

Page Denied

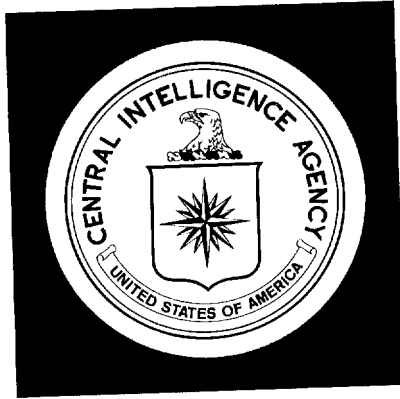
Next 1 Page(s) In Document Denied

State Dept. review completed

Secret



25X1



Weekly Summary

State Dept. review
completed

Secret

CI WS 76-009
No. 0009/76
February 27, 1976

Copy No 70

CLASSIFIED BY: [REDACTED]
DATE: [REDACTED]

228535 25X1

SECRET



CONTENTS (February 27, 1976)

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.

EUROPE

- 1 USSR: Brezhnev Reports
- 4 USSR: Arms Transfers
- 7 CEMA: Looking to the West
- 9 Iceland: Pondering the Next Move
- 10 Italy: Compromise Buys Time
- 11 Spain: Wooing Catalonia
- 12 Cyprus: No Breakthrough

EAST ASIA
PACIFIC

- 13 Japan: The Lockheed Connection
- 14 Japan: A New Export Drive
- 14 China: Leadership Struggle Goes On
- 15 Laos: Asking for Help with Thailand

MIDDLE EAST
AFRICA

- 16 Spanish Sahara: New Masters
- 17 Angola: Beginning To Govern
- 18 Ethiopia: More Arrests
- 19 Bangladesh-India: Still Uneasy

WESTERN
HEMISPHERE

- 21 Argentina: Last Chance for Peron
- 21 Brazil: Harnessing Security Forces
- 22 Colombia: Violence Increases

INTERNATIONAL

- 23 CIEC: First Round Ends

Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary, [redacted]

SECRET

USSR: BREZHNEV REPORTS

Not Sourced

General Secretary Brezhnev opened the 25th Soviet party congress in Moscow on February 24 before some 5,000 party delegates and 103 delegations of communist and leftist parties from 96 foreign countries—the largest domestic and international audience ever assembled at such a conclave. The congress, though a well-orchestrated ritual not expected to produce surprises, nevertheless serves to review the party's performance since the last such session in 1971, and sets benchmarks and goals for the next five years. While Brezhnev will stay at the helm, the elections of the party's ruling bodies at the end of the meeting may provide glimpses of relative movement among the rest of the leadership.

Brezhnev gave an impressive performance; his stamina, enunciation, and aura of command seemed better than at any time in the past two years, according to US embassy observers. He paid unusual attention to the foreign policy portion of his report, which was realistic and tough-minded in substance. His essential theme was continuity—that the USSR's detente policy has been successful and will continue into the future.

Brezhnev pulled few punches regarding the "complications" of Soviet policy, particularly the difficulty detente has run into in the West. There were few aspects that he addressed in which he did not mention the negative side of the ledger.

Relations with the US

Brezhnev offered a measured assessment of relations with the US, balancing the accomplishments of the past five years with reminders of problems clouding prospects for the

future. The Soviet party chief cited a reduced danger of nuclear war as the "main outcome" of the "generally positive" development of relations in recent years. He rated the prospects for further bilateral progress, "provided realism prevails," as good.

Brezhnev repeated the familiar Soviet complaint that "influential forces" in the US are seeking to hamper detente and derided the notion of a Soviet threat to the US. He gave no ground on Angola and even argued that it was US "intervention" there that had strained US-Soviet relations. His sharpest criticism was directed at "discriminatory" US trade measures.

On SALT, Brezhnev pressed for implementing the Vladivostok agreements of late 1974 but made no prediction on the outcome of the current negotiations. He attempted to portray the US as not fully committed to arms control because it rejected Soviet proposals to ban Trident, the B-1, and similar, unspecified Soviet systems. In like vein, he invited the US to join the USSR in not establishing military bases in the Indian Ocean.

China

Brezhnev's treatment of Peking was short and tough. He said almost nothing about bilateral relations and even omitted standard references to an eventual rapprochement, implying that the Chinese would have to make all the concessions. He went a step further in outlining the Maoist heresy, saying that it was no longer just "incompatible" with Marxism-Leninism, but was now "hostile" to it.

SECRET

SECRET

With respect to the rest of Asia, Brezhnev said the usual positive things about the "victory" in Indochina, had many good words for India, and suggested that China has replaced the US as the main obstacle to better Soviet-Japanese relations.

Europe

Brezhnev's assessment of relations with the West European countries was generally positive, but far from euphoric. He spoke at some length about the contributions of the European security agreement, but without great enthusiasm. He pledged Soviet efforts to implement the agreement but alleged that the West is using it to make mischief in the "socialist" community.

Brezhnev spoke at considerable length about MBFR, providing substantial details of the reduction proposal presented by the Warsaw Pact on February 17. While expressing continued interest in reaching an agreement, he gave no hint of any willingness to modify the Pact's basic negotiating approach.

Middle East

In discussing the Middle East, Brezhnev introduced two long-dormant themes in an otherwise standard litany:

- He said a way should be found to end the arms race in the region, adding, however, that discussions on arms limitations could not precede a general settlement.
- He said the UK and France could join the US and USSR as guarantors of any Middle East settlement. This may be an attempt to preclude having all the UN Security Council, including China, involved as guarantors.

The Communist World

Brezhnev gave considerable emphasis to "proletarian internationalism," a phrase that con-

notes Soviet leadership of the communist world. This clearly was meant as a retort to the French, Italian, and other parties that have been making increasing efforts to emphasize their "independence" of Moscow. Brezhnev also stated unequivocally that there can be no compromise on views that contradict communist ideology, a probable reference to the French party's abjuring the "dictatorship of the proletariat."

The General Secretary indicated that Moscow intends to press ahead on the long-delayed European communist party conference and even raised the idea of holding a world communist conference.

On the controversial question of proper communist tactics, Brezhnev apparently attempted to keep both the hard and soft liners happy. Thus, he said that the "tragedy" in Chile should not be interpreted to mean that the peaceful route to revolution is not appropriate if conditions permit. Chile did demonstrate, however, that a revolution must know how to defend itself.

Domestic Affairs

In domestic affairs, Brezhnev reasserted past policies, lauded leadership successes, and was low key in defending traditional ideological positions. He went into unusual detail about the activity of the Politburo and the party secretariat, focusing on difficult situations in which he had triumphed. Referring to the Central Committee meeting in May 1972, which approved a US-Soviet summit in Moscow despite events in Vietnam, Brezhnev hinted that there was opposition at this "turning point" and noted how correct the positive decision proved to be. He also mentioned the Soviet agricultural difficulties of that year and his role and that of the party in overcoming many of them.

Brezhnev's review of economic performance, however, stressed themes that had been publicly aired before—a general disappointment in last

SECRET

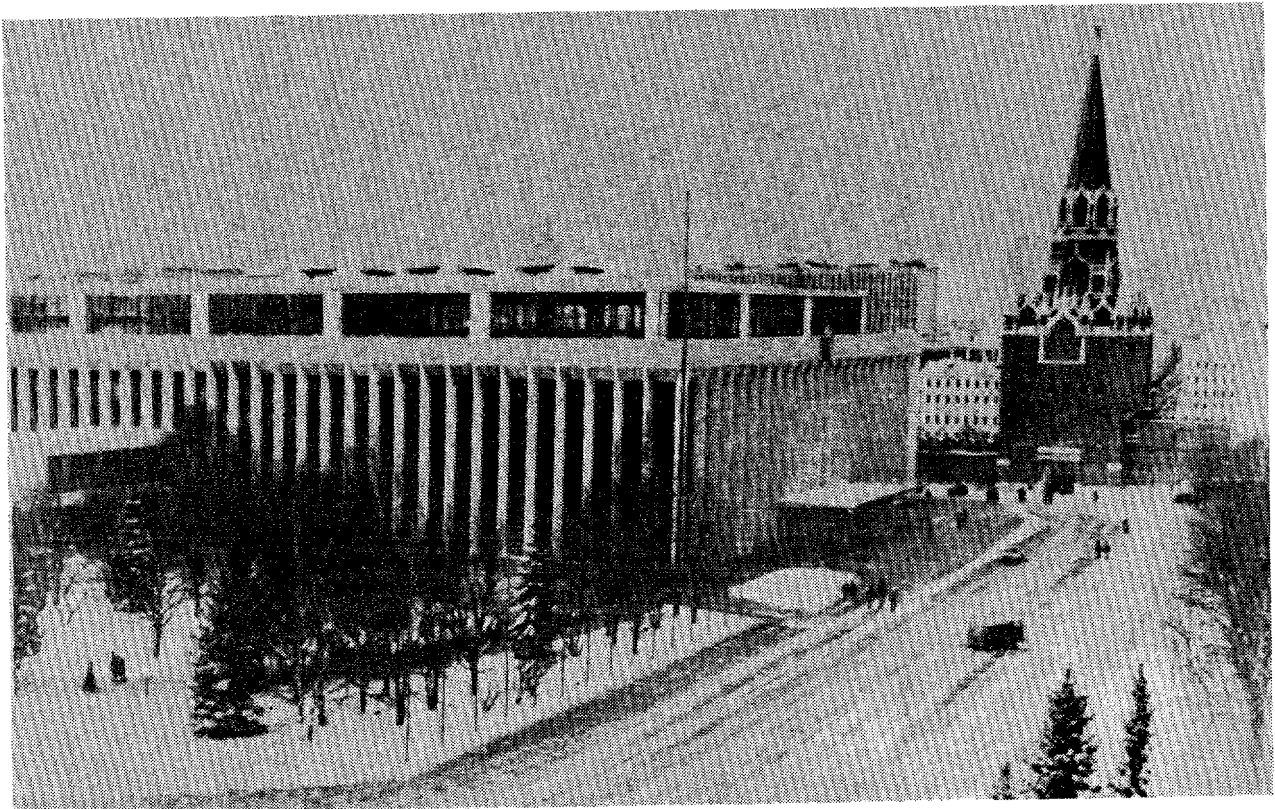
SECRET

year's results, especially in the agricultural and consumer sectors, and a promise to do better in the 1976-80 five-year plan period. He gave no evidence of new initiatives or changing priorities; instead, he re-emphasized modernization of plant, quality production, improved management and planning, better use of science and technology, and expansion of foreign trade.

Brezhnev as usual took a centrist line on ideological matters that touch the ordinary citizen. He said detente requires more domestic vigilance and praised the secret police especially for countering hostile intelligence services. At the same time, he noted that detente provides better conditions for spreading "socialist" ideas abroad, a theme reminiscent of his "victory through contacts" speech at Alma Ata in August 1973.

He avoided criticizing the artistic intelligentsia, praised their accomplishments, and warned against using "administrative methods," i.e., outright repression, to deal with problems in this sphere. He also made a rare reference to the 20th party congress in 1956, the de-Stalinization congress, which led to the domestic "thaw" under Khrushchev. Lest he be misunderstood, however, Brezhnev rebutted domestic and foreign attacks on Soviet violations of human rights and, with domestic dissidents evidently in mind, labeled harmful anything that would weaken Soviet society.

Finally, Brezhnev referred to the promised long-term (1976-90) plan and the new constitution, saying that work was continuing on both but giving no deadline for completion.



The Palace of Congresses, site of 25th party congress

Tass

SECRET

SECRET

The congress has now settled into several days of "discussion" of Brezhnev's report, which was kicked off as tradition calls for by the party chiefs of Moscow, the Ukraine, Leningrad, and Kazakhstan. Interrupted only briefly by greetings from foreign delegates, the proceedings will give way next week to a report by Premier Kosygin on the five-year plan, followed by another discussion. Brezhnev will probably preside at the final session of the congress, where the results of the previous day's elections to the party's leading bodies are made public.

As usual, Moscow has been spruced up for the congress, and most citizens including the delegates view the event as a festivity. Soviet authorities have taken steps, such as pre-emptive arrests, to keep Jewish activists and other dissidents out of sight through the congress, though apparently not on the scale of past congresses. Dissidents who remain at large are so far keeping their word to lie low during the meeting.

[Redacted]

25X1

USSR: ARMS TRANSFERS

2

Over the past two decades, Moscow has successfully used military aid to expand its influence in the Third World. Since 1956, the USSR has extended almost \$15 billion in military hardware, support equipment, and ammunition to 38 third-world countries. More than 60 percent was provided in the 1970s as Moscow made available large quantities of advanced weapon systems, especially to the Middle East.

Moscow has been willing to provide military equipment and training with a minimum of stated conditions and on attractive financial terms. It has not turned down a single prospective arms client and has shown that it can move rapidly to exploit new opportunities. The military assistance program has enabled Moscow to establish a strong presence within recipient countries and

given it an opportunity to influence the recipient through:

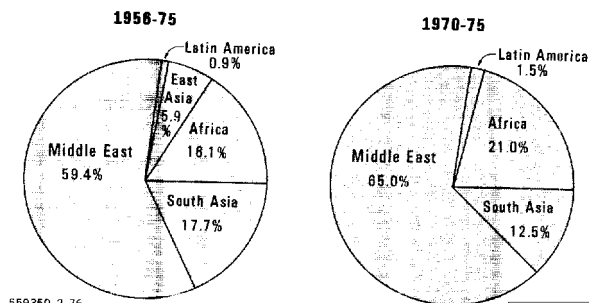
- Reliance on the USSR for logistic support;
- Use of military technicians as intelligence operators; and
- Use of training programs to introduce members of the recipient armed forces to Marxist-Leninist philosophy.

Arab-Isaeli tensions, Indonesian territorial conflicts with the Dutch, Pakistan's disputes with India and Afghanistan, Nigeria's civil war, and North Yemen's conflicts with its neighbors and the UK are instances in which the arms supply program provided Moscow with an opportunity to establish positions of influence.

Negotiating Procedures

Negotiations between the USSR and the potential arms recipient normally start with visits by high dignitaries. During the discussions the Soviets set the political price for arms. With political matters resolved, the client's request is reviewed and both parties sign an agreement in principle. The review process includes a feasibility study of the client's economic, political, and military capabilities and provides the basis for examining the client's request in detail.

Soviet Arms Commitments



559359 2-76

[Redacted]

25X1

SECRET

SECRET

Although information on the Soviet review process is limited, we believe that several criteria affect the type and sophistication of equipment to be provided:

- Political gains and consequences.
- Availability of equipment from stockpiles.
- Production schedules in light of Soviet and Warsaw Pact demands.
- Soviet ability to provide technical support and training.

In the case of the belligerent Arab states, external threat analysis and force comparability are also major factors.

The USSR launched its military assistance program in 1955—initially using Czechoslovakia as an intermediary—when it began arms shipments to Egypt. We estimate that 85 percent of Soviet arms commitments had been delivered by the end of 1975. Deliveries averaged about \$460 million annually during the late 1960s, then jumped to an average of \$1.2 billion in the 1970s.

Because the Soviet program is in part a response to available opportunities and is influenced by the absorptive capacity of the recipients, the annual magnitude and direction of aid has been highly variable. Most commitments since 1966 reflect the continuing arms buildup in the Arab countries and new agreements with India, Iran, and Libya. Egypt, India, Iraq, and Syria together have accounted for 65 percent of Soviet arms transfers since 1955. Five other countries—Afghanistan, Algeria, Indonesia, Iran, and Libya—have received most of the rest.

Terms and Price

Soviet arms are priced lower than comparable Western equipment. The list price

appears to be based primarily on Soviet estimates of what the market will bear and averages 16 to 28 percent below estimated US cost of production. The differences between Soviet list prices and estimated US production costs are largest for newer and more advanced equipment. Recent information indicates that Moscow is raising the prices on some equipment.

Moscow has generally sold its arms at favorable terms. Payment usually has been over 8 to 10 years, after a grace period of 1 to 3 years, at 2- to 2.5-percent interest. Moreover, the USSR has been willing to accept payment in commodities or local currency and has frequently reduced or postponed payments when the recipient was unable to meet them.

Discounts from list price—averaging about 40 percent over the last two decades but dropping to less than 20 percent in the 1970s—are an intrinsic feature of the Soviet arms program. Discounting is probably determined on the basis of a client's ability to pay as well as political considerations. Afghanistan, for example, has received discounts approximating 75 percent, while Iraq has received about a 30-percent discount and Nigeria none.

Cash sales have accounted for an increasing share of Soviet arms exports in recent years. They made up only 5 percent of total agreements in 1955-69, jumping to 15 percent during the 1970s. The major cash clients are Libya and Nigeria. Spare parts and ammunition purchased outside a general agreement are usually handled as cash sales.

Modern Equipment Featured

The USSR has been the most accommodating of the major arms suppliers in providing modern equipment. Soviet arms deliveries have covered the entire range of non-nuclear, tactical weaponry. The USSR was the first exporter to introduce jet fighters (1956), supersonic jet fighters (1959), surface-to-air missiles (1961), guided-missile patrol boats (1961), self-propelled radar-controlled antiaircraft guns (1970), and surface-

SECRET

SECRET

to-surface missiles (1973) to third-world arms inventories.

Moscow could easily increase exports of a wide variety of equipment. There is a surplus of arms production capacity, and production on current lines could be increased almost immediately by employing a second shift. Large quantities of reserve surplus equipment are also available.

During the 1967 and 1973 Arab-Israeli wars the Soviets encountered difficulties in meeting client demands. In an attempt to maintain the flow of supplies—particularly tanks—equipment was stripped from Soviet units and sent to the Middle East. Soviet armed forces' reserve stocks of ammunition and spares may also have been tapped. On these occasions, Moscow successfully pressured its East European allies to make equipment available to the Arab countries.

Soviet Influence Grows

Arms exports have given Moscow considerable influence and leverage in the Third World. Soviet support of nationalist governments has contributed to the weakening or elimination of Western influence in many countries. Concomitantly, Soviet influence in the Middle East, South Asia, and North Africa has expanded significantly. A number of countries—notably Afghanistan, Algeria, Egypt, Iraq, Somalia, South Yemen, and Syria—are largely equipped with Soviet weaponry and are dependent on the USSR for logistic and technical support.

Through its military technical assistance—in conjunction with general technical assistance and academic training—the USSR has exposed many of the nationals of these countries to Soviet ideas and techniques. Moreover, it has established important relationships with military leaders, as well as junior officers who in the future may hold key government positions.

While Moscow has not used its military assistance program to acquire formal base rights,

it has obtained a variety of operating privileges. It has acquired the use of the ports of Alexandria in Egypt and of Latakia and Tartus in Syria to support its Mediterranean fleet operations. Port facilities in Berbera, Somalia, and in Umm Qasr, Iraq, have enabled the Soviet fleet to operate more efficiently in the Indian Ocean. Moscow has apparently used military aircraft landing rights in Guinea, Somalia, and India for air and naval intelligence operations.

Moscow has gained some economic advantages from the program. Arms repayments have given the Soviets access to long-term commodity commitments. Most important are the natural gas arrangements with Afghanistan. The arms supply relationship may also lead to oil supply arrangements with Iraq and Libya. A few clients pay for their arms in hard currency.

Moscow will likely continue to view its arms transfer program as a major foreign policy tool. The program's relatively small cost to the Soviet economy and high political payoff have been proved over time.

The impact of the Soviet military assistance program, however, has not been completely positive from the Soviet point of view. Soviet military support for leftist regimes has frequently alienated more conservative antagonists. Moscow's cool relations with the Shah and current difficulties with Morocco are cases in point. The program has also led to demands for increased support that the Soviets would just as well have avoided. Soviet clients, in turn, have become disillusioned when Moscow has not offered the types and quantities of equipment they thought they needed. Furthermore, the overbearing manner of Soviet advisers has repeatedly triggered resentment, and Soviet attempts to manipulate delivery schedules and shipments of spare parts for political purposes has often been a source of friction. In the case of Egypt, unhappiness with Moscow's military assistance was a major factor leading to the ouster of the Soviet military presence in 1972.

25X1
25X1

SECRET

SECRET

CEMA: LOOKING TO THE WEST**Accord with the EC**

8-12

The Soviet-dominated Council for Mutual Economic Assistance made a bid to enlarge its role in European economic affairs last week by presenting the draft of an "umbrella" cooperation agreement to the European Community. Initial EC reaction has been largely negative, suggesting that any accord will come only after lengthy, difficult negotiations.

Under the terms of the CEMA draft, the EC and CEMA would:

- establish official relations and set up a mixed commission;
- put trade on a most-favored-nation basis and eliminate some non-tariff barriers;
- cooperate directly in such technical areas as standards, the environment, statistics, and economic forecasting; and
- agree to extend credits at the most favorable rates.

The proposal would allow individual East European states to negotiate directly with the EC both in implementing this agreement and on other issues. This is designed to accommodate EC and Romanian objections that CEMA might become the sole conduit for the CEMA countries' contacts with the EC.

In return for this concession, the Soviets are clearly seeking EC acknowledgement that CEMA has a role to play in trade relations between CEMA and EC countries—without, however, spelling out the nature of that role. The proposal also tries to undercut the EC's common commercial policy by proposing that individual EC countries be allowed to deal directly with CEMA and individual CEMA countries.

The Soviets are calling the proposed agreement part of the bridge-building process envisioned by the Helsinki accord, hoping thereby to make an outright EC rejection more difficult and to gain propaganda advantage on the CSCE

implementation issue.

The EC finds major parts of the CEMA draft unacceptable. The EC is unlikely to accept any deal that does not respect the Commission's sole competence in trade matters. The EC may try to underscore this point by announcing the already-planned trade talks with Peking, which has not questioned the Commission's mandate.

The EC also could not accept the elimination of all restrictions on trade, although it would probably be amenable to the gradual elimination of quantitative restrictions on imports. Nevertheless, it would like to regularize relations with the CEMA countries and can be expected to probe Moscow's intentions. The Foreign Ministers' Council will take up the matter next week.

Eurodollar Loan

13-16

CEMA's International Investment Bank is reportedly arranging a \$600-million Eurodollar loan to be managed by Dresdner Bank of West Germany. The loan, which the bank hopes to complete by mid-1976, would be the largest single Communist borrowing to date. CEMA obtained a \$350-million Eurodollar credit last October.

The loans are needed to finance construction of a natural gas pipeline being built from Orenburg in the USSR to Eastern Europe. The East European CEMA countries, as part of their contribution to construction of the pipeline, have agreed to provide hard currency funds to the Soviet Union through the CEMA Bank. The Soviets are using the money to buy pipe, compressors, and other equipment from the West. Bank officials have said that they will borrow \$1.3 billion on the Eurodollar market for this purpose, implying that some \$350 million more will be sought. The bank, in fact, has tentative plans to negotiate another loan of \$200-300 million late this year.

The International Investment Bank may have been encouraged to seek such a large loan at this time by the success it had with the October loan, originally set at \$240 million and subsequently

SECRET

SECRET

oversubscribed. The previous credit carried an interest rate of 1.25 percent over the London Interbank Offer Rate and a five-year repayment period. The present loan will be a six-year credit with an interest rate spread of from 1.25 to 1.375 percent over the London Interbank offer rate.

Accord With Colombia

17-19

Colombia is negotiating an economic cooperation agreement with CEMA, according to a Colombian Foreign Ministry official. An agreement with Colombia would be CEMA's fourth bilateral accord with a non-communist country. It now has agreements with Finland, Iraq, and Mexico.

The agreement—to be signed before the end of the year—would be largely for show. Moscow views expanded CEMA ties as a means to demonstrate that the organization is more than a Soviet-dominated group oriented toward Eastern Europe and to support the argument that CEMA should be considered an equal of its rival, the EC.

The Colombians view an agreement with CEMA as an opportunity to show that they will not be limited solely to a Latin American economic grouping. At the same time, Colombia is expanding its bilateral economic ties with individual CEMA countries.

[Redacted]

21-22

[Redacted]

[Redacted]

25X1

25X1

SECRET

25X1
25X1

SECRET

ICELAND: PONDERING THE NEXT MOVE

25X1

The Icelandic government, which broke relations with London on February 23, continues to ignore efforts to find a peaceful solution to the cod war with the UK. Despite attempts to get the feuding parties back to the bargaining table, Reykjavik has given no sign that it is ready to resume talks.

Prime Minister Hallgrimsson's faction-ridden coalition won a vote of confidence on Tuesday when the Icelandic parliament supported his handling of the cod war thus far by a vote of 41 to 18. The vote split along government-opposition lines, suggesting that internal differences over the issue are not so great that the coalition members are ready to end cooperation.

The vote was clearly a victory for Hallgrimsson and the uncompromising attitude he has taken toward the British. The governing parties may still disagree over the next step, however, and the increase in incidents at sea this week between Icelandic patrol boats and British frigates would probably not allow Reykjavik to take new diplomatic initiatives at this time. For their part, the British protection vessels have also become more aggressive and London has dispatched another frigate to the area. The earlier threat to withdraw from NATO was tempered by Hallgrimsson, who told parliament that the question of Iceland's membership is solely related to defense interests, not the fishing issue. Barring a serious incident involving the loss of life or a ship, the government has numerous steps it can take to show its displeasure with NATO short of pulling out of the Alliance.

A clue to Reykjavik's strategy toward a settlement with the British appeared in Hallgrimsson's remarks during the debate on the confidence motion. He implied that his government expects the UN Law of the Sea Conference this spring to vindicate the Icelandic position on a 200-mile limit. By winning the vote of confidence, Hallgrimsson may still be able to agree to another round of talks, especially since the British have again reduced their demands. The attitude reflected in the debate, however, suggests Iceland would be unlikely to concede much, and any agreement would probably not extend much

25X1

SECRET

SECRET

beyond the UN conference expected to end in May.

The Hallgrimsson government also is plagued with the largest general strike in Icelandic history. The strike, which has idled more than half of the country's work force of 80,000 since February 16, was joined by other unions this week. Negotiations between employers and union leaders continue, but the fishing industry has already suffered considerable economic loss due to the idling of the fishing fleet. Strikers are attempting to involve the US in their dispute and this week pickets blocked gas pumps at the US-manned Keflavik base. US authorities in Iceland will protest the move to the Icelandic government.

26-30

ITALY: COMPROMISE BUYS TIME

Economic matters will be the central parliamentary issue now that Aldo Moro's minority Christian Democratic government has won its vote of confidence. Severely diluted by compromises, Moro's economic stabilization program seeks to reduce inflation, shield jobs, and halt the erosion in the value of the lira. Although it will probably be further weakened by amendments proposed during the debate, the program is expected to be approved if the Socialists and Republicans keep their promises to abstain in the final voting.

The stabilization program is intended to lay the groundwork for economic recovery by getting Italians to live closer to their means. Over the past few years, the government and its agencies have been borrowing to cover current spending as well as investment. Treasury borrowing requirements rose from 8 percent of gross national product in 1972 to nearly 15 percent last year, the highest level in Europe. The escalation in public financial needs occurred, moreover, at a time when businessmen were encountering cash flow problems resulting from an explosion in wages—up 80 percent in the last three years. Partly as a result of these factors, investment slumped, productivity flagged, and inflation averaged 19 percent in 1974 and 17 percent in 1975.

To reduce public borrowing requirements, the new program proposes improved revenue collection, curbs on public spending, and some rate adjustments for public utilities. The second major element in the program is a compromise effort to control the rise in wages and incomes. Top managers might see their salaries frozen, and high-level government workers could have their wage increase withheld this year. All other workers, many represented by strong labor unions, escaped wage controls of any kind.

The stabilization plan comes on the heels of several measures to discourage capital flight and soak up excess liquidity. The political crisis and shaky economic conditions had led to a 15 percent slide in the value of the lira over the last month. The discount rate has been raised two percentage points—to 8 percent—and the government issued a decree reducing bank lending power by \$1 billion. Rome also stiffened controls over export payments and import invoices in an effort to limit illegal currency outflows. On March 1 the Bank of Italy will resume support of the lira in international markets.

The economic plan will be most valuable for its psychological effect. Given the traditional resilience of the economy even in the face of gross mismanagement, the new government with a new program should prop up the low level of confidence at home and abroad. The stabilization program nonetheless is far too compromised by attempts to buy Socialist support and to avoid labor union retaliation—ironically still a live possibility. We expect the rate of inflation to drop some, but still average a worrisome 15 percent this year.

The budget measures alone will not appreciably cut the massive borrowing needs of the Italian government. Promises to improve tax collection and curb spending growth have seldom materialized in the past; implementation of such measures by a weak minority government is particularly suspect. Treasury borrowing needs are apt to remain close to last year's record high.

The incomes policy is likewise too watered down to be effective. Upper-income workers account for only a small part of industrial wage

SECRET

costs. More important, 10 million workers—including 80 percent of those in industry and 70 percent of civil servants—will have their contracts negotiated during the next six months. Most observers expect unions to resist government jawboning and to secure hefty pay raises.

The cheaper lira will also contribute to inflation by raising the price of imported goods. Loss in purchasing power of the lira alone is expected to raise domestic prices by 3 to 5 percent.

[Redacted]

31-34

SPAIN: WOOING CATALONIA

King Juan Carlos appears to have made a favorable impression during his official visit to Catalonia February 16-21. He used the occasion to announce some modest measures to deal with regional pressures and Catalan complaints of neglect by Madrid.

Beginning with his arrival statements, which included a paragraph in the Catalan language, the King played the role of a politician bent on selling himself. Although Catalan leaders obviously feel that Madrid has proceeded too slowly with political reforms, the local populace responded enthusiastically. Stressing the theme of Catalan aspirations, the president of the Barcelona assembly said in his welcoming remarks that the visit came at a time when the Catalans are hopeful of having their "cultural, administrative, economic, and political personality recognized." In a religious service at the Monserrat abbey—the Catalan national religious shrine—the abbot delivered a sermon in Catalan which dealt with the need for national reconciliation in peace, amnesty, and mutual understanding.

The visit to Catalonia took place against a background of widespread labor unrest, notably in the construction industry and among municipal employees. The national government responded on February 18 by placing striking traffic police and firemen in Barcelona under military jurisdiction, employing the same tactics that were successful against striking railroad workers and Madrid postmen a month ago. The situation calmed after police broke up several demonstrations,



Juan Carlos speaking at the start of his Barcelona tour

AP

but some 150,000 still remain on strike in Catalonia.

In a move to demonstrate the government's interest in Catalonia, the King presided at a special cabinet meeting in Barcelona on February 20. The cabinet appointed a commission to consider establishing a special administration for the four Catalan provinces, a cautious gesture toward some form of home rule. The commission will be dominated by government officials, however, and the gestures toward autonomy are unlikely to satisfy the opposition parties who want to regain the degree of federalism the region enjoyed under the Second Republic in the 1930s.

The cabinet also took immediate steps to decentralize power by transferring some decision-making to local representatives of the ministries of public works, industry, education, labor, and housing. The government announced that Catalonia will receive \$1.3 billion in funds for public works projects.

The government also acted to remove some of the irritants in relations between Madrid and the various regions by authorizing birth registrations in any of the regional languages and released a progress report on teaching of Catalan in the public schools. The government took the first step in this direction last November when it recognized the various regional languages as national languages for use in all but official deliberations, thus removing earlier restrictions on use in public. [Redacted]

25X1

SECRET

25X1

SECRET

35-37

CYPRUS: NO BREAKTHROUGH

The fifth round of the current cycle of Cypriot intercommunal talks ended in Vienna last Saturday without producing a breakthrough on major issues. Unlike the last session, however, the atmosphere was reasonably positive.

The negotiators, Greek Cypriot parliamentary leader Clerides and Turkish Cypriot leader Denktash, had been committed to an exchange of views on all issues at stake—including the territorial question, which the Turkish Cypriots had refused to consider in earlier rounds. These issues were discussed, although the five-day meeting produced few concrete results. UN Secretary General Waldheim did succeed in securing agreement on a compromise formula for future negotiations, which commits both sides to exchange written proposals on pending issues through Waldheim's special representative in Nicosia within the next six weeks.

The generally positive atmosphere at the talks in large part reflected the Turkish desire to deflect international pressure and the Greek realization

that they must maintain contact with Denktash and the Turks if they are to recoup any of their losses. Both sides have sought to cast a positive light on the proceedings. Clerides, for example, was quoted in the Viennese press on Sunday as saying that this round was the most successful of any held so far. The negotiators will meet again with Waldheim in Vienna in May to establish agreements in principle on the various issues. The texts then will be referred to mixed committees in Cyprus to iron out details.

Earlier attempts to shift the negotiations to Cyprus have failed, however, and—the positive atmosphere in Vienna notwithstanding—the prospects for progress in the period before the next round in Vienna are poor. Mutual suspicions, the reluctance of either side to be the first to make concessions, and domestic political considerations—particularly on the Turkish side—will probably prevent the presentation of reasonable proposals that could form the basis for successful negotiations.

25X1



Denktash (l) and Clerides (r) with Secretary General Waldheim at Vienna talks

UPI

SECRET

SECRET

38-40-41-42-43

JAPAN: THE LOCKHEED CONNECTION

The Miki government is working overtime to dispel public suspicion that a coverup of the Lockheed bribery scandal is under way.

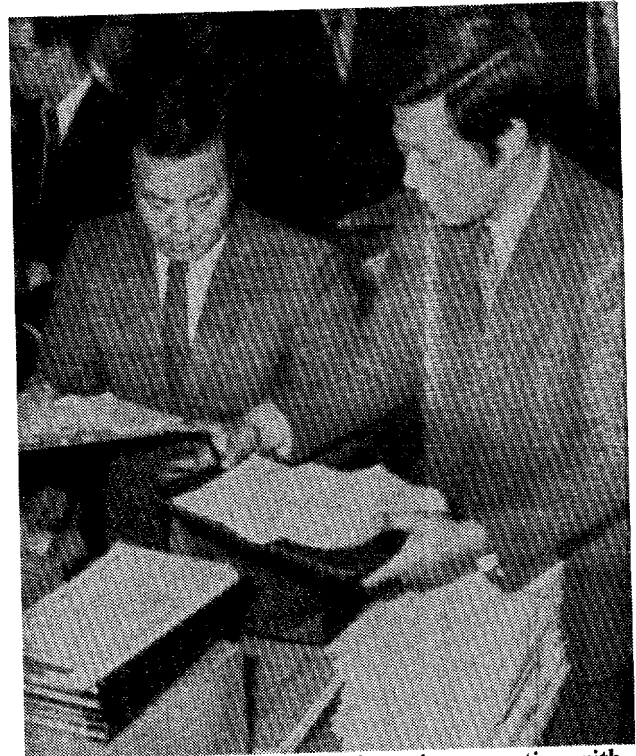
Last week's Diet hearings failed to shed new light on the identities and roles of Japanese officials allegedly involved. This week the government took several new steps to give the appearance of forward movement:

- Both houses of the Diet unanimously passed resolutions calling for US release of relevant Lockheed data, and scheduled additional hearings.
- Prime Minister Miki sent a personal letter to President Ford calling for full US cooperation in clearing up the scandal.
- Miki also announced he was considering sending a special envoy to the US, possibly Foreign Minister Miyazawa, to follow up the request for data.
- Police and tax authorities launched a joint investigation of the case by staging raids at 26 locations to obtain evidence.

There are mixed emotions throughout Japanese political circles on whether to pursue the investigation to the point of revealing names of those officials allegedly involved. Uncertainty over what names might emerge and concern that the scandal might not be confined to the Lockheed affair are complicating factors. Most members of the ruling Conservative Party apparently would prefer to limit the investigation, but Miki may not be averse to full disclosure. He presumably was not involved in the payoffs and may believe that some of his rivals in the party—possibly including former prime minister Tanaka—could be directly implicated.

Defense Complications

The Lockheed scandal has also forced Tokyo to review plans for acquiring a new antisubmarine warfare aircraft. The choice of a new ASW aircraft



Japanese police search for evidence in connection with Lockheed payoff scandal **AP**

has been a major issue facing Japanese defense planners since the late 1960s.

Until the Lockheed revelations earlier this month, Tokyo was well on the way to announcing its official choice of the Lockheed P3C aircraft sometime later this year and hoped to begin deployment in 1978. The scandal has reinvigorated the lobbying campaign of the domestic arms industry, which has begun again to press hard for domestic development despite the government's preference for the superior US aircraft.

Even before the scandal, the Japanese were exploring the possibility of domestic production, but such a decision now would not allow them to meet the 1978 deadline and would also be much more expensive. Indeed, Japanese plans for developing a patrol aircraft similar to the P3C

SECRET

SECRET

reportedly have been pushed back another year for lack of sufficient funding.

Tokyo has been careful to avoid any implication that the P3C deal has been killed outright; it will probably be some time before the government announces its final decision. Given the problem surrounding domestic production, Tokyo may again pursue the P3C, but probably through a government-to-government arrangement rather than through direct dealings with Lockheed. Antisubmarine warfare is the major focus of Japanese naval operations, and any appreciable delay in acquiring the next generation of ASW aircraft could seriously set back Japan's military modernization program.

25X1

45

JAPAN: NEW EXPORT DRIVE

Japanese firms are taking advantage of economic recovery abroad with another export push. Tokyo sees foreign sales as an important means of bolstering domestic output and demand at a time when recovery at home is flagging.

Japanese industries have set ambitious export targets for this year. The auto industry hopes to boost its overseas sales by at least 20 percent, and steel wants a 5- to 10-percent increase, following a 12-percent decline last year. Sales of complete industrial plants to communist and OPEC countries are expected to boost machinery exports significantly. Exporters of chemicals and intermediate textile products expect only small gains, while some exports, such as ships and fertilizer, will decline.

If targets are met, export volume will increase 10 percent in 1976, double the expected growth in world trade. Volume is already on a sharp upward trend, gaining 20 percent since its low in June 1975. Most of the increase occurred in the fourth quarter of 1975 and has been concentrated in the US market. Gains in the US market this year are

likely to be 9 percent, while increases of 15- to 20-percent are anticipated in the expanding communist and OPEC markets. OPEC countries now take 15 percent of Japan's exports, up from 5 percent in 1973.

Many Japanese industries are slashing export prices to help strengthen their world market position, although production costs in most industries are rising. Exporters are willing to see profit margins shrink in order to accelerate the export push and maintain production levels. Most major industries now export one fourth or more of their output.

The government is moving on a number of fronts to assist Japanese exporters. Tokyo is planning to increase government sponsored loans for overseas sales this year by a record 80 percent. Interest rates on certain official credits are also being shaved. In another move to protect export gains, Tokyo is intervening to keep the yen from appreciating above 300 to the dollar.

The government, like industry, sees export growth as essential to even moderate economic recovery. In the second half of 1975, growth in export volume accounted for nearly 40 percent of the estimated 3.5 percent gain in gross national product. The proportion is likely to remain high in the first half of 1976, when gross national product is expected to grow at an annual rate of 4 percent.

25X1

59-61; 63

CHINA: LEADERSHIP STRUGGLE CONTINUES

In his speech on February 22 welcoming former president Nixon, acting Premier Hua Kuo-feng became the first Chinese official to comment publicly on the current leadership struggle. Hua's remarks were relatively mild and omitted any reference to "unrepentant capitalist roaders in the party," a phrase that refers to Teng Hsiao-ping. He reaffirmed China's interest in im-

SECRET

SECRET

proving relations with the United States and in maintaining a stiff anti-Soviet posture, thereby signalling that the unsettled leadership situation has not affected China's basic foreign policy line.

The attack on Teng continues, however, and shows no signs of abating. He has reportedly been criticized by name on wall posters in at least one province, but Chinese officials have repeatedly stated that he currently retains all of his party, government, and military positions.

[Redacted]

In any case, Teng is not likely to go down without a fight.

[Redacted]

[Redacted] China's 29 provinces have been slow to pick up Peking's media attacks on "capitalist roaders."

At present, it appears that the leadership is a long way from resolving its differences and working out a satisfactory leadership arrangement. Aside from some signs in propaganda that more moderate leaders do not want the current attacks on Teng to disrupt production, Peking has announced no new major decisions or taken decisive actions. One Chinese official has said the current struggle could go on for several months, and it does indeed seem that China's leaders are in for a prolonged period of wrangling.

[Redacted]

48; 53-58

LAOS: ASKING FOR HELP WITH BANGKOK

The Lao are now asking Asian and third world countries to intercede with Bangkok to reopen more of the border with Laos. While it is unlikely that any of the governments will approach

Bangkok, the Lao probably hope the initiative will put Thailand on the defensive and create indirect pressure for reopening the border. A Lao official made similar overtures to several non-communist diplomatic missions in Vientiane last December when the entire border was closed.

The border restrictions are causing the Lao severe economic difficulties, and they are also asking the countries for humanitarian aid. Vientiane is clearly willing to accept badly needed economic assistance from any quarter, but continues to rely on its communist allies for the bulk of foreign aid. Late last month a Lao delegation to Moscow signed an aid agreement with the USSR for 1976-77. Shortly thereafter, in an apparent effort not to slight Peking, the Lao held a ceremony for the turnover of Chinese aid, much of which had been previously announced.

[Redacted]

[Redacted] The Lao are also receiving aid shipments from East European countries, most recently from Bulgaria and Albania.

Border Talks Stalled

Lao-Thai border talks are stalled. The Lao failed to respond to an offer by Thai Foreign Minister Chatchai to visit Vientiane earlier this month and are still insisting that the Thai reopen the entire border before new talks begin. Moreover, Lao Prime Minister Kaysone Phomviharn has hinted that any substantial negotiations cannot be held until after the Thai elections in early April.

The Thai also apparently see little reason to negotiate seriously with the Lao until after the elections. Aware that any concessions to the Lao would only add to the disaffection of Thai military leaders

[Redacted] Chatchai has said that the border will remain partially closed and that further efforts to reduce tension with the Lao can wait until elections are held.

[Redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

SECRET

SECRET

65-69

SPANISH SAHARA: NEW MASTERS

Spain's role as co-administrator of Spanish Sahara under the tripartite agreement it concluded with Morocco and Mauritania formally ends on February 28. The legal status of the territory remains a contentious issue, however, as Spain insists that its transfer of administrative control does not resolve the question of sovereignty. Algeria, which has rejected the tripartite agreement entirely, continues to demand a referendum on self-determination and to support Polisario Front guerrillas seeking independence for the territory.

Morocco has set up an extensive administrative apparatus to demonstrate its control as Spain completes its withdrawal in the Sahara. After February 28, Morocco will divide the northern Sahara into two provinces; the administrative center along the coast will be El Aaiun, while the northeastern portion will be governed from Semara. The Mauritians will ad-

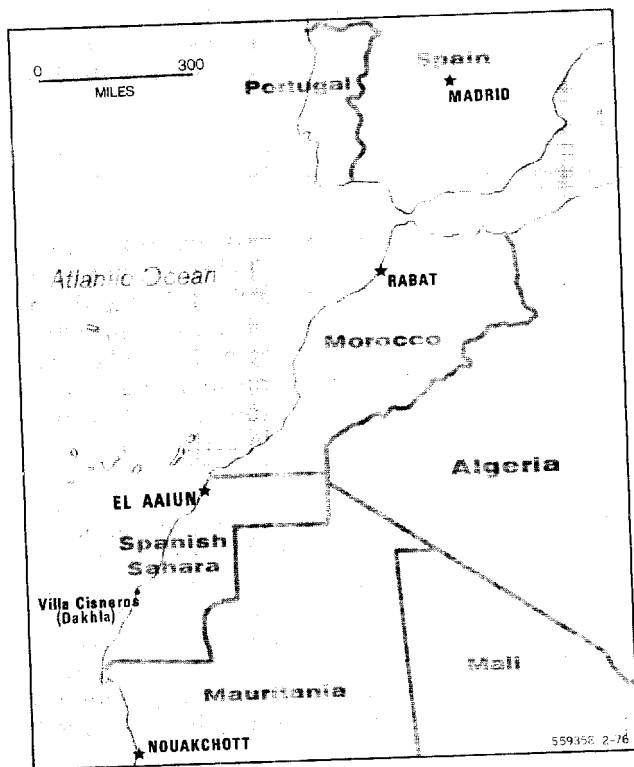
minister their southern sector from Dakhla—formerly Villa Cisneros.

Spain has consistently maintained that the sovereignty issue can only be decided in "consultation" with the people of Spanish Sahara. Although the tripartite agreement provided for such consultations through the territorial general assembly, a Spanish official recently indicated Madrid no longer supports this approach. The official attributed the change to the lack of provision for a UN role and to Rabat's selection of tribal leaders loyal to Morocco to replace the considerable number of assembly members who joined the Polisario Front. The official did not elaborate on how the will of the Saharans should now be determined.

This week, Morocco, which had argued earlier that the Saharans were consulted via the territorial assembly last November, called a special meeting of the assembly for February 26 to "express the will of the people." Rabat is now insisting that this session of the assembly will meet the requirements for consultations called for in the resolution adopted by the UN General Assembly last December that in effect endorsed the tripartite agreement. In an obvious public relations maneuver, assembly members "outside the Sahara"—a reference to those members who defected to the Polisario Front—were invited to participate in the session.

Algerian pressure on Spain is largely responsible for Madrid's second thoughts about the consultation process. Earlier this month, Algiers sent messages to Spain and the UN laying out its case that Spain cannot avoid its legal responsibility as the administering state of a non-self-governing territory.

The Algerians want to delay international recognition of the Moroccan-Mauritanian take-over of the Sahara by reopening the Sahara dispute at the UN. A UN envoy recently visited the Sahara and has apparently submitted his fact-finding report to Secretary General Waldheim. Although the envoy's mission was limited in



SECRET

SECRET

scope, Algiers will try to exploit his findings to push once again for a referendum on self-determination.

The Algerians are striving in every available forum to enhance the political standing of the Polisario Front. This week, they were expected to lobby at the Organization of African Unity ministerial meeting in Addis Ababa for recognition of the Front as the national liberation movement of the Sahara. The OAU liberation committee, which is dominated by African militants, recommended such recognition when it met last month. The more politically balanced ministerial body may be more sensitive to Moroccan and Mauritanian objections and defer action.

Arab League Secretary General Riad continued his peacemaking mission to Algeria, Morocco, and Mauritania this week. He arrived in Rabat on February 22 following a three-day visit to Algiers; he is expected to visit Mauritania later this week. Algerian commentary after Riad's departure claimed he met with Polisario representatives. If this is true, he is likely to receive a cold shoulder in Morocco and Mauritania.

There were no confirmed clashes between Moroccan and Algerian forces in the Sahara this week. Polisario guerrillas continued to harass the Moroccans in a few scattered areas, however, and they may step up the pace of their activity on the eve of the Moroccan-Mauritanian take-over.

[Redacted]

70-71

ANGOLA: BEGINNING TO GOVERN

With the end of the conventional war, the victorious Popular Movement regime is moving quickly to impose its authority in the areas from which it recently displaced its rivals and to get the economy moving again. Early this week, the foreign minister of the Movement's People's

Republic of Angola was seated at the Organization of African Unity ministerial meeting that convened in Addis Ababa. The Luanda government has now won wide international acceptance, including an invitation from the EC to join its association with 46 other developing countries.

Party officials, technicians, and policemen are following Popular Movement and Cuban military forces into the major urban and economic centers the troops have occupied. In each locale, committees have been established to handle local administration. The Movement has also announced universal military conscription and stricter requirements for admission to the Movement, which has become the country's sole legal party with the outlawing last weekend of the rival National Front and National Union.

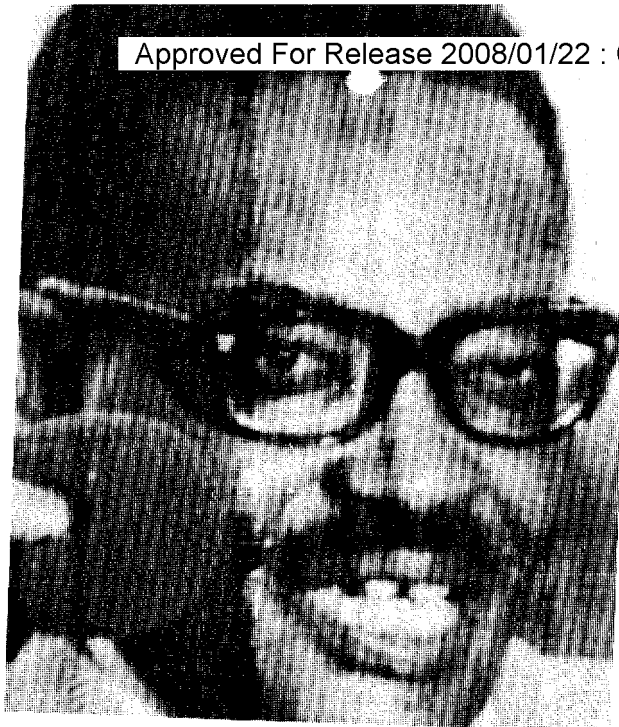
In the economic field, President Neto's government has assigned high priority to getting the Benguela Railroad back in operation. The most serious problem is the rebuilding of several bridges—one at the Zairian border. The line carries better than half of the imports and exports of Zaire and Zambia and brought in about \$45 million in revenues in 1973. The government has not yet indicated how it will deal with the British-Belgian consortium that owns 90 percent of the railroad.

Negotiations are under way with the combine of South African, Belgian, British, and American interests that has controlled diamond mining in Angola. Prospects for Gulf Oil's return to its concession in Cabinda improved last week when the company obtained permission from Washington to release royalty payments to the Luanda regime. Gulf's operations have been the largest single source of government revenues in recent years.

The Popular Movement also launched a major campaign last week to revive agricultural production. Profitable coffee plantations in the north and commercial agriculture in the central highlands were almost completely disrupted by the civil war.

SECRET

25X1



Agostinho Neto

OCI

The continued presence of some 13,000 Cuban troops in Angola is likely to complicate Luanda's foreign relations. Many African countries, and especially neighboring Zaire and Zambia, have made it clear they are anxious to see the Cuban soldiers depart, and even some staunch African supporters of the Popular Movement are becoming uneasy that the Neto regime will begin to look like a Cuban puppet. The Movement's statements that Angola is not under foreign influence seem increasingly defensive in tone, suggesting that Popular Movement officials have become more sensitive to criticism of the Cuban presence.

South Africa apparently has pulled out most of the troops it has been keeping on the Angolan side of the border with Namibia. It is maintaining several small garrisons to protect the Cunene hydroelectric project, however. For now, the Luanda regime appears willing to overlook their presence.

The Neto regime's major external concern continues to be Zaire, even though President Mobutu is himself on the defensive and appears to have no intention of becoming involved either directly or indirectly in further military ventures in Angola. At the OAU meeting this week, Neto's foreign minister charged Zaire with violating the

OAU charter by having sent Zairian troops into Angola to support the National Front. The statement was probably a warning to Mobutu that the Movement can muster political as well as military support if Zaire attempts any future aggression. Despite the minister's attack, there are indications that the two governments are continuing to try to work out an accommodation.

25X1

72-76

ETHIOPIA: MORE ARRESTS

The arrest of at least 350 prominent Ethiopians over the past two weeks appears to be related to the chronic power struggle within the ruling military council. There are indications that Major Mengistu Hailemariam, the regime's opportunistic first vice chairman, ordered the arrests on his own with a view to regaining his former influence through the support of council radicals and their civilian allies. A countermove—perhaps bolstering the authority of Chairman Teferi Benti—by opponents of Mengistu and the radicals could follow.

Among the persons imprisoned in the recent roundup were a number of retired generals, businessmen, high-level civil servants, and even some widows of the senior military officers and aristocrats executed in November 1974. They were accused of having engaged in subversive activity. The corrupt patriarch of the Ethiopian Orthodox Church was also detained; he had lost the support of much of the Christian community earlier because of his failure to stand up to the council.

Mengistu has been looking for a way to make a political comeback, after realizing some months ago that his position was eroding. He and his chief rival—second vice chairman Lieutenant Colonel Atnafu Abate—had both lost favor with other council members because of their constant maneuvering against each other. With their decline, Teferi Benti's influence had increased.

SECRET

SECRET

Mengistu's actions are said to have angered many council members, although some of the discontent probably stems more from resentment over his failure to consult them than from the arrests themselves. Few members are willing to make an issue of the detention of additional wealthy conservatives. Others may have misgivings about the seemingly indiscriminate nature of the arrests.

On the other hand, the council as a whole has felt increasingly threatened by its many opponents, and most members probably believed some action was needed to intimidate their critics. The military rulers are particularly concerned about the Ethiopian Democratic Union, an organization led by well-known members of the country's former aristocracy. Some of the new detainees are suspected of collaborating with the Democratic Union, which has conducted guerrilla operations in western Ethiopia and is believed to have supporters elsewhere in the country. The council believes the Union is gaining support in the provinces.

Although the radicals' opponents on the council and in the armed forces have not attempted a counter move, they are not likely to remain passive if Mengistu and the radicals appear to be consolidating their power. Most council members realize the council's support has declined because of the socialist measures it has already implemented, particularly the nationalization of urban and rural land. They would be reluctant to accept a further move to the left, which would narrow the council's popular support and make it even more dependent on repression to survive. Key military units outside Addis Ababa, which have been dissatisfied with the ruling group's policies and authoritarianism for some time, might break openly with the council if the radicals clearly become the dominant force.

The council unveiled a major government reshuffle this week that appears largely unrelated

to the arrests and internal maneuvering. Seven ministers were fired and 55 new officials were appointed, including four new ministers, three provincial chief administrators, and six permanent secretaries.

The changes were presented as part of a campaign against bureaucratic timidity and inaction. Most of the new officials are younger and more committed to change than their predecessors, many of whom held office under the old regime. It is questionable, however, whether the new appointees will exercise more initiative than the officials they replaced. They will not be encouraged by the latest arrests of civil servants, and there are no indications that the council is prepared to give any real authority to the ministries.

25X1
25X1

77-81

BANGLADESH-INDIA: STILL UNEASY

Relations between Bangladesh and India continue to be marked by frictions and mutual suspicions, although tensions have eased considerably since late last year when the turmoil in Bangladesh and the threat of Indian military intervention peaked. Dacca, still troubled by the activities of Indian-based Bengalee dissidents, has now become exercised over a water-sharing dispute. India, for its part, remains unsure of the martial law administration in Dacca and continues to maintain pressure on the Bengalees to prevent a further shift away from the close collaboration that existed under the former Mujib regime.

Late last month, Bengalee officials publicly charged that Bengalee insurgents coming from India had again raided several border outposts in Bangladesh. The Bengalees claimed that the insurgents were supported by Indian paramilitary forces in violation of assurances given in meetings held last December between officials of the two countries after a similar series of border incidents.

SECRET

SECRET

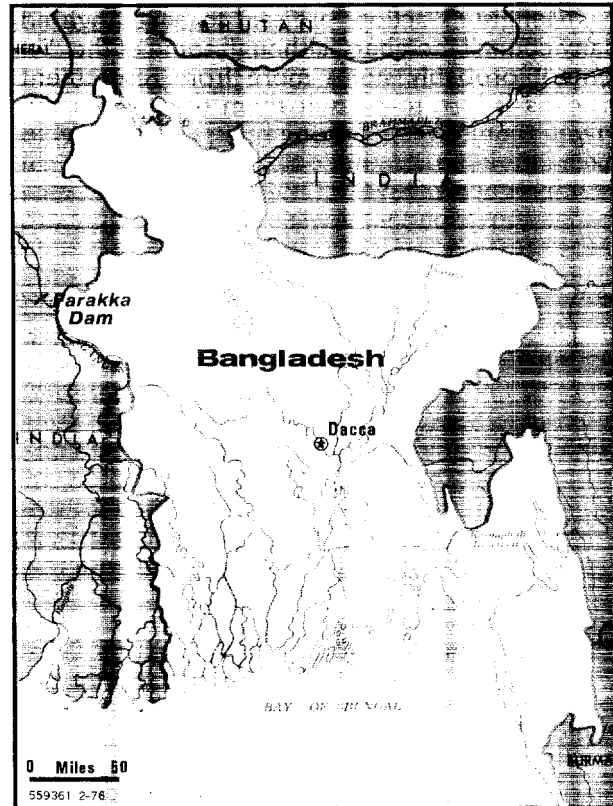
New Delhi denied the charges and, in turn, accused Dacca of attempting to revive anti-Indian feeling in Bangladesh.

Recent meetings between Bengalee and Indian border security officials helped ease the controversy. A three-day conference in Dacca produced an agreement to establish a joint team to investigate the border incidents and report back to the two governments. The two sides also agreed to hold periodic meetings to resolve local issues.

Despite the outwardly positive tone of the sessions, more border problems are likely. Reinforced Indian paramilitary units remain in the border area, and an Indian official has admitted that, in the past, New Delhi has given aid to Bengalee dissidents. With or without Indian support, the dissidents are probably capable of causing more trouble for the Dacca government.

The dispute over water sharing—a problem with a long history—has been brought to the fore by the approach of the March-May dry season. The Bengalees claim that Indian diversion of the waters of the Ganges at Farakka, where India opened a new dam last year, has sharply lowered the level of the river as it crosses into Bangladesh. They predict navigational problems, a decline in their crop production, and increasing salinity in the delta. The Bengalee predictions appear exaggerated. Bangladesh last week rejected an Indian proposal for talks on the issue. Dacca says it sees no purpose for such talks until India halts diversion of the water. The Indians, in turn, have rejected this condition.

The public charges by Bangladesh on border clashes and the diversion of the Ganges represent a departure from Dacca's policy since last December of generally avoiding statements likely to irritate New Delhi and, at least in part, they probably reflect sincere concern. Bengalee leader General Zia ur-Rahman may also see a need, however, to exploit an external threat to keep his army behind him; his shaky martial law administration has been troubled by military in-



discipline and rifts in the officer corps. Zia probably realizes the possible danger inherent in whipping up the considerable anti-Indian sentiment in the army, but he may hope his popularity among the enlisted men will allow him to channel any reaction into support for the government.

The Bengalees may also have foreign policy motives in publicizing their charges against India. To the extent that their fears of Indian intentions have been rekindled, they may be attempting to elicit support from friendly countries, as they did in a diplomatic campaign last fall when they were most fearful of the possibility of Indian intervention. Dacca may also believe that its emphasis on a threat from across the border will help it in its quest for new military equipment from potential suppliers.

25X1

SECRET

SECRET

82-84

ARGENTINA: LAST CHANCE FOR PERON?

President Peron faced mounting pressure this week from within her party for more changes in her cabinet and the removal of her controversial advisers. A number of top Peronist leaders finally joined other civilian groups in the belief that only by purging her administration can Peron avert a military take-over that could well eliminate civilian participation in the top ranks of government.

Early in the week Peronist leaders met with the President to demand the removal of her advisers and the adoption of new economic policies. They stressed to her the urgent need for a "change of direction" by the government.

The national council of the Peronist party—the group's policy-making body—supported the demands, but only after a bitter debate that resulted in the resignations of six members loyal to the President. The six, along with other top Peronists still backing the President, heaped scorn on their colleagues for betraying the chief executive and advocating "deceitful questioning of the cabinet and government policies." The US embassy calls the Peronist party "virtually fractured" as a result of the dispute.

Peron subsequently displayed her now familiar defiance by publicly rejecting the proffered resignations of all the cabinet members and reiterating her full confidence in them. Nonetheless, it has since become apparent that at least one, and probably more, cabinet shifts are in the offing. Indeed, press accounts indicate that Defense Minister Guardo is already preparing to leave.

Cabinet shuffles have bought time for Peron on many previous occasions and could again. It seems more likely that only a purge of her inner circle, which she consistently refuses, can satisfy her massed opponents. Continued resistance on this issue could impel congress, which reconvened late Wednesday, to take up again a motion to declare Peron unable to discharge her duties. For several months military commanders have been repeatedly warning civilian politicians that they



President Peron

UPI

must resolve the political and economic chaos or face a long period of military rule. The President's stubbornness could spark the armed forces, now more than ever poised to take over, to make their move.

25X1

85-87

BRAZIL: HARNESSING SECURITY FORCES

President Geisel is taking additional steps to bring recalcitrant security officials under control and to strengthen his authority over the army. Late last month Geisel dismissed the Second Army commander following the death of a civilian prisoner under military custody in Sao Paulo. Last week he renewed his purge by sacking the chief and deputy chief of the army's intelligence service for failing to enforce presidential orders regarding internal security operations.

25X1

25X1

25X1

SECRET

SECRET

88-90

COLOMBIA: VIOLENCE INCREASES

25X1



A sharp increase in terrorism, guerrilla activity, and common crime has forced President Lopez to drop plans for lifting the nine-month-old state of siege in time for the midterm elections in April.

Geisel has repeatedly ordered security forces to curb such abuses as torture and illegal detentions, but his demands have been largely ignored by military conservatives who argue that strong measures are necessary to prevent a recurrence of the disruptive political activity and subversive violence that characterized Brazil before 1968. After the internationally publicized death of news correspondent Vladimir Herzog in an army jail last fall, however, Geisel committed his prestige to a strong stand against abuses of human rights.

The current unrest runs the gamut from strikes to civil disorders and kidnappings. A variety of causes, economic and political, and adherents of both the right and left are involved. The continuing unrest has raised doubts that the country's civilian leaders are sufficiently aware of the potential gravity of the security situation or are sufficiently concerned to take the necessary measures to restore public order and confidence. Not only is the government plagued by student strikes and clashes with the police but a work stoppage in Buenaventura, Colombia's leading Pacific port, has crippled commercial activity in that city. Civil strikes by bank employees and tax collectors, serve only to confirm the general public impression that the government is not responding as vigorously as it should to the crisis it is facing.

The President's initiatives have not met with direct opposition and are unlikely to do so, but there are indications that a whispering campaign has begun against liberals and alleged subversives who occupy prominent government positions.



Adding to the increased concern has been the highly publicized kidnaping of the veteran head of the Colombia Workers Federation. His abductors are claiming he will be "tried" for crimes against the working class. Leaders of the federation have threatened a massive strike to protest the kidnaping, raising the threat of further disorders.

If forced into a more defensive posture, security specialists might well expand illegal death-squad operations—usually employed against petty criminals—to include those whom they view as political threats to the regime.

Against this backdrop, the country is preparing for departmental and municipal elections on April 18, usually an important barometer of popular sentiment for the presidential election two years later. There are tentative indications that the voter turnout will be light even for an off-year election. Party rallies have been sparsely attended and voter registration is down. This situation could favor extreme leftist candidates, particularly in Bogota, at the expense of the two major parties. Embassy sources blame the widespread apathy and disaffection on the government's inability to stem inflation or deal with well-publicized scandals and corruption.

In taking on the conservatives, Geisel is trying to roll back an influential sector of the military that has exerted strong pressure on every president since 1964. If he succeeds, he will greatly enhance his personal authority and ease the way for further relaxation of political controls, a goal Geisel has long professed but which he has made little progress toward achieving. Failure, however, would only add to his already considerable political and economic difficulties, and could tie his hands on more issues for the remaining three years of his term.

SECRET

SECRET

Former Conservative President Pastrana has zeroed in on the government's weak economic performance, attacking President Lopez and the Liberal Party for fiscal mismanagement, profligate spending, and a budget deficit.

C-130 aircraft in 1968-1969. A public report has been promised.

Lopez will have to handle the issue with care. He recognizes that the luster of his election victory has long since worn off, that economic problems are mounting, and that the public's sense of security is being eroded by daily violence. If the situation continues to deteriorate the military will almost certainly demand a larger role for itself in putting an end to the disorders.

The Lockheed bribery scandal is adding to the concern over corruption. Lopez has appointed a high-level team to investigate charges that government and military officials were bribed in connection with the purchase of three

25X1

94; 96-97

CIEC: FIRST ROUND ENDS

Representatives of both the developed and the developing countries are saying some progress was made in Paris last week during the first round of meetings of the four working commissions of the Conference on International Economic Cooperation. Serious differences in approach and expectations remain, however, which are likely to become more pronounced when the second round of talks begins on March 18.

The EC and the Japanese, in particular, were unprepared to begin substantive talks during this round, seeking instead to postpone debate at least until next month. EC internal decision-making processes were also very cumbersome in this session, although this will probably prove less of a problem later.

Discussion at this round centered almost entirely on questions of procedure and agenda, although talks were begun in the development commission on two substantive issues—trade and balance-of-payments problems of the developing countries. Important differences on energy and financial issues did not prevent agreement on the future work programs of these two commissions, but the commission on raw materials was less successful; it will continue to debate an agenda when it reconvenes next month.

Pressure will grow on the developed states to show some progress in Paris before the Fourth UN Conference on Trade and Development opens in May in Nairobi, if only to temper an attitude of confrontation which otherwise might arise there.

The developed countries, citing the uncertain economic outlook in the near term, were generally unwilling to make any long-term commitments. Lack of coordination of developed country positions was a major problem, especially in the raw materials and development commissions where the developed states lack the preparatory work of the International Energy Agency to fall back on.

The developing countries appear determined to use the talks in Paris to reach agreement on specific and constructive proposals before the UNCTAD meeting. This was most apparant in the **development commission** which covers the topic most critical to developing country interests—trade.

While the developing states represented in Paris may have been content to use the first session of the commissions for procedural discussions, some of them, at least, probably feel they cannot afford to let the March session proceed in the same way. An unproductive meeting in March could discredit the argument they made to other developing countries that the

SECRET

SECRET

smaller Paris forum can be effectively used to extract concessions later from the developed countries at the UNCTAD meeting in Nairobi.

The developed states accomplished a major objective when the **energy commission** agreed to begin substantive discussions next month with a general review of the world energy situation. The developed states view such an analysis as fundamental to building a broad and factual framework that can be drawn upon in future sessions when specific topics are discussed. The oil-exporting states had been pushing to begin work immediately on specific topics to avoid any discussion of the impact of high oil prices on developing countries that must import oil.

The **finance commission's** discussions last week focused on the causes of the world-wide

recession and the developing states' desire to shift attention to basic structural problems in the world economy. Both sides finally agreed to continue next month a general discussion of the world situation, placing specific emphasis on longer term prospects.

In the **commission on raw materials** the developing states continued to push for acceptance of the UNCTAD secretariat's integrated program on commodities, which stresses specific remedies such as buffer stocks, a common fund, and indexation. The developed states, particularly those in the EC, argued for a commodity-by-commodity approach, which could entail a discussion of substantive commodity problems before general agreement is reached on an overall approach to raw materials trade. [redacted]

25X1

25X1

SECRET

Page Denied

Secret

Secret