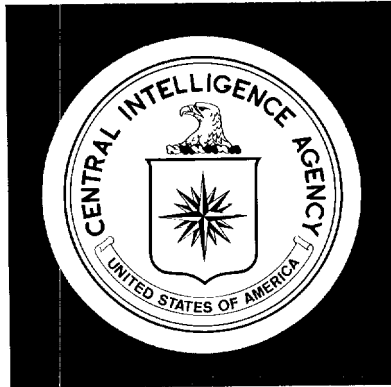


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# Weekly Summary

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February 4, 1977

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February 4, 1977

The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, the Office of Strategic Research, the Office of Scientific Intelligence, the Office of Weapons Intelligence, and the Office of Geographic and Cartographic Research.

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## Europe

## SPAIN

Political terrorism has subsided, at least temporarily, in Spain since the government's institution of stern security measures last week. Extremist groups of both the left and the right, however, have issued new threats of violence.

On January 28, Prime Minister Suarez suspended portions of the constitution for one month, thereby enabling police to search homes without warrants and hold suspects indefinitely. The new measures, which still stopped short of an imposition of martial law, were announced after gunmen killed three policemen in the Madrid suburbs, bringing the death toll from political violence to ten for the week in the capital area.

Earlier the same day, the government mobilized all police and civil guards, set up roadblocks around the capital, and sent special units to airports and railroad terminals in search of the suspected terrorists. Some 200 persons—most said to be known leftist extremists—were quickly detained for questioning about the incident, responsibility for which was claimed by a purportedly leftist group. The group, which was responsible for the kidnaping of a high political official in December and a senior general last week, announced it had killed the policemen in retaliation for the murder early last week of four Communist lawyers.

The government is taking pains to remain in close touch with leaders of the moderate political opposition, who continue to give basic support to Suarez' efforts to curb terrorism. Some opposition parties, however, have voiced complaints that the police dragnet last weekend was unduly harsh on members of far-left parties and trade unions. By midweek, the government had released many of the leftist suspects.



*President Makarios (left) shakes hands with Turkish Cypriot leader Denktash*

The detention of so many leftists may in fact have been influenced by a desire on the part of the government to pacify rightist senior officers, who had been particularly upset last week by the kidnaping of the general. On February 1, King Juan Carlos, who has played a key role in keeping the military loyal to the government and out of politics, was pictured prominently in Spanish newspapers lurching with a hard-line Francoist general and his troops.

At the same time, however, the government has deported several foreign right-wing extremists. In addition, the rightist subdirector of the naval war college was recently dismissed for insubordination.

Both terrorist organizations involved in the recent incidents have made new threats. The extreme leftist group said it would carry out further kidnapings of prominent officials if the approximately 200 political prisoners remaining in Spanish jails are not released. The rightist Apostolic Anti-Communist Alliance, possibly incensed over police protection given last week to left-wing political leaders, threatened a group of Socialist union members with "execution" unless they cease political activities.

Despite the threats, Prime Minister Suarez has reaffirmed his determination to resume talks with opposition leaders about a date and ground rules for the parliamentary election promised for this spring.

## CYPRUS

A meeting between Cypriot President Makarios and Turkish Cypriot leader Denktash in Nicosia on January 27 appears to have set the stage for a resumption of intercommunal negotiations, which have been stalled for a year. Each side has its own expectations and strategies for such talks, however, and it is by no means certain they would be more productive than earlier negotiations.

The two leaders, who were meeting for the first time since Turkey invaded Cyprus in 1974, had a wide-ranging exchange. Although it was inconclusive, both Makarios and Denktash clarified their positions on certain issues. Makarios indicated he could accept a bizonal federation, for example, provided the unity of the state is safeguarded and all Cypriots are assured freedom of movement and the right to settle and own property throughout the island.

Denktash indicated this might be possible on a limited basis provided adequate security is established and most authority resides in the two regional governments. Moreover, he indicated more clearly than previously that the Turkish Cypriot claim to 32.8 percent of the island is negotiable. Makarios, who for some time has conceded 20 percent of the island to the Turkish Cypriots, is likely to yield more territory in a multizonal solution than in a bizonal one.

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The Turkish Cypriot leader's initiative to meet with Makarios and his conciliatory approach seem aimed at reviving a negotiating process and are part of a broader mainland Turkish strategy to appear as reasonable as possible to the new US administration. Denktash's moves and Turkey's recently announced withdrawal of another 1,000 troops from Cyprus seem intended in part to help secure approval of the US-Turkish defense cooperation agreement.

Makarios is just as interested in projecting a moderate image to the new US administration. He hopes for greater involvement by both the US and the European Community in the negotiating process.

The two leaders agreed to meet again under the auspices of UN Secretary General Waldheim in Nicosia on February 12 and 13 to continue their discussions. [redacted]

## ITALY

Political maneuvering has recently become more intense within the Christian Democratic Party and the Socialist Party—the two groups that must cooperate if an Italian government not dependent on the Communists is to be formed.

Prime Minister Andreotti's acceptance last week of a labor-management agreement that avoids any tampering with Italy's wage-indexation system, which ties wages to the cost-of-living index, triggered criticism from a wide array of Christian Democratic leaders. Andreotti appears to have quieted his critics for now with a promise of further government action on labor costs. The promised government move, which was to be announced on February 4, is likely to combine an assumption of part of industry's social security expenses with some offsetting tax increases.

Among the Socialists, former party secretary Mancini has been trying to undermine Bettino Craxi, the current party leader. Mancini failed last week to gain

enough backing to oust Craxi, but further challenges are doubtless in store.

These maneuvers seem likely to inaugurate a period of heightened political activity. Many Italians believe Andreotti's minority government will be lucky to survive the spring. The obstacles to major changes, however, are still formidable:

- Although the center of gravity among Christian Democrats may be moving to the right, party leaders know that ousting Andreotti would open a wide range of political and economic uncertainties.

- The Socialists, whose votes or abstentions would be critical in any effort to freeze out the Communists, remain a question mark. Craxi says he would like to move the party back toward the Christian Democrats, but he views this as a long-term operation. For now, the Socialists could not be counted on even to deliver a cohesive block of abstentions—much less positive votes—if the Communists went into opposition.

- Finally, the Communists are strongly opposed to a change of

government. Believing the time is not ripe for further Communist political gains and reluctant to rejoin the opposition, they have let it be known that they regard the Andreotti government as the best available. Given Communist strength in parliament and in labor, the other parties will feel compelled to move carefully.

Under these circumstances, a full-fledged government crisis does not appear imminent. Nevertheless, the political maneuvering—with the risk of crisis at some point—seems likely to continue into spring. [redacted]

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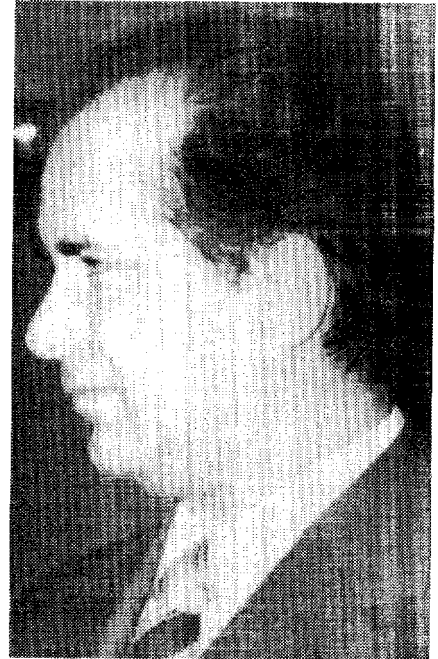
## ROMANIA

President Ceausescu announced on January 25 the most sweeping shakeup in the Romanian party and government in recent years. The country's economic problems seem to have prompted the changes, which follow a smaller reorganization only seven months ago.

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*Elena Ceausescu*



*Cornel Burtica*



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Ceausescu's apparent prescription for Romania's economic ills—which stem in large part from his ambitious development program—is to consolidate party control over the government's economic apparatus. He has advanced party activists from the provinces into the middle levels of those government sectors that are lagging.

Cornel Burtica, a party secretary, and Ion Stanescu, a former interior minister, were named deputy premiers. Stanescu also became a party secretary and may assume responsibility for military and security affairs. It is unusual for two Romanian party secretaries simultaneously to serve as deputy premiers.

New ministers were appointed for labor, electric power, and the mining and petroleum industries, and new minister-state secretaries were selected for the troubled areas of foreign trade, agriculture, machine building, and the chemical industry. Ceausescu's concern about flagging popular enthusiasm and discipline led him also to choose new people for the posts of justice minister, general prosecutor, and chairman of the Supreme Court.

Most of these ministerial appointees have strong party backgrounds. Seven are former county first secretaries.

Ceausescu expanded the party's five-man Permanent Bureau by adding his wife Elena, Burtica, another party secretary, and a deputy premier. Ceausescu appears to use the bureau to resolve day-to-day operational questions. In the past, it has seemed to focus largely on economic matters, but Ceausescu may now intend to expand its role.

The elevation of Elena Ceausescu to the bureau formalizes the considerable behind-the-scenes influence she reportedly has had in party affairs, especially in personnel matters, for some time. A full member of the party's top-level Political Executive Committee, she has now become a powerful force in her own right. She is widely disliked in Romania, and her new post may spur more charges of nepotism. [redacted]



President Tito (left) with party executive committee secretary Stane Dolanc

## YUGOSLAVIA 10 11

The Yugoslav party presidium on January 31 gave key posts in the preparations for the party congress to be held in 1978 to two bitter rivals for Tito's mantle as party leader. The move will result in a test of strength that may well determine who succeeds Tito.

Party executive committee secretary Stane Dolanc will be in charge of congress preparations and will head the highly important subcommittee on cadre matters. This post will enable Dolanc to build a personal power base in the party hierarchy.

Another sensitive working group is to be headed by Jure Bilic, a nominal subordinate to Dolanc who in fact tries to undercut him at every opportunity. Bilic has responsibility for drafting both the new party statute and a document on party organizational matters. The latter assign-

ment offers him a particularly good opportunity to undermine his rival.

The stage has thus been set for some stormy infighting before the congress meets next year. Dolanc is clearly stronger than Bilic at this stage, but their new assignments might well force uncommitted party leaders to choose sides. Dolanc will be pressed to build a consensus behind himself or face political oblivion.

The assignments appear to be a maneuver by Tito to force the party to settle on a successor without appearing to have made the choice himself. The 84-year-old leader—who celebrates his 40th year as head of the party this year—nevertheless still is capable of engineering his own succession. He can now do so by standing back and merely resolving conflicts that occur over congress preparations. [redacted]

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USSR

## ECONOMY

Soviet gross national product probably grew by about 4 percent in 1976, a marked improvement over the 1975 rate of 2.3 percent and equal to the average for the early 1970s. Although the performance of Soviet industry continued to be sluggish, agricultural output was up sharply over the previous year. Nevertheless, serious food shortages remained a feature of the USSR's economy and were surely a major concern to Soviet leaders.

Analysis of statistics presented recently to the USSR Council of Ministers indicates that farm output grew by almost 5 percent last year, following a disastrous 8.5-percent drop in 1975. A record grain crop of 224 million tons and a near-record cotton harvest of 8.3 million tons boosted crop production by over 20 percent and eased import demand. This was partly offset, however, by lower output of livestock products.

Industrial output, on the other hand, apparently rose by less than 4 percent, the poorest showing by Soviet industry for the entire period since World War II. A downturn in processed food production was the principal cause, although transportation tie-ups and fuel distribution problems contributed.

Despite a favorable performance in the energy sectors, the growth rates in production of other industrial materials was a poor omen for acceleration of industrial growth in the first half of this year. Metals, forest products, and construction materials grew at rates under 3 percent, compared with averages of 4 to 5 percent between 1971 and 1975.

For the Soviet consumer, 1976 was the worst year for food shortages in more than a decade. Early in the year, meager food supplies were reported, principally in rural areas. By spring, shortages had spread to cities. The situation improved

some during the summer, with the availability of fruits and vegetables, but meat supplies became tighter. Severe shortages of various food items are still common.

A rapid expansion in exports, coupled with maintenance of the previous level of nongrain imports, allowed the USSR to cut its hard-currency trade deficit in 1976. Last year's deficit is estimated at nearly \$5 billion, down from the record \$6.4 billion incurred in 1975.

The Soviets were able to protect their hard-currency reserves only by rapidly increasing the country's debt. By the end of 1976, net indebtedness rose to roughly \$14 billion, up \$4 billion over the previous year.

Western Hemisphere

## CANADA-BRAZIL

Canadian Foreign Minister Jamieson's mid-January visit to Brazil appears to have laid a foundation for significantly expanded economic cooperation between the two countries. It also underscores the importance they both place on broadening their foreign contacts and thus reducing their dependence on the US.

Major contracts were concluded establishing joint ventures in the areas of transportation, petrochemicals, and minerals. A half-billion-dollar barter deal was also approved involving the exchange of Brazilian iron ore for Canadian coal.

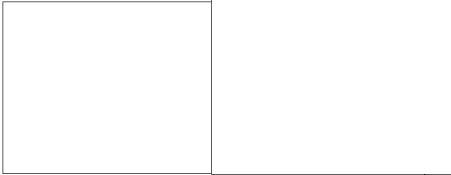
The two foreign ministers signed three major technical cooperation agreements covering a wide range of projects including telecommunications, data processing, education, agriculture, and science. One of the agreements calls for special "trilateral" arrangements providing technical assistance to third-party developing states, mostly in Africa and Latin America. Altogether, the two countries envisage increased cooperation in trade and technology amounting to

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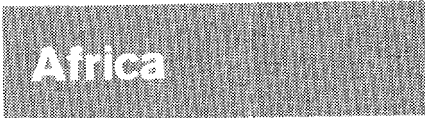
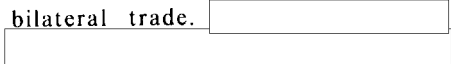
more than \$2 billion over the next 10 years.

Although the visit focused primarily on economic matters, the Brazilians and Canadians also discussed a wide range of international issues.



The Brazilians, both in their talks with Jamieson and later at a press conference, stood firm on their determination to develop a full nuclear fuel cycle regardless of foreign opposition—a position they reiterated strongly in a public statement this week.

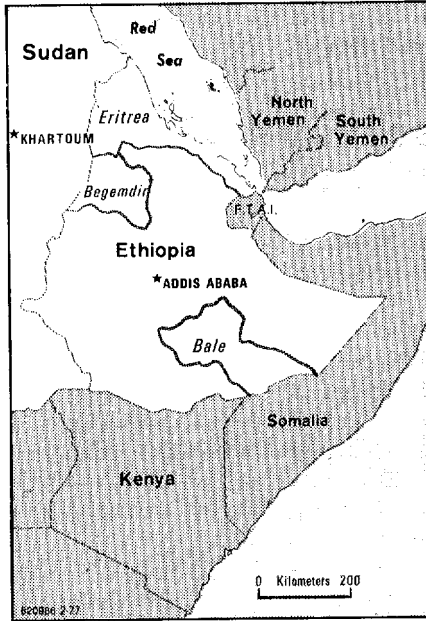
Jamieson also visited Peru and Colombia on the same trip; again the talks he had were mainly on economic subjects. In Lima, he signed six technical cooperation accords amounting to \$10 million and announced several new measures to promote bilateral trade.



### ETHIOPIA-SUDAN

Relations between Ethiopia and Sudan were jolted severely this week by Sudanese President Numayri's call on January 30 for all African states to support the Eritrean insurgents fighting against Ethiopian rule. Sudan has long allowed its territory to be used to transport supplies sent by other Arab donors to the Eritreans, but for some time Numayri had also tried to mediate the dispute.

The change in Sudanese policy is probably due to a number of factors. Numayri wants good relations with several Arab nations that already support the insurgents. His relations with Ethiopia



have been bad since last summer, in part because of his belief that Ethiopia's ruling military council, in league with Libya, is backing Sudanese dissidents.

Many of these dissidents have been given refuge in Ethiopia, where they almost certainly continue to plot against Numayri. A strong anti-Sudanese speech by Ethiopian council chairman Teferi two days before Numayri's announcement was a clear indication that the Ethiopians have no intention of limiting the activities of the dissidents.

Numayri also believes the Eritreans are likely to win their guerrilla war in the long run and may now see Sudanese support as a means of shortening the conflict, which has been going on for more than a decade.

The council's position in Eritrea has, in fact, been eroding. Recent military setbacks have lowered morale and discipline among the central government's forces in the province; last month they sent a delegation to Addis Ababa demanding a negotiated settlement of the war. The government is again trying to begin talks with the insurgents, but the attempt is no more likely to succeed than previous efforts. The Eritreans still demand in-

dependence as a precondition to negotiations, and the council in Addis Ababa refuses to give in to this demand.

Growing insurgency elsewhere in Ethiopia limits the council's ability to reinforce its troops in Eritrea. In Begemdir Province—also adjoining Sudan—the government recently lost an important post to forces of the Ethiopian Democratic Union, which aims to overthrow the radical-dominated council and install a moderate government. The Union, whose leader visited Khartoum last month, apparently was aided by the Eritrean Liberation Front.

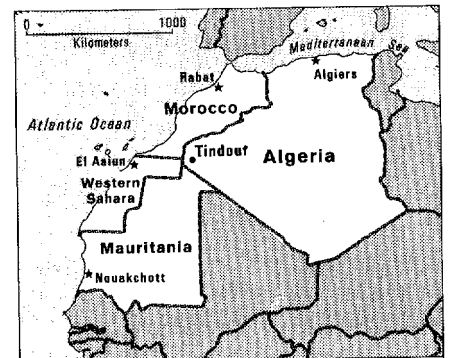
In southeastern Ethiopia, insurgents supported by Somalia have seriously eroded the government's position in Bale Province and have been active in neighboring provinces as well.

In Addis Ababa, the Ethiopian People's Revolutionary Party, an underground Marxist organization, is stepping up its activities. Last week, they included an attack on the USIS library. The party, which has support among students and workers, aims to oust the military and establish a civilian regime.



### WESTERN SAHARA

More aggressive counterinsurgency tactics by the Moroccan army in Western Sahara since last fall have failed to curb scattered attacks by guerrillas of the



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Algerian-backed Polisario Front, which seeks independence for the former Spanish colony partitioned by Morocco and Mauritania last year. The Moroccans, faced with declining army morale, may have decided to sponsor guerrilla attacks of their own inside Algeria.



### SOUTH AFRICA

South Africa has completed a pilot uranium enrichment plant near Pretoria. The plant may now be operating and approaching full capacity, after more than a year of technical difficulties.

Statements by the South Africans have emphasized the effectiveness of a secret enrichment process they have developed. It is unclear, however, whether the statements reflect the actual technology of the pilot plant or instead represent South African expectations of future plant performance.

If the claims are applicable to the pilot plant, the facility can be used to produce weapon-grade uranium. In continuous operation, the plant would be capable of enriching uranium far above the level required for South Africa's nuclear power program. To reach weapon-grade enrichment levels, enriched uranium would be recycled through the plant. Enough weapon-grade uranium could probably be

produced in a year to make several dozen nuclear devices.

The enrichment plant may well be significantly less effective than the South African claims would indicate. It was built with emphasis on ease of construction and minimal foreign involvement, using unsophisticated technology and materials.

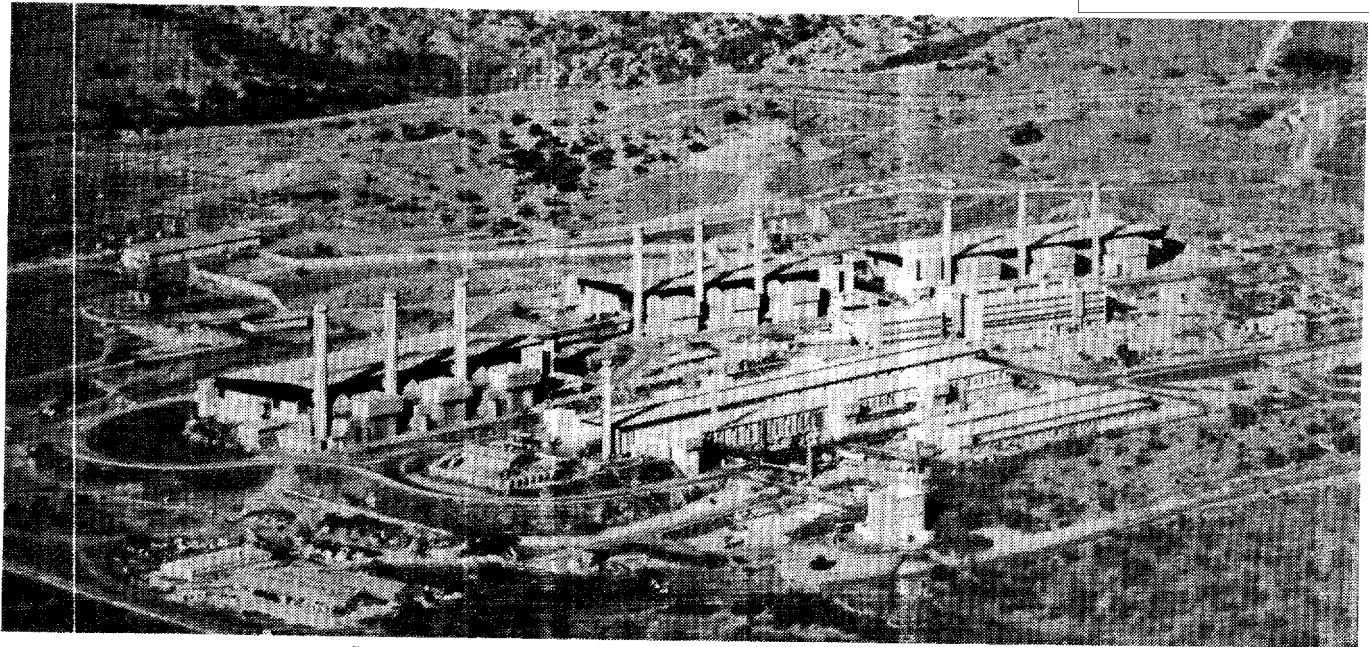
As a result, the equipment installed may not be able to achieve enrichment levels comparable to those obtainable with laboratory equipment. In that case, the plant may be capable of producing only some 30 tons of slightly enriched uranium per year, enough to meet the refueling requirements of one large power reactor.

South Africa plans to build a second enrichment plant with a much larger capacity, to be operational in the mid-1980s. It is seeking foreign investment and more advanced technology for this project. If these plans are realized, South Africa will be able to supply up to 10 percent of reactor-grade uranium enrichment services expected to be sought by the noncommunist world by the mid-to-late 1980s.

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*South Africa's first uranium enrichment plant, near Pretoria*



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Asia

## CHINA 77-53

Chinese leaders appear to be debating what portion of their budget to allocate to defense and how much to invest in developing the economy. The issue is a touchy one for recently installed Chairman Hua Kuo-feng, who favors emphasizing economic development but cannot afford to offend many important military leaders.

The question was moved to the fore in December with the publication of a 1956 speech by Mao that emphatically called for gradually reducing "military and administrative" costs and increasing investment in economic development. Soon after the speech was published, the Canton Military Region explicitly agreed with the concept of giving first priority to economic development. The other 10 military regions have expressed general agreement with Mao's instruction but have yet to endorse it openly.

On January 20, the National Defense Industry Office—the principal body supervising China's defense industry—published an article that seems to agree with Mao's instruction. The article also urges, however, that defense industry should be developed "as fast as possible."

The article appears to be arguing that no rigid distinction should be drawn between rapid military modernization and economic development. Defense industry, it points out, stimulates economic development by making "new demands on other industries and on science and technology."

There is also an important political message in the article. It implicitly exonerates former vice premier Teng Hsiao-ping of leftist accusations that he took a "revisionist" line in implementing Chinese military policy during 1975.

This is yet another indication that the way is being prepared for the rehabilitation of Teng a second time. With the allocation of resources probably becoming an increasingly difficult issue for the Chinese leadership, Teng's military connections and administrative talents may be needed by Hua and his supporters to strike a balance between military and nonmilitary spending.

Some military leaders may be apprehensive that civilian planners will take Mao's 1956 dictum too literally and try to cut the military budget substantially. Moreover, the question of just where adjustments should be made in defense spending is bound to be a contentious issue within the military. [redacted]

## INDIA 56-57

Prime Minister Indira Gandhi, who appeared to be sailing toward a certain victory in the national election scheduled for next month, was abruptly confronted with a new, possibly serious complication this week. Several influential members of her Congress Party rebelled against her leadership and announced plans to form a new political grouping.

Agriculture Minister Ram, a veteran cabinet member and the spokesman for India's "untouchables," resigned from both the party and the cabinet, charging that Gandhi is leading India toward despotism. Ram was joined by five others, including former chief ministers of the important states of Uttar Pradesh and Orissa. A prominent member of the party in West Bengal reportedly has also resigned. The rebels said they would coordinate efforts in the campaign with the existing noncommunist opposition parties.

Gandhi, who survived a serious split in the party in 1969, enjoys substantial personal popularity and considerable political leverage as prime minister. Moreover, she retains control over a party organization that is active in almost every village. Still, the defections raise serious

questions about Gandhi's chances in four states, including Uttar Pradesh, where she is from, and Bihar, Ram's home state. Together, the four states have about 40 percent of the seats in Parliament.

If Ram and the other defectors can retain the loyalty of their followers and if they can work out an election arrangement with the main opposition parties—most of which have joined together for the campaign—Congress Party candidates will be threatened in many constituencies. In the past, Congress candidates have frequently won elections with pluralities or small majorities.

Gandhi apparently has already begun a strong counterattack against Ram, mobilizing a large number of leading members of the Congress Party to attack his decision. The committee that sets party policy has unanimously criticized his resignation. [redacted]

## NORTH KOREA-USSR 77-54

North Korean Premier Pak Song-chol's two-day visit to Moscow last week was the first by a high-ranking North Korean since 1972. There are no indications that he accomplished his probable main purpose—persuading the Soviets to increase their political, military, and economic support of North Korea.

Soviet - North Korean relations have been cool in recent years. The USSR recognizes that Chinese influence is predominant in Pyongyang and sees its interests best served by maintaining the status quo on the Korean Peninsula. Soviet aid to North Korea has declined markedly since 1973.

In speeches during Pak's visit, Premier Kosygin delivered pro forma reiterations of Soviet support for the withdrawal of all foreign troops from South Korea and for speeding "peaceful reunification" of the Koreas. He made no mention, however, of the recent proposal by Kim Il-song's regime for talks between the two Koreas

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or of its claim to be the only legitimate Korean government.

No Soviet military personnel were identified as taking part in the discussions with Pak's delegation, and it is unlikely that much new military aid was provided. The Soviets are probably aware that North Korea's armed forces already have a quantitative weapons advantage over those of the South and thus see no compelling need to provide Pyongyang with additional sophisticated equipment.

Talks about economic and trade relations may have been somewhat more productive. A press release issued at the end of the visit said that the two sides had discussed ways to expand economic and trade relations, and a Soviet deputy minister was sent to Pyongyang for follow-up discussions shortly after Pak left Moscow. It is doubtful, however, that the USSR is offering North Korea any hard currency to help it with its current debt problem with Western creditors—one of the principal economic concerns of the North Koreans just now.

The Pak visit failed to produce a Soviet invitation to North Korean President Kim Il-song. Kim had been angling for a meeting with the Soviet leaders to balance his highly publicized trip to Peking in April 1975, but the Soviets put him off, in part because of the negative impact such a visit would have on their relations with the US. In view of the passage of time, the Soviets may calculate that the full protocol treatment given Premier Pak has reduced, if not eliminated, any need for a summit-level meeting. [redacted]

## AFGHANISTAN

A constituent assembly chosen in a controlled election last month will soon approve a new constitution for Afghanistan that will formalize the concentration of power in President Daoud's hands. The



*President Daoud*

assembly also will elect Daoud, who took over after a military coup in 1973, to a six-year term as president.

The constitution establishes a strong executive, a weak legislature, a judiciary that may acquire limited independence, and a single political party headed by the president. The party will nominate all candidates for parliament and the presidency. Daoud is creating a "Party of National Revolution" that clearly will be responsive to him.

Daoud will appoint the cabinet and one or more vice presidents and, during an initial transition period, will also have judicial and legislative powers. The parliament, which is not to begin functioning until November 1979, will consider bills proposed by the government or the judiciary; whether it will be able to initiate legislation is unclear.

Major decisions are to be ratified by the constituent assembly. The constitution establishes the assembly as a permanent

supreme institution consisting of the parliament as well as senior government, military and party officials, provincial representatives, and persons appointed by the president.

As long as Daoud remains in power, the legislative roles of both the parliament and the constituent assembly are likely to be limited to automatic approval of his decisions. The parliament will thus be even less influential than the elected legislatures brought into being by former King Zahir during the last years before he was overthrown by Daoud.

The US embassy believes Daoud is nevertheless trying to create a framework in which the people could eventually have a greater voice in political affairs, but only when he decides the time is right. In the meantime, approval of the new constitution by the assembly will probably enhance the legitimacy of Daoud's rule in the eyes of many Afghans. [redacted]

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*Key developing nations are likely to seek an early test of US policy on North-South issues, and they may try to play on differences among the industrialized states to bring added pressure on the US.*

## North-South Dialogue: New Strains Ahead

The atmosphere of accommodation that eased tensions in North-South relations after the Seventh Special Session of the UN in September 1975 is under serious challenge.

Developments over the past several months have created political pressures within both camps that could lead to another round of confrontation. For the US, this could mean new strains in relations not only with key developing countries but also with West European allies and Japan. The developing countries apparently intend to put US policy on North-South issues to an early test. A number of meetings that are scheduled this year will provide them with additional opportunities to put pressure on the US and its allies.

### Pressures from the South

The demands of developing countries have been specified many times since the first call for a "new international economic order" at the summit meeting of the nonaligned states in Algiers in September 1973. The demands cover virtually all aspects of international economic relations, but four areas of major contention with the industrialized countries are likely to be the focus of negotiations in 1977.

The developing countries are demanding:

- Establishment of formal

mechanisms, under their control, that would guarantee and substantially increase the real prices of raw materials they export to the industrialized states.

- A greater say in review and reconsideration of their official and commercial debt obligations. Some support this objective reluctantly, but all support the demand that the debt burden of the poorest developing countries be forgiven or delayed.

- Mandatory programs for the transfer of technology to them and improved access to financing and markets in industrialized states for manufactured goods and semi-processed raw materials.

- Allotment by the industrialized states of at least 0.7 percent of their gross national products for official development assistance by 1980.

Last December, developing country participants in the Conference on International Economic Cooperation agreed to postpone ministerial-level negotiations until a new US administration had taken office. The review conference that had been scheduled to begin on December 15 was to be an important test of progress in the North-South dialogue between the industrial and the developing countries.

Postponement of the review conference probably avoided a showdown over the developing countries' demands, especially their highly contentious insistence on debt relief. It also provided time for

behind-the-scenes efforts to insulate CIEC from pressures by some members of the Organization of Petroleum Exporting Countries, notably Saudi Arabia, to link future oil price decisions, in part, to US concessions.

Brazil, Venezuela, Argentina, India, Indonesia, Zaire, and Zambia—all self-styled moderates in the North-South dialogue—have indicated that their support for the postponement of the December conference was based, in part, on expectations that the new administration will soften the US position on debt rescheduling and ask Congress for increased US contributions to the World Bank's soft loan facility.

Such initiatives, these states argue, will be essential to the continuation of the CIEC and to the success of US diplomacy in the commodity consultations being carried out under the aegis of the UN Conference on Trade and Development. Progress in these areas will also affect such issues as law of the sea, the UN's international development strategy, reform of the General Agreement on Tariffs and Trade, as well as discussions with key developing states such as Brazil and Iran on regulating the export of nuclear technology.

The politically moderate developing countries in CIEC are under pressure to show other developing countries that negotiations with the industrial states can lead to the realization of at least some of their goals. Many of the countries that

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have acted as moderating influences at CIEC and elsewhere may threaten to change their tactics if there are no early initiatives to break the impasse on the debt issue or to demonstrate "good faith" by increasing official development assistance to the lending institutions preferred by developing countries.

The developing countries will likely voice renewed skepticism about the US commitment to a North-South dialogue, and at least some will threaten to reconsider their willingness to negotiate behind the scenes with the US and other industrial countries to reach compromises. At least initially, however, this is likely to be posturing aimed not at alienating the US or at breaking off the dialogue, but at getting the US more engaged in seeking mutually satisfactory compromises on North-South issues.

Most developing countries—especially the more influential ones—believe that active US leadership is essential for progress on such key issues as commodity agreements, debt relief, and the reform of international financial institutions, which will be high on the agenda of the North-South dialogue in 1977.

#### Coming Meetings

Talks will begin in Geneva on March 7 on a proposed UNCTAD fund to stabilize prices of raw materials. The developing countries will view the initial stands of the industrialized states as a test of their willingness to negotiate. The UNCTAD talks could thus influence talks in the CIEC framework. At the same time, the scheduling of the CIEC ministerial is certain to depend on when the economic summit meeting of the major noncommunist industrialized countries is held.

A delay of the CIEC ministerial meeting until June would subject it to pressure from the OPEC oil ministers' conference that will be held in early July. Additional pressures on US policy could also result if the UN General Assembly is called back into session. Delegates agreed last December not to adjourn as usual but to recess and then reconvene after the CIEC ministerial to evaluate progress in the North-South dialogue.

An unsatisfactory CIEC ministerial—or its cancellation—would provide the poor countries with the opportunity to raise North-South issues again in a highly politicized fashion in the UN General Assembly—a forum where the US and the industrialized states are at a distinct disadvantage.

#### Pressures From the North

US policy toward developing country demands will also be complicated by the likelihood of conflicting pressures in 1977 from the West European states and Japan over how that policy is formulated and the shape it takes.

These states are more dependent on the developing countries—as suppliers of raw materials and markets for exports—than is the US, and some groups in Europe and Japan argue that the US would have less to lose than they should a new confrontation between industrialized and developing countries erupt. At the same time, however, some West German and Japanese officials are concerned that the US may move too quickly to accept some of the developing country demands. They will exert pressure for close consultations.

Many West Europeans argue that the industrialized countries' policies must be developed cooperatively if their support is to be counted on, and they, as well as the Japanese, have been looking for early meetings with the new administration on these issues. The EC has been working on new positions for CIEC and the UNCTAD talks and will reportedly soon seek to involve the US in discussions on these proposals.

Finding a common stand, however, is likely to be complicated by differences in regional and historic economic interests and relationships and by the differences in each of the industrialized states' perceptions of its vulnerability to pressure from the developing countries.

Some of the European states and the Japanese believe, for example, that they might face serious social and political disruptions should a new round of North-South friction lead to uncertainties over raw materials supplies. The West

Europeans face the additional burden of harmonizing policy among the nine members of the EC before they can begin to negotiate a common stand with the US and Japan.

There are, however, many common points of interest among the industrialized states; continued efforts to find a common response to developing country demands stem even more from this than from a recognition of the tactical disadvantages of disunity. Virtually all industrialized states agree that wholesale acceptance of the developing countries' demands would undermine the stability of existing economic and political systems.

At the same time, most agree that to refuse to concede on any demands or to fail to put together a program of action on which most developing countries would find it possible to compromise could lead to a strong reaction by the developing countries and with it the possibility of tension in relationships among the industrialized states.

#### Implications

To date, most of the political tensions in North-South relations have been caused by the developing countries' search for bargaining leverage. Ever since the 1973-1974 Arab oil embargo, the non-OPEC developing countries have tried unsuccessfully to convert control of raw materials into influence over the industrial countries.

Current indications are that a growing number of influential developing countries believe their most potent leverage may now lie in exploiting the political divisions among the industrial countries on North-South issues. A key objective of this strategy would be to intensify pressures from the industrialized states on the US to soften its opposition to some developing country demands.

Unless tensions within both camps are checked, a new round of North-South confrontation could interfere with attempts to address cooperatively such pressing global issues as energy shortages, food and population problems, and the performance of the world's economy.

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*East Germany in recent weeks has hardened its attitude toward West Germany and the status of Berlin. The new stance, in part, reflects a belief by both the East Germans and their Soviet supporters that West German Chancellor Schmidt's approach toward Ostpolitik is more negative than his predecessor's.*



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## ***East Germany: A Harder Attitude***



East German sensitivity—and by extension Soviet sensitivity as well—toward West Germany and Berlin has heightened recently. The East Germans have removed some of the few remaining symbols of the special status of East Berlin. Last week the Honecker regime struck out sharply against the West German government in a formal diplomatic note.

Since the first of this year, the East Germans have taken several steps that indicate a hardening attitude. They include:

- Requiring entry visas to East Berlin for non-German third country nationals, excluding Allied personnel.
- Removal of border markers at the East Berlin - East German border, thus removing a symbolic reminder that East Berlin is not an integral part of East Germany.
- Temporarily turning back East German citizens attempting to visit the West German mission in East Berlin to obtain emigration visas.
- Occasionally refusing West Germans and West Berliners entry into East Berlin.
- References in the party daily on January 13 to the formation of a ninth city district in East Berlin. This step could be used by East Germany as another demonstration of its "sovereignty" over East Berlin.
- Heightened polemics against West German leaders, including recent

personal criticism of Chancellor Schmidt and West Berlin Mayor Schuetz.

On January 27, the East German government handed a toughly worded aide-memoire to the head of the West German permanent mission in East Berlin. The note criticized West Germany for presuming "to concern itself with the interests of East German citizens" and said East Germany expected Bonn to "desist immediately from any activity"

interfering in East German domestic affairs. This is an implicit reference to the West German mission's counseling of East Germans who apply for exit visa applications. The note added that cooperation could come only when West Germany recognizes that there are "two sovereign, mutually independent German states."

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*East German guard observes memorial service in East Berlin last August honoring border guards killed during escape attempts by refugees*



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## NERVOUSNESS IN WEST GERMANY AND BERLIN

### Possible Motivations

Several factors apparently underlie these actions. Among them are concern about the impact on the populace of the emigration provisions of the 1975 Helsinki accords, and especially the recent surge in applications for exit visas.

The regime is also unhappy over what it sees as a more negative attitude by the West German government toward East Germany. This includes inertia in inter-German movement toward agreements, references by West German leaders that could be interpreted as non-recognition of East Germany's "sovereign" status, and the "meddling" role of the West German mission in East Berlin.

There are signs of Soviet concern about the unrest in East Germany, which the Soviets attribute in part to the impact of the Helsinki accords and in part to the expanded contacts between the two German states in recent years. These concerns may be behind Moscow's apparent approval of East German efforts to reduce visible signs of the special status of East Berlin.

US embassy contacts in East Germany have hinted that the leadership is also annoyed with West German Chancellor Schmidt's failure to give clear—and tangible—signals that he wants better relations with East Germany.

In removing some of the remaining overt signs of East Berlin's special status, the East Germans have been careful so far to nibble at gray areas of understandings on Berlin. Many of these measures are no doubt designed to impress the populace that the regime is indeed in sovereign control over East Berlin. Nothing East Germany has done so far undermines the continuing four-power status of the city.

### The Soviet Angle

East German efforts to put pressure on West Germany almost certainly enjoy active support from the Soviets. For one thing, Moscow shares East Germany's

Nerves are on edge in West Germany and West Berlin as a result of the recent series of unfriendly moves by the Soviet-supported East German regime of Erich Honecker. This week rumors were flying that action involving East German, and possibly even Soviet, troops might be pending.

Feeding the rumors, in addition to the East German regime's crackdown on attempts by its civilians to emigrate and its recent efforts to erode the special status of East Berlin, was a call-up of some East German reservists. The call-up, in fact, appears to be a routine move unrelated to any crisis situation, although it is being characterized as

full-scale "mobilization" in some stories.

Rumors about the purpose of the "mobilization" are varied. Some suggest that it has been necessitated by the prospect of serious disorder in East Germany, and others link it with possible action against Allied interests in West Berlin and particularly Allied access to the city.

The "explanations" strain credibility, although there is surely considerable unease in East Germany and some unofficial East German spokesmen have made threats about curtailing West German traffic through East Germany.

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suspicion of the Schmidt government and believes that Schmidt lacks the commitment to Ostpolitik of his predecessor, Willy Brandt.

The Soviets are suspicious, too, of West Germany's intentions toward West Berlin and the ideological inroads of the West in East Germany as a result of the expansion of contacts between the two Germanies. But Moscow is also concerned that the East Germans themselves have been moving too close to the West Germans, particularly in the economic sphere. For the Soviets, then, a period of some tension between the two Germanies might not be a bad thing.

The Soviets may, in addition, be using the East Germans to test the forbearance of the Western powers in a low-risk way. The evidence, however, suggests that the Soviets have not been the prime movers.

Moscow's attitude is the key to how far the East Germans are willing to push. At

present, the USSR has larger foreign policy objectives, so it seems likely that Moscow will want to keep the rising tension between the two German states within bounds and to prevent another serious Berlin imbroglio.

The Soviets would probably support the East Germans, however, in any steps they might take to keep contacts between the two Germanies under control. The options available to the Honecker regime include:

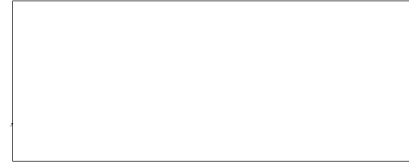
- Imposing some restrictions on travel to East Germany by West Germans and West Berliners.
- Taking a tougher line toward East Germans desiring to emigrate.
- Pressing the Soviets for a stricter interpretation of the 1971 Quadripartite Agreement on Berlin.
- Increasing the mandatory currency exchange rate for visitors to East Germany.
- Introducing visa requirements for West German citizens visiting East Berlin. This, however, would violate the 1972 East-West German transit agreement.

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*The suppression over the years of black organizations that might have served as channels for peaceful pressure makes it virtually certain that rising black assertiveness will be expressed in increasingly violent action.*



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## South Africa: Continuing Racial Tensions

The most extensive urban violence in South African history has subsided, but racial tensions remain appreciably higher than before the violence started last June in the black township of Soweto. Furthermore, the day-to-day interaction between government authorities and urban blacks seems stuck in a pattern of confrontation that will be difficult to reverse.

Indeed, the future seems sure to bring more, not less, violence to South Africa, which is increasingly exposed to the pressures of black nationalism. At least some of these pressures, and the black activism they have given rise to, might be finding a peaceful outlet had not the authorities, over the years, suppressed a wide range of organized activities among urban blacks that could have served to channel black action into nonviolence.

Such suppressive tactics have radicalized thousands of students and driven hundreds to take refuge abroad, where they may serve as recruits for foreign-based insurgent activities.

For the first 15 years or so after the 1948 electoral victory of the Afrikaners' National Party and its apartheid policy, active resistance to the system among blacks came mainly from communist-oriented organizations spawned by the white South African Communist Party, which was suppressed in 1950. The oldest of these, the African National Congress, has maintained ties through the years with the USSR. The Pan-Africanist Congress, which split off from the ANC in 1958, has looked primarily to China for support.

In the early 1960s, the ANC, the PAC, and their covert action groups conducted

many small-scale acts of sabotage and violence. The PAC also took the lead in organizing mass violations of various apartheid rules, including the march in 1960 that resulted in the "Sharpeville massacre"—the bloodiest single clash between police and blacks in South African history

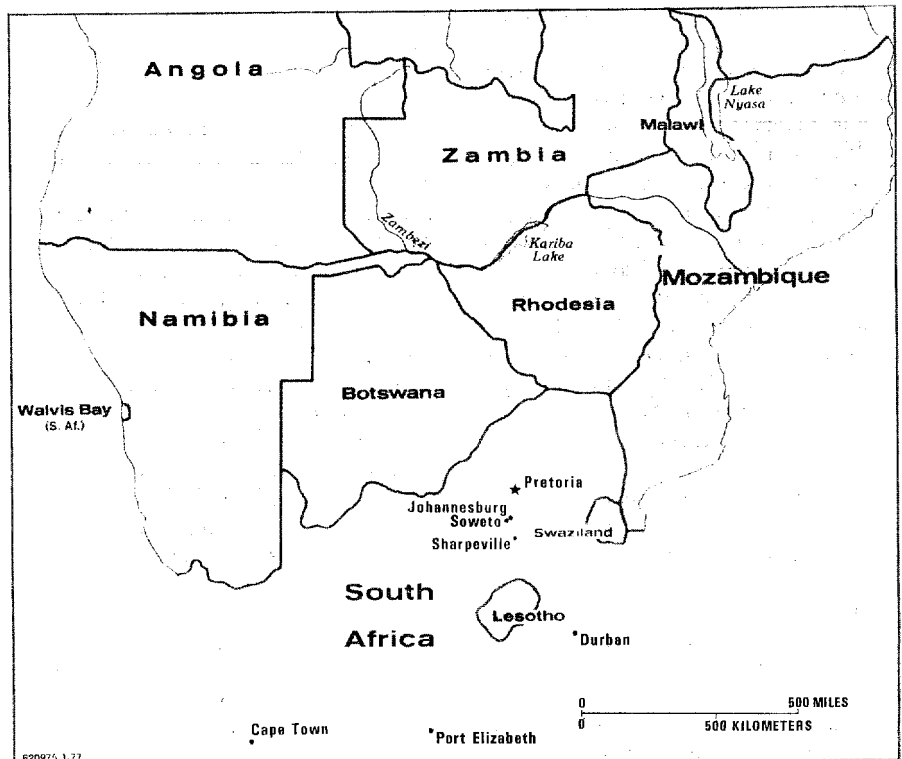
### Groups Suppressed

By the mid-sixties, both groups had been thoroughly suppressed inside South Africa, and their most active members were in either prison or exile. Both groups

set up offices in several African capitals. Each has received some support from the Organization of African Unity and maintains guerrilla training bases in Tanzania. There is no evidence, however, that significant numbers of trained insurgents have returned to South Africa.

As the police rooted out the communist-oriented organizations, students emerged as the most vocal opponents of the apartheid system. A separate national black student group came into existence in 1969, when a number of black student

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*Fire-gutted shopping center in black township near Cape Town shows effects of rioting last August*

leaders broke away from the predominantly white South African student union and founded the South African Students' Organization. Its leaders enunciated "black consciousness" as a non-violent legal strategy for overcoming white supremacy.

#### **Organization Grows**

Within a few years, the South African Students' Organization had formed strong units at most of the universities for nonwhites and had also launched the South African Student Movement at the secondary level. Leaders of the student organizations were also instrumental in the formation of the Black People's Convention, which is intended to develop solidarity among adult residents of the black townships.

From its start, however, the "black consciousness" movement has reflected tensions between moderates, who have hoped to win a better deal for blacks by nonviolent action, and militants, who have tried to provoke police crackdowns

that would radicalize the participants in protest actions.

Police harassment has tended to tip the balance against the moderates. Although none of the "black consciousness" groups has been outlawed, many leading members have been arrested or "banned," a system of personal restrictions amounting to virtual house arrest. By 1975, both the South African Students' Organization and the Black People's Convention had in effect gone underground.

By early 1976, the only nonwhite urban organizations not subject to harassment were the authorized representative bodies of each nonwhite racial group—the urban Bantu council in each black township, the South African Indian Council in Durban, and the Colored Representative Council in Cape Town. Although these bodies have popularly elected as well as appointed members, they can only submit recommendations to white administrative officials in the segregated residential areas.

Since last June, sporadic urban rioting has occurred in the all-black residential areas outside Johannesburg, Pretoria, Cape Town, Port Elizabeth, and smaller cities, and in the colored (mixed blood) areas near Cape Town. By mid-September, after the outbreaks had subsided, the rioting had brought death to at least 300 blacks, 30 coloreds, and a few whites. Almost all of the rioting, arson, and other property damage was confined to the black or colored townships.

#### **Student Militancy**

The students who first clashed with police in Soweto last June were protesting the mandatory use of the Afrikaans language as a medium of instruction. Their march, like most of the subsequent student demonstrations, was intended to broaden participation in school boycotts.

As the police increased their arrests of student militants and blacks suspected of encouraging the militants, demands for the release of the detainees became the basic motif of the protests. The students

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began calling for area-wide work stoppages to show that all urban blacks supported such demands and wanted basic changes in the government's racial policies.

The new tactic met with a measure of success, but also led to some violent clashes between students, who were trying to impose the work stoppages, and migrant workers, who did not want their earnings interrupted. The most serious of these clashes, in Soweto last August, resulted in the worst bloodshed and most extensive property damage of the rioting period.

The most successful work stoppage organized by the students occurred in the Johannesburg area in mid-September, when they sponsored a three-day strike in which at least 70 percent of the black industrial workers in the metropolitan area participated. A call for a five-day general strike in early November, however, went largely unheeded after employers had made clear that all workers would be docked for absenteeism during the strike.

#### Fresh Leadership

Government spokesmen have asserted that the surge of student militancy was orchestrated by the foreign-based insurgent organizations, presumably working through the "black consciousness" groups inside South Africa.

Emigre leaders of the African National Congress and the Pan-Africanist Congress have made similar claims. Neither the authorities nor the emigres, however, have presented convincing evidence of centralized direction or of significant support for the student militants from existing black organizations.

The protest actions that clearly required concerted leadership—particularly the mid-September strike among black industrial workers—have displayed the non-violent tactics of the "black consciousness" groups. It seems likely that the students who have played leading roles in such action since June had some earlier association with the student unions.

The frequent skirmishing between students and police has shaped a new style

of leadership—less cohesive than the student unions, but more flexible and resilient. The new leadership has demonstrated its existence, yet has largely evaded detection. The new student leadership may be more structured than it appears; it probably has organized support within each black and colored township.

Only one of the new local groups—the Soweto Students' Representative Council—has openly flaunted its militant leadership. Tsietsi Mashinini, the council's first president, told a journalist that he was on an "action committee" that



Prime Minister Vorster

organized the protest against compulsory use of Afrikaans in June. By August, when Mashinini escaped to the UK, the council had emerged as the most prominent student group in Soweto.

The council's elusive leadership, usually manifested through leaflets circulating in Soweto, appears to be taking setbacks in stride and asserting influence in whatever ways it can. Since August, the council has called for carefully prepared boycott actions instead of mass demonstrations that draw police gunfire.

The council's reputation as a "shadow

government" came to a peak with the highly effective and largely nonviolent strike of black industrial workers in mid-September. The Soweto students had apparently not only mobilized their parents, but had also extended their influence to other townships in the Johannesburg area.

The negligible response to the council's strike call in November was a setback for the students. This was partially offset, however, by a positive response by Soweto residents to the council's calls for other boycotts. The government liquor stores and many of the "sheebens"—illegal bars operated by blacks—have been closed since early November. The near-total student boycott of year-end exams has also been attributed to the council.

#### Police Crackdown

Last June, the police arrested hundreds of participants in the first round of rioting in the Johannesburg area and began a roundup of activists in the "black consciousness" groups still at large. Through July, however, government leaders were receptive to prominent urban blacks who had stayed clear of dissident activity and were offering to mediate between the authorities and the thousands of newly militant students.

In early July, an agreement to phase out Afrikaans as a language of instruction in the black schools was reached at a meeting between a cabinet minister and a delegation from the Soweto Bantu Council.

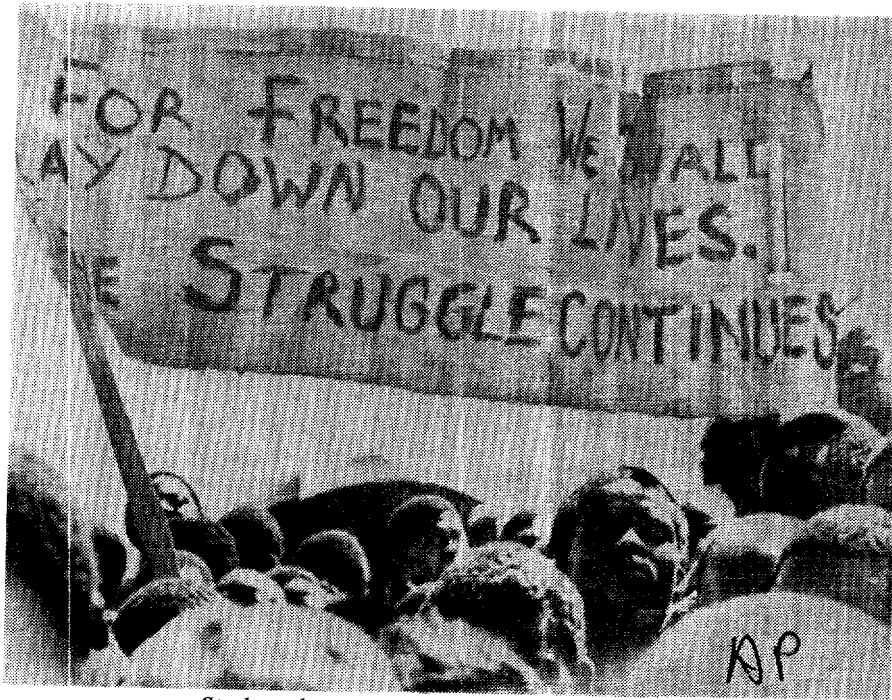
The agreement seemed a psychological breakthrough and encouraged the formation of such groups as the Black Parents' Association in Soweto, which sought a hearing for more grievances than the usually docile members of the Bantu council had seen fit to express.

In early August, however, a second round of student demonstrations and rioting broke out in Soweto and spread to other localities. In response, government authorities not only broke off talks with the Soweto Bantu Council but also began arresting the leaders of the Black Parents' Association.

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*Student demonstrations in Soweto last October*

recruited significant numbers of the refugees who claimed membership in one of the student unions.

#### Outlook

The flow of recruits for the foreign-based insurgent organizations will continue as long as the South African government persists in its repressive tactics toward blacks striving for a nonviolent transformation of the apartheid system.

Prime Minister Vorster has recently authorized some economic palliatives for black grievances, such as allowing residents of black townships to buy the homes they had been renting, but he has reasserted his determination to keep urban blacks politically impotent.

Many of the blacks who had been detained without trial for months were released in December. Some of them will surely go underground; others will join the refugees abroad.

The increased flow of refugees may augment the foreign-trained guerrillas at the Tanzanian bases of the South African insurgent organizations, but it seems unlikely that the black states adjacent to South Africa will allow extensive cross-border operations. Even the militant leaders of Mozambique are wary of South Africa's superior economic leverage and military capabilities.

As states farther north increase their backing of South African insurgency, however, mounting pan-African pressures will eventually compel the border states to permit passage of small guerrilla cadres.

Even if incursions by guerrilla squads become frequent, it will be difficult for guerrillas to do serious damage to important military or industrial targets. On the other hand, even occasional instances of small-scale urban terrorism or sabotage would very likely trigger costly expansions of South Africa's economically burdensome security forces.

Given the Afrikaner predisposition to lash out at any flicker of black revolt, small-scale insurgent strikes would be likely to draw sweeping repressive measures that would heighten already explosive racial tensions.

From Soweto to other black townships across the country, the most extensive police roundups in South African history gathered momentum. In late August, the minister of justice and police acknowledged that some 800 "subversives" were under detention. The dragnet has been extended to teachers, social workers, clergymen, journalists, and others suspected of encouraging student militancy.

Ever though the rioting has subsided since September, the silencing of actual or potential agitators continues. In November, there was a marked increase in orders prohibiting "banned" individuals from continuing activities that are lawful but disapproved of by the authorities.

Among the persons "banned" in November, 27 were involved with black trade unions. A few were union officials. There is no evidence that black unions had helped the student militants to stage the general strikes in the Johannesburg area.

Others "banned" in November were whites engaged in such projects as a train-

ing program for union officials in Johannesburg and a survey of wage scales.

In early November, intensified police efforts to ferret out student militants in Soweto caused a sudden increase in the flow of black South African refugees to neighboring countries. By late November, at least 500 refugees from Soweto had arrived in Botswana and some 200 in Swaziland.

Most of the refugees apparently had fled on the spur of the moment to evade police searches of their neighborhoods. Some told authorities in the host countries that they wanted to continue academic studies wherever they could find places, but many said they were determined to get military training and return to South Africa as "freedom fighters."

In Botswana, where authorities have allowed the rival South African insurgent organizations to conduct discreet recruiting, the African National Congress and the Pan-Africanist Congress are vying for the allegiance of the newly arrived refugees. Each group reportedly has

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*A debate among Argentines in and out of government over whether to reorder the structure of national authority mirrors their propensity for politics despite the junta's ban on political activity. The debate is likely to cause President Videla increasing problems.*

## Argentina: Debate on Junta

Argentinians in and out of government are actively debating the question of whether the structure of national authority should be altered; a number of substantive points on the matter have been raised in the press.

To a large extent, the debate mirrors the irrepressible tendency of the highly politicized Argentines to have their say despite government bans on political activity and discussion. There is, however, genuine concern that power should be wielded differently in succeeding phases of the "revolution." In addition, some see in the debate a chance to influence events in their own favor.

The politics of Argentina, where formal institutions even in normal circumstances play only a secondary role, are generally played out in behind-the-scenes fashion. Thus, the debate is far from an irrelevant exercise, despite its lack of official sanction. Many participants are military men or have contact with influential officers.

Virtually all the current speculation presupposes the continuing existence of the three-man military junta, but it seems a foregone conclusion to most Argentines that the formal power structure will eventually be modified. Debate centers on whether the presidency of Argentina, now held by army commander General Jorge Videla, should continue to be held by a member of the junta or should go to a fourth man.

Many believe that the current structure, which has worked well during the period

when the military was consolidating its authority, does not give the presidency the necessary power to direct longer term policies and plans. Some commentators have suggested that leaving the presidency within the junta actually worsens the potential for crippling interservice rivalries.

The particular facets of this administration that are causing concern are its perceived lack of dynamism—at times outright clumsiness—and President Videla's mild, some say indecisive, manner. To many, the junta seems to have "run out of steam." There has been no resolution of the most pressing political problem, the uncertain status of the powerful labor movement, despite frequent announcements that a new regulating law is about to be presented.

Moreover, the statements of cabinet members have sometimes contradicted those of other top officials or have been at variance with subsequent policy. Hundreds of complicated, confusing directives are still being sorted out and interpreted.

Because he eschews personal power and has advocated a relatively moderate line, President Videla seems to many inadequate to the task of bringing order to this situation. The conciliatory approach he favors is necessary to bring badly divided Argentines together is viewed by his detractors as weakness.

All Argentine political sectors have a strong interest in the outcome of the debate, and politicians, journalists, unionists, and others are probably joining in

as much to test and challenge the regime as to express real concern. The unions in particular see an opportunity to contribute to a weakening of the junta's power. Labor leaders, more than any other group, have been engaged in a test of wills with the junta and are seeking ways to demonstrate their strength.

The debate is likely to cause increasing problems for Videla, chiefly because it appears to have the backing of at least some highly placed individuals in the government. Videla thus can hardly afford to continue ignoring the situation, as he has seemingly done so far.

Within the regime, one of the men most likely to take a strong interest in effecting change is navy commander and junta member Admiral Massera. Another is Planning Minister General Diaz Bessone, who last year outmaneuvered Videla to engineer changes that gave him his cabinet post and placed him next in line for the presidency. Both are highly ambitious and apparently regard Videla as politically vulnerable.

The two will not necessarily be able easily to profit from the debate. Massera has tried in the past to unsettle the junta—and Videla. The President, for all the complaints that are heard, continues to have substantial support in and out of the military. Moreover, any alliance between Massera and Diaz Bessone will be sorely tested by the inevitable rivalry between the two power-seekers.

The debate and the machinations of men like the navy chief and planning

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minister will not necessarily undo the President, even if that is intended. It seems clear, however, that Videla will increasingly need to be on guard lest he be caught unaware, and that he will have to

divert his attention from policy matters he wants to address as chief executive.

Ironically, in attempting to protect himself from his critics, Videla may become still more vulnerable to the charge

that he is ineffective. This in turn could strengthen the hand of his political rivals and lend further weight to the argument that changes in the power structure are indeed needed. [redacted]

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*Contrary to some earlier predictions, it now appears unlikely that China will become an important exporter of crude in the foreseeable future.*

## China: Oil Prospects

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China's potential as an oil exporter has been a subject of interest in noncommunist industrialized countries since the Chinese made their first commercial sale of crude oil in 1973 during the Arab oil embargo. Some observers, assuming China has vast oil reserves and the financial and technological means to exploit them, have seen it as a possible important source of crude. It is now clear that this is not likely to be the case any time soon.

Not even the Chinese know the size of their reserves. Scholars, oil companies, and the US Geological Survey generally agree that China's onshore oil reserves are comparable to the 39 billion barrels remaining in the US. It had been thought that China's continental shelf might be one of the world's largest oil and gas reservoirs, but this has not been borne out by the offshore seismic studies conducted by Japanese and Western oil companies. The most optimistic estimates now suggest that China's offshore oil reserves are about the same as those on land.

Beyond the question of reserves, there are severe financial and technological constraints that will limit the ability of the Chinese to increase their oil production and exports. For 26 years, the regime has force-fed the oil industry with funds and

technical manpower. In response, production grew 20 percent or more annually until late 1975, much faster than the rest of Chinese industry.

China will not be able to maintain such a growth rate. The most accessible reserves already are being exploited, and investment in other industries, especially coal and steel, can no longer be held back to free funds for oil. Trained manpower is spread thin just to operate existing industry. Moreover, internal political conflicts have discouraged the influx of foreign capital and technology needed for rapid development of offshore reserves.

Production growth, in fact, already has slowed. According to an official announcement, China's oil production increased 13 percent last year, down slightly from the 13.3-percent increase recorded in 1975. Domestic oil consumption, meanwhile, has been growing rapidly, accounting for 23 percent of all primary energy consumed in 1976 compared with less than 10 percent 10 years ago.

If the Chinese were to succeed in boosting production growth to the earlier 20-percent rate, the estimated reserves of 20 billion barrels to 33 billion barrels in the north and northeast—the regions likely to supply the bulk of production in the short run—would be exhausted in 10

years. If the growth rate were to drop to 10 percent, expanding domestic demand might not be satisfied.

Until mid-1975, the Chinese were planning to export increasing amounts of oil. These plans were nullified by buyer resistance from Japan—China's major customer—and domestic dissension over the policy of selling national resources to raise foreign exchange.

At present, it appears that China probably will produce 2.4 million to 2.8 million barrels per day by 1980. Most of this oil will be needed for domestic consumption; exports are likely to be only 200,000 to 600,000 barrels per day. By the mid-1980s, domestic demand, which is expected to expand steadily, will absorb total capacity unless possible deposits in western China or offshore are proved and exploited much more rapidly than expected.

Development of such reserves quickly may not be feasible without help from the international oil companies. Some foreign technology has been acquired through purchases of advanced equipment from the US and elsewhere for use throughout the industry. Not enough technology, however, has been acquired to affect output potential substantially. [redacted]

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