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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, the Office of Geographic and Cartographic 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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ANGOLA: NEW TURN

The recent arrival of substantial amounts of new Soviet and Cuban military aid for the leftist Popular Movement for the Liberation of Angola is beginning to have an impact on the fighting. After suffering military reverses at the hands of its allied foes for the past month, the Movement began this week to battle back.

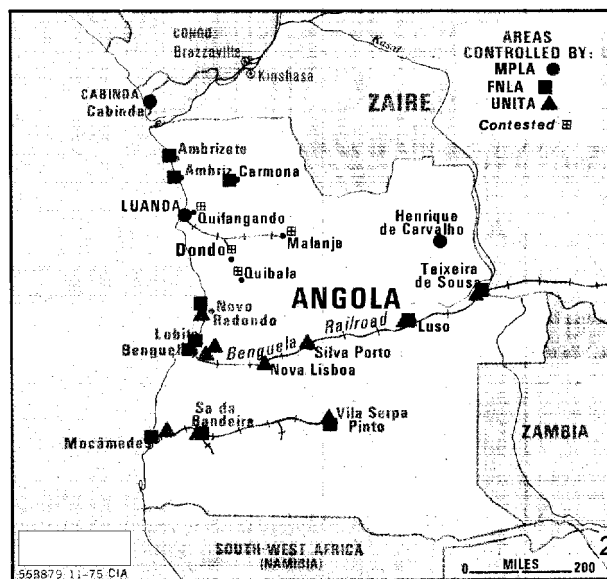
In the area north of Luanda around Quifangando, where the fighting had been stalemated for some time, the Zairian-supported National Front for the Liberation of Angola appears to be coming under growing pressure from the Popular Movement. Front forces may have been forced to give ground. There has also been bitter seesaw fighting some 60 miles from the Front stronghold of Carmona.

In the central sector, the situation is confused with heavy fighting reported between the Popular Movement and the joint forces of the National Front and the National Union for the Total Independence of Angola operating near Malanje, Dondo, and Quibala. The Popular Movement appears to be at least holding its own in the sector; it still controls the vital Cambambe dam near Dondo that supplies Luanda's electric power. According to press reports, National Front - National Union troops spearheaded by South African advisers and white mercenaries, which had been sweeping toward Luanda from the south, have been stalled.

In eastern Angola, a large Popular Movement force moving south from the Movement's base at Henrique de Carvalho reportedly has advanced to within 65 miles of Luso, a National Union-held city astride the Benguela railway. Guerrilla units of the Popular Movement are said to have appeared near the rail line between Luso and the key railhead of Teixeira de Sousa.

On the political scene, the joint regime proclaimed by National Front and National Union leaders on November 11 in opposition to Agostinho Neto's Luanda-based government finally unveiled a leadership slate of 16 officials this week. The post of prime minister in the coalition regime, which is based in Nova Lisboa, is to be rotated monthly between Johnny Eduardo Pinnock of the National Front and Jose N'Dele of the National Union, the ranking representatives of their respective groups in the Angolan transitional government that collapsed last summer under military pressure from the Popular Front.

Neither National Front leader Holden Roberto nor the National Union's Jonas Savimbi took positions in their regime, which clearly remains a fragile structure. It has not been recognized by any foreign country. Neto's regime, on the other hand, has now been formally accepted by 27 states.



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Jonas Savimbi



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Nigeria this week became the eleventh African country to recognize the Popular Movement, citing growing public attention to South Africa's involvement with the Movement's opponents as the main reason for its action. Lagos' example may sway other nonradical African governments to follow suit despite the concern many of them share over Soviet and Cuban support for the Popular Movement.

Meanwhile, the Africans' dilemma over the Angolan crisis may lead to an emergency summit meeting of the Organization of African Unity.

Support for holding such a conference spurred this week and now seems likely to attain eventually the required approval of two thirds of the 46 member states. Backers of the Popular Movement—led by Somalia, Guinea, Congo, and Mozambique—have led the drive, clearly hoping to use the meeting to change OAU policy from neutrality in the Angolan conflict to endorsement of Neto's group as the country's sole legitimate government. If a summit is held, it will probably result in open quarreling among the Africans rather than progress toward a settlement in Angola.



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LEBANON: TALKS SUSPENDED

Negotiations among Lebanon's bitterly antagonistic major political groups broke down this week in the wake of renewed fighting between the Christian militias and Muslim leftists. The national dialogue committee, created to devise a compromise to end the protracted internal crisis, has not met since November 24 when it adjourned after an acrimonious debate over which group was responsible for the collapse late last week of the three-week-old cease-fire. The refusal of the Christian leaders to discuss reforms that would give the Muslims a greater share of political power continues to be the principal stumbling block to a solution.

Christian Interior Minister Shamun, who is head of the National Liberal Party and the most powerful Christian in the cabinet, boycotted the meeting of the committee on November 24 in a show of anger over what Christians consider efforts by the leftists to intensify the fighting. Prime Minister Karami responded sharply in a speech the next day in parliament in which he denounced the Christian leaders for their refusal to allow political reform and for the references some have made to possible partition of Lebanon. Karami acknowledged that his government's failure to restrict the flow of arms to all combatants had contributed to the resumption of hostilities, but defended his continued refusal to call in the army. He insisted the army is incapable of acting as a neutral force.

Shamun, in turn, defended his militia's involvement in the current fighting. He told parliament that the private Christian militias have had to take matters into their own hands because government security forces are inadequate to restore order or to prevent "destructive elements" from overthrowing the government.

The unrestrained activity of Shamun's group apparently has embarrassed even the right-wing Christian Phalanges Party. Phalangist leader Jumayyil has tried to calm Muslim tempers by playing up the importance of the dialogue committee and by calling for an end to "ideological disputes."



Interior Minister Shamun

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Renewed antagonism between Karami and Shamun will further delay proposed talks between the Prime Minister and Christian President Franjiyah that are supposed to result in agreed recommendations for significant political and economic changes. The new squabble will also almost certainly prolong the fighting.

As of midweek, fighting was still heavy and widespread, although it had not reached the level of late October. The collapse of the cease-fire and press reports that Egyptian Foreign Minister Fahmi will undertake a conciliatory mission may prompt Syria to revive its mediation effort.

France, too, may make a further attempt to arrange a settlement in Lebanon following the recent fact-finding mission by French mediator Couve de Murville. The French emissary reportedly encountered stiff Christian resistance to even the consideration of adjustments in the Lebanese political system, which now favors the Christians. Christian spokesmen apparently rejected outright a tentative suggestion that they

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might offer the Muslims a 50-50 split in parliament. The continued fighting and inability of government bodies to function effectively appear to have reinforced the determination of Christian leaders to stay in office and resist making concessions.

Soviet Position

14-17

The Soviets have come out publicly in support of efforts to end the fighting in Lebanon. Although Moscow clearly would prefer to see a more leftist Lebanon emerge from the current crisis, it fears this cannot be accomplished without taking the lid off the Arab-Israeli powderkeg.

Moscow is worried that:

- turmoil in Lebanon might trigger Syrian and Israeli intervention.
- civil war and foreign intervention could force the fedayeen to disperse to other Arab countries, diluting Moscow's already limited influence with the Palestinians.
- the Lebanese situation is distracting the fedayeen and Syrians from objectives more important to the Soviets, specifically undercutting US influence in the Middle East and isolating Egypt.

The conflict between Soviet interest in supporting the left and avoiding an intensification of the fighting has led the Soviets to employ mixed tactics.

They have praised the Palestinian Liberation Organization for staying out of the fighting. Privately, Moscow has even warned the PLO of the dangers of Israeli intervention and advised it to support the efforts of the Lebanese government to assert control. At the same time, the Soviets have made it clear that they will support the PLO if its freedom to operate in Lebanon is threatened.

The Soviets have also commended Syrian attempts to mediate the crisis and evidently told

Asad last month in Moscow that they supported his efforts to reduce tensions.

The Soviets, however, have not forgotten their friends on the left. Moscow has consistently championed Lebanese "progressive forces." The Soviets hope the crisis will increase leftist influence in Lebanese political life and strengthen the position of the relatively small, pro-Soviet Lebanese Communist Party (LCP).

The USSR acquiesced in the decision of the LCP to enhance the party's standing with the Lebanese left by participating in the fighting, and, particularly in the early stages of the fighting, the Communists were prominent behind the barricades.

But the Soviets have apparently not given the party all the help it wanted and may not be able to control younger party militants. In September, Lebanese party leaders complained about the lack of stronger, more direct Soviet backing.

There is no indication that Moscow has rushed guns to the leftist combatants, but neither is there any sign that the USSR has sought to halt the flow of Soviet-made arms from Arab countries and the PLO to them. Furthermore, Kamal Jumblatt's Progressive Socialist Party has continued buying arms directly from East European countries, while the sources of East European - made arms for the Phalangists have dried up.

Moscow undoubtedly thinks that as long as the Phalangists are heavily armed, the Lebanese left must have the wherewithal to protect its interests and forestall a right-wing threat to the Palestinians. In any event, the Soviets recognize they cannot close Syrian, PLO, Libyan, and Iraqi arsenals to the left.

Moscow apparently hopes that the Lebanese crisis can be ended through political and social changes that will improve the position of the Muslim left, but which will not jeopardize Lebanon's territorial integrity or stability. The Soviets seem pessimistic, however, that the latter will happen and recognize that their ability to influence events is marginal.

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18-22

BANGLADESH-INDIA: TENSIONS RISING

Tensions between the two countries mounted over the past week, increasing the possibility of eventual Indian military intervention in Bangladesh. Growing signs of anti-Indian sentiment in Dacca were highlighted by the wounding of the Indian high commissioner on November 26 by unknown assailants. Even before the shooting, Bengalee concern about Indian intentions had been fueled by indications in New Delhi that Prime Minister Gandhi's government had been taking an increasingly critical view of developments in Bangladesh.

New Delhi may have been reacting in part to recent implied criticism of the Indian government by two of Bangladesh's deputy martial law administrators, General Zia and Commodore Khan. In calling on their countrymen for discipline and support, both leaders emphasized that external forces—a clear reference to India—were behind some of Bangladesh's problems. Zia and Khan may have played up the Indian angle in an effort to unify the population and the mutiny-wracked army, both reservoirs of anti-Indian sentiment. Anti-Indian wall posters and graffiti have also appeared recently in several Bangladesh cities.

Prior to the attack on the Indian diplomat, a number of Bengalee officials in both Dacca and New Delhi were voicing concern about India to US embassy officers. The Bengalees alleged that India has increased its forces on the border and is attempting to subvert the Dacca government. They saw as particularly ominous the more emotional and pessimistic tone that has been adopted by the censored Indian press in its recent coverage of events in their country. The press has emphasized the continuing instability in Bangladesh and New Delhi's concern for its official personnel and other nationals there. This week, two Calcutta papers, for the first time, accused the Dacca government of conducting an "anti-Indian campaign."

New Delhi's attitude is also reflected in comments by an Indian official to a US embassy officer this week that small groups of refugees from Bangladesh's minority Hindu community have

begun crossing the border into India. Although the Indian official said that the departure "had not yet reached the proportion of an exodus," he complained that some Hindus have been harassed and that the community, in general, is uneasy.

Bangladesh's Hindus, who total about ten million, are surely worried about what may be coming, and some may be leaving the country. A few Hindus reportedly were roughed up in Dacca shortly after a wave of mutinies within the armed forces began over two weeks ago. The assassination attempt will heighten the Hindus' concern. Indian spokesmen have frequently warned that a flight of Hindu refugees to India like that in 1971 would force New Delhi to intervene militarily.

A high-level Bengalee official, in a conversation with a US embassy officer, subsequently claimed that no unusual movement of Hindus into India has occurred and insisted his government is not pursuing an anti-Indian policy. He also denied an Indian report that Bangladesh would soon declare itself an Islamic republic, a move that would upset India and Bangladesh's Hindus.

There have also been reports that Bengalee military units have clashed near the Indian border with a guerrilla group led by Qader Siddiqui, a diehard supporter of former president Mujib. Siddiqui is apparently receiving aid and sanctuary from New Delhi. The Bengalees have been frustrated by Siddiqui's ability to elude a concerted government effort to capture him following his successful ambush of an army unit last month.

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Meanwhile, conditions have remained relatively calm over the past week at the Dacca base and other military posts where mutinies flared earlier this month. It is unlikely, however, that the long-standing economic and other grievances of the enlisted men that precipitated the mutinies have been resolved, and tensions between officers and troops are probably just below the surface. Many officers, keenly aware of the killing of several of their colleagues during the mutinies, may be reluctant to test their authority, and overall morale within the armed services will probably remain low for some time.

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23-27

SPANISH SAHARA: ALGIERS REACTS

Algeria's sharp denunciation at the UN last week of the recent Spanish-Moroccan-Mauritanian accord on the future of Spanish Sahara was the opening salvo of a campaign for a full-scale General Assembly debate on the issue. Algiers wants the assembly to reject the agreement, which provides for a phased turnover of the territory's administration to Rabat and Nouakchott, and call for a referendum on self-determination. Madrid, Rabat, and Nouakchott, on the other hand, want UN approval to limit promised consultations with Saharans to hand-picked tribal leaders. The issue is currently joined in the trusteeship committee.

In a formal note circulated at the UN last week, Algeria declared the tripartite accord null and void and denounced Spain for agreeing to it. Algiers contended that Spain could transfer administrative responsibilities only to the Saharan people or to the UN itself. Algeria further argued that Morocco and Mauritania did not have any right to exercise authority in the territory unless the General Assembly officially accords their claims precedence over the principle of self-determination. The Algerians want the assembly to reaffirm earlier resolutions and endorse a referendum in the territory.

Madrid has defended its action by maintaining that, under the accord, it would only be

turning over administration of its Saharan territory to the other two countries and that sovereignty is a separate issue to be decided by the UN. In the trusteeship committee, Spain's representatives are arguing that the tripartite accord resulted from their government's compliance with resolutions adopted by the Security Council to avoid a conflict. Spain insists, moreover, the view of the Saharan people will be "respected" through the territorial general assembly, a group of Saharan leaders expected to be responsive to the new joint administration. Morocco and Mauritania have buttressed their case with statements by Saharan spokesmen that support the accord.

Algeria's demand for a referendum under UN auspices is being supported in the committee by the Polisario Front, a pro-independence Saharan political group supported by Algiers. Last week, a spokesman for the Front threatened that his group will use force to achieve its goal. His remarks, coupled with recent Algerian press statements, provide fresh indications that the Boumediene regime may be preparing to back the Front in a sustained guerrilla effort.

Within the disputed territory, Polisario guerrillas are quietly establishing a foothold in the vacuum created by Spain's recent withdrawal from two thirds of the territory. They have occupied a town in the south and have established themselves along the Mauritanian-Saharan border. They are also active in the northeast, where they have clashed with Moroccan forces who moved into this border area as Spanish troops withdrew.

Meanwhile, Moroccan and Mauritanian officials have arrived in the territorial capital of El Aaiun to serve as assistant governors in the provisional administration headed by the Spanish governor general. The provisional administration will govern the territory until the Spanish withdrawal next February. The Moroccan is one of King Hassan's most trusted advisers, attesting to the importance the King attaches to his regime's role in the new joint administration.

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PORTUGAL: CLIPPING THE LEFT WING

Anti-Communists in the Portuguese military appear to be in a stronger position following an unsuccessful rebellion on November 25 by leftist paratroopers. Order will return to Portugal, however, only if anti-Communist officers follow up and install loyal officers in the key military units that have long been dominated by leftists.

By midday on November 26, the government had retaken the three air bases and the Lisbon air region headquarters that had been occupied by the rebels. Commandos loyal to the government later forced the surrender of radical military police and the leftist-dominated light artillery regiments in Lisbon that had sided with the paratroopers. Radio and television stations taken over by radical troops shortly after the rebellion started were later cut off the air by the government, which substituted programs beamed from Porto.

Backed by several members of the Revolutionary Council—including a subdued Otelo de Carvalho—President Costa Gomes imposed a state of siege on the Lisbon military region on the evening of November 25. He ordered a midnight-to-five curfew, restricted freedom of assembly, and banned the publication of area newspapers for November 26. Although the curfew was not strictly enforced, the capital was quiet and activity was normal the next day.

The paratroopers' rebellion was apparently planned in advance, but was not widely coordinated with other leftist military or civilian groups. The rebels focused on demanding the removal of anti-Communists in the air force high command—including chief of staff Morais da Silva—who were held responsible for disbanding the dissident paratrooper unit at Tancos, about 70 miles northeast of Lisbon, last weekend.

Efforts by a few leftist soldiers to attract additional backing by calling for opposition to the Revolutionary Council's decision to replace the left-leaning Carvalho as head of the Lisbon military region with an anti-Communist officer received only scant support. There were indications that Carvalho also lost his position as



Costa Gomes

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head of the internal security forces and that the internal security command itself had been abolished.

The pleas by leftists for the people to take to the streets in support of the paratroopers went largely unanswered. The only significant participation by civilians occurred at Monte Real, some 75 miles north of Lisbon, where pro-government civilians reportedly assisted in recapturing the local base from the rebels. The Communist Party alerted its militants, but took no action.

The Communists' failure to join in the rebellion has prompted Labor Minister Tomas

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Rosa to speculate that the party may have encouraged the feeble effort in the hope it would spark a counter coup from the right. The Communists may have reasoned that the rightists would meet swift resistance and the Communists would be able to reclaim some popular support. The events of midweek represent a reversal for the Communists, but the party still has most of its political assets intact—particularly in labor.

Anti-Communists in the military, as well as the non-Communist political parties, are in a strong position to exploit the rebellion, just as the left exploited the abortive rightist coup last March 11. The campaign to restore discipline in the military by purging radical leftist officers will be given a strong boost if the anti-Communists are prepared to follow through on their success. President Costa Gomes appears to have read the trend in time to join the winning side, but he prefers a balance of forces and may try to rein in any group that seeks to capitalize on the situation.

The threat remains that rightists may make a move that would confuse the situation, but conservative exile groups apparently were not ready to act during the tense hours on November 25. Similarly, there was no effort by separatists in the Azores to take advantage of Lisbon's preoccupation with the rebel paratroopers. Either group, however, still retains a potential for disruption that could ultimately aid the left.

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SPAIN: JUAN CARLOS TAKES OVER

The death of Generalissimo Franco on November 20 and the investiture of King Juan Carlos I last weekend have set the stage in Spain for a struggle between the ultra right, which will fiercely resist any moves toward liberalization, and those within the establishment who hope to bring about a gradual opening of Spain's political system.

The spotlight is now on Juan Carlos. The new King does not have Franco's absolute power—he

cannot, for example, issue decree laws without reference to the cabinet, Council of the Realm, or parliament. Nevertheless, he will be in a position to play a strong role, especially during these crucial early days of his reign.

Juan Carlos' most pressing problem will be to convince the moderates that he supports liberalization without completely alienating the far right. In his first address to the nation after being proclaimed King, Juan Carlos spoke in carefully guarded terms of evolutionary change. Speaking to the conservative parliament, the King was constrained to avoid words like "democracy," but he did project the need for a pluralistic society and, by implication, for evolutionary change. Significantly, he made no mention of the National Movement—Spain's only legal political party. The speech was well received, and Juan Carlos astutely avoided offending any but the most extreme elements of the right and left.

During the next two weeks the King will have to make decisions on two crucial appointments: the prime minister and the president of the parliament. Prime Minister Arias is expected to submit his resignation as soon as the dust settles. Though identified with the Franco regime, Arias has not alienated those seeking a more open society, and it would be difficult to find a viable replacement at this time. Arias may be kept on at least until the parliamentary election scheduled for next spring. The cabinet, on the other hand, is likely to be reshuffled with some portfolios going to the more liberal-minded members of the establishment.

Juan Carlos has 10 days in which to select a new president of the parliament, a position which fell vacant on November 26. The office is important because the incumbent automatically becomes president of the 17-man Council of the Realm, which is instrumental in the choice of a prime minister. The outgoing president, Rodriguez de Valcarcel, is marshaling regime forces to pressure the King into reappointing him for another six-year term, but Juan Carlos is believed to be looking for a less conservative individual for this position.

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Juan Carlos (r) and Prime Minister Arias attend a cabinet meeting

UPI

Political horse-trading could result in Arias being appointed to the presidency of the parliament. If Rodriguez de Valcarcel is retained, it will be interpreted by the Spanish left as Francoism without Franco. If someone else is chosen, his political credentials will be carefully examined for clues to the direction in which Juan Carlos plans to take Spain.

Juan Carlos is under considerable pressure—mostly from the left, but also from some in the establishment—to open up the political process. The two most immediate issues facing the King are calls for amnesty for political prisoners and legalization of political parties. The King made a good-will gesture on November 26 by issuing a royal amnesty decree reducing prison sentences for both political and common prisoners—except for crimes involving terrorism—and commuting the death sentence for crimes committed prior to his investiture on November 22. Many opposition leaders welcomed the decree as a “positive step,” but spokesmen for the major socialist party denounced it, saying it fell far short of the complete pardon for all political prisoners demanded by the left.

There are deep disagreements among establishment leaders over the question of legalizing political parties and whether the Communists should be included. At this point, Juan Carlos

seems likely to draw the line at the Communists in order to retain the support of the center-right. The Communists would almost certainly react to such exclusion by stepping up their opposition activities, perhaps by calling a general strike.

The left remains fragmented, however, and initially, at least, it is the hard-line regime supporters and violence-prone groups of the far right that pose the greatest obstacle to evolutionary change. Although still a minority in the government, over the past year the ultra right has had sufficient clout to play a major role in scuttling Arias' limited moves toward political pluralism. Since the death of Franco, leaders of the Falangist faction of the National Movement have publicly condemned the idea of allowing political parties.

Juan Carlos would, on the other hand, have considerable support for a program of gradual liberalization—from the vast Spanish middle class, from the Church, from many members of the establishment, from many oppositionist Christian Democrats and Socialists, and, at least tacitly, from the military. The new King is off to a good start, but the main tests lie ahead. If he can gradually liberalize the political process while still maintaining order, he will gain stature and support, but the task is a formidable one, and it is far from certain that he has the ability to succeed.

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EC: THE NINE GO TO ROME

The EC heads of government will consider their meeting in Rome on December 1 and 2 a success if Britain can be persuaded to give up its demand for a separate seat and accept EC representation at the mid-December Conference on International Economic Cooperation. The conference will bring together a number of nations representing producers and consumers of oil and other raw materials. Continued UK insistence on a separate seat in Paris, will provoke acrimonious discussion on the worth of London's commitment to the EC, especially because it comes at a time when the small EC members are still smarting over their exclusion from the meeting at Rambouillet last week of the "Big Six" industrial countries. The issue of Britain's role in the EC and its attitude toward community action could overshadow the entire meeting in Rome.

The UK as Odd Man Out

Both Prime Minister Wilson and Foreign Secretary Callaghan have steadfastly maintained that the UK would not give up its demand for a separate seat. They hold that the UK potential as an oil producer differentiates British interests from those of other EC members and precludes representation of British interests by an EC delegate. If the UK's position has been designed to win concessions from Britain's partners on a minimum support price for North Sea oil, the meeting in Rome provides the last reasonable occasion for working out details of the bargain.



Foreign Secretary Callaghan **CENTRAL Press Photos**

The European Parliament Issue

France, West Germany, Italy, the Benelux countries, and Ireland all favor a proposed 1978 date for substituting direct elections to the European Parliament for the present system of appointment from the national legislatures. Only Denmark supports Britain in seeking delay. Remaining problems include the number of members of parliament to be allotted each country, the date and procedures for the election, and whether members should be elected to both national and European parliaments.

Supporters of direct elections, including West German critics of other aspects of the EC, believe that an elected parliament will demand a stronger role and that closer working relations between fraternal parties will foster gradual European unification.

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Other Institutional Topics

Belgian Prime Minister Tindemans, who was charged at the Paris summit last December with drawing up a report on attitudes within the community toward European union, plans his final report for year's end and will give only an oral progress report at Rome. He has found that almost all political, business, and labor leaders are interested in discussing Europe's prospects but that most European leaders have little inclination to subordinate immediate national aims to advance European integration. He himself believes it would be worth considering reform of the EC Council of Ministers to provide consistent leadership and eliminate the semi-annual rotation of the presidency among EC member states.

The heads-of-government meeting in Rome is the last major event in Italy's six-month EC presidency, a period marked more by drift than by leadership in EC affairs, as Italian ministers have shown nearly exclusive preoccupation with domestic politics. Italy's record and the prospect of Luxembourg's presidency in the first half of 1976 may stimulate serious consideration of Tindemans' suggestion. Luxembourg Prime Minister and Foreign Minister Thorn, who will be the key figure in the Luxembourg presidency, is simultaneously General Assembly president at the UN and is already under attack for absenteeism there.

Ideas for reform of the EC Commission may also be aired at Rome. Chancellor Schmidt, for example, is arguing that the commission president should be a first-rank political figure and should influence the selection of other commission members. Schmidt has also suggested a stronger commissioner for finance and budget, a suggestion reflecting the West German emphasis on improving management of EC financing. A possible decision on the form of a proposed common EC passport, which may be issued in 1978, may be announced as a symbolic gesture toward European union.

The Nine—and particularly the British—prefer discussions of political coopera-

tion to the sometimes arcane debate over EC treaty matters. Although protocol severely cuts working time at EC heads-of-government meetings, consideration of some political cooperation issues is likely. Discussion of the Euro-Arab dialogue in the light of the working level discussions of November 22-27 in Abu Dhabi may entail further movement toward recognition of the Palestine Liberation Organization. Also in prospect is an ex-25X1 change of views on developments in Portugal and Spain and on possible ways to encourage democracy in those countries. [redacted]

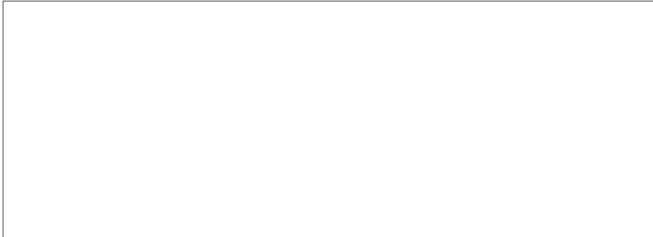
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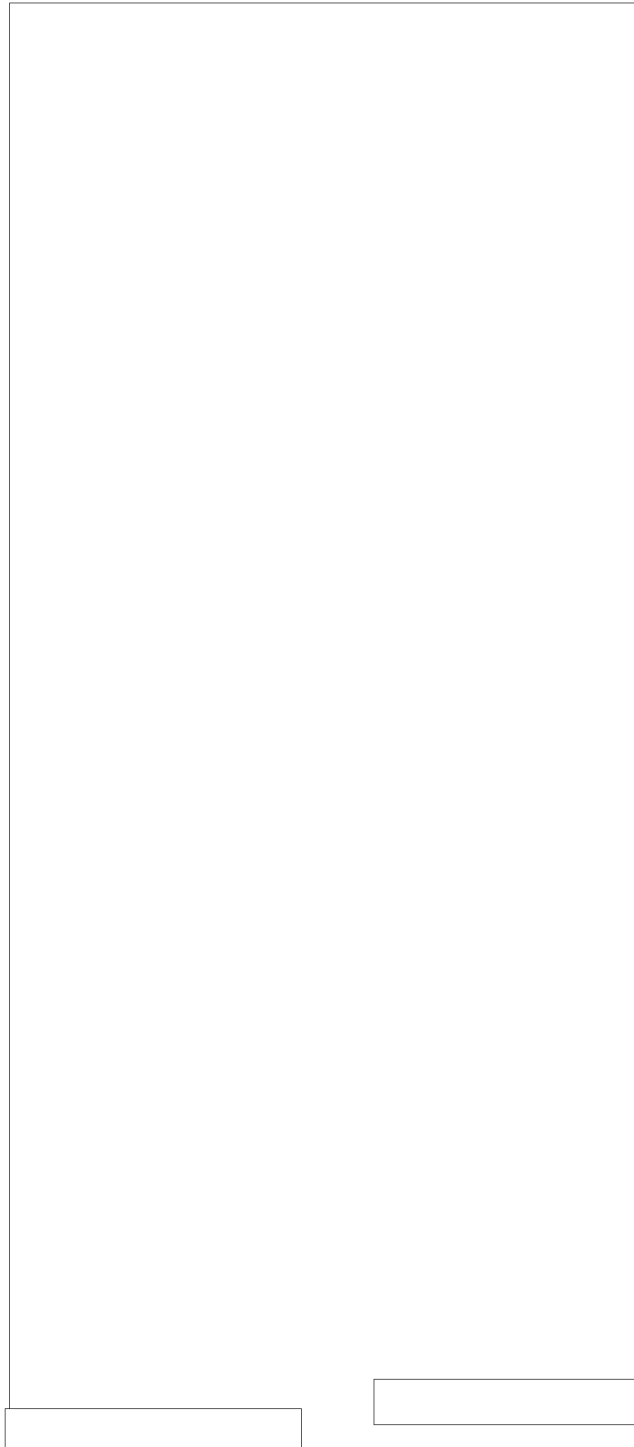
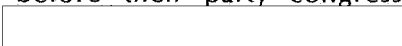
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COMMUNIST CONFERENCE LURCHES ON

Another snag has been hit in the preparations for the already much-delayed European Communist conference. The meeting in East Berlin on November 17-19 that was supposed to have completed work on the concluding conference document and set a date for the conference postponed these decisions until January.

The current impasse was reached over two key points in the document: the nature of the relationship between communist and socialist parties and the nature of the relationship between the countries of Western Europe, Eastern Europe, and the United States. This revival of bickering surprised many of the delegations at the Berlin meeting, and the Italians, for their part, ascribed it to a feeling among the Soviets and loyal East Europeans that too many concessions had been made and that perhaps the conference project may be getting out of control.

As things stand now, an editorial working group will convene in East Berlin in mid-December to continue work on the final document. Such meetings have been held with less publicity than those of the full editorial committee and have been the forum for sharp conflicts in the past. For this reason the target date of mid-January for wrapping up the details appears overly optimistic. Even with smooth sailing in the preparations over the next two months, the Soviets will be hard pressed to meet their target of convening the conference before their party congress in February.



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General Secretary Brezhnev

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USSR: CENTRAL COMMITTEE TO MEET

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With less than three months to go before the Soviet party congress in February, the Central Committee meeting next Monday will probably shed some light on politics in Moscow. No agenda has been announced, but the one-day plenum will divide its time between current business and preparations for the congress.

The Central Committee members will hear a report on leadership activity since the last plenum in April and discuss next year's economic plan and budget—subjects to be taken up at the session of the Supreme Soviet that opens on December 2. The leadership report may be rather somber on both foreign and domestic affairs. In foreign affairs, the Soviets have suffered setbacks

in the Middle East and they have apparently been put off by the aggressive response in the West to CSCE. Prospects for a new SALT agreement and a Washington summit before the party congress are significantly diminished, and the difficulties encountered in trying to convene a conference of European communist parties are probably a source of embarrassment.

The poor performance of Soviet agriculture this year and indications that the spring harvest may already be in trouble will have a dispiriting effect at the plenum. The shortfalls in agriculture will spotlight the failure to meet the overall goals of the consumer program. The discussion of the economic plan and budget may give some indica-

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tion of how the leadership intends to handle problems in these areas over the next year. It should also suggest some priorities for the next five-year plan.

Most attention, however, will focus on preparations for the party congress. The Central Committee is expected to announce the agenda and speakers for the February conclave, thus providing some meaningful evidence on the subject of leadership change. In addition, the plenum may take action to fill some slots, such as party secretary for culture, that have been vacant for some time.

The relative stability of the Central Committee since the last congress argues for continuity at the top. No patterns have emerged in personnel changes that either strongly favor or detract from one or another leader. The local and regional party elections that precede the congress are moving along on schedule.

Despite policy difficulties and the advanced age of several senior leaders, the plenum is likely to be content with leaving the basic features of foreign and domestic policies and their executors intact.

66-71

USSR: MASSIVE TRADE DEFICIT

We now expect the Soviet hard-currency trade deficit in 1975 to be close to \$5 billion. A weak gold market this fall has forced Moscow to borrow heavily in Western money markets, and the Soviets are already lining up credits for 1976. If Soviet exports continue to be sluggish, Moscow may be forced to trim imports at some point next year.

The USSR has continued to increase imports at a time when growth in its exports has been limited by recession in the West. Total imports for 1975 are estimated at \$12.8 billion. In the first nine months of 1975, imports from its six major Western trading partners were running 58 percent above last year. Imports of machinery and

equipment are up about 70 percent over last year's \$2.3 billion, and may reach \$4 billion in 1975. Imports of grain will be about \$1 billion—roughly double the 1974 figure. Steel purchases may also reach record levels.

Soviet hard currency exports will probably rise by no more than 5 percent, to an estimated \$8.1 billion. Exports to its six major Western trading partners in the first eight months of this year were down 6 percent from the same period last year. We expect a considerable rise in the final four months because of reduced Soviet prices on diamonds, platinum, and palladium, among others; stepped-up exports of Soviet oil; and the gradual revival in economic activity in the West.

The USSR will finance its 1975 deficit through a combination of Western credits, gold sales, revenues from shipping and tourism, and a probable reduction in foreign exchange holdings. Arms sales should provide substantial earnings this year—perhaps \$300 million in hard currency.

The USSR may earn about \$1 billion from gold sales in 1975. Confirmed and rumored sales through July totaled 125 tons, valued at roughly \$675 million. We believe that Moscow continued to sell gold in August—perhaps 20 tons worth \$100 million. Sales were probably small in September as gold prices plunged. The USSR may have re-entered the market in October when prices partially recovered and appeared to stabilize at approximately \$145 per troy ounce. Sales of 20 tons per month in the last quarter, a reasonable prospect, would yield Moscow another \$275 million.

Borrowing from the West

From \$2.5 billion to \$3 billion of the hard-currency deficit will probably be financed by a combination of Soviet borrowing in the West and a reduction in foreign exchange holdings. The USSR appears to have secured adequate financing to meet this year's obligations.

- By June, the USSR had drawn down \$360 million of the \$1.3 billion deposited in London as of January 1.

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- Medium- and long-term credits extended in earlier years are covering a major share of Soviet imports of Western capital goods and large diameter pipe. Drawings should exceed \$2.5 billion in 1975, yielding more than \$1.4 billion in net credits.

- Early in 1975, Moscow arranged for three five-year loans from Western banking consortiums, totaling \$400 million.

- The Soviets have arranged for additional bank-to-bank credits in Europe and in the US.

Soviet efforts to raise loans in Europe and in the US have shown a marked upswing since midyear. These efforts are probably geared toward meeting next year's anticipated obligations. Grain imports, judging from purchases already consummated or anticipated, will amount to between \$3 and \$4 billion in 1976.

Increasing Exports

The size of the 1976 deficit will depend largely upon the ability of the Soviet Union to stimulate hard-currency exports to the West. Recent discussions presage an increase in Soviet oil

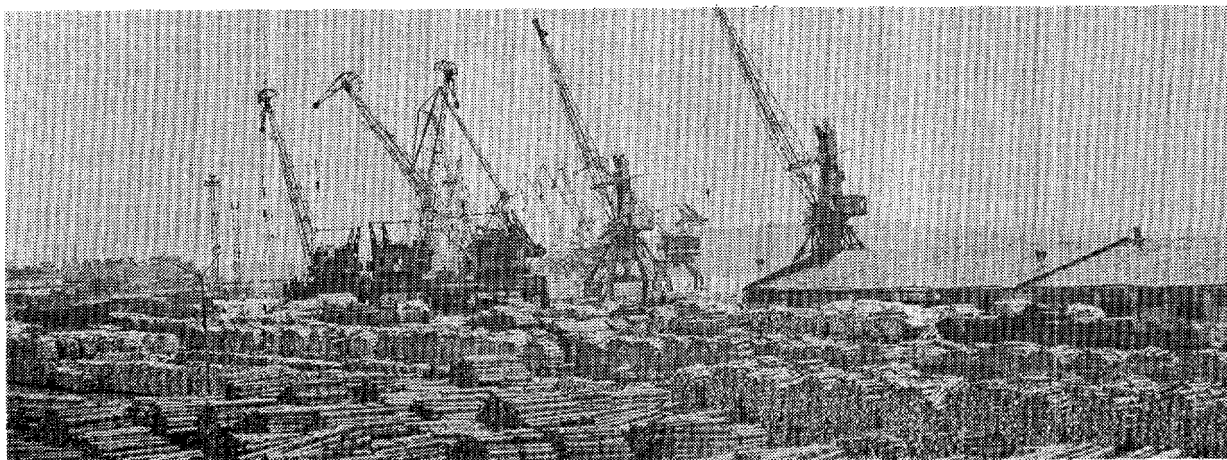
exports in 1976, and signed contracts call for a sizable increase in Soviet natural gas deliveries to Western Europe. Moscow can also be expected to intensify current efforts to boost export earnings by shaving prices and pressuring Western governments to correct current trade imbalances.

Use of Eurocurrency borrowing for grain purchases may reduce Soviet access to the Eurocurrency market to finance capital goods purchases. Moscow may be forced to pay higher rates for Eurocurrency loans and to be more selective in its Eurodollar borrowing for this purpose. As a result, Moscow may push for even larger commitments from Western governments for subsidized credit lines to cover Soviet purchases in 1976-80.

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Soviet medium- and long-term debt will grow substantially during 1975-76 as a result of the massive borrowing—perhaps to more than \$7 billion by the end of 1975 and to nearly \$10 billion by the end of 1976. If exports prove weak and the USSR incurs another large trade deficit in 1976, the leadership will face unpleasant alternatives such as a possible cutback of imports, a delay in delivery schedules for equipment already ordered and not covered by long-term credit, and a cutback in capital goods orders requiring cash payment.

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Soviet timber for export

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Panama Canal

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PANAMA: SLOW GOING IN CANAL TALKS

The session that opened in Panama last week received none of the fanfare that preceded US Ambassador Bunker's arrival for the September session, reflecting a clear expectation by Panamanian officialdom that this round will yield little.

Official indications that Bunker's visit would receive only routine public notice have been borne out by the restrained press coverage and the absence of statements by government spokesmen. The one exception was a negotiation adviser's charge in Mexico last week that the US has deliberately jammed the negotiations and is seeking Torrijos' overthrow. This was privately disclaimed by Panamanian chief negotiator Juan

Tack, who told US officials the adviser had departed from established guidance.

The advance publicity given Bunker's September visit generated unfulfilled expectations of a breakthrough in the negotiations. By contrast, the press this month has virtually ignored several changes announced in US Canal Zone practices that might have been portrayed as indicating a more forthcoming US position. The changes include reducing the number of security positions and thereby opening more jobs to Panamanians, integrating the Latin American schools in the zone into the American system, and

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providing for equal competition for housing without regard to nationality.

Panamanian spokesmen and the controlled press have been increasingly blunt in making the point that they expect little progress until after the US elections in 1976, believing that political considerations will prevent US compromise on sensitive treaty issues. The Panamanians may well see the current round not as a time for compromise but for hammering away at their major points—whose central aim is an end to the US presence by the end of the century. [redacted]

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92-93

GUATEMALA-BELIZE: THE UN VOTE

Guatemalan officials are taking the UN vote on Belize in stride. Soon after the UK-Caribbean sponsored resolution passed overwhelmingly in the UN committee on trusteeships last Friday, the government announced that it will simply refuse to heed it. Officials said the resolution, which called for Belizean independence, self-determination, and territorial integrity, was no more than a "recommendation" and had no legal force. Until recent weeks, Guatemala had been threatening to use military force against Belize if the UN approved a "humiliating" resolution.

The Guatemalans have not yet responded to the British offer to resume negotiations early next year. Negotiations will be difficult for them so soon after the defeat in the UN. Guatemala may next try to get the Organization of American States or the International Court of Justice to consider the matter.

The press in Guatemala, meanwhile, has begun a search for scapegoats. Its targets are Foreign Minister Molina and his colleagues. They are being criticized for not anticipating that Mexico would reassert its long-dormant claim to the top part of Belize and for inadequately presenting Guatemala's argument in the UN. [redacted]

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ARGENTINA: MILITARY ROLE GROWS

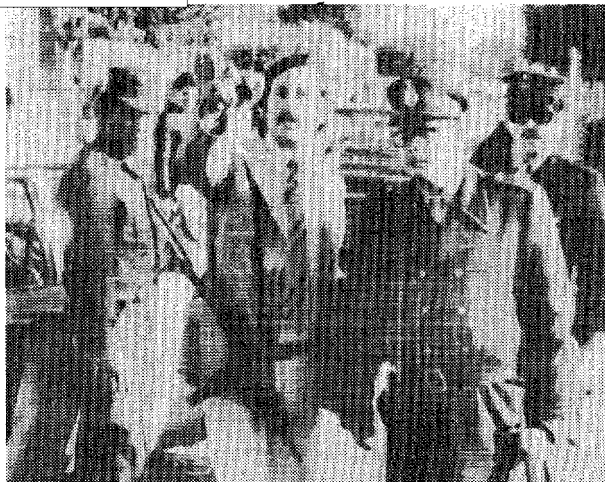
President Peron, still fighting to remain in office, is temporarily benefiting from increased military participation in the anti-terrorist struggle.

Military leaders seem pleased that the administration finally acceded to their long-standing wish for greater participation in the counterinsurgency effort. The armed forces are acting on the basis of last month's presidential decrees establishing national defense and internal security councils. Intensified counterinsurgency operations may divert those officers who otherwise might be plotting against the President.

In recent weeks, the police and the military services have carried out large-scale operations in Tucuman Province, long a terrorist stronghold. They have also conducted numerous searches in urban and rural areas elsewhere, and road and highway checkpoints have been set up all over the country. Hundreds of suspected subversives reportedly have been arrested, and some have been killed in sweeps that for the first time have been supported by helicopters and other aircraft.

For the moment, the increased military role in the counterinsurgency effort seems to be alleviating the pressure on Peron. In the longer run, however, it could pave the way for greater military influence in national affairs. [redacted]

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Searching operation against Argentine terrorists

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94

AUSTRALIA: CAMPAIGN ISSUES

The latest polls show public opinion about equally divided between the two major parties. The outcome of the national elections on December 13 will probably be determined by the reactions of swing voters to two leading issues: the state of the economy and the controversy over the constitutional powers of the Senate and the Governor General. Foreign policy questions are receiving relatively little attention, and it is unlikely that there will be any significant short-term effects on Australia's relations with the US. The somewhat more independent posture in world affairs that emerged over the last three years under the Whitlam government would probably be retained by a new Liberal-Country administration.

The differences over domestic policies and the administrative capacities of the rival parties are probably not as important as the long-term effects of the manner in which the election was forced—the Governor General's unprecedented dismissal of Prime Minister Whitlam. Labor Party leaders and the rank and file have been deeply embittered by what they regard as the improper tactics of the Liberal-Country coalition and the Governor General.

Labor's Best Issue

It was Whitlam's avowed aim to make the constitutional issue of his ouster from office "the great issue, almost the sole issue" of the campaign. He and his supporters have been placing heavy emphasis on the alleged threat to political stability from the recent maneuvers of Liberal-Country party leaders as well as on the constitutional impropriety of the present Liberal-Country government.

Right now, these themes seem to be having considerable impact among the swing voters. The impact is wearing off, however, and, as the Liberal-Country candidates aim their fire at Labor's mismanagement of the economy, Laborites are concluding that they cannot avoid addressing the economic issues.

The Liberals' Best Issue

The state of the economy is Labor's greatest liability and gives the Liberal-Country coalition its strongest argument that a change is needed. When Labor first took over in December 1972, the Australian economy was riding high. Now Australia is suffering from a very serious inflation, the highest unemployment since the depression of the 1930s, and a record budget deficit.

The main question is whether the swing voters will hold the Laborites responsible for the economic decline. Caretaker Prime Minister Fraser and his allies are blaming the Whitlam cabinet for driving off new foreign capital, destroying business confidence, and generally mishandling the administration of the economy. Fraser, using government figures to back his claims, is charging that under a new Labor government the national deficit, inflation, and unemployment will become far worse than anyone had forecast.

Labor is responding that the economy was inevitably the victim of international pressures that have damaged many other economies as well, that Labor had been coping effectively, and that recovery was well on the way at the time of Whitlam's ouster. The most recent budget presented by the last Labor cabinet is regarded by economists as sound and not providing an easy target. Major changes in fiscal policy by a Liberal-Country government are unlikely, and the main justification for a change to Liberal-Country management of the economy would not be a greatly different budget but possibly a better team of managers implementing the budget.

While both contenders attempt to steer debate to the most favorable issues, neither can be sure of voter attitudes in the wake of the turbulent political scene of the past several weeks. Labor has taken heart, however, from the latest public opinion polls placing it about even with

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the Liberal-Country coalition, a dramatic recovery from the 30 percent lead accorded the coalition last July.

A Labor defeat in the elections will generate a strong reaction in the labor movement that could:

- prompt widespread strikes and violence;
- weaken the authority of moderate party leaders and enhance the strength of the leftists within the labor movement; and
- deepen class divisions within Australian society and in labor-management relations.

Regardless of the outcome, the way the elections were forced will leave a long-term legacy of vindictiveness and hostility that will inevitably affect the atmosphere of Australian politics and confront the next government with greater difficulties in overcoming intractable economic problems.

95-97

LAOS-THAILAND: BORDER CLASH

A border clash along the Mekong has added to the already strained relations between Bangkok and Vientiane.

Pathet Lao forces badly damaged a Thai patrol boat, killed a Thai sailor, and wounded several others during the clash which began on November 17. Thai troops, tanks, and artillery were sent to the scene, and Thai aircraft provided cover during nine hours of skirmishing as Thai forces attempted to recover the body and patrol craft. The Lao also moved reinforcements, including tanks, to the area.

Clashes along the Mekong began in late 1972 when the first communist troops reached the banks of the river. Incidents have increased in number and intensity since the collapse of the Lao coalition government last spring. Over 40 clashes have been reported since last April, but no casualties occurred until October 9 when five Lao were killed.

Several factors besides mutual antagonism contribute to the trouble:

- Pathet Lao troops are cocky and belligerent, ready for any real or imagined intrusion into their territory.
- A series of old Franco-Thai agreements gives the navigable channel in most areas to the Lao, but Thai commercial and naval craft have always used these waters fairly freely.
- Thai troops have for years been engaged in smuggling in some areas, and discipline has long been a problem.

In the past, the Thai government has tried to play down the significance of the skirmishing along the Mekong, but this time Bangkok ordered its ambassador to Laos home "for consultations" and has closed the border opposite the Vientiane area to all travel and transit of goods. If the border is closed long, it would have considerable impact. Vientiane depends on transit across Thailand for its fuel and much of its food. Bangkok has also renewed calls for high-level talks to resolve border problems.

The Lao have rejected all Thai calls for negotiations on the Mekong problem and in numerous propaganda blasts have blamed the Thai for all incidents. On November 26, however, the Lao moved to ease tensions by announcing a willingness to allow the Thai to retrieve a patrol boat which had been beached on a small island following the skirmishes of November 17-18. The Lao probably expect that the Thai will reciprocate by reopening the border.

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CHINA

AID POLICIES

98-104

The visit of Burma's President Ne Win to Peking last week brings into focus China's new emphasis on improving economic relations and enhancing its political position with its Asian neighbors. The Burmese President, on his first visit to China in five years, reportedly negotiated new Chinese support for Burma's hard pressed economy. Over the past two years, Peking has concluded initial economic agreements with Malaysia, the Philippines, and Thailand and is providing continuing support to Cambodia and Laos.

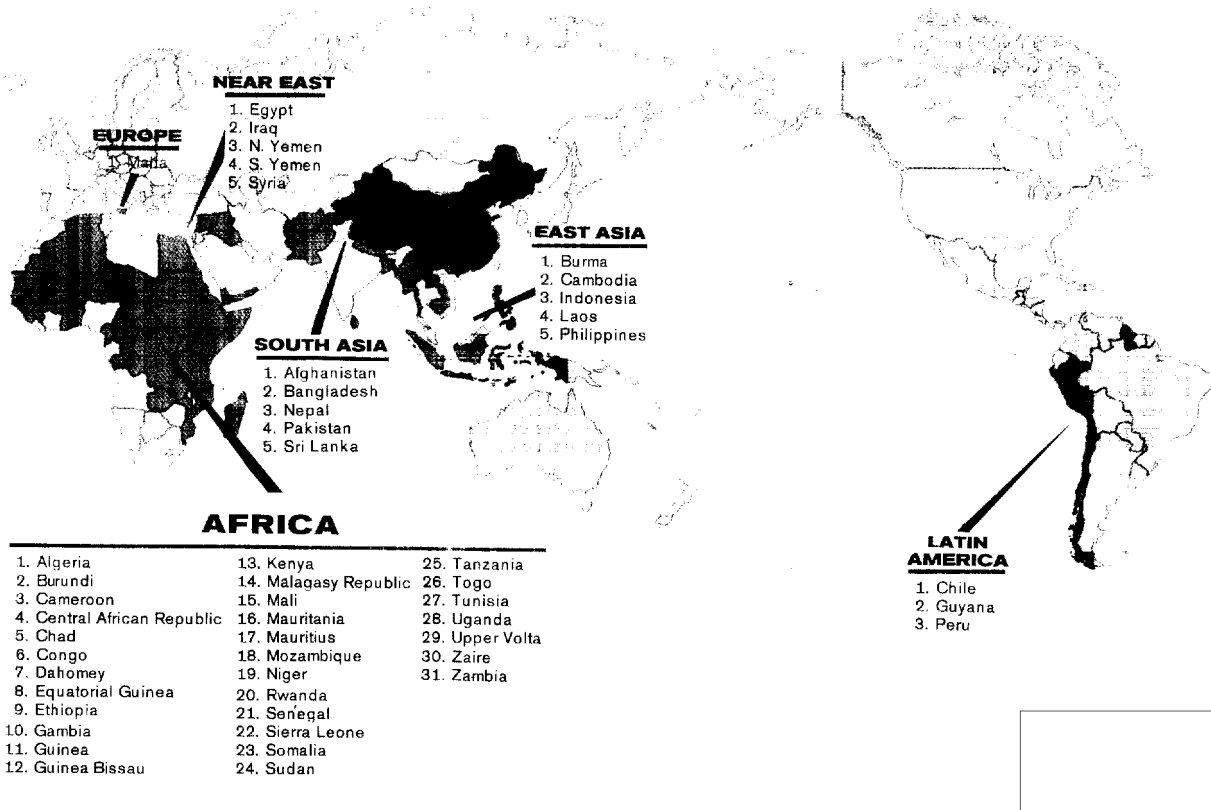
The bulk of the Chinese aid program, however, is directed toward Africa. From 1970 to 1975, China pledged two thirds of its \$2.7-billion aid total to African countries. A \$400-million credit for the Tan-Zam railroad gave Tanzania and

Zambia first and second rank among Chinese clients after 1969. South Asia, principally through pledges to Pakistan, has claimed an additional 20 percent of Chinese commitments, trailed by the Near East, with 10 percent. China began a small effort in Latin America in 1971, but has done little to implement the agreements.

In 1970, Peking abandoned its ideological criteria for support, i.e., that the recipients must be leftist oriented, and began seeking a broader economic role among Third-World countries. In that year, Peking pledged more than \$700 million in new aid, a record commitment almost ten times larger than average annual aid in previous years.

Despite its modest size, Chinese economic assistance has carved a niche for Peking in the global aid scheme of things. Although deliveries under the program have averaged only about

CHINA: Economic Aid to Developing Free World Countries



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Chinese Economic Aid to Developing Countries <i>(Million US \$)</i>		
	<u>1956-69</u>	<u>1970-75</u>
Africa	376	1,698
Somalia	22	112
Zaire	..	100
Zambia	18	262
East Asia	166	83
Europe	..	45
Latin America	..	143
Near East	191	183
South Asia	287	526
Nepal	66	117
Pakistan	141	250
Sri Lanka	41	114

and food-processing facilities are built at low cost and put into production rapidly.

China compensates for shortages of local funds and skills as part of its assistance package. Peking provides commodities to finance local construction costs and administrators, skilled personnel, and large numbers of unskilled laborers to carry out construction.

Peking's aid terms are far more attractive than those of other Communist donors, approaching those offered by the West. Grants account for about 15 percent of the total, compared with less than 2 percent in other Communist programs. China also has provided the equivalent of \$1 billion in free technical services to development projects.

China's aid program has been quite successful. African countries are quick to praise the economic contributions of Chinese projects, which provide employment for large numbers of local workers and whose output often consists of products formerly imported for hard currency. For China, international political gains have loomed large in proportion to actual expenditures for aid. China's economic importance among poorer countries will continue to grow as it carries out projects under the \$2.4 billion of aid still in the pipeline.

\$165 million annually over the past five years, comparable to the efforts of Belgium and the Netherlands, China's aid has been highly visible and has had considerable impact. The image of China's support to Africa is one that few major powers are effectively challenging. China has gained stature among developing countries by focusing on countries where China's skills and technology are applicable, by offering a carefully supported aid package, and by providing low cost, quick return projects on easy payment terms.

China's development assistance provides easily perceived benefits in a short time. Profiting from its own postwar experiences, China has emphasized labor-intensive agricultural, transportation, and light-industry projects that require minimum skills for construction and operation. Plants, such as textile, plywood, paper,

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