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# Weekly Summary

State Dept. review completed.

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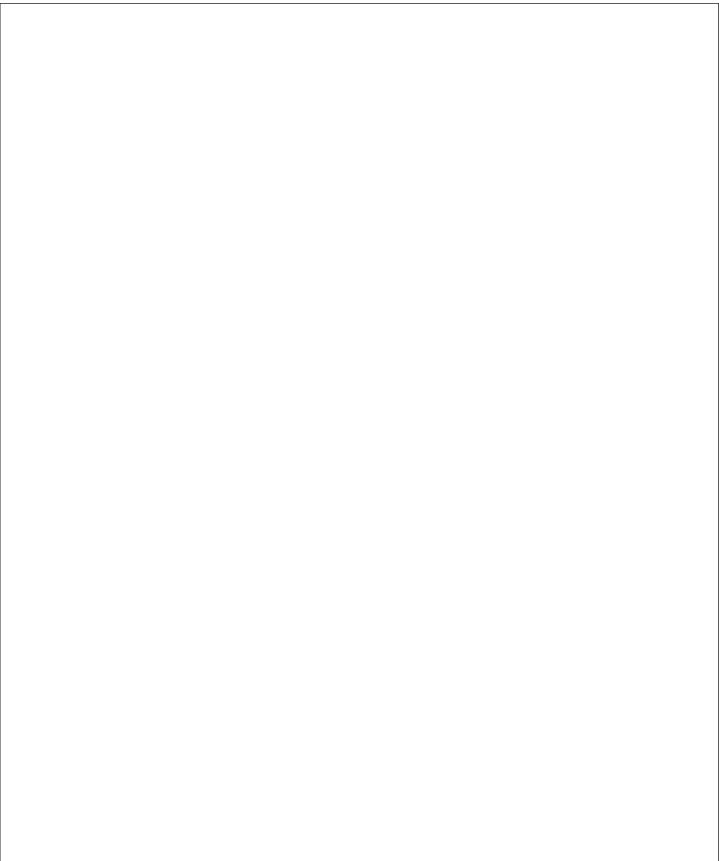
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January 21, 1977

The Weekly Current Contents Library provides a comprehensive and timely analysis of the current situation in the Middle East and other areas of international concern. The work is prepared through a network of field offices coordinated with the Central Intelligence Agency. The editor, [redacted], is responsible for the selection and editing of the articles.



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

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## Middle East

### EGYPT 1-5

President Sadat's domestic political position was seriously damaged this week as a result of violent protest demonstrations that erupted in reaction to sudden steep price rises after austerity measures were imposed by the government on January 17. Much of the wrath of the demonstrators was directed personally at Sadat, who quickly suspended the austerity program.

Peaceful demonstrations, mostly by workers and students, that began in Cairo, one of its suburbs, and Alexandria on January 18 soon turned into rioting by roving mobs numbering in the thousands. After dying down at night, the rioting was repeated on January 19. The government responded by suspending the price rises pending "reconsideration" of the austerity measures, imposing a curfew, and introducing army troops to the troubled areas.

Although the government charged that leftist agitators had provoked the disturbances, the demonstrators in fact initially seemed to have little organization or leadership, indicating a large degree of spontaneity and a widespread depth of feeling over economic grievances. By the second day, however there were indications that leftist organizers had moved in and were leading many of the demonstrators.

The government's announcement on January 17 that it would lower price subsidies on many consumer goods and impose much higher tariffs on others came without warning and with no attempt to ease the blow for consumers. The regime did not even try to explain the need for further austerity—Egypt is faced with the need to reduce a huge budget deficit—until after the trouble had started. There is some reason to believe the government deliberately moved as it did in order to demonstrate the dangers of such action to officials of the International Monetary

Fund, who are currently in Cairo. The Fund has been urging the Egyptians to reduce price subsidies.

Prime Minister Salim may be fired as a result of the government's ill-considered decision to move ahead with the austerity measures and the embarrassment caused the government by having to reverse them. Sadat may hope to deflect criticism from himself by making Salim the scapegoat.

### Relations with Jordan 6-8

President Sadat and Jordan's King Husayn ended their year-long estrangement during Husayn's visit to Egypt last week. Sadat used the opportunity to explore further his strategy for encouraging peace negotiations by providing for a federated relationship between Jordan and any future Palestinian state.

A joint statement issued on January 15 at the conclusion of Husayn's visit called for establishment of an independent Palestinian state with strong ties to Jordan and for the Palestine Liberation Organization to participate as an equal and independent party in negotiations.

The statement appears designed primarily to underscore current Arab solidarity and to maintain pressure on Israel and the US to move toward serious negotiations later this year. By enlisting Husayn's support, Sadat hopes to discourage Israeli leaders from believing they can split the Arab camp on the issues of PLO participation in negotiations and Palestinian statehood.

At the same time, Sadat hopes to ease the way to fruitful negotiations by suggesting a compromise that would satisfy Palestinian demands and, to some extent, accommodate Israel's demand that the Palestinian question be resolved within a Jordanian context.

Sadat has clearly stepped up his pressure on the PLO to accept both a truncated Palestinian state and a compromise on linkage to Jordan. So far, the Egyptian leader has not received an openly negative response from the Palestinians or the other key Arab states, but he must nonetheless proceed cautiously.

Even his own advisers are somewhat skittish at the prospect of negative criticism of a strategy that comes close to

violating the established Arab policy of declaring the PLO the "sole, legitimate" spokesman for the Palestinians. Syrian President Asad recently said publicly that he would welcome Palestinian-Jordanian linkage, but Sadat will not be able to press the concept further without active support and cooperation from the Syrians.

Apparently with this need for caution and circumspection in mind, the Egyptians are currently placing heavier emphasis on accommodating the Arab position—that is, on the need for Palestinian independence—than on meeting Israel's demands.

Thus, Foreign Minister Fahmi explained at a recent press conference that the fact and the shape of any future Palestinian-Jordanian relationship must finally be decided by the parties themselves and not be dictated by Egypt or Israel. An independent Palestinian state, he added, must come into existence simultaneously with, if not before, any determination of Palestinian-Jordanian ties.

### ISRAEL 9-10

Defense Minister Shimon Peres' decision, announced last week, to seek the Israeli Labor Party's nomination for prime minister almost certainly presages a divisive leadership struggle at the party convention to be held next month in preparation for the national election in May.

Former prime minister Meir and other old-guard party leaders, who favor Prime Minister Rabin, had hoped to dissuade Peres from running. The suicide of Housing Minister Ofer, an ally of Rabin, and Labor's poor showing in recent public opinion polls apparently prompted Peres to run. Peres was defeated by Rabin for the prime ministership in a party election in 1974 by a relatively narrow margin.

Peres, however, will have to overcome the opposition of Foreign Minister Allon's faction as well as that of Meir and Labor Party bosses, who still hold it against him that he bolted the party with former prime minister Ben-Gurion in

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Pictorial Parade

1965. Mapam, Labor's left-wing coalition partner, also opposes Peres.

Former foreign minister Abba Eban has also declared his candidacy for the nomination in an effort to woo party doves away from Rabin and, paradoxically, lock up the nomination for the more hawkish Peres. Eban has long harbored a personal grudge against Rabin.

Peres as prime minister would adopt a tougher, more independent line on Middle East peace negotiations than would Rabin. His main base of support is in the right wing of the Labor Party. In the past, moreover, he has been more favorable than Rabin to the re-establishment of a national unity coalition with the conservative hard-line Likud faction.

In recent interviews, Peres has indicated that he favors a resumption of the step-by-step approach to peace negotiations instead of reconvening the Geneva talks, which he probably believes would bog down over the issues of Palestinian participation in the negotiations and Israeli withdrawals from the occupied West Bank and Gaza strip.

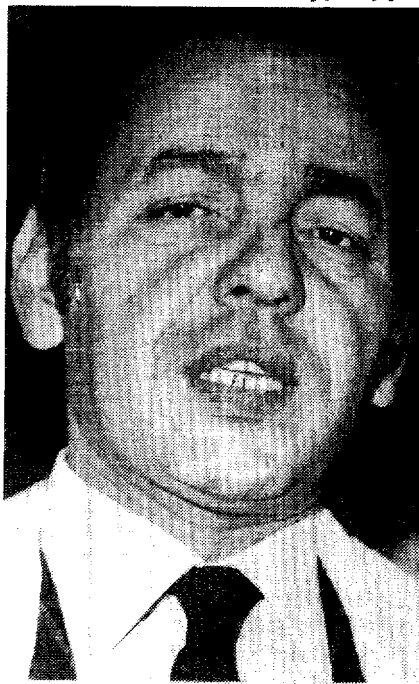
Peres has said he prefers a "functional" arrangement that would allow Jordan to reassert its civil authority over most of the West Bank but would permit the Israelis to keep their armed forces there and to continue to establish Jewish settlements.

As a possible gesture to party doves and Mapam, however, Peres has hinted a readiness to make territorial concessions as well, but only when the Arabs are ready in his view to make "genuine peace" with Israel. [redacted]

## MOROCCO-USSR 13-16

Soviet-Moroccan relations are improving after reaching a low point last year because of the USSR's tendency to side with Algeria during the height of the dispute between Morocco and Algeria over Western Sahara.

Several recent developments have reflected the renewed interest, apparently on the part of both countries, in bilateral relations:



King Hassan

- A Soviet military delegation visited Rabat last month to discuss the sale of T-62 tanks.
- A Soviet geological delegation also visited Morocco in December to discuss a continuation of Soviet prospecting for copper and oil.
- The USSR received approval for an Aeroflot stop in Casablanca for flights to Africa.

King Hassan's long-standing refusal to receive additional Soviet military technicians may complicate the signing of a new arms agreement. Morocco's willingness to go ahead with the talks on geological cooperation is a reversal. Last year, Morocco canceled scheduled discussions on the subject out of pique over Moscow's stance in the Saharan dispute.

The Soviets are particularly interested in Moroccan phosphates as a supplement to the USSR's domestic production. Hassan, however, is unlikely to allow Soviet participation in the exploitation of his country's extensive reserves while his dispute with Algeria remains unresolved.

The King, who is still wary of Soviet in-

tentions, may think he can use his increasing contacts with the USSR as a lever in extracting more from the US. Better relations with the USSR would also deflate charges from other Arabs that Morocco is too closely linked with the US. [redacted]

## ARAB STATES 11-12

Five wealthy Arab countries have agreed to reinstitute for 1977 and 1978 special subsidy payments to the front-line states in the struggle against Israel.

The donors are Saudi Arabia, Kuwait, Qatar, Bahrain, and the United Arab Emirates. The pledges were made at a conference of their foreign ministers in Riyadh on January 9 and subsequently approved by the heads of the five states. The foreign ministers met again on January 18 in Cairo to work out details.

The announced pledges are roughly equal to those made at the 1974 Arab summit conference in Rabat: \$570 million each for Syria and Egypt; \$200 million for Jordan; and \$28 million to the Palestine Liberation Organization, which was designated at Rabat as sole spokesman for the Palestinians. These amounts are apparently to be paid in each of the next two years.

The front-line states hoped that the Rabat payments would be made annually on a continuing basis. The donor states, however, made only one round of payments. The question of possible retroactive payments for 1976 may have been deferred to an Arab summit to be held in Cairo in March.

Agreement to resume the Rabat payments is due mainly to the willingness of Saudi Arabia, for the first time since 1967, to make a firm commitment to provide cash aid for more than one year at a time. A promise of subsidies over a longer term serves Saudi purposes now because it underscores Arab unity at a time when the Saudis are pressing for renewed peace negotiations in the Middle East. [redacted]

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IRAN-OMAN

Iran has decided to reduce the size of its 3,500-man task force in Oman a year after Iranian forces helped to defeat leftist rebels in Oman's Dhofar Province. A contingent of Iranian troops has been stationed in Oman since 1972. Iran will leave no more than 700 troops in Oman, according to a British official in London.

It is not clear why Iran chose to cut back its military presence now, but Omani Sultan Qabus may have requested the reduction. The Iranian military presence on the Arabian Peninsula has been a source of friction between Oman and other Arab states. Problems also have occurred between Iran and Oman over Tehran's failure to coordinate some of its military activities in Oman.

Relations were strained in November when an Iranian reconnaissance plane was shot down by South Yemen along its border with Oman. The flight had not been cleared with Omani authorities. Qabus, unhappy over the resulting military tensions with the Yemenis and renewed propaganda attacks on him by Arab radicals, may finally have yielded to his top military advisers, who have argued for several months that the Iranian task force should be reduced.

The Shah probably did not object.



There has been no major fighting in Oman for more than a year, and a small force there will be sufficient to underscore Iran's continuing commitment to the Qabus regime. Neither the Shah nor Qabus wants to end the Iranian military presence entirely.

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SAUDI ARABIA - FRANCE

France is about to sign a new three-year agreement with Saudi Arabia that will allow two French oil companies—Elf-Aquitaine, owned entirely by the government, and Compagnie Francaise des Petroles, one-third government-owned—to purchase directly 33 percent more Saudi crude than under the agreement the two countries concluded in 1974.

The new deal enables France to purchase 240,000 barrels per day beginning this year, compared with 180,000 barrels per day previously. Negotiations have been completed, and formal signing is expected during President Giscard's visit to Saudi Arabia next week.

The earlier agreement—the first of its kind between France and Saudi Arabia—was concluded during the oil embargo, when France was trying to circumvent the major oil companies and establish direct sales arrangements with oil-producing countries. Paris hoped its pro-Arab Middle East policy would help it establish special relationships with the producers. The failure of attempts to conclude a 20-year arrangement with Saudi Arabia for a reported 800,000 barrels per day caused the French to become disillusioned with this tactic.

The new agreement appears to be largely window-dressing for Giscard's coming visit, but it indicates France's intention to keep open its option of an independent oil policy.

The deal will provide for only a limited portion of the crude imported by France from Saudi Arabia; major oil companies operating there will continue to provide the bulk. Altogether, French imports of Saudi crude have jumped sharply, rising

from 620,000 barrels per day in 1973 to 870,000 barrels per day last September. Saudi Arabia is now France's largest source of crude oil, and provides more than one third of French requirements.

Announcement of the new agreement shortly after the recent price split among OPEC states is apparently coincidental. The increased access to Saudi oil should, however, slightly reduce the average price increase that France will sustain.



BELGIUM - LIBYA 35

Two Belgian arms manufacturers have signed preliminary agreements with Libyan President Qadhafi's regime to provide Libya with a large arms-production complex. The deal has created a dilemma for the Belgian government, and Foreign Ministry officials apparently hope to delay the need to make a final decision.

Under the agreement, Libya will pay \$2.1 billion for small arms, ammunition, and explosives plants, and the parties are to complete plans by midyear for support facilities costing \$3.3 billion. The complex is to be finished in five years.

The Belgian government is concerned over possible negative reaction from the US and some Middle Eastern countries. It does not want to provide Qadhafi with the means to produce arms that he could export and use to enhance his political leverage.

The Libyans, however, have threatened to stop purchasing all Belgian arms if the contracts are canceled. This would have a severe impact on the two firms and could lead to several thousand workers losing their jobs.

The Belgian government apparently cannot legally prohibit the companies

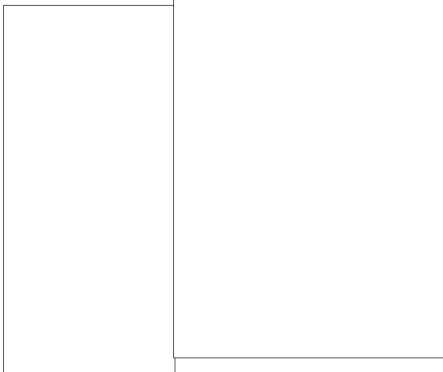
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from participating in the project, but it could obstruct final agreement by refusing the two companies government investment insurance.

The cabinet discussed the issue last week, but it is unlikely to reach a decision for some time.



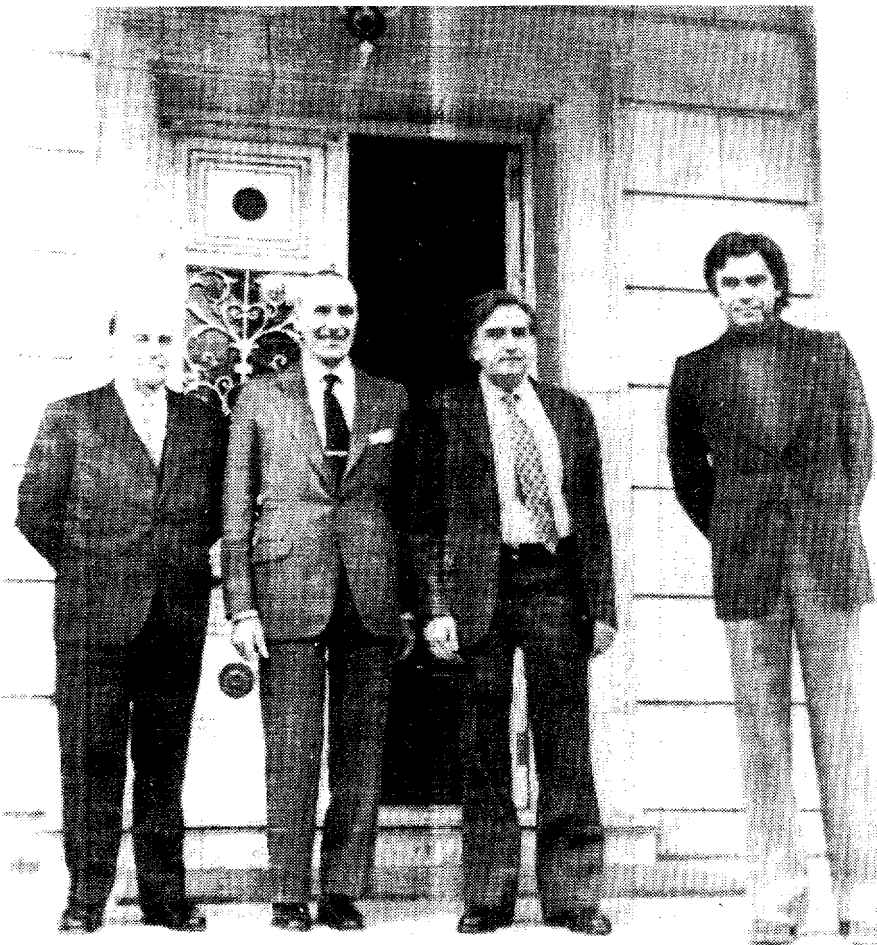
## SPAIN

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The government of Prime Minister Adolfo Suarez appears to be making progress in its efforts to conciliate the opposition parties and ensure broad participation in the legislative election to be held this spring.

Opposition leaders who met with Suarez last week reportedly came away satisfied that representatives of all parties, including the Communists, would be allowed to participate as candidates in the election. Details of how the government would accommodate the opposition on this key issue apparently remain to be worked out; Suarez may have implied that Communists would be permitted to run as independents or as part of a broader leftist alliance.

The government also appears to have convinced the opposition leaders that it intends to release political prisoners who were excluded from earlier amnesties. Most of the prisoners are Basques, and the issue has fueled a series of clashes in recent weeks between demonstrators and police in the Basque provinces of northern Spain. A Basque leader who participated in the meeting expressed confidence that almost all the estimated 200 political



*Leftist leaders following recent talks with Prime Minister Suarez. From the left: Julio Jauregui, Basque nationalist; Joaquin Satrustegui, Liberal; Anton Canellas, Catalan Christian Democrat; and Felipe Gonzalez, Socialist Workers' Party*

detainees would be out by Easter. Prospects for the early release of at least some of the prisoners have been enhanced by the government's recent abolition of the controversial Public Order Tribunals.

Nevertheless, Interior Minister Martin Villa was not well received in the Basque region when he traveled there last week to transmit personally the government's presumably conciliatory views on amnesty and on local autonomy. The antagonism he encountered was at least partly brought on by his banning of a scheduled rally to avoid further disturbances.

The minister told a delegation of

Basque mayors who came to Madrid on January 18 that while the present government is taking steps to sanction the use of the Basque flag and language, the question of autonomy must await the election of the new legislature.

Suarez is planning additional meetings with the opposition leaders between now and the election. He apparently hopes through such talks to try to neutralize, in advance of the campaign, other potentially divisive issues—such as the provisions of the law that will govern the election and the question of Spanish membership in NATO and the European Community.



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FRANCE 43-44

The French have announced that their fourth nuclear-powered ballistic-missile submarine has entered active service. It is the first French submarine to be completely equipped with the M-20 missile.

The M-20 has a range of 3,000 kilometers and is armed with a one megaton warhead. The new boat carries 16 such missiles.

The French Ministry of Defense also announced that a fifth submarine of this class—of an originally planned group of six—will be operational in September 1979. Construction of the sixth has been suspended.

The US defense attache in Paris has reported that the French plan to make the sixth the first of a new class of smaller, more compact, and possibly faster ballistic-missile submarines. The new class will carry the M-4 missile, with either a MRV or MIRV warhead and will be able to attack targets at a distance of 5,000 kilometers.

The M-4 is still in the developmental stage; the first static test firings are likely early this year. The missile probably will be operational by the mid-1980s, when the first of the new class of submarines is expected to enter service.

[Redacted]

Western Hemisphere

ARGENTINA 56-57

The debate in Argentina over the political role of the country's powerful labor movement is sharpening, and the outcome will be decisive for President Jorge Videla.

A group of labor leaders has issued a strongly worded document calling for the swift normalization of union activities—which have been suspended since

the military took over last March—and for further, sizable wage hikes. The document was signed early this month by some 70 union leaders and printed in a leading newspaper.

The document denounced the austerity measures that have been in effect since the junta took power. The statement repeats familiar Peronist themes in making its case that workers have borne the brunt of the economic recovery effort. It refers caustically to the role of foreign business.

Editorials in Argentina's leading newspapers have lambasted the unions' position, accusing labor leaders of resorting to tired rhetoric to express a one-sided and self-serving view of the situation facing the nation. One journal points out that it was the excessive demands of workers during the administration of President Isabel Peron that in large part led to the nation's present financial straits.

Publication of these and other complaints has already led to divisions within the labor movement itself. Several union leaders who supported the statement have reportedly now resigned.

This latest manifestation of the debate over labor is probably disconcerting to

military officers, both inside and outside the government. The officers differ seriously over what degree of accommodation with labor is acceptable. Some, like President Videla and his supporters, favor quickly restoring most, though not all, of labor's former prerogatives. Others, particularly within the navy and air force, would retain many of the restrictions now in effect.

Probably no officer truly believes that labor can be won over and made to cooperate indefinitely with the military government. Videla, however, clearly feels that his conciliatory approach would at least avoid further worker alienation and increase the chances for economic progress. Others argue that workers would take such concessions as a sign of weakness and thus be inclined to increase their demands.

If Videla has his way, he will have gained an important psychological and practical victory over the "hardliners," who have opposed him on this and other issues. If he loses out to them, the result will be to embolden those who, like navy chief Admiral Massera and Planning Minister General Diaz Bessone, would like to change the government's political approach.

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President Videla (center) with other junta members

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Although many governments in the eastern Caribbean are still suspicious of the Castro regime, Havana is making some progress in expanding its influence in the area. The British Associated States, Dominica in particular, seem to be receiving special attention.

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87-92

## Cuba: Activity in the Eastern Caribbean

[Redacted]

The Castro regime is trying to expand its influence in the eastern Caribbean. Cuban initiatives over the past several months have been low key and have met with obstacles and resistance, but Havana has reason to be optimistic about its prospects in the region.

Mounting Cuban interest in the British Associated States, a group of internally self-governing islands in the eastern Caribbean, was reflected last November in Havana's decision for the first time to send a high-level official to visit the area. Osvaldo Cardenas, the senior Communist Party official responsible for the Caribbean, went to Dominica to pay an official call on Premier Patrick John.

[Redacted]

In an interview with the local press during his visit, Cardenas announced that a delegation from Dominica would go to Cuba this winter.

In the interview Cardenas said his visit was part of a "friendship tour to assess possibilities of building amicable and mutual relations with territories of the region." He later stopped in St. Kitts but apparently did not meet with local authorities.

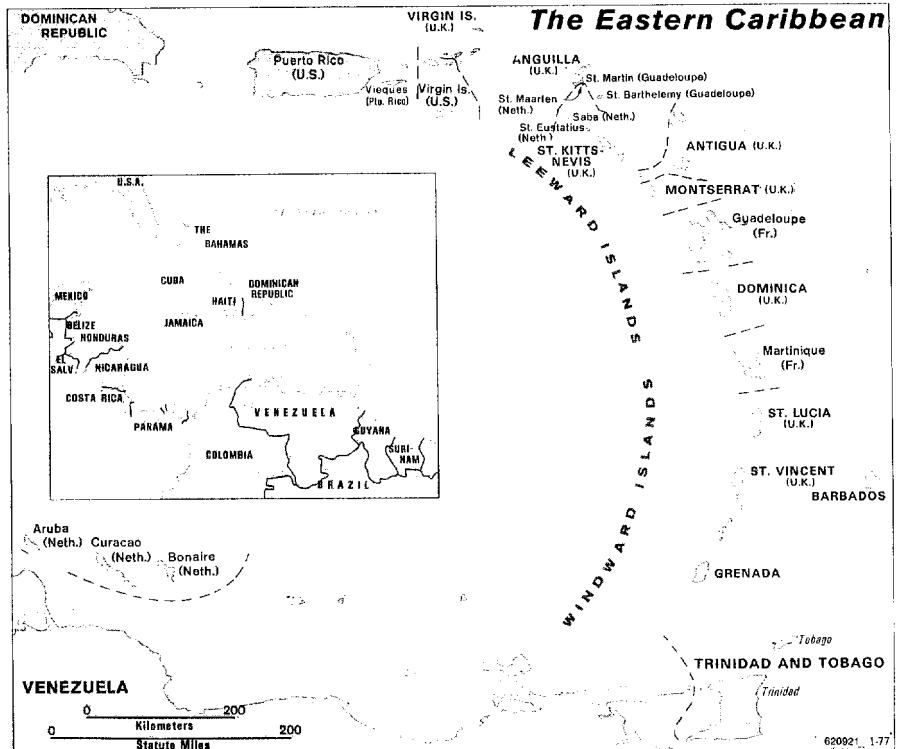
Dominica will almost certainly become independent in the fall. Premier John, who is indecisive and impressionable, is convinced that he has to move leftward to

remain in power. The Cubans probably reason that even a small amount of assistance would have a significant impact. With only 80,000 inhabitants and a per capita gross domestic product of \$300, Dominica is the most sparsely populated and, along with St. Vincent, the poorest of the Associated States.

Havana has also made overtures to

some of the more middle-of-the-road governments in the region. Premier Milton Cato of St. Vincent was recently offered the services of Cuban teachers and health specialists, and the Cubans have volunteered assistance in agricultural development to the Adams government in Barbados and invited the minister of agriculture to visit Cuba.

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The Cubans have cultivated leftist opposition leaders in the area, and their interest in most cases has been reciprocated. For example, Ralph Gonsalves, a leftist professor and activist based in Barbados, recently told a meeting of St. Vincent's radical Youlou United Liberation Movement that Cuba is the "beacon of light in the Caribbean."

Although most of these opposition groups are small, their potential for developing a strong political base and for providing a realistic challenge to traditional leaders cannot be dismissed. In the recent election in Grenada, for example, a coalition dominated by the radical New Jewel Movement came close to winning power.

The Cubans continue to maintain close contact with the communist parties in Martinique and Guadeloupe—as they

have since the 1960s—and to press for the independence of those islands, although this issue apparently has limited popular support. Cardenas attended the conference of Martinique's Communist Party in late October. The second-ranking official in the American Department of the Cuban Communist Party, Ulises Estrada, represented Cuba at the conference of Guadeloupe's Communist Party in late December and returned to Cuba with the party's secretary general.

#### Friendship Societies

Cuban "friendship societies" have been formed in the past year in both Guadeloupe and Martinique, and the cultural events they have sponsored have been so well received in the urban centers that they may expand into the countryside. In recent months, these societies have also promoted a number of tourist

flights to Cuba from the French Antilles.

There are nevertheless some obstacles to greater Cuban influence in the region. In many of the islands, the image of Cuba as an exporter of revolution lingers among the political elite. St. Vincent's attorney general, for example, said that if Cardenas had tried to visit St. Vincent he would have been turned away.

Even in Dominica, suspicion exists. In a statement that probably exaggerates his fears, Premier John told the US embassy in Bridgetown, Barbados, that he was concerned that the Cubans might be involved in attempts to subvert his government. Nonetheless, given the region's pressing social problems and Cuba's willingness to provide timely and well directed assistance, the prospects for Cuban advances seem good. [redacted] [redacted]

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*Domestic discontent is causing President Boumediene to focus increasingly on internal political and economic problems. Boumediene's opponents, however, appear too weak and divided to challenge his supremacy.*

## Algeria: Focus on Domestic Problems

93-100  
[redacted]  
Algeria's prominence as a leading spokesman for nonaligned and developing states has faded in the past year as President Houari Boumediene has turned increasingly to domestic concerns. Faced with widespread popular dissatisfaction and criticism of his policies even within his inner circle of advisers, Boumediene has sought to shore up and place a stamp of legitimacy of his authoritarian regime.

After ruling by decree since seizing power in June 1965, Boumediene promoted the adoption last November of

a new constitution and ran unopposed in a presidential election on December 10. The new constitution institutionalizes strong presidential government and relegates Algeria's only political party, the National Liberation Front, to a minor role. The National Assembly, inactive since 1965, is to be restored through elections next month but will remain insignificant.

The Algerian public has reacted with little enthusiasm to the regime's political campaign. As long as Boumediene continues to retain the support and confidence of his senior military commanders, however, his position is likely to

remain secure. Boumediene's preoccupation with problems at home probably will restrain him from pressing his long-standing dispute with Morocco over Western Sahara to the point of open military confrontation, and he is likely to continue focusing on domestic politics over the near term.

#### Domestic Malaise

Popular disillusionment with the meager benefits of Algeria's "revolution" and Boumediene's stewardship apparently is growing and could in time lead to an erosion of his support if he continues to let matters drift.

Inflation, unemployment, rapid pop-

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ulation growth, and the shift of more people to the cities have all added to the government's burden and exposed its inability to cope with these problems. Strikes and work slowdowns, even in the public sector where they are illegal, have become more frequent.

Many Algerians have privately criticized the waste and corruption that permeates the government. There is also general unhappiness over what many believe to be the government's misguided efforts to "Arabize" the country by promoting Arabic language and culture.

Most professionals, who are products of a basically French education system, think their country should remain oriented toward Europe and consider Arabization as a step backward. The program also annoys much of the urban working class, which has little knowledge of Arabic.

#### Opposition Ineffective

Boumediene's opponents outside the government are too weak and disorganized to capitalize on this discontent. The President also has been able to keep his immediate subordinates—who resent his monopoly on power—divided and unable to challenge his supremacy openly.

The military remains the key to any internal power struggle. Boumediene, who serves as defense minister, has cultivated close ties with his senior military officers. He also has relied extensively on his security apparatus to monitor the activities of officers and enlisted men to discover and destroy potential threats to his position within the military. Although some small cliques of disgruntled officers probably exist in the lower ranks, Boumediene does not appear to face any formidable challenge from that quarter at present.

#### Foreign Policy

Boumediene effectively exploited his titular leadership of the nonaligned movement to increase his prestige for most of the three years he held that position. Algeria still retains a strong interest in third world causes, but since the transfer of nominal leadership of the nonaligned to Sri Lanka at the movement's conference

in Colombo last August, Algeria has played a much less prominent role.

Boumediene's primary preoccupation in foreign policy is his dispute with Morocco and Mauritania over Western



*President Boumediene*

Sahara. Although Morocco and Mauritania partitioned the former Spanish territory last April, Algeria continues to demand that the Saharans be allowed to determine their future. The Algerians support the rebel Polisario Front, which seeks the territory's independence.

The Algerians oppose the Moroccan-Mauritanian takeover of Western Sahara, with its large phosphate deposits, because it enhances Moroccan wealth and prestige and could reduce Algerian predominance in North Africa.

Algeria has become increasingly isolated as a result of the dispute, and Boumediene has lost prestige both at home and abroad because of his failure to restrain Morocco. Some of the President's key advisers oppose continued support for what appears to be a losing cause.

This evidently has prompted Boumediene to seek some face-saving compromise. He apparently asked Saudi Arabia last fall to undertake a low-key effort to mediate the dispute. The Saudi initiative is continuing, but it has made no significant progress. Achieving a negotiated settlement will be a long and difficult process, probably requiring Saudi financial inducements to bring all sides together.

#### Economic Ties with the West

As long as the dispute continues, Algeria will be critical of the US for, in Algeria's view, siding with Morocco. Bilateral political relations will remain strained. In the absence of major hostilities with Morocco, however, the dispute is unlikely to affect Algeria's economic relations with the US because of the importance of the US as a source of capital and technology and as a market for Algerian oil and natural gas.

Although professing to be a militant leader of the nonaligned and developing countries, Algeria will continue to be pragmatic in its international business dealings. The government generally has followed a businesslike approach in its dealings with the US and other Western countries; contract obligations are routinely met, and the Arab boycott of companies that deal with Israel is not enforced.

The country's relatively good economic performance to date—and its economic future—depend on foreign exchange earnings from oil and gas. Algeria hopes that such revenues will permit more rapid industrialization and provide jobs for the growing work force. Oil production is not likely to be increased as reserves are limited and new recovery schemes expensive. Gas, on the other hand, is considered the key to financing future economic development.

Until gas exports reach significant levels in the early 1980s, however, Algeria faces balance-of-payments difficulties that are likely to limit imports of some capital goods programmed under its economic development plan

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*Since the revolution that began in 1910 many Mexican presidents have implemented extensive land redistribution measures, primarily for political reasons. Jose Lopez Portillo, who was inaugurated last month, may at some point do the same, but for now he apparently intends to go easy as part of his policy of emphasizing increased agricultural output.*

101-103

## Mexico: Land Reform in Perspective

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Land reform in Mexico historically has been undertaken for political rather than economic reasons, and the measures taken last year were no exception.

In the violent first decades of the revolution that began in 1910, when peasant armies not controlled by the central government roamed the countryside, land reform was used as a means of settling the fighters and pacifying the nation. In later years, after Mexican leaders recognized that there was not enough land to satisfy more than a small portion of the peasants, it was used to maintain rural stability by co-opting rising peasant leaders through gifts of land. During all periods, land reform has been used by Mexican presidents to gain popularity and reaffirm their revolutionary credentials.

### Nationalization

Last year's widespread land invasions and outgoing President Echeverria's nationalization of 100,000 hectares of improved commercial farmland were in this context. There is always some spontaneous rural unrest during a change of administration in Mexico, but in this case peasant activists probably received at least tacit approval from the central government.

Although Echeverria may have been impelled in part by idealism and a regard for his place in history, his strongest motivation was probably a desire to strike a blow against the wealthy landowners and their industrial allies in northern Mexico.

He had come increasingly to consider members of this class as his personal enemies and perhaps as enemies of Mexico as well. He almost certainly felt justified by the fact that the size of many northern landholdings violated the spirit if not the letter of Mexican law.

Land reform measures have usually brought Mexican leaders the political dividends they sought. The economic effects of the measures, however, have over the years been hotly debated by partisans and opponents.

Partisans of land reform point out that:

- It has enabled—or at least allowed—Mexico to maintain a growth rate in agricultural output far better than that of other third world countries.

- It utilizes labor not otherwise needed and makes few claims on the rest of the economy.

- Any failure is traceable to the lack of government support in the form of credit, education, and necessary public facilities and services. Opponents stress that:

- Large private holdings produce most of the country's output using only a small fraction of the land.

- Land redistribution has become increasingly inefficient as marginal land has been brought into the program.

- Land reform inhibits the production of cheap food for the urban poor while failing to lessen poverty in the countryside significantly.

- The threat of further redistribu-

tion makes commercial farmers less willing to make needed investments.

President Jose Lopez Portillo, who assumed office last month, is committed to land reform in principle—it being part of his country's national ideology. He is likely, however, to define reform in such a way as to emphasize economics over politics. He has stated that he wishes to avoid creating additional uneconomical land units. He favors combining small plots into more viable farms.

His action in allowing his predecessor's nationalization to go to the Supreme Court, where it may well be reversed, will give encouragement to commercial farmers and convey strong positive signals to the domestic and foreign business community.

### The Course of Land Reform

The Mexican Revolution resulted in a massive change in land tenure patterns. Before 1910, landholding had become highly concentrated; 90 percent of rural families were said to be landless. Since then, nearly 97 million hectares have been distributed to about 2.7 million farmers. The number of landless peasants fell to 2.3 million in 1950, but rapid population growth outpaced redistribution, and an estimated 4 million peasants are now landless.

Although land reform succeeded in creating a more even distribution in Mexico than exists in most Latin American countries, Mexican agriculture is still characterized by a few relatively large commercial producers and a large number of subsistence farmers. Subsistence and

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near-subsistence farming accounts for 56 percent of farm income on 81 percent of the cropland.

At the other extreme, less than 10 percent of the farms produce 44 percent of farm income on less than 20 percent of the cropland. Under the law, but not always in practice, individual holdings are limited to 100 hectares of irrigated land or 200 hectares of unirrigated land. Larger holdings are legally permitted, primarily on semiarid grazing lands where farms must be large enough to support 500 head of cattle.

Following the revolution, there were two peak periods of land reform. During the administration of Lazaro Cardenas in the thirties, about 20 million hectares were turned over to peasants. Under President Diaz Ordaz 30 years later, 23 million hectares were redistributed.

As land suitable for expropriation became scarce, the government turned increasingly to opening new areas, often with marginal cropland or no cropland. Before the most recent expropriation, the Echeverria administration had redistributed 16 million hectares of generally poor quality government land.

Despite a continuing public commitment to land reform, Mexican governments since 1940 have emphasized increasing agricultural production and commercial agriculture. This support was a primary factor in the 6.7-percent average growth of agricultural output between 1940 and 1965, which enabled Mexico to achieve a large export surplus in agricultural goods and a temporary self-sufficiency in basic grains during the 1960s.

Commercial farms were encouraged by public investment in rural areas, particularly in irrigation projects, which brought large tracts of new land under cultivation. About 50 percent of the growth in output was due to increased land area. The government also raised the limits on the size of private farms and often ignored violations of agrarian laws; commercial and official credit was extended primarily to large farms. Another important factor was that relative

#### Land Distributed Since 1915

President	Term	Million Hectares
—	1915/34	11.1
Cardenas	1934/40	20.1
Avila Camacho	1940/46	6.0
Aleman	1946/52	5.4
Ruiz Cortines	1952/58	5.8
Lopez Mateos	1958/64	9.0
Diaz Ordaz	1964/70	23.0
Echeverria	1970/76	16.2 <sup>1</sup>
Total		96.6

<sup>1</sup> Does not include expropriations in mid-November 1976.

agricultural prices were generally favorable during the period.

#### Current Situation and Outlook

Since 1965, increases in agricultural output have dropped to 2.1 percent annually—considerably below the 3.4-percent growth of population. The most important factors causing lagging output are limited availability both of easily exploitable water resources and of new land. The fear of expropriation has inhibited investment by large commercial farmers, while the 90 percent of the farmers with small plots rarely have access to the resources necessary to increase productivity.

The uncertainty of land tenure had an especially detrimental impact on agricultural production during 1976. Throughout the year, organized peasant groups moved onto private farms in Mexico's productive areas demanding land. Echeverria's expropriation of nearly 100,000 hectares in the northern part of the country in mid-November aggravated the tension and increased the number of peasant land invasions, particularly in the north.

Confusion and uncertainty caused farmers to hold back investment and delay planting. Largely as a result of reduced wheat seeding, about 500,000 tons of wheat will probably have to be imported in 1977, nearly double the amount

imported in 1976.

Despite President Lopez Portillo's apparent emphasis on production, progress will be slow. Increasing output in the commercial farming sector by bringing new land under cultivation and extending irrigation has neared its natural limits in northern Mexico. Development of tropical lowlands in the south would be expensive and require sophisticated techniques.

Output in the subsistence and traditional sectors will be held down by undercapitalization and the poor education of the farmers, even if the government greatly increases the resources devoted to extension services and farm credit. Moreover, attempts to boost production in this sector through consolidation of small plots may run afoul of the individual peasant's feeling for his own land.

As long as Lopez Portillo maintains his emphasis on output, there is little likelihood that extensive land redistribution will take place. His first priority will be to assure commercial farmers of the security of their land holdings. The President will, however, keep land reform as a political option, and small redistributions may be undertaken to buy off potential peasant leaders and maintain peace in the countryside.

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*The Soviets are beginning a program to obtain more oil from known reserves by using special recovery techniques, but the effort is unlikely to increase production in the near future.*

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## USSR: Oil Recovery Program

Because of the high cost of developing oil reserves in remote regions, the USSR is planning a high-priority program to recover more of its known oil reserves through intensive use of enhanced techniques. The Soviets' goal is to increase recovered oil by 10 to 12 percent.

The effort is an ambitious one. Implementation of the program will be very costly and will require the application of rigid controls and large amounts of special chemicals and equipment. At best, considerable time will be required before substantial increases in production could be expected, even if the Soviets decide to import the needed materials and technology from the West.

The Committee on Science and Technology of the Council of Ministers is coordinating the new plan, which calls for:

- Timetables for adopting new recovery methods throughout the USSR.
- Creation of a special association



within the Ministry of the Petroleum Industry to develop and introduce advanced methods of oil recovery.

- A special fund to reimburse oil production enterprises for the higher costs of the new technologies.
- Construction of new plants to produce special chemicals in quantity.
- Mass production of specialized equipment, and training of workers in the new equipment and technology.

The USSR already uses waterflooding in about 85 percent of its total oil production. Waterflooding is commonly used in other countries as a secondary recovery method, but the Soviets use it to maintain pressure soon after oil production begins. They inject large volumes of water at high pressures, which often causes damage to the reservoirs and subsequent loss of recoverable oil.

The Soviets have only limited experience with most other enhanced recovery techniques, although they have tried every major secondary and tertiary recovery technique on an experimental or pilot basis at at least one oil field.

Two areas in which the Soviets have considerable expertise are nuclear stimulation, in which an atomic blast is used to crack the rock, making it easier for the oil to collect in the reservoir, and the recovery of very heavy oils.

Steam injection has been employed in fields at Okha, Boryslav, and Baku. Internal combustion, in which oil at the periphery of the deposit is set on fire, to heat the rest of the oil, making it flow more easily, has been used in Baku and in

other regions with heavy oils. The usual practice is to lower an electric heater into the wells to ignite the oil.

Hot water injection methods have been used in regions where high paraffin content causes the oils to flow poorly at temperatures below 30 degrees centigrade. In other cases, extremely viscous oils have been recovered by using a combination of underground mining with steam and combustion techniques.

The research and test programs needed to support the latest enhanced recovery program will be conducted by ten regional oil field research laboratories under the direction of the All-Union Oil and Gas Research Institute in Moscow. Each regional laboratory will focus on techniques having direct application to oil fields within its region. The older oil fields near Baku have apparently been selected as the major testing ground for many of the techniques to be developed.

The Soviets' goal in the present five-year plan is to increase crude oil production, including gas condensate, from the 1975 level of about 491 million tons to 640 million tons in 1980. The annual 30-million-ton increase needed to meet this goal is unlikely to be attained.

Reserves in the older producing regions are being depleted, and new discovery has not kept pace with the rate of increase in production. The drilling alone that would be required to provide 530 million tons to 540 million tons of new production capacity—including at least 390 million tons to offset depletion of old fields—is a huge task.

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