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Weekly Summary

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May 7, 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.

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Western Hemisphere

MEXICO 1-2

In a major shift of policy Mexican Secretary of National Patrimony Alejo announced on Tuesday that Mexico would join the Organization of Petroleum Exporting Countries as soon as it is invited and that the country's oil wealth is substantially greater than previous government statements had indicated.

Mexico already is marketing its oil at OPEC price levels and probably will not be constrained in its production policy by OPEC membership. On the other hand, if Mexico follows through on Alejo's announcement and is admitted to OPEC, it will be excluded from trade preferences under the US trade reform act of 1974.

Of even greater significance is Alejo's statement that Mexican oil reserves probably are on the order of 30 to 60 billion barrels. This would put Mexican reserves on a par with Kuwait's and roughly three times the proved reserves of the US, excluding Alaska.

Mexico's announced figures are in line with our own current estimates of Mexican reserves. We expect, moreover, that with two more years of exploration, Mexico will confirm reserves at the 60 billion barrel level. This would assure a feasible production rate of 2.75 million barrels per day in 1980 and probably as much as 6 million barrels per day by 1985.

The announcement coincided with the concerted efforts of Mexican officials to

convince the international financial community that its economic prospects are bright. While the announcement will bolster the peso in the short run, the underlying pressures for devaluation will remain.

The announcement of its oil potential will probably result in domestic pressure on Mexico City to pursue a maximum development effort. Disaffected groups will now probably pressure the government to undertake massive oil-financed socio-economic programs. To finance initial expenditures on the highest priority projects and perhaps a 10 to 12 percent economic growth rate, Mexico would have to increase oil exports to an estimated 4.0 to 4.5 million barrels per day by 1985—a level that is feasible given its oil potential.

Middle East-Africa

LEBANON 7

The election of a new Lebanese president, originally planned for May 1, was abruptly postponed late last

week—primarily at the insistence of leftist leader Kamal Jumblatt, who has been accusing Syria of exerting unacceptable pressure on members of parliament to vote for its favored candidate, Ilyas Sarkis.

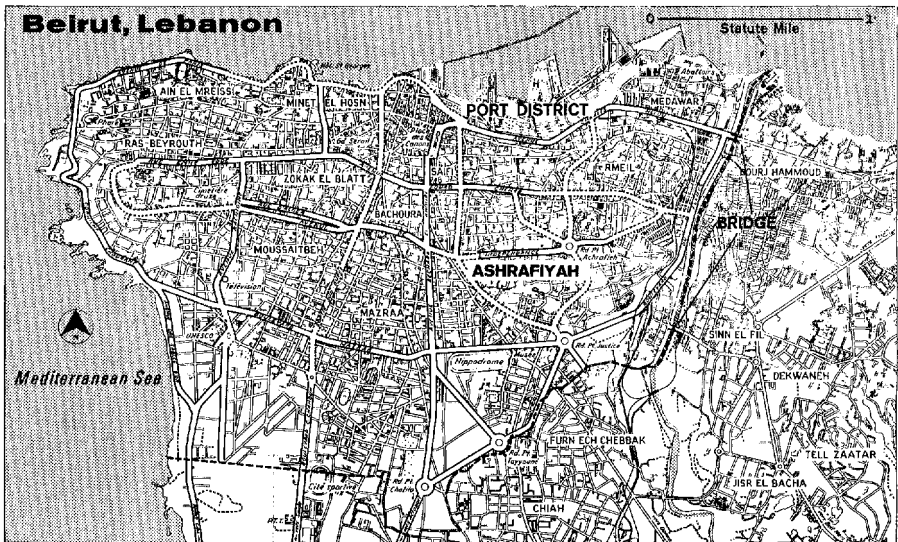
The vote was rescheduled for May 8, but fighting in Beirut throughout most of the week and the continuing impasse between Jumblatt and Damascus may cause further delay.

To underscore their defiance of the Syrians, Jumblatt's leftist forces launched a major offensive last weekend against Christian positions in Beirut's port district. Heavy fighting involving sharp artillery duels had by midweek spread to adjacent Muslim neighborhoods and to Ashrafiyah, the Christians' only remaining stronghold in the capital.

Although the Lebanese-Palestinian-Syrian truce committee finally announced a new cease-fire on May 5, Jumblatt's show of force has left Lebanese politicians pessimistic about prospects for convening parliament.

A group of uncommitted parliamentary deputies headed by speaker Kamal Asad searched all week for an alternative candidate to Sarkis and Jumblatt's choice Raymond Edde, who faces stiff opposition from Syria. The effort to strike a compromise failed, however, because the

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Syrians flatly rejected the idea of a "third choice" nomination.

Palestinian chief Yasir Arafat—who has considerable leverage over both Jumblatt and the Syrians—holds the key to breaking the current impasse. Arafat strongly favors holding the elections on time.

Although Arafat has only a slim chance of succeeding before the weekend, he may be able to win some concessions from Damascus that would induce Jumblatt to accept Sarkis.

If Arafat fails, there is little hope for elections this week, and it is doubtful that the shaky cease-fire will hold up.



Rhodesian army training

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8-10

USSR - MIDDLE EAST

Moscow's latest bid to reverse setbacks to its position in the Middle East is a government statement, issued on April 28, that presses for reconvening of the Geneva conference.

This extensive review of the Soviet position on a settlement is a reminder that the USSR has its own program for resolving the Middle East conflict. The Russians are concerned that abrogation of their treaty with Egypt and continued US diplomacy in the Middle East—this time Ambassador Brown's mission in Lebanon—have again conveyed an impression that Moscow is an outsider looking in.

The statement seems timed to keep the Geneva forum prominent during discussions next month regarding renewal of the UN observer force on the Golan Heights. The Soviets value their position as co-chairman with the US of the Geneva conference and have been disappointed when the focus of Middle East deliberations has shifted to the UN.

The moderately worded statement opens up the possibility of new Soviet

flexibility regarding the conference. It calls for separating the Geneva talks into two stages—the first dealing with organizational and procedural problems and the second with substantive issues. The Soviets, in effect, are now accepting the US proposal for a preliminary session, which they rejected late last year. This suggests they would be content with even a brief meeting as long as it puts Geneva back in the limelight.

The text calls for PLO attendance at both stages of the conference, but omits earlier phraseology demanding PLO participation "from the very beginning" and "on an equal footing" with other parties. Soviet officials have privately confirmed that the new wording is another indication of their flexibility. They have also hinted that they would like the Arabs to develop a compromise formula that would make PLO participation more palatable to the US and Israel.

The Soviets have told US officials that the document is not merely for propaganda purposes, but is an attempt to generate real progress toward a settlement. They have admitted, however, that because of the Arabs' preoccupation with Lebanon and the deadlock over the Palestinian question, prospects for reconvening Geneva are poor.

RHODESIA

14-18

Prime Minister Smith's government announced new military mobilization measures last weekend. When fully implemented they will improve Rhodesia's counterinsurgency capabilities, but will keep civilians away from vital jobs for prolonged periods. Reservists who have completed their national service in the territorial forces are to be called back to duty for an indefinite period. The government also extended the national service period for white Rhodesian youths from 12 to 18 months.

The mobilization will probably be followed by new operations against the insurgents along the Mozambique border. For the most part, Rhodesian forces have only been reacting to the guerrilla forays since the insurgency intensified in late January. An offensive may be intended as much to reassure white civilians as to disrupt guerrilla operations, particularly since the insurgents reportedly plan to reduce their activities until the current dry season ends next fall.

Tribal and personal rivalries persist among Rhodesian black nationalists. The factionalism is a serious obstacle to the nationalists' efforts over the long term to expand the insurgency against the Smith government.

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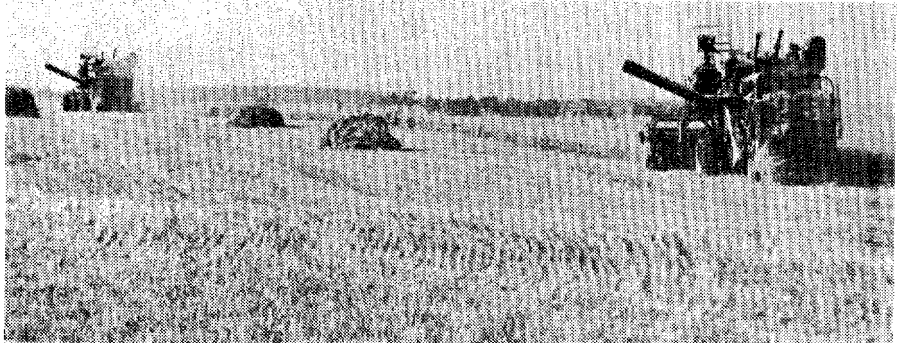
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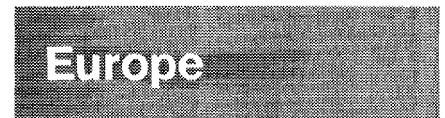
Since the collapse of Joshua Nkomo's talks with Smith last March, the rival external- and internal-based wings of the African National Council have continued to squabble. Nkomo, the leader of the internal faction, apparently has lost considerable support among Rhodesia's urban black population. Bishop Muzorewa, the titular leader of the external wing, may have gained prestige among urban blacks, but his influence within his faction apparently remains limited.



Harvesting at the Kudinovo State Farm in Kaluga Region

25X1 [redacted] the factionalism is also continuing in the guerrilla camps in Mozambique. Rival insurgent groups reportedly have clashed in the camps, and some guerrillas have been killed. [redacted]

Supreme Military Council has become extremely bitter since the abortive coup last February and that the council is badly factionalized.



25X1 The fate of the hundred or so alleged coup plotters still in custody reportedly remains a significant issue in the council. The council is said to have received warnings from several officers that additional executions could lead to violence in the army.

NIGERIA 20-24

Dissension among Nigeria's military rulers appears to be growing amid reports that the country's reluctant head of state, Major General Obasanjo, is still actively seeking to resign.

USSR 25-26

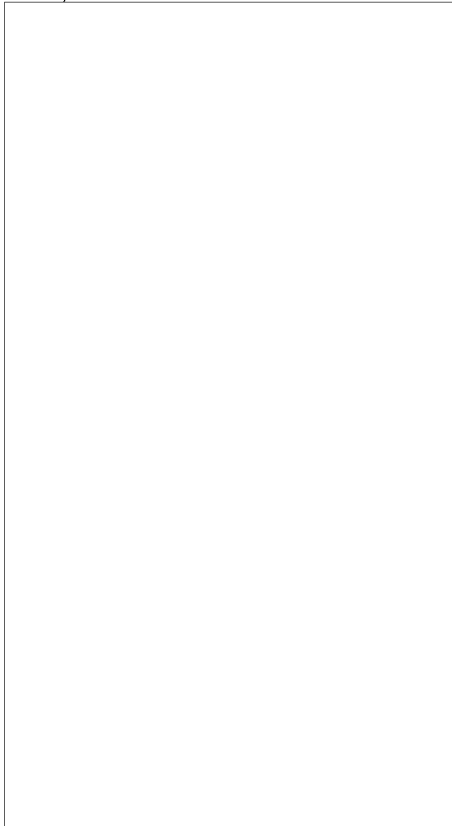
During the last two weeks, the Soviets entered the international grain market for the first time this year by purchasing almost 8 million tons of grain from the US, Canada, and Australia. Grain purchases for delivery from last year's crop have now reached 31.8 million tons, with another 5.2 million tons scheduled to come from this year's harvest.

25X1 Several reports [redacted] indicate that debate in the

25X1 Moscow has ordered 4.9 million tons of corn and wheat from the US—2.7 million tons of corn are from last fall's crop and are scheduled for delivery between May and October. The Soviets have now exhausted 6.5 million tons of the 7-million ton limit imposed last fall on purchases from last year's crop. Purchases above this limit require US approval.



General Obasanjo



The remaining US grain is from the 1976 crop and is part of the 6 million tons the Soviets are committed to buy under the 5-year agreement signed last October. Delivery of this grain, as well as the 2 million tons of wheat bought from Canada and 1 million tons of wheat from Australia, will begin after October 1.

The purchases last week were probably prompted by attractive prices and by a desire to continue corn deliveries—which would have begun to fall off about May—during the summer months.

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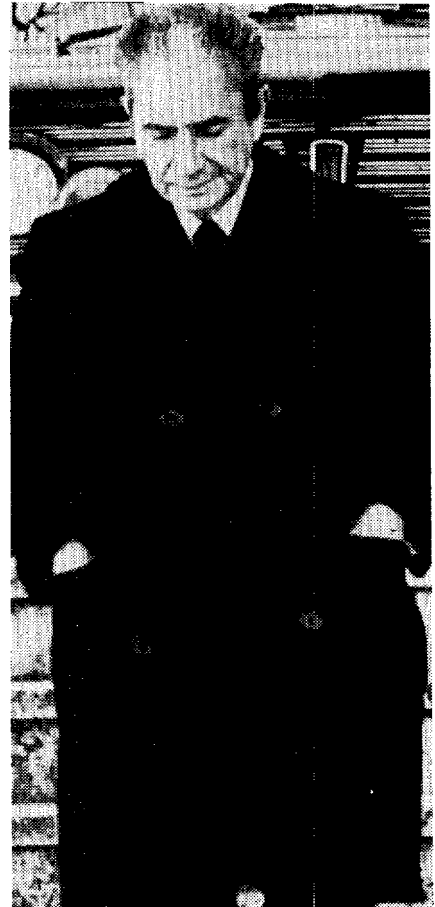
UPI

Soviet grain prospects this year are uncertain. Winterkill was above normal, but a large spring grain crop could overcome these losses. Even with a bumper harvest, the USSR may buy substantial amounts beyond current commitments in order to replenish reserves and get the livestock program back on track after last year's forced slaughtering. [redacted]

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President Leone



Prime Minister Moro

ITALY

29-31

Party leaders are beginning to plot campaign strategy following the collapse of the Moro government last week and President Leone's decision to dissolve parliament and hold an election on June 20-21.

Moro resigned on April 30 when it became clear during parliamentary debate that his Christian Democratic minority government could not survive a vote of confidence. President Leone has asked him to stay on in caretaker status during the campaign.

The Christian Democratic Party is divided and disoriented on the eve of the campaign. The Christian Democrats have spent most of the time since their party congress in March arguing among themselves over whether to opt for an early election. As a result, the party has yet to fill all of its leadership positions or to appoint a campaign manager.

The Christian Democrats disagree among themselves, moreover, on the question that will be at the center of campaign debate: the future role of the Communist Party. No Christian Democrats are calling for actual Communist membership in the government, but party secretary Zaccagnini and his allies seemed willing, during the maneuvering prior to Moro's collapse, to grant the Communists an indirect role in national policy making. Christian Democratic conservatives, led by party president Fanfani, will push, however, for a tough anti-Communist line in the campaign.

The Lockheed scandal has become a problem of major proportions for the Christian Democrats. Since the allegations two weeks ago that a former Christian Democratic prime minister had accepted a bribe several years ago, the Lockheed affair has overshadowed most other issues in the media. Despite denials from the three Christian Democrats under suspicion, the case is generally portrayed as the most damaging evidence of Christian Democratic corruption unearthed so far.

The Communist and Socialist campaigns, by contrast, have already begun to take shape. While the Communists and Socialists will be competing against each other, they are both likely to emphasize their portrayal of the Christian

Democrats as worn out, corrupt, and unresponsive to the country's needs after thirty years in power.

The campaign is almost certain to produce further politically motivated violence by left- and right-wing extremists who operate outside the regular political parties. [redacted]

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[redacted] The Communists, who are viewed by an increasing number of Italians as the only party capable of restoring order, appear best positioned to benefit politically from an upsurge of violence during the campaign. [redacted]

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FRANCE

43-44

The French helicopter carrier Jeanne d'Arc was transferred from the Atlantic to the Mediterranean last week, possibly as a precaution because of continuing tensions in the eastern Mediterranean. According to the commander of France's Atlantic squadron, the move was made for "operational reasons."

The carrier, which recently completed a tour of duty in the Indian Ocean, was en route to the naval base at Brest when it was ordered to join the Mediterranean fleet. US military attaches in Paris report that the Jeanne d'Arc will remain in the Mediterranean until relieved in June or July.

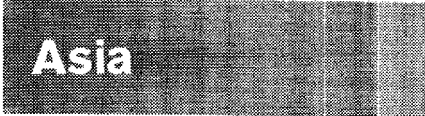
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USSR-CHINA

The Soviets quickly protested the bomb explosion last week at the gates of their embassy in Peking, but they apparently are not planning to do much more. At least two Chinese guards were killed by the blast. A Soviet embassy officer in Peking said the explosion was apparently the work of "madmen." Although he blamed Chinese authorities for creating an atmosphere that encouraged such behavior, he absolved them of direct responsibility.

Just before the incident, the Soviets had published in *Pravda* a lengthy account of all the efforts Moscow says it has made to improve relations with China. The article—signed by I. Aleksandrov, a pseudonym indicating high-level sponsorship—was very tough on the Chinese. It held out little hope for an improvement in Sino-Soviet relations until and unless China made concessions.

The author went back to 1964 to buttress his case that the USSR has been conciliatory. He reviewed Soviet proposals for a summit, increased cultural and economic exchanges, and agreements on nonuse of force. Aleksandrov implied that Moscow had made its last offer and that any additional progress in Sino-Soviet relations would be up to the Chinese.

The article said that the USSR was willing to resume high-level talks on a border settlement and eventually to make some territorial adjustments, but would not consider withdrawing beforehand from territory the Chinese claim.

Brief references in the article to recent political turbulence in Peking focus on "Mao and his group" as the "sole source" of China's anti-Sovietism. The author's message for China's moderates was that the USSR recognizes that not all Chinese

are anti-Soviet and Moscow hopes things will improve after Mao goes.

The events in China have given the Soviets fresh reasons for clearly delineating their own positions on Sino-Soviet relations. In late April, the head of the Soviet Foreign Ministry's China division, Mikhail Kapitsa, told Ambassador Stoessel that the Chinese developments were just one more episode in an intense struggle for power in Peking. He said Mao was behind the downfall of Teng Hsiao-ping and the designation of Hua Kuo-feng as premier. Kapitsa suggested that Moscow is content to stand pat until the situation in Peking becomes clearer.

CHINA 48-49

In what appeared to be a calculated show of unity, all of the active, Peking-based Politburo members except Chairman Mao appeared in the capital for May Day festivities. Radio Peking listed them in their usual order of rank, indicating no changes in the leadership hierarchy.

This was the first time since Teng Hsiao-ping's fall that leading moderates Chu Te, Yeh Chien-ying, and Li Hsien-nien—all staunch supporters of Teng—had appeared with leftists in the leadership. All three appeared individually on previous occasions.

In keeping with past May Day practices, the leaders broke up into small groups to attend celebrations in Peking's parks. Each group was composed of a careful mix of moderate and leftist leaders.

Heightened security procedures, in the wake of the Peking demonstrations of April 5, made this a less festive May Day than usual. Peking's failure to issue a comprehensive name list of party, government, and military leaders in attendance may have been designed to obscure the absence of some lesser officials, such as the minister of education, who may have fallen victim to the anti-Teng campaign.

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In a departure from their usual practice the Soviets have appointed a civilian. Politburo member Dmitry Ustinov, as defense minister. The speed with which they acted to replace the late Marshal Grechko suggests that they were anxious to avoid politicking over the post.

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USSR: Ustinov as Defense Minister

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[REDACTED]

The prompt appointment of Party Secretary Dmitry Ustinov as minister of defense—announced only hours after Marshal Grechko's ashes had been interred in the Kremlin wall—suggests that the Soviet leadership was anxious to head off any politicking over the selection of Grechko's successor.

The choice of Ustinov, a civilian, is almost certain to provoke an adverse reaction among elements of the high command opposed to the idea that a non-professional should hold the top post in the ministry. Ustinov may have been less objectionable to individual members of the high command, however, than one or another of the potential military candidates would have been.

As a civilian, Ustinov, will probably have a somewhat different outlook on defense matters than would a professional soldier. His background in the armaments field and in industry may facilitate a better integration of strategic planning with resource allocation, research and development, armaments programming, and national mobilization than would be possible under a career military man.

The appointment of Ustinov carries one step further the trend evident during the last several years in the creation of positions at the deputy minister level for new technology and for systems analysis. Although the full implications are not clear, the changes have probably enabled the ministry to assume a larger role in the

management of the defense effort—a preserve of the General Staff in the past.

In fact, Ustinov may decide to concentrate on resource management, while delegating to subordinates—primarily the General Staff and the force commanders—much of the direct supervision previous defense ministers have exercised over operational matters. Ustinov's lack of experience in military operational matters will make it necessary in any case for him to rely heavily on military professionals for their operational judgment.



Because he is unencumbered by service loyalties, Ustinov may be expected to weigh more impartially the claims on resources and the advice on defense matters offered by the various members of the high command. He might tend to favor modern strategic weapons, but this would not necessarily work to the advantage of the Strategic Rocket Forces; Ustinov might be more favorably disposed toward the navy's submarines equipped with SLBMs or other nuclear missiles.

Ustinov's appointment will probably not affect the Soviet position on SALT or MBFR negotiations. His views on SALT, in which he has been involved, are probably as tough as were Grechko's, and Ustinov will probably be careful to avoid offending the military under him by showing any signs of softness on MBFR.

The appointment of Ustinov has also allowed the Soviet leadership to sidestep the question of whether a military successor to Marshal Grechko should inherit his Politburo seat. It is uncertain whether Ustinov's expected departure from the Party Secretariat will result in the addition of a new face to that body or the elevation of a "junior" party secretary to the Politburo as a candidate or full member.

General Kulikov, the chief of the General Staff, could still succeed Ustinov at a later date. Unlike most professional soldiers at the top of the military hierarchy, Kulikov, who is only 55, would still be relatively young even if Ustinov

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Defense Minister Ustinov (in uniform) appears with senior Politburo members at the Lenin Mausoleum during May Day celebrations;

were to serve as minister for several years. The other top military leaders—Marshal Yakubovsky and Generals Tolubko, Sokolov, and Pavlovsky—are in their 60s, and their chances for the top post will diminish as Ustinov's term continues.

For the moment, however, Ustinov's appointment means that the military have been left without one of their own on the Politburo. Although Ustinov has an extensive background in defense production and has been promoted one grade from his wartime rank to General of the Army, he is not a professional soldier and has not had any command experience. He is much

more akin to KGB Chairman Andropov than to Foreign Minister Gromyko—both of whom became Politburo full members with Marshal Grechko in April 1973.

Consequently, Ustinov's appointment could create a number of problems for the nation's system of command and control over its armed forces. Part of the solution, in addition to the delegation of command responsibility downward within the ministry, may be to have Brezhnev, or his successor, acquire some formal command authority over the armed forces in peacetime.

To date, Brezhnev has been the leader

designated to act as Supreme Commander in Chief in the event of war, but there has been no evidence that he has had any unilateral authority to issue orders to the armed forces in peacetime. This arrangement has probably been acceptable to both the political leadership and the military hierarchy while a professional soldier headed the Defense Ministry, but Ustinov's appointment may prompt the military to argue even more strongly for the creation of a unified military-political command with Brezhnev, or his successor, as Supreme Commander in Chief.

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It will be another bad year for the Brazilian economy. Inflation is again on the rise, in spite of government efforts to contain it, and foreign exchange reserves are falling. In real terms, there will be little economic growth.

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Brazil: Economy Facing Another Bad Year

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The Brazilian economy is having another difficult year because of import constraints and tight credit forced on it by the energy crisis and by the subsequent world recession. Foreign exchange reserves continue to decline, inflation is again on the rise, and there will probably be little real economic growth this year.

These trends, which have alarmed Finance Minister Simonsen in particular, will prompt the government to maintain tight economic controls at least during the rest of this year, although it may relax them somewhat as municipal elections approach next fall.

Import Controls

Brazilian authorities have relied heavily on direct import controls to cope with persistent balance-of-payments deficits. Tariffs have been increased sharply on many goods, and a one-year, non-interest-bearing deposit with the Central Bank equaling 100 percent of imported value is now required for nearly half of the country's total imports. Public institutions have been ordered to cut imports 25 percent this year. Many consumer imports are prohibited. Finally, the Bank of Brazil has been given broad authority to deny import licenses.

Brasilia continues to consider a major devaluation, but it would prefer to avoid one despite evidence that some major exports—notably soybeans—are hurt by the prevailing exchange rate. "Small" devaluations have been stepped up, but



Finance Minister Simonsen

they reflect increased domestic inflation rather than a fundamental adjustment.

A major devaluation would have a large inflationary impact. The authorities also fear that the exchange-rate losses suffered by Brazilian borrowers abroad would inhibit further borrowing and reduce the vital inflow of foreign capital. As a partial alternative to devaluation, new export subsidies are being considered.

Impact on Domestic Economy

Brasilia is trying to restrain domestic economic activity by classic fiscal and monetary means. The federal budget has been kept in balance or in surplus for the past few years despite the repeated use of tax cuts to stimulate selected industries. Growth in the money supply greatly ex-

ceeded target levels last year because of emergency credits to farmers, as well as those to bankers which overcame a liquidity crisis in the commercial paper market. Much of this excess liquidity has now been eliminated.

Central Bank operations have been cautious. Commercial bank reserve requirements have been raised, as have the rates at which they can borrow from the Central Bank. Interest rates and yields on treasury bills have risen to record levels.

Import restraints have yet to have their full impact on the domestic economy. Inventories thus far have been adequate to compensate for reduced purchases abroad. Consumer spending during the first quarter of 1976 was about 10 percent higher than the depressed level of a year ago, and industrial production was substantially above the first three months of 1975.

Crop prospects also are good this year, with the exception of the frost-damaged coffee crop. Brazil expects record harvests of soybeans, corn, and probably wheat.

The import and credit controls are beginning to pinch, however, and inventories are now being exhausted. Manufacturing firms are dropping some product lines and modifying others because imported materials are scarce or impossible to obtain. Business firms are having increasing trouble raising working capital, and consumers are also facing tighter credit. Not only is domestic credit shrinking, but many firms are also having dif-

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ficulty borrowing abroad.

Despite the slowing of business activity, government officials continue to predict publicly that the economy will achieve something close to the 4-percent growth it had last year.

Inflation

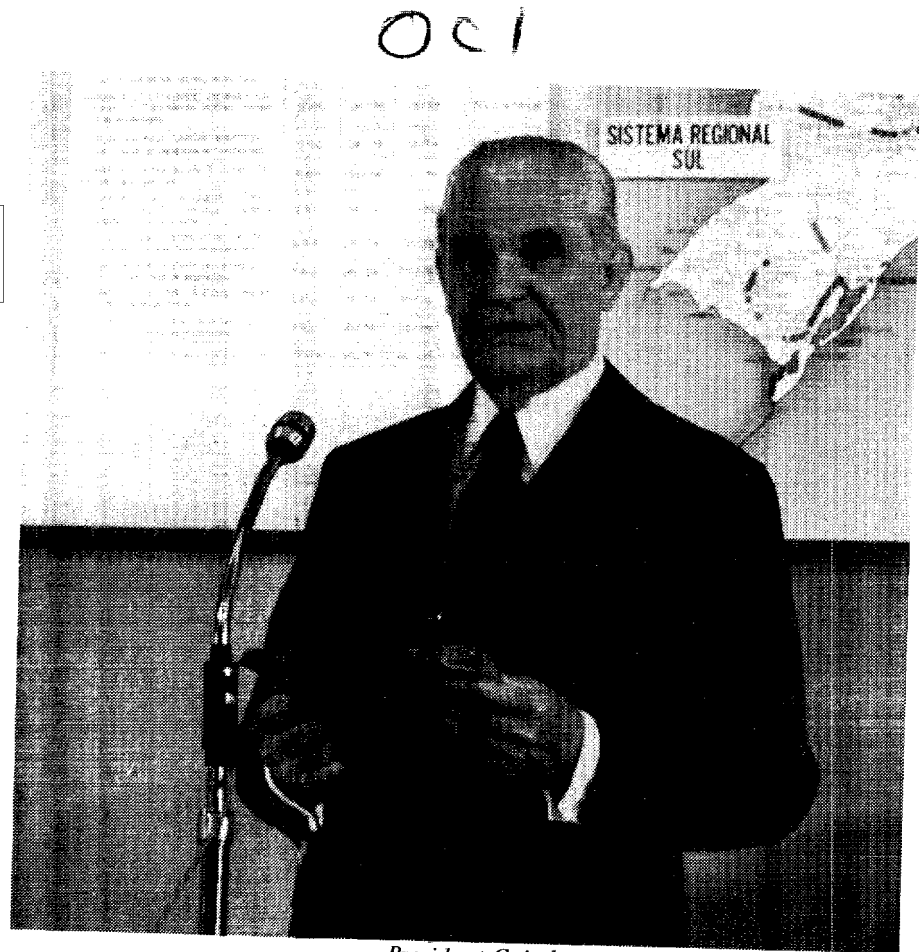
Inflation has increased. Retail prices in Rio de Janeiro and Sao Paulo rose nearly 40 percent over the past 12 months. If this trend continues, Brazil will suffer its worst inflation in almost 10 years. Large wage increases, averaging almost 40 percent over the past year, account for much of the price rise. Higher costs resulting from increased tariffs and the heavy interest on import deposits have also contributed.

Further inflation and a deteriorating job market are likely to lead to another strong showing by the opposition party in the municipal elections in November. The Geisel administration is anxious to avoid such an embarrassment, which would complicate the President's effort to convince his hard-line military critics that Brazil is ready to move back toward democratic government. Geisel's current effort to relax repression and to develop a more open political process already is in trouble; a weak showing in November could only add to his problems.

Brasilia has just announced a 44-percent increase in the minimum wage. In real terms, this is much less than the increase of May 1975, but it is considerably more generous than the adjustment granted in 1974 when the government also was combating resurgent inflation. The administration apparently feels compelled to make some concessions to political expediency despite its decision to maintain its stabilization program essentially intact.

Balance of Payments Unimproved

The balance of payments has shown little improvement so far this year. Even with import controls, Brazil lost about \$700 million in foreign reserves during the first quarter. Its credit standing abroad, while still strong, has declined noticeably over the past two years. Brasilia knows



President Geisel

that it cannot afford to allow this trend to continue.

The balance of payments will probably improve gradually during the coming months, as reviving economic activity abroad helps to expand exports while imports remain under control. Export growth is likely to be slow, however; the value of coffee exports will increase because of booming prices, but sugar exports will suffer following last year's poor crop and much lower prices. Lower prices also will affect soybean exports. Manufactured exports have yet to recover from last year's stagnation.

Balance-of-payments constraints will continue well beyond this year. Brazilian authorities have indicated that they intend to maintain the import deposit requirement until the end of 1977. Some import controls probably will be required even

longer because rapidly rising debt service payments will slow the growth of Brazil's import capacity for some years.

Brasilia plans to cope with continuing import constraints by encouraging import substitution industries and by stimulating agriculture and light consumer goods industries. These adjustments are likely to require considerable time, however, and Brazil's economic growth will continue to suffer from import constraints for some years. Moreover, the rapid development of capital-intensive import substitution industries probably will strain Brazil's capacity to finance large investments, and strong inflationary pressures are likely to continue. Supply difficulties and persistent inflation will make it hard for the Brazilian economy to regain the high growth rates that marked the early 1970s.

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Peking is preparing to open an embassy in Fiji and is showing interest in the small countries of the southern Pacific. The Chinese are probably motivated mainly by concern over Soviet activities in the area.

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China: Interest in the South Pacific

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China is showing greater interest in the smaller nations of the southern Pacific.

An advance team from the Chinese Foreign Ministry is in Suva, the capital of Fiji, making arrangements to open an embassy. It will be the only communist diplomatic mission in any of the five nations collectively referred to as the southern Pacific island countries—Fiji, Western Samoa, Papua New Guinea, Nauru, and Tonga. China established formal ties with both Fiji and Western Samoa last November. At that time Peking indicated that it would post an ambassador to Suva and also accredit him to Western Samoa.

Prime Minister Somare of Papua New Guinea would visit China sometime in May, at which time diplomatic relations would be established. The Chinese will probably not be invited to send a resident ambassador to Port Moresby, however. Government officials there have been complaining that they are hard pressed to service the handful of diplomatic missions already in the Papua New Guinean capital.

Some Chinese initiative toward Nauru may also be forthcoming. The president of Nauru met with the Chinese ambassador in Bangkok during the course of

the annual meeting of the UN Economic and Social Commission for Asia and the Pacific. This was the first known high-level contact between the governments of Nauru and China; Nauru and Tonga have official ties with Taiwan.

The Chinese moves are probably linked to concern over Soviet activities in the southern Pacific region.

Soviet activity in the area has increased in the past few years but is still quite limited. Three Soviet cruise ships participate in the inter-island tourist trade during the summer months, and Soviet oceanographic research ships conduct occasional surveys.

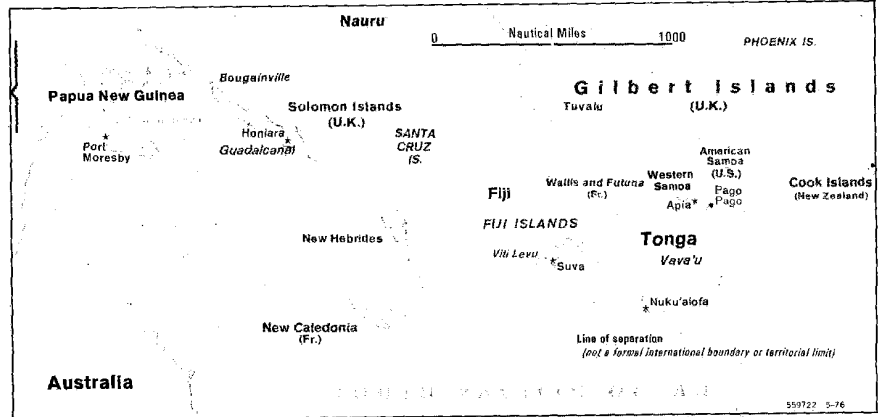
Last month, US officials on the scene reported that the Soviets have been woo-

ing the Tongans—holding out, among other things, the prospect of Soviet economic assistance and increased trade.

The Chinese, once they are settled in the new embassy in Suva, are likely to concentrate on learning more about such Soviet activities. Local officials will undoubtedly be getting their fill of anti-Soviet rhetoric from Peking's representatives. The Chinese leadership has probably brought up its concerns with New Zealand Prime Minister Muldoon, who is currently in Peking, and will probably do the same with Australian Prime Minister Fraser when he arrives in China next month.

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