

Page Denied

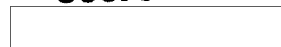
Next 1 Page(s) In Document Denied

DIA review
completed.

State Dept. review
completed



Secret



25X1



Weekly Summary

State Dept. review completed

DIA review completed.

Secret

CI WS 76-044
No. 0044/76
October 29, 1976

Copy

SECRET



CONTENTS

October 29, 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.

- 1 Middle East**
Lebanon; Egypt;
USSR-Syria; Egyptian
Election
- 3 Africa**
Rhodesia
- 4 Europe**
Spain; Italy; France;
USSR-China; USSR; Soviet
Harvest
- 7 Western Hemisphere**
Chile; Uruguay
- 7 East Asia - Pacific**
Japan; Malaysia; Australia
- 9 Oil: Anticipation of Price Increase**
- 10 China: Leadership Moves Cautiously**
- 11 Transkei: Nominal Independence**
- 14 General Conference of UNESCO**

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

25X1

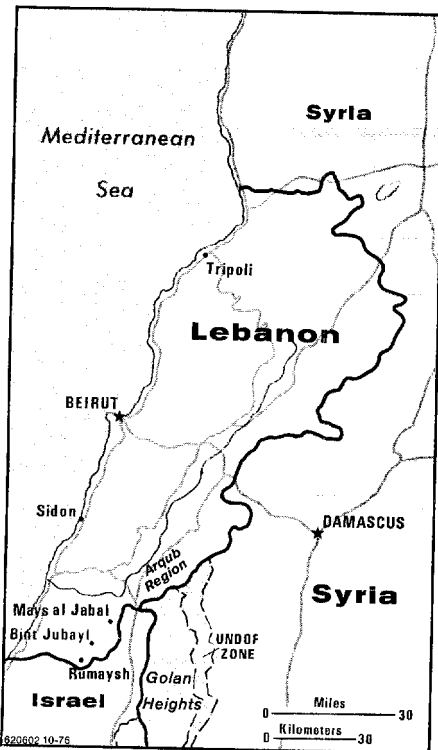
SECRET

Middle East

LEBANON *1*

The Arab summit conference that convened in Cairo on October 25 endorsed the Lebanon settlement worked out by the leaders of five Arab states and the Palestine Liberation Organization in Riyadh last week. The full summit was unable to agree, however, on the composition of the expanded Arab League peacekeeping force that will police the provisions of the accord, and the delay in organizing the force has reduced the chances that the combatants will begin withdrawing voluntarily.

Arab League Secretary General Riyad



has been given the job of hammering out arrangements for the peacekeeping force with the countries that have offered troops—Syria, both Yemens, the United Arab Emirates, Sudan, Saudi Arabia, Libya, and “Palestine”—and with Lebanese President Sarkis, who ostensibly has the final say on who will be allowed to join.

Regardless of the mix Riyad comes up with, it seems clear the Arab leaders have confirmed Syria's domination of the force. The Arab states have not only legitimized Syria's intervention in Lebanon but even agreed to bankroll it: the summit voted to provide some \$62 million—largely from Saudi Arabia and Kuwait—to meet expenses of the security force over the next six months.

Despite sporadic shelling in all parts of the country, the cease-fire has generally held up during the past week everywhere except in the south, where Christian troops with some Israeli support—largely in the form of artillery fire from inside Israel's own border—have been fighting to clear Palestinians and Lebanese Muslims out of the border area. Although the Christians have not yet succeeded in taking Bint Jubayl or Mays al-Jabal, which are under siege, they seem to have successfully established effective control of the area between Rumaysh and the Arqub, which for years has been the principal staging base for fedayeen operations against Israel.

Signs of strain between the Syrians and the Christians have begun to surface. Extremist Christian leader Camille Shamun has stated publicly that he will refuse to allow Arab peacekeeping forces—presumably including Syrian troops operating in that capacity—into areas under Christian control, and the Christians have been talking of forming “security forces” of their own to police their areas.

The Palestinians, for their part, seem prepared to turn over their

positions—which have become increasingly indefensible—to Arab League forces. They may balk, however, at giving them up to peacekeeping units that are almost entirely Syrian, and they are unlikely to withdraw if the Christians make it clear they will not reciprocate.

The Christians apparently expect—and may well be hoping for—a renewal of the fighting in another week or so. Shamun has noted publicly that the five-day period specified in the Riyadh accord for Palestinian withdrawal from the mountains and the south has now expired with no sign of Palestinian compliance—an implicit threat that the Christians may resume the fight.

25X1

EGYPT *2*

The reconciliation between Egypt and Syria during the summit meeting of six Arab leaders in Riyadh last week was an abrupt about-face for President Sadat. The Egyptian President now appears anxious to promote Arab solidarity before attempting to press the US to resume Middle East peace negotiations after the presidential election.

Other moves by Sadat also seem designed to put the US and Israel on notice that Egypt will urge new negotiations. Egypt's call on October 20 for the UN Security Council to discuss Israel's “repressive measures” in the occupied territories is a gesture of solidarity with the Arabs and a pressure tactic against the US.

The Egyptians' efforts to arrange a meeting between Foreign Minister Fahmi and Soviet Foreign Minister Gromyko are probably also intended in part to exert pressure on the US for early movement in negotiations.

Sadat's reconciliation with Syria is the most significant of his recent moves. The UN initiative and the overture to the

SECRET

SECRET

OCI

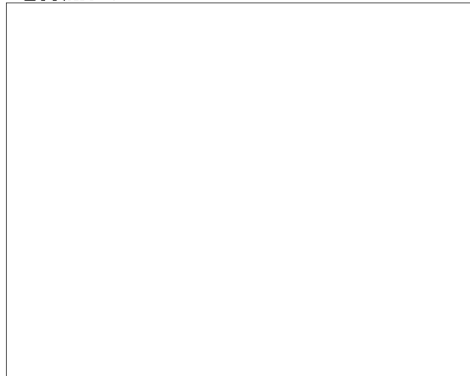


Foreign Minister Fahmi

tion on his own terms, but he now seems to recognize that, with a new US presidential term about to begin, there is little time for this. [redacted]

USSR-SYRIA 48, 49, 51

The Soviets may be trying to press the Syrians to stop military operations in Lebanon.



The Soviet defense attache recently remarked that the USSR is fulfilling its present military contracts with the Syrians, but he refused to be drawn out on the subject of new arms orders. Since mid-July, seven Soviet arms carriers have arrived at Syrian ports; the most recent delivery was on October 4.

In public, Soviet criticism of the Syrian role in Lebanon is couched in terms that minimize Soviet-Syrian differences. The Soviets presumably believe that a cessation of military deliveries, while not affecting short-term Syrian capabilities against the Palestinians, would have dire consequences for their own relations with Syria.



EGYPTIAN ELECTION 14/16

On October 28, Egypt held its first parliamentary election in which candidates were legally permitted to run on opposition platforms.

Approximately 1,600 candidates vied for 350 People's Assembly seats in a carefully regulated experiment with something akin to a multiparty system.

The Arab Socialist Union remains Egypt's only legal political party, but President Sadat early this year permitted the formation of three distinct groups within the party—a leftist, a rightist, and a centrist organization. The centrist group represents the government viewpoint. 25X1

The leftist and rightist groups represent opposition viewpoints, but both are tainted to some extent with an establishment label. Largely for this reason, over half the candidates shunned party sponsorship completely to run as independents. Not even the government has a clear picture of the political leanings of all of the 852 independents. 25X1

The government avoided direct manipulation of the campaign, and candidates were allowed considerable freedom. The regime is now afraid leftists may make substantial gains after appealing to voter discontent over economic grievances.

There are enough controls built into Egypt's political system, however, to make a completely open election impossible. Leftist candidates, for instance, have no dependable media organ through which to make their views widely known.

The regime also made sure that a large bloc of potentially antigovernment voters was denied a voice in the election; the military and the police, among whom rising discontent over economic problems has become a problem, were disenfranchised.

We doubt that openly identified opposition candidates will make substantial gains in the election, but independents may win 30 to 60 seats. Not all of these will be opposition deputies, but the fact that all of them have refused to run under the auspices of the official party's three organizations indicates a tendency to resist government dictates.

Government policy would not be seriously influenced by an Assembly in which no more than 25 to 30 percent of the deputies were oppositionists or independents. An Assembly constituted along these lines would not, however, be the rubber stamp its predecessors have been. [redacted]

25X1

SECRET

SECRET

Africa

RHODESIA

17-18

Rhodesia's rival black nationalist leaders and Prime Minister Smith's white minority government began formal negotiations in Geneva this week on an interim government to lead Rhodesia to black rule. The positions taken by the two sides are far apart, and much hard bargaining lies ahead if an agreement is to be reached.

The four black delegation leaders—Joshua Nkomo, Robert Mugabe, Ndabaningi Sithole, and Bishop Abel Muzorewa—are trying to play down their differences and cooperate in a common approach at the conference. Nkomo and Muzorewa, who have little military support, probably believe the talks must succeed if they are to have a chance at power in a black Rhodesian government. They may feel it necessary to adopt a tough position, however, to protect

themselves from charges of selling out black interests.

Mugabe may adopt a harder line

in order to retain the support of his faction's military wing, to which most of the Rhodesian guerrillas belong.

Some of the guerrilla commanders apparently do not want the conference to succeed because they believe they can come to power soon through a military victory. The guerrillas are likely to try to intensify their efforts against Rhodesian government forces while the conference is going on.

If the negotiations progress to the point of discussing the specifics of setting up an

interim government, conflicting interests and ambitions could intensify the rivalry among the nationalist leaders. There is no indication that the blacks have agreed on how the positions in an interim government would be divided up among them.

Ian Smith, for his part, apparently hopes to retain a significant personal political role at least through the period of interim government. Smith wants to appear reasonable at the conference, but there is little sign thus far of much give in his public position on a settlement.

Smith realizes, however, that the South Africans, who have supported him, strongly favor a negotiated settlement, and he may adopt a more conciliatory position rather than risk a purely military solution. Rhodesian security and defense chiefs have informed the Prime Minister that the military outlook is bleak, and most of them favor making the best deal possible with the nationalists.

Smith probably calculates that, if the conference breaks down, he would be able to put the onus on the nationalists. In such an event, he would hope—probably unrealistically—to get new military aid from South Africa.

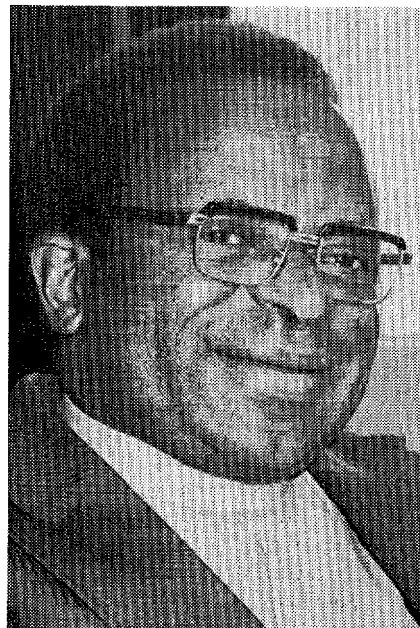
25X1
25X1
25X1
25X1

25X1



Prime Minister Smith

GAMMA



Bishop Muzorewa

CAMERA PRESS
SECRET



Robert Mugabe

AP

SECRET

Europe

SPAIN

19-20

The Spanish reform program has entered a decisive phase as the Cortes prepares to debate the government's proposed constitutional amendments.

A subcommittee of the Cortes must present its report no later than November 10, and the proposals will then be opened to debate by the entire legislature. Although no time limit has been set for the plenary debate, Cortes President Fernandez-Miranda—who has made clear his support for the reforms—has the power to call for a final vote when he sees fit. He will almost certainly do so before November 20, when massive right-wing demonstrations are planned to commemorate the first anniversary of Franco's death.

The debate is the last real opportunity the Spanish far right will have to try to head off the reforms. If the government proposals are approved without substantial alteration, the die will be cast for a freely elected bicameral legislature that will severely curtail what little legal power the right still has.

Government officials still believe they have enough leverage to win the battle in the Cortes, but they admit it will be close. Cabinet members have told the US embassy that if the amendments fail to pass or are watered down, King Juan Carlos will dissolve the Cortes and take the reforms to the people in a referendum.

Bypassing established channels in this manner, however, would be dangerous. It would link the future of the monarchy to the success of the reform process and could weaken crucial military support, which has reportedly been contingent on the reforms passing through the existing Francoist institutions.

Grumbling from right-wing generals who oppose political reform has already spawned rumors of a military coup. Most

ranking military officers, however, will probably remain loyal to the King if there are no major breakdowns in public order and if the government refrains from appeasing the opposition by legalizing the Communist Party or granting greater autonomy to the regions.

Most rightist politicians have probably accepted the inevitability of change and will hesitate to appear before the public—portions of the Cortes debate will be televised—as opponents of democratization. The real issue during the coming weeks is more likely to be whether the government can stave off modifications to its proposals that would alienate those elements of the opposition that are now inclined to participate in a new political system.

Several government officials say that, if the reforms pass the Cortes relatively unscathed, the government will set the referendum for the middle of December and hold a legislative election, possibly as early as March.

ITALY

21-24

Leadership changes in the Italian Communist Party made at last week's Central Committee meeting indicate that party chief Berlinguer is working to strengthen his grip in the face of increasing dissent over his policy of cooperation with the Andreotti government.

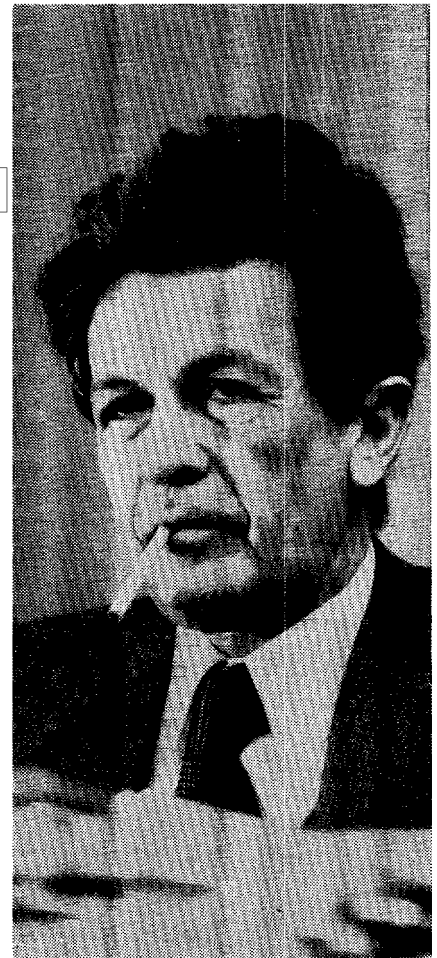
The changes are consistent with Berlinguer's effort since his election as secretary general in 1972 to consolidate his personal control of the party. At the party congress last year, for example, Berlinguer managed to eliminate the Politburo—a preserve of the party's old guard that had hindered his freedom to maneuver. He also added more of his allies to the party secretariat.

In the personnel shuffle last week, Berlinguer reduced the secretariat from nine to eight members and replaced two men appointed in 1975 with two newcomers who are reportedly even closer to him.

In addition, Berlinguer put one of his confidants, Giovanni Cervetti, in charge of the party's key organization section.



Another secretariat member who appears close to Berlinguer was given responsibility for the press and propagan-



Communist Party chief Berlinguer

GAMMA

SECRET

25X1

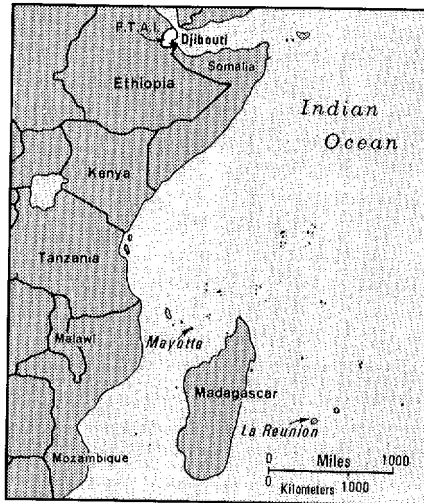
25X1

SECRET

da section, which will play a key role in dealing with rank-and-file misgivings about the party line. Another Berlinguer man was made director of the party's newly created Center for the Problems of the State.

Despite dissenting views expressed during the Central Committee meeting, the session ended with an endorsement of Berlinguer's policies. In his concluding statement, Berlinguer assured the committee that he would insist on pledges from the government of social and economic reform and a larger policy-making role in return for his cooperation.

Although internal dissent does not appear to pose an immediate threat to Berlinguer's leadership or policies, he could come under heavier pressure if he fails to win additional political concessions from the Christian Democrats.



ships in the area, but major overhauls or repairs will still have to be made at French bases or at ports with support facilities.

The French Indian Ocean fleet, the largest Western fleet in the area, strengthens France's image as a world power able to influence events and protect French interests in both Africa and the Middle East. The fleet, normally consisting of about 15 ships, also helps to protect key oil transport routes to the West and maintain surveillance of Soviet naval activity in the region.

criticized Chinese foreign policy, but he reiterated the USSR's four-year-old offer to normalize relations with China and hinted at its willingness to restore party-to-party ties.

During Tsedenbal's visit, Brezhnev indicated willingness to engage in a "constructive dialogue" with anyone interested in resolving Asian problems. His language probably was intended to set the stage for—or perhaps to reinforce—private Soviet messages to the Chinese on the need for some high-level exchange aimed at improving relations.

Subsequently, Brezhnev sent a terse congratulatory telegram to Hua Kuo-feng on his assumption of the chairmanship of the Chinese Communist Party. The Chinese promptly rejected the note as they had the earlier condolence note from the Soviet Central Committee on the death of Mao.

The Soviets are being cautious in public and private about the significance for them of the purge of China's four leading leftists, but the event doubtless surprised and pleased them. The Soviets have long thought that the leftists gave an ideological rigidity to Mao's unyielding approach to the USSR.

The Soviets maintain, however, that the Chinese moderates are ultimately no less anti-Soviet than the leftists and that no genuine improvement in relations can be expected for at least 7 to 10 years. The USSR is aware of reports, however, that some important Chinese officials favor less confrontation in dealing with the USSR. The USSR doubtless hopes that China's new leaders will be prepared to take some steps to minimize chances of clashes on the border and perhaps also to improve state-to-state relations.

The Soviets are not willing to wait indefinitely for a positive signal from China. This was evident in Brezhnev's speech at the plenum and the mid-October article in *France Soir* in which Soviet "journalist" Victor Louis warned the Chinese that they have a month to show an interest in better relations.

Louis subsequently told a US embassy officer in Moscow that he was not

FRANCE 25-26

The French have increased their ability to support naval operations in the Indian Ocean by adding a support ship to their fleet there. The move is another indication of France's determination to maintain its sizable naval presence in the area.

US defense attaches in Paris report that the maintenance and repair ship Jules Verne, previously assigned to the Atlantic, has been sent to Djibouti in the French Territory of the Afars and Issas. Djibouti is France's only remaining major naval base in the Indian Ocean.

France may be asked to leave the base in Djibouti after the FTAI achieves its independence next year. If so, the Jules Verne and the remainder of the Djibouti detachment will probably move to La Reunion or Mayotte—French island possessions in the South Indian Ocean.

The addition of the support ship will improve the fleet's ability to operate independently of the extensive shore facilities at Djibouti. It will be able to perform at sea most routine maintenance and repair tasks needed by French surface

USSR-CHINA N.S.

Every official act of the USSR toward China since the death of Mao Tse-tung has been aimed at building a public record of Soviet reasonableness and willingness to do everything possible to improve relations with China.

This week, General Secretary Brezhnev's speech to the Central Committee plenum on October 25 and the communique issued the same day at the end of Mongolian party leader Tsedenbal's visit to Moscow provided the Soviets with further occasions to build on the public record.

In his speech, Brezhnev implicitly

SECRET

SECRET

CRS

29-31

threatening the Chinese and that the time limit is not literally one month. He added, however, that Soviet patience is not infinite.

25X1

USSR 27-28

The Soviet Communist Party Central Committee and the Supreme Soviet met in Moscow this week to approve the new five-year plan and next year's plan and budget. Despite indications that some changes in the top leadership might also be made, only a few relatively minor appointments were announced.

The main event was General Secretary Brezhnev's review of Soviet foreign and domestic economic policy, which he delivered to the opening session of the Central Committee plenum on October 25.

The wide airing given Brezhnev's speech breaks the precedent of over a decade of generally unpublicized plenary proceedings. The decision to make the party chief's address public, especially while the Central Committee meeting was still under way, probably reflected the importance the leadership attached to getting its foreign policy positions on the record, at an authoritative forum, in advance of the US election. Publication of the text also, of course, focused attention upon Brezhnev as the pre-eminent Soviet leader.

The plenum closed the following day with the election of a new member to the Secretariat and the promotion of three candidate members of the Central Committee to full membership.

The new party secretary is Yakov Ryabov, the party first secretary of the Sverdlovsk region in the Urals. Party Secretary Kirilenko has career ties to this area and is probably Ryabov's patron. Ryabov, 48, has worked in industry and in a series of party posts in Sverdlovsk, a major center of heavy industries. His duties on the Secretariat were not specified.

The plenum was more notable for what



Party Secretary Ryabov

it failed to do than for what it accomplished. The plenum did not remove Defense Minister Ustinov from the Secretariat, as had been expected. Until now under Brezhnev, Soviet leaders have not held full-time party and government posts simultaneously. The exception made for Ustinov may mean that he will continue to oversee the defense industry for the party.

Nikolay Tikhonov, who was promoted to first deputy premier in early September, was not awarded the Politburo status that usually goes with the post. A picture of the leadership last month in the press, which showed Tikhonov standing with full members of the Politburo, indicated that an effort had been under way to advance his candidacy.

The lack of action on moves for which preparations seem to have been made may reflect some disagreement among the leaders as well as their long-evident reluctance to make changes in the senior leadership.

All Soviet leaders were on hand for the opening of the Supreme Soviet on Wednesday. Premier Kosygin, however—although present—has evidently not yet recovered sufficiently from his recent illness to deliver the report on the five-year plan to the Supreme Soviet. For the first time under the present leadership, Gosplan Chairman Baybakov made the report.

SOVIET HARVEST

The bumper Soviet grain harvest announced by General Secretary Brezhnev on October 25 should give the USSR more flexibility in satisfying domestic needs and arranging its grain trade.

Brezhnev reported that this year's grain crop would "either very closely approach the figures of the record year 1973, or even surpass it." This suggests that total grain output will be 222 million tons or more. Brezhnev indicated that 216 million tons had already been harvested—76 million tons above the disastrous harvest of 1975. A harvest of 220 to 225 million tons will provide the economy with a much needed boost:

- Livestock herds, which were reduced and put on short rations, can be rebuilt toward the long-run goal of putting more meat in the consumers' diet.
- Grain reserves, depleted by two years of declining production, can be rebuilt by 5 to 10 million tons.
- The quality of a variety of bread products can be improved.

The USSR now has the options of curtailing additional grain purchases, exporting some grain to the West, and shipping more to traditional clients in the communist countries.

The Soviets reportedly may sell some barley to West European traders, who have offered to buy 3 to 4 million tons "at very attractive prices." The USSR, however, must balance its desire to earn hard currency with the repeated demands for additional grain from Eastern Europe.

Despite the bumper grain crop, total farm output should rise by only about 1.5 percent this year because of a sharp decline in livestock production. Agricultural growth is far from the 8.5-percent rebound planned this year and will continue to depress the growth of gross national product. Nevertheless, the good crop will reduce the amount of hard currency needed to pay for agricultural imports and allow a considerable improvement in the livestock sector in 1977.

25X1

SECRET

25X1

SECRET

Western Hemisphere



President Pinochet

CHILE

OC 1
42-45

Chile has informed US officials that it will no longer seek new US aid. In a recent speech, President Pinochet said Chile had rejected a US loan he described as "linked to political conditions." Although the Chilean government maintains publicly that it is rejecting new aid, it is actively seeking a \$15-million loan under PL 480 Title I to bolster wheat supplies in view of another projected poor harvest.

Because of world press criticism for human rights abuses, Chile sees itself as increasingly isolated from its traditional allies outside South America. Two weeks ago, in its report to the UN General Assembly, the Ad Hoc Group on Human Rights recommended that member nations restrict trade and aid with Chile. The Chilean government had refused to accept the group's on-site investigation team.

Encouraged by improved export earnings this year, Chilean economic managers apparently are now gambling that Chile's international financial obligations can be met without further debt rescheduling and with minimal reliance on foreign economic aid. This year, for the first time since 1971, Chile managed to avoid debt renegotiations.

A 33-percent increase in overall export earnings and renewed foreign private loans have caused a dramatic improvement in Chile's foreign reserve position—gross reserves quadrupled to \$445 million during the first eight months of 1976.

URUGUAY 46-47

President Aparicio Mendez, who was selected by the military just two months ago to preside over the Uruguayan government for the next five years, is encountering strong opposition from the men who put him in office. Chances are a little better than even that he will remain as president for even as long as a few more months.

The US embassy reports there were widespread rumors last week that Mendez had been ousted or was about to be. On October 15, Mendez did have a long meeting with all of the senior military leaders. Although there are several versions of what transpired, the argument that the military would look foolish changing presidents so soon apparently won Mendez a reprieve.

At another meeting last week, military leaders are said to have discussed methods for muzzling Mendez and restricting further his freedom of action. A consensus seems to have been reached, since Mendez told the press over the weekend that he had "decided to refrain from making statements and to say something only when it might be justified by the importance of the matter."

Many military leaders were opposed to Mendez' selection in the first place, and more have become disenchanted with him

because his government has done little since taking office. Mendez is not entirely to blame, however, because he is merely a front for the 21 generals who rule Uruguay under an ineffective collegial form of government.

25X1 25X1

East Asia-Pacific

JAPAN 32-34 25X1

With the Lower House election only about five weeks away, Japan's ruling Liberal Democrats have decided to forgo a divisive leadership struggle in favor of pre-election unity at their convention on October 31.

Opponents of Prime Minister Miki—who control nearly two thirds of the party's delegates—late last week publicly called for Deputy Prime Minister Fukuda to replace Miki as party president and prime minister. Fukuda, however,



Prime Minister Miki

OC 1

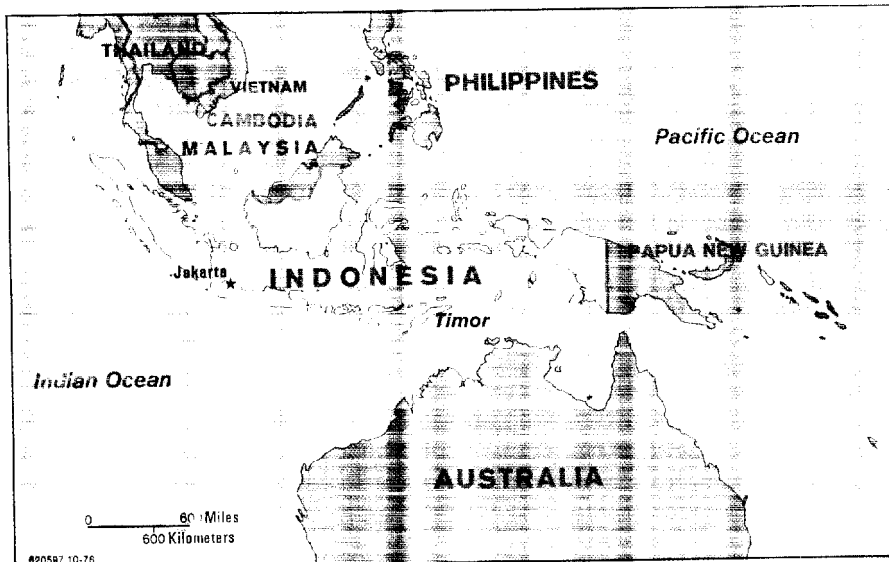
SECRET

SECRET

decided against forcing a showdown at the convention, at least partly because of sentiment in the party that the issue be resolved after, rather than before, the election. Thus it is increasingly likely Miki will remain in charge through the election.

The endorsement of Fukuda's candidacy, however, demonstrates that the balance of power in the party still favors the deputy prime minister. A serious effort to replace Miki will probably be made shortly after the election when, by law, the entire cabinet must resign and a new prime minister must be elected by the Diet.

The Diet has already passed the vital fiscal legislation on its agenda and will probably be dissolved shortly after the 50th anniversary of the beginning of Hirohito's reign as Emperor on November 10. The election will most likely fall on December 5.



accommodate foreign investors and to conclude an agreement with the oil companies.

Malaysia is seriously concerned that failure to reach a satisfactory agreement could scare off foreign investment in non-oil sectors. The ambitious development plan for 1976 to 1980 calls for continued high dependence on foreign investment in the private sector.

of any endorsement of the Indonesian takeover because of widespread Australian public sympathy for Timorese independence. President Suharto recognizes that internal political considerations prevent the Australians from accepting Indonesian actions outright, and he is willing to take Fraser's noncommittal comments as tacit acceptance.

Australia's Labor opposition is still trying to use Timor as a political issue and has tried to present the Fraser government's accommodation to Indonesia as a sell-out. It is hard to make this argument stick, however, because the Labor government itself over a year ago signaled Indonesia that it would acquiesce in a quick Indonesian takeover of the Portuguese colony.

Both Fraser and the Labor opposition appear to recognize that Australian public interest in Timor has declined, and the amount of political advantage that might be gained from a debate on the subject does not justify further damage to relations with Indonesia. Foreign Minister Peacock's statement to Parliament last week that it does not serve Australia's interests to aggravate its largest neighbor is the most public indication so far that the Fraser government would like to put the Timor issue to rest.

MALAYSIA 52-57

Malaysia's national oil company, Petronas, may reach a production-sharing agreement with the major oil companies before the end of the year.

AUSTRALIA 38-39

Australia is gradually softening its position toward Indonesian incorporation of Portuguese East Timor, until now a major irritant in relations with Indonesia.

Prime Minister Fraser's visit to Indonesia earlier this month helped this process along. Fraser did not reiterate Australia's past insistence on an internationally supervised referendum in the former colony, and he did not question President Suharto's statement that East Timor is now an inseparable part of Indonesia.

Both the former Labor government and Fraser's coalition have had to steer clear

SECRET

SECRET

A speculative surge in demand for crude oil from members of the Organization of Petroleum Exporting Countries is strengthening the argument of those OPEC members pushing for a large price hike as of January 1.

69-72

Oil: Anticipation of Price Increase

25X1
[redacted]
Government officials from member states of the Organization of Petroleum Exporting Countries are now talking more openly about the price rise expected on January 1. They are suggesting that the increase will probably be greater than 10 percent.

Fearful that the OPEC members will prohibit excessive liftings immediately preceding the price hike, oil companies are lifting larger volumes now. The resulting abnormal market conditions are tending to strengthen the conviction of many in OPEC that a large price hike is warranted.

The Saudi commerce minister, visiting Iran last week, informed Ambassador Helms that Saudi Arabia had favored an increase of about 10 percent but recent trends in US - Middle East policies may force Riyadh to rethink its position in favor of a larger increase.

This is in accord with earlier statements by United Arab Emirates Oil Minister Utayba; Saudi Arabia and the UAE are leading price moderates within OPEC. The Venezuelan finance minister said recently that the price rise would be no less than 15 percent, based on a consensus of the 13 OPEC members.

This may in part be a psychological game that the OPEC states are playing with the industrialized countries to prepare them for the increase, to make them feel relieved when the rise is not larger, and possibly to extract some political and economic concessions along the way.

Greater Demand

The speculative surge in demand for OPEC crude in the past several weeks is causing most OPEC states to produce exceptionally large volumes. Iran is at near record levels, and Saudi Arabia, Kuwait, the UAE, and Venezuela are at or close to government-set production ceilings.

Companies seeking to increase liftings or conclude new purchase agreements in the fourth quarter of this year are often being rejected. Crude and product prices in major international spot markets have strengthened, while volumes available for spot sale are becoming scarce.

The petroleum industry must pay additional costs in order to lift crude oil before the price hike.

- Monthly interest costs for financing crude oil are about 8 cents per barrel. OPEC states have recently shortened payment terms because of the tight crude market, posing potential financing

problems for some companies not immediately planning to process the crude.

- Monthly storage costs are also about 8 cents per barrel. This is likely to increase as tankage facilities become tight.

- Surges in crude liftings tend to raise spot tanker rates, which add to per-barrel costs.

Based on these factors, each barrel lifted this month for speculative reasons will cost an additional 50 cents, and other factors will further reduce the per-barrel savings. 25X1

Some OPEC countries that offer price discounts to former concessionaires may not extend these terms for sales above a given volume. [redacted]

Higher spot prices, which directly affect only a small portion of crude oil and products traded, encourage producing governments to raise prices by adjusting crude differentials. 25X1

On balance, the cost of speculative buying will be considerable, but the practice will still be profitable if the oil price hike is 10 percent or more. [redacted]

25X1

25X1

SECRET

SECRET

The elevation of Hua Kuo-feng to the party chairmanship and the purge of the party's leading leftists have evidently been highly popular moves in China and we see no sign that the decisions are being challenged in any significant way. Even so, the leadership is moving cautiously and has apparently decided to defer major new decisions.

N.S. **China: Leadership Moves Cautiously**

25X1

[redacted]
It is now evident that the Chinese leadership will avoid major new decisions—even pressing ones—for some time. The huge rally held in Peking on October 24 underlined the dramatic developments of the past two weeks, but signaled no new departure.

Wu Te, the Peking party boss and Politburo member who was the principal speaker at the rally, called it an occasion to “celebrate Hua Kuo-feng’s assumption of office” as party chairman and chairman of the party’s military affairs commission, as well as to “hail the great victory” represented by the purge of China’s four leading leftists.

Wu said the decision to elevate Hua was taken on October 7 by the party Central Committee; in fact, the action on that date was taken by the surviving members of the Politburo, who “recommended” Hua’s promotion to chairman to the Central Committee, which legally has responsibility for such matters.

In fact, Hua and his current associates appear to have deliberately avoided a formal plenary session of the committee. Although the committee, elected at the 10th party congress in 1973, had seemed to be weighted solidly in favor of party “centrists” and “rightists,” party leaders appear unwilling to take any chances in the current fluid situation.

Fragile Situation

All this suggests that the leadership considers the current situation to be somewhat fragile and apparently plans to feel its way cautiously. Thus, no one has been named to the Politburo to replace the fallen leftists or members who have

died in the past year. Restructuring of the Politburo is legally entrusted to the Central Committee.

In addition, the promotion of Li Hsien-nien, currently the first vice premier, to the post of premier—an action that has been rumored since the fall of the leftists and one that could easily be accomplished by the standing committee of the National People’s Congress, which is in permanent session in Peking—has not yet taken place. Hua Kuo-feng was identified as premier at the rally on October 24.

Remaining members of the Politburo, including those who reside outside the capital, appeared at the rally in the same rank order they held prior to the arrest of the four leftists.

Despite his apparent links with the left and a report that he was being “detained” in Peking, Li Te-sheng, the commander of the Shenyang Military Region, appeared with his Politburo colleagues. It is possible that he has been ordered to remain in the capital while his relations with the leftist quartet are investigated. This is a practice frequently employed by the Chinese.

Ni Chih-fu, an alternate member of the Politburo who was reported in wall posters [redacted] to have been given responsibility for “cleaning up” the leftist stronghold of Shanghai, was identified at the rally by his usual title, secretary of the Peking party committee—an indication that no final decision has been taken to fill the leadership vacuum in China’s largest city caused by the arrest of the leftists, three of whom are from Shanghai.

Few New Challenges

Despite these signs of indecision and uncertainty, there is still no indication that Hua and the remaining leaders in Peking are being challenged in any significant fashion. Rallies hailing Hua’s elevation and the purge of the leftists have been held throughout China, apparently without incident. The fall of the leftist “gang” is an extremely popular development, and a holiday mood has prevailed throughout the country for much of the past two weeks.

The new leadership, moreover, has gone out of its way to underline the fact that it has the backing of the bulk of China’s military establishment. Uniformed troops were greatly in evidence at the rally on October 24, and Hua himself wore a military uniform.

The new leaders have stressed the point that the decision to elevate Hua to the chairman’s post was taken by Mao before his death. Wu Te said in his speech at the rally that Mao had sent a note last spring stating that he could “rest peacefully” with Hua “in charge.” An editorial published jointly by China’s leading journals on October 25 also quotes a series of rebukes Mao issued to the leftist quartet in 1974 and 1975.

The new regime is also wrapping itself in the mantle of the late—and still revered—Chou En-lai. The leftist “gang” has been accused of plotting to attack Chou and of attempting to undermine China’s economic development plans, which are associated with the late premier. Pictures of Chou were at the recent rallies in Peking. [redacted]

25X1

25X1

25X1

SECRET

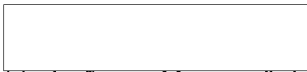
SECRET

South Africa gave independence to the tribal homeland of Transkei in an effort to buttress its own apartheid policy. Transkei will be totally dependent on South Africa, but there are some circumstances under which the new state could cause difficulties for South Africa.

58-68

Transkei: Nominal Independence

25X1



Transkei is the first and largest of nine self-governing tribal homelands—Bantustans—that South Africa created to justify its policy of apartheid. Transkei's independence was proclaimed on October 26, and the South Africans are heralding the event as proof that apartheid is leading South Africa's entire black population to eventual independence.

Transkei is the best endowed of the Bantustans but, even so, its basic economic resources are so limited that it appears fated to remain deeply dependent on South Africa for the indefinite future.

Transkei is the only Bantustan that has a consolidated territorial base and South Africa's ruling National Party has no plans to consolidate the scattered land parcels that comprise the other tribal homelands.

The New State

The territory that South Africa has ceded to Transkei—approximately the size of Denmark—is the ancestral homeland of several tribes belonging to the Xhosa ethnic group, which also includes tribes that have been assigned to the adjacent Ciskei Bantustan.

About two thirds of the 4.5 million Xhosas belong to the tribes that make up the Transkei "nation." No more than 1.7 million of some 3 million ethnic Transkeians now live in Transkei, and most of them are largely dependent on

relatives who work in the urban areas of South Africa.

The constitution that went into effect on Tuesday was drafted by South Africans and adopted by the Transkei legislature. In accordance with the apartheid tenet that the traditional tribal chiefs are the primary leaders of all South African blacks, the newly formed National Assembly has 75 seats for the hereditary chiefs and 75 seats for commoners elected by all adult Transkei citizens, including nonresidents.

The head of government is Prime Minister Kaiser Matanzima, a hereditary chief who has served as chief counselor of the autonomous Transkei government since 1963 with full backing from the South African Ministry of Bantu Affairs.

All but 3 of the 75 hereditary chiefs in the National Assembly belong to Matanzima's Transkei National Independence Party, which won all but four of the 75 elective seats in a general election earlier this month. Matanzima's triumph at the polls may have been facilitated by his detention of at least 13 opposition politicians under South African security regulations that apparently are to be maintained.

Matanzima will continue to depend heavily on South African expertise in the day-to-day running of Transkei affairs. Among the 300 or so officials assigned by South Africa to Transkei are the commander of the one-battalion army, the

commissioner of police, the chief justice, and many top administrators.

Economic Dependency

At independence, Transkei is receiving some 70 percent of its \$156-million budget from South Africa, as well as almost \$100 million to finance the bulk of its development programs.

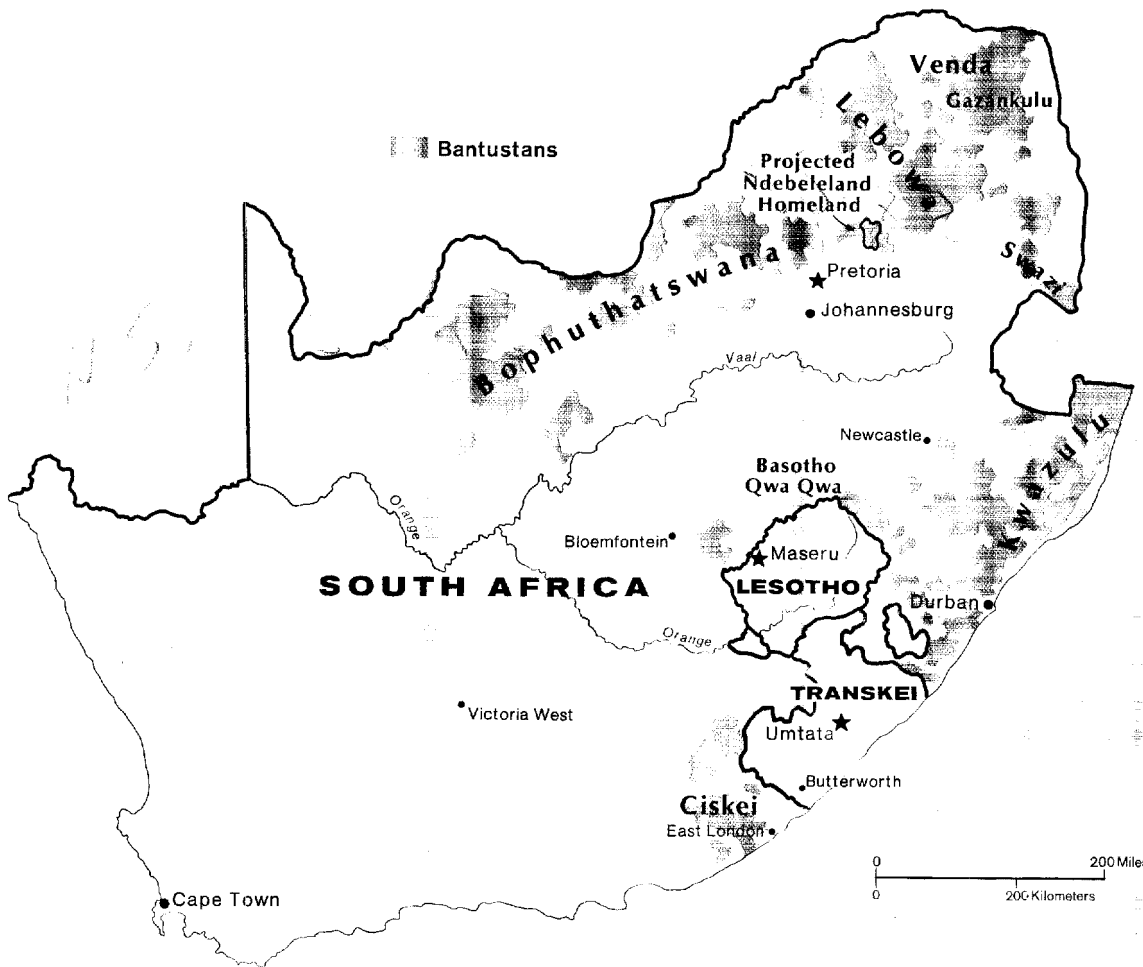
Transkei has potential for economic growth, particularly in agriculture and hydroelectric power. The absence of international recognition and foreign investment means, however, that development for now can be realized only through South Africa, either officially or by private business.

The Transkei Development Corporation, five of whose nine board members are appointed by the South African government, has helped train and finance black entrepreneurs and has arranged the transfer of business ownership from whites to blacks. The organization offers low-interest loans, tax concessions, and rebates on transportation charges to try to attract potential investors, especially from overseas. An industrial center has been established at Butterworth with 23 small and medium factories, but so far no significant foreign investment has appeared.

About 24 percent of the land is arable and well watered, but according to the South Africans nearly 90 percent of Transkei's food needs are imported. The hereditary chiefs rely on control of land

SECRET

SECRET



620598 10-76

tenure and land distribution for political power, which contributes to gross inefficiency in land use. Land holdings are small and fragmented and there is little prospect of any improvement.

Most young Transkeians leave to work in South Africa more or less permanently. The development corporation has provided only 4,500 new jobs annually, while 26,000 young blacks enter the job market every year.

Economic growth will require considerable development of the meager transportation system. Only 8 percent of

the roads are paved, and there are less than 100 miles of railway. Transkei has no effective port and few roads to the coast. A major airport at the capital, Umtata, is nearing completion.

The Citizenship Issue

South Africa is preparing to use its economic leverage to ensure that its apartheid strategy is advanced through the granting of independence to Transkei. One principal tenet of apartheid is the exclusion of blacks from the South African political process.

This is justified by the promise that

every black will attain comparable citizenship rights in his own homeland when it becomes independent. In legislation passed last June granting independence to Transkei, the South African Parliament stipulated that every person of Transkeian ancestry is a Transkei citizen and ceases to be a South African citizen.

Matanzima, on the other hand, has wanted birth in Transkei to be the criterion of citizenship. He no doubt fears that giving political rights to large numbers of urbanized Transkeians would

SECRET

SECRET

UPI



Prime Minister Matanzima (l, rear) and South African State President Nicolaas Diederichs (r, rear) inspect honor guard

upset the predominance of the hereditary chiefs who hold sway over the largely rural population through their control of tribal land.

In response to Matanzima, the South Africans have warned that Transkeians whose citizenship is withheld may be deprived of jobs in South Africa. Under this pressure, the Transkei legislature amended the draft constitution to state that persons of Transkeian ancestry who were born elsewhere are eligible for citizenship if they choose to apply. Matanzima did not, however, hold for a matching revision of the South African legislation.

Outlook

Transkei is likely to be an international

outcast for an indefinite period. No foreign government, aside from South Africa, appears ready to extend diplomatic recognition. There is general agreement that recognition of Transkei would indicate approval of South Africa's apartheid system.

It will be difficult for the Transkei government to convince foreigners that it is not linked with the repressive South African system as long as the chiefs of its security services are South Africans. Anything Matanzima might do to counteract some of the repressive elements of apartheid, on the other hand, will strengthen the case for extending international support. Such support, in turn, might enable Transkei to take a

stand independent of South Africa in defiance of any threatened cutbacks in South African support.

Perhaps the most critical test of independence will be the degree of support that Matanzima gives to Transkeians in South Africa who run afoul of apartheid's more restrictive practices. If Transkei gives citizenship to large numbers of urban blacks in South Africa, the impact on Transkei's internal politics might eventually force Matanzima to take a more aggressive stance.

Last August, most of the Bantustan leaders met in Johannesburg to demand redress of the grievances of urban blacks and to reassert their refusal to accept independence on South Africa's terms.

SECRET

SECRET

Matanzima was not present, and government leaders in Pretoria no doubt hope that dramatic improvements in Transkei's situation following independence will induce the troublesome Bantustan leaders to emulate Matanzima.

The Transkei prototype, however, may yet be a two-edged sword. The more tempting the fruits of independence, the more eager the leaders of the remaining Bantustans will be to acquire the basic prerequisite for a viable state—a con-

solidated territorial base. To give them this, however, South Africa would have to change the statutes that limit the total size of all Bantustans to no more than 13 percent of South Africa's territory.



25X1

The UNESCO general conference now under way in Nairobi must come to grips with the difficulties resulting from the anti-Israel resolutions adopted at the last general conference two years ago.

N.S.

General Conference of UNESCO



25X1

The 19th general conference of the UN Educational, Scientific, and Cultural Organization that opened on October 26 in Nairobi, Kenya, may be the most important in the organization's 30-year history.

The biennial session—which runs through November 30—will consider important proposals on new directions and priorities in the UNESCO program made by the organization's director general, Ahmadou M'Bow, a Senegalese who is the first black African to head a major UN body. This conference must also come to grips with problems resulting from the growing politicization of the agency.

The 1974 Session

At the last meeting, in 1974, debate focused primarily on Israel, and three resolutions attacking the Jewish state were adopted.

• In a move orchestrated by the Arab states and the Soviets, the UNESCO members rejected Israel's bid for membership in the agency's European regional group, leaving Israel the only applicant so excluded. Regional groups serve as caucusing forums to discuss issues and decide upon regional candidates for UNESCO posts.

• The conference passed another

resolution condemning Israel's archaeological digging in Jerusalem on the grounds that this destroys the Muslim character of the city. The conference also cut off all technical assistance funds until the controversial excavations are halted.

• Finally, the conference instructed the director general to "exercise full supervision of the operation of educational and cultural institutions in the occupied Arab territories."

These actions led, among other things, to the suspension of the US contribution—which amounts to 25 percent of the agency's budget—by the US Congress.

Problem of Support

Since assuming office at the last conference, M'Bow has worked diligently to arrest the dwindling support for UNESCO activities on the part of many Western developed states. He has personally taken the lead in trying to resolve the regional membership issue, which he wants settled in Israel's favor.

A year ago, M'Bow convinced his African and Arab colleagues to acquiesce in a recommendation to the general conference that admission into a regional group be decided only by the states in the region concerned and not by the entire UNESCO membership. Although acceptance of this recommendation in Nairobi appears promising, full support for Israeli

membership by the European group—which includes the East Europeans and the Soviets—is by no means assured.

Such a procedural move is designed to avoid a vote on the assignment of Israel to the European regional group. The move could fail, however, if the Arab countries refuse to accept the recommendation that the decision be left to the regions.

The controversies over the archaeological digging and the occupied territories are likely to foster the most debate. Numerous archaeological excavations are continuing in Jerusalem, and Israel appears certain to be attacked in Nairobi for these activities. The expected debate may lead to an escalation of unreasonable demands directed toward both the director general and Israel.

The Israeli government has adamantly refused to accept any mission explicitly linked to the UNESCO resolution on occupied Arab territories. Negotiations between M'Bow and the Israelis, however, appear to have found a way to avoid the issue by suggesting that the director general has complied with the directive.

The Israelis agreed to admit two representatives of the director general as a "preliminary mission." Although these representatives would be barred from ac-

SECRET

SECRET

tually observing educational and cultural facilities in the occupied territories, they would be allowed to collect information on the Israeli practices.

M'Bow, however, has decided not to send a mission prior to the general conference because he regards Israel's later insistence that there be only one representative as politically unacceptable. Arab intentions are unknown, and the situation may be complicated as a result of the proposed Security Council debate—at Egypt's request—on the full range of problems relating to the occupied territories.

Despite encouraging indications that some of the Middle East issues may be either compromised or circumvented this time around, other contentious topics on the agenda may not be easily dispensed with. Expected dissatisfaction with conference actions on such topics as the control of the mass media, UNESCO's budget, and agency contributions to implementing the New International Economic Order supported by the developing countries may have a harmful spillover effect on Israeli-related discussions.

The director general may be severely criticized by the more radical states for failing to move more quickly on a draft declaration on racial prejudice that is expected to repeat the charge made in last year's UN General Assembly that Zionism is a form of racism. A request for his report on the subject is included with an agenda item on a mass media draft declaration, and he may be unable to avoid its discussion.

Mass Media

The Soviets took the initiative in 1970 on a declaration outlining "principles" to govern the use of the mass media in disseminating information. At a meeting in Paris last December, the Yugoslavs introduced an explicit reference in the mass media draft to the Zionism-as-a-form-of-racism resolution. This action prompted the walk-out from the drafting sessions of the US, the EC Nine, and some other Western countries. However, the meeting went on to adopt—by a narrow

margin—a one-sided declaration which advocates state control of news reporting. This will now be considered by the general conference.

Apart from the reference to Zionism as racism, the draft also presents other serious problems for many states, including some from the third world. It places an excessive emphasis on the state's right to censor information and to



UNESCO Director General M'Bow

manipulate reporting and news dissemination.

Superficially at least, this appears to parallel recent statements by some non-aligned and third-world states regarding domination of their media by the developed world. The current draft, however, goes too far even for some of these states, and the Tunisians—presumably with the backing of

other nonaligned states—have implicitly refuted the Soviet-backed effort by submitting their own draft resolution on the free flow of information.

The Tunisian draft primarily requests the UNESCO secretariat to undertake studies based on the communications policy recommendations approved at last August's nonaligned summit. However, the underlying intent of the resolution—as reflected in other nonaligned proclamations on the issue—appears to be to gain commitments from developed countries to share technology with, and provide training opportunities for, third-world states in the establishment and operation of satellite and media systems.

Support for both the Tunisian effort and for an alternative US - West German draft declaration on the mass media—the latter to be put forth only as a last resort to defeat the current draft—will depend on how strongly the Soviets press for consideration of their draft in Nairobi.

A deferral move by the Western states is likely to succeed only if it obtains the full backing of the third world and non-aligned nations. M'Bow is known to oppose the Soviet-backed draft, however, and he may succeed in marshaling sufficient opposition to its consideration now.

Priorities and Objectives

Proposals defining UNESCO's priorities and outlining the organization's objectives during the next two years will undoubtedly draw heavily on the terminology of the New International Economic Order, as M'Bow is known to support its implementation strongly. Debate on the economic question, which some developed countries do not support, is likely to highlight the agency's calamitous budgetary situation.

The Arab states have granted sufficient amounts of interest-free loans to cover the agency's deficit. A significant increase in its projected budget for the next two years, however, is unlikely to sit well with anyone and may lead to strong criticism of the US for its failure to pay the full amount of its dues.

SECRET

25X1

Page Denied

Secret

Secret