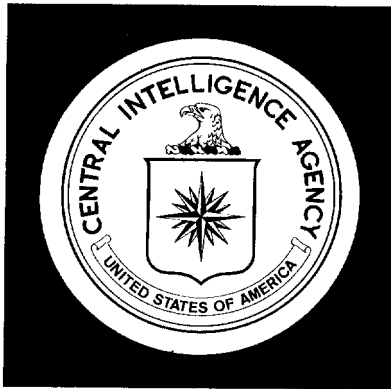


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Weekly Summary

State Dept. review completed

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July 9, 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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Middle East-Africa

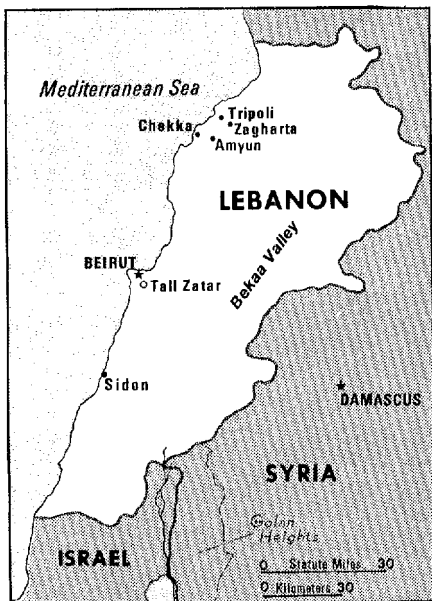
LEBANON

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After a two-week siege, most of Tall Zatar Palestinian refugee camp in eastern Beirut fell into Christian hands this week. The Christians, in coordination with the Syrians, also scored against the Palestinians and Lebanese leftists in heavy fighting in the north.

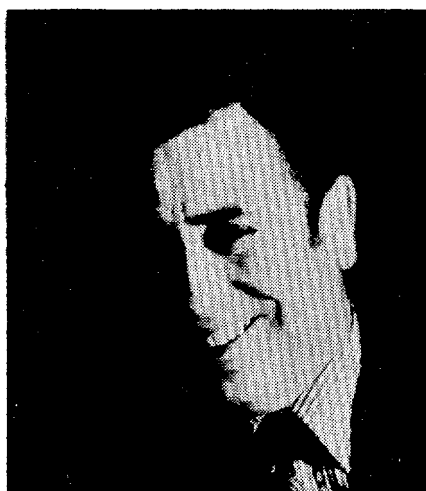
Only a small pocket of defenders is still holding out in Tall Zatar. The Christians have delayed announcing the fall of the camp, partly for fear of provoking Palestinian and leftist reprisals in other parts of the country. Flushed with victory, however, they are again insisting as a precondition to a new cease-fire that the fedayeen abide by their previous agreements with the Lebanese government, which place tight restrictions on fedayeen movements.

On July 5, leftist and fedayeen forces, trying to relieve the pressure on them in Beirut and other areas, overran the town of Chekka and several nearby Christian villages in northern Lebanon. Chekka is



on one of the access routes to the Christian stronghold of Zagharta. By midweek the Christians launched a counterattack, retaking Chekka and moving southeast beyond traditional Christian areas to engage leftist forces at Amyun. Syrian forces may have fought alongside the Christians at Chekka; in any event, the Syrians helped out in the north by shelling Palestinian positions in Tripoli.

Syrian and Christian forces apparently did link up last weekend just north of Beirut, tightening Syrian control over



Foreign Minister Khaddam
GAMMA

access to the capital. Syrian forces also resumed their shelling of the southern port city of Sidon this week and continued their blockade of several leftist and Palestinian-held towns in the northern Bekaa Valley.

The new upsurge in fighting has virtually frozen efforts by Libyan Prime Minister Jallud and Arab League mediators to arrange a cease-fire and get talks going. Palestinian leader Yasir Arafat, who returned to Lebanon after several weeks' absence, did meet with Syrian Foreign Minister Khaddam and Christian representatives on July 4 under Arab League auspices to try to work out a new truce. Subsequent scheduled talks were canceled, however, after the Palestinian attack on Chekka. The Arab League mediators later called for yet another

meeting of Arab foreign ministers in Cairo on July 12.

Syrian Foreign Minister Khaddam went to Moscow this week apparently to try to explain Syrian policy in Lebanon to Soviet leaders and to mute their criticism of Syrian action against the Palestinians. Palestinian leaders, in turn, have stepped up their efforts to elicit support from the Soviets. Moscow has invited Arafat to visit soon, presumably to demonstrate continued Soviet support for the Palestinians and to counterbalance Khaddam's visit.

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OAU SUMMIT 9-11

The annual summit of the Organization of African Unity, which ended in Mauritius July 6, adopted tough rhetoric on South Africa and Rhodesia but largely sidestepped major territorial disputes involving member states.

Besides condemning South Africa for its handling of recent student riots, the OAU called for increased support to Namibian insurgents, extension of the guerrilla struggle to South Africa, and for tighter economic sanctions. The summit also urged nonrecognition of Transkei, which is scheduled to become in October the first of South Africa's tribal homelands to gain legal independence by agreement with Pretoria.

The summit made no headway in reconciling Rhodesia's feuding nationalists. The OAU leaders simply reiterated their standing call that all aid for the insurgents be channeled through the OAU liberation committee based in Tanzania.

Although the Israeli raid in Uganda was strongly censured, with a call for UN action, the conferees did not affirm OAU support for last year's UN resolution on Zionism or demand Israel's ouster from the UN. The US was condemned for vetoing Angola's admission to the UN.

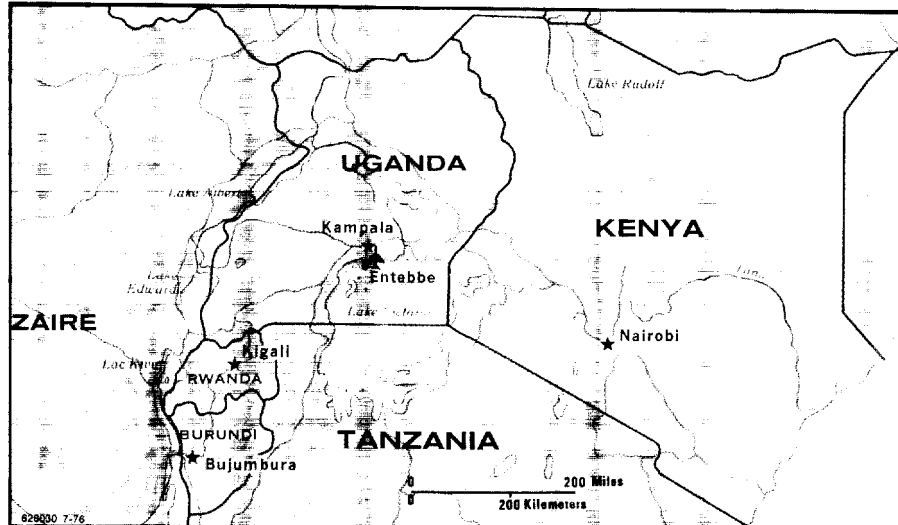
The summit narrowly avoided a split over the Western Sahara by agreeing that the controversial issue, which pits Algeria

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against Morocco and Mauritania, should be taken up by an extraordinary summit later this year, providing one can be arranged. The present OAU stand is that recognition of the "republic" declared by the Algerian-backed Polisario Front is a matter for African states to decide individually; only nine OAU states now recognize the provisional Polisario government.

Further consideration of the divisive issue of the French Territory of the Afars and Issas—over which Ethiopia and Somalia are at loggerheads—was postponed to a proposed round table conference of the territory's factions and liberation groups. Ghana has offered to host the conference next month. The key issue of territorial guarantees for the new state remains to be decided.



rival, Defense Minister Peres.

Kenyan Fears

Since the raid, the Kenyans have become increasingly fearful that Uganda may retaliate militarily against Kenya for having allowed the Israelis to use Nairobi airport in their operation.

President Amin, humiliated by the raid, may indeed believe that he must take compensatory military action against Kenya. He has long been at odds with the Nairobi government; earlier this year he claimed a large part of western Kenya. Now that his term as chairman of the OAU is over, he may feel less constrained about attacking his neighbor.

The Kenyans believe two additional Ugandan battalions were moved to the border this week to join units sent there last month after Amin again began making threats against Kenya. President Kenyatta's government apparently views the latest troop movements and the repeated references this week over Uganda Radio to "enemy aircraft" in Ugandan airspace as a ploy by Amin to whip up war hysteria among the Ugandans and undercut advisers who reportedly have counseled against a retaliatory attack.

Kenyan apprehension is sure to be rein-

forced by reports that 20 Libyan Mirage jet fighters arrived in Uganda this week to replace the Ugandan MIGs destroyed by the Israelis during the raid. Such a contingent could be intended merely as a show of support for Amin. Should Amin decide to make a military move, however, any Mirage aircraft stationed in Uganda would be capable of attacking Kenyan territory. Nairobi has only a weak air defense system.

Kenya has responded by placing its army on alert and by delaying the shipment to landlocked Uganda of military equipment recently delivered to the Kenyan port of Mombasa. The Kenyans have also curtailed petroleum deliveries to Uganda in an effort to limit Kampala's military capabilities.

The Kenyans probably are hoping that the UK—traditionally Kenya's major source of arms—will come to their assistance, if necessary. Nairobi has a long-standing, if unwritten, agreement with the UK that provides for British assistance on request in the event of an external attack or major internal trouble. London would be loath, however, to respond to a request for troops. Ethiopia, with which Kenya has a secret defense agreement, is now in no position to help, even if it were disposed to do so.

ISRAEL-UGANDA-KENYA

The successful rescue by Israeli commandos of the hijacked Jewish airline passengers in Uganda last weekend has given Prime Minister Rabin's government, at least temporarily, a much needed psychological boost at home. As far as Rabin personally is concerned, it will help offset the widely held view that he is an indecisive leader.

The tour de force at Entebbe should strengthen Rabin's hand in dealing with his coalition partners in the cabinet, including the conservative National Religious Party. Rabin is unlikely, however, to alter his cautious approach to divisive problems, such as the controversy over the unauthorized Jewish settlement at Qaduma, or toward peace negotiations. If anything, the hijacking episode will make Tel Aviv more determined than ever not to deal with the PLO.

The operation may help make up for the frustrations the Israeli public has felt over the past several months as a result of the country's high inflation rate, Arab rioting, and intra-government wrangling, especially between Rabin and his chief

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SUDAN

12-14

President Numayri, who came to power in a 1969 coup, last week survived yet another effort to topple him. The latest attempt, which apparently had substantial Libyan backing, was the most serious challenge he has faced since 1971, when Sudanese Communists almost succeeded in ousting him. The coup group included a substantial number of people, and there



President Numayri OCI

was extensive fighting in the capital area on July 2-3; several hundred persons are reported to have been killed.

The coup move, which was well planned, was apparently carried out largely by members of the ultraconservative Ansar religious sect and other rightist groups; many of the participants apparently were exiles who were infiltrated back into Khartoum for the operation. The government, however, has portrayed the disturbance as an "invasion" by foreign mercenaries backed by Libya. Ansar leaders have long been at odds with Numayri, having tried to overthrow him in 1970.

Some disaffected western Sudanese tribesmen may also have participated in the coup effort; the government claims it was led by an ex-army officer, believed to

be a westerner, who had been implicated in previous coup attempts and had apparently been in Libya recently. There is no evidence that any military units as such were overtly disloyal to Numayri, although some individual military men may have sided with the rebels.

Libyan President Qadhafi almost certainly provided material support for the attempt. The coup group used Soviet-manufactured guns and munitions that apparently had been shipped to Libya. Tripoli may also have facilitated the secret return to Sudan to help organize the coup effort of Ansars exiled in Libya and Ethiopia. Sudan's close identification with President Sadat and Cairo's Middle Eastern negotiating policy is probably at the root of Libya's intrigues against Sudan. Khartoum broke diplomatic relations with Tripoli this week.

Numayri's hold on power will continue to depend, as it always has, largely on his ability to keep the loyalty of key military units.

The army—overwhelmingly manned by western Sudanese tribesmen—has smarted under allegations that many of its members were involved in the abortive coup attempt last September. If Numayri moves harshly to censure the army, he may end up causing his regime more problems.

SOUTH AFRICA 50-51

South Africa has been experiencing foreign exchange difficulties that are likely to persist for several more months.

The government has little choice but to continue measures to discourage imports and hope that gold prices do not sag further. The economy, as a result, will probably grow only about 2 percent this year.

South Africa's payments position began to deteriorate in late 1974 as im-

ports rose rapidly and nongold exports remained stagnant. The situation worsened in 1975, forcing Pretoria to devalue twice.

In 1976, conditions further deteriorated because of a drop in gold prices, weak demand for exports, and a high level of military purchases.

The government has borrowed heavily and rolled over short-term loans obtained in 1975 to increase capital inflows.

South Africa's options in dealing with its payments problems have narrowed. Shaky prospects for world gold prices rule out any abrupt increase in sales of gold from stocks. The international market already is absorbing increased Soviet sales, and periodic International Monetary Fund auctions will add to international supplies. Industrial demand for gold is running roughly 30 percent below its 1971 peak level. Speculative demand, which accounted for slightly more than half of the demand last year, is down sharply because of moderation in inflation and an upturn in real interest rates.

With domestic inflation again edging upward to more than 10 percent, the government is unwilling to stimulate prices further by another devaluation. It is also reluctant to impose additional import controls or to pile more restraints on a sluggish economy. It already has stiffened monetary and fiscal measures during the past six months and has repeatedly tightened foreign exchange rules to relieve speculative pressures on its currency. It does not want to cut foreign military purchases.

Exports will probably not begin accelerating appreciably until the fourth quarter. By then, the Western economic recovery may be making itself felt, and major new coal and iron ore export projects will have started paying off. By continued scrimping and borrowing, the government should be able to muddle through unless gold prices sag badly. Foreign borrowing will be more expensive, however, because South Africa's economic and political problems have weakened its credit rating.

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Europe

SPAIN 15-17

King Juan Carlos' appointment this week of Adolfo Suarez as prime minister is intended to boost the government's reform program. Suarez' choice of committed reformists to two key posts in the



Adolfo Suarez being sworn in as prime minister as King Juan Carlos looks on

AP

new cabinet supports his assurances that he will press ahead with liberalization. But progress may be slowed because of his inability to persuade the leading reformists in the outgoing cabinet to stay or to induce any oppositionist leaders to join the cabinet.

The new foreign minister, Marcelino Oreja, shares his predecessor's commitment to reform and support for Spain's entry in the EC but does not have Areilza's international stature. The new interior minister, Rodolfo Martin Villa, who laid plans for trade union reform while in the Syndical Ministry, is also regarded as a reformist.

Most of the 10 newcomers to the 20-man cabinet are political moderates or technocrats, and several have a strong background in finance—reflecting Suarez' immediate intention to grapple with soaring inflation and other serious

economic problems. Their youth and inexperience, however, will complicate their task. Some observers believe the cabinet will last only until elections next year.

In spite of strong rumors that Suarez would appoint members of Opus Dei—the secret lay Catholic society that dominated economic planning in the late 1960s and early 1970s—no publicly identified members of that organization were appointed, although at least two of the holdover ministers are reportedly linked to that organization. Also absent are any representatives of the far right.

Suarez' efforts to form a cabinet were complicated by the manner of his appointment. The King apparently worked quietly behind the scenes to be sure he had sufficient votes to get his candidate through the rightist-dominated Council of the Realm, which provides the King a slate of three nominees from which to select a prime minister. Foreign Minister Areilza and Interior Minister Fraga, liberal leaders in the old cabinet, were disappointed they were not chosen, but even more unhappy over not having been consulted at all. As a result, they and several other reform-minded ministers refused to serve under Suarez. Suarez was also hampered by his previous ties to the Franco regime and by the rumors that he intended to include members of Opus Dei in his cabinet.

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WEST GERMANY 20-21

The West German government received widespread public approval last week following a major restatement of its policy toward the Soviet Union and Eastern Europe.

Bonn's declaration, a belated response to the Soviet statement on East-West relations that appeared in *Pravda* in late May, begins by noting that the improvement of West German - Soviet relations since the late 1960s has been vital to the relaxation of tensions in Europe. Bonn asserts that it proceeds from the assump-

tion that both countries long ago decided for peace, and the West Germans make clear that they believe detente must continue and that they are willing to work constructively with the Soviets.

At the same time, Bonn rejects implications in the Soviet statement that the Federal Republic endangers peace.

In response to specific Soviet allegations, the West Germans assert that:

- The Soviet declaration did not contribute to peace when it attempted to divide West German politicians into good and bad groups.

- Peace is not served if national borders are declared inviolable while one side (the Soviets) continues to claim the right to decide for itself which regimes are "decadent."

- Those who claim or seek military superiority undermine the balance of power upon which peace in Europe depends.

- Attempts to alter the balance of power in other parts of the world (such as in Angola) with the aim of extending one's sphere of influence only damage the cause of international peace.

These major reservations underscore Bonn's skepticism about the durability of the Soviet peace commitment. This issue is particularly sensitive among West German voters, who go to the polls this October.

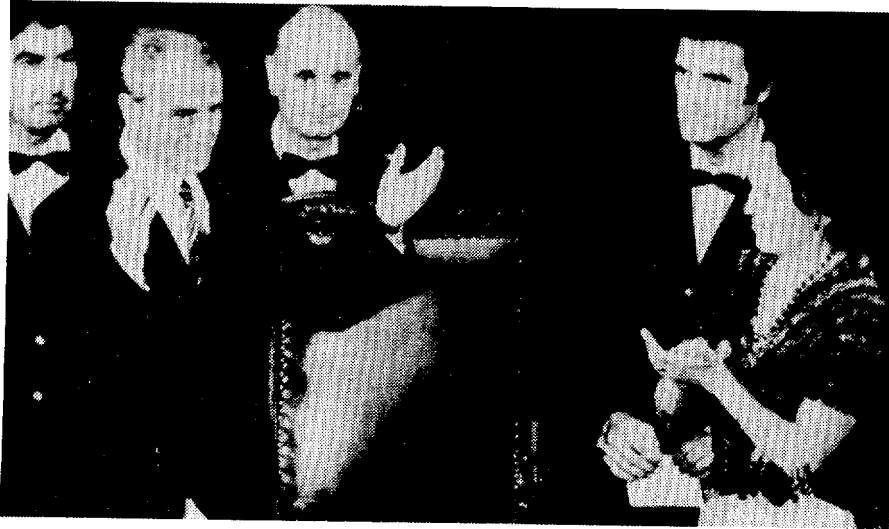
The policy statement did not dwell on Bonn's principal complaint that Moscow continues to drag its feet on including West Berlin in three bilateral humanitarian accords. West German diplomats have indicated, however, that Bonn is considering launching a broad initiative on this and other Berlin-related matters after the national election.

One purpose of the declaration was to counter criticism from conservative circles that the Schmidt government is too soft toward the Soviets. Judging from the favorable press treatment and the opposition's reaction, this objective appears to have been accomplished.

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Pietro Ingrao taking his seat as president of the Chamber of Deputies

UPI

ITALY 18-20, 22-25

The compromise last weekend among Italy's major parties giving the Communists the presidency of the Chamber of Deputies could eventually lead to a broader arrangement allowing the Communists a consultative role in the government while denying them formal cabinet status.

At its opening session on July 5, parliament confirmed Pietro Ingrao, a Communist Party leader, as chamber president and former Christian Democratic prime minister Amintore Fanfani as president of the Senate. The Socialists, who finished third in the June 20-21 balloting and whose collaboration in the new government is essential, reportedly will be awarded the senior vice presidential positions in both houses. The allocation of parliamentary posts will be completed when parliament reconvenes on July 9.

President Leone will soon begin consultations on the selection of a new prime minister. Interior Minister Cossiga, viewed earlier as a strong candidate for the job, has said privately that he will defer to Budget Minister Andreotti, the Christian Democratic leader considered to have the best chance to enlist the support of the Socialists.

According to Cossiga, Andreotti has an additional advantage—sufficient strength within the party to move against the “historic heads” who are opposed to reform. Younger Christian Democratic members of parliament reportedly are becoming resentful that the old leadership is failing both to carry out its promise of renewal and to consult younger members on key decisions.

Despite reported misgivings by President Leone that an inordinate delay in forming a government could lead to public impatience, party negotiations probably will be protracted. There are growing fears that the Socialists may be too badly divided to negotiate seriously toward a government solution.

NOT Searched
POLAND-HUNGARY

The Polish leadership tried to retrieve some of its lost political prestige last week by restating its intention to raise food prices in the future.

In his first domestic appearance since the riots, party leader Gierek told a nationwide television audience on July 2

that price increases are necessary for the good of the Polish nation. He promised to hold extensive public discussions, however, before the hikes are made. The revisions will probably not be announced until this fall, when parliament reconvenes.

Gierek played down the seriousness of the disturbances in late June, suggesting that arrests might be held to a minimum. He made a strong pitch to Polish patriotism, calling for a united Polish community and the avoidance of actions that would stain the good name of Poland. Gierek expressed sorrow—“as a Pole”—for the “deeply regrettable incidents” that had occurred.

The Polish party leader also endorsed Prime Minister Jaroszewicz's “fruitful” leadership of the government, apparently to quell any speculation that he might soon be replaced. Jaroszewicz would make a convenient scapegoat because he is closely associated in the public mind with the price hikes; but Gierek has probably decided not to act precipitately.

Speaking to a group of agricultural cooperative workers on July 5, Jaroszewicz paid personal tribute to Gierek and echoed his remarks that Poland “cannot run away” from problems. He, too, promised that the government would consider popular views before drafting new price proposals. He gave a sampling of public recommendations which suggested that the government will increase prices gradually and selectively.

The Polish unrest did not prevent Hungary from going ahead on July 5 with price increases on meat products that had been announced last November. The increases average about 30 percent—slightly less than expected—and will be partially offset by a monthly income supplement for most Hungarians that will buy less than 1.5 kg. (3.30 lbs.) of pork. The Hungarian population appears to have taken the price hikes in stride.

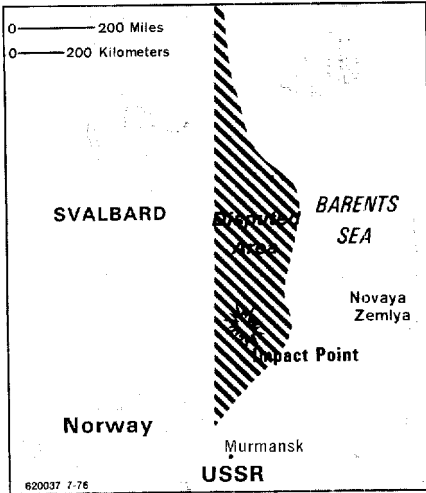
Hungary, unlike Poland, has gradually raised prices on a number of consumer products without incident over the past several years.

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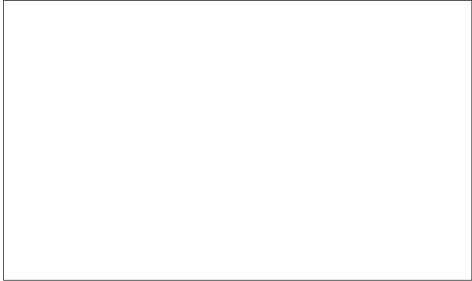
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Scandinavia. The exploitation of these resources in both the Baltic and Barents seas could restrict to some degree the Soviet navy's unimpeded access to the Atlantic.

This clearly has concerned the Soviets, and they may hope that some muscle flexing will cause the Scandinavians to tailor offshore development in a way that will minimize its effect on Soviet naval activities. At the same time, the Soviets also realize that the political atmosphere in Scandinavia is such that even limited pressure will tend to undermine the kind of political headway Moscow is attempting to make in this part of Europe.



Western Hemisphere

JAMAICA 39-42; 45

The state of emergency imposed on June 19 appears to be hastening the process of political polarization in Jamaica and solidifying Prime Minister Manley's alliance with the radical wing of his party.

On June 26, one week after the emergency orders were decreed, Security Minister Munn announced that 353 persons had been arrested, including more than 130 who have since been imprisoned. A substantial number reportedly are leaders and organizers of the opposition Jamaica Labor Party, while only one of-



Prime Minister Manley

U P I

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Soviet Union

52 **SOVIET UNION - NORWAY**

The Soviets, within the space of five days, fired three SS-7 ICBMs into an area of the Barents Sea that is under negotiation between Moscow and Oslo to determine an eventual demarcation line.

The first missile was launched on July 2, the others on July 6. There may be additional firings; Moscow had previously announced its intention to fire missiles into this area between July 1 and August 10.

Moscow is in the process of dismantling SS-7 launchers as part of the SALT agreement, and the firings are an expeditious means of emptying the silos.

There has been no progress in the Soviet-Norwegian negotiations, and Norwegian officials are interpreting the missile firings as an attempt to intimidate Norway before the next round of talks. Oslo is expected to make a demarche emphasizing the threat to shipping and fishing interests posed by the firings.

The development of offshore oil leases and the control of fish stocks through ever-widening economic zones have increased interest in the waters around

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Peruvian anti-riot police move to disperse crowds protesting government austerity measures

UPI

ficial of Manley's People's National Party is known to have been detained.

Labor Party leader Seaga has denounced the government's actions as a "political witch hunt" aimed at assuring victory for Manley and a majority of his party's candidates in the elections that must be held by next spring. Pearnell Charles, a Labor Party senator and its deputy leader, has been arrested and indicted under the emergency orders. Seaga claims, in addition, that three of his party's candidates and many of their workers have been arrested.

The blatantly partisan enforcement of the state of emergency has caused public opinion to turn against the government, according to the US embassy in Kingston. Manley's failure so far to establish a tribunal to review the cases of persons detained—as required by law—also has undermined the government's credibility. Seaga believes that a reaction favoring his party has already set in. Manley took the offensive against his critics on June 29 in a televised speech in parliament. He claimed that the security forces have uncovered evidence of subversion and terrorism aimed at overthrowing his government. He read from documents that he claimed branded him and the government as communist. A subsequent

government-sponsored propaganda campaign has attempted to link the Labor Party with "plots" against the government. One of the major sources of the charges against the opposition, however, is so unreliable and his story conflicts so flagrantly with allegations he has previously made as to cast suspicion on Manley's claims. (*Jamaica's current economic difficulties are discussed on Page 11.*)

[Redacted]

the international financial community as a precondition for granting Peru an essential stopgap loan. The President is vulnerable, nonetheless, to the criticism of his supporters, who may charge that the announcement of the measures was handled poorly, as well as to charges from his detractors that he is toadying to "imperialist forces."

Morales Bermudez' power base is not strong, and the current imbroglio could lead to his removal.

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PERU 35-38

There have been no fresh outbreaks of violence following the day of riots and looting set off by the government's announcement on June 30 of drastic austerity measures that included price hikes, a wage freeze, and new taxes. The government insists that the situation is back to normal, but this claim is belied by official efforts to stop rumors, panic food buying, and a heavy military presence in the streets.

A debate is reportedly under way among armed forces leaders over the wisdom and efficacy of President Morales Bermudez' policies. The austerity measures were in large part dictated by

[Redacted]

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With regard to the economic measures that led to his current difficulties, Morales Bermudez may have to yield on some points. Giving in to the demands of dissenters would weaken the President's

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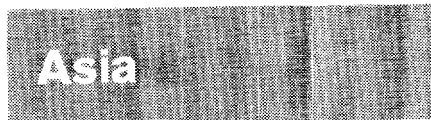
position further and compound accusations from all sides that his ten-month administration has failed to provide decisive leadership.

turnout will be an indication of whether any of Teng's second-echelon associates have fallen victim to the campaign against him.

Government president Nguyen Tan Phat joins the ranks of several vice premiers, and former PRG foreign minister Madame Nguyen Thi Binh, is the new Minister of Education.

Party First Secretary Le Duan delivered the keynote address to the new assembly. It dealt mainly with the problems of economic development and integration of north and south. He put special emphasis on the need for large-scale industrialization and the adoption of modern technology. The problems of integrating two substantially different economic zones were acknowledged, but all speakers indicated the government's determination to convert the south into a system compatible with the north.

A fairly brief treatment of foreign policy combined revolutionary rhetoric with expressions of willingness to live peacefully with everyone. Hanoi's victory was cited as advancing the cause of communist revolution everywhere, but the now common themes of cooperation with fraternal socialist countries, special ties with Laos and Cambodia, and a readiness to develop friendly relations with the other nations of Southeast Asia were duly reiterated.



CHINA

The death July 6 of Chinese Politburo member Chu Te has somewhat altered the balance of power in the party leadership. Chu was a highly respected party elder, and his moderate views probably played an important role in containing the campaign against ousted vice premier Teng Hsiao-ping.

Despite his 90 years, Chu reportedly was outspoken in defense of Teng and scornful of some of the party's younger, more radical leaders. Two poems by Chu published in March implicitly criticized the disunity in the party created by the campaign against Teng.

Chu's death reduces to five the membership of the Politburo's elite standing committee. Of these, only Defense Minister Yeh Chien-ying can clearly be counted as a member of the moderate camp.

Premier Hua Kuo-feng, also a standing committee member, has apparently avoided firm factional alliances, although his policy preferences appear to be generally moderate, and he has been attacked by the left in the past.

With yet another vacancy at the highest level of the party—four standing committee members have died in just over a year—the jockeying for position in anticipation of Chairman Mao's death is likely to intensify further.

Chu's funeral should be the occasion for the first major leadership turnout since the funeral of Chou En-lai in January. Several officials have not appeared publicly since that time. The

VIETNAM

The announcement last week of formal Vietnamese reunification was accompanied by further signs of overwhelming northern political dominance. The new National Assembly, which has just concluded its first session in Hanoi, the new capital, elected to the top governmental positions three North Vietnamese who held identical posts in the former Hanoi administration. They are Pham Van Dong as Premier, Ton Duc Thang as President of the new state, and Truong Chinh as Chairman of the Standing Committee of the National Assembly.

Southerners appear to have been given short shrift in the allocation of major positions in the new government. Former National Liberation Front President Nguyen Huu Tho was given the largely honorific post of vice president (one of two), former Provisional Revolutionary



Premier Pham Van Dong



Party Secretary Le Duan

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Argentina's military junta, three months after taking over, has made some gains, especially in the economic area. But President Videla must soon demonstrate further economic progress as well as to make inroads against terrorism.

53-54

Argentina: Tasks for the Junta

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[redacted]
Argentina's military junta has achieved no dramatic breakthroughs on major problems in the three months since it seized power, but there have been encouraging signs, particularly on the economic front. The next few months will be decisive.

President Videla faces a formidable public relations challenge, in addition to the challenges posed by the economy and continuing terrorist activity. He must, on the one hand, deal quickly and firmly enough with major problems to satisfy his fellow officers. On the other hand, he must avoid actions that will dissipate the popular acceptance the junta has painstakingly nurtured. For the moment, the military as a whole seems disposed to go along with Videla's low-key, gradualist approach to governing. Some officers' patience could be tried, however, if the pace of progress does not quicken.

Popular resistance has not yet been a factor, but political restrictions and economic austerity measures could yet lead to widespread public dissatisfaction.

President Videla is well suited for the balancing act he must perform. He has impeccable military credentials and the respect of his fellow officers, even though there has been some criticism of his style. Civilians see him as a man with no thirst for power and one who took the reins of government reluctantly.

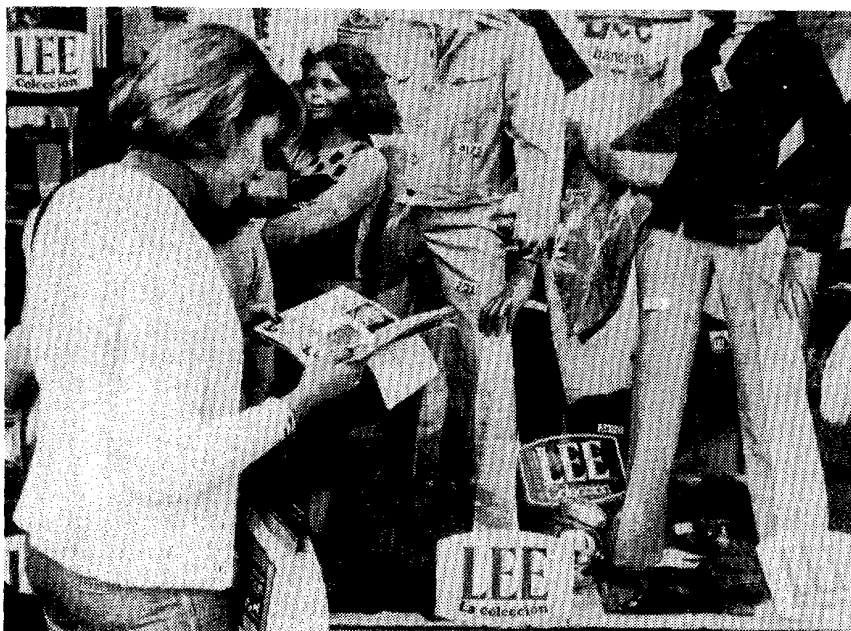
The President sets the tone of the government; his appearance is austere and he makes no promises, preferring to repeat his call for hard work. Other of-

ficials display the same attitude. Economy Minister Martinez de Hoz, charged with overseeing a fundamental overhaul of the nation's economy, describes his job in matter-of-fact terms and avoids the temptation to make promises.

The government is not so much modest as practical. Videla and his colleagues fully realize the danger of setting unrealistic goals that would risk widespread alienation if they are not achieved. The public statements of junta spokesmen are a contrast to the extravagant behavior and lavish promises of the ousted Peronists. So far, the President and his advisers

seem to have succeeded in impressing their countrymen with the need for personal sacrifice in the interest of restoring economic health to the nation.

From the outset, Videla has walked a fine line between authoritarianism and respect for civilian institutions. Congress is dissolved, all political activity is banned, and the media are restricted. The President has stopped short of cutting civilians out of the governing process entirely, however. A number of key advisers are civilians, and the principal political parties remain intact, as does the huge Peronist labor confederation. Videla is



Argentine shopper checks prices in Buenos Aires shop

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not squeamish about using authority, but he does see limits to the amount of power he needs.

Restoring the Economy

Restoration of the shattered economy is the most pressing challenge facing the junta. Martinez de Hoz has had some success in reducing the worst inflation in Argentina's history and attracting badly needed financial support from abroad, but there is a long way to go.

The economic team has a far-reaching program that envisions revitalization of private business and aims to reduce the government's role in some economic activities, such as energy production. The foreign investment law has been rewritten to remove most of the restrictions on foreign capital and profit remittances. Agriculture, long neglected, has received a package of new incentives.

There has been no significant popular resistance to the economic program, but the likelihood of continuing acceptance of austerity measures by a society long accustomed to living well seems small. Labor, in particular, has been severely affected by the new economic program. Deprived suddenly of its political and economic predominance, organized labor may be ripe for leftist influence.

Although the military has put controls on the labor movement, labor remains potentially the most important source of opposition to the government. There have already been a few sporadic work stoppages and slowdowns in major industrial plants. This alarms the junta, both because it is a challenge to government authority and because it threatens economic productivity. Thus far, the regime has overcome labor protests by furloughing the ringleaders, but it has made clear it is willing to use force if necessary.

The Terrorist Problem

The problem of leftist terrorism has plagued civilian and military governments alike since the late 1960s. The guerrillas do not pose a direct threat to government stability, but the military is committed to rooting them out, and

Videla's handling of the situation is one criterion on which he will be judged, particularly by his fellow officers.

The army appears to have made some inroads against insurgents both in the countryside and in the cities. In the remote province of Tucuman, government forces are reportedly killing and capturing a growing number of members of the People's Revolutionary Army and destroying more and more safe sites and sources of supplies.

The urban terrorism carried out by the



Argentine troops on an operation against insurgents in Tucuman Province
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People's Army and by the Montoneros is more difficult to handle. The insurgents' hit-and-run tactics are effective in the metropolitan sprawl of Buenos Aires, and the appeal the terrorists have for youthful Argentines—the main source of recruits—continues despite increasing reports of government anti-terrorist successes.

It will be some time before the military's aggressive campaign can be judged a success; bombings and guerrilla attacks on officials are continuing. During the past two weeks, for example, terrorists murdered several military officers, including the second federal police chief in two years.

Videla may ultimately face serious

trouble from critics in the military who urge him to take a much tougher approach to the problem. The thrust of the argument is that, in order to eradicate the guerrillas who hide among and draw some support from the populace, the government must impose stronger controls on the population as a whole.

The so-called "hard-line" officers also want vengeance against the former civilian leaders whose corruption and incompetence, they argue, led Argentina to near chaos. The advocates of repression are, in short, pressing for almost unlimited arrest powers, dissolution of all political groupings, and the dismemberment of the entire labor movement.

The President, too, is committed to a "fight to the finish" with terrorism, but he believes the "hard-line" approach would do more harm than good. Videla wants to avoid the sort of international opprobrium that has been aimed at Chile because of human rights violations and that has made it difficult for Chile to obtain needed foreign financial aid. Argentina is depending on further infusions of foreign financial support.

Videla is also mindful of the significant political divisions within his country, which would almost certainly be intensified by repressive government measures.

A Role for Civilians

Videla, unlike the "hard-liners," sees some role for civilians in the government. The President's public attitude toward civilians is conciliatory, and his advisers are engaged in a dialogue with certain politicians and labor leaders. This approach has drawn the fire of the President's critics.

Although Videla is not now in any serious trouble, the appeal of the "hard-line" may widen, especially if the military judges that progress on major national problems is too slow. Recent abductions and murders of known and suspected leftists by rightist vigilantes, although not approved by the regime, clearly have the sympathy of a number of military officers, some in key positions. The President's efforts to end these abuses have had little if

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any success, and there are practical limits to how far he can go.

Military rule has come to stay for the foreseeable future; how repressive it be-

comes depends on Videla's ability to deal with the problems that prompted military intervention in the first place. If the President and his supporters have

their way, civilians can look forward to at least a limited role in government; if Videla loses out, they will not have even this.

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As national elections approach—they must be held by next spring—Prime Minister Manley will be under growing pressure to raise bauxite prices to help stem the serious decline in Jamaica's economy.

63-73

Jamaica: Economic Difficulties

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Declines in Jamaica's bauxite output, reduced tourist trade, lower sugar prices, and a dearth of private investment have resulted in serious foreign exchange difficulties and a further reduction in economic activity.

The only easy recourse for Prime Minister Manley's government would be to raise taxes on the aluminum companies, which would have no choice but to raise bauxite and alumina prices. Other Caribbean bauxite producers as well as Guinea would be likely to follow any price increase by Jamaica. These producers account for about 75 percent of US bauxite and alumina imports.

When the left-leaning Manley became prime minister in 1972, the country had excellent growth prospects, especially in aluminum and tourism. At first the economy did well under Manley, but in the past 18 months it has deteriorated rapidly:

- Government pressures against the aluminum companies have caused a sharp decline in bauxite and alumina investment.
- Manley's socialist rhetoric and his rapprochement with Cuba have scared other foreign investors away and led to large capital flight.

• Strikes have brought on a 30-percent drop in bauxite and alumina output in the first half of 1976.

• Violent crime, on the rise for years, has recently taken an anti-foreign turn, leading to a sharp drop in tourism.

• In the first half of 1976, the price of sugar, one of Jamaica's main exports, fell 50 percent.

The Jamaican economy slumped badly in 1975 when real gross national product dropped 2 percent, and the slump worsened this year. Despite the government-imposed import restrictions, Jamaica had a record current account deficit of \$192 million during the first six months of 1976.

Manley has increased public investment spending in hopes of offsetting declines in business output. To limit inflationary pressures, he has raised income and property taxes and has instituted stringent controls on credits for private business. These measures are intensifying the impact of import restrictions on business output and employment. The government has prevented unemployment from increasing beyond the 20- to 25-percent rate prevailing since 1970 only through padding public employment rolls by 40 percent.

With rising world demand for aluminum and the successful settlement of

the bauxite strikes, bauxite and alumina exports are likely to recover in the second half of the year. Even though an explosion on July 6 may force the closure of Alcoa's Clarendon alumina plant—representing 15 percent of Jamaican capacity—for the rest of the year, we expect bauxite and alumina exports to increase by 35 percent in the second half of this year. We expect no improvement in earnings from sugar and anticipate a drop in tourism receipts. With continued import restrictions, the current account deficit for the second half of 1976 should fall by \$80 million to just over \$100 million.

Jamaica could finance this deficit with the recent \$87 million loan from its Caribbean Common Market partners and additional aid from the World Bank and other official sources. This, however, would largely exhaust Jamaica's borrowing potential and would leave imports 15 percent below the 1975 level.

In order to increase imports from present restricted levels, Jamaica will have no choice but to raise bauxite taxes and prices. An average price hike of 30 percent for bauxite would be required to allow imports to rise to the 1975 level. As national elections—which must be held by the spring of next year—approach, the likelihood of a price increase will grow.

The aluminum companies will probably not resist further tax increases, particular-

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ly in the face of rising demand. In the short run, the companies cannot readily shift sources of supply, since US alumina refineries are built to process a particular type of ore. A large share of company alumina capacity is in the Caribbean—17

percent in Jamaica alone.

Company resistance would expose almost a billion dollars in Caribbean aluminum investments to expropriation. In any event, increased costs can be passed on to consumers, particularly since

bauxite is only about 15 percent of the total cost of aluminum metal. For example, a 30 percent rise in bauxite prices would increase aluminum prices by 5 percent, or 2 cents a pound.

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North Korea appears to be entering a prolonged period of change and uncertainty. Its program of economic modernization is faltering, and Kim Il-song, now 64 and concerned about the survival of his special brand of ideology, is embarked on a controversial effort to groom his son as his successor.

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North Korea: A Period of Uncertainty

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North Korea appears to be entering a prolonged period of change and uncertainty. The program to promote rapid economic growth through a quick infusion of Western machinery and technology is foundering on the shoals of bureaucratic ineptitude and massive default on foreign debt. Given the resilience of the North Korean people, long inured to sacrifice and deprivation, the regime will probably muddle through its current economic difficulties.

President Kim Il-song knows that his party must prepare a new generation of leaders, but he seems haunted by the prospect that loyalty to his doctrine and leadership will not long survive his departure. In an unprecedented move for a nation that still regards itself as a member of the socialist community, Kim is grooming his own son as his successor.

Kim in Control

There has been no serious challenge to Kim Il-song since the late 1950s when he purged the last of his factional rivals from the ruling Political Committee of the Korean Workers' Communist Party. At 64, Kim is still a vigorous leader, although heart disease and high blood pressure may cause him major medical complications within the next three years or so.

Throughout the spring of this year, he entertained a steady stream of third-world leaders seeking to garner support in the nonaligned movement for this year's diplomatic confrontation with South Korea. He expects to attend personally the nonaligned summit conference at Colombo in August.

As part of the current six-year economic plan (1971-76), Kim embarked on an ambitious effort to seek improved economic ties, capital equipment, and technology from the industrialized West. The acquisition of whole plants from Western Europe and Japan through medium-term credits was seen as a way to achieve rapid modernization and enable Pyongyang to compete with the fast-growing economy of South Korea. At the same time the program would help reduce Pyongyang's economic dependence on the USSR and China.

Pyongyang had intended to pay for the imported machinery with increased exports to the West, but the world-wide recession cut demand and prices for non-ferrous metals, North Korea's major export. The North Koreans also had to import large amounts of grain to make up for a poor harvest in 1972-73. Although circumstances beyond their control caused some of their problems, North

Korean planners themselves were overly optimistic. None of the Western-supplied plants has yet started full production; some of the large complexes probably have started partial operations.

As the hard economic realities began to make themselves felt, Pyongyang attempted to renegotiate contracts and credit arrangements and in some cases was granted one-to-two-year extensions. Debt rescheduling provides only a temporary relief, however—the old debts are still outstanding and the interest charges are even higher. Pyongyang's total outstanding debt to Western Europe and Japan is roughly \$1 billion.

The highly publicized debt problems should not, of course, obscure the real economic growth that North Korea has experienced. It is estimated that industrial output over the past few years has risen at an annual rate of 10-12 percent. The North Koreans have an active defense industry and produce a growing assortment of ground force and naval equipment.

A Stoic Populace

One way the regime hopes to counter its payments problem is by belt-tightening at home. Kim Il-song reportedly has ordered a complete suspension of food imports. If there is any harvest failure in the near term, the population will have to make do

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with less. There is not likely to be any major manifestation of discontent. North Korea may well be the most thoroughly mobilized society in the communist camp. Over 25 percent of adults, for example, are members of the party, and all youths must join party-sponsored mass organizations at an early age.

Son and Heir

Like most aging despots, Kim Il-song is beginning to exhibit growing concern over the survival of his special brand of ideology and his own place in Korean history. Mindful of Stalin's fate and the turmoil of China's Cultural Revolution, Kim is taking steps to groom his elder son, Kim Chong-il, as his successor.

Inside Korean Communist Party circles, the 36-year-old Kim Chong-il is already being accorded authority and prestige second only to the elder Kim. Information from secret party documents confirms that Kim Chong-il has been organizing party functions and issuing important guidelines since early 1974.

There have been no references to the son in the national press or radio, either as successor or in any other capacity. Instead, the North Korean media are using a special term—the "party center"—to connote the activities of the younger Kim. This term may well describe some sort of group within the party hierarchy that includes Kim



Kim Chong-il

Chong-il and possibly a few close associates.

President Kim may have tactical considerations in mind in avoiding public designation of his son as his successor. He may want the son to prove himself in a key but unpublicized role. The elder Kim may also want to avoid relegating himself prematurely to a lame-duck status and to deflect any charges of nepotism.

Kim Il-song probably anticipates that the move will be unpopular with other senior cadre. He certainly has the power to declare his son successor at any time, but he may reason that such an abrupt step might only drive disgruntled elements within the party under cover. Moving in a more deliberate fashion provides a greater opportunity for the elder Kim to gauge the reaction within influential party circles.

Kim's caution may not be misplaced. There are signs that Kim Chong-il's candidacy is coming up against at least passive resistance. For example, some of the political movements initiated by Kim Chong-il have elicited less than a positive response from high-ranking party leaders and the national media. Although the youth newspaper in recent months has waxed effusive over the exploits of the "party center," the party and government dailies have virtually ignored these activities.

Generational Change

The Kim Chong-il issue is but one aspect of the larger question of a replacement generation of leaders. The present leadership has ruled North Korea since 1945, and the domestic media constantly hammer away at the need to revitalize the bureaucracy and to do away with conservatism and outmoded work habits.

This spring the regime was presented with an opportunity to bring new faces into the leadership. The premier and defense minister stepped down because of failing health. In both cases, however, the men brought in to replace them were nearly as old as their predecessors. For the time being, Kim is replacing old guards with old guards.

Last fall Kim Il-song decided to post-



Kim Il-song

pone the sixth congress of the party from its scheduled meeting this year until 1977. Party congresses are usually an occasion for self-congratulation, for defining new directions, and confirming changes in leadership responsibilities. Kim apparently wanted more time to rethink economic development plans and to deal with the succession question.

As yet, the North Korean media have provided no evidence that Pyongyang is giving serious thought to the adoption of more realistic economic goals. The regime continues to assert that new large industrial plants are being commissioned, that the national budget is running a record surplus, and that new production peaks are being scaled. Sooner or later, however, the regime will have to come to terms with the harsh consequences of its large-scale debt default.

On the succession question, Kim Il-song seems determined to pave the way for an eventual transfer of power to his son. If important party officials are opposed to the candidacy of Kim Chong-il—as some of the evidence suggests—President Kim probably will seek gradually to remove them from positions of authority. Given the high stakes involved, the behind-the-scenes maneuvering could grow intense in the months ahead.

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The Khmer Communists appear to believe that the old Cambodia must be thoroughly eradicated before a new, spartan society can be established.

Cambodia: First Year Under Communism

HSIN HUA News Agency



Cambodians at work in rice paddies

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The year of communist control in Cambodia has demonstrated the fanatical determination of Cambodian leaders to recast Khmer society in a spartan, rural mold.

Refugee reports and the observations of diplomats who visited Cambodia last spring describe a regime that has used extremely harsh methods to ensure a docile and compliant population. None of the evidence available contradicts a cumulative picture of total regimentation brutally enforced.

The Khmer communists appear to believe that the old Cambodia must be thoroughly eradicated before a new order can be established. The blend of ideological fanaticism and the exigencies of population control reflect a deep-seated prejudice against the sophisticated ways of Cambodia's former urban dwellers, many of whom were Chinese or Vietnamese.

The Foreign Community

Cambodia's new leaders are determined to protect their country's independence from possible foreign encroachments, particularly by Vietnam or any country which dealt with the previous regime. They consistently betray extreme insecurity toward the outside world, which is reflected in their stringent efforts to isolate the population from outside influences.

The few diplomatic missions allowed in Phnom Penh are under virtual house

arrest, confined to their compounds, with meals delivered daily by soldiers who speak only Khmer. Diplomats are unable to move about the city except by prearranged government car. There is no diplomatic social life.

Messages are communicated to the Ministry of Foreign Affairs by a single functionary who visits the missions daily. The flight from Phnom Penh to Peking every two weeks is the main link between the foreign representatives and their capitals.

The communists have taken a similarly uncompromising approach to the large foreign community living in Cambodia at the time of the take-over.

All of the several hundred thousand Vietnamese who had been making their livelihoods in Cambodia's cities and rural areas have been expelled. The tens of thousands of ethnic Chinese, mostly city and town dwellers, have been forced into the countryside with the Cambodians to work in the rice fields.

The only foreigners in significant numbers tolerated by the communists are the thousand-odd advisers from China who are helping to keep a few factories functioning and providing other forms of technical advice. These advisers reportedly keep a very low profile, as do the few North Koreans who are also present.

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The Peasant Culture

The commitment to the so-called peasant culture is total. Phnom Penh and other cities are empty except for settlements of workers next to the few factories the communists feel must keep producing cement, textiles, and other basic materials. Returned diplomats are put to work in the fields to learn to grow rice and acquaint themselves with the new way of life prescribed for the whole country by the regime.

The government is betting heavily that a substantial rice surplus will put the economy on a sound footing and make the country independent of foreign help. Miles of irrigation canals have been dug, new lands opened to cultivation, and millions forced to work from dawn to dusk in the fields. The government may well achieve its objective of an export surplus, with which it expects to pay for Cambodia's other needs.

The traditional family unit is one victim of the massive reordering of Cambodian society. While a certain amount of separa-

tion was an unavoidable consequence of the enormous population relocation that followed the communist victory, the new regime apparently has deliberately tried to expunge family loyalties in order to substitute forcibly new loyalty patterns—to the commune and to the state.

Refugees report that unsupervised communist squads are assigned to each village, and although conditions vary, people are typically grouped in tens, with one supervisor and three cells of three persons. Each member of a cell is responsible for the behavior of the other two. People who make too many "mistakes" are led away and never seen again.

The refugees say there are no "people's courts," and the local communist squads decide who lives or dies. In some areas, all former civil servants have allegedly been executed along with their families. Former officers and noncommissioned officers have been killed, and in many areas even privates of the defeated army are being sought out and killed.

Apparently, members of the former

middle class, including teachers, students, technicians, and businessmen, are suspect. Doctors reportedly have either been killed or sent to the rice paddies and have been replaced by youths who are given three months' training.

Even the bonzes have not escaped. Buddhism has been rejected as offering nothing of value, and all the temples have been closed. Those monks not killed suffer severe persecution.

There is no way even for the communists to estimate seriously the number of deaths, but the diplomats guess that the population may be down by 15 to 20 percent.

Most of the information on conditions in the countryside comes from refugees, and there is no way to verify these accounts or the universality of the conditions described. Nevertheless, there is little doubt that executions have deprived Cambodia of irreplaceable special skills, inevitably making the regime more dependent on Chinese advisers.

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The drought has already caused substantial crop losses and made for worsening trade balances this year. It will add to inflationary pressure and will put the EC's Common Agricultural Policy under greater budgetary strain.

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Western Europe: Economic Impact of Drought

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The drought in Western Europe has already caused substantial crop losses and made for worsening trade balances this year. It will cause some stimulation to inflation and will put the EC's common agricultural policy under greater budgetary strain.

Rainfall has been inadequate in much of Western Europe since late last year; in

southern England and central Spain dry conditions have prevailed since last summer. The drought in the UK and France—primarily in the northwest—may be the worst dry spell in the past 200 years. French meteorologists predict the dry weather will continue into September. The Low Countries, West Germany, and Italy to date have been less seriously affected.

The most immediate and severe impact

of the drought is on crop prospects, especially in France and Spain. The greatest losses are forecast for coarse grains, particularly barley and corn. Wheat production is still expected to rise slightly.

We now estimate that grain production for the 1976-1977 marketing year in Western Europe as a whole will be 129 million tons, down 2 percent from last year's low level and almost 10 percent below earlier estimates. Without rain in

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coming weeks, further losses of 3 to 4 million tons could occur. The EC's agriculture commissioner said last week that EC grain production in this marketing year will approximate last year's 98 million tons—about 10 percent lower than an estimate in early May.

Grain Exports

Production losses will mean lower export availabilities and increased import demand—thus worsening trade balances in Western Europe. Most countries will turn to the US for a major portion of their increased grain imports.

The EC Commission has lowered its estimate of total wheat exports this year and next from 8 or 9 million tons to 4 or 5 million tons. We had earlier estimated that EC corn imports from third countries would drop about 1 million tons, but we now expect an increase of 500,000 tons. Imports of other feed grains may also increase—the EC now expects to be a net importer of barley rather than a net exporter as it earlier predicted.

Spain, nearly self-sufficient in wheat in recent years, will have to increase imports. Spanish imports of corn during the coming year are now forecast at about 3.9 million tons, 300,000 tons more than in 1975-1976.

Sugar beets and other crops also have been hit by drought, particularly in France and the UK. The EC estimates that 100,000 to 150,000 hectares (250,000 to 370,000 acres) of sugar beets—about 6 percent of the total—have been lost. So far, world sugar prices have only been slightly affected, but poor yield tests in August would push prices up. We believe regional losses in fruit and vegetable crops are also substantial.

Livestock

Reduced fodder supplies are forcing many beef producers to market their cattle early, adding to existing EC surpluses.

The EC indicates that cattle slaughtering is running 45 percent above last year's level in certain drought-affected areas. In France, with 30 percent of the EC dairy herd, farmers are slaughtering cows in increasing numbers, putting more downward pressure on beef prices. Many British cattlemen are attempting to send their herds north to greener pastures in Scotland. Because of increased marketings this summer, supplies may be tighter next year.

The cow slaughterings, primarily in France, will reduce—but not eliminate—surplus EC dairy production. Although milk production in the most severely affected area of France has dropped 20 percent, EC dairy production for the first half of 1976 was 6 to 7 percent above the same period a year ago. The EC Commission estimates that even if the drought continues, total Community dairy production will rise 3 percent over last year.

Dry conditions in EC countries almost certainly will add to budgetary strains on the Common Agricultural Policy. With the increased slaughtering of beef and dairy cattle, the minimum price program will lead to expanded purchases of beef by the Community. Intervention agency stocks already amount to 310,000 tons of beef and will grow.

Dairy cattle are not normally part of the EC beef price support system, but the EC agricultural ministers agreed in late June to a French request to include certain categories of dairy beef through July 31. The situation will be reviewed at the next EC Council meeting.

The drought will cause a drop in farm incomes this year, primarily in France, the UK, and Spain. The Common Agricultural Policy does not provide direct income subsidies to farmers, and remedial actions will be left to national

governments. France, for example, has promised to maintain farm income in 1976 and initially set aside \$210 million for this purpose. In September, when the extent of crop losses becomes clearer, substantially more aid is likely. Facing a serious Socialist-Communist challenge in the 1978 legislative election, the government cannot afford to alienate some of its staunchest supporters.

As the drought continues, its inflationary impact will grow. Consumers will be partly insulated by EC price regulations on grain and sugar, but the rise in prices for fruits and vegetables, which are not tightly controlled, will be considerably greater.

Impact on Industry

France and Spain will have to increase oil imports because of reduced hydroelectric power. In France, where hydroelectric plants provide one third of the electricity generated, production is running 30 percent below the levels of a year ago; in Spain hydropower output (normally 13 percent of total) is down about 20 percent. We estimate that making up this deficit by increasing thermal power production will boost French oil consumption this year by about 60,000 barrels per day, adding close to \$300 million to the oil import bill.

Thus far the effect of the drought on industrial activity has been limited to some specialty steel producers in France. Cuts in electricity supplies have forced a few firms to curtail operation of their electric arc furnaces. The hardest hit steelworks is a plant in Le Creusot, where 300 workers have been laid off following a 62-percent drop in the firm's supply of electricity. Some other industrial consumers have had their supplies reduced, and households and other users of low-voltage electricity have had their voltage cut 5 percent.

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