

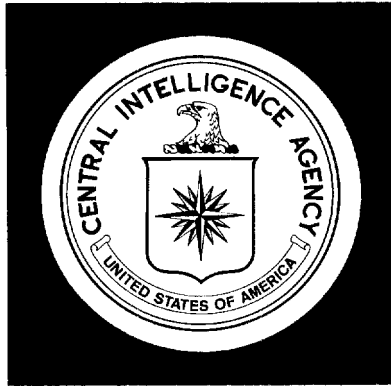
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Weekly Summary

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No. 0049/75

December 5, 1975

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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.

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ANGOLA

Civil War Continues

Angola's civil war continues to lurch along in its characteristic tug-of-war fashion. Despite an array of self-serving claims and counterclaims, it is apparent that neither of the two opposing forces has yet achieved the upper hand.

An advance along the coast from southern Angola by the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola appears to have temporarily run out of steam around Novo Redondo, some 200 miles south of Luanda. Earlier claims by the National Union that it had advanced as far north as Porto Amboim were apparently unfounded.

The most notable military development during the past week was the capture of Luso by the Popular Movement for the Liberation of Angola. Luso sits astride the Benguela railroad, and its capture effectively dashes any early hopes on the part of the National Union to restore traffic along the line. A large Popular Movement force moving westward from Luso has been stalled approximately halfway between Luso and Silva Porto by a National Union counterattack.

North of Luanda, fighting between the Popular Movement and the Zairian-backed National Front has remained in a state of flux for several weeks, with inconclusive fighting around the Lifune River near the coast and some 60 miles southeast of Carmona.

Political Maneuvering

On the political scene, the Popular Movement continues to make slow but steady progress. During the past week the People's Republic of Benin (formerly Dahomey) became the twelfth African state to recognize the regime established by the Popular Movement on November 11.

Somalia, along with other backers of the Popular Movement—Guinea, Congo, and Mozambique—hopes to change the Organization of African Unity's policy from neutrality to endorsement of the Popular Movement regime in Angola as the legitimate government. An OAU summit meeting was proposed by Somalia last month, and it now appears likely to receive approval of the two thirds of the organization's 46 member states necessary for it to be convened.

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Ugandan President Idi Amin, in his capacity as chairman of the OAU, is seeking to postpone the summit meeting. Amin announced on November 27 that Uganda will not play host to the summit.

Amin would prefer to avoid contention—and a possible OAU policy shift—by convening the ad hoc military advisory commission on Angola instead of a summit meeting. It seems unlikely, however, that Amin could accomplish anything at a meeting of the commission.

In any case, it appears that the OAU may be moving away from the effort to mediate and will focus instead on the issue of outside intervention, particularly that of South Africa.

The growing publicity about South African military support for the National Front and the National Union is becoming a serious political liability for the two Angolan groups. Continued publicity of South African activities in Angola could well convince more African countries to recognize the Popular Movement. Many African states are concerned about Soviet involvement in Angola, but view it as an extension of long-standing Soviet support for the Popular Movement during the insurgency against Portugal. Their con-

cern over the Soviet role is outweighed by their concern about the South Africans.

USSR Accuses US

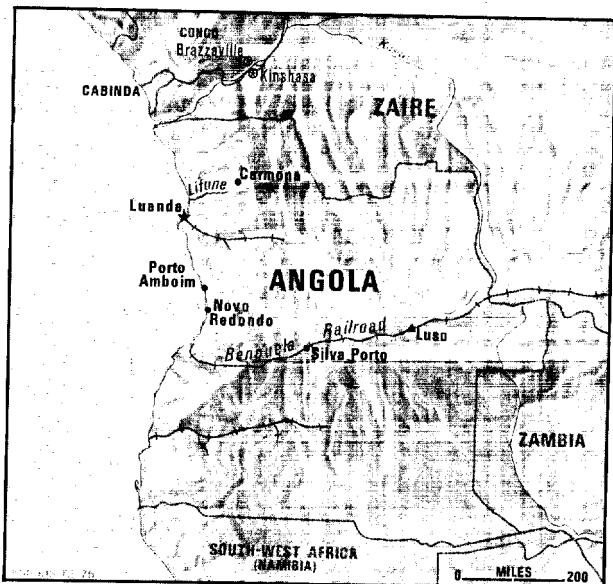
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The Soviet central press is giving heavy play to allegations of extensive US military intervention in Angola on behalf of the Popular Movement's rivals. This may be Moscow's way of responding to Secretary Kissinger's recent public warnings that continued Soviet and Cuban support for the Popular Movement could have serious consequences for detente.

The Soviet media have concentrated on replaying charges made by various American and African journals. *Pravda*, however, broke stride earlier this week by running an article which asserted that US (and NATO) "servicemen," along with weapons and other military equipment, were being "rushed" to Angola to reinforce the ranks of "foreign interventionists" fighting there.

In an apparent effort to further justify Soviet involvement in Angola, Kremlin propagandists are continuing to refer to US-Chinese collusion in the former Portuguese territory. *Pravda*, for example, has speculated that Angola might be high on the agenda in the talks this week between President Ford, Secretary Kissinger, and Chinese leaders in Peking. The Communist Party daily had earlier charged that the Chinese had approached the US to suggest "parallel or joint efforts" against the Soviet-backed Popular Movement.

Soviet commentators are also going to great lengths to emphasize that detente with the West in no way precludes Soviet support for national liberation struggles elsewhere in the world. In an editorial on the limits of detente, *Izvestia* on December 2 said that "some people would like to have us believe that the process of easing tension in the world and support for the national liberation struggle are incompatible things. They have tried to assert this in the past but in vain." The editorial closed by noting that "the detente process does not mean—and never has meant—the freezing of the socio-political status quo in the world."



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Ian Smith and Joshua Nkomo at signing ceremony in Salisbury

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RHODESIA: SETTLEMENT TALKS

8-9

Rhodesian Prime Minister Ian Smith and Joshua Nkomo, the leader of a major faction of the black nationalist African National Council, this week signed a "declaration of intent" to begin substantive negotiations on a constitutional settlement for Rhodesia. The declaration, worked out by Smith and Nkomo in several private sessions, states that they will undertake a series of meetings in Rhodesia to discuss all constitutional issues and to work for a settlement "acceptable to all" of the Rhodesian people. Smith and Nkomo are to meet again next week to plan for the negotiations.

Under the declaration, the Rhodesian government agreed to grant immunity from arrest and freedom to enter and leave the country to all nationalists named by Nkomo to participate in the settlement talks. Smith's refusal to grant such immunity caused the failure of the Victoria Falls conference last August between the Prime Minister and a broad coalition of nationalists. Nkomo may have persuaded Smith to change his position on immunity by promising not to invite nationalist leaders who are anathema to the Rhodesian regime—such as Ndabaningi Sithole—to participate in the talks. Both Sithole and Bishop Muzorewa continue to challenge Nkomo's election last September as head of the council and his right to negotiate with Smith on behalf of the nationalists. Sithole has already denounced the Smith-Nkomo declaration and has asserted that the militant faction he heads will soon resume guerrilla warfare against the Rhodesian regime.

Nkomo reportedly is trying to strengthen his support by wooing disaffected members of Sithole's faction who live in Rhodesia and in exile. He reportedly has had some limited success, even though he has not indicated whether he will invite any rival nationalist leaders to join in the settlement talks. Nkomo also has been seeking support from the four African presidents who have been trying to arrange a Rhodesian settlement in collaboration with South African Prime Minister Vorster. Zambian President Kaunda and Botswanan President Khama apparently favor Nkomo, but Tanzanian President Nyerere and Mozambican President Machel have been sympathetic to Sithole and Muzorewa. Nkomo believes, however, that Nyerere will not oppose the settlement talks even though Nyerere seems to feel the negotiations will be fruitless. Nkomo hopes that Machel will adopt a similar posture.

Settlement talks will be prolonged and difficult, and could collapse. Both sides will have to bargain over such tough issues as extending the voter franchise to more blacks and establishing a transitional period leading to majority rule. Nkomo has indicated that he will press for early majority rule—publicly he has referred to a transition period of a year—but Smith is unlikely to agree to such a time frame, which probably would be opposed by many white Rhodesians. Until now, Smith has successfully played upon the nationalists' disarray to delay talks, and he can be expected to employ tactics aimed at avoiding a final settlement for as long as possible.

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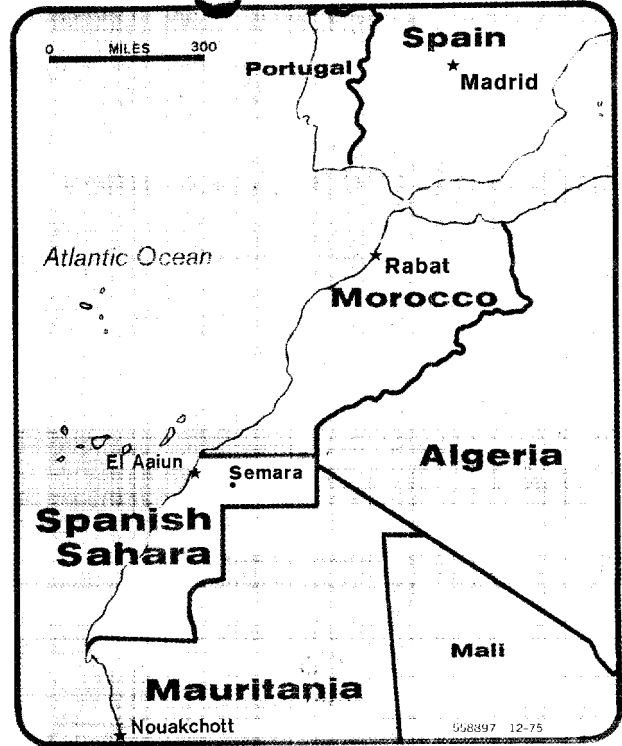
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SPANISH SAHARA: RABAT MOVES IN

Morocco is moving rapidly to establish an administrative apparatus and a military security force in northern Spanish Sahara. Rabat is also seeking UN acquiescence in the recent Spanish-Moroccan-Mauritanian agreement, which provides for a phased turnover of the territory's administration to Rabat and Nouakchott. Algeria, meanwhile, is continuing its support for a Saharan independence movement and is trying to block implementation of the agreement by lobbying at the UN for a referendum on self-determination.

Morocco's top official in the Sahara, assistant governor Ahmed Bensouda, has played an active role since his arrival in the territorial capital of El Aaiun last week. Numerous Moroccan officials have traveled to El Aaiun to participate in administering the territory, and postal service, air line connections, and telephone links have been quickly set up. Morocco's claim that Saharan views are being taken into account was buttressed on November 29 when the Saharan territorial general assembly formally approved the trilateral agreement and announced its allegiance to King Hassan.

Last week Hassan publicly acknowledged that Morocco was conducting "security operations" in the Sahara. Clashes are continuing in areas of northern Sahara between Moroccan forces and elements of the Polisario Front, the pro-independence Saharan group supported by Algeria. Polisario spokesmen claim their forces are fighting in the northeast against a Moroccan



"invasion force" of eight battalions reinforced by several companies of marines and heliborne paratroopers. Moroccan troops occupied the town of Semara on November 27.

Algeria is continuing propoganda attacks against Morocco. The press and radio are highlighting claims by Polisario spokesmen of Moroccan atrocities against civilians in the Sahara. The media are also charging that Spanish officials aided in Rabat's take-over of Semara and some outposts in the northern part of the territory.

At the UN, Algeria and Morocco are supporting competing proposals for a resolution the trusteeship committee would submit to the General Assembly. The Algerian-Tanzanian draft calls for Madrid to transfer administration of Spanish Sahara to the UN next February and to leave its military forces in place under UN control. The UN would govern the territory for six months, while a commission consisting of the UN representatives of the four countries involved in the dispute would "determine the will of the people." A draft supported by Morocco would have the UN in effect acquiesce in the tripartite agreement by merely taking note of it. An African working group is trying to hammer out a compromise, so far without success.

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ISRAEL: REACTION TO UN RESOLUTION

The UN Security Council resolution of November 30 on the Middle East drew an angry reaction from Israeli official and public circles. The resolution, which renewed the mandate of the UN force on the Golan Heights for another six months, calls for a debate in January on the Middle East problem, "including the Palestine question." A separate statement of understanding, supported by a majority of the council but opposed by the US, urged participation by the Palestine Liberation Organization in the debate.

Rejecting the council's linkage of the renewal of the UN mandate with broader political issues involving the Palestinians, the Israeli cabinet denounced the resolution as "likely to disrupt" progress toward peace. While the cabinet accepted the extension of the UN mandate, it announced that it would boycott the January debate.

Much of the anger and dismay in Israel over the resolution appeared to be directed not so much at the Security Council as at the United States. According to the diplomatic correspondent for the Jerusalem Post, Israeli officials fear that the US vote in favor of the resolution heralds further moves by Washington toward accommodating the PLO. Other Israeli papers decried the vote as "capitulation," and some private citizens characterized the vote in conversations with a US embassy officer as "a Munich-type sell-out."

Israeli unhappiness with the vote may force the government to take greater account of the sentiments of those opposed to any concessions on territorial questions. A decision on December 1 by a cabinet committee authorizing establishment of four new settlements on the Golan Heights was clearly designed to dramatize the government's firmness. The move, however, also serves to appease Prime Minister Rabin's hard-line critics. The government had already come under pressure from powerful pro-settlement groups to permit increased settlement in



Secretary of the Israeli cabinet reads communique rejecting the UN resolution

the occupied territories following earlier anti-Israeli UN resolutions, especially the one in early November equating Zionism with racism.

The cabinet has long been divided on the settlement issue. The kibbutz movement affiliated

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with the dominant faction of Rabin's Labor Party announced its intention last month to sponsor an additional Golan settlement, as did the kibbutz movement associated with Labor's leftist coalition partner, Mapam.

Faced with the task of attempting to placate the powerful pro-settlement forces while also seeking to leave open the possibility of peace negotiations with the Arabs, Rabin has been anxious to keep the settlement question from becoming a major political issue. By giving in to the pro-settlement groups on the establishment of the four settlements on the Golan, the Prime Minister may hope to ease the pressure for additional settlements on the West Bank and in northern Sinai.

Air strikes earlier this week on fedayeen camps in northern and southern Sinai, while probably intended primarily as retaliation for a fedayeen attack on a Golan settlement late last month, may have also been a reflection of Israeli anger over the Security Council action.

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USSR-PALESTINE: ARAFAT IN MOSCOW

The USSR sought to use the visit to Moscow last week of a PLO delegation headed by Yasir Arafat to stake out a more prominent role in Middle East diplomacy. The Soviets made little headway, however, in promoting the proposal they made on November 9 for reconvening the Geneva conference.

The communique marking the end of the visit indicates that Arafat gave little more than lip service to Moscow's initiative. The Palestinians seem to be looking to the UN to generate momentum for their cause, but Moscow is cool to pursuing Middle East issues in a forum where its influence will be diluted.

The already slim prospects for Geneva were further reduced when Moscow indirectly rejected a US proposal for a preliminary meeting to consider Palestinian participation at Geneva. In a speech on December 2, Soviet Foreign Minister Gromyko labeled preliminary talks an "evasion" and said the PLO's participation was "obligatory" at any meeting or conference on the Middle East. Gromyko's response marks a continued hardening of the Soviet position on peace talks and is one more sign that Moscow sees little prospect for serious negotiations in the near future.

During Arafat's visit, the Soviets apparently again pressed the PLO to make some move toward affirming Israel's right to exist. The communique said that a Middle East settlement could be achieved on the basis of UN resolutions and the UN charter if Israel withdrew its forces from occupied Arab territories. This implicit acknowledgement of Israel's existence within its 1967 borders was sufficiently ambiguous, however, to leave Arafat considerable room for maneuver.

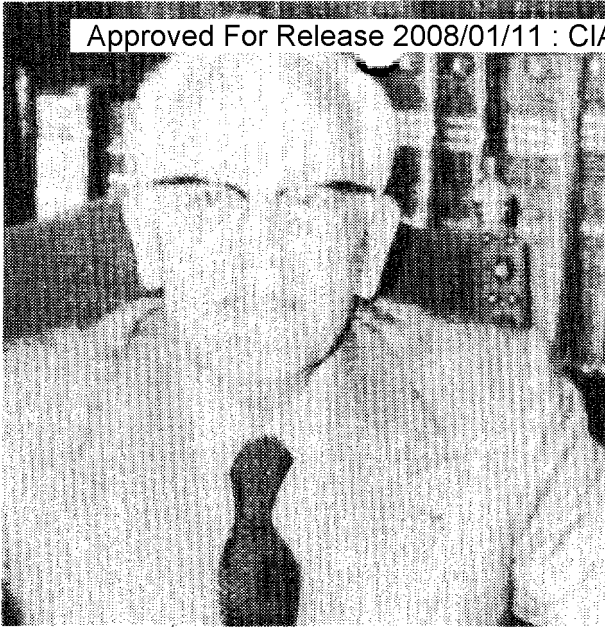
Although the communique predictably knocked Sinai II and castigated "certain quarters" for undermining Arab unity, it did not criticize either Sadat or the US by name.

Arafat had no conversations with any official higher than Foreign Minister Gromyko and party secretary Ponomarev, and the Soviets continue to withhold formal endorsement of the PLO as the sole legitimate representative of the Palestinians. As a result, Moscow is able to maneuver among different fedayeen factions, and exercise some leverage over Arafat.

The situation in Lebanon and Soviet arms supplies to the fedayeen were undoubtedly discussed but were not mentioned in the communique. Three fedayeen leaders with military responsibilities went to Moscow with Arafat, suggesting that the Palestinians intended to press for additional arms supplies to replace weapons given to Lebanese leftists.

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President Franjyah

UPI

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LEBANON: QUALIFIED OPTIMISM

A reconciliation between President Franjyah and Prime Minister Karami last weekend and their joint decision to bring major political groups into the cabinet have given the Lebanese some hope of easing the country's civil strife. Optimism over the government's new initiative was qualified, however, by renewed fighting in cities north and east of Beirut and by heavy Israeli air strikes on Palestinian camps in Lebanon.

In back-to-back speeches televised last Saturday, Karami and Franjyah joined in an appeal for national unity and public support for a government program to initiate political reform—the first step of which is to be expansion of the government to include all of the country's main political factions. Discord between the Muslim Prime Minister and the Christian President has in many respects mirrored the bitter antagonisms underlying Lebanon's turmoil; the unusual show of unity between the two consequently has given an important boost to public morale.

The reconciliation will make Karami's task of putting together a more representative government easier. However, he still faces serious resistance from Socialist leader Kamal Jumblatt and other Muslim leftists who believe an enlarged cabinet will work to the advantage of the Christians.

Expansion of the cabinet would reduce the importance of the national dialogue committee, in which Lebanese leftists are overrepresented. The Christians would also have a better chance to delay or at least set the terms of any agreement on political changes that might erode their dominant position.

Jumblatt or someone representing him will have to be included in a new government if it is to be at all effective. Jumblatt reportedly is backing down from his refusal to be represented in a government that includes the Christian Phalanges Party, but he apparently is still holding out for guarantees that adjustments favoring Muslims will be made in the political system.

Karami is moving as quickly as he can to put together an acceptable cabinet, but his effort may drag on for some time. Renewed tensions around Tripoli and Zagharta and fighting in Zahlah will increase the reluctance of leaders of warring factions to cooperate with him. A flareup in Zahlah triggered the collapse of the cease-fire last August. Although this time, security forces have moved to contain the fighting, it nevertheless could again threaten the relative calm in Beirut.

The uncertain political and security situation has been further complicated by heavy Israeli air strikes on December 2 against several Palestinian camps in northern and southern Lebanon. The attacks were the first in about three months and were the farthest north that the Israelis have bombed in nearly three years. According to US officials in Beirut, well over 100 people are feared dead, many of whom were apparently civilian noncombatants.

The raids, by shifting attention to the Israeli challenge, have stalled efforts by the Lebanese army and Palestinian security forces to bring radical elements under control. The government has called for a special UN Security Council session to discuss the raids, a departure from Lebanon's usual practice of simply issuing formal complaints against the Israelis.

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OPEC COUNTRIES: IMPORT DEVELOPMENTS

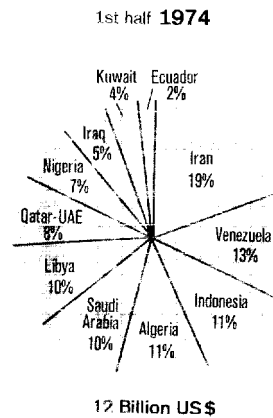
Recent data indicate that, overall, OPEC imports have leveled off since June. The food segment, however, which constitutes about 10 percent of the total, will continue to grow about 15 percent a year and will have an increasing impact on world food markets.

Merchandise Imports Level Off

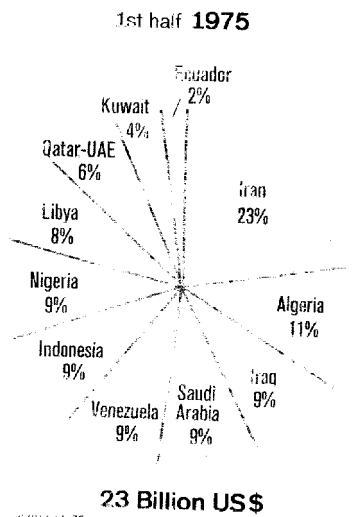
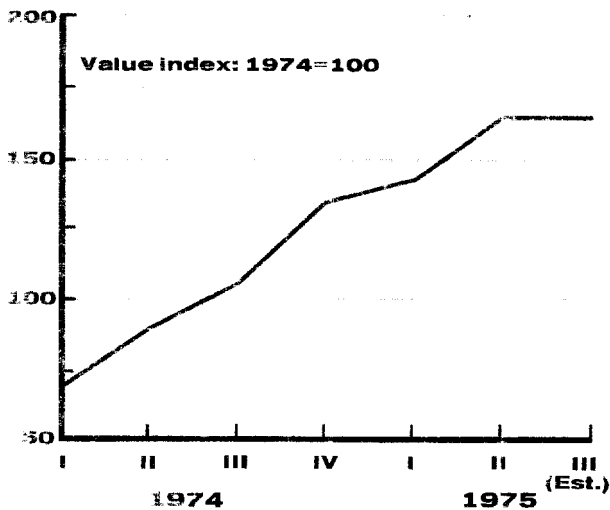
OPEC imports, which totaled \$28 billion in the first half of 1975, compared with \$11 billion in the second half of 1973, appear to have leveled off in the third quarter at approximately \$15 billion. Fragmentary data indicate that Saudi Arabia was the only country whose imports continued to increase rapidly in the third quarter. The imports of Iran, Nigeria, and Kuwait grew at only a fraction of previous rates, while imports of the remaining OPEC countries declined. Port congestion and emerging financial constraints in some countries were largely responsible for the lack of growth in the third quarter; these factors will continue to impede imports in the fourth quarter. The slowdown may also be partly seasonal. We expect OPEC imports to total \$56 to \$58 billion for the year, up 60 percent from 1974.

OPEC countries have increased purchases of foreign goods at a dizzy pace since the oil price hikes of 1973-74. The rise through mid-1975 was fastest—annual rates of 130 percent or more—in Iran, Iraq, and Nigeria, where the availability of foreign exchange had previously been a constraint on imports. Saudi Arabia's ambitious development plans also stimulated import growth at an annual rate above 100 percent. Venezuela

OPEC: Imports from OECD Countries



OPEC Imports



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and Indonesia, where oil production is smaller relative to the size of the economy, experienced the lowest rates of import growth—about 50 percent annually.

In a number of cases the slowdown probably reflects the end of the initial spending spree as import bills approach export earnings. Indonesia imposed import controls in July. Algeria and Ecuador are running current account deficits, and Venezuela's surplus has largely evaporated. Further import growth in all these countries will be limited unless they choose to borrow or cut into reserves.

In other cases the imports have been held down because of administrative and transportation bottlenecks. Port restrictions in Iran, Nigeria, and Iraq and congestion in Saudi Arabia make a resumption of rapid OPEC import growth in the fourth quarter unlikely. Without these four countries, which account for 40 percent of OPEC purchases, aggregate OPEC imports would have declined in the third quarter. Through September the delays in unloading resulted more in a lengthening of the queue than in a reduction of shipments to the four. We estimate that, at best, overall OPEC imports will increase only slightly in the fourth quarter.

Food Purchases Grow

Rapidly expanding demand, lagging domestic agricultural production, and enormous oil wealth are making OPEC members a much more important force in international food markets. The 15-percent annual growth in both food and grain imports experienced in the early 1970s seems likely to continue for the next few years.

We project OPEC food imports in 1978 at about \$10 billion at 1974 prices, more than double the 1974 level. OPEC countries purchased one third of their food imports from the US in 1974, and we expect this share to increase by 1978. If consumer demand were the sole criterion, imports would increase even faster than projected.

Physical and financial constraints in certain countries almost certainly will limit growth.

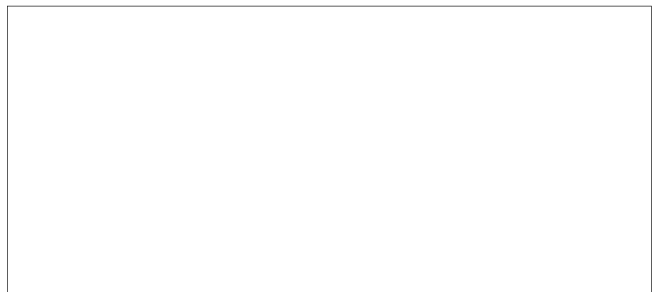
We estimate that OPEC imports of grain will reach 17 million tons in 1978, compared with nearly 10 million tons in 1974. Last year one fourth of world rice exports and one tenth of wheat exports went to OPEC countries, and these two grains will constitute the bulk of new demand. Imports of processed foods, including meat, dairy products, and bakery goods, will boom because OPEC countries will not be able to expand domestic output of these goods sufficiently in the short run. Iran and Iraq will increase their food imports faster than will other OPEC countries, accounting for nearly half of OPEC grain imports by 1978.

Agricultural production within OPEC can be expected to increase only about 3 percent a year. Imports will account for an increasing share of OPEC consumption. 25X1

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BANGLADESH-INDIA: UNEASE CONTINUES

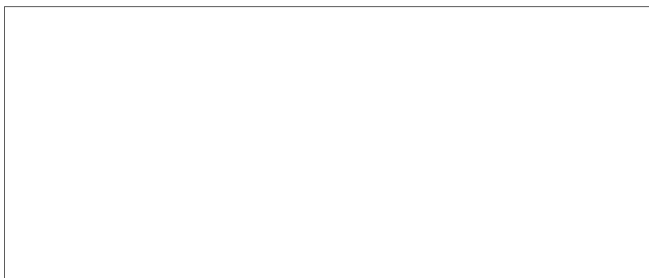
Some Bangladesh leaders, increasingly fearful of the possibility of Indian military intervention in the aftermath of the wounding of the Indian high commissioner in Dacca last week, have been trying to ease tensions with New Delhi. Their efforts have hit some snags, both at home and abroad. New Delhi is still deeply disturbed over the unstable situation in Bangladesh, but apparently has not yet decided to intervene militarily.



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The wounding of the high commissioner apparently forced Dacca to face up to its weak position vis-a-vis India. Since that event, Bengalee leaders have generally sought to avoid action which would antagonize India. The Dacca government has, for example, kept the Bangladesh press generally free of stories that would aggravate New Delhi. Members of the martial law administration have ceased making speeches that, at least implicitly, were critical of India. The government has also attempted to ease the concern of the Hindu community in Bangladesh by increasing police protection for that minority. At the same time, however, Dacca is trying to line up diplomatic support among several friendly countries including Pakistan, China, and some Islamic states.

Evidence in Dacca supports the Bangladesh government's contention that the Indian high commissioner was shot during an attempt to kidnap him by members of a Bangladesh radical opposition party. The plan apparently called for the Indian high commissioner to be held until the government released party leaders recently jailed.

Although Indian press coverage of events in Bangladesh has dropped off over the past week, newspapers continue to feature pessimistic accounts of the Bangladesh situation. Indian officials also are still voicing worry over the safety of Bangladesh's Hindu community and have warned they would be forced to intervene if communal violence flared and a Hindu exodus into India began. They have conceded that so far there has been no flight of Hindus, but the community is reported to be fearful, especially following the wounding of the high commissioner. Hindu as well as Indian apprehensions could be fueled even further by leaflets circulating in Dacca announcing a pro-Muslim, anti-Indian rally this weekend sponsored by a veteran radical opposi-

tion leader.

In the absence of communal violence, officials in New Delhi continue to deny that India is about to intervene in Bangladesh. The Indian commander of forces in eastern India maintains that he has not moved any additional troops to the border—as the Bengalees have alleged—and that he is not preparing for a possible move into Bangladesh. The commander cautioned, however, that if India did decide to intervene, it "would do it quickly and get out quickly."



47-51

IRAN-USSR: EXPANDING ECONOMIC TIES

Soviet-Iranian economic relations are entering a new phase as Tehran, with its increased wealth, is shedding its client status. A recent agreement calls for cooperative efforts to undertake projects in both countries, with the cost estimated as high as \$3 billion. Tehran has also become an aid donor, having recently agreed in principle to provide credits for a paper complex in the USSR.

The changing relationship is evolving from more than a decade of mutually beneficial arrangements made possible by their common border. Beginning with a border dam agreement in 1963, Soviet aid has expanded to about \$800 million and includes a steel mill, a gas pipeline, and smaller industrial and agro-industrial facilities.

The hydroelectric power and water for irrigation from the dam are allocated equally to Iran and the USSR. The pipeline from Iranian gas fields to the Soviet border enables Iran to sell a former waste product to service its economic and military debt to the USSR. Moscow uses the gas to meet the growing energy requirements in Azerbaidzhan and the Transcaucasus, while saving the costs of transporting gas from distant fields. The arrangement also frees Soviet gas to be sold at a higher price to Western Europe. The steel mill was provided by the Soviets at a time when no other country was willing to finance it.

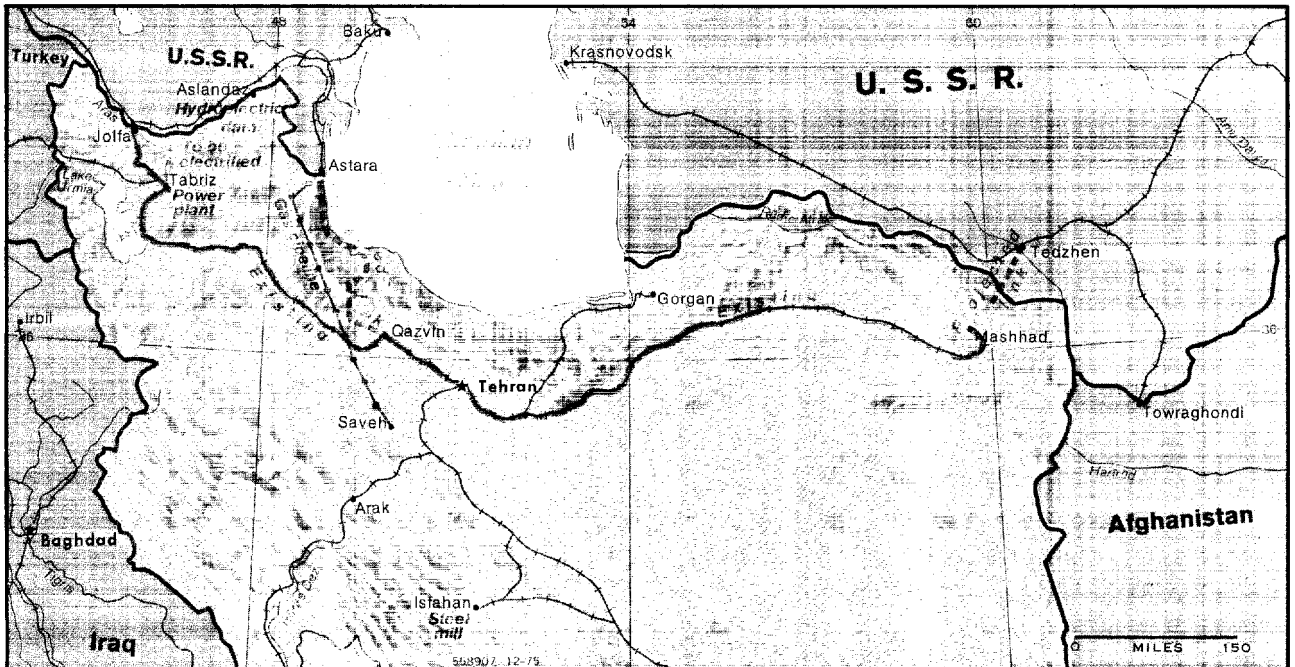
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Soviet Aid Projects In Iran



Projects contemplated under the 15-year cooperation agreement signed in 1972 are a further expression of their mutual economic interests. A second border dam and gas pipeline are planned, and capacity at the steel mill is to be nearly tripled by 1978. September protocols provide for electrifying a 90-mile rail line from Tabriz in Iran to Jolfa on the Soviet border and for studies to build a 100-mile railroad from Mashhad in Iran to Tedzhen in the USSR. Negotiations are in progress for another 200-mile rail line from Qazvin to Astara on the Soviet border. These transport links will help accommodate the growing Soviet-Iranian trade as well as the increasing amount of European goods being shipped to Iran through the USSR.

There is still \$250 to \$300 million in aid outstanding under old credits, enough to cover some of these new projects. Moscow has usually carried through with its aid pledges and will be willing to accept payment in natural gas. Some projects will likely be financed by Iran or jointly, but the Soviets will continue to provide the equipment and technical assistance.

Tehran relies on the West for all sophisticated weapons, but it has purchased \$825 million worth of Soviet military support equipment and arms since 1967 for its ground forces. The ability to pay for military goods with natural gas was an important factor in Iran's decision to buy this equipment.

Rising trade between the two countries has been the consistent by-product of the expanding Soviet aid program. By 1973, trade had increased to eight times the 1962 level; total trade shot up another 75 percent in 1974. For the first time in three years, the USSR ran a trade surplus—\$47 million—as increased exports of machinery and equipment, building materials, chemicals, and edible oils outran expanding imports.

Trade is small, however, in relation to each country's total foreign trade. It is less than 3 percent of both Soviet exports and imports and 1 percent and 5 percent of Iran's. Iran in 1974, nevertheless, was the USSR's third largest trading partner in the Third World.

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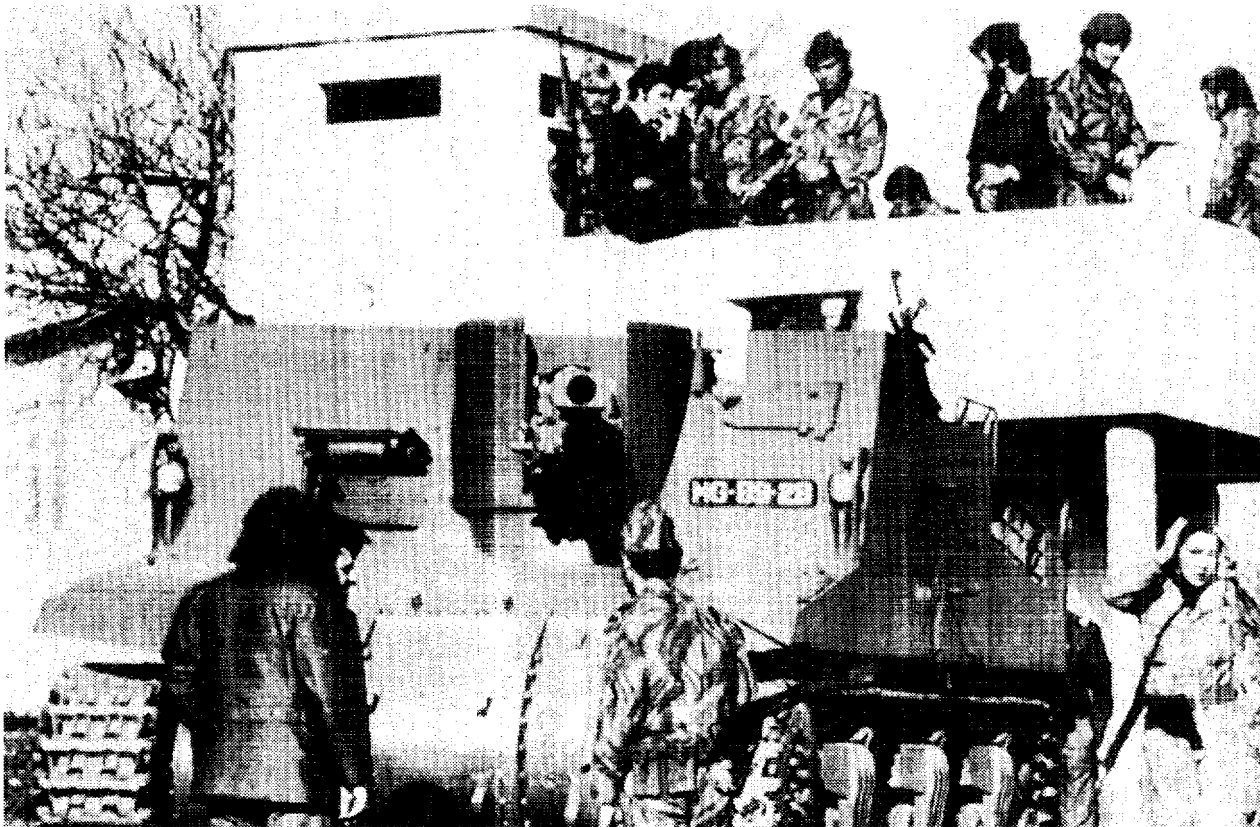
PORTUGAL: TIGHTENING THE GRIP

Anti-Communists in the Portuguese government are continuing efforts to consolidate their power in the wake of the unsuccessful mutiny by leftist paratroops on November 25. A diminished threat from the left does not necessarily portend political stability for Portugal, however, since political differences within the anti-Communist ranks are already beginning to surface and promise to create new frictions.

After mopping up the last vestiges of rebellion with little difficulty, the victorious anti-Communists have moved with surprising speed to bring strongholds of left-wing influence under government control. In the first stage of the wideranging crackdown, leftist officers and soldiers involved in the mutiny were rounded up

and shipped to a prison in the conservative north, where the possibility of leftist crowds marching to demand their release is greatly reduced. A purge of pro-Communists in the military who were not directly involved in the rebellion is also under way in an effort to remove troublesome elements from the military leadership. Security chief General Carvalho, Army Chief of Staff General Fabiao, and Admiral Rosa Coutinho, all of whom anti-Communists had long sought to remove, were among the first to go.

The pro-Communist media, largely responsible for stirring up political emotions and hard feelings against the Azevedo government, were another prime target for the anti-Communist clean-up. The cabinet on December 2 completed



Armored car stands in front of Air Police barracks after rebellious paratroopers occupied air bases around Lisbon

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the nationalization of the television network and nationalized most privately owned radio stations, bringing them all under a single government-controlled corporation. Eight newspapers in which the government has a controlling interest as the result of bank nationalizations last spring—most of them pro-Communist—have been suspended until new managers and editorial boards are appointed.

The government is determined to reassert its predominance in the economic sector as well and intends to impose austerity measures in an effort to stave off further deterioration. Earlier efforts had been effectively sabotaged by Communist-led labor demonstrations in which workers demanded and usually received higher wages. All contract negotiations have been frozen until the end of the year, when the government hopes to have enough strength to impose its will.

Communist strength in the military and the media has been reduced, but the party retains an effective organization as well as substantial support within many labor unions and among agricultural workers in the south. These assets will undoubtedly be used in an effort to regain lost influence, but for now the party is being forced to ease up on its attacks against the Azevedo government and to assume a conciliatory stance in the hope of retaining its position in the present cabinet. Party communiques have denied any Communist role in the paratrooper rebellion, but it is generally accepted that Communist efforts to weaken the Azevedo government created the conditions for the mutiny.

The Socialists and Popular Democrats are seeking to capitalize on the retreat of the Communists. Socialist leader Soares has insisted that the Communists repudiate the uprising and affirm their loyalty to the Azevedo government as the price for remaining in the cabinet. The Popular Democrats—bitterly opposed to the Communists—are taking a harder line and want the Communists out of the government altogether.

Differences are also surfacing between the democratic political parties who want to end the military's dominance of Portuguese politics and

the officers now in power, like Foreign Minister Antunes, who apparently hope to continue to lead Portugal for some time. The Socialists and Popular Democrats by no means see eye to eye on these issues, however, and their differences are coming increasingly into the open. Nor is the military immune to divisions on these issues. Now that the immediate threat from the left has been all but eliminated, old differences are beginning to resurface. More conservative officers are beginning to question the Armed Forces Movement's commitment to socialism as well as its continuing role in politics.

These new frictions created by the diverging interests within the ranks of the anti-Communists will ensure that factional struggles for political power will continue for some time, and are likely to aid the Communists in their effort to make a comeback. [REDACTED]

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SPAIN: JUAN CARLOS MANEUVERS

King Juan Carlos' initial moves appear to be part of an effort to gain more room in which to maneuver, but he is incurring some disapproval, especially among leftists.

The King won the first round in the fight to get his own men in the government with his appointment this week of Torcuato Fernandez-Miranda as president of the Cortes. Fernandez-Miranda also automatically becomes president of the Council of the Realm, the influential body that plays a major role in top government appointments. The council is said to have followed the King's wishes when Fernandez-Miranda was included among the three nominees presented to the King.

A struggle reportedly took place in the council where militant rightists pushed to renominate the more conservative outgoing president Rodriguez de Valcarcel. Leftists have also expressed disapproval because of Fernandez-Miranda's association with Franco's National Movement, the

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Santiago Carrillo

The limited pardon issued by Juan Carlos on November 26 appears to have done little to heal political wounds. Many leftists reacted angrily to the restrictions on the pardon and demonstrated for a general amnesty. The decree has come under heavy criticism for its vagueness, and its scope will depend on how the Justice Ministry interprets the law. Opposition lawyers fear the pardon will free more common criminals than political prisoners.

To show its good faith, the government immediately released several hundred prisoners, including some jailed for political offenses. Among these was Marcelino Camacho, a top leader of the Communist-dominated Workers' Commissions.

Communist Party leader Santiago Carrillo may soon provide a test of the government's political tolerance. He announced on November 30 that he intended to return to Spain soon, regardless of whether he had the government's permission. According to press reports, the Spanish border police have been alerted to prevent his entry, a move that is likely to provoke more leftist anger.

The Communist Party reportedly is concerned about what it views as an effort by the government to isolate it from the rest of the left and is trying to stir up broad opposition to the regime. The Communists have had little success so far, and the Workers' Commissions reportedly backtracked on their earlier call for a general strike within a week or ten days after Franco's death and will wait until conditions are more favorable.

In the meantime, the Communist Party and the Workers' Commissions plan to instigate a series of local "days of struggle" to prepare for a general strike. The first of these localized strikes is planned for early December and will be limited to construction and metal workers in the Madrid area. The strikes are ostensibly intended to protest the government's recently announced decision to limit wage increases to no more than 3 percent above the annual increase in the official cost-of-living index.

only legal political party. He served as minister secretary-general of the Movement and deputy prime minister under the late Carrero Blanco.

In any case, Fernandez-Miranda is expected to be responsive to the King. They have retained close ties since the days when Fernandez-Miranda, then professor of law, was Juan Carlos' tutor in political theory. He will play an important role in promoting the King's choice for prime minister, should Juan Carlos decide to replace Carlos Arias.

The King's next move is expected to be a cabinet shuffle that would bring new faces into the government, including some politicians more acceptable to the opposition.

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EC: THE ROME SUMMIT

The heads of government of the EC Nine, who convened in Rome on December 1-2 for their triannual European Council, resolved a critical dispute with Britain that could spell a net advantage for community cohesion once the dust settles from the long and sometimes bitter exchanges at the summit. The compromise with the UK in effect marked progress towards a common energy policy that has been stalled for years. Decisions were also reached which signal a long-overdue improvement in the management of EC finances and potentially enhance democratic control of community institutions.

In a notable French concession, London's partners apparently accepted the concept of a minimum floor price for oil. The leaders agreed to "decide as soon as possible on appropriate mechanisms to protect and ensure the development of alternative sources of community energy." According to Wilson, this means that the principle of a minimum safeguard price was accepted. If the level is set high enough, it would ensure the profitability of North Sea oil should world prices fall. The Belgian and German leaders told the press that a safeguard price of \$7 a barrel may be agreed upon.

The most significant development was the ten-hour confrontation with Prime Minister Wilson over London's demand for its own seat—in addition to the one allocated to the EC—at the mid-December Conference on International Economic Cooperation.

Paris also made an important concession to Britain and to its other EC partners in agreeing to a scheme for community oil-sharing in an emergency, along the lines of the plan adopted by the International Energy Agency. Although France does not intend to join the agency, its acceptance of an oil-sharing scheme—although under EC aegis—obviously brings it more in line with the agency's work programs.

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Commission proposals for a common energy policy are expected to be submitted to an EC Energy Council next month. The community's guidelines for the conference are at present excessively general, reflecting the inability of the members to reach a consensus on key issues. The summit agreements may now aid commission efforts to put together a package which will facilitate cooperation regarding energy developments in the community.

Major Elements of the Compromise

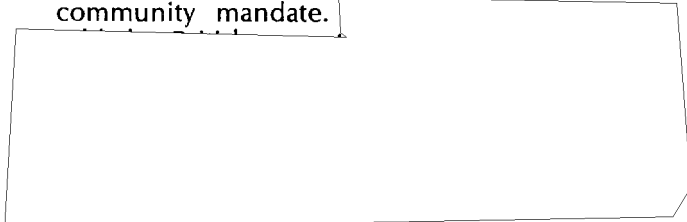
Britain dropped its demand for a separate seat. The EC will be represented by the Presidents of the EC Council and the Commission. British Foreign Minister Callaghan will also be a part of the delegation, as will an official from Luxembourg, which assumes the EC presidency at the end of this month. The summit agreement provides that statements by "a member of the community delegation" must stay within the community mandate.

Other Issues

Although energy-related matters dominated the summit, the Nine leaders addressed other substantive issues.

It was agreed, in addition, to hold direct elections to the European Parliament—as provided by the Rome Treaties—in the summer of 1978. The date was set despite British and Danish pleas that earned them a one-time exemption; they nevertheless must conform to community practice for the 1982 elections and may in fact now

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come under pressure to adhere to the earlier date. Direct elections are expected to provide a strong impetus for a meaningful increase in parliament's role.

Agreement was reached on introducing a uniform EC passport in 1978. This has mainly a symbolic value in that it makes visible some progress toward "community citizenship."

The leaders, however, agreed upon several measures intended at least to partially placate German and British concerns over EC spending and overall problems of financial management, although the Germans withdrew a demand for further budget reductions. The commission was charged with working out by January 1977 the specific terms of reference for a budget commissar within the commission. The European Parliament is to be asked to consider establishing a committee on public expenditure, and the Nine will press ratification of a treaty which establishes a European Court of Auditors.

The Nine, following a British suggestion, also called for an early EC Council of Interior Ministers to coordinate measures to counter terrorism and hijackings.

French President Giscard reported on the Rambouillet meeting, affirming that decisions were not reached which might impinge on community competence. Assurances were given that a similar meeting would not again occur without advance preparation of a community position.

There was an exchange of views on economic and social conditions in the EC countries. The need to coordinate corrective measures was reiterated, but no specific steps were proposed.

Despite earlier intentions, the heads of government barely touched upon international political questions because of the inordinate amount of time spent on the British representation issue.

The next European Council is scheduled for March 8-9 in Luxembourg.

FINLAND: BACK TO SQUARE ONE

In July an exasperated President Kekkonen gave his permission to the leaders of the deeply divided, immobilized four-party coalition to resign. Last week, after five months had elapsed during which there was a parliamentary election and various coalition formulas were explored and rejected, he was compelled to order the same four, plus the Communists, to form a "crisis" government.

The parliamentary election on September 21-22 solved little if anything. The three middle-of-the-road parties picked up just enough seats, mainly at Social Democratic expense, to outweigh the leftist bloc. The Social Democrats, however, remain the largest of the ten parties in the 200-seat parliament.

Following the election, efforts to put together a broad based coalition that would be able to deal with Finland's grave economic problems were unsuccessful. Neither the politicians nor the problems had changed, and the parties continued to disagree on whether the priority task should be to combat unemployment, reduce the \$1.8-billion foreign trade deficit, or dampen the 17.5-percent inflation rate.

Kekkonen, on November 25, asked the caretaker government to remain indefinitely. Within 48 hours he reversed himself and in a television address rebuked the party leaders for failing the people. In an unprecedented step, he "ordered" the three centrist parties—the Liberal, the Swedish Peoples, and the Center—to join with the Social Democrats and the Communist-dominated Finnish Peoples Democratic League to form a coalition with former provincial governor Martti Miettunen as prime minister. The new government's only program, he said, should be to assure employment, and the only issue to negotiate was the distribution of portfolios. As it has worked out, Miettunen's 18-man cabinet is evenly divided, but his vote gives the middle-of-the-road parties the edge on controversial votes.

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The prospects for an effective and stable government are not bright. The biggest question mark is the reliability of the Communists, who are deeply divided between Stalinist and reformist factions. Only the latter wing is participating in the coalition and will control the politically sensitive ministries of housing and labor. Should internal bickering force the Communists to withdraw, as happened in 1970, the Social Democrats would find their position more difficult, exposed to attacks from the left as well as the right.

The next eight weeks will be crucial for the new government. The coalition is trying to elaborate a program, beginning with reordering the draft budget and lining up union and employer support to pressure the Bank of Finland to ease its tight credit policy. Communist participation will not lead to any change in Finnish foreign or security policy, but the effort to hammer out compromises on domestic policy will bring to the fore again the differences that plagued inter-party negotiations this fall. Kekkonen's decision to intervene so directly last week suggests, however, he will continue to oversee closely the new coalition.

[Redacted]

62-65

ICELAND: THE NATO LINK

Iceland's efforts to establish a link between a settlement of the cod war and continued membership in NATO generated new tensions last week in the Reykjavik government's relations with its North Atlantic allies. During an earlier outbreak of the cod war—in 1972-73—Iceland resorted to similar threats to withdraw from NATO and dismantle the US-manned Keflavik base as part of its strategy of attracting world attention to the dispute with the UK.

At a news conference on November 28, Foreign Minister Agustsson declared that Iceland would withdraw from the alliance and dismantle the Keflavik base unless the UK removes its frigates from Iceland's 200-mile fishing zone. Agustsson hinted that he would not attend the December 11-12 NATO ministerial meeting in

Brussels and suggested there was a strong possibility that Iceland's permanent delegation would be withdrawn. The foreign minister also threatened to take the fisheries dispute to NATO or to the UN Security Council.

Later in the week, Prime Minister Hallgrimsson told the US ambassador in Reykjavik that Agustsson had agreed to attend the NATO ministerial meeting as a result of strong prodding by the cabinet. Hallgrimsson also said that there was little sentiment within the cabinet to withdraw from NATO or dismantle the Keflavik base. Iceland plans, however, to send letters to NATO and the UN outlining Iceland's position in the fisheries dispute.

The coalition is not under overwhelming public pressure at this time to act tough with its other NATO allies, as witness the smooth passage by parliament of a controversial fishing pact with West Germany last week. An anti-British demonstration, furthermore, attracted only a small crowd, and its mood was more festive than angry.

Prospects for a speedy resumption of talks appear dim. The talks collapsed last month after the British and the Icelanders were unable to agree on the size of the UK's annual catch. London wants an annual catch of 110,000 tons, and Reykjavik has refused to budge beyond 65,000 tons. Reykjavik has announced that negotiations cannot resume unless London withdraws its frigates and replaces chief British negotiator Roy Hattersley. Meanwhile, Foreign Minister Agustsson plans to seek NATO Secretary General Luns' assistance to get the talks resumed.

There is a danger that Icelandic politicians, who are prone to engage in hard rhetoric, may find it difficult to disavow some of their own rash statements. If prospects for settling the dispute remain dim and there are incidents at sea in the coming weeks, the politicians will face growing public pressure to follow through on their threats. Many Icelanders insist that the Keflavik base must contribute to the defense of Iceland and that NATO's reluctance to intervene in the dispute proves that the base does not serve national interests. [Redacted]

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TOP SOVIET BODIES MEET

The Soviet leadership this week adopted a standard agenda for the party congress in February and announced sharply lower goals in next year's economic plan. Evident economic difficulties will probably complicate completion of the five-year economic plan and lend a sober tone to policy discussion before and at the congress.

The party Central Committee, meeting on December 1, announced that General Secretary Brezhnev will deliver the main report at the congress, which opens on February 24. Premier Kosygin will speak on the five-year plan (1976-80).

The Central Committee did not announce an agenda last April when it set a date for the congress, perhaps because of uncertainty over topics and speakers. Listing Brezhnev as main reporter now indicates that, health permitting, he will be in office through the congress. It does not carry implications for the period that follows.

Brezhnev made his customary address to the plenum, which approved the 1976 plan and budget before the Supreme Soviet took them up last Tuesday. Speakers at the Supreme Soviet session projected an increase in industrial production during 1976 of 4.3 percent, the lowest planned rate since World War II, Industrial production has grown by an average of more than 6 percent a year since 1971.

Nikolay Baybakov, Moscow's chief economic planner, ascribed this unusually low forecast to anticipated shortages of agricultural raw materials resulting from the poor harvest this year and to delays in completing new production facilities. Baybakov did not provide the customary official estimate of this year's harvest. Consumer goods and services will bear the brunt of the reduced industrial growth next year, although heavy industry will be cut back too.

Baybakov said the USSR's national income this year will be up by 4 percent; the plans had called for 6.5 percent. Baybakov foresees national income growing by 5.4 percent next year, a goal that is probably based in large part on recovery in the agricultural sector.



Nikolay Baybakov

In his budget report, Finance Minister Garbuzov gave a figure for projected defense spending—117.4 billion rubles—that was about the same as in recent years. This figure has little meaning in terms of the size of Soviet defense programs, however, and, in fact, does not jibe with the trend of observed Soviet defense activities. From 1970 to 1975, when the announced expenditures were never more than 17.9 billion rubles, there were major increases in military procurement programs, growth in military manpower, and two large raises in military pay.

The economy's poor performance will make for tough choices in deciding on allocations and major programs in the five-year plan. The goals for next year's plan suggest that the leadership will adopt a sober approach in its planning and its promises for the five-year period. With growth

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prospects reduced, the regime will probably try to focus attention on the effort to improve the quality of goods produced. Brezhnev has already called this the hallmark of the new plan. The net effect of the new plan and budget will nevertheless be to de-emphasize the consumer program associated with Brezhnev.

Economic problems are probably also hampering work on a fifteen-year economic plan (1976-90). In 1974, Brezhnev promised that this visionary prospectus would be taken up at the congress. This year the leadership has avoided comment on the program, and the congress agenda does not mention it.

Both the *Pravda* statement and the national day commentaries stressed the importance of the meetings between Tito and Brezhnev, perhaps to make the point that relations between the two countries should be judged on what happens in official channels, not on aberrations like the cominformist affair. The almost simultaneous announcement that Foreign Minister Minic would go to Moscow on December 8 was probably intended to underline the normality of bilateral relations.

The early reaction out of Belgrade has been moderately positive. It is unlikely, however, that the Soviets will get the Yugoslavs to reduce their anti-cominformist campaign. For one thing, *Pravda's* demurrals on the cominformists is false, as both sides know, and for another, Moscow is not about to give up the ideological struggle that has been going on for over a generation. Thus, in its Yugoslav day commentaries, the Soviets still used terms such as "socialist internationalism" to describe the proper basis of Yugoslav-Soviet relations. The term is shorthand for Moscow's pretensions to ideological leadership of the communist world and is anathema to the Yugoslavs.

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69-73

USSR-YUGOSLAVIA: MENDING WALLS

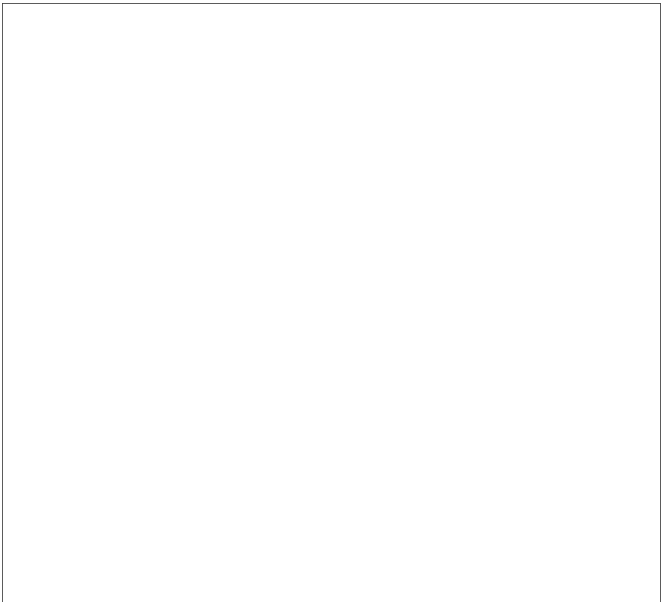
Apparently prompted by new Yugoslav charges of Soviet involvement in the cominformist affair, Moscow last week broke its long public silence on the subject. Moscow's message was clear: it neither supports nor condones the activities of these anti-Tito groups, and it wants better relations with Yugoslavia. Whether the Soviet pledge of goodwill will be successful is questionable. Belgrade undoubtedly views it skeptically.

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An authoritative article in *Pravda* on November 27 dismissed the cominformists as "individual renegades" who "demagogically try to portray themselves as the 'most orthodox' champions of socialism" and "represent nobody but themselves." *Pravda* laid the blame for the strain in Yugoslav-Soviet relations on the "malicious" insinuations and "dirty provocations" of the West.

In concurrent commentaries on the Yugoslav national day, the Soviets went to great lengths to praise the role of the Yugoslav communists in the country's liberation 30 years ago and in building socialism today. Earlier this year, the Soviets had deeply offended the Yugoslavs when Defense Minister Grechko implied that Yugoslavia had been liberated by the Red Army.



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POLAND: ON THE EVE OF THE CONGRESS

Gierek's policies will be enthusiastically endorsed at the seventh congress of the Polish communist party, which opens on Monday. Not far below the surface, however, there is considerable concern that the volatile and demanding population is still not satisfied and that it is prepared to express its unhappiness in word and deed.

Since 1971 party chief Gierek has moved the Polish economy into high gear. The goals of the current five-year plan—already raised twice—will for the most part be significantly exceeded. Much of this advance is due to Gierek's successful campaign to use Western credits and technology to modernize the economy.

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Edward Gierek

The Polish consumer has fared well. Average real wages have increased 40 percent since 1971, and both the quantity and the quality of consumer goods have improved dramatically. The average citizen, however, has tasted the good life and is prone to forget how much has changed since 1971. He has become increasingly concerned about inflation and about the failure of supply to meet the rising demand for many consumer items, particularly meat. Consequently, the regime this year has had to contend with mounting public tension.

The population believes, and with good reason, that the rapid progress they have experienced will be slowed down by various austerity measures, including widespread price increases.

For the longer term, the Gierek regime will find it increasingly difficult to continue the recent pace of economic growth. Warsaw will have to search harder and pay more for essential Western credits and technology. Soviet raw materials deliveries will fall further behind in meeting Polish needs and will be more costly. Wage increases will have to be more closely tied to increases in productivity, and consumer prices are sure to go up. Gierek's political tenure will depend on how he manages the difficult problems without alienating the Polish population.

We do not foresee, however, any wholesale changes within the leadership or in its policies in the near future. There are undoubtedly policy disputes, but there is no obvious challenger to Gierek. He still probably has considerable popular support and appears to have the party bureaucracy firmly in hand as a result of his reorganization of the administrative bureaucracy earlier this year.

Some personnel changes are expected at the congress. The former number-two man in the party, Franciszek Szlachcic, who was demoted last year for excessive nationalism and personal ambition, will leave the Politburo. The ailing Mieczyslaw Jagielski has partially recovered from a heart attack and will reportedly remain. The new planning commission head and Gierek associate, Tadeusz Wrzaszczyk, is a likely candidate for the Politburo.

The congress itself will last five days. Gierek will kick it off with a nationally televised speech that will highlight past accomplishments. On foreign policy, he will recite Poland's full allegiance to the Soviet Union. Prime Minister Jaroszewicz will outline the 1976-80 five-year plan.

Soviet party first secretary Brezhnev will witness the Polish pep rally along with all of the East European leaders except Romania's Ceausescu.

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Students demonstrating in Vientiane last week for end of the coalition government

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LAOS: COMPLETING THE REVOLUTION

Some seven months after they gained control of the government in Vientiane, the communists have dropped the coalition facade, ousting Prime Minister Souvanna Phouma and King Savang, and installing a new communist government.

Vientiane Radio on December 3 announced that a two-day "National Congress of People's Representatives" had accepted the abdication of King Savang and dissolved the coalition. The monarchy was abolished and Laos named a people's democratic republic. On the next day, Souphanouvong, the nominal head of the Pathet Lao and Souvanna's half brother, was named President. This post almost certainly will be only ceremonial, because Kaysone Phomvihane, the secretary general of the Lao communist party, has taken the position of prime minister. The remaining members of the 38-member cabinet are also communists. Most spent the last 20 years at the communist headquarters in northeastern Laos, and many are little known even in their own country.

Souphanouvong has appointed former King Savang and Souvanna Phouma to the newly created posts of supreme adviser to the president

and adviser to the government respectively. The communists, however, almost certainly have no intention of listening to advice from either Savang or Souvanna. The posts were probably created to provide a pretext for denying permission to either to leave the country. The Pathet Lao leaders may calculate that these appointments will make the other changes more palatable to the Lao people.

Most of the non-communist former cabinet ministers and other senior government officials have already been flown to the communist headquarters near Sam Neua, supposedly to attend meetings to ratify the changes in government. It is likely that they will be detained there indefinitely, joining other former ranking politicians and military officers in "reindoc-trination" sessions.

Souvanna and his non-communist colleagues had expected to remain in office until the completion of national elections next April. The communists, however, apparently decided that they have neutralized all opposition and can operate the government. They have the election process well under way and see no reason to maintain the cumbersome coalition.

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TIMOR: DEATH OF DIPLOMACY

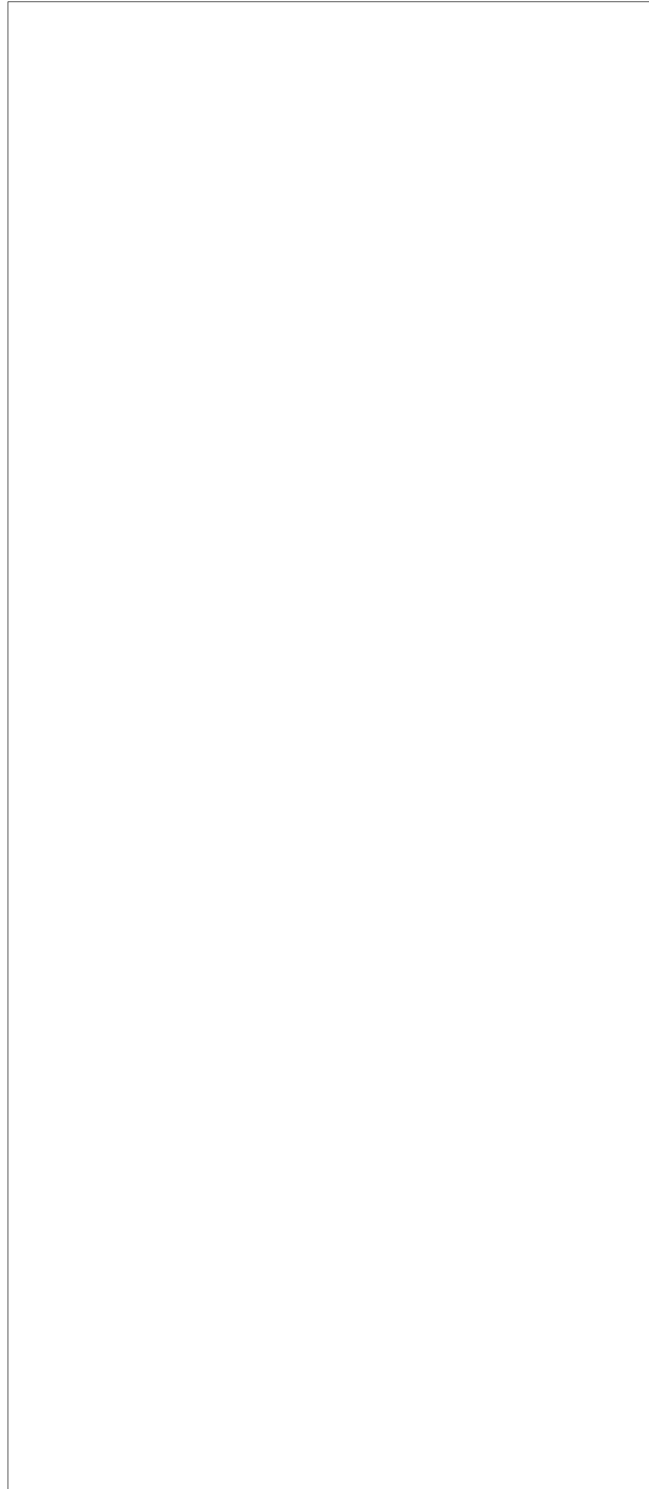
Indonesia has decided against any further efforts to resolve the problem of Portuguese Timor through negotiations. Jakarta asserts that the unilateral declaration of Timorese independence by the left-wing Fretilin party last week has radically altered the situation. Foreign Minister Adam Malik told reporters during a trip to Timor this week that diplomatic efforts on Timor have effectively ended and that the only solution now is on the battlefield.

Malik visited Timor to talk with pro-Indonesia Timorese, who declared the colony a part of Indonesia the day after the Fretilin independence announcement.

Fretilin's independence declaration last Friday was an apparent effort to focus greater international attention on Timor and on Indonesian military support to pro-integrationist forces. Fretilin leaders probably hoped to take advantage of the current media interest in Indonesia stimulated by the visit of President Ford. Thus far, Fretilin's bid has had little effect even among third-world states. Australia and Portugal have rejected the independence declaration outright. Some former Portuguese colonies and some radical third-world countries that dislike the Suharto regime may recognize the new state, but such support is unlikely to alter Fretilin's bleak prospects for survival.

Indonesia's military support for the integrationists, although still falling short of the all-out invasion advocated by many Indonesian commanders, should be enough to maintain the present momentum against Fretilin military forces.

Suharto is still concerned in particular about the strain on bilateral relations with the US, and in general about the international criticism that massive military intervention might cause. If he decides invasion by regular forces is necessary, it will be an easy matter to arrange an invitation from the pro-integrationists to provide the legal rationale. Malik told the pro-Indonesia Timorese that he fully expected to meet them again about Christmas time—after they capture Dili, the Timorese capital.



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94-95

VENEZUELA: REACTION TO US TRADE ACT

The recent publication of the Generalized System of Preferences of the US Trade Act has provoked sharp opposition and threats of retaliation from a broad spectrum of business and political leaders in Venezuela. Government officials are calling Venezuela's exclusion from the preferences an unpardonable hostile move that will affect its relations with the United States.

President Perez believes the act is aimed specifically at his country not only because of its membership in OPEC but also because of its well-publicized efforts to bring about a new international economic order between producers and consumers that would improve the terms of trade for exporters of raw materials and commodities. Moreover, the Venezuelans consider their exclusion a poor return for the moderation they have exercised for the past six months in expectation that the Trade Act would be amended.

Although Perez has not yet reacted publicly to the list, his response is expected to be unrestrained and harsh. Several cabinet ministers have already hinted that Venezuela could raise this issue in Paris at the Conference on International Economic Cooperation this month. Venezuela's primary tactic will probably be to seek Latin American and third-world solidarity in condemning the "discriminatory" features of the GSP, and it may extend that drive into other regional and international forums as well.

Some opposition leaders and even members of the President's Democratic Action party are calling for retaliatory action against the US, but there is little that Perez can do without seriously hurting Venezuela's oil-based economy. A cutoff or reduction of iron ore and petroleum to US markets is unlikely; iron shipments are controlled by long-term contracts with private US steel companies, while in the case of petroleum the government is engaged in tough negotiations with US companies for technology and marketing arrangements. Moreover, Caracas would be unwilling to jeopardize its long-term economic future for a short-term satisfaction in disrupting US oil supplies.

Perez hopes at least to turn the issue to his own advantage domestically. He is an astute observer of public opinion and has been successful in measuring the feelings of Venezuelans on international and domestic issues. Recently his administration has come under heavy criticism by opposition party leaders for not controlling inflation and the rising cost of living. The Perez administration has been blamed for not delivering on its election promises because the average Venezuelan has not yet benefited from the country's massive oil revenues. By "taking on" the United States and repeating his charge that Washington is insensitive to Latin American aspirations for economic development, Perez will strike a responsive chord that should enhance his popular support.

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96-101

CHILE: CHURCH-STATE TENSION EASES

Relations between the Pinochet government and the Catholic Church in Chile, which appeared headed for a breakdown in recent weeks, are now slowly becoming better. The sharp deterioration was the result of a spate of arrests of church members charged with sheltering fugitives of the terrorist Movement of the Revolutionary Left. (MIR).

The church's recent decision to bow to President Pinochet's request that it dissolve the interdenominational Committee for Peace, which operated under its auspices, was probably an indirect admission that some of its personnel had acted irresponsibly in providing assistance to the terrorists. Only two weeks ago Cardinal Silva, the Chilean prelate, seemed on the verge of an open clash with the government when he publicly threatened to excommunicate an influential and ultraconservative adviser to Pinochet who had attacked the church for complicity in the MIR affair. The subsequent efforts by government officials to comply with legal obligations to expedite the

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release or expulsion of church people under detention, as well as the church's acute embarrassment over the matter, probably impelled ecclesiastical authorities to back off from their tough stance.

The relationship between the Catholic Church—a potent force in Chilean life—and the generals who now rule the country has frequently been stormy. On numerous occasions the clergy have spoken out against human rights violations and the harsh effects of economic austerity on the poor. But in every event the church's highest spokesmen have averted a breach that almost certainly would have prevented them from serving as a moderating voice when almost all other organized groups in Chile have been silenced.

Similarly, the government has been careful to keep church-state differences within manageable limits and to at least leave the door open for cooperation. The President has met privately with Cardinal Silva, presumably to work out an understanding, and both have appeared willing to take an even-handed approach in dealing with their quarrels. Pinochet's attitude can also be attributed to the fact that many of the arrested church people are American citizens, and he does not want further complications with the US.

The church will remain cautious in dealing with the military regime; further strife over sensitive issues is likely, but it is to the advantage of both sides to seek compromises. The junta would stand to lose the most if it used an iron hand against the church. At the same time, the church could lose the support of conservatives, who have already criticized its involvement with the terrorists, if it continues to confront the government.

102-109

ECUADOR: POLITICAL UNCERTAINTY

President Rodriguez reportedly intends to announce his plans for a transition to civilian rule in a speech on Saturday. His decision undoubtedly has been spurred by a further deterioration in his position brought about by his demands for

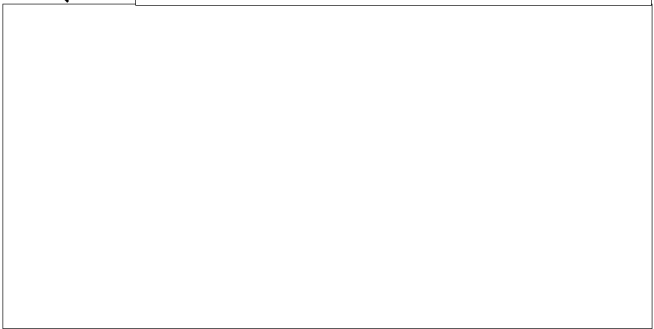
political discipline and his harsh attacks on Ecuadorean political leaders.

A communique authored by the exiled leader of the coup attempt last September, which was recently published in the Ecuadorean press, has reportedly caused consternation and increased disunity in the military. The statement, which outlined the circumstances of the attempt and implicated key individuals in the present regime, prompted the President to impose press censorship. His action has drawn protests from journalists and their supporters and has reportedly increased opposition to his government.

In recent weeks Rodriguez' actions have added to political uncertainty. He has harshly attacked "the rebellious insurgency of small groups" bent on subverting the government. The President has also publicly attacked exiled political leaders "for subversive activities" and has vowed to use force to maintain political discipline.

A recent statement by the Catholic Archbishop of Guayaquil, calling for the restoration of political freedoms, is indicative of the growing opposition. It also marks the first time that a high church official has criticized the President. The Archbishop's declaration appears to support recent demands made by conservatives and liberals that elections be held or a transitional government be formed.

There have been conflicting reports concerning the President's projects and plans and his likely successor. His intentions may become clearer on December 6 during a speech commemorating the 341st anniversary of the founding of Quito.



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