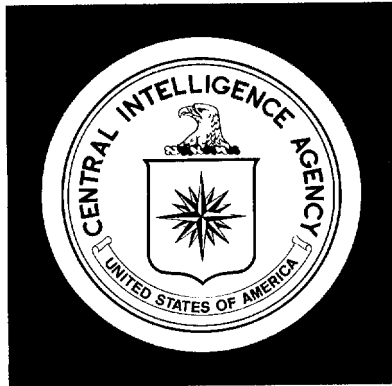


Secret

25X6



Weekly Summary

Secret

No. 0033/74
16 August 1974

State Dept. review completed

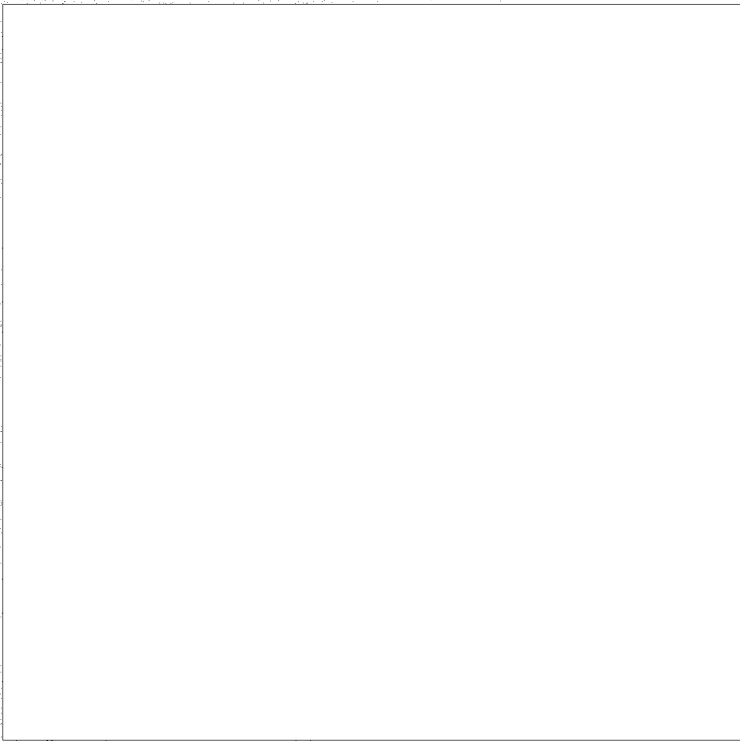
Copy No 58



CONTENTS (August 16, 1974)

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.

25X1



1 Cyprus

**MIDDLE EAST
AFRICA**

6 The Middle East: Temperature Rises
8 Ethiopia: A New Constitution

EUROPE

9 Portugal: Military Patience Tried
10 Canada: New Cabinet
10 Romania: Fire From Moscow

25X1

**EAST ASIA
PACIFIC**

12 South Vietnam: Turning the Tide
13 Cambodia: The War Sputters
14 China: Harvest
15 Australia: All in the Family

**WESTERN
HEMISPHERE**

16 Chile: Squabbling in the Andes
16 Argentina: Cabinet Shuffle;
Guerrillas
18 Dominican Republic: Balaguer Endures

INTERNATIONAL

19 World Population Conference



25X1

Page Denied

Next 1 Page(s) In Document Denied



Turkish landing craft west of Kyrenia

CYPRUS

(1, 2)

The collapse on August 13 of the Geneva talks, stalemated over Turkey's ultimatum to Greece on constitutional and administrative arrangements for Cyprus, led to a new Turkish offensive apparently aimed at securing the northern part of the island. Heavy fighting continues in that area. In response, Greece has withdrawn from military participation in NATO but reportedly will not take any offensive action against Turkey that would widen the area of confrontation. Both Turkish and Greek leaders won support from their countrymen for the positions they adopted.

Ankara's Position

After an initial period at Geneva in which limited progress was made on some issues such as prisoner exchange, Turkey adopted a non-compromise approach and gave Greece 24 hours to

accede to its demand that Cyprus be divided into two fully autonomous ethnic administrations. Backing away from its earlier insistence on the division of the island into two geographically separate federal states, Turkey then supported the concept of an autonomous Turkish Cypriot administration composed of several separate political units—cantons. Ankara asked for immediate administration over its major canton—presumably the area around Kyrenia, Nicosia, and Famagusta. The Turks also called for agreement to negotiate the size and boundaries of the other canton, aimed at giving Turkish Cypriots control over one third of the island.

Turkish Foreign Minister Gunes made clear that on those two major points—establishment of two autonomous administrations and immediate demarcation of the main Turkish canton—Ankara would accept no counter-proposals. At that point,

SECRET

~~SECRET~~

the talks broke down and Turkey launched a new offensive.

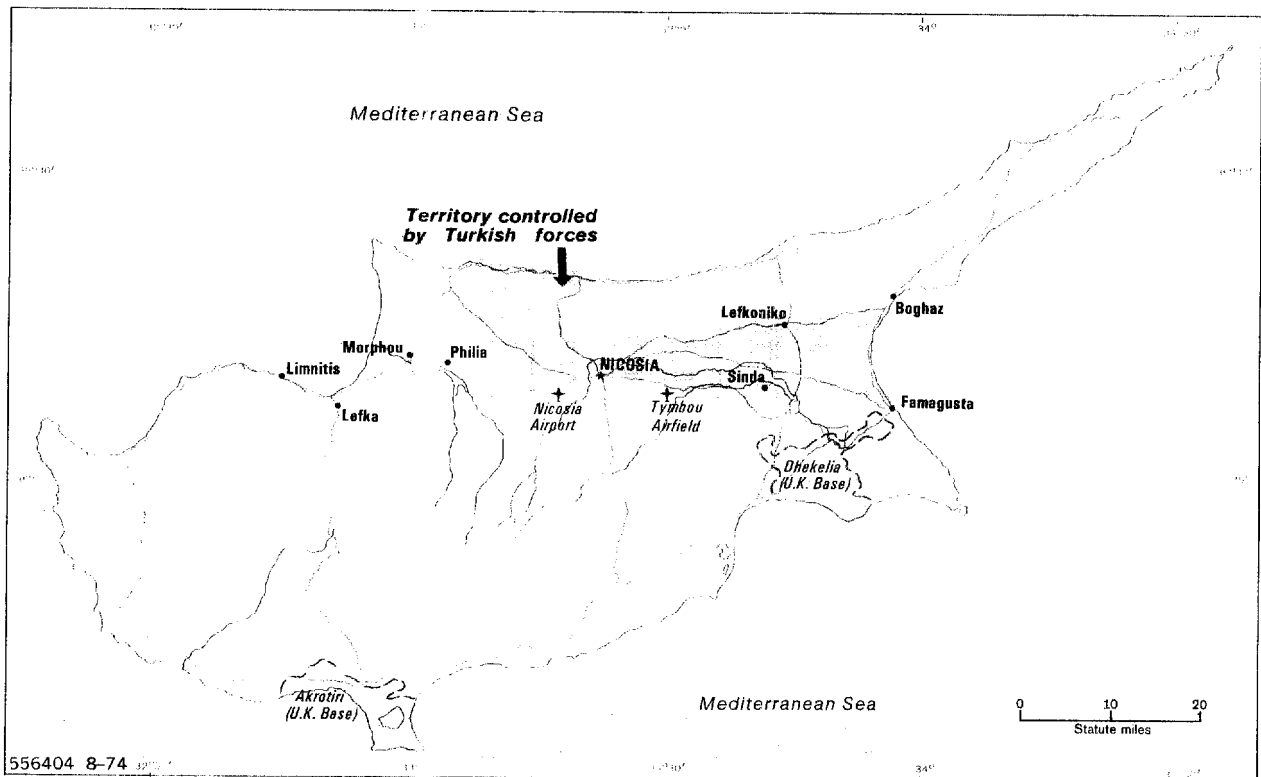
Prime Minister Ecevit told a news conference in mid-week that Turkey did not intend to annex the island or upset the territorial integrity of Cyprus. Rather, he said, the objective was to secure the freedom of Turkish Cypriots. Ecevit has made clear that the precise area involved is open to negotiation and that Turkey is prepared to work out details at the conference table. The Prime Minister avoided any direct comment on the possibility of a clash with British forces, but indicated concern over the Soviet position.

There is general unity on the Turkish political scene in support of the government's decision to reopen the fighting on Cyprus to gain what

Ecevit has called a "fair share" for Turkish Cypriots. The leader of the primary opposition party in parliament, former prime minister Demirel, issued a statement pledging full support. Ecevit has summoned the Grand National Assembly to an extraordinary meeting on August 19 to debate the extension of martial law over certain provinces for an additional two months.

Athens' Position

In Athens, the Council of Ministers approved Prime Minister Karamanlis' handling of the crisis so far. The Prime Minister also received support from former Greek political leaders as well as exiled King Constantine. Karamanlis is said to have decided that Greece would not take any offensive action against Turkey.



~~SECRET~~

SECRET

THE MILITARY SITUATION

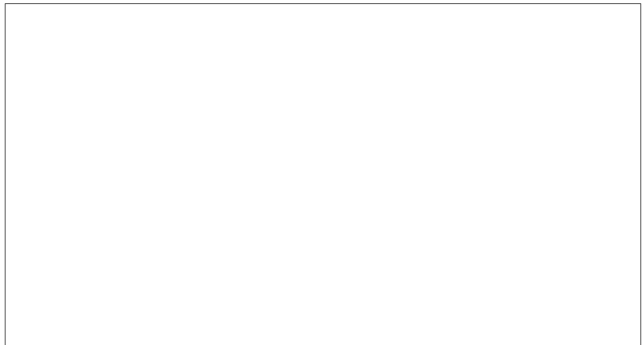
Turkish forces on Cyprus launched an offensive at dawn on August 14 with daily strikes against targets around Nicosia, Famagusta, and Morphou to support the units on the ground.

The major Turkish thrust was a three-pronged, armored drive from east of Nicosia toward Famagusta. By nightfall, two columns reportedly had reached Lefkoniko and Sinda, while the third was only five miles from Famagusta. Early the next day, the drive toward Famagusta met with little resistance. One column pushed to Boghaz and turned south toward Famagusta, while a second column continued directly toward the city. The southern column, however, halted short of the British sovereign base at Dheklia. Advanced elements of the Turkish force probably reached the city early on August 15.

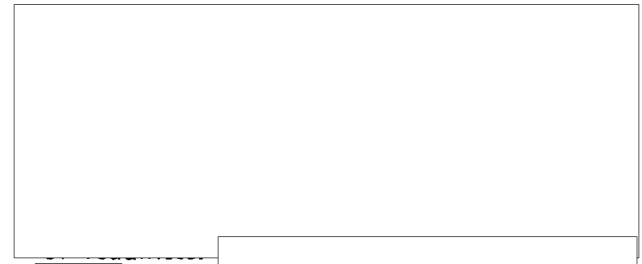
During the course of the first day's advance, the Turks captured Tymbou airfield southeast of Nicosia. The Nicosia airport, however, remained in UN hands although there was heavy fighting between the Greeks and Turks in the area.

In Nicosia itself, a cease-fire agreed to late on August 14 apparently was broken early the next day.

On August 14, the Turks seemed preparing to launch an attack from Nicosia westward toward Morphou, but ground forces starting from the Nicosia area may have been diverted to overcome Greek resistance near the airport. On the next day, press reports from Ankara claimed that the drive toward Morphou was continuing and called for the surrender of the city's Greek residents, but a major push westward did not appear to be under way as of late on August 15.



25X1



25X1

25X1
25X1

In Cyprus

President Clerides returned to Cyprus on August 14 and immediately called for an "expanded representative" conference of leading political, labor, business, and newspaper leaders. There have been press reports to the effect that Clerides will attempt to get the conference to agree that the northern part of Cyprus shall be "handed over" to the Turks.



[Redacted] Clerides almost certainly will use the meeting to probe reactions to possible territorial concessions to the Turks.

25X1

NATO Reacts

Greece's decision to withdraw militarily from NATO caught the other members by surprise and left them in a state of shock. Most agreed that the withdrawal would leave a gaping hole in NATO's defenses on its southern flank.

25X1
25X1

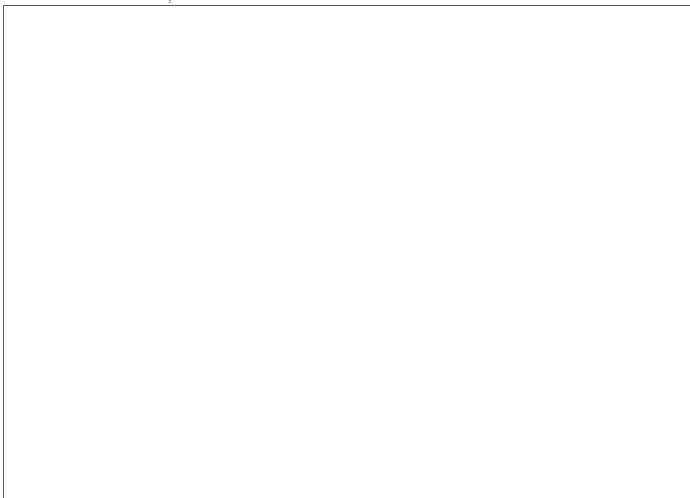
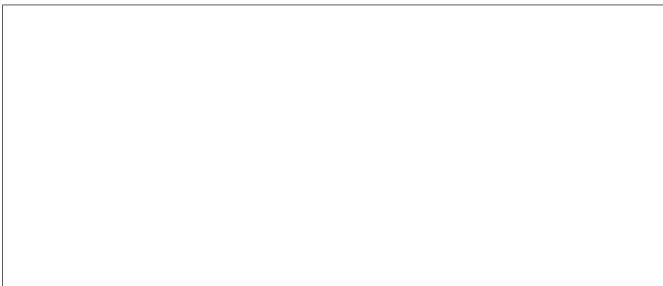
SECRET

SECRET



UN soldiers under armed guard

They were especially concerned about the future of NATO facilities on Cyprus and US bases in Greece. In particular, it was feared that operations of the US Sixth Fleet might be impaired.



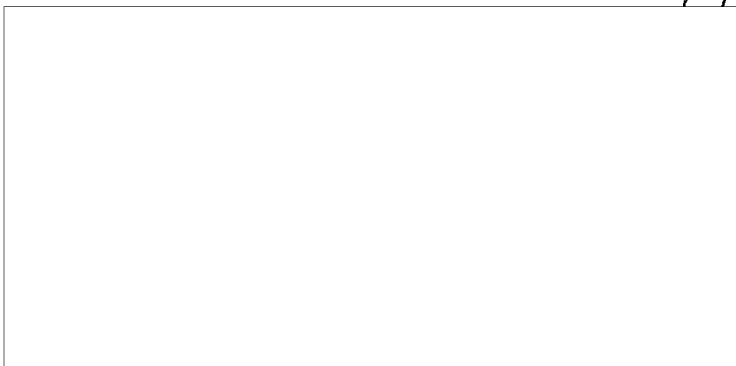
25X1

25X1

SECRET

SECRET

25X1



a greater role for itself in the resolution of the situation, particularly through the UN, and it is likely to intensify this effort.

Soviet press coverage of the renewed fighting has been largely reportorial. On August 14, Tass noted the breakdown of the Geneva talks, Athens' decision to withdraw militarily from NATO, and the UN Security Council's resolution calling for an immediate halt in the fighting and a resumption of the peace negotiations. It also carried—without comment—a statement from Ankara that blamed Greece for the hostilities and said Turkey's unilateral action was the only way the lawful rights of the Turkish community could be guaranteed.

EC Appeals

During the week, the EC appealed to Greek and Turkish leaders to avoid any conflict and to resume negotiations. In Athens, the French ambassador, acting on behalf of the Nine, expressed sympathy for the Greek position and agreed that the Turks are at fault. The EC apparently hopes to prevent the Karamanlis government from changing its basic Western orientation.

Despite Moscow's concern that Turkey's demand for federation and its military actions will ultimately lead to partition, the Soviets still are refraining from open criticism of Turkey. Soviet Ambassador Malik, in his address to the emergency session of the Security Council on August 14, blamed "certain NATO circles" for their failure to implement the UN Security Council resolution of July 23 and for the failure of the Geneva negotiations. He said this proved that the role of the Security Council should be enhanced, and he renewed Moscow's call for a special Security Council mission to Cyprus.

In fact, now that it has withdrawn from NATO, Athens may begin to place more emphasis on its relations with the EC. France had already requested that the community discuss in September the association arrangements with Greece that were suspended by the EC after the military coup in 1967. Athens has now approached the community for meetings in the first week of September on relaunching the EC-Greek association.

Soviet Reaction

The Soviets' reaction to the renewed fighting has been slow and cautious, in part because the USSR has had to balance its interests in maintaining Cypriot independence with its desire to avoid offending Ankara. Thus far, Moscow has concentrated—without notable success—on obtaining

The Soviets are no doubt delighted with Athens' decision to withdraw from NATO militarily and with the prospects for increased tension in US-Greek relations. Over the longer term, Moscow may work for better relations with the new Greek government in the hope of profiting from the strains in the NATO alliance. 25X1

25X1

SECRET

SECRET**THE MIDDLE EAST: TEMPERATURE RISES**

Israeli "saber rattling," responses in kind by Egypt and Syria, and increased Egyptian-Libyan tensions combined to raise the political temperature again last week. Taken together, the latest developments highlight the difficulties involved in restoring momentum to the negotiating process.

Tel Aviv, Cairo, and Damascus sounded alarms over the prospect of renewed hostilities, and Sadat's latest expression of pique with Qadhafi, resulting in his withdrawing the Egyptian military mission, seriously shredded their remaining military-political ties. The new round of mobilization measures and military exercises may have been undertaken partly for political effect, but they have heightened nervousness on all sides and increased the risk of further military brinkmanship.

Following naval and large-scale air and ground maneuvers earlier in the month, the Israelis on August 12 announced plans to conduct the first nationwide test of their mobilization system since the war last October. No date was given for the exercise, which is scheduled to last no more than 24 hours and reportedly will involve less than half of the Israeli reserve force. Probably hoping to reassure its nervous Arab neighbors, the government promised to inform the UN command and all foreign diplomatic representatives in Israel when the test is to take place.

Tel Aviv's military moves in part reflect its alarm over the continuing Soviet resupply effort to Syria and its desire to show Washington how seriously it regards the situation. Aside from considerations of military prudence, the Rabin government is determined to demonstrate its preparedness to the home audience and is hoping to make it clear to the Arabs that it will be entering any future negotiations from a position of strength. The Israelis will probably continue some forms of militant posturing beyond occasional raids against fedayeen targets in Lebanon.

Cairo has denounced the Israeli measures as "warlike" and responded with its own, though less extensive, mobilization measures.

To date, Damascus' response to the Israeli exercises has also been relatively low key. Syria has placed its army on alert, however, and continued warlike noises from Tel Aviv could provoke the Syrians into raising the level of tension higher. Apparent Soviet attempts this week to fan Arab, and particularly Syrian, suspicions of Israeli motives could also complicate President Asad's problems in restraining the Syrian military. On the negotiations issue, the Syrians will continue to impose a constraint on Sadat because they begrudge his central role in the proceedings, question his judgment, and distrust his motives. As usual, the Syrians have their cards pressed firmly to their chests, and there has been no overt confirmation from Damascus of Egyptian Foreign Minister Fahmi's plans to meet with the Syrian foreign minister and a Palestinian leader later this month.

The Libyan Connection

There seems little risk that the Egyptian-Libyan quarrel will move into the military arena, but Cairo's recent militant posturing also provides additional clout to Sadat's admonitions to Qadhafi to stop meddling in Egyptian affairs. His accusations of Libyan subversion stem from a legitimate concern that Qadhafi is working to undermine his domestic position. At the same time, Sadat also sees the Libyan leader as a disruptive force in the delicate balancing act Sadat is now engaged in to prod both Jordan and the Palestine Liberation Organization into something resembling a coordinated negotiating position toward Israel. By attempting to intimidate Qadhafi, and perhaps drive a wedge between him and other members of the Revolutionary Command Council, Sadat almost certainly hopes to weaken Libyan support for Arab radicals, leaving himself freer to steer the negotiations in the direction Cairo wants them to go.

Jordanian Fears

Sadat's juggling act also led him into some fresh difficulty with Amman. Statements in early August on the Palestinian problem by Egyptian Foreign Minister Fahmi were interpreted by the Jordanians as a repudiation of Sadat's agreement

SECRET

SECRET



Israeli Defense Minister Shimon Peres

on July 18 with King Husayn, which the Jordanians insist allows Amman to represent in Geneva all Palestinians in Jordan, including those on the West Bank. Fahmi's statements drew a sharp Jordanian response, but the Egyptians now appear to have mollified Amman—at least for the time being. The Jordanians, themselves fearing isolation and in an obviously delicate position, are not unaware of the Egyptian dilemma.

Arab Summit Delayed

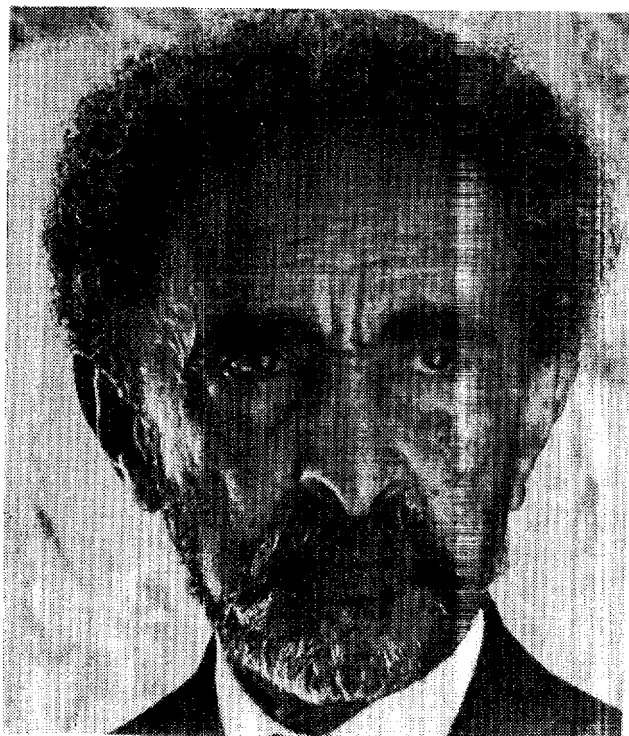
The Egyptians apparently have succeeded in reaching at least one major goal—the postponement at least until late October of the Arab summit meeting that had been scheduled for early

September. An official of the Lebanese Ministry of Foreign Affairs has learned from Saudi Foreign Minister Saqqaf that Asad has reluctantly agreed to the later date, a reversal of his previous position. The Egyptians earlier persuaded King Faysal to agree not to hold the meeting until sometime after mid-October. Syrian agreement to the delay will give Sadat more time to work out some sort of an understanding between the Palestine Liberation Organization and Jordan before the Geneva talks. In order to secure acceptance of the postponement proposal, its sponsors—Egypt and Jordan—apparently had to agree to an early preparatory meeting of Arab foreign ministers, which is now scheduled to be held on September 1 in Cairo, according to the Egyptian press.

25X1

SECRET

SECRET



ETHIOPIA: A NEW CONSTITUTION

The draft constitution completed last week provides for the establishment of the parliamentary democracy favored by the military reformists who in recent months have ended the highly personal rule of Emperor Haile Selassie and his inner circle. Over the near term, however, the political situation seems certain to remain unstable, with still tighter military control a continuing possibility.

The draft document was drawn up by a special constitutional review committee appointed by Haile Selassie last March in the aftermath of the military revolt that triggered demands for political liberalization. The draft

must now be reviewed by the cabinet, the parliament, the Emperor, the military, and the general public. The debate will be lively, and some revisions are likely before the new constitution is put into force, probably later this year.

The draft version has not yet been published, but it is known to make the government responsible to the National Assembly rather than to the monarch, who is stripped of all effective power and reduced to a ceremonial figure. It also separates the executive, legislative, and judicial branches; provides for freedom of political association; dis-establishes the Ethiopian Orthodox Church; and sanctions female succession to the throne. Other articles provide the legal basis for far-reaching land reform and grant Ethiopia's 14 provinces a large degree of autonomy.

The new constitution marks an effort to replace the present ineffective structures of government with new institutions capable of coping with the widespread demands for political and social change. Presumably, the new system would eventually place the country on a firmer footing, but the Ethiopians have had no experience with democratic government, and it will take time for the new institutions to take root.

Meanwhile, Prime Minister Mikael has averted a confrontation with the politically pre-eminent Armed Forces Coordinating Committee by agreeing to dismiss four cabinet ministers accused of corruption by the military. The military had threatened to take over the government if the ministers, appointed by Mikael after he assumed office last month, were kept on. Mikael's capitulation further undermined the cabinet's prestige, and members of the committee remain suspicious of his refusal to accept their guidance. The committee may yet decide to establish a caretaker military government, but its members are still divided on that issue.

25X1

SECRET

SECRET

PORTUGAL: MILITARY PATIENCE TRIED

Moderate elements within the Portuguese military are growing impatient with leftist tactics that have delayed government action on critical problems.

25 ~~24~~ The economy and labor are key areas in which the military wants immediate government action. The Council of Ministers on August 4 passed a package of measures designed to stimulate economic activity, but agreement on long-promised legislation to curtail strikes and lock-outs was more difficult. The cabinet has now approved the establishment of an interministerial department to deal with labor conflicts.

26 The temporary suspension of three major Lisbon dailies on August 1 resulted in part from the growing intolerance toward the left. News reporting in Portugal has been slanted to favor the left, and, according to the US embassy in Lisbon, the junta viewed this as unfair communist exploitation of the freedom of expression guaranteed in the program of the Armed Forces Movement. Protests from journalists forced military authorities to lift the ban, and negotiations are now under way on a new press law. Nevertheless, last weekend the government indefinitely suspended the weekly publication of the Maoist Reorganizing Movement of the Proletariat Party and



President Spinoza swearing in the cabinet

PORTUGUESE GUINEA (33,34)
The UN Security Council on August 12 unanimously approved the membership application of the Republic of Guinea-Bissau, proclaimed last year by the rebels in Portuguese Guinea. The General Assembly is expected to follow suit when it convenes its annual session next month. Lisbon apparently plans to recognize formally the territory's independence and to announce the transfer of power to the rebel government just prior to the opening of the General Assembly.

used military forces to block access to a rally protesting the action.

30 The military leaders are also incensed over a propaganda campaign waged by the far left to persuade military personnel to resist orders and to form unions. The junta last week issued a warning to extremists and secured the resignation of the only far leftist in the government. The leftist official had been instrumental in organizing centers to politicize soldiers.

25X1

25X1

SECRET

SECRET



MacEachen

CANADA: NEW CABINET

The new Canadian cabinet—announced last week by Prime Minister Trudeau—closely resembles its predecessor and does not presage any basic shift in policy toward the US.

The most important change was the appointment of Allan MacEachen to the External Affairs Ministry. His predecessor, Mitchell Sharp, moves over to MacEachen's old job as president of the Privy Council; Sharp will also retain the post of deputy prime minister. MacEachen, a veteran Liberal politician, has had little experience in the area of foreign affairs, but he demonstrated considerable skill and tact as the Liberals' floor leader during the minority period.

Sharp had indicated earlier that he wanted a less burdensome job. He can still be expected, however, to exert a moderating influence in cabinet deliberations on US-related matters. Former incumbents still hold the other key portfolios affecting Canadian-US relations—energy, finance, and industry, trade, and commerce.

The remainder of the cabinet appointees are old faces. The most interesting change, domestically, was the appointment of a French Canadian as president of the Treasury Board. Since coming to office, Trudeau has sought to change the negative image of Ottawa held by many Quebecois. The appointment of French Canadians to important government posts strengthens Quebec's identification with Ottawa and makes the federal government more sensitive to that province's problems.

ROMANIA: FIRE FROM MOSCOW

Romanian Foreign Minister Macovescu's visit to China from August 4 to 9 has added to Moscow's annoyance over Bucharest's independent policies.

During the visit, Chinese Foreign Minister Chi Peng-fei lauded the Romanian people for "defying brute force" and for "courageously defending their national independence and state sovereignty." Macovescu picked up Chi's expression of "heartfelt" support for Romania, praising Sino-Romanian relations and calling President Ceausescu's visit to Peking in June 1971 a "contribution of the first magnitude" to better understanding and friendship between Peking and Bucharest. The anti-Soviet overtones of the Ceausescu visit had prompted Moscow to put heavy psychological pressure on Romania during July and August of that year.

Moscow, already piqued at the presence in China of the Romanian chief of staff, promptly reacted to the outpouring of mutual expressions of Sino-Romanian support. In a broadcast to China on August 6, the Soviets leveled a sharp personal attack on Chi. The Macovescu-Chi remarks also probably triggered the Soviets to direct an implied warning to Bucharest. In a Romanian-language broadcast on August 7, Moscow touched on a variety of problems, including the sensitive issue of Transylvania and Bucharest's alleged lack of gratitude for "all" that the Soviet Union has done for it.

25X1
25X1

SECRET

SECRET

25X1



Ceausescu and Mao meeting in 1971

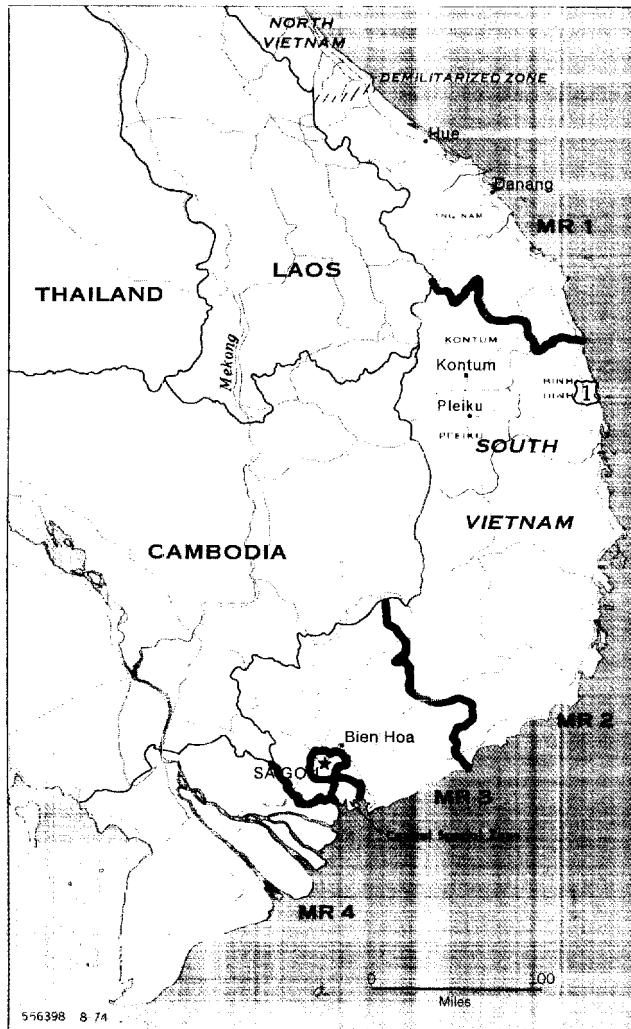
The commentary put special stress on Soviet cooperation with Hungary, particularly in the field of energy. It said that Hungary, which is "unlucky because of its small territory," had been able to proceed with its industrial development thanks to reliable sources of energy from other socialist countries.

Moscow's emphasis on the Hungarian example was undoubtedly intended to needle the Romanians, who have a long-standing dispute with Hungary over irredentist sentiments in Transylvania. It also was meant to show to the Romanians the advantages to be gained by being more cooperative, a telling point since Romania depends on the USSR for some critical natural resources.



SECRET

25X1



SOUTH VIETNAM: TURNING THE TIDE

South Vietnamese counterattacks appear to be turning the tide of battle in the government's favor on the major battlefields of South Vietnam.

Saigon's successful reinforcement, rotation, and support of government forces on the Quang Nam battlefront has halted, at least temporarily, the Communist move toward the populated lowlands. Consequently, the Communists generally have been forced to change their tactics from concerted ground attacks against government

positions to occasional shellings. General Truong, the able MR-1 commander, although still concerned about the government's defenses around Hue, is satisfied that his tactics of shifting and supplementing units have been primarily responsible for giving the South Vietnamese the upper hand in the northern provinces.

In coastal Binh Dinh Province, government forces have cleared a six-mile stretch of National Route 1 that the Communists held for more than a week and have regained control of most of the high ground captured by the Communists on both sides of the highway during the past few weeks. The movement of part of the South Vietnamese 22nd Division to Binh Dinh has been responsible for the improvement in security. The move does not appear to have weakened government defenses in the highlands to the west.

There has been no significant military action in Kontum Province since the siege of the Ranger camp at Mang Buk was lifted some two weeks ago. The government's regional commander has ordered his forces to seek out the North Vietnamese units that withdrew. He also plans to retake several artillery positions that were overrun earlier this month.

In Pleiku Province, the government is not quite as strong, and recent North Vietnamese movements suggest that despite the increasing bad weather, heavier fighting could be in store there. Pleiku City is in little danger, although the North Vietnamese could attack several lesser targets and could close the two key highways with little additional preparation.

Although the Communists have been able to fire rockets at Bien Hoa Air Base daily during the week, government forces have been able to strengthen their defenses in the important areas north and west of Saigon. Elements of three Communist divisions are reportedly again ready to go on the attack, but heavy government artillery fire and air strikes may throttle the Communists' plans.

SECRET

SECRET

(50, 51)
Despite the few ominous signs of an impending increase in Communist battle action in several key areas and the prospects of reduced American assistance, top government officials are expressing cautious optimism.

the chief of the South Vietnamese Joint General Staff reported that both President Thieu and he were confident that government forces can contain Communist initiatives throughout the country. While admitting that some areas were less strong than others, they both feel that the important population and agricultural sectors of the country are well defended.

have spilled over into nearby Siem Reap, Pursat, and Kompong Chhnang provinces. The lull in large-scale fighting elsewhere, however, has allowed the high command in Phnom Penh to dispatch reinforcements to the northwest.

THE UN CAMPAIGN

55 } Cambodian officials made themselves conspicuous on the international circuit this week as the government stepped up the campaign to retain its UN seat. Prime Minister Long Boret arrived in Bangkok on August 14 following brief visits to Jakarta and Manila. He is trying to prod leaders of the member countries of the Association of Southeast Asian Nations to take a more active role in lobbying for Phnom Penh's cause in the UN. Boret has also dispatched his foreign minister, Keuky Lim, on a stumping tour to Rangoon, Geneva, and West Africa.

CAMBODIA

THE WAR SPUTTERS

63 } Combat throughout most of the country has settled into the normal rainy season pattern of relatively small-scale fighting on widely separated fronts. Some of the skirmishing has occurred within earshot of Phnom Penh as the Khmer Communists test defenses along the Mekong River. Government forces have reacted well and no major positions have been lost. Communist rocket crews, meanwhile, continue their random and relatively ineffective firing on the capital.

64 } Insurgent gunners elsewhere along the Mekong are getting in their final licks before rising flood waters begin forcing them back from the river banks. Shore fire sank one cargo ship in a convoy bound for Phnom Penh late last week, and salvage crews just managed to save another. Early this week, intense shelling sank two naval craft escorting a resupply convoy headed upriver from the capital and forced the convoy to turn back.

64 } In the northwest, the contest continues for the rice crop that is harvested in the fall. Attacks that began in Battambang Province last month

25X1
25X1



Long Boret and friend

SECRET

SECRET



Harvesting north of Peking

CHINA

UNFAVORABLE HARVEST PROSPECTS

China's 1974 grain crop appears unlikely to reach the record 250 million tons harvested last year. Even if the weather were unusually favorable for the rest of the year, the prospects for producing the 255 million tons that would be needed just to keep pace with population growth are small.

Early-harvested grain crops—which normally account for 40 percent of grain output—were poor because of drought in the north and unseasonable frost in the south. Erratic spring rains, together with unusually low temperatures, have forced changes in acreage patterns that will adversely affect fall-harvested crops. Furthermore, the growth of domestic fertilizer production has slowed, and deliveries from Japan—China's major source of imported fertilizer—have been cut back.

CHINESE IMPORTS OF GRAIN (Million Metric Tons)						
	FY 1974			FY 1975 (Preliminary)		
	Wheat	Corn	Total	Wheat	Corn	Total
US	3.1	1.7	4.8	2.7	0.1	2.8
Canada	1.6	0	1.6	4.0	0	4.0
Australia	1.2	0	1.2	1.6	0	1.6
Argentina	0	0.3	0.3	0.5	0.6	1.1
Other	0	0	0	0.2	0	0.2
Total	5.9	2.1	8.0	9.0	0.6	9.6

Note. Totals may not add because of rounding.

Grain imports, meanwhile, are increasing. Contracts for delivery of 9.6 million tons of grain in fiscal year 1975—20 percent more than in fiscal year 1974—have already been signed, and more purchases are likely. The US share of these purchases has declined as a result of Peking's dissatisfaction with US corn and of its deliberate policy of diversifying sources of supply. In the past year, China has concluded three-year agreements with Canada, Australia, and Argentina to provide more than 4 million tons of grain annually through 1976.

SECRET

SECRET

The long-term program to end dependence on imported grain and chemical fertilizers—a program built around the purchase of 13 urea fertilizer complexes—will not help until near the end of the decade. In the interim, Chinese agricultural production and the need for foreign grain will remain sensitive to weather conditions.

[Redacted]

25X1



Whitlam

AUSTRALIA: ALL IN THE FAMILY

(61-63)

The newly re-elected Labor government of Prime Minister Whitlam is caught up in a mounting series of labor, economic, and political problems. Widespread labor unrest and indiscipline among Labor Party parliamentarians are complicating Whitlam's efforts to deal with accelerating inflation and industrial troubles. Last week, he publicly warned national trade unions to stop pushing for unacceptable wage increases and to cooperate with the government.

cease giving in to exorbitant wage demands and passing along the cost in higher prices.

Over the past few months, Australia has experienced a rash of strikes, culminating last week in nationwide walkouts by transport and oil-industry workers. Although the immediate crisis has now eased, there are signs that the public is losing its patience with labor militants, and Whitlam is worried that public unhappiness will turn on the Labor government, causing losses at the polls in future by-elections. The latest national political survey showed public support for the Labor Party had dropped several points.

In addition to his economic woes, Whitlam continues to have problems getting his legislation through parliament. Six bills, whose prior rejection had been the justification for the general election in May, were recently passed at a joint sitting of the two houses, but opponents of the measures are planning to challenge them in the courts and may try to block funding needed to implement some of the new legislation. Whitlam is also having trouble with his own party caucus, some of whose members reportedly are losing confidence in his ability to deal with economic issues. His problems stem not only from the increased influence of the party's left wing, but also from pique among many party members at the Prime Minister's [Redacted] style of leadership and his failure to coordinate policy decisions closely with the caucus. [Redacted]

25X6

25X1

25X1

SECRET

SECRET

CHILE: SQUABBLING IN THE ANDES

Since the coup last September, many Chilean officials and businessmen have wanted changes in the Andean Pact's foreign investment code. That code treats all foreign investment uniformly, but because Santiago was trying to attract foreign capital, it wanted to be able to make special concessions. Some Chileans even contend that Santiago's ratification of the code was not valid because it was enacted by presidential decree and not by Congress.

Officials in Chile's Economics Ministry had offered to discuss modification of the code with other Andean members, but this appeal for changes apparently fell on deaf ears. Last month, therefore, Santiago promulgated its own new investment law, which is creating considerable dissension among members of the Andean Pact. Protests have been lodged by several governments, with particularly strong denunciations by Peru and Venezuela.

The new law spells out the "rules of the game" for foreign investors in Chile. It should simplify the red tape and conflicting policies that emerged during the Allende administration. The law contains assurances that foreign equity will not be discriminated against, and that capital and profits may be repatriated. All new investments will be channeled through a committee for foreign investment, consisting of senior government officials. Individual contracts will spell out items that could become sources of trouble. Disputes arising under these provisions can be appealed to a special tribunal that replaces the variety of arbitration bodies that proliferated during the Allende period.

Although the new law does not go into specifics on key questions as does the Andean code, there are indications that contract provisions will be much more liberal. The Chilean law allows the junta to decide on foreign participation in a particular operation on the basis of national importance. As a result, new contracts will probably reflect Santiago's desire for more foreign capital.

Peru and Venezuela, which have stricter foreign investment laws than the Andean code, have

come out strongly against Chile's new law. Peru has gone so far as to insist that Santiago desist from applying the law.

The promulgation of Chile's foreign investment law has thus confronted the Andean Pact members with a dilemma. On the one hand, the other members of the Andean system cannot permit Chile to enjoy the advantages of more foreign capital that may result because of Santiago's more liberal provisions. On the other hand, Chile's national pride will not allow it simply to scrap its new law and start again. Under such circumstances, the disagreement seems likely to erode the effectiveness of the Andean Pact.

25X1

25X1

**Argentina
CABINET SHUFFLES; GUERRILLAS STRIKE**

Guerrilla terrorism and more conventional political problems continue to consume President Peron's attention. After weeks of speculation over cabinet changes, Mrs. Peron replaced the ministers of interior, education, and defense. The full cabinet reportedly had tendered resignations a week earlier to allow her to reorganize the government, but it is still unclear whether she intends to make additional changes. Meanwhile, Marxist guerrillas launched their most spectacular operations in months against several provincial military targets.

A Minor Facelift

The new ministers appointed last week appear to be long-time Peronists who held posts in Juan Peron's earlier administrations. For instance, the education minister, 79-year-old Oscar Ivanissevich, held this same post during Peron's first term when the universities were purged of opponents to the dictatorship. Student opposition to Peron subsequently played a part in his downfall. It is probable, therefore, that Ivanissevich's appointment will meet with an icy reception at the huge University of Buenos Aires, where tension is already running high among

SECRET

SECRET

left-wing Peronist youth who strongly oppose Mrs. Peron's conservative policies and advisers. Students seized several faculty buildings on August 13 in reaction to rumors that the President had named a conservative Peronist as rector, and further disturbances can be expected.]

To head the Interior Ministry, which has nominal control over the security organizations responsible for countering terrorism, the President has named Alberto Rocamora, a former president of the lower chamber of congress and a staunchly orthodox opponent of left-wing Peronism. The new defense minister, Adolfo Mario Savino, served in a variety of economic posts during the first Peron presidency and probably shares the conservative instincts of the other two appointees]

It is very probable that influential Social Welfare Minister Lopez Rega, Mrs. Peron's closest adviser, had a major hand in picking the three ministers. Should the new officials turn out to be subservient to Lopez Rega, then the breach in the unstable Peronist movement will surely widen. Various Peronist factions are already taking swipes at one another, and the left-wing Peronist youth are threatening to abandon Mrs. Peron unless she dumps Lopez Rega.]

A Major Operation

The country's largest guerrilla organization, the People's Revolutionary Army, attempted two large-scale assaults against provincial military installations on August 11—their most ambitious undertakings since the new regime took office. In Cordoba Province, an estimated 75 guerrillas dressed in army uniforms seized a military munitions plant and captured two officers before making off with a large haul of weapons and uniforms. The raiders were aided by military collaborators inside the factory. Almost simultaneously, some 40 guerrillas in the rugged mountain area of Catamarca Province in the far northwest of Argentina were intercepted by police as they prepared to attack a local airborne infantry base. In the course of the ensuing gun battle, the extremists abandoned the bus they were using and fled in several commandeered police vehicles.]

In the subsequent manhunt, at least 21 persons were reported killed during several days of pitched fighting between government forces and insurgents attempting to escape the massive security dragnet. [redacted] large numbers of terrorists were captured in Catamarca when police and army troops with air support trapped a fleeing guerrilla contingent and killed some 15 of them in a fierce shoot-out.]

The guerrilla operations were probably staged mainly for propaganda purposes and to replenish arms stockpiles. An underlying reason might also have been to foster the idea that Mrs. Peron's government is weak and unstable. Like the raid on the Azul military garrison last January and the police discovery of a sizable guerrilla training camp in Tucuman Province in May, the latest attacks are further signs that the terrorists hope to develop active insurgency in the countryside as well as in the urban centers where they have been so successful over the past four years. They have encountered some sympathy in the rural areas, and probably hope to capitalize on surprise and the absence of large concentrations of security forces. US officials in Argentina, however, believe that the guerrillas' casualties have dealt a sharp blow to their organization. If so, they might be forced to drop plans for a rural front.]

In the face of the stepped-up terrorist actions of recent weeks, the government will almost certainly feel impelled to demonstrate some visible response. After months of ineffectual starts at stamping out terrorism, however, there is little reason to expect dramatic results. [redacted]

25X1

25X1

25X1

SECRET

SECRET

**Dominican Republic
BALAGUER ENDURES**

¹⁷⁵
Joaquin Balaguer will be inaugurated today for his third consecutive four-year term as president of the Dominican Republic. The durable politician, who once served as vice president under dictator Rafael Trujillo, won an overwhelming victory last May 16 in an election boycotted by all major opposition groups. His Reformist Party also retained nearly complete control of both houses of congress.

Balaguer begins his third term backed by the military and enjoying considerable popular support. Business favors him because his stable administrations have attracted large amounts of foreign investment and have spurred unprecedented economic growth. Although much of the economic progress has been in the towns and cities, Balaguer also remains popular in the rural areas where most of the voters live. He has personally identified himself with government-sponsored construction in the countryside, making frequent trips to small towns to inaugurate new schools



Balaguer handing out shoes and money as he campaigns

and health clinics. His support among subsistence farmers has been enhanced by the government's agrarian reform program.

Although numerically strong, the country's opposition political groups remain poorly organized. Personal rivalries and ideological squabbling prevent them from getting together to mount an effective challenge to the government. Balaguer has been very successful in the past in exploiting these weaknesses and keeping the opposition divided and off balance; no change in this pattern appears likely soon.

The Dominican chief of state is not likely to alter his goals and programs significantly. There has been growing public unhappiness about inflation—caused mainly by the rising cost of imported petroleum and food. He is likely to move rapidly to combat inflation by readjusting price and wage controls that were too touchy to handle in an election period. He is also likely to push ahead firmly with the agrarian reform program. Although his government is following Jamaica's lead in seeking increased taxes and royalties on bauxite exports, he is unlikely to introduce measures that would scare off the foreign investment that has played the primary role in sustaining economic growth.

Balaguer spoke in his campaign about using his third term as a transition period to bring about a truer form of representational government in place of what he calls the present "circumstantial democracy." He reportedly would favor a strong two-party system with constitutional guarantees against abuse by the party in power, perhaps patterned along the line of the Liberal-Conservative agreement that brought political stability to Colombia. Chances that he will succeed in this endeavor seem bleak because Dominican political groups are customarily vehicles for the personal ambitions of their leaders and generally disintegrate without caudillo-type leadership. Perhaps the most Balaguer might realistically be expected to accomplish during his third term is to preside over four more years of relative political stability and economic growth.

25X1

SECRET

**International
WORLD POPULATION CONFERENCE**

Delegates from around the world will gather in Romania from August 19 to 30 for the UN-sponsored World Population Conference. The meeting, which will address the political repercussions of population planning and control, is the first UN gathering of this magnitude to be held in Eastern Europe, and Bucharest is pulling out all the stops to make it a success.

A number of problems are likely to plague the meeting. Even a request for pro forma adoption of some plan of action could stir bitter debate. The developing countries reportedly believe that one proposed plan tends to stress their poor performance in implementing family planning programs. They also believe that it tends to neglect the resource and environmental problems imposed on the world by industrialized nations. In addition, a number of developing countries protest that even the limited population goals endorsed in the plan infringe on their sovereign right to set birth-rate goals.

In an effort to accommodate these criticisms, drafters have revised the plan, but in the

(NOT SOURCE)

process they have raised problems for the industrialized nations. For instance, a number of nations, including the US, are worried that the highly technical recommendations of the latest version are likely to be misunderstood or ignored by government planners in those countries where population control is most needed.

Despite the problems, the Romanians appear glad that the meeting will be held in Bucharest and will lay out the red carpet for the large number of delegates and news teams that will be on hand from the Third World and the West. President Ceausescu aspires to have Romania play a greater role in world affairs and reasons that keeping Romania in the international limelight makes it more difficult for Moscow to bring pressure on him to change his maverick ways.

There is an element of irony in Bucharest's playing host to a meeting devoted to seeking methods to curb population growth. Romania has the most stringent anti-abortion laws in Eastern Europe.

25X1

◆ ◆ ◆
SECRET

Page Denied

Secret

Secret