

**Page Denied**

Next 1 Page(s) In Document Denied

DIA review completed.

State Dept. review completed

**Secret**

25X1



# Weekly Summary

DIA, DOS REVIEWS COMPLETED

**Secret**

CI WS 76-013  
No. 0013/76  
March 26, 1976

Copy      No      1409

SECRET



CONTENTS (March 26, 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.

MIDDLE EAST  
AFRICA

- 1 Lebanon: Back to the Brink
- 4 Israel: West Bank Calmer
- 5 Iraq-Syria: Pipeline Dispute
- 6 Rhodesia: Negotiations; Embargo

EUROPE

- 8 EC: Luxembourg Summit
- 9 USSR-Egypt: The Aggrieved Party
- 9 UK: Decision on MRCA
- 10 USSR: Building Another Trans-Sib
- 11 Italy: Christian Democrats' Differences
- 12 Spain: Opposition Front
- 13 Greece-Turkey: Aegean Controversy

EAST ASIA  
PACIFIC

- 14 China: Teng Hangs In; Trade

WESTERN  
HEMISPHERE

- 16 Argentina: Junta Takes Over

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

25X1



A  
P

Muslims assault hotel

## LEBANON: BACK TO THE BRINK

1-5

Heavy fighting resumed in Beirut this week as Lebanese leftists attempted to undermine a Syrian-sponsored political compromise that would in effect tie the orderly resignation of President Franjiyah to the selection of his successor. Rapidly increasing military pressure on the Christians forced Franjiyah to flee the presidential palace for the Christian village of Juniyah on March 25, and raised the possibility that he might finally be forced to resign or that the Christians might announce a plan for partitioning the country. The tendency of both sides to seek drastic solutions in turn raised new problems for the Syrians, whose mediation effort has bogged down, but who are reluctant to risk an Israeli reaction by introducing large numbers of Syrian regular forces into Lebanon.

Damascus has already sent between 2,000 and 3,000 Syrian regulars into the country to help restrain the leftists. These forces have cooperated with—and in some cases been integrated into—units of the 5,000-man Palestine Liberation Army and the 3,000-man Saiqa fedayeen group.

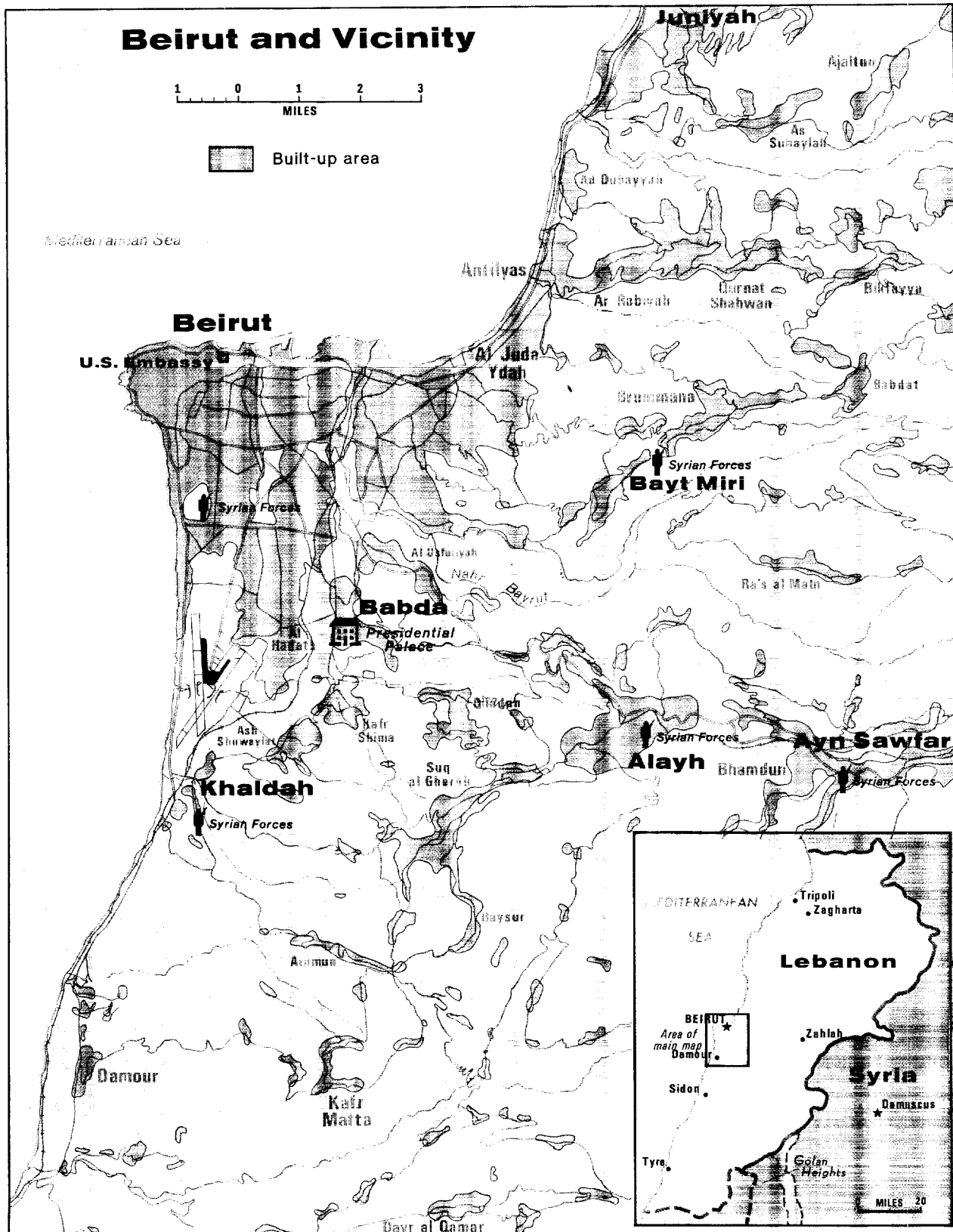
The two Syrian-controlled Palestinian organizations have moved virtually all their forces into Lebanon. Syrian regulars are known to be based in Ayn Sawfar, Khaldah, and western Beirut. They have restrained some leftist units in these areas, but have failed to prevent the leftists from seizing control of most of Beirut's hotel and commercial district and from mounting strong attacks on the port area, the Christian district of Ashrafiyah, and the presidential palace at Babda.

The leftists' success has resulted from the formation of an uneasy alliance among the followers of Socialist leader Kamal Jumblatt, Muslim radical Ibrahim Qulaylat, and rebel army Lieutenant Ahmad Khatib. This coalition is being supported by fedayeen rejectionists and, to a lesser extent, by Fatah leader Yasir Arafat.

Fatah and other independent fedayeen groups are motivated primarily by a desire to protect themselves against the growing Syrian influence in Lebanon, and by a conviction that they cannot afford to have remained on the sidelines if

SECRET

SECRET



559519 3-76 CIA

SECRET

SECRET

the Lebanese leftist and Muslim forces come out on top. Arafat is not believed to be seeking direct confrontation with Syrian troops or with the Syrian-controlled Palestinian troops, although his actions are serving to reinforce the reluctance of the Lebanese left to cooperate with the Syrian peace initiative.

The leftists fear that a negotiated settlement would only strengthen Syria's hand in Lebanon and result in the election of a strong Maronite Christian president sympathetic to Syrian and conservative Christian interests. Frangiyah's immediate and unconditional resignation, the leftists believe, would result in extended political negotiations and in the ultimate election of a weak Christian president less inclined or able to control the left. Jumblatt is now in a strong negotiating position; although he cannot decisively defeat the Christian forces, he can prevent implementation of a new cease-fire unless Damascus sends in still more Syrian regulars.

The continued defiance of Jumblatt and other Lebanese leftists is creating more problems for Syrian President Asad at home as well as in Lebanon. There have been a number of indications this week that Asad's cautious, relatively evenhanded approach to the Lebanese problem is encountering opposition within the Syrian military. Many in the military apparently regard his efforts to ensure an orderly succession to the Lebanese presidency as an attempt to shore up the Christians at the expense of Syria's traditional Muslim and leftist allies. As more Syrian regulars have been pressed into service in Lebanon, the military probably has also begun to worry about being drawn deeper into the mess or, even worse, getting into an unwanted conflict with the Israelis.

Asad reportedly has taken some steps to muffle critics of his Lebanon policy in the army and has tightened security to guard against a coup or assassination attempt. Thus far, dissension within the Syrian military does not appear to have reached the stage where it threatens Asad, who still retains formidable military forces at his disposal and is adept at outmaneuvering his opponents. At

the minimum, however, military dissatisfaction is likely to further complicate his efforts to put pressure on the Lebanese leftists to accept a cease-fire.

Despite the political and military risks involved, the Asad regime appeared to be taking some military actions this week that could portend the introduction of Syrian regulars on a large scale. [REDACTED] Syria has placed all its military forces on alert.

[REDACTED] Syrian air defense units—both missile batteries and anti-aircraft artillery battalions—are in a high state of alert. [REDACTED] unusual Syrian troop movements in the Damascus area, where Syria's two armored divisions are normally stationed.

While some of the military activity may have been normal training, it may also be a signal that the Syrians are preparing for some form of military action. If Damascus decides to intervene further, it could do so with any one of its five regular divisions. Damascus also could put together a task force of units taken from several divisions, and thereby lessen the impact on Syrian defenses along the Golan Heights opposite Israel. Another possible option would be to use the "defense" companies that are responsible for the protection of the government, and which are organized and equipped along regular military lines.

#### Israeli Reaction

The Israelis acknowledged privately for the first time this week that Syrian regular forces have entered Lebanon, although they have not charged that the Syrians are in border areas near Israel. Defense Minister Peres said in January that Israel's reaction to a Syrian move into Lebanon would depend on the security situation along the border. Israeli troops near the border have been on increased alert for several weeks, but no unusual military activities have been detected recently.

25X1

25X1

DIA

25X1

25X1

25X1

SECRET

SECRET

15-20

## ISRAEL: WEST BANK CALMER

The violent demonstrations by Arab students in the Israeli-occupied West Bank appear to be subsiding in the wake of a March 21 Israeli Supreme Court decision upholding police authority to prevent Jewish prayer services on Jerusalem's Temple Mount, the site of one of Islam's holiest shrines. Tensions remain high, however, and the outcome of a special UN Security Council debate this week on the West Bank situation could lead to a new round of rioting.

Although minor disturbances continue in several West Bank towns, relative calm seems to be returning to the area. On March 22, a leading West Bank moderate, Hebron Mayor Mohammed al-Jabari, retracted the resignation he tendered last week to protest Israeli brutality in putting down riots in his town. Israeli army units have been withdrawn from Hebron to give Jabari a chance to restore order. Israeli occupation authorities have also ended the curfews on Halhul near Bethlehem, Ram Allah, and al-Birah.

So far eight municipal councils that had also resigned have refused to follow Jabari's example. The Israelis—for whom the cooperation of local authorities in re-establishing order is politically important—have rejected the resignations and are pressing Arab leaders to reconsider their actions. If new anti-Israeli demonstrations occur, more town governments—there are 24 in the territory—will probably resign.

The fact that West Bank municipal elections are scheduled for April 12 complicates the position of local Arab officials, who fear they will lose Palestinian votes by cooperating with the Israelis to maintain order. Despite the recent disturbances, Israeli authorities intend to go ahead with the elections. If they were postponed, unrest in the West Bank could increase and the Palestine Liberation Organization, already popular among the Palestinians, would no doubt gain additional support.

The UN Security Council began a debate on the West Bank disorders on March 22 in response to a request by Libya and Pakistan. The Israelis

agreed to participate even though the PLO was also invited, resulting in the first confrontation between the two parties in the council. Foreign Minister Allon explained that Israel wished to counter expected PLO propaganda against Israel's occupation of the West Bank. Israel's participation, he emphasized, should not be regarded as any kind of precedent indicating its recognition of the PLO as a party to Middle East peace negotiations. The UN debate may touch off new demonstrations in the West Bank by Arabs anxious to show their support for the PLO.

Leaders of Israel's ruling Labor Alignment are divided in their assessment of the disorders. Some moderates, like ex-foreign minister Eban, blame right-wing Jewish extremists, rather than the Arabs, for sparking much of the unrest in the West Bank. They criticize the government for not taking strong initiatives to appease the Palestinians.

Hard liners, on the other hand, blame the current disorders on a politically active minority determined to provoke trouble. They want the government to act as forcefully as necessary to quell the demonstrations, and they criticize it for not moving more quickly and energetically against the rioters.

Within the Alignment and the broader government coalition, there is also disagreement over the government's handling of an attempt last December by a right-wing Israeli group to establish a Jewish settlement illegally at Sebastia in the West Bank. Arab demonstrators have repeatedly demanded that the settlers, who were moved by the government to a nearby military camp pending a final decision on the matter, be removed from the territory. Leaders of the Alignment's left-wing Mapam faction have called on the government to comply with this demand. Labor Party conservatives, however, as well as the National Religious Party, a member of the government coalition, demand that the Sebastia site be made a permanent Jewish settlement. A full cabinet debate on this matter has been postponed until late April.

25X1

SECRET

SECRET

*- Not Sourced -*

## IRAQ-SYRIA: PIPELINE DISPUTE

Baghdad has threatened to stop selling its crude at export terminals in Banias, Syria, and Tripoli, Lebanon, following a stalemate in negotiations with Syria over pipeline transit fees.

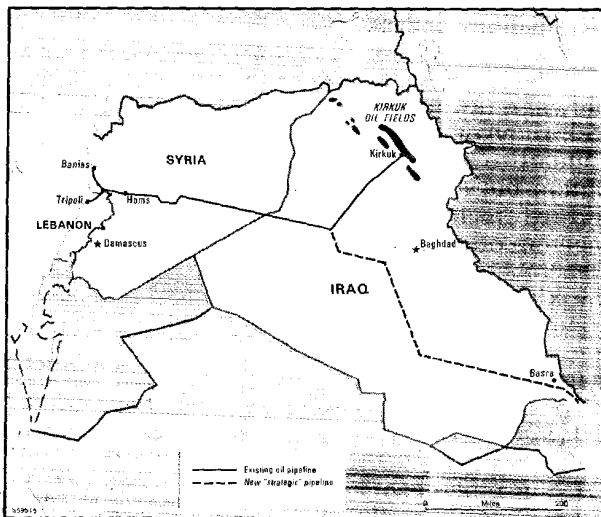
Iraq's oil earnings will be sharply reduced for at least several months if it follows through with its threat. The financial impact on the Iraqi economy would be minimal because of the country's large foreign exchange holdings and surplus revenue position. The results could be serious, however, should Syria retaliate by curbing water flows on the Euphrates River.

Iraq reportedly has advised its major customers to switch oil shipping operations to southern Iraqi ports in the Persian Gulf beginning on April 1. The previous three-year pipeline agreement with Syria and Lebanon, formulated in an era of cheap oil, expired last December.

Iraq insists that there be little or no increase in the 46-cents-per-barrel royalty paid for crude crossing through Syria and Lebanon. Syria demands sharply increased transit fees, largely because of the higher oil income enjoyed by Iraq since oil prices began to skyrocket in late 1973.

Iraq wants Syria and Lebanon to pay close to world market prices—\$11.85 per barrel—for the estimated 50,000 to 80,000 barrels per day of Iraqi crude they take from the pipeline for domestic use. Syria has refused. Damascus and Beirut had been charged only \$3.06 per barrel under the previous arrangement.

Iraq is currently developing the capability to export crude through several other outlets. The key factor is a pipeline linking the northern fields, which traditionally export Kirkuk crude through the Mediterranean, with the southern fields, which normally ship Rumaila crude out of the Persian Gulf. The pipeline was completed last



year, and when the pumping stations are completed, probably later this year, southbound flows could reach a capacity of 1 million barrels per day. Until then, the pipeline can move no more than 500,000 barrels per day southbound, about one half of current exports generally flowing to the Mediterranean.

Baghdad stands to lose export revenue of \$165 million per month. It would "save" an estimated \$20 million worth of crude per month in revenues considered lost as a result of underpayments for the crude taken by Syria and Lebanon. They, in turn, would be forced to buy from other sources about 80,000 barrels per day of previously discounted oil at commercial rates. Syria and Lebanon would also stand to lose an estimated \$14 million per month in transit fees.

Baghdad could also opt to place roughly 500,000 barrels per day of oil through Syria and maximize the flow of Kirkuk oil to the Persian Gulf. This would permit Iraq to meet its marketing objectives, but there would be no way to prevent Syria from tapping into the pipeline for its own use.

25X1

SECRET



SECRET

**RHODESIA****Negotiations Collapse**

The collapse last week of settlement talks between Rhodesian black nationalist leader Joshua Nkomo and Prime Minister Ian Smith appears to leave Rhodesia's nationalists with no option but to pursue their goal of majority rule through military means. Nkomo, who had been meeting on and off with Smith in Salisbury since December, refused to continue the talks because the Rhodesian Prime Minister would not make a commitment to any definite time frame for a transfer of power to the black majority. Smith claimed his proposals to Nkomo were constructive; Nkomo told the press that they would have deferred majority rule for at least 10 years.

Since the negotiations broke off, the African nations most directly involved in supporting the Rhodesian nationalists, as well as the Organization of African Unity, have issued statements urging nationalist unity and calling for an intensification of the armed struggle against the Smith regime. The four African presidents who helped to arrange the talks—Kaunda of Zambia, Nyerere of Tanzania, Machel of Mozambique and Khama of Botswana—met in Lusaka this week to discuss the Rhodesian situation. Nkomo and his rivals from the external wing of the African National Council, who have been preparing for some time for an all-out military campaign, also attended the meeting.

Although details of the meeting are not yet available, the participants almost certainly discussed ways to strengthen the military effort against Smith. The African presidents may also have tried once again to arrange a reconciliation between Nkomo's faction and the external leaders in the interests of forging a unified liberation army. Machel and Nyerere have been taking the lead in working to strengthen the guerrillas whose cross border operations into Rhodesia from Mozambique have been growing since late January. The two presidents have had difficulty in working with the exiled politicians, however, and they have tried to develop new leaders from among the guerrillas.

Kaunda had quietly encouraged Nkomo's negotiations with Smith but now appears ready to provide direct support to the insurgent effort. He reportedly has made contingency plans for the guerrillas to stage operations from Zambian soil.

Although the exiled nationalists have publicly invited Nkomo to join their ranks, tribal and personal rivalries among the various groups and leaders remain strong, and they are not likely to work together effectively.

25X1  
25X1

For his part, Smith publicly stated that he intends to continue seeking a peaceful settlement. He appealed to Britain for help in arranging a settlement, but subsequently rejected Foreign Secretary Callaghan's terms for British involvement. Among the conditions laid down by Callaghan was a demand that the Rhodesian government commit itself unequivocally to accept majority rule and to hold elections within 18 months to two years.

**Impact of Embargo**

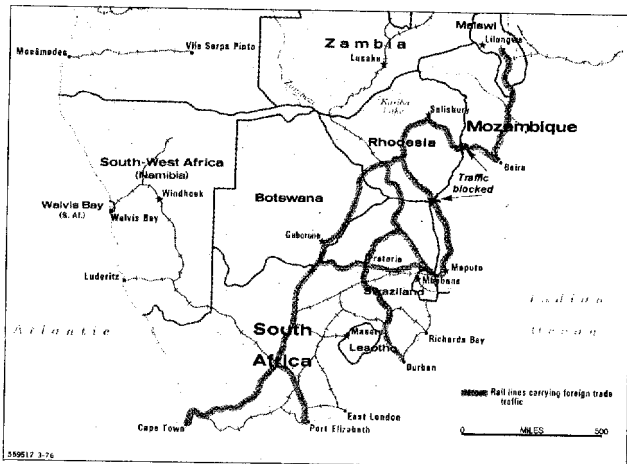
Rhodesia probably will suffer only a temporary setback because of Mozambique's embargo on March 3, but the country's economic well-being will depend on rerouting a large portion of its foreign trade traffic through South Africa.

At least 60 percent of Rhodesia's 5 million tons a year of exports and imports were passing through South Africa even before the Mozambique move. Most of these goods were carried over the direct Rhodesian - South African rail link. This was completed in June 1974 and upgraded in recent months to the point where it apparently can handle over 5 million tons annually.

The South African transport net will be able to handle most of the diverted Rhodesian traffic.

SECRET

SECRET



The 2-million-ton a year increase above current levels represents less than 2 percent of total freight moved by South African railroads. Because it is concentrated on one or two lines, however, the new traffic will have to be gradually absorbed into the South African rail system in order to avoid disrupting local traffic. We believe that this process can be accomplished in a few months by rearranging railroad schedules.

Through emergency traffic realignment measures, South Africa could handle all Rhodesian goods almost immediately. Pretoria is likely, however, to opt for a more gradual, less conspicuous absorption of Rhodesian traffic. It is openly sensitive to its growing isolation in black-ruled Africa and is clearly unwilling to become the sole obstacle to the goal of ending white rule in Rhodesia.

The delays in transport because of the restrictions will temporarily depress Rhodesia's healthy economic growth. Export earnings, mainly from agriculture, mining, and mineral processing, account for about 25 percent of gross domestic product. These receipts will fall as a result of the embargo, and political uncertainty will again slow foreign lending and investing.

Rhodesia will not want to use much of its large inventories of oil and other key imports.

Tighter import rationing appears certain. Since the embargo, fuel supplies to both industrial and private consumers already have been cut by 20 percent under a previously established rationing system. Cuts will probably have to be made in imports of components for consumer industries such as automobile manufacturing.

Mozambique, if it does not receive substantial aid inflows, may suffer more from the closure than Rhodesia. Mozambique will lose an estimated \$30 to \$40 million annually from Rhodesian port and rail fees, and possibly as much more if migrant laborers in Rhodesia are forced to return home. Together, the losses equal about 10 to 15 percent of total foreign exchange income.

Job losses will be most severe in the port of Beira. Rhodesian trade as well as traffic that transited Rhodesia to and from Botswana and Malawi accounted for more than two thirds of the port's volume. Maputo will be less affected. Only one quarter of its traffic moved via Rhodesia. For Mozambique as a whole, unemployment of rail and port workers and of workers on jobs dependent on transport activities will run in the thousands. Mozambique will also face temporary food shortages. It traditionally has imported corn, beef, and poultry from Rhodesia. Several months will be needed to shift to other suppliers.

Botswana and Malawi will also be adversely affected until adjustments can be made in traffic patterns. Botswana had been shipping copper and nickel, its most important exports, across Rhodesia to Mozambique ports. It will now have to compete for cargo space on the South African transport network.

South Africa and Rhodesia have been Malawi's major sources of imports, together supplying more than one third of the total. Fertilizer, machinery and equipment, coal, and food have been the major imports. Almost all were shipped via Rhodesia to Beira and transferred to the north-bound railroad to Malawi.

25X1

25X1

SECRET

SECRET

*Not Sounded*

## EC: LUXEMBOURG SUMMIT

The meeting of EC leaders in Luxembourg next week has acquired particular importance because the heads of government were to hold their first formal exchange on recent proposals to foster "European Union" and to approve a convention establishing procedures for direct elections to the European Parliament in 1978. Several developments have now cast a shadow over the summit, however, making it certain that the leaders will have to work harder than ever to produce solid accomplishments.

The European Council will meet April 1-2 faced with intensified political turmoil and economic uncertainty in Italy; new monetary instability among the Nine, symbolized by France's withdrawal from the joint currency float; domestic pressures on President Giscard d'Estaing that will limit his flexibility; and a lame-duck, or new, British prime minister.

Economic issues were already assured of an airing at the summit by London's inscription on the agenda of possible community-wide approaches to the unemployment problem, but Giscard—beset with opposition at home to some of his European ideas—has now asked for top billing for the EC's economic and monetary situation. There seem in fact to be no specific proposals for dealing with the economic difficulties. Discussion of the problems could nevertheless shunt aside the critical longer term political issues unless the Germans, in particular, are prepared to link the prospect of greater community economic solidarity with the need for institutional progress.

A go-ahead on direct elections to the European Parliament, the intended major achievement of the Luxembourg Council, was already threatened by a dispute between France and its partners over how to allocate seats among the EC members. Paris wants a formula that would accurately reflect the relative populations of the Nine; France's partners are willing to skew the representation so that the smaller members are given a relatively greater voice. No compromises have been hinted so far in this controversy, and Gaullists and Communists in France have meanwhile been stepping up their campaign against French participation, which they see as an abandonment of national sovereignty. Giscard's possible disinclination to face up to this pressure

may partially explain his desire to focus on economic issues at the summit. A failure of the summit to initial the draft convention would dim the prospects for elections two years hence and be a bad psychological blow to the unity effort.

The maximum that the leaders are expected to come up with on European Union—the term used to describe the institutional, decision-making, and policy requirements of a fully functioning community—are guidelines for further elaboration of the ideas offered by Belgian Prime Minister Tindemans in the report commissioned by the Nine in 1974 and presented this January. Although Tindemans took a pragmatic approach to his mission, there is nevertheless controversy among the Nine—revolving principally around whether to give more, or less, authority to central EC bodies—and the leaders may not be able to give clear guidance to a working group. Without such guidance, a decision for "further study" risks being taken as tantamount to burying some of the EC's most pressing issues.

The most contentious suggestion of Tindemans—that common policies be implemented at different speeds depending on a member's economic ability—has become particularly relevant because of the monetary turmoil. France's withdrawal from the monetary "snake" has left it now on the outside of what, for Tindemans, was to serve as the basis of a two-level approach to integration. It seems unlikely that the Nine were prepared to endorse formally a differentiated system of policy implementation, even though the community may work this way often in practice. The so-called "two-tier" community would appear even less likely of explicit acceptance now, since it would only confirm West Germany as the EC's linchpin.

Giscard has recently floated another conception for assuring expeditious decision making—a "directoriate" of three or four members, necessary in his view to cope with a community whose diversity will increase with the addition of new members, such as Greece and Spain. Although this idea has been received coolly by 25X1 France's partners, Giscard may still want to raise in some form the problem of executive leadership within the community.

25X1

SECRET

SECRET

14

25 26

## USSR-EGYPT: THE AGGRIEVED PARTY

In Moscow, the media are still picking away at Egyptian President Sadat along the lines first outlined in the Tass statement a few days after the abrogation. Sadat is depicted as the villain of the piece, a man who has sold out the Egyptian revolution and the Arab cause at the behest of the US. Since Sadat is also anti-Soviet, by implication the Soviet Union emerges as the champion of economic and social justice in Egypt and of the Arab struggle against "imperialism" and Israel.

The Soviets have been careful to make clear that they want good relations with Egypt and are following their usual "principled policy" in working toward that end. The message is that the USSR is the aggrieved party but will be reasonable if and when the Egyptians come around to a more realistic policy. By focusing their attack on the Egyptian President, the Soviets have moved closer than heretofore to saying publicly what they have been thinking privately for some time: that their main problem in Egypt is Sadat. Their argument that the person of Sadat is the principal impediment to further progress in the region is, in effect, an open invitation to bring him down.

If the Soviets themselves are doing anything more inside Egypt to topple Sadat, it has not yet become apparent. On the contrary, they have taken their latest humiliation at Sadat's hand with what passes for a Soviet stiff upper lip. Soviet embassy officers in Cairo have been spreading the word that economic relations will continue as before, that Moscow will not of its volition precipitately withdraw economic or military technicians, and even that discussions of new aid projects are going forward.

These expressions of normality are probably not the last word from Moscow. The Soviets have been very tough on Sadat for over two years and are not likely to ease up now. Their problem is tactical and practical: where to squeeze and how hard.

## UK: DECISION ON MRCA

Britain has decided to go ahead with production of both the air defense and reconnaissance-strike versions of the West European multirole combat aircraft. The decision will give a much-needed boost to Britain's defense industry, as well as encourage West Germany and Italy—co-producers of the aircraft with the UK—to stick with their plans to use the aircraft. It could also mark an important step in Europe's effort to standardize at least part of its military equipment.

According to Defense Minister Roy Mason, the UK will build its assigned quota of 385 fighter-bombers, including 165 in the specialized air defense version. The program, which is expected to cost Britain an estimated \$4.5 billion over a 10-year period, will provide jobs for about 24,000 British workers.

London's decision to produce the air defense version will be especially encouraging to Bonn and Rome. The Germans reportedly had feared that cost overruns and the UK defense budget cuts might force the British to drop the more expensive air defense model, jeopardizing the entire project. The multirole combat aircraft is Europe's most ambitious multinational weapons development program. If Italy and West Germany join Britain in filling their quotas, over 800 of the swing-wing aircraft will be produced.

The testing program for the new aircraft is still behind schedule. Problems with the aircraft's Rolls-Royce engine and the crash last month of an Italian prototype have slowed the flight-test program. As a result, production is not expected to begin before next year.

When the new fighter-bomber is ready, it is slated to replace large numbers of older aircraft in the Royal Air Force, including F-4 interceptors, Buccaneer fighter-bombers, and the Vulcan and Canberra bombers. Italy and West Germany plan to use the aircraft to replace many of their aging F-104 fighters.

SECRET

25X1

25X1

SECRET

## USSR: BUILDING ANOTHER TRANS-SIB

Despite temperatures dipping to minus 70 degrees fahrenheit, construction on the second Trans-Siberian railroad—including the building of base camps, access roads, bridges, the clearing of right-of-way, and establishment of supply centers—has been moving ahead this winter. The length and construction time for the Baykal-Amur-Magistral line is roughly twice that of the Alaska pipeline, built under comparable climate and terrain conditions.

The Soviets are continuing to give the project high priority. They have maintained a rapid pace with no foreign technical assistance but are using substantial quantities of new construction equipment (trucks, bulldozers, air compressors, and tunneling equipment) from the West. Without substantially more Western equipment, however, the project will probably not be able to sustain a rapid enough pace for completion by the target date of 1982.

In 1975 at the western end of the BAM, near Ust-Kut, bridges were completed across the Lena and Tayura rivers and a 40-mile section of the line was put in operation. About 150 miles to the east, at Nizhneangarsk, near the northern tip of Lake Baykal, a village is now taking shape that will become a major transshipment center for supplies brought by ship from stations on the existing Trans-Siberian Railroad at the southern end of the lake. Work has begun on the drilling of two tunnels, one west of Lake Baykal and another—nearly 10 miles long—about 170 miles to the east.

More than 30 temporary camps have been established at approximately ten-mile intervals along the route of the BAM, and permanent villages are being set up at 30- to 60-mile intervals. Existing villages have been greatly enlarged to accommodate workers and their families and activities associated with the construction.

Since the completion last year of the 115-mile branch line connecting the Trans-Siberian Railroad with the BAM near its midpoint at Tyndinskiy, the latter has become a supply center for BAM construction operations in both directions as well as for the branch line being built toward the large Chulman coal deposits 100 miles to the north.

At Shimanovsk, 250 miles southeast of Tyndinskiy on the Trans-Siberian Railroad, a plant to fabricate precast building components for bridges, industrial buildings, and housing is in operation. Similar centers are planned for several other locations. The village of Urgal, almost 500 miles east of Tyndinskiy and some 200 miles west of the eastern terminus, will become a major railroad junction and construction supply center. Five- and ten-story housing blocks and twelve-story administrative offices are planned.

The logistics of supplying the equipment, materials, and manpower when needed, considering the remoteness of the area and the lack of transportation, will continue to be considerable. The most difficult problem may be incentives to attract qualified workers and specialists to the job as well as living conditions adequate to maintain morale. It may be necessary to furnish perquisites and bonuses in excess of those now provided for workers in so-called Far Northern areas.

The completion of the BAM will enhance the Soviet economic and strategic potential by:

- Providing access to huge deposits of coal, iron ore, natural gas, oil, and timber.
- Alleviating the traffic congestion on the Trans-Siberian Railroad.
- Providing an alternate supply line several hundred miles north of the existing railroad in the event of future hostilities in the Far East.

25X1

SECRET

SECRET

41

001

## ITALY: CHRISTIAN DEMOCRATS' DIFFERENCES

The Italian Christian Democrats' national congress, at which deep divisions in the party were laid bare, ended this week on a note of uncertainty.

The decision to elect the party leader at the congress, rather than permit faction chiefs to choose one behind closed doors as in the past, served to accentuate divisions instead of resolving them. The vote showed the delegates split almost evenly into two groups. Incumbent party leader Zaccagnini was narrowly re-elected by a coalition drawn largely from the left-of-center factions—51.5 percent of the delegates—while the rest of the delegates, mainly center-right in orientation, supported Defense Minister Forlani, even though he had officially withdrawn from the race.

The differences between the two groups flow mainly from their positions on the question of relations with the Communist opposition. Zaccagnini supporters generally see continued confrontation with the Communist Party as a counter-productive strategy. They want to open a dialogue with the Communists that would cast the differences between the two parties more in terms of issues than ideology and possibly lead to compromises on major questions. Those who backed Forlani argue that such a policy would amount to a softening of the Christian Democrats' traditional opposition to the Communists and would ultimately make it more difficult to keep them out of the national government.

The narrowness of Zaccagnini's victory means that he will probably have trouble implementing his policy toward the Communists. Zaccagnini's majority in the Christian Democratic national council—the party's chief deliberative body—is slimmer than that of any recent party leader, and he will almost certainly have to make substantial concessions to the center-right group that opposed him.

Meanwhile, the Christian Democrats are under pressure to decide whether to continue the one party minority government of Prime Minister Moro. Lack of confidence in Moro's stop-gap



Zaccagnini

solution has hindered efforts to halt the depreciation of the lira. The Christian Democrats, moreover, are reluctant to continue as the only governing party in the midst of the country's worst postwar recession.

The Christian Democrats at their congress emphasized the party's desire for another alliance with the Socialists, but the Socialists earlier this month ruled out returning to government before the next parliamentary election. Unless the Socialists back down—which seems unlikely—pressures will increase for an election this summer or fall rather than in May 1977, as presently scheduled.

Zaccagnini reportedly believes the Christian Democrats are ill-prepared to face the electorate now and is searching for some way to hold off an election. He seems attracted to Republican Party leader La Malfa's proposal for a new emergency economic program, which would enable the

SECRET

SECRET

Christian Democrats to share the burden of Italy's economic problems. La Malfa suggests that the Moro government draw up new economic measures in consultation with all parties except the neo-fascists. His proposal has reportedly been endorsed by the Communists, and many Socialists, Social Democrats, and Christian Democrats appear open to the idea.

The chief obstacle to the emergency formula appears to be the reservations of Zaccagnini's center-right opponents in the Christian Democratic party who see it as a variation of his proposed dialogue with the Communists.

[REDACTED]

42-44

## SPAIN: OPPOSITION FRONT

Spanish opposition groups are putting the finishing touches on an agreement for a united front that is likely to increase pressure on the government and further polarize the political forces in Spain.

The agreement in principle to unite the two major opposition coalitions—the Communist-dominated Democratic Junta and the Socialist-led Platform of Democratic Convergence—was reached on March 17. Attempts to set up an organizational structure for the new front, which may be called the Democratic Coordinating Group or the Republican Convention, could still dissolve into renewed wrangling, but the odds seem to have shifted in favor of a successful merger.

Differences that had blocked earlier efforts to form a united front were reportedly resolved when the Communists suddenly reversed themselves on several crucial issues. An executive committee member of the Socialist Workers Party told the US embassy that the Communists had:

- Abandoned their insistence on the immediate need for a "provisional government" of all opposition forces.

- Agreed to the stipulation that the merger would be temporary in nature, extending only until "democracy" is restored, and would not constitute an electoral alliance.

- Given up their insistence that various Communist-manipulated individuals and front groups be represented on the governing body of the new organization.

In spite of these concessions, a successful merger would achieve the Communists' primary near-term goal of avoiding isolation at a time when most of the other leftist parties are about to become legal under the government's new legislative proposals. The front would also mark the first alliance between Communists and the mainstream of the Spanish Socialist movement in almost 40 years, implying that the Communists have finally overcome the bitter legacy of the Civil War.

The apparent willingness of Socialist and Christian Democratic groups to form a tactical alliance with the Communists seems to reflect growing disappointment and pessimism about the pace and extent of the government's reform program. The democratic parties hope that a united front will eventually force the government to pay heed to opposition demands.

Other leftist forces are also attempting to accelerate the pace of liberalization. A self-proclaimed spokesman for the clandestine Military Democratic Union announced on March 23 that his group had set a deadline of May 8, by which time the government had to carry out effective democratization. If significant progress had not been achieved by that date, he claimed the army would "take charge" and turn over the power to a provisional government of liberalizers. This would represent a significant change in the orientation of the Military Democratic Union, which has not hitherto advocated military intervention in the political arena.

The group is believed to number only 300-400 officers—far short of the backing necessary for a

SECRET

SECRET

successful coup, since the bulk of the army is conservative and loyal to the monarchy. More likely, the statement was part of a campaign to increase pressure on the government to liberalize.

These efforts by the opposition to force the government to carry out its planned reforms could encourage the right to dig in its heels and form a similar broad alliance to oppose change. The resulting polarization of the country's political forces would seriously jeopardize the government's liberalization program.

To counter Ecevit's charges and maintain pressure on the Greeks to consent to bilateral talks, Ankara acknowledged in late February that a ship was being outfitted to begin seismic research in the Aegean by late spring. A short time later, the government was forced to disavow a particularly provocative statement by the Turkish energy minister that seismic exploration would be followed by test drilling near the Greek oil find in the northern Aegean. A series of military exercises has been held in the Aegean this month, however, to underscore Turkish claims.

At the same time, Demirel and other coalition party leaders declared that Turkey will refuse to recognize any agreements made at the New York meeting unless exceptions are made for the "special circumstances" in the Aegean. Ankara is particularly concerned that the principle of a 12-mile territorial sea will be approved by the conference even though Athens appears unlikely to adopt the new limits. The Turks are worried that their access to the Aegean would be severely restricted because of the proximity of Greece's eastern Aegean islands to the Turkish coast. Turkish Foreign Minister Caglayangil warned that Turkey could not tolerate such a situation.

## GREECE-TURKEY: AEGEAN CONTROVERSY

The opening of the Law of the Sea Conference in New York last week prompted political leaders and the press in both Greece and Turkey to focus attention on their controversy over control of the Aegean Sea. Concerned that Turkey's interests may be ignored at the conference, and pressed by its political opponents, Prime Minister Demirel's weak coalition government staked out a tough position that created uneasiness in Athens and may limit Ankara's room for maneuver.

As part of a continuing effort to undermine the Demirel government, Turkish opposition leader Ecevit recently launched a steady barrage of attacks on the government's handling of the Aegean issue, labeling its policy "cowardly" and "incomprehensibly negligent." Pointing to his own record as head of the government in 1974, when he dispatched a ship to explore for oil in the disputed waters, Ecevit has challenged Demirel to follow suit. Ecevit also criticized the government for not getting Greece to agree to settle the dispute in bilateral talks before the start of the New York meeting. According to Ecevit, this was a blunder that could adversely affect Turkey's case at the conference. Convinced that it has a strong legal case, Athens prefers that the issue be settled by the International Court of Justice.

The increase in Turkish military exercises in the area and the growing preoccupation of politicians with the Aegean issue drew some sharp and equally belligerent replies from Greek opposition leaders and a portion of the press. The Caramanlis government, however, which is in a much stronger political position than its Turkish counterpart, has thus far exercised restraint and appears to have prevailed on some opposition politicians and press to follow suit.

Athens did issue a demarche to the US last week conveying its growing concern about Turkish intentions in the Aegean. The Greeks probably prefer to await the results of the New York meeting before deciding on how far they will go toward meeting the Turkish demand for bilateral negotiations.

SECRET



SECRET

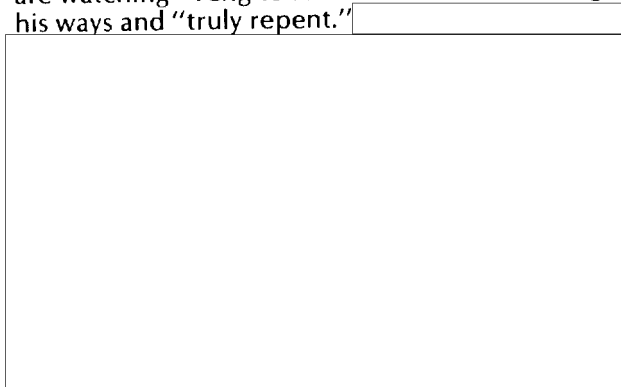
OC 1

## CHINA

## Teng Hsiao In

The campaign against Teng Hsiao-ping, now nearly two months old, continues to hold out the possibility for him to redeem himself by admitting his mistakes. Chinese officials have frequently mentioned this option in discussions with foreigners, presumably to give the outside world an impression of patience and reasonableness amid the signs of political uncertainty; the same theme has periodically surfaced within China. This offer not only gives Teng a way out of his difficulties, it also gives his opponents an opportunity to save face should their efforts to send him into disgrace fail. Recent articles in the media indicate that Teng's opponents recognize they have chosen a formidable adversary.

An article in the March 21 issue of *People's Daily*, although no less critical of Teng than earlier material, ends with the statement that "people are watching" Teng to see whether he will change his ways and "truly repent."



Whatever his current status, the *People's Daily* article stated that Teng "holds a high position and certain power" and it expressed concern that he could use this power in the interests of himself and his supporters. The party theoretical journal *Red Flag* also suggested that Teng and his followers are putting up a struggle, noting that after their first major setback—presumably when Teng was blocked from the premiership—they have fought back "ten times as hard."

*People's Daily* struck a somewhat defensive note when it stated that the campaign against Teng was "necessary" and was winning "great



Teng Hsiao-ping

25X1  
25X1

popularity." Although the campaign undoubtedly is popular among those who came to power during the Cultural Revolution but who have since lost their jobs to veteran officials, response to the campaign has been at best mixed. Some areas are pursuing it with a noticeable lack of enthusiasm, but others seem to be promoting it more vigorously. The recent appearance of some provincial officials who, like Teng, were stripped of power during the Cultural Revolution and subsequently reinstated, indicates the campaign has not "broadened" in the way its originators may have hoped.

## Minerals and Metals Trade

66

China's imports of minerals and metals reached nearly \$1.9 billion in 1974, while exports totaled less than \$290 million. China has abundant resources of many important minerals including those that it imports and those in which trade is now minimal. Several factors account for the apparent inconsistency between resource availability and production. Among them are:

SECRET

SECRET

- World demand, especially for many of the nonmetallic minerals, is so low that the Chinese would have difficulty selling large amounts at a profit.

- Costs of development are prohibitively high in some cases because of location, quality, or inadequate domestic technology.

China's huge resources of tungsten, tin, mercury, and antimony, for example, are located in South and Southwest China, where difficult terrain and high transportation costs would make further development costly. There is some evidence that many of the best deposits are exhausted, and increases in output would require costly exploitation of poorer deposits.

China has not taken advantage of its large deposits of manganese, molybdenum, fluorspar, and zinc to develop a substantial export surplus, largely because of low world demand. Fluorspar and metal ores are high-bulk items, and overseas sales are limited to nearby countries because of high transport costs. Moreover, some imports of technology probably would be required to produce the lower bulk metals.

In order to utilize China's huge resources of low-quality bauxite, a special technology was developed with the help of the USSR. The technology requires exceptionally large amounts of electricity and therefore is expensive. Most of China's abundant iron ore resources also are of low quality.

Although China exerts relatively little impact on the world market, minerals and metals represent a major component of total Chinese foreign trade. They accounted for about 15 percent in 1974—only 4 percent of exports but nearly 25 percent of imports. Minerals and metals form an increasingly significant part of China's total trade averaging 15 to 20 percent of the annual total in 1970-74 compared with about 10 percent in 1965. In several years—1970, 1971, and 1973—minerals and metals composed more than 30 percent of total imports. This proportion fell in 1974 as China strained to reduce the large trade deficit brought about by increases in imports of machinery and agricultural commodities.

Generally, China's trade in minerals and metals has little impact on other countries. Among China's major imports, finished steel accounted for only 3 percent of world-wide exports. Steel exports to China from the two major sources—Japan and West Germany—accounted for 9 percent and 2 percent respectively, of their total sales in 1974. In copper, China's share of exports from such major producers as Chile, Peru, and Zambia was 10 percent, 15 percent, and 2 percent, respectively. A huge jump in aluminum imports in 1975 to perhaps 10 percent of world exports has had little impact on the glutted world market.

China's exports of tin, tungsten, and antimony are of some consequence. Recent increases in Chinese tin sales have been of particular concern to Malaysia and other International Tin Council members. Tin producers have been trying to hold down production and exports to keep prices up. Because China is the world's largest exporter of tungsten and one of the three leading exporters of antimony, changes in Chinese sales of these commodities have a significant impact on world prices.

China is making strong efforts to reduce its dependence on imported metals. Domestic demand, however, is rising rapidly and investment in the development of minerals and metal resources continues to lag. In some cases—particularly copper—importing is less expensive than expanding domestic output. Thus, China has found it more lucrative to develop petroleum resources than minerals and metals to increase its foreign exchange earnings. The petroleum resources are relatively accessible and a ready market is available, especially in nearby Japan, to absorb sizable surpluses of high-priced petroleum.

China's efforts to increase exports will be constrained over the next several years by problems in developing new supplies and by weak demand for many minerals and metals. Moreover, most of its exports are similar to those of other developing nations, and Peking has voiced support for Third World efforts to raise export prices by limiting supplies through cartel arrangements.

25X1

SECRET

SECRET

## ARGENTINA: JUNTA TAKES OVER

The new military junta is firmly in place and giving the impression that it intends to retain power for some time. Former President Peron, her secretary and adviser Julio Gonzalez, and several Peronist leaders remain in military custody. There have been reports that she will be tried on corruption charges, but more likely she will be allowed to go into exile in Spain.

Even as Peron was being deposed, junta President Jorge Videla was moving to set up the new government. A steady stream of official proclamations began flowing from military headquarters, reflecting the military's continuing preoccupation with terrorism. So far there has been little violence, but stiff penalties have been decreed for anyone who assists the terrorist cause in any way, and security forces have been ordered to shoot anyone found interfering with public services.

Videla and the two other junta members, Admiral Massera and General Agosti, were sworn in Wednesday morning in a perfunctory ceremony. The government has banned political and labor union activity, closed congress, suspended the supreme court, and begun to appoint military governors for Argentina's 22 provinces. The interim cabinet is composed of relatively young field-grade officers from the three services. The foreign affairs and economy portfolios will probably eventually go to civilians, while retired military officers will head the other six ministries.

The junta will have to turn to foreign governments, commercial banks, and international financial institutions for help in dealing with the severe economic problems it inherited. It will bend every effort to avoid repressive measures that might damage its international reputation.

The top military leaders are friendly toward the US and will strive to improve Argentina's ties with it. They will be looking to the US as a source of investment and new capital to cover Argentina's huge debt payments and current account deficit.



Videla

The next several months are likely to continue to be tough for US firms in Argentina. They will suffer from labor agitation, sabotage, and shortages of all kinds. The security risk for US personnel will remain high.

Like his recent predecessors, both civilian and military, Videla has begun with the hope of restoring a sense of well-being to the badly fragmented nation. Among its stated objectives, the junta vows "to restore morality and honesty, to eradicate subversion, and to provide initiative to foreign and national capital." Former governments have failed to put muscle behind similar rhetoric, and Videla's task may prove even more difficult. The terrorists and Peronist labor are still potent forces, and rampant inflation is forcing even apolitical workers to support radical demands for ever higher wages.

The new leaders will need the support of the foreign and domestic financial communities if they are to succeed.

25X1

SECRET

**Page Denied**

**Secret**

**Secret**