 } In recent weeks, Communist support units have been crossing into the western delta from Cambodia and in some cases traveling farther south to the U Minh Forest. A number of skirmishes with government troops have occurred near known Communist infiltration routes in the delta, and several government outposts have been attacked. Such incidents probably represent an

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this week to determine how the military, and particularly the army, rate his stewardship. The meeting is especially important because of recent displays of rivalry among Suharto's military subordinates and increasing signs of social discontent. The officers, who gather periodically, will also discuss the role of the military in the second Five-Year Plan beginning in April.

Suharto seeks and needs assurance of firm military support before he takes additional steps to deal with student activists or to stop rivalry among military leaders. He will also be trying to patch up military unity to prevent the disagreements that have recently appeared within the Jakarta ruling group from extending further into the ranks. Growing speculation among the public about military disunity is ominous for Suharto because it may lead to doubts about the long-term stability of his government and encourage dissenters.



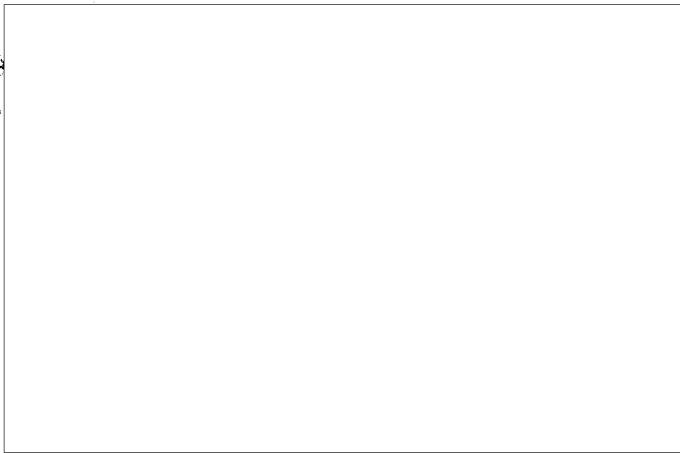
Guerrilla infiltration

effort to screen the moves of the infiltrating rear service units.

The flare-up in the delta has coincided with a lull in activity in the central highlands. In Pleiku and Kontum provinces, where heavy fighting continued from January through mid-February, both sides now are restricting their operations to holding actions. Moreover, anticipated Communist attacks in Quang Duc Province designed to draw in South Vietnamese troops while larger attacks were launched in Pleiku and Kontum provinces have not materialized. Instead, several Communist units recently moved from Quang Duc into northern Military Region 3. This appears to rule out any further heavy fighting in Quang Duc, unless the government revives its previous attempts to retake two border outposts lost last fall.

INDONESIA: STOCKHOLDERS REPORT

President Suharto will have an opportunity at a conference of the top 250 military officers



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Officers from the three Java divisions fill most important government positions, and their intradivisional rivalry has traditionally provided the dynamics of army politics. Since assuming power, President Suharto has sponsored several military reorganizations aimed at dissolving these bonds of divisional loyalty. His success has been limited.

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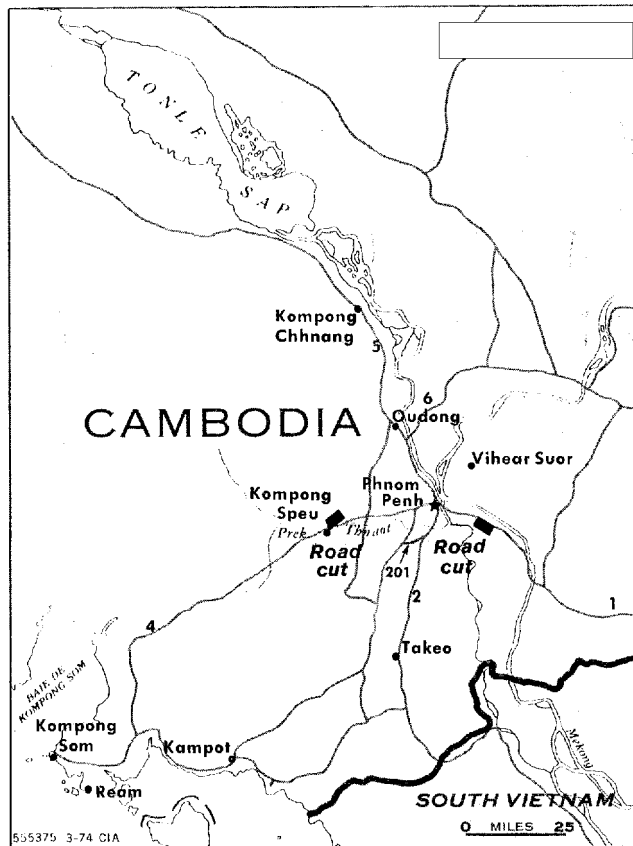
CAMBODIA: THE LULL GOES ON

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36 ^(36 + 37) The Khmer Communists may not be able to mount another major offensive against Phnom Penh's defenses in the near future. The insurgents evidently are having difficulty replacing personnel they lost in the first two months of the present dry season. Although more reinforcements apparently are being earmarked for the sector northwest of Phnom Penh, their numbers may not be adequate to offset steady casualties, sickness, and desertions. Communist losses south of the city have not been so extensive, but many units in that area saw heavy combat elsewhere last fall.

36 The need to stockpile new munitions near the front lines and to overcome difficulties in tactical coordination may also be affecting offensive plans. In addition, the Communists may soon have to divert some of the forces from the Phnom Penh region to other areas where they have been losing territory and population to aggressive forays by local government units.

37 The Cambodian Army has sustained clearing operations north and south of the capital against spotty resistance. Government forces near the center of Phnom Penh's southern defense line received a brief barrage of insurgent 105-mm. howitzer fire on March 4, but most of the shells fell short on Communist-controlled territory. On March 6, the Communists interdicted a section of Route 1 some 15 miles southeast of the capital. Twenty miles west of Phnom Penh, a multibat-



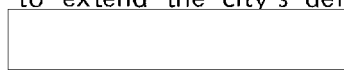
talion government force continued its effort to reopen a stretch of Route 4.

37 The sharpest fighting of the week occurred around the isolated southwestern provincial capital of Kampot, where the insurgents launched their most serious thrust against that city to date. Before their advance was halted on March 3 by government air strikes and fire from Cambodian Navy patrol boats, the Communists moved to within two miles of Kampot and its airport.

37 The military high command in Phnom Penh reacted quickly to this new threat by airlifting a substantial number of reinforcements to Kampot from the capital and from the navy base at Ream. By midweek, the situation at Kampot appeared to be stabilizing as government troops began trying to extend the city's defensive perimeters.



A Cambodian grenade launcher
One in the breach, one in reserve



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KOREA: PROBLEMS PERSIST

21 Attacks on South Korean fishing boats by Pyongyang last month have helped intensify polemics between the two Koreas, illustrating their persistent antagonism and the formidable obstacles to improving relations despite more than two years of bilateral negotiations. South Korea has gained the most politically from the fishing incident so far.

39 The loss of the boats—one sunk and one captured—has given Seoul a striking example for its nationwide campaign about the increased North Korean threat. The Pak government has also been quick to make the incident the central issue in recent talks with North Korean representatives at Panmunjom, where—by employing tough and uncompromising language—it was able publicly to demonstrate firmness with Pyongyang.

38 This was particularly evident at the February 27 meeting of vice co-chairmen of the South-North Coordinating Committee. Seoul's spokesman laid down a five-point demand for satisfaction regarding the incident. He warned that Pyongyang's failure to comply would signal that the North does not intend to continue the talks in this forum. The South Korean also used this occasion to reveal publicly that North Korean leader Kim Il-sung had admitted privately to certain top South Korean officials in 1972 that Pyongyang had indeed dispatched the commando team that tried to kill President Pak Chong-hui in January 1968.

31 Seoul's actions appear to have had a favorable impact on the domestic situation from the government's viewpoint, contributing to a reduction of overt political opposition and, thus, to a better chance of avoiding serious unrest this spring. Nonetheless, the South's hard anti-Pyongyang line is not without pitfalls. By deliberately raising tensions vis-a-vis the North, Seoul runs a risk of scaring off foreign investment at a time when South Korea is pressing its search for new western capital. Seoul's toughened

posture in the North-South talks could also hurt its standing in the UN as it begins the annual campaign for support against Northern demands. In recent years, the South has sought such support on the basis of its commitment to unification through negotiations between North and South.

Pyongyang Responds

21 Pyongyang's response to the South's tactics has been guarded, suggesting an awareness that the naval action was a political mistake. It has predictably sought to divert attention from its own involvement and to place the blame on Seoul by alleging that the South Korean fishing boats were actually on a spying mission. Pyongyang has published confessions of crew members to support this claim and otherwise stepped up its public criticism of South Korean domestic affairs.

29 Pyongyang has also recognized that Seoul's effort to exploit the situation in the bilateral negotiations could be turned to some advantage. It has charged the South Koreans with provoking the incident in order to frustrate progress in talks. At the vice co-chairmen's meeting—as well as at a February 25 session of North-South Red Cross officials—Northern spokesmen tried to ignore the naval incident, stressing instead Pyongyang's commitment to unification. They offered proposals for moving both sets of talks forward. Though hardly concessionary, these were somewhat more flexible than proposals tabled in previous meetings of these groups. Premier Kim Il-sung, in a major statement on March 4, appeared to endorse this approach.

29 The North undoubtedly anticipates that the South will reject its latest proposals, and that this can be used as additional "proof" of Seoul's determination to block progress in the negotiations and perpetuate "two Koreas." The North leans on this argument in propaganda efforts to encourage disaffection in the South and will press

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this line in support of its strategy at the UN later this year.]

39] Despite the new tensions, both North and South will continue to exploit their talks for political and propagandistic advantage. Each has offered proposals for additional meetings this month. These are unlikely to be productive, particularly as long as Seoul feels the need to focus domestic attention on the Northern threat and Pyongyang, to openly encourage unrest in the South. The talks could take on more substance, however, as UN consideration of the Korean issue nears and each party feels a greater need to stress to other nations its adherence to the concepts of peace and national unification in the Korean Peninsula.

[Redacted]

countries will depress foreign demand for Japanese goods.

Tokyo is indirectly encouraging exports by actively restraining domestic demand. Its policies are geared not only toward controlling inflation but also toward assuring that supplies are available for overseas markets. Tokyo would like to see a substantial increase in export earnings to help offset the anticipated rise of at least \$11 billion in oil import costs this year. In any event, the 10-percent depreciation of the yen since October also will help boost exports by making overseas sales more profitable as well as more competitive in foreign markets.

Exports have gotten off to a fairly good start this year. Overseas sales volume in January 1974 was an estimated 10 percent above the January 1973 level—in dollar terms the increase was 43 percent—and February apparently was another good month.

JAPAN'S NEW EXPORT DRIVE

(NO SOURCE)
Japanese firms are scheduling large increases in exports this year in spite of the slackening economic growth or stagnation expected in most countries. Within the past few weeks, at least one major trading company, Mitsui—which handles 10 percent of the country's total exports—announced a vastly expanded overseas marketing plan for this year. Several leading industries, including the motor vehicle, steel, and textile sectors, are planning to raise export volume by 10-20 percent in contrast to the small increases envisaged last fall.

Underlying the higher export goals is an expected sharp slowdown in domestic demand, arising from the energy crisis and normal cyclical factors. With domestic demand weakening, Japanese firms hope to maintain sales growth, profits and employment levels by boosting overseas sales; they pursued the same policy during the 1971 economic slowdown when Japan's export volume rose an extraordinary 20 percent. It is unlikely, however, that Japan can achieve a comparable gain this year because Japan's international competitive position has been weakened and because slower economic growth in most of the developed

Japanese firms will pay much greater attention to the US market this year than last. The volume of sales to the US fell by an estimated 10 percent in 1973 because most industries were straining to meet booming domestic demand or found it more profitable to sell to countries whose currencies had depreciated less against the yen than had the dollar. Supply shortages in many industries are now beginning to ease and the yen's depreciation against the dollar since October has increased the profitability of sales in the US market.

Auto sales in the US are expected to register a sharp gain this year even though overall US demand for motor vehicles is weakening. Japanese suppliers probably expect to be able to boost sales here by around 200,000 units in 1974, about a 25-percent increase. Although the steel and textile industries also will be pushing US sales more aggressively, weakening US demand and competition from other suppliers will keep down the volume gains. Other important growth items in the US market this year will likely include general machinery, precision instruments, and commercial electronic products.

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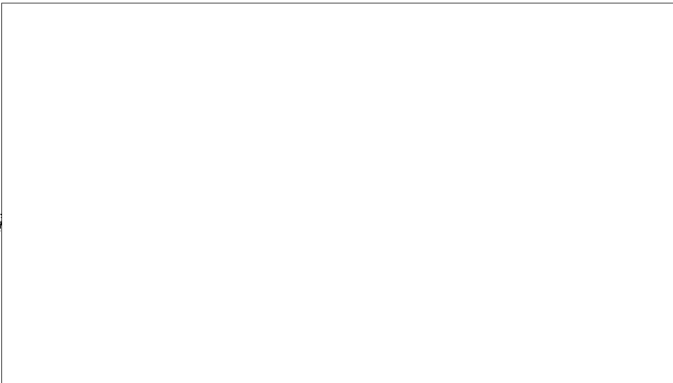
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IRAN-IRAQ: BORDER SITUATION

4/6 } Sporadic fighting again broke out on the Iranian-Iraqi border this week, and forces on both sides remain in a high state of military readiness. Tehran and Baghdad, however, are still endeavoring to avoid serious clashes. Iran has played the border problem in low key but has sent letters of protest to Baghdad and the UN. Iraq, for its part, has become increasingly preoccupied with the Kurdish problem inside its own borders. The scheduled arrival of UN Secretary General Waldheim's special investigator, whose name has been sent to Baghdad and Tehran for approval, was expected to help ease tensions somewhat.



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4/6 } Iraq has also continued to reinforce border troops in the Badrah-Mehran area, where Iranian troops reportedly occupied several miles of Iraqi territory following a serious clash on February 10.

4/7 } Early this week, fighting erupted near Mehran and Qasr-e Shirin, about 75 miles to the north. Tehran claims the clashes were precipitated by Iraqi forces who fired on a number of Iranian border posts. Military spokesmen in Baghdad, however, contend that Iranian troops started the fighting by using artillery against Iraqi troops.

4/8 } The fighting apparently became more intensive by mid-week, and some casualties were in-

curred by both sides. [redacted] that the Shah has ordered his troops to increase the level of their fire and not to confine themselves merely to suppressive fire. Radio Iran claims that several Iraqi infantry attacks across the border were repulsed and that "heavy losses" were inflicted on the Iraqis. These claims have not been confirmed. [redacted]

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IRAN: EXPANDING NAVAL FORCES

Iran's five-year plan (1972-1977) designed to modernize and enlarge its navy is moving ahead. Purchases this year of two destroyers from the US and six large guided-missile patrol boats from France at a cost of over \$600 million indicate the seriousness of the Shah's intention to improve his navy vastly.

Since the British withdrawal from the Persian Gulf in 1971, the Imperial Iranian Navy has become the dominant naval force in the area. The acquisition of modern war ships, additional personnel, and improved training, have enabled the navy to extend its function from defending

coastal areas to providing protection for Iran's expanding sea communications through the Persian Gulf and the Strait of Hormuz. The Shah envisions a further broadening of Iran's defensive frontier into the Indian Ocean to protect Iran's vital oil lifeline.

Until the mid-1960s, nearly all of the ships in Iran's modest navy were supplied by the US. The buildup and modernization of the navy began in 1966 when Iran ordered four British MK-5 destroyer escorts fitted with Seakiller surface-to-surface missiles and Seacat surface-to-air missiles, and 12 hovercraft. Ten of the hovercraft have

<u>Year</u>	<u>Supplier</u>	<u>Ships Ordered</u>	<u>Status of Delivery</u>
1966	United Kingdom	4 Mark-5 guided-missile destroyer escorts 12 Hovercraft	Arrived in 1973 10 arrived in late 1960s
1967	United Kingdom	1 Battle-class destroyer	Arrived in 1970
1972	United Kingdom	4 Hovercraft	Scheduled to begin in 1974
1972	West Germany	2 Cargo/Tankers	Scheduled for 1974
1972	United Kingdom	2 Multi-purpose support ships	Scheduled for 1974-1976
1973	United States	2 used guided-missile destroyers	Scheduled for fall 1974
1973	United Kingdom	May have ordered a Through-Deck Cruiser	Scheduled for 1979-1980
1974	United States	2 Spruance-class destroyers	Scheduled for 1978
1974	France	6 La Combattante IIs	No set date

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arrived and are in service, giving Iran the largest operational hovercraft fleet in the world. In 1967, a British destroyer, armed with Seacat missiles, was purchased.

In order to handle increasing logistic support problems, contracts were signed with the UK and West Germany in 1972 for support and resupply ships. These ships will give Iran its first seagoing supply capability for naval units stationed on several Persian Gulf islands and for the ports on the Gulf that lack adequate road or rail connections.

In 1972, Iran began a five year naval buildup program designed to quadruple the fleet by 1978. Four more British hovercraft, each equipped with guided missiles, were ordered. In addition, London reportedly agreed to build a through-deck cruiser, configured with a flight deck capable of landing V/STOL aircraft and helicopters. Two small guided-missile destroyers are being refurbished by the US for delivery to Iran this year, and a contract was signed in January calling for the delivery of two more destroyers in 1978; the contract also provides for the training of 2,000 men.

Most recently, the Shah ordered six French built La Combattante II missile-armed large patrol boats from France. The contract, valued in excess of \$100 million, calls for France to incorporate several modifications, including the installation of the US STANDARD/HARPOON missile system, Italian OTO MELARA gun-mountings and a Dutch fire-control system. Once in service, the La Combattante IIs will more than offset the threat of Iraq's OSA-class guided-missile patrol boats and provide added protection for Iran's offshore oil facilities.

Although the Shah is spending lavishly on the navy, as well as on the other military branches, problems still persist. Naval personnel strength, which rose from 4,400 in 1967 to 13,000 last year, is scheduled to increase to 20,300 by 1976. The navy is having difficulty assimilating the new equipment and the additional personnel. Selective recruiting programs,

implementation of modern personnel management systems, increased in-country training programs, and the increased use of computers, however, are brightening long-term prospects for a technically competent navy. [redacted]

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NORTH YEMEN: A NEW CABINET

President Iryani appointed a new cabinet on March 3 headed by Prime Minister - designate Hasan Makki, a political moderate who has been in charge of a caretaker government since the removal of Saudi-backed prime minister Hajri three weeks ago. Although about half of the ministers are new appointees, the shuffle probably does not foreshadow significant policy changes.

Makki has no personal following, and his appointment caused little reaction in Sana. All of North Yemen's important interest groups are represented in the new cabinet, probably ensuring early confirmation by the legislative assembly. More important, the Saudis, whose financial dole helps to keep the North Yemeni economy afloat, are not expected to oppose Makki. King Faysal had vetoed Iryani's preferred choice, former prime minister al-Ayni; a final effort by Iryani in late February to get the King to agree to al-Ayni's return was unsuccessful.

The appointment of the ineffectual Makki downgrades the prime minister's post. Iryani is also said to be planning structural reforms that would give the four-man ruling Republican Council greatly expanded authority over the ministries.

Former prime minister Hajri retains his post in the Republican Council, with new supervisory responsibilities over financial and development affairs. In this capacity, he will oversee the government's allocation of Riyadh's subsidy. [redacted]

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INDIA: ELECTION RETURNS

(No. SOURCES)
Prime Minister Gandhi's Ruling Congress Party managed to secure narrow majorities in the two most important of five off-year state elections held last month. The results are more a reflection of the continuing absence of a viable political alternative than an endorsement of Mrs. Gandhi's party or policies.

The present depressed state of the economy and the government's forecast of still worse economic conditions did not permit Mrs. Gandhi to woo the electorate with convincing promises of early improvement. In fact, the opposition parties had a field day attempting to capitalize on discontent over inflation, scarcities, and corruption in government. Under these circumstances, Ruling Congress leaders could not risk relying primarily on Mrs. Gandhi's charisma, as they had during the height of her popularity in 1971 and 1972.

In Uttar Pradesh, India's most populous state, the party spent large sums, carefully selected candidates with broad caste, community, and minority appeal, and promised substantial federal expenditures that would benefit all segments of the population. With a high turnout of 60 percent of the electorate and peaceful voting, the Ruling Congress gained a thin majority of 215 in the 425-seat assembly; defections from the opposition could add to this total. The party is thus not dependent on support by the pro-Moscow Communist Party of India, with which it had made an electoral alliance.

In Orissa, a much smaller state on the east coast, the Ruling Congress eked out a plurality and is forming a government with support from Communists and independents. This marks a personal victory for Mrs. Gandhi and the local

Women voters



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Congress leader, Mrs. Nandini Satpathy. A former chief minister, Mrs. Satpathy has now been given a second chance to hold together the factionalized Ruling Congress Party in Orissa.



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The results in the three other elections, less favorable to Mrs. Gandhi, will have little impact on the government in New Delhi. Regional parties won in tiny Pondicherry and in the northeastern state of Manipur. In Nagaland, bordering on Manipur, a pro-Congress tribal party lost control to another tribal party. Inasmuch as the new state government will be less closely associated with the government in New Delhi, it may have a better chance of eventually ending the long-simmering tribal unrest in Nagaland.

During the difficult economic period ahead, political instability in the states is likely to increase as the population faces continuing food shortages and high prices. The fall of the government in Gujarat last month proved that even Congress governments with solid legislative majorities are vulnerable. For the moment, however, Mrs. Gandhi's confidence has been boosted as she turns her immediate attention to food deficits, serious petroleum and fertilizer shortages, and the selection of a new president of India in August. She does not have to face national elections until 1976.

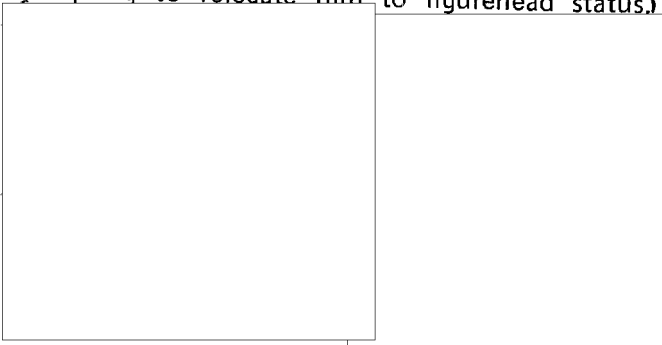
58 } Bourguiba led Tunisia to independence in 1956 and has been the country's only president, ruling in a highly personal style. The succession question, as it becomes more urgent, consequently is having a highly unsettling effect on political life. Existing constitutional provisions call for the prime minister to fill out any unexpired portion of a presidential term, but various plans to modify this system have been discussed from time to time. Nourira has a number of rivals for the succession, and the matter could come to a head at the party congress scheduled for next fall. Bourguiba some time ago announced his intention to run again in the December 1974 presidential election.

58 } Bourguiba's latest hospitalization came amid the furor touched off by his signature on January 12, while Nourira was away, of an agreement with Libyan President Qadhafi to merge the two countries. Nourira and others quickly succeeded in backing the Tunisian Government away from the proposed union and also in bringing about the ouster of a leading rival for the succession who, as foreign minister, had helped arrange the merger. There are a significant number of Tunisians, particularly among the intellectuals, who still believe that Tunisia would benefit from joining with its backward but richer neighbor.

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TUNISIA: PROPPING UP BOURGUIBA

58 } Prime Minister Nourira and other key advisers of ailing President Bourguiba are apparently attempting to relegate him to figurehead status.



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58 } The short-range prospect is for continued behind-the-scenes maneuvering by the presidential aspirants under a relatively calm surface. This could change if Bourguiba's condition is adversely affected by a strenuous schedule of public appearances.



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CSCE: AIR OF OPTIMISM

67] The pace has quickened at the Conference on Security and Cooperation in Europe, with most delegates hoping they can have a "skeleton" of the final documents ready before the Easter recess. [redacted]

68] There has been no evidence of substantial movement toward agreement on the major issues facing the conference. The Western and Eastern delegations still disagree on such significant issues as the possibility of future peaceful change of Europe's postwar frontiers, freer movement of persons and information between states, and constraints on military activity to strengthen security.

66] Some optimism may have been generated by apparent progress in the sub-group studying development of conference follow-up measures, a goal sought by the East. Widespread support has now been expressed in the sub-group for implementing some kind of undefined follow-up procedures to the conference, despite the argument that any Western concessions on this question should be held in reserve. The Danes broke ranks with their EC colleagues to support proposals for follow-up measures even though the Nine had agreed earlier to remain silent for the present on such proposals. The Danes were careful, however, not to support specific procedures.

68] Agreement on an over-all skeleton draft is possible by Easter, but most major substantive statements are likely to be bracketed to indicate disagreement. Resolution of these differences will remain a difficult process. If a final draft agreement is to be reached by Moscow's self-imposed deadline of mid-summer, it would have to be a very general document, designed to allow the signatories to interpret its major provisions to suit their own political purposes. [redacted]

EC: ATTITUDE ON ENERGY COORDINATION

(69, 70, 71)] European preparations for the scheduled meeting of the 12-nation Energy Coordinating Group in Brussels on March 13-14 are clouded by concern over US criticism of the recently announced EC plan to explore wide-ranging cooperative projects with the Arab states. The Europeans in general are likely to view with caution their role in the US-sponsored Coordinating Group if this participation seems likely to become politicized and is presented as an alternative to European moves for EC-Arab cooperation.

The Europeans have some reservations about the scope of the energy discussions and the proper forum for taking up particular issues. Nevertheless, there has been little to indicate that the Europeans regard the EC Nine's plan to sound out the Arab states on economic and cultural cooperation as a substitute for the broader US-initiated proposals for cooperation among the oil-consuming nations. The London *Financial Times* pointed out in an editorial on March 5 that the community's endorsement of the French desire for a special EC relationship with the Arab world has not infringed on the energy problems being tackled in the wider forum. The community recognizes that it cannot, by itself, hope to deal effectively with the world-wide problems of energy.

Although the French decided some time ago not to take part in the deliberations of the Coordinating Group, the other Europeans have been hoping Paris might be brought along eventually. The French have said publicly, however, that they would participate in energy discussions if they are open to all the 24 industrialized countries that are members of the Organization of Economic Cooperation and Development. They do not want discussions restricted to the five larger EC members, Canada, Norway, Japan, and the US, as suggested for some topics in the terms of reference for the Coordinating Group. Out of self-interest, the smaller EC members also favor enlargement of these discussion groups. [redacted]

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NORWAY

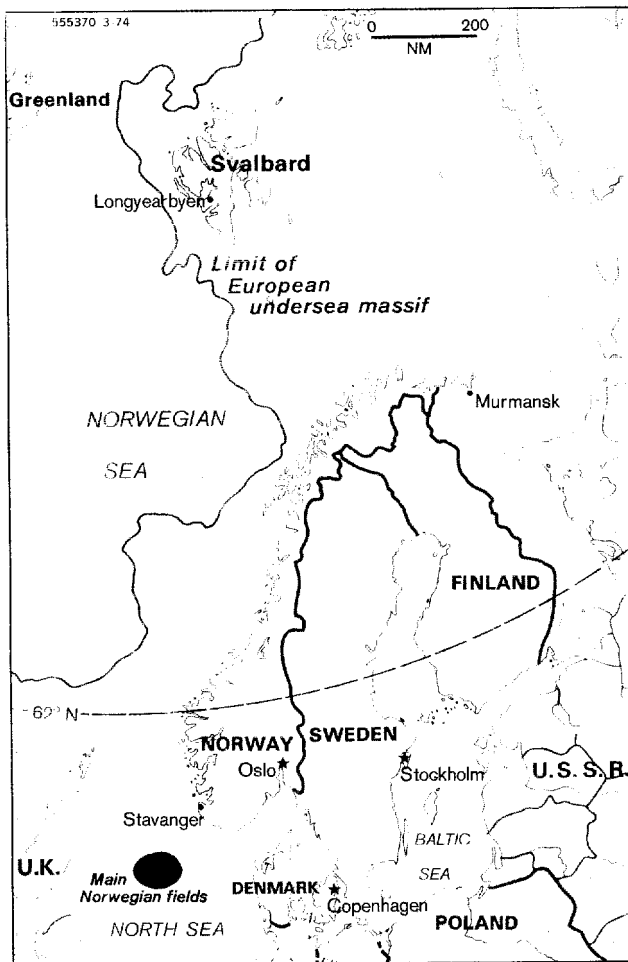
72] The Norwegians will soon become the only net oil exporters in Western Europe. Eventually, Norway might be able to supply nearly all the petroleum needs of the Scandinavian nations, if current production estimates are valid. Although Oslo has offered to share its abundance with its neighbors, it is taking steps to ensure Norwegian control of its off-shore petroleum and natural gas resources.]

76] Norway began developing its portion of the North Sea fields in the late 1960s. It recovered some 300,000 tons of oil in 1971, and nearly six times that amount in 1972. The Norwegians expect to produce five million tons in 1974, and to level off annual North Sea production at 50 million tons of oil and 45 billion cubic meters of gas in 1980. By holding to a production limit, Oslo hopes to avoid the undesirable economic and ecological consequences of hasty or uncontrolled exploitation of energy resources.]

72] Norway's ultimate recoverable North Sea reserves are estimated at between one and two billion tons of oil and between one and two trillion cubic meters of natural gas. Norway's oil consumption is currently running about nine million tons annually. It does not use natural gas. Petroleum consumption in the five Nordic states totaled 73.6 million tons in 1972. If consumption remains relatively stable, Norway's estimated North Sea production, coupled with additional planned exploitation of the Norwegian continental shelf north of 62 degrees, might satisfy Scandinavian demands. Furthermore, at the planned production levels, the Norwegian fields might continue to yield well into the next century.]

76] Norway initially welcomed foreign investment, and numerous foreign companies are now involved in oil exploitation. Most of these companies have offices in Stavanger, on Norway's southwest coast, which now has a sizable colony of English-speaking oil company employees and their families.]

72] In line with Norway's policy of maintaining maximum control over exploitation of its resources, the Norwegian Government recently proposed that parliament adopt stringent measures for the North Sea development area and the region along the northern continental shelf. The proposals, which would strengthen government control and restrict private domestic and foreign investment, are certain to generate considerable domestic controversy. Private oil companies are bitter over the small role assigned to them, and the Conservative Party has called the move a challenge to the non-Socialist majority.]



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72 [The government also proposes to ban the granting of additional concessions to private companies south of the 62nd parallel. Instead, the Norwegian State Oil Company would become the instrument for implementing the country's oil policy. The continental shelf north of 62 degrees would be opened to exploration, presumably under stringent Norwegian regulations, but not until certain international questions are resolved. The demarcation line between the Soviet and 74 [Norwegian portions of the shelf in the far north—near the USSR's large naval base at Murmansk—currently is being negotiated. In addition, the Law of the Sea Conference may establish distance and depth regulations for shelf exploitation.]

76 [The continental shelf may extend several hundred miles out to sea along the northern portion of Norway's coast. The Svalbard Archipelago is on the northern edge of the European undersea massif. It is not clear whether this area can be claimed by Norway, along with the closer and shallower areas of the shelf. Norway has sovereignty over the archipelago, however, by virtue of the Svalbard treaty of 1920. The USSR and the US are two of the more than 40 signatories, but only Norway and the USSR have maintained permanent settlements and installations on Svalbard.]

73 [Norway has constructed an all-weather airfield near Longyearbyen, the archipelago's main settlement, and the Norwegians have agreed to allow the Soviets to station five or six permanent aircraft maintenance personnel at the facility. Perhaps to prevent further exploitation in certain areas, Oslo recently set aside portions of the archipelago as wildlife sanctuaries and national parks. The undersea area around Svalbard may have oil-bearing potential and the islands could provide the most convenient staging area for off-shore operations.]

72 [In addition to its recommendations governing oil exploitation, the government also suggests that Norway play an expanded role in international energy policy. Norway may eventually seek affiliation with oil-producing countries, presumably through OPEC. In the early stages of the

NORDIC PETROLEUM STATISTICS
(in millions of tons for 1972)

country	production	consumption	refining capacity
Denmark	0.2	18.9	11.0
Finland	---	13.0	9.3
Iceland	---	0.5*	---
Sweden	---	32.0	12.1
Norway	1.7	9.2	8.6
Total Area	1.9	73.6	41.0

*Approximate

oil crisis, Norway offered to mediate, believing that its unique position as both a consumer and producer provided special leverage.]

75 [Oslo recently offered to permit other Scandinavian countries to share in the benefits of its oil development. At a Nordic Council meeting in Stockholm last month, Prime Minister Bratteli suggested that Sweden exchange its industrial know-how for Norwegian oil. Oslo hopes that the Swedes will help expand Norway's steel industry as well as its refining capacity. If North Sea oil eventually is brought ashore in Norway, Oslo also will want to develop a petro-chemical industry, probably with the help of its Scandinavian neighbors.]

72 [The oil-hungry Swedes have responded eagerly to the Norwegian offer, but at the present rate of development it seems unlikely any Norwegian oil will reach Sweden before 1980. The Norwegian offer is also good news for Finland and Iceland; both import the bulk of their oil from the Soviet Union. Despite Denmark's growing off-shore oil exploration and development in the North Sea, the Danes must import vast quantities of oil and welcomed Norway's gesture.]

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USSR-FRANCE: PATCHING THINGS UP

(77, 78)
President Pompidou will meet with General Secretary Brezhnev at a Black Sea resort next week. The two leaders apparently intended to meet earlier, but Middle East developments and strains in Soviet-French relations led to postponements. It was only during Foreign Minister Gromyko's visit to France late last month that final arrangements for the trip were made.

Brezhnev and Pompidou will have a variety of problems to discuss, but their main purpose will be to revive the once-vaunted "special relationship" which has become somewhat frayed over the last few months. Whatever private differences emerge, the two leaders will try to present a public image of harmony.

The French believe the USSR failed to consult adequately during the Middle East war, while the Soviets have serious reservations about French statements last year expressing interest in West European defense cooperation. The Soviets have also been disturbed by France's unwillingness to participate in MBFR, and may feel that this attitude is spreading to other West European countries.

On the Middle East, the Soviets may attempt to dissuade Pompidou from using arms sales as a lever for French influence in the area. This is a touchy subject, however, and is an area where the Soviets are not likely to have much impact. It seems likely, therefore, that whatever representations they make will be low key. In his preliminary talks in Paris, Gromyko seems to have steered clear of any specifics, although his defense of US policy in the Middle East might have been meant as a way of indicating that French involvement in the area would not be helpful.

The Soviets will try to get the French to urge West Germany to refrain from establishing a federal environmental office in West Berlin. This is not likely to work because Paris' position is that Bonn cannot back down now that the office has become an issue with the Soviets. By pressing the matter, however, Moscow may strengthen the

French view that the Western allies should restrain future initiatives by Bonn in West Berlin.

European security issues have generated another set of irritants to bilateral relations. The French are unenthusiastic about Moscow's primary goal of obtaining an unambiguous declaration on the inviolability of frontiers, and are disturbed by the Soviet drive to cripple the "freer movement" concept by appending restrictive clauses. Paris also has been unresponsive to Moscow's overtures on a summit-level finale for CSCE. Pompidou, in particular, is reluctant to attend an international gathering that he fears would be dominated by the superpowers.

On the positive side, Moscow has applauded France's stand at the Washington energy conference. The ill-will and distance between the French and their European allies that emerged during the conference must have given Moscow some additional reassurance that a French-promoted European defense arrangement is not going to reach a serious stage in the near future.

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FRENCH CABINET STREAMLINED

MC President Pompidou reshuffled his cabinet last week in an effort to form a more cohesive government capable of dealing with the myriad problems facing France and to reassert his own authority in an atmosphere of continuing uncertainty over his health. There are no new faces in the cabinet, but the manner in which Pompidou handled the deliberations leading to the reshuffle suggests that he used the occasion to patch up his differences with the orthodox Gaullists.

VC The new cabinet, smaller by one third than its predecessor, combines several technical functions and eliminates other less important ones. The major portfolios did not change, and Justice Minister Taittinger, Finance Minister Giscard, and Housing Minister Guichard were accorded the additional prestige title of minister of state.

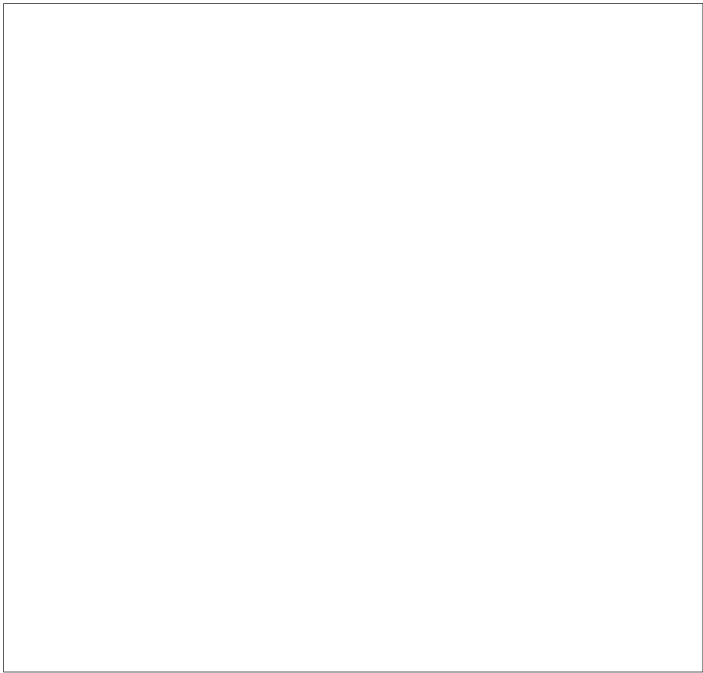
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80 [Both Jean Royer and Jacques Chirac, who have been accused of exploiting their positions as commerce and agricultural ministers to gain popularity with the workers and farmers, have been shifted to other posts. Former interior minister Marcellin, who was tarred by the *Le Canard* bugging scandal, was shifted to another ministry, and former industry minister Charbonnel, who openly clashed with Prime Minister Messmer, was dropped.]

81 [By reappointing Messmer as Prime Minister, Pompidou has probably muted, at least temporarily, the speculation over his successor. The colorless Messmer is not considered to be a serious presidential contender. Had any of the major presidential hopefuls been appointed, it would have been immediately construed as the nomination of the ailing Pompidou's successor, and Pompidou would have assumed a lame-duck status.]

82 [Instead, Pompidou has kept all his options open and has recaptured control over the timing of events in French political life. Pompidou has, in effect, reminded French politicians of the supremacy of the presidency in the Fifth Republic.]



ITALY: PUTTING IT BACK TOGETHER

Mariano Rumor's eight-month-old government collapsed last week after the small but influential Republican Party withdrew over an economic policy dispute with the Socialists. Rumor was asked almost immediately by President Leone to make the first try at putting together the country's 36th postwar government, but any government formed now is likely to be an expedient, contrived to get the country through its contentious referendum on divorce, now scheduled for May 12.

Early indications are that Rumor will aim for another center-left grouping among the same parties—Christian Democrats, Socialists, Social Democrats, and Republicans. Rumor will face the nettlesome task of reconciling the opposing views of the Socialists and Republicans over economic priorities. Successive governments have been immobilized by disagreement between the Socialists, who have demanded immediate action on costly social and economic programs, and the Republicans, who have insisted on budgetary austerity. The issue came to a head last week when Socialist Budget Minister Giolitti accused Republican Treasury Minister La Malfa of trying to force his policies on the country indirectly through the terms of a loan he had negotiated with the IMF.

If the Republicans cannot be persuaded to rejoin the coalition, Rumor or some other premier-designate may ask them to support in parliament a government composed of the remaining three parties. The three parties have enough votes in parliament to go on without the Republicans. The Republican Party, however, enjoys influence out of proportion to its size—it is the smallest coalition member—because of its internal unity and La Malfa's prestige as an economist.

The Christian Democrats may have to set up a temporary one-party caretaker government if these alternatives fail. This is an established way of letting the dust settle, but there is not much enthusiasm for the idea now. The other coalition parties all favor the existing divorce law, and they do not want the Christian Democrats, who oppose divorce, in the driver's seat during the referendum campaign.

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The Communist Party was caught off-guard by the government's collapse. While Rumor was in office, the party supported his efforts to deal with economic problems and adopted a constructive stance in parliament. At the same time, the communists accelerated their campaign for an open role in the government by pointing out that the ruling parties were already accepting indirect communist support.

Although the communists are making a ritual bid for inclusion in the next government, they know that they cannot make a good case with the divorce referendum pending. The communists are at odds with the dominant Christian Democrats on the divorce issue and would have preferred to avoid a government crisis until at least after the referendum.

The dissolution of parliament followed by new elections is still considered a last resort, even though it would automatically postpone the troublesome divorce referendum. The center-left parties probably will resist this temptation, because they fear that the communists and neo-fascists might benefit from voter resentment over inflation, energy-related austerity measures, and the recent oil payoff scandal.

PORTUGAL: CLASH OVER AFRICAN POLICY

835 The government's recent efforts to explore the possibility of loosening Portugal's tight grip on its African territories has led to a confrontation between rightist stand-patters and those who believe changes are necessary. As a result of bitter opposition from the right, Prime Minister Caetano appears to have backed off from any change at the present time.

841 Last month the government—presumably with Caetano's acquiescence—permitted the publication of a book calling for self-determination for the Portuguese African territories. The author, General Antonio de Spínola, is the former commander in chief and governor of Portuguese Guinea, and now vice chief of staff of the armed forces.

84 The publication of Spínola's book has led to considerable political infighting over demands from the right, led by President Thomaz, for Spínola's dismissal, and Caetano himself is also under attack for allowing the book to be published. Spínola will be difficult to oust. He has wide support in the armed forces, including the backing of his boss, General Costa Gomes.

85 There are other signs that the government was considering softening its policy toward its overseas territories. During a recent visit to Mozambique, the overseas minister mentioned the possibility of granting increased autonomy to the African territories. Lisbon also permitted the formation of a multi-racial organization in Mozambique led by a former insurgent. Although the new group has been described in the foreign press as a "third force" that could provide an "African solution" to Portugal's colonial problems, Lisbon has been careful to limit its scope.

85 Pressure on Caetano against a policy change was recently intensified following stepped-up insurgent activity in Mozambique. In an attempt to placate white settlers who have protested alleged lack of army protection there, the government agreed to provide them with arms and a radio network. Lisbon is concerned that they might seek a "Rhodesian solution."

86 The conflicting pressures on Caetano were evident in his speech last month at his party's annual congress. He stressed that Portugal cannot accept a policy that would mean abandonment of the whites. At the same time, he referred to his own past support for a federation or community of Portuguese territories.

83 Caetano has tried to appease both sides. He apparently has refused to fire Spínola, but in a speech this week to the National Assembly, the prime minister reaffirmed Portugal's determination to remain in Africa and to build a multi-racial society there. He scorned any vote of self-determination as "inappropriate for the African mentality," thus repudiating one of Spínola's principal points.

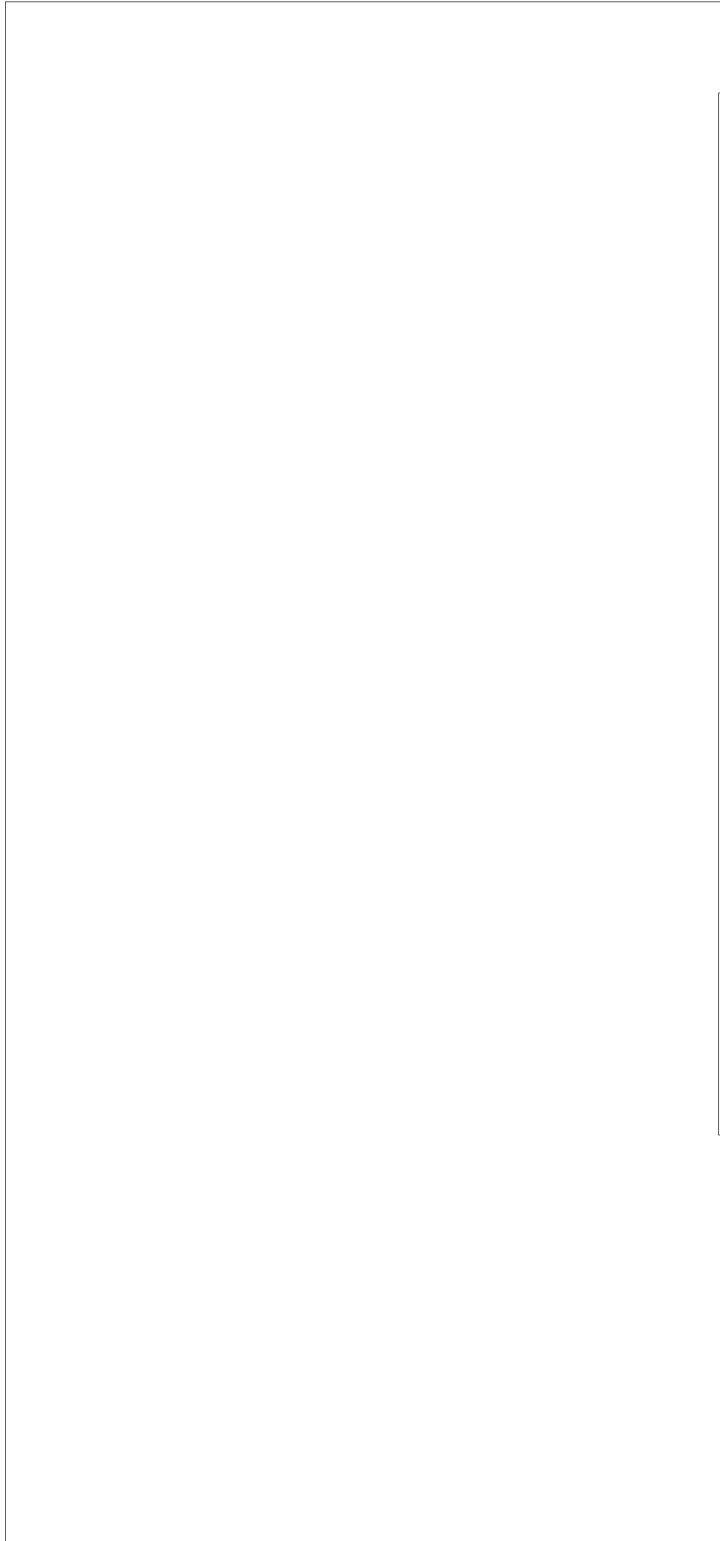
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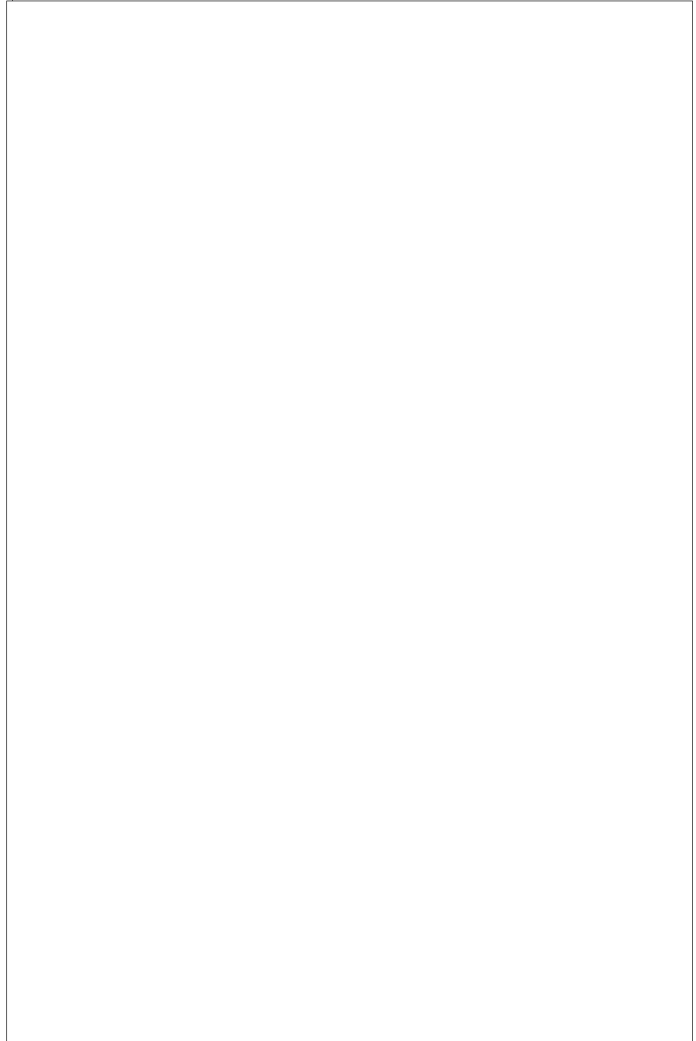
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BELGIUM: A HOUSE DIVIDED

9/ [The elections on March 10 will set the stage for the formation of Belgium's 22nd government since World War II. The elections are not expected to lead to a settlement of Belgium's long-standing problem—how to get the French-speakers of Wallonia and the Flemish-speakers of Flanders to live together. There are signs that the election process will only divide the country further into rival groups.]

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94 } For the first time, the three traditional parties—Socialist, Social Christian, and Liberal—that have governed Belgium in various groupings for almost three decades have each posted two lists of candidates in Brussels, a French-speaking list and a Flemish-speaking list. In effect, the traditional parties have split. The Socialists still maintain a semblance of party discipline, but the Social Christians and the Liberals, who have subdivided into a third group catering to the Brussels area alone, have been seriously weakened.

93 } These divisions will erode the power and authority of the traditional parties, which have already suffered by large-scale retirements of prominent legislators since 1971. In general, their replacements have been more radical and doctrinaire, making the formation of coalitions more difficult than ever.

92 } The decline of the traditional parties has been accompanied by an increase in strength of ethnic minority parties. The Volksunie in Flanders, the Wallonian Rally, and the Democratic Front of Francophones have increased their share of the votes in recent national elections from insignificant percentages in 1968 to a healthy 10-25% in 1971. The trend is expected to continue in this election and will probably add to the instability of the central government.

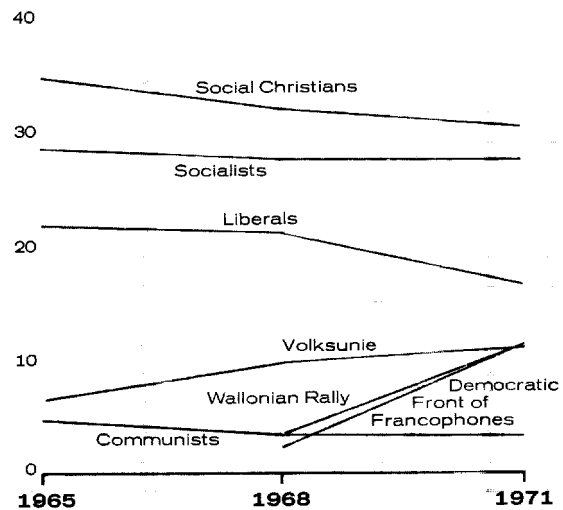
91 } If the two major parties, the Social Christians and the Socialists, retain enough seats to ensure implementation of the comparatively moderate plans for federalism now planned, they will probably forge another coalition. The Socialists, however, are increasingly dominated by their left wing which is attempting to exploit the energy crisis and the current public distrust of the large oil companies in order to radicalize the party platform without losing votes. One of the Socialist planks demands government participation in the energy sector of the economy, and other planks concern education, abortion, and government participation in the private sector. The outgoing government had reached an impasse on these issues, which are anathema to the Social Christians. Should the Socialists increase their parliamentary strength, they will drive a very hard bargain before entering into a coalition with the

Social Christians who are expected to lose a few seats. Any government formed as a result of such hard bargaining would be even weaker than the last one.

94 } Some of the more doctrinaire Socialists have gone so far as to say they intend to remain outside the government and to work for their reforms in opposition. Socialist co-President Andre Cools, who is widely believed to have engineered the fall of the last government for political motives of his own, has invited liberal Social Christians and Communists to join the Socialists in a Progressive Front. Although such a grouping of political bedfellows at a national level is highly unlikely in the near future, the proposal lends credibility to Socialist threats to work in opposition. In this case, the Social Christians perforce would have to turn to the linguistic parties in order to achieve the necessary parliamentary majorities. Considering their conflicting views on several key issues, such a coalition would be highly unstable—even by Belgian standards.

Belgian National Elections 1965-1971

50 Percent of total vote



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Argentina:
CORDOBA SITUATION REMAINS CLOUDED

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104 } The government's inept handling of the
+ police rebellion against the left-wing provincial
105 } government in Cordoba has dimmed the prospects
for early or peaceful resolution of the conflict. If
Peron obtains congressional approval for plans to
invoke federal intervention of the province, re-
newed and bloody clashes can be expected be-
tween opposing left and right-wing forces in
Cordoba—and possibly in other cities.7

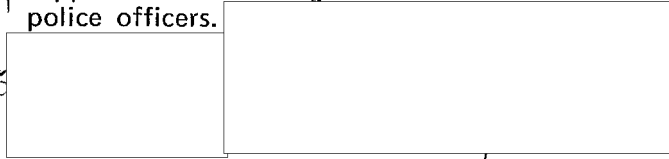


In addition to widening the breach among rank-and-file Peronists, the Cordoba debacle appears to be creating some dis-
sension within top levels of the Peron govern-
ment. Secretary General of the Presidency Solano
Lima is said to be angry over Peron's decision on
intervention after being assured by Peron recently
that this was not in the cards. Solano Lima has
been reported in recent weeks to be on his way
out and this final "humiliation" may prompt his
resignation. Solano Lima has been Peron's inter-
mediary with leading politicians and has also been
the anchor man in attempting to iron out disputes
between federal and provincial authorities—many
of them the outgrowth of Peron's purge of
Marxists.7

100 } Following an acrimonious debate, the Senate
+ approved Peron's request for authority to re-
organize the executive branch of the Cordoba
103 } government, but opposition members of the
Chamber of Deputies have already raised a howl
of protest over what they regard as the govern-
ment's heavy-handed and illegal action in per-
mitting the removal of a democratically elected
104 } administration. The US Embassy reports that the
+ bill may face a protracted delay in the legisla-
105 } ture—a situation that would leave the Cordoba
problem dangling in limbo. This hiatus, in turn,
would substantially increase the chances for fur-
ther conflict in the perennially troubled industrial
city. There is a possibility, however, that a federal
administrator might be appointed before the bill
is enacted by Congress, but subject to eventual
approval by that body.7

99 } The volatile situation in Cordoba is further
complicated by the maneuvering of Peron's ortho-
dox labor supporters to oust leftists from control
of Cordoba's powerful trade union confederation.
Coinciding with the outbreak of the police revolt,
the convocation of a "rump" congress to elect a
104 } new slate of labor leaders adds weight to the
argument of those who claim Peron conspired to
bring about the course of developments in Cor-
doba. While achieving their objectives, the con-
105 } voluted tactics of Peronist labor leaders in sup-
planting the leftists could cause further problems
in the city. Leftist refusal to acknowledge the
validity of the union elections is likely to increase
the level of protest—and probably violence—be-
tween rival unionists. The reopening of the uni-
versity—a hotbed of leftist activity—will also in-
crease the chances that students will join the fray
should armed leftist labor groups decide to pro-
mote disorder in the province. If civil strife be-
comes widespread, it would sorely test Peron's
ability to keep his fragile movement intact and
bring some semblance of order to the long-suffer-
ing Argentine community.7

100 } The atmosphere in Cordoba, meanwhile, re-
102 } mains tense following a week of strikes, ex-
plosions, and street fighting that has left an unde-
termined number of dead and wounded. The
ousted governor and his aides reportedly have set
up a rival government in the nearby hills with the
104 } support of Peronist guerrilla leaders and some
+ police officers.



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GUATEMALA: A STOLEN ELECTION

106 The Arana government has named the administration-backed presidential candidate, General Kjell Laugerud, the winner of last Sunday's election despite the fact that the moderately leftist opposition candidate, General Efrain Rios, actually won.



General Kjell Laugerud

106 The government delayed until March 6 before announcing officially that Laugerud had won. It needed the extra time to engineer a massive fraud to give Laugerud a plurality in the three-man race. The final count issued by the government gave Laugerud about 40 percent of the vote. Rios was given 36 percent, and 24 percent was won, apparently legitimately, by Colonel Paiz, the third candidate. As none of the three received a majority, the government-controlled Congress must decide. In the next two weeks, it will make its choice—and that choice will almost certainly be Laugerud.

106 The government's belated announcement came a few hours after police used force and tear gas against supporters of Rios who were demonstrating in the capital. Earlier, Rios had accused the government of gross fraud and claimed he had won a majority of 130,000 votes. He declared that "historical responsibility and military honor" required him to reject the government's stolen election. He threatened to "paralyze the country" if he were cheated of his victory.

to do nothing to upset the government's plan. In any case, the leading generals are believed to favor Laugerud, and any action on their part is likely to benefit him.



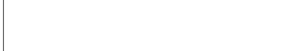
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107 Whether the government will be able to make the Laugerud "victory" stick will depend heavily on the attitude of the army, which in turn will be influenced by the degree of popular discontent created by the government's transparent fraudulence. Thus far, the army has remained on the sidelines,

Although it would prefer to avoid becoming involved in a major conflict between pro- and anti-government elements, the army may be forced to act if violence breaks out. In the absence of violence, it is likely

108 The outlook for the next several days is for some degree of instability, with each side airing charges and countercharges. Outbreaks of serious violence are possible. In the longer run, the election results could mean a resurgence of large-scale violence that generally has been absent during the last part of President Arana's term. The outlawed Communist Party and the Cuban-oriented Rebel Armed Forces will view the outcome as proof that working within the system is impossible. They may find new support for extreme measures against the government.



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