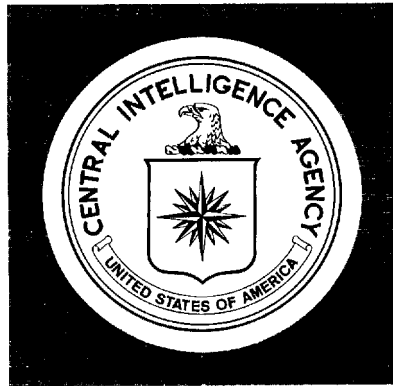


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Weekly Summary

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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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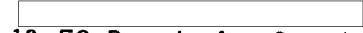
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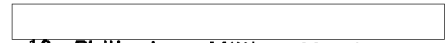
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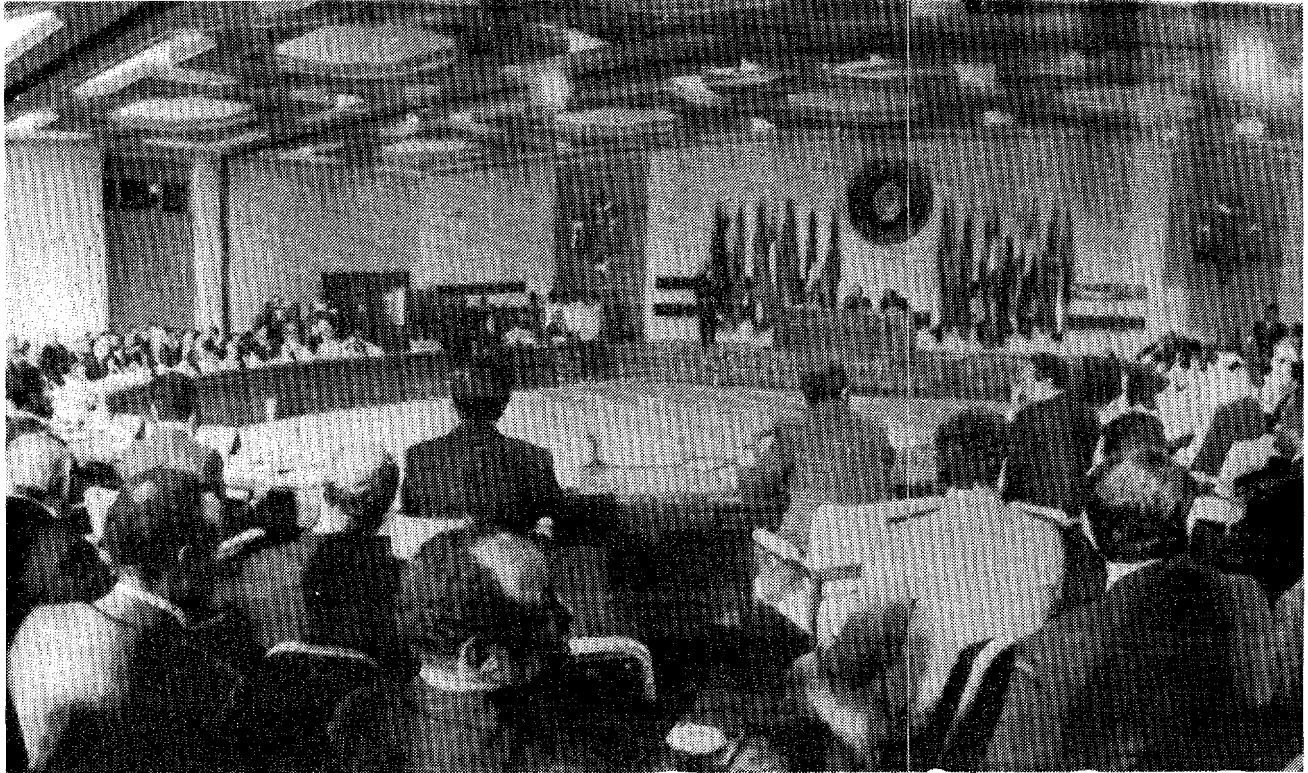
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The Arab Summit: Turning Point

The Arab heads of state ⁽¹⁻⁵⁾ who convened at Rabat last weekend made the crucial decision to endorse the Palestine Liberation Organization as the sole authority over the Palestinians in the Israeli-occupied West Bank. This action forecloses any early negotiations over the West Bank with the Israelis, who at present will have nothing to do with the PLO, and casts a shadow over the Arab approach toward the entire range of issues involved in a Middle East peace settlement.

The summit decision, taken after three days of intense closed deliberations, brushes aside King Husayn's argument that only Jordan can negotiate with the Israelis and that the ultimate fate of the West Bank should be determined by plebiscite. Husayn's acceptance of the decision thus acknowledges that Jordan is effectively

barred from taking the lead in obtaining a military withdrawal on the West Bank. Husayn probably also believes that there is now no active role for Jordan to play at a reconvened Geneva conference.

Husayn had threatened to walk out of the summit if his position was rejected. He apparently concluded, however, that such an action would only draw the wrath of Arab conservatives and radicals alike, risk cessation of the Saudi and Kuwaiti financial subsidies to Jordan, and—should the summit decision prove unworkable—preclude any future acknowledgement by Egypt and Syria that his approach is the only realistic course. Moreover, the Arabs offered Husayn new financial inducements, including a \$300 million annual contribution to his defense budget.

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Sadat (l) and Husayn at the summit

The official announcement of the summit decision did not specifically grant the PLO authority to negotiate the return of the West Bank. Instead, in an apparent bow to Husayn, it called on Egypt, Syria, Jordan, and the PLO to coordinate a negotiating strategy. In practice, this may mean that Egypt and Syria will carry the burden for the Palestinians. During the summit, various PLO spokesmen hinted that the organization would be willing to accept Egypt, Syria, or even the Arab League speaking on its behalf with the Israelis. Neither Egypt nor Syria, however, want a break with Jordan, and Morocco's King Hassan noted in his press conference at the end of the summit that Jordan and the PLO still have complementary roles to play.

By acceding to the PLO's demands, the moderate Arabs have chosen to limit their room for maneuver in negotiations and will now have to decide what their next step will be in dealing with Israel. The key Arab leaders will meet again in Algiers on November 2-3, presumably to map out new strategy in anticipation of Secretary Kissinger's next visit.

The one-sided summit outcome apparently marks the end of Egyptian President Sadat's efforts to restore momentum to the negotiating process by getting some movement on a West Bank disengagement. His rationale for reversing his earlier position of support for Jordan and swinging over in favor of the PLO is not entirely clear. The Syrians, however, appear to have been determined to secure a full-fledged endorsement of Palestinian sovereignty over the West Bank, presumably as a means of refocusing attention on their own demands for movement on the Golan front.

Indeed, it seems highly likely that a principal purpose of the Arab action at the summit was to raise the level of tension in the Middle East, in hopes of spurring Washington to apply more pressure on the Israelis. This was clearly a Syrian objective, and Sadat may also have concluded that he can use the united Arab stand as a means of pressing the US. He may even have been persuaded that, in the absence of further withdrawals

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on any front, his support of US policy was undermining his credibility.

Sadat and Syrian President Asad may have also concluded that the possibility of negotiating a limited West Bank disengagement—which would offer little, if any, benefit to Egypt, Syria, or the PLO—was not worth the price of a protracted wrangle at the summit. Israeli Prime Minister Rabin's difficulties in selling a West Bank disengagement to his own constituents, and doubts about the effectiveness of US leverage on Rabin, could have contributed to such a conclusion.

Whatever the reasoning of Sadat and Asad, the decision of the Rabat summit signals a more frontal as well as a more collective approach to Arab-Israeli issues, which could limit the flexibility of Arab leaders in dealing with the US and Israel. Sadat, for instance, may now feel it necessary to try to clear any future staged withdrawals in the Sinai with Syria, Jordan, and the PLO.

Sadat may be personally unhappy with the decision, but the apparently pivotal role played by the Syrians at the conference suggests that Sadat believes his own future effectiveness depends on his ability to coordinate with Syria. For their part, the Syrians appear to have concluded that only a tough stand by the Arabs now will be sufficient to induce the US and Israel to make the concessions necessary to avoid a prolonged stalemate or a resumption of hostilities. The PLO obviously emerged as a victor at the summit, but it still remains with Egypt and Syria to determine where the Arabs go from here.

Again, the Oil Weapon

Although the PLO-Jordanian issue dominated the summit, the chiefs of state found some time to talk about ways of using oil money to advance the political, social, and defense interests of the Arab states. At the conclusion of the conference, it was announced that the oil producers would contribute approximately \$2.35 billion annually to help build up the armed forces of Syria, Egypt, Jordan, and the PLO. Discussion of other basic problems—how to use the oil weapon without jeopardizing the world financial

structure, and long-term relations between the oil producers and Europe—seems to have been postponed.

The Arabs reportedly did decide that investment priority will be given to less-well-endowed Arab countries, though no specifics were worked out. They also agreed that funding to the Afro-Arab bank would be increased from \$15 to \$25 million, and that an Afro-Arab summit would be held at some point to shore up Arab relations with black Africa. This meeting would presumably consider steps such as direct aid or preferential pricing for oil.

Israeli Reaction

The Israeli government reacted cautiously to the Rabat summit. Prime Minister Rabin reportedly told the Knesset members of his Labor Alignment on October 29 that the government would not "shoot from the hip" but would first make a thorough and painstaking examination of the summit's decisions. He told the full Knesset the next day that the outcome of the Arab meeting was bad news for Israel, hinting that it would complicate the chances for a Middle East peace settlement and possibly require the government to draw some significant "conclusions." He stressed, however, that the government would not talk with "terrorist organizations"—presumably meaning the PLO—whose declared policy is the destruction of Israel.

Israeli press commentary was extensive and predictably negative in its assessment of the Rabat meeting, claiming that the Arabs have undermined the peace talks and appear to be leaning toward a military, rather than a political, solution to the Arab-Israeli dispute. Several editorials reflect particular interest in Washington's reaction to the summit. One of Israel's largest dailies speculated that US pressure on Israel to negotiate with the PLO will now increase. Another daily, which frequently reflects government opinion, agreed that this may be what the Arabs want but that, at the moment, this is an unreasonable demand.

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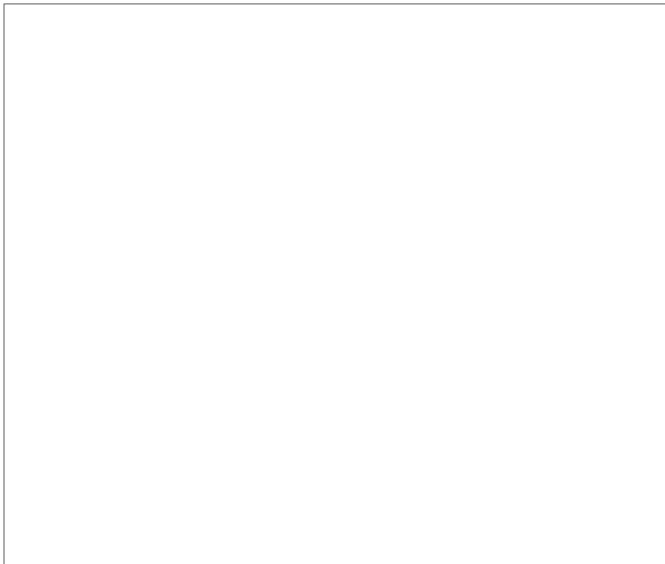
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self over the objections of most of the cabinet. Barrera, who previously had threatened to resign over differences in economic policy and the slowness with which Arias was moving on his liberalization program, may have used the occasion of Cabanillas' sacking to get out.

Franco reportedly acted in response to continued pressure from rightist groups who have been troubled by the unprecedented press freedom that Cabanillas instituted. The rightists have been especially concerned over the possible impact of the broad coverage the Spanish press has given to the downfall of the Caetano regime in Portugal and the subsequent dismissal last month of President Spinoza. They also were enraged over the coverage of Franco's illness this summer, which they regarded as overly candid and detailed.

SPAIN: FRANCO AS ARBITER

(8-11)

[In directing a cabinet change this week, General Franco appears to have played his usual role of balancing the demands of conflicting groups. While appearing to yield to rightist pressures by dismissing liberal Information Minister Pio Cabanillas, and thereby triggering the protest resignation of Second Deputy Prime Minister and Finance Minister Antonio Barrera de Irimo, Franco has maintained balance in the cabinet by letting Prime Minister Arias appoint two moderate replacements. Moderate and liberal groups are concerned, however, that Cabanillas' ouster signals a turn to the right and the shelving of any meaningful liberalization program.

Rumors abound that other resignations are expected, including some reports that Arias himself considered resigning on the grounds that his usefulness had been impaired. The US embassy in Madrid, however, believes that any other resignations will be limited to the sub-cabinet level and to close associates of the ousted ministers. The fact that Arias is staying on suggests that he believes his program of moderate liberalization still has a chance.

Some restrictions are likely to be imposed on the relative freedom the press has enjoyed as part of Arias' liberalization program. These restrictions are not expected to be overly harsh, however, since the new information minister—Leon Herrera Esteban—is viewed as a moderate. A career civil servant, Herrera will not be as aggressive as his predecessor. He is closely identified with Fraga Iribarne, the current ambassador to London and a possible future prime minister.

The new second deputy prime minister and minister of finance, Rafael Cabello de Alba, is a business executive and a moderate like his predecessor. A vice president of a Spanish automobile firm and a member of parliament, he is expected to follow the same economic orientation.

The real test of the degree to which Arias' liberalization program may have been set back will come when the Prime Minister presents his bill to permit the formation of political associations, which he has promised by the end of the year. Rightists object to associations because they fear they will become full-fledged political parties and usurp the role reserved to Franco's National Movement.

Cabanillas' removal was ordered by Franco him-

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ITALY: FANFANI OUT; MORO IN

(1.2, 13)
In the aftermath of Amintore Fanfani's failure to revive Italy's center-left coalition, President Leone turned this week to another senior Christian Democratic leader—Foreign Minister Aldo Moro—to make the next attempt to form a government. Although Moro will probably try first to bring the four center-left parties back together, he may have to settle for a temporary caretaker administration.

Moro will have to grapple with the same inter-party differences that brought Fanfani down, but certain political and personal characteristics may give Moro an edge over the Christian Democratic Party chief. In contrast to Fanfani, whose support within the party comes mainly from the center and right, Moro is the most influential leader of the left. As a negotiator, moreover, Moro is less inclined toward the head-on collisions that generally characterized Fanfani's efforts. Moro may thus be a better choice than Fanfani, politically and temperamentally, to work out an agreement with the Socialist Party.

The Christian Democratic leadership has given Moro more room for maneuver than it provided Fanfani, apparently in a last-ditch attempt to keep the center-left alive and avoid early elections. Fanfani was restricted to the formation of a cabinet of Christian Democrats, Socialists, Social Democrats, and Republicans, but Moro is instructed only to organize a government "within the framework" of the center-left concept. Under this mandate, Moro could in theory put together anything from a four-party cabinet to an all-Christian Democratic caretaker administration supported in parliament by all or most of the other parties.

Although Moro may have an easier time with the Socialists, he is likely to encounter the same difficulties with the Social Democrats as his predecessor. The Social Democrats precipitated the crisis a month ago when they charged that the Socialists were trying to water down the austerity program and establish closer ties between the government and the Communist Party.

During Fanfani's negotiations, the Social Democrats revived an old feud between themselves and the Socialists over the Socialist policy of allying with the Communists in certain local governments. The Socialists defend the practice as a political necessity in some localities. The other coalition parties do not condone the Socialist policy, but they tend to look the other way in an effort to secure concessions from the Socialists on broader issues. Toward the end of Fanfani's talks, the outlines of a compromise on economic issues had begun to emerge. The Social Democrats, however, slammed the door on any agreement with the Socialists by issuing a firm statement reiterating their position on the Communist question.

Moro could attempt to form a government without the Social Democrats, whose votes are not required for a center-left majority. Since their exclusion would give the government a decidedly more leftist complexion, however, any step in this direction would encounter stiff resistance from the center and right-wing elements of the Christian Democratic Party. Moro's credentials as leader of the Christian Democratic left would make such an attempt less expensive politically for him than for any other Christian Democratic leader. A similar attempt by Fanfani, for example, would have eroded much of his center and right-wing support within the party.

The Communist Party probably regards the replacement of Fanfani by Moro as a positive development. Although Moro is no more likely than Fanfani to make major concessions to the Communists, he is generally on better terms with them; Fanfani has clashed with the Communists repeatedly since assuming the leadership of his party in 1973. In addition, the Communists are probably pleased because Moro's selection signals the Christian Democrats' reluctance to break with the Socialists and is in line with the Communist objective of avoiding the dissolution of parliament and the calling of new elections.

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CYPRUS: SLOW PROGRESS (10-21)

It became increasingly likely this week that Archbishop Makarios will soon return to Cyprus, thereby complicating the already slow-moving political discussions between Acting President Clerides and Turkish Cypriot Vice President Denktash. Substantial progress continued to be made on humanitarian issues in Cyprus, however, despite the lack of movement toward a political settlement.

Makarios, who is in New York to participate in the UN debate on the Cyprus issue this week, reportedly informed Clerides that he intends to return to Cyprus by way of London and Athens after the Greek elections on November 17. Clerides commented that Makarios might well announce his intention to resign the presidency at some future time, but that he would be persuaded by his supporters to stay on as president.

Clerides said that only if he is given full decision-making authority would he be willing to continue to negotiate with the Turkish Cypriots following Makarios' return. The outcome of the Cyprus problem, according to Clerides, depends on the degree of influence the new Greek government exerts on Makarios. The archbishop has been reluctant to accept the basic Turkish terms for a settlement. Clerides noted that Greek Prime Minister Karamanlis, who is expected to win the coming election, is a realist and agrees with Clerides' view that any settlement of the Cyprus problem is bound to be unfavorable for the Greek side.

Humanitarian Questions

The exchange of prisoners and detainees, which has been going on for several weeks, was essentially completed on October 28. A total of

2,488 Greek Cypriots and 3,319 Turkish Cypriots have been released. Some 530 of the Greek Cypriots chose to return to their homes in the Turkish-controlled sector of the island, but only 84 Turkish Cypriots elected to return to the Greek-controlled area.

In the first transfer of its kind since the August cease-fire, Greek Cypriot authorities on October 25 permitted the entire population of a Turkish Cypriot village to move from the Greek to the Turkish sector. While the Greek side is generally opposed to population transfers, an exception was made for this village on "humanitarian grounds" following an agreement between Clerides and Denktash, probably because of an alleged earlier massacre there of some of its inhabitants. Agreement was also reached in principle on October 29 for the evacuation of aged and infirm Turkish Cypriots from the British sovereign base areas.

The Turkish Cypriots are now likely to press the Greek Cypriots to agree to the unification of the released prisoners with their families. This would enable more than 13,000 Turkish Cypriots, but only a token 2,100 Greek Cypriots, to move north. The Turkish side will also continue to demand that all Turkish Cypriots in the Greek sector, as well as the remainder of those in the British base areas, be permitted to move to the Turkish sector. Turkish Cypriots are reportedly continuing to trickle into the north on their own, apparently with the acquiescence of Greek Cypriot authorities. Clerides is unlikely to consent officially to either demand, however, unless he gets some major concessions from the Turkish Cypriot side. Except for some criticism from leftist political leader Vassos Lyssarides, Clerides has commanded broad support among Greek Cypriots for his handling of humanitarian issues. He is expected to come under strong pressure, however, to deal with the question of the estimated 3,000 Greek Cypriots that are still unaccounted for after the completion of the prisoner exchange.

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EC: PREPARING FOR A SUMMIT

(25-33)
The EC summit, called for by France and likely to take place after mid-December in Paris, will seek improvements in political coordination and try to formulate policies on such major economic problems as inflation, unemployment, and energy. There appears to be considerable doubt within the community that there is sufficient time to prepare for a meaningful, productive meeting. The lukewarm response in many quarters to the call for a summit now is also colored by recognition that the record of accomplishments by recent summits has been disappointing.

In the view of the US mission to the EC, the recent French initiative—which aims to reinvigorate the EC by fostering closer ties between community activities and political cooperation among the Nine—could lead to some progress on EC institutional questions. The outlook, however, is for continued slow movement in the present mixed framework of central EC control and inter-governmental cooperation.

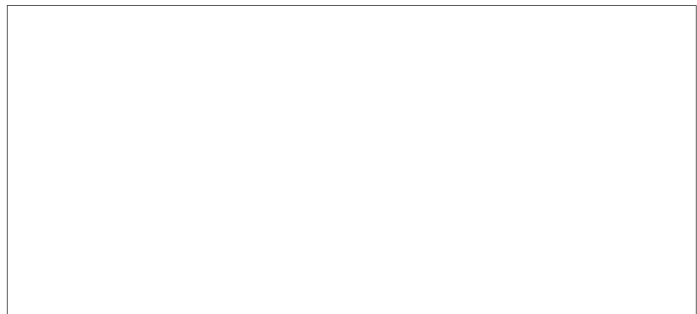
Paris' several proposals represent a potentially important change in policy toward European political integration. Key elements include:

- Creation of a "European Council," thus bringing summit meetings into the EC Council framework.
- Provision for the popular election of a European parliament.
- Maintaining 1980 as the target date for full European union.
- Ending the practice of unanimous votes in the council on questions that do not affect the vital interests of the member states.

Although Paris' proposals appear to represent an important change in French policy toward European political and economic integration, it is too early to reach firm conclusions regarding the extent and durability of the apparent new direction of France's European policy. The French

have proposed, for example, the creation of a "light secretariat" to prepare for European Council meetings. This raises for some the suspicion that Paris wants to impose a new inter-governmental body to detract from the role of the EC Commission.

In addition, Paris has said nothing about extending the powers of the European Parliament, considered by many to be more important than election procedures. Finally, doubts arise over Paris' call for more inter-governmental cooperation outside the framework of the community treaties.



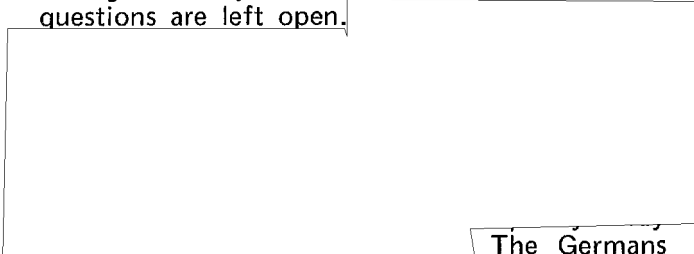
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EC leaders, including Giscard, seem to be doing what they can to help the Wilson government stay in the community, and they can be expected to try to avoid actions that might embarrass Britain. Largely in response to British concerns, Giscard stressed during his press conference on October 24 that such substantive issues as energy, inflation, and unemployment would be discussed, along with EC institutional reform. In fact, most of the French political proposals will probably find their way into the summit agenda. A possible exception is the proposal for direct elections to the EC Parliament, which Britain rejects outright.

In contrast to the British, some German officials are enthusiastic about what they consider a basic change in French policy toward the EC, and a Foreign Ministry official has characterized the proposals as "exciting." The French initiatives are seen as contributing to the reform of EC

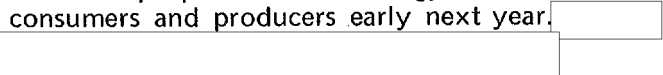
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institutions, and thus welcomed, although the Foreign Ministry also notes that many important questions are left open.



The Germans nevertheless want summit discussion of fundamental economic problems.

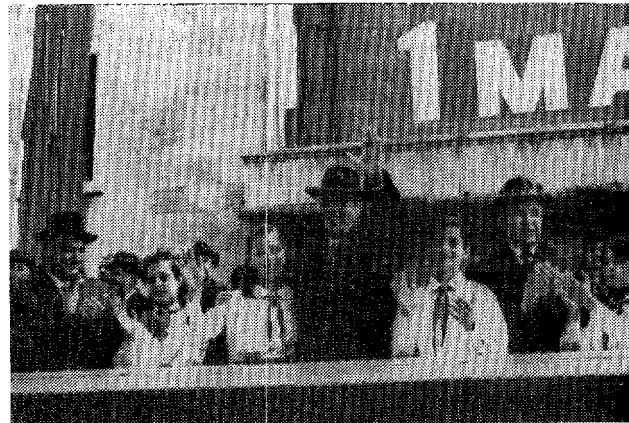
Despite considerable skepticism about the possibilities for real breakthroughs at the summit, France's partners are eager to end the year with some tangible sign of community progress. In part because of a desire to take advantage of Paris' wish for movement in the EC—and, in Britain's case, the hope of assuring a moderate French stance on "renegotiation" of the UK's membership terms—France's partners may show considerable indulgence for such French initiatives as Giscard's proposal for an energy conference of consumers and producers early next year.



ALBANIA: GOVERNMENT SHIFTS

In a major speech to parliament ^(34, 35) this week Premier Shehu revealed that he has taken over the post of minister of defense, confirming persistent rumors that defense minister and party stalwart Beqir Balluku has been fired. Balluku was undoubtedly also ousted from the Politburo.

Neither Shehu nor the Albanian media have offered any explanation for Balluku's removal, but earlier reports from Tirana suggested that he was removed in midsummer for "revisionism, high treason, and lack of ability." Western press sources subsequently reported that he had favored closer ties with the Soviet Union and had criticized the slow pace of modernization in the army. This would imply that he had committed the grave error of expressing dissatisfaction with



Premier Shehu (c)

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the support Albania was getting from its ally, China.

Shehu also announced the appointment of Abdyl Kellezi, chairman of the State Planning Commission, to replace Balluku as deputy premier; the elevation of Adil Carcani to first deputy premier; and the naming of two obscure party officials to head the ministries of communications and finance.

Some changes in personnel have been expected since a plenum of the party Central Committee met in late July to discuss defense policy. Instead of directly announcing the changes, however, Albanian media have leaked them piecemeal. Most have centered in the Defense Ministry, which suggests that there has been a general housecleaning of Balluku's cohorts.

Shehu's speech was in most other respects a typical Albanian tour d'horizon of domestic and foreign policies. Following a review of agricultural and economic achievements, Shehu predictably lauded Peking's support of Tirana and underscored party chief Hoxha's announcement earlier this month that Albania would not establish diplomatic relations with the US, UK, or West Germany. Shehu castigated all members of the Warsaw Pact, except Romania, but he heaped special scorn upon the USSR, calling it the "most hated and most dangerous" traitor to socialism "ever known by history."



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BUYING MORE GRAIN

In the past month, the Soviet Union has purchased more than 5 million tons of wheat and corn for delivery in fiscal 1975 and reportedly is still in the market. This amount—in addition to the 850,000 tons being imported under contracts from the preceding fiscal year—compares with 12.5 million tons imported in fiscal 1974 and 24 million tons in fiscal 1973.

Moscow began the new round of buying in Argentina in mid-September, then moved on to the US in early October, where the Soviets were unable to buy all the corn they wanted. They subsequently bought wheat from Australia and are rumored to be closing grain deals with Canada, Thailand, France, and Sweden.

The purchases began just as the grain harvest in the USSR was ending. The harvest was slowed by poor weather, and the corn crop apparently was below expectations. The Soviet grain crop will probably be 195 million tons, 5 to 15 million tons short of domestic requirements and export commitments.

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**New Grain Purchases
for delivery in FY 75
(thousand metric tons)**

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Supplier	Wheat	Corn
US	1,200	1,000
Australia	1,000	--
Argentina	625	855
Canada (unconfirmed)	600	--
Thailand (unconfirmed)	--	50
Total	3,425	1,905

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ISRAEL: THE COALITION RETURNS

(39, 40)
The National Religious Party rejoined the ruling coalition on October 29 after nearly five months of off again, on again, negotiations with Prime Minister Rabin's Labor Party. The return of the party strengthens conservative influence in the government, which could complicate Rabin's efforts to assume a flexible negotiating position in peace talks with the Arabs. The Religious Party remains strongly opposed to Arab control of the Israeli-occupied West Bank, with its numerous Jewish religious sites.

Rabin has insisted, however, that the coalition agreement with the Religious Party will not restrict his ability to negotiate with the Arabs. He noted that, as a member of the coalition, the party would not be able to support efforts to oust the government over the conduct of peace negotiations. It would be free, however, to vote against any agreement presented to the Knesset for approval.

Religious Party leaders, motivated largely by their desire to regain the influence, patronage, and financial benefits accruing to a party in the government, overcame substantial opposition to the move, particularly from the party's orthodox youth wing. Swallowing its pride, the leadership gave in on most of the party's demands for entering the coalition, including its insistence that the government support an immediate amendment to the Law of Return to recognize as Jewish converts only those immigrants converted in accordance with orthodox Jewish religious practice.

The party joined the government under a coalition agreement essentially the same as the one it worked out with Mrs. Meir's government. The party regained the three ministerial portfolios—interior, religious affairs, and social welfare—it had held before.

The small Citizens Rights Movement walked out of the coalition just before the Knesset approved Rabin's new cabinet. The loss of the three Citizens Rights Knesset seats is more than offset by the gain of the ten Religious Party deputies, even though the two deputies from the party's

youth wing only grudgingly support the government. If all coalition deputies support the government, Rabin will now have a more comfortable majority of eight in the 120-member Knesset.

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ETHIOPIA: TRYING TO GOVERN

(41 - 48)
Since it cracked down last month, the Armed Forces Coordinating Committee has been enjoying a respite from challenges to its authority from opponents within the military. The committee, however, still faces critical tests of its ability to govern, such as trying detained former leaders, getting an ambitious rural development program under way, and dealing with labor unrest. At the same time, the committee is trying to streamline its own decision-making process.

The committee's arrest of opponents in the army aviation and engineering battalions proved sufficient warning to other dissidents within the important First Division. The dissidents were resisting the committee's attempt to abolish the division's special status and perquisites, gained while it served as the imperial bodyguard. The First Division now appears to be cooperating with the coordinating committee and has reportedly agreed to accept assignments outside Addis Ababa.

The committee still suffers from serious ideological, ethnic, and regional differences. These may become more pronounced as a result of efforts reportedly under way to adopt new procedures for decision making. The changes under consideration apparently involve a reduction in the size of the 120-member committee and delegation of authority to a smaller group.

The trials of detained aristocrats and former officials, which are expected to begin shortly, may also increase tensions within the committee.

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General Aman
Head of the Armed Forces Coordinating Committee

There are sharp differences over how to deal with the prisoners. The moderates, who presently control the committee, are concerned with the trouble-making potential of radicals in the military who favor harsh punishment; some radicals reportedly have advocated killing the prisoners without trial. The moderates are also concerned that supporters of the jailed aristocrats, perhaps joined by sympathizers in the military, will foment disturbances during the trial or even try to free the prisoners.

The military tribunal that will try the prisoners will sit in a former imperial palace in Addis Ababa where the committee now has its headquarters. Some of the prisoners have been moved to the palace from the army compound where they had been held since their arrests. Former emperor Haile Selassie remains under detention at the compound, and the committee has made no announcement on his future.

Meanwhile, the committee is proceeding with plans to send thousands of students into the countryside to engage in educational and rural development work. A majority of students now seem willing to participate in the campaign. They are not enthusiastic about disrupting their lives, let alone losing their ability to engage in political agitation in the cities, but realize they can no longer count on support from their labor and military allies. The students have also heeded the committee's warning that they would be barred from further education if they do not take part in the rural experiment.

Some student radicals continue to oppose the campaign and earlier this week defied the committee by tearing up registration forms. Nevertheless, they seem to be losing steam, although they still possess greater influence in the fragmented student movement than their numbers warrant. The radicals may gain support from other students if the committee's program encounters serious organizational and funding problems. There is also the possibility of friction between the students and the conservative rural population, as well as the chance that some students may try to sabotage the campaign once they reach the countryside.

Labor unrest also continues, caused mainly by the unruly behavior of unemployed workers not affiliated with the trade union movement. Crowds of workers demanding jobs have been gathering daily at some government offices and on several occasions have attacked employer representatives attending sessions of the labor relations board. On October 26, one worker was killed and several wounded when police overreacted and fired on demonstrators in front of union headquarters. The coordinating committee later characterized the killing as a "tragic mistake," but the incident will probably trigger allegations that the committee is acting as callously as the previous regime.

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SECRET**BHUTTO'S MOSCOW VISIT**

(49 - 52)

Pakistani Prime Minister Bhutto's recent trip to the Soviet Union fulfilled his limited objectives and produced no major breakthrough in Pakistani-Soviet relations. Bhutto managed, without antagonizing his hosts, to avoid endorsing their long-standing proposal for a Soviet-sponsored Asian collective security system. The Soviets apparently showed a somewhat greater understanding of Pakistan's concerns about its South Asian neighbors. Finally, Bhutto may have obtained some new economic assistance. The over-all atmosphere in his discussions with Brezhnev and Kosygin is reported to have been quite friendly.

On the security issue, the Soviets made their expected pitch for mutual endorsement of Asian collective security. When the Pakistanis asked how they were supposed to subscribe to a proposal that even the Indians refused to accept, the Soviets dropped their bid and settled for a more neutral statement. According to the Pakistanis, the Soviets did not press hard for their version.

BHUTTO APPARENTLY GOT THE SOVIETS TO SHOW GREATER SENSITIVITY TO PAKISTAN'S CONCERNS AND AVOIDED ENDORSEMENT OF THEIR PROPOSAL FOR A SOVIET-SPONSORED ASIAN COLLECTIVE SECURITY SYSTEM.

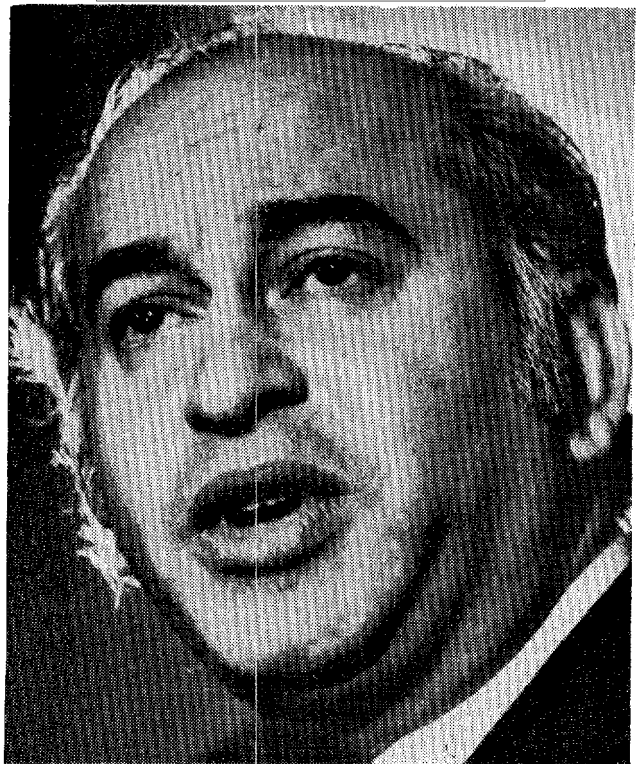
The Pakistanis had been concerned that acceptance of the Soviet formulation would offend China and the US. Bhutto, on his return to Islamabad, claimed to newsmen that he had explicitly told the Soviets that his government would do nothing to jeopardize its ties with Peking and Washington.

The Pakistanis apparently were also satisfied with the discussions on South Asian matters. Despite Moscow's close ties with India and Afghanistan, the portions of the communique concerning Pakistan's problems with those two countries were worded in a way that did no serious

violence to Pakistani positions. In addition, the Soviets reportedly showed some sympathy regarding Pakistan's unresolved problems with Bangladesh. According to a report from the US embassy in Islamabad, the Pakistanis seem to have come away from Moscow with the conviction that the Soviets are seeking a stable and peaceful South Asia and are now more prepared to accept Pakistan as an important element in such an equation.

The Soviets reportedly agreed to provide some new economic aid, including additional assistance to a steel mill project they are sponsoring in Pakistan. The two sides also agreed to renegotiate their existing trade agreement. We have no evidence that Bhutto asked for a resumption of Soviet military aid. The final communique did not break any major new ground on international issues.

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Bhutto

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Prime Minister Bandaranaike

SRI LANKA: GOING NOWHERE

(50,54)
Strains inherent in the ruling United Front coalition are being aggravated by disagreement over the means for coping with the nation's worsening economic problems. While the coalition appears unlikely to collapse, the government could become increasingly hesitant and erratic in meeting the economic challenge.

Internal tensions have troubled the coalition since it was formed in 1970. Prime Minister Bandaranaike's Sri Lanka Freedom Party, which by itself has a majority in parliament, is badly split between an urban-oriented left-wing faction and a right-wing group that reflects rural interests. The coalition also includes two small leftist parties that generally make common cause with the left wing of the Freedom Party.

Mrs. Bandaranaike, who dominates the government, holds socialist views, but sometimes finds it expedient to adopt policies opposed by the left. In recent months, for example, she has sharply increased prices for food and other goods in response to soaring import prices. More price

increases, and reductions in welfare benefits as well, may be necessary if the government is to avoid a massive budget deficit.

Such policies trouble leftist politicians because they most severely affect city dwellers, the leftists' principal constituents. The leftists are unlikely to withdraw from the government, however, as that would give the opposition United National Party, a small moderate group, an opening to renew its effort of last spring to force national elections before they are due in 1977. Instead, the left apparently has hopes of trading off continued support for Mrs. Bandaranaike for speedy adoption by the government of socialist economic policies, such as nationalization of banks and textile mills and further controls on foreign-owned tea companies.

There are no indications that the Prime Minister is planning any early moves to accommodate the leftists. In recent speeches she put them on notice that she will not tolerate being pressed too fast or too far.

Mrs. Bandaranaike's political problems are sure to grow if, as seems likely, the country's economic position continues to deteriorate. The regime is particularly vulnerable to the people's frustrations over inflation because the government sets prices for a wide variety of goods. Economic stagnation continues, induced in large part by Sri Lanka's socialist policies. Insufficient government revenues leave Colombo no alternative but to pass on the rising costs of imported fuels, foods, and fertilizer. Despite reduced consumption of imports, the trade deficit soared to \$122 million during the first six months of 1974 compared with \$21 million during the same period in 1973.

Sri Lanka needs an estimated \$200 million in new foreign aid just to maintain its present reduced import levels through 1975. The government has been courting Middle East oil producers for price or payment concessions, but so far has managed to arrange only a \$21-million loan from Kuwait.

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PHILIPPINES: MILITARY MORALE

(57-60)

Discipline and morale continue to deteriorate in Philippine military units operating in the south against Muslim rebels. The trend, if unchecked, will further hamper government efforts against the insurgents and could pose serious problems for the Marcos government in Manila.

On a number of recent occasions, inter-service feuding has taken the form of armed clashes between units of different services. Civilians have also been the victims of military abuse, including lootings and indiscriminate killings. Such incidents have not been publicized thus far, but if widely known would be particularly damaging to Marcos' efforts to convince Muslim nations of Manila's good intentions toward its Muslim minority.

The unpopularity of service in the southern islands has contributed to morale problems and to the military's poor performance against the well-supplied Muslim rebels. Military commanders

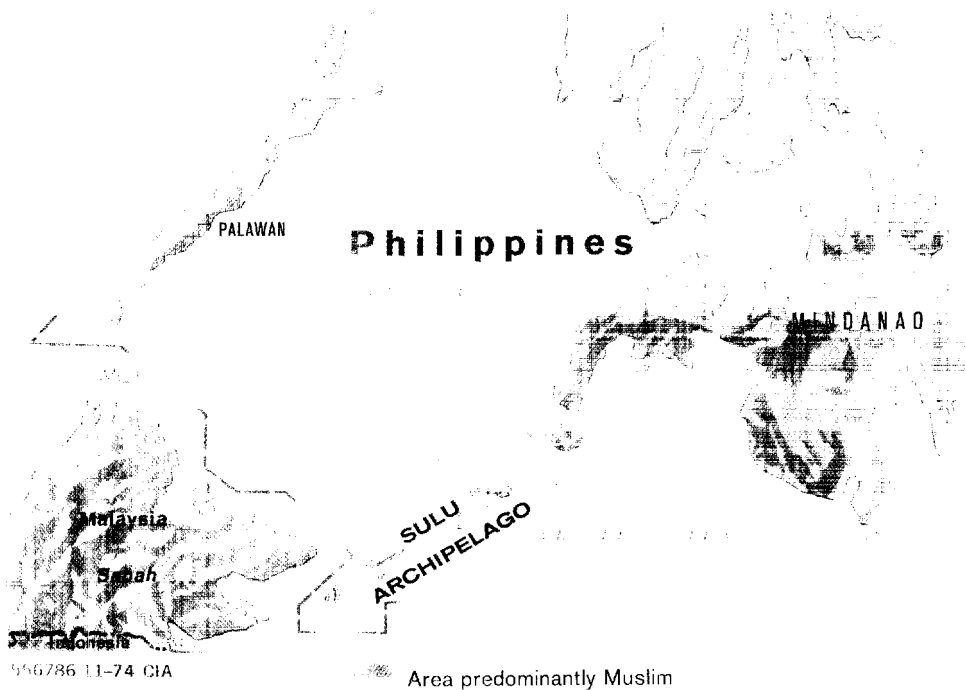
complain that their operations are hampered by political restraints. Troop annoyance over long hours of duty and uncertain prospects for promotion is compounded by bad leadership and blatant graft among officers.

The dissent within the military ranks apparently is not organized, and the government has thus far been able to repress widespread knowledge of the problems. Following a recent inspection tour of the area, the armed forces chief of staff expressed dismay over the situation and ordered remedial measures, but it is questionable whether he can reverse the trend.

About 75 percent of the Philippines' combat strength is committed against the Muslim insurgency. Besides undermining counterinsurgency efforts, widespread and organized disaffection within the armed forces could weaken the stability of the Marcos regime, which has received its strongest support from the military.

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VIETNAM

More of the Same

Communist officials ⁽⁶¹⁻⁶⁶⁾ are now receiving instructions on the party's strategy for 1975. Although there has been some discussion of a big offensive during the coming year, the most credible reports so far indicate that the party plans to continue the mix of political and military action at a level similar to that of 1974.

A document recently captured in the delta reaffirms the policy outlined earlier this year in Resolution 12, which directed Communist forces in the South to try to undermine Saigon's authority with political and military action, but not to intensify the fighting to a level that would jeopardize the cease-fire agreement. The document was issued in late August following a headquarters-level conference to review the progress of the "anti-pacification" campaign since the first of the year. Another conference is scheduled in about a year to consider the current campaign.

In the review, Communist forces are credited with succeeding "beyond expectation" in expanding their holdings in the countryside, but the document concedes that the government still holds the upper hand. It admits that the southern Communist command still regards Viet Cong political forces as the weak link in the revolution, and notes that the Communists must rely almost solely on military action and intimidation to reach the people. The lack of initiative among leadership elements at the local level is cited as one of the principal problems. The document demands that greater attention be given to strengthening political and military forces in the countryside. It details a program for recruiting more people and points out that local units must be improved without help from outside the area.

Other recent information suggests the Communists plan a higher level of fighting in the COSVN area than is outlined in the delta document. [redacted] in Binh Thuan Province claims that there will be a two-phased "major offensive" in 1975 aimed at controlling the countryside and occupying the cities. [redacted]

maintains that "a nationwide general offensive" will be conducted in January 1975.

Both of these claims, however, were predicated on a "massive" political upheaval in the South and smack more of a morale-boosting campaign among the troops than a real reflection of intentions. Even without the rhetoric, however, both seem to be saying that the Communists will continue to maintain fairly intense military pressure in the coming months in hopes of complicating the government's problems further.

Noisy National Day?

Antigovernment demonstrations may overshadow the usual speech-making and military hoopla that normally occurs on November 1, South Vietnam's National Day. Catholic anti-corruption forces staged a low-key torchlight parade and other generally quiet demonstrations.

To take the sting out of the anticipated antigovernment demonstrations, President Thieu replaced three of his four regional commanders in midweek. Further, the Saigon police have reportedly sealed off much of the downtown area and have imposed a 24-hour curfew. They have also attempted to defuse potential demonstrations against government censorship by raiding the Saigon Press Club. Buddhist leaders have informed government authorities that their activities will be limited to speeches in Saigon and seminars in the provinces. Radical fringe elements, such as Madame Ngo Ba Thanh's movement, can be expected to participate in any action that develops. A prominent labor leader has also joined the ranks of Thieu's critics, but there is no indication that union members will demonstrate against the government.

Buddhist and Catholic dissidents may find themselves at cross purposes during the holiday, which commemorates the overthrow of the Diem regime in 1963. The Buddhists, who were largely responsible for Diem's downfall, traditionally use the holiday to denounce the former regime. The Catholics, however, revere Diem and usually offer day-long prayers for the former president. [redacted]

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President Perez at recent meeting with US businessmen

VENEZUELA: NEW DIALOGUE WITH US

(72-78)
The Caracas media are giving major attention to statements made last week by President Carlos Andres Perez in which he called for a "new dialogue" with the US. Perez coupled his remarks with reassurances that foreign investment will be welcomed and foreigners now working in companies to be nationalized will be encouraged to remain.

The statements appear designed to relieve some uneasiness among foreign investors and the local business community, both of which had reacted to the President's aggressive defense of Venezuela's petroleum policy. These latest statements are in direct contrast to those in September when Perez appeared to be approaching a major confrontation with the US over this policy. At that time, he and other Venezuelan officials took sharp issue with statements by President Ford and Secretary Kissinger regarding the artificial rigging of world oil prices.

Since then, there has been a sharp decrease in critical statements by government and party officials, suggesting Perez had decided that such statements were no longer necessary—since the points at issue had been clearly delineated—but also that they would be unnecessarily provocative. Perez continues a strong defense of his administration's international economic policy and stresses that his government will use its influence to solve the energy crisis in the broader

context of a better deal for raw material producers. Nevertheless, he couples these remarks with repeated assertions that his administration is not seeking a fight with the US and is sympathetic to US concern over the possible breakdown in the world economic order.

In a recent interview with a Caracas newspaper, Perez said that the US will always be the number one partner of Venezuela and that "full harmony and open dialogue" are now necessary to avoid uncertainty over petroleum prices, which he said Venezuela does not want to continue to rise. Perez added his hope that new agreements could be worked out to transfer technology to underdeveloped countries and to regulate prices of all raw materials, including petroleum.

In what may have been a calculated leak to the press, the influential *El Nacional* this week reported statements—vaguely attributed to high government officials—that Venezuela's new ambassador to Washington, Miguel Angel Burelli Rivas, had encountered a climate of cooperation and understanding regarding petroleum in Washington. According to the newspaper, White House officials reportedly had made known to Burelli Washington's desire to have Venezuela remain a secure source of petroleum at least until 1985.

A further indication of Venezuela's eagerness to resolve differences with Washington is the

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fact that Perez will not be going to the World Food Conference in Rome this month as originally planned. Although no public explanation has been given for the change, Perez may well have feared that the conference could become the focus for anti-US statements by several delegations and that his presence at such a forum might be misunderstood.

In the coming months, Perez will be walking a very thin line, attempting to balance Venezuela's role as a leading oil producer and spokesman for developing countries against its dependence upon access to the US market. Recent statements by Perez indicate an acute awareness of both US sensitivity on the petroleum issue and the necessity of maintaining stable economic and political conditions in Venezuela. They further indicate that the dialogue with the US is a high priority objective of the Perez administration. The success or failure of its efforts could have a major impact on the current negotiations for the nationalization of the largely foreign-operated petroleum industry—negotiations that are expected to begin in earnest after the beginning of the year.

25X1 CUBA DRAFTS A CONSTITUTION

^(NOT SOURCED)
In a surprise move on October 24, Havana announced that a committee has been formed to draft a new constitution for the country. Although talk of formulating a new basic legal document for the Castro regime has abounded over the past several years, there had been no visible movement in that direction since late 1965 when a "constitutional studies commission" was formed as an appendage of the newly created Communist Party Central Committee. Little has been heard from it since, however, and now it has apparently been superseded by the new group.

The draft constitution is to be ready by February 24, 1975, at which time it will be presented to the party's political bureau and to the Council of Ministries. It is now clear that Fidel Castro's long-standing resistance to any legal document that might define—and thus have the potential to limit—his heretofore unrestricted power has finally been overcome. Nevertheless, it

is likely to be at least 18 months before the constitution is formally adopted; it must first be approved by the party congress, now scheduled for the second half of 1975, and then will probably be submitted to the people through the mass organizations in order to achieve popular support.

Chairman of the drafting committee is Blas Roca Calderio, who served as secretary general of the pre-Castro Communist Party for more than a quarter of a century. He will be assisted by four other "old" Communists, including the 76-year-old former president of the pre-Castro Communist Party, Juan Marinello. The committee's leading "Fidelista," or "new" Communist, is Belarmino Castilla Mas, a member of Castro's guerrilla elite who now serves as vice prime minister for education, science, and culture. The remainder of the committee seems to be made up of technical advisers having lengthy experience in the legal field and individuals who will be responsible for "selling" the draft constitution to the population through the mass organizations.

The political—as opposed to legal and administrative—representation on the 20-man drafting committee seems to favor the "old" Communists, raising the possibility of an attempt by this faction to place restrictions on the powers of the prime minister. The mechanics of approval of the draft, however, apparently allow for total revision of any portion by such political bodies as the party's political bureau and the Council of Ministers, which are totally dominated by Castro. Thus, any attempt to limit his authority by means of the drafting process is bound to fail. Castro himself will have the final say on the version that will eventually be submitted to the party congress.

This personal veto power is presumably the price Fidel demanded in finally giving his approval to the drafting of a new constitution; his total freedom of movement under the current legal system is a luxury he is not yet ready to relinquish. At the same time, he will be carrying out those measures to institutionalize his regime that have been demanded of him by Moscow.

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BRAZIL: ECONOMIC POLICY CHANGES

(79-81)
President Geisel broke with established policy on October 24 by announcing liberalized wage and credit measures. The move had two purposes: to alleviate economic hardships and to stave off opposition victories in next month's congressional elections because of widespread discontent with the high cost of living and tight consumer credit.

The new measures call for an "emergency" 10-percent wage adjustment as of December 1 for workers at the minimum salary level and a 30-percent increase, in stages, for military and federal workers. In addition, the central bank is to provide a special line of credit to finance companies for consumer purchases. Heavy stress on anti-inflationary measures has long placed workers and consumers in an ever-tightening squeeze by limiting both wage adjustments and expansion of credit.

The working class was hit first and hardest but had remained relatively quiet. Recently, however, workers in Brasilia stoned a number of buses following a sharp fare increase. Even normally docile industrial workers have staged work slowdowns in recent months. The administration's concern may have grown when it became apparent that the middle and upper classes—particularly in the important industrial and agricultural areas around Sao Paulo—had become disillusioned with national economic policies. This attitude, in the view of the US consul in Sao Paulo, is likely to produce a victory for the opposition candidate in the Senate election on November 15. Other opposition victories are possible in the senatorial race in Parana State, as well as contests in a number of state assemblies.

Significantly, the administration's concern has taken the form of policy changes rather than suppressive measures. Moreover, Geisel has acted despite urgings from security officials that the cure for discontent is more vigilance, not greater liberalization. Apparently, then, the President retains both the willingness and the ability to display relative sensitivity to the basic wants of the people. Right-wing pressure could increase,

however, if the opposition makes substantial gains next month in spite of the new policy changes.

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ARGENTINA: FOCUS ON TERRORISM

(82-86)
Leftist terrorists are stepping up their efforts to goad the military into actions that would undermine public support for President Peron's government. Official concern over deteriorating internal security is evinced by Mrs. Peron's recent renewal of policy consultations with opposition parties, a practice that had been abandoned after Juan Peron's death.

The Marxist People's Revolutionary Army is reportedly now threatening to kill wives and children of army officers. The threats were evidently made to provoke the military into taking more repressive measures. The terrorists have failed to follow through on similar threats in the past. Nevertheless, the leftists continue to make good on their intention to assassinate 16 army officers in reprisal for an equivalent number of guerrillas killed last month. So far, six officers have been killed and five others wounded in separate ambushes.

The continuing high level of violence has provoked threats from the quasi-official right-wing anti-terrorist squads after a brief lull in their activity. According to press reports, one of these groups, the Argentine Anti-Communist Alliance, has issued a new series of assassination threats against several prominent Argentines who are known for their leftist sympathies.

Terrorism was the main topic of a conference earlier this week between President Peron and the leaders of nine opposition parties. This was the second time Mrs. Peron had called such a session since assuming the presidency last July.

Because the meetings are intended as a clear signal to the public and leftist extremists that opposition leaders are behind the government,

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some of the participants are being criticized for their conciliatory stance. Their constituents see all the advantages going to Mrs. Peron—if her policies succeed, she gets the credit; if they fail, the opposition parties can also be tarred with the failure. Radical party leader Ricardo Balbin is a good case in point. He is under increasing pressure from the left wing of his party to break with the government. His critics charge that the administration is violating many traditional Radical precepts—such as intervening provinces by executive decree and controlling the communications media. They assert that if dialogue is to be worth anything, some respect must be shown for Radical views.

should be free to deal or not with Havana in accordance with their own national interests.

Chile and Uruguay, however, are still antipathetic toward Havana and have been concerned that this approach would in effect vindicate Castro. They therefore insisted on presenting evidence to the OAS council that Havana continues to train terrorists and generally to meddle in other governments' affairs. These new charges against Cuba have raised concern among some members that the Quito session will amount to no more than another abortive effort to get the nagging Cuba issue behind them.

Despite the likelihood of growing strife within opposition circles and continuing political criticism of official policy, Mrs. Peron currently faces little if any opposition from the military. Although army leaders are frustrated and angry over the terrorist campaign against them, they have not insisted on a greater role in internal security matters. If attacks on officers and their families increase, the army will retaliate, but there is no evidence that the high command is increasing its demands on the government.

Another threat to the tranquility of the proceedings lies in the provocativeness of the subversion theme at this particular time. Publicity about clandestine US activities in Chile has raised sharp criticism of US policy in Latin America and created speculation that the US rather than Cuba will be made the defendant at Quito. At one point, Panama appeared to be preparing a brief against the US but the Torrijos government has publicly denied this suggestion.

In general, the Latin Americans probably prefer the Quito meeting to go smoothly and would not welcome the intrusion of another contentious issue. Yet, if Chile and Uruguay press hard on their anti-Cuban theme, Castro's advocates may find it difficult to refrain from countering with charges of US intervention in Latin America.

OAS: A TOUCHY ISSUE

(P 7 - 91)

Despite the careful groundwork by the sponsors of the resolution to lift OAS sanctions against Cuba, the foreign ministers' meeting in Quito next week may be a less than tidy affair.

Some Latin American governments have not been willing to see the sanctions issue addressed as a mere procedural matter. The drafters of the motion under study tried to get around the substance of the question of Cuban subversion by arguing a changed international situation as the basis for rescinding the censure of Havana. They have emphasized that the sanctions have been invalidated in practice and that OAS members

The mood of the Latin Americans could be receptive to this theme if it were raised. Old resentments against the US have again surfaced because of revelations about the US role in Chile, recent disagreements over resource policies, and the news that Secretary Kissinger will not be in attendance at Quito. Together, these developments have created an uncomfortable atmosphere for US - Latin American relations.

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PERU: MILITARY UNREST SERIOUS

(69-71)
The possibility that dissident officers will attempt a move against President Velasco has increased substantially in recent days. The number of moderate army officers who would support such action is still unclear, however. Their support would be vital to a successful coup, but even then the outcome would be uncertain; important army troop commands apparently remain in the hands of officers personally loyal to Velasco.

Moderate officers in the government believe that Velasco is moving the country too far to the left and that he is trying to undercut their influence. The President may be forcing a showdown between moderates and radicals in order to ensure the continuation of his policies. The risks involved in such a plan, however, are high. Recently enacted changes in military retirement procedures, designed to place more radicals in top posts, are coalescing the dissidents. One measure already approved by Velasco's cabinet gives the three service chiefs broad power to retire a limited number of top officers in any given year without having to show cause. Additional changes reportedly are under consideration.

Some of these moves clearly are aimed at preventing army Chief of Staff Morales Bermudez—a leading moderate—from becoming prime minister and army commander next February. The current prime minister, General Mercado Jarrin, is scheduled to retire at that time, and Morales Bermudez is next in line to replace him.

Velasco already has begun to purge the navy of top officers he considers unacceptable in order to ensure that one of his supporters is next in line to become navy minister. It appears that the President is planning similar action in the army to block Morales Bermudez' promotion to prime minister.

The President certainly is aware of the chance he is taking by attempting to purge the government of unacceptable officers. During the past year, however, Velasco has accelerated the pace of radical reforms and may believe that the



Morales Bermudez

time has come to undercut the moderates' power decisively to ensure the continuation of his policies.

A coup attempt by navy and air force officers without substantial support from army moderates would stand virtually no chance of success. Velasco could use an unsuccessful move against him as evidence that all moderates, including those in the army, must be removed from important government posts. This would greatly strengthen the influence of the radicals in setting government policies.

Morales Bermudez is undoubtedly aware of the dilemma he is in, but events are progressing in such a manner that he will have to act soon or risk losing his power and influence.

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