



Secret



25X1



Weekly Summary

State Dept. review completed.

DIA review completed.

Secret

CG WS 77-014

April 8, 1977

Copy No 66



SECRET



CONTENTS

April 8, 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.

- 1 Africa**
USSR-Southern Africa;
Zaire
- 3 USSR**
US Relations; Japan Fishing
- 4 Middle East**
USSR-Egypt; Lebanon;
Turkey; Egypt-Libya
- 5 International**
World Tin
- 6 Europe**
Czechoslovakia; Italy; Spain
- 7 South Asia**
Pakistan
- 8 USSR: *The Impending Oil Crisis***
- 11 The Cuban Presence in the Third World**
- 14 South Africa: *Growing Uranium Supplier***
- 15 Political Developments in the Red Sea Area**

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

25X1

25X1

25X1

Page Denied

Next 1 Page(s) In Document Denied

SECRET

Africa

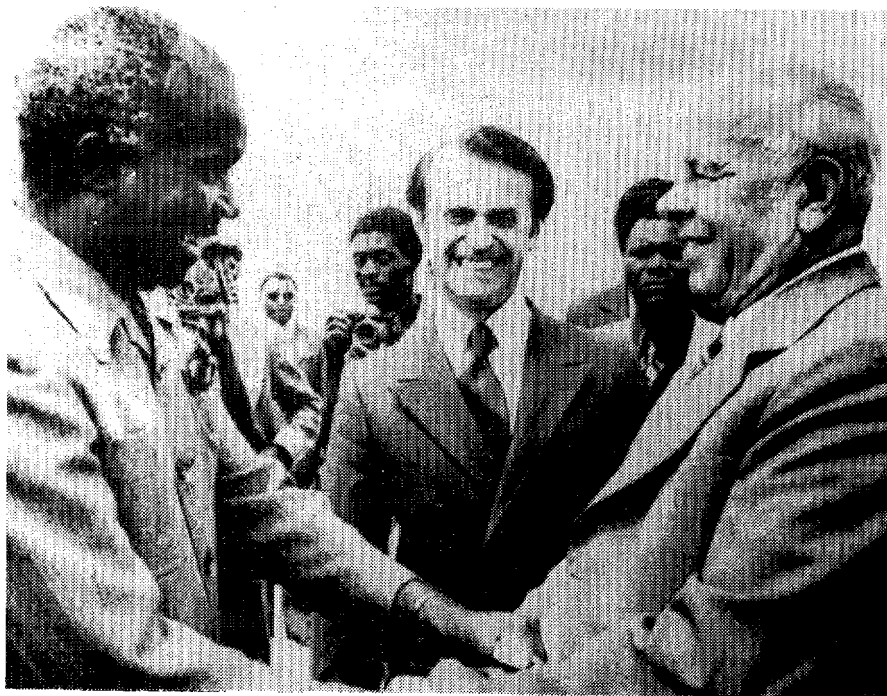
N.S.

USSR-SOUTHERN AFRICA

In Moscow's view, the signing of the Soviet-Mozambican Friendship Treaty probably was enough to make Soviet President Podgorny's recent trip to Africa a success. Moscow sees such treaties as tangible measures of the success of its diplomacy. The trip, which lasted about two weeks and covered four countries, will almost certainly lead to a greater Soviet presence in Tanzania, Zambia, and Mozambique, but just how much influence the USSR will gain from it is questionable. Although all three countries appreciate Moscow's willingness to support their military efforts against Rhodesia, they still would prefer to keep Soviet and Cuban involvement to a minimum.

Somalia was added to the trip at the last minute, probably to give Podgorny an opportunity to try to alleviate Mogadiscio's suspicions about Moscow's growing commitment to Somalia's arch rival, Ethiopia. Preliminary indications are that he was not too successful.

The friendship treaty with Mozambique closely parallels the treaty Moscow signed last fall with Angola. Although the treaty contains the usual promise to consult whenever either side perceives a military threat, the Soviets do not interpret such language as involving a mutual defense commitment. Soviet spokesmen are also insisting that the treaty does not provide for Soviet military bases, and Mozambican President Machel probably would resist any such Soviet request.



Zambian President Kaunda greets President Podgorny at Lusaka Airport

The treaty calls for Moscow to continue its military assistance to Mozambique, and the need for increased arms was probably the primary reason Machel signed the treaty. Mozambique is the target of increased Rhodesian attacks on guerrilla bases, and Machel is intent on improving the military capabilities of the guerrillas.

The Tanzanians claim that Podgorny tried and failed to get a similar treaty from them.

Podgorny's Purpose

The principal aim of Podgorny's trip was to increase Moscow's role in the evolving situation in southern Africa by taking advantage of the front-line states' desire to strengthen the guerrilla forces and increase the military pressure on

Rhodesia.

The Soviet President took along a large delegation of economic and military aid experts who reportedly offered military and some economic assistance. Information on the specifics of Moscow's offers is still coming in. Black nationalist groups and Tanzania probably fared well.

Tanzania until recent years has received most of its military aid from the Chinese. In 1974, however, Tanzania signed two agreements with Moscow worth about \$74 million. Most of the equipment ordered under those agreements has already been delivered.

Tanzania's arms acquisitions are motivated both by its involvement in the Rhodesian guerrilla effort and by its fears about neighboring Kenya and Uganda.

SECRET

SECRET

Tanzanian President Nyerere considers Ugandan President Amin a threat to Tanzanian security and has given aid and refuge to Ugandan exiles.

After meeting in Zambia with Joshua Nkomo, leader of the African People's Union, Podgorny refused to meet in Mozambique with Robert Mugabe of the Zimbabwe African National Union, Nkomo's partner in the loosely allied Patriotic Front. Mugabe apparently had rejected a Soviet invitation to see Podgorny in Zambia. The Soviet leader may have wanted to see the two Rhodesian nationalists together in deference to his hosts, who are supporting the Patriotic Front.

The African National Union, the stronger of the two Rhodesian guerrilla groups, has traditionally been more closely aligned with the Chinese, but in recent months has received increased Soviet aid. Podgorny's failure to meet with Mugabe may mean that Tanzania and Mozambique, rather than the USSR, made the decision on the disposition of Soviet aid.

Moscow's generosity in military aid apparently was not matched by offers of economic assistance, except possibly in Mozambique. Tanzania reportedly will receive another \$20 million in Soviet economic assistance, and Zambia reportedly will obtain considerably less.

The Cuban Angle

It is still difficult to determine whether Cuban President Castro timed his African trip to coincide with Podgorny's travels. The clearly ad hoc way Castro arranged his itinerary suggests that he was acting on his own. The Soviets probably would have preferred that Castro visit Africa some other time. The enthusiastic reception accorded Castro by most Africans stood in sharp contrast to the more correct reception afforded Podgorny and considerably undercut the impact of the first Soviet leadership venture into southern Africa. By traveling at the same time as Podgorny, Castro only revived Western and moderate African concerns about the Soviet-Cuban connection in Africa, and that is something the Soviets presumably would have wished to avoid.

Castro is receiving a high level reception in his current visit to Moscow and if he did not coordinate his African tour with the Soviets in advance, he now probably is working out a coordinated strategy for the future.

ZAIRE

3-5

Invading Katangan forces have now been in Zaire for a month. They are currently consolidating their control in the southwestern part of Shaba region about 70 kilometers west of the important industrial center of Kolwezi. Very little military action was reported this week, and although heavy rains may have hampered Katangan advances to some extent, the slow pace of the invasion appears to be part of Katangan strategy. They are adhering to the cautious military style that they learned from the Popular Movement forces in Angola.

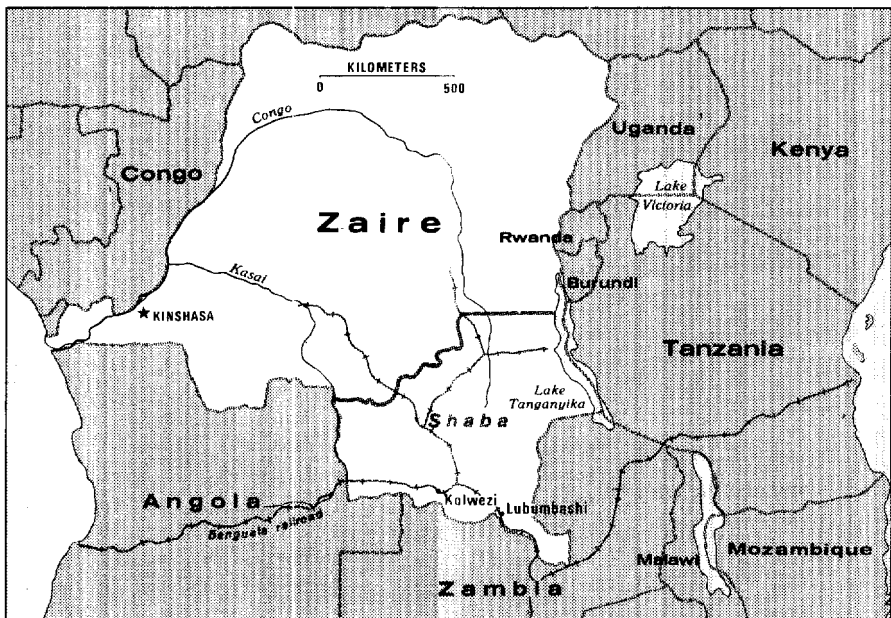
The lull in the fighting has given the Zairian military an opportunity to put together a more organized force. Apler officers have been put in command, im-

proved logistic support is being arranged, and improved defensive plans are under consideration. But the Zairian army still has enormous problems. Some of the command changes have provoked factionalism in army headquarters, and the rank and file continue to desert at an alarming rate. Given another week or two, the Zairians might be able to put together a creditable defense, but the government's ability to stop a determined push by the Katangans is doubtful. Civilian support for the Mobutu regime is shaky as well. A mass meeting held in Kinshasa last Sunday as a demonstration of popular support for the regime was almost a disaster.

The President is still counting on foreign assistance to bail him out, and it is not materializing very rapidly. French and Belgian advisers are playing a larger role, and the ambassadors of the two countries flew to Kolwezi this week to look over this threatened area. The French have set up their own radio network and will soon start to train an infantry battalion and mortar crews. Belgian advisers are working mostly in the logistic field.

Mediation efforts, largely in the hands of the Nigerians, who are more sym-

25X1
25X1



SECRET

27-31

pathetic to the Angolans than to the Zairians, is proceeding even more slowly than the fighting. The Katangans could well take all of Shaba before any negotiated agreement is reached.

USSR

US RELATIONS

23-26

Foreign Minister Gromyko's extraordinary press conference after Secretary of State Vance left Moscow on March 31 continues to receive heavy play in the Soviet media. The US embassy in Moscow believes the press conference was prompted by concern at the highest levels of the Soviet leadership that the USSR's response to Secretary Vance's proposals on strategic arms and other subjects was not receiving adequate coverage in Western media. The Soviets seemed particularly sensitive to the suggestion that the USSR no longer had the "initiative" in the field of disarmament.

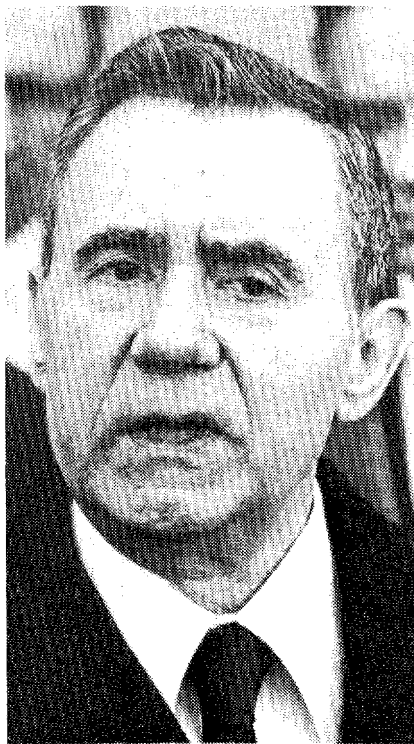
The entire 90-minute press conference was shown on Soviet television, and the follow-up treatment in the Soviet media emphasizes the main themes enunciated by the Foreign Minister—that the US proposals are unrealistic and a departure from the agreement reached at the Vladivostok summit in late 1974. While the new US administration is directly and strongly criticized, most of the articles do end on some sort of a positive note.

One such note was offered by senior political commentator Aleksandr Bovin in *Izvestia* two days after the Gromyko press conference. He said that the Soviets had been forced to reject the entire package because a part of it was unacceptable, implying that the US comprehensive proposal does contain elements that may be acceptable to the USSR. Gromyko's threat to resurrect the issue of US forward-based systems on the periphery of

the USSR has not been replayed.

Gromyko's performance does not appear to be intended to signal a major shift in Soviet policy. The Foreign Minister himself emphasized that all points in contention on strategic arms curbs remain open for discussion and that there are no insurmountable obstacles to an agreement. What does seem clear is that the Soviets remain wedded to the terms of the 1974 accord. Any decision significantly at variance with that would require time, given the Soviet propensity for a highly bureaucratic decision-making process.

General Secretary Brezhnev offered some brief remarks on US-Soviet relations during his speech at the dinner for Cuban President Castro in Moscow April 5. While Brezhnev asserted that the US is losing its "constructive approach" and has offered only "a one-sided position," he cited the continued existence of "a rather good basis" for practical steps in strategic arms control.



Foreign Minister Gromyko

SECRET

JAPAN FISHING

Moscow's recent declaration of a 200-mile fishing zone has created new strains in Japanese-Soviet relations, which are already cool. From the start of the current fisheries negotiations last month, the Soviets have put forward tough political demands. The Soviets insist that Tokyo affirm Soviet sovereignty in the disputed northern islands and permit Soviet fishing in Japan's planned 12-mile limit before any fishing quotas in Soviet waters can be discussed. The demands have stalled the talks and provoked unusually harsh anti-Soviet rhetoric in Tokyo.

A highly publicized anti-Soviet rally was held in Tokyo last week, and Japanese media are accusing the Soviets of "hegemony diplomacy" in connection with the talks. All opposition parties—including the Communists—have endorsed the government decision to resist Moscow's demands. The Japanese have sent a senior official to Moscow in an effort to move the talks off dead center. Tokyo is also reportedly planning an early declaration of a 200-mile fishing zone to gain some leverage against the Soviets.

The Soviets probably recognize that Tokyo will not bow to their demands. They may be staking out bargaining positions to assure optimum benefits in the final agreement. The Soviets have been hard hit by the increasing number of 200-mile national fishing zones claimed in regions where they traditionally have taken large catches. On a worldwide basis, the restrictions on fishing that have been announced recently could reduce the Soviet catch by one quarter or more. Fish provide about 15 percent of the animal protein in the average Soviet diet. Moreover, much Soviet fishing is done in Japanese waters. Nearly 80 percent of the important Soviet sardine catch, for example, is taken inside Tokyo's proposed 12-mile limit.

Soviet fishing grounds are also extremely valuable to Japan. Last year the Japanese took about 12 percent of their total catch within 200 miles of the USSR

25X1

25X1

Middle East

USSR-EGYPT 10-19

The acrimony and recriminations that have characterized Soviet-Egyptian relations since the first of the year subsided enough last month to allow a Soviet trade delegation to visit Cairo and sign the annual 1977 trade protocol. The trade negotiations had been postponed for four months.

Such annual protocols are not a good indication of the overall state of Soviet-Egyptian relations, and the new pact does not signal a meaningful lessening of tensions. The touchy issue of long-term debt repayment is still unsettled.

Trade for 1977 has been planned at about the same level as last year—\$1 billion compared with some \$820 million for 1976. The slight increase may merely reflect increases in the cost of goods. The quantities listed this year are not substantially different from those agreed to for 1976. The Soviets will be exchanging

metal products, timber, and chemicals for Egyptian cotton, citrus fruits, and textiles. Actual trade varies significantly from planned levels—both prices and quantities are commonly renegotiated throughout the year.

The new accord reportedly provides for an Egyptian surplus of \$200 million. If such a surplus materializes, most of it would certainly be used to help pay off the outstanding Egyptian debt.

Trade could fall significantly below the plan this year. The Egyptians are under considerable pressure from the International Monetary Fund and Arab donors to increase hard-currency earnings and would not hesitate to divert goods from the USSR if better markets develop. The USSR, for its part, has threatened to reduce critical exports to Egypt in retaliation for unacceptable political behavior, and the Egyptians have clearly demonstrated a willingness to take actions that Moscow views as anti-Soviet.

LEBANON 16

The fighting between Christian extremists and Palestinian-leftist forces in southern Lebanon, which has been almost

continuous since late January, increased significantly two weeks ago. Over the past few months, Christian forces have been increasing the amount of territory under their control along Lebanon's southern border. In late March, the Christians began to move against remaining Palestinian-controlled villages in the border area, capturing the important Palestinian base at Tayyibah.

Last weekend, Christian forces took four more Palestinian-controlled villages and began shelling the area around Bint Jubayi, the last Palestinian stronghold in the south. On April 4, the Palestinians counterattacked and recaptured Tayyibah. By April 7, the Palestinians were on the offensive. They captured the town of Khiyam, which the Christians took last year, and were threatening the Christian base at Marj Uyun.

The Christian forces rely heavily on the Israelis—across the border—for artillery support and some operational planning. There were reports this week that the leftist Palestinian forces had the help of Syrian artillery in recovering Tayyibah, but the Syrians have been careful up to now to avoid any direct involvement in the fighting in the south, and the reports of Syrian participation have not been confirmed.

25X1
25X1

42 Turkey: Parliamentary Election Scheduled

An early parliamentary election designed to end the paralyzing divisions within Turkey's four-party coalition has been officially scheduled for June 5. Both Prime Minister Demirel's Justice Party and opposition leader Ecevit's Republican People's Party hope to gain enough votes to reduce the role of Deputy Prime Minister Erbakan's National Salvation Party, which has been obstructing progress on key domestic and foreign policy issues.

Neither of Turkey's major parties is likely to win a clear majority, and the pattern of unstable coalitions, which dates

back to the inconclusive parliamentary election in 1973, will probably continue. No hard policy decisions are likely to be made in Turkey until the parliament reconvenes next fall.

Demirel believes that his party's strength has peaked and that economic conditions will be more favorable in June than they will later on. He has favored early elections for some time as a means of increasing his strength in parliament and reducing his reliance on his coalition partners.

Opposition leader Ecevit's motivation is less clear, but he is evidently convinced

that an early election will also be to his party's advantage. Ecevit has become increasingly restive and is eager to take over the government again.

Erbakan, who opposes an early election because his party may lose votes, has announced that he will appeal the election decision to the constitutional court. The court is likely to reject the appeal.

Candidates for the 450 assembly seats and 50 senatorial posts must be selected by April 24. This short time period gives a distinct advantage to incumbents and party regulars.

25X1

SECRET

SECRET

17/18/20/21



This week, members of Fatah—the largest and most moderate of the Palestinian organizations—were heavily involved in the fighting for the first time. Fear that establishment of a Christian buffer along the entire border with Israel would eliminate any option for operations against Israel may account for their participation.

So far, President Sarkis' efforts to end the fighting have been fruitless. His attempt to send Syrian-dominated peacekeeping troops into the area met with strenuous Israeli objections, and his proposal to introduce some kind of UN force generated no enthusiasm from anyone.

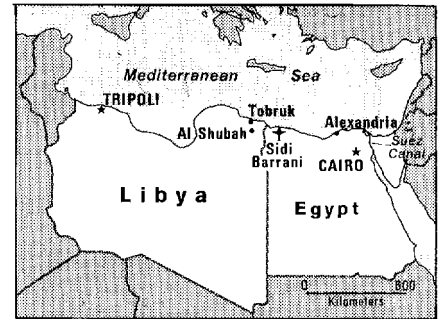
Sarkis' best chance at present is to repair the fractured Lebanese army and put together an all-Lebanese security force that could be used to restore authority in southern Lebanon. The Israelis have said they would accept such a solution, and the Syrians could hardly oppose it. Sarkis took one step in this direction recently by replacing a hardline Christian officer, General Hanna Said, as head of the army. His replacement is a Christian of more moderate persuasion.

EGYPT-LIBYA

Tensions are building once again in Egyptian-Libyan relations. The signs are most obvious in the vitriolic propaganda exchanges of the past two months.

The propaganda war is increasingly harsh and gives the impression that both sides are concerned about continuing acts of terrorism and possible assassination attempts. The Cairo press has focused on the arrest of alleged Libyan saboteurs ordered to carry out bombing and political assassinations in Cairo last month in an attempt to disrupt the Arab-African summit. Egyptian authorities have charged that bombings in Alexandria killed three and injured eight. Cairo's leading daily, *Al Ahram*, printed extensive details on the arrest of the saboteurs and the recovery of a cache of arms and explosives. The article linked the agents to the Libyan intelligence office in Tobruk and to a nearby training camp at Al Shubah.

Libya's media campaign against Egypt



dates back to the popular demonstrations and riots in Egypt in mid-January, when Libyan radio apparently tried to keep the demonstrations going by inciting the students to denounce the government. Last month, Libyan leader Qadhafi publicly denounced the Egyptian government in scathing terms, and early this month, the Libyan media campaign featured a front-page personal attack in a Tripoli newspaper on President Sadat.

25X1

International

WORLD TIN 44-48

Bolivia agreed last week to ratify the fifth international tin agreement after earlier threatening to withhold support. Without ratification by Bolivia, the world's second-largest tin producer, the agreement would have expired on June 30.

The UN Conference on Trade and Development—and the International Tin Council, which represents 25 countries and the producers and consumers of about 90 percent of the world's tin—will be pleased with Bolivia's announcement. UNCTAD officials have long regarded the tin agreement a model for other producer-consumer commodity pacts.

Bolivia had objected in particular to the

low floor prices in the agreement. The council agreed to regularize the procedure for determining floor and ceiling prices—a concession to Bolivia that provides a face-saving justification for ratification.

Bolivian officials who tried to hold out against ratification realize that the remotely located high-cost tin industry in Bolivia has much to gain by preserving the agreement and will probably now press for higher floor prices. Tin prices have fallen below the floor prices set by the council only once during its more than 20 years of existence. Pressures for higher prices are likely to come to the surface in July when the newly established Economic and Price Review Panel meets in the first of its semiannual sessions to discuss floor and ceiling prices for tin.

25X1

25X1

SECRET

SECRET

Europe *A3*

CZECHOSLOVAKIA

Some Czechoslovak dissidents prominent in the "Charter 77" human rights movement that surfaced last January may be preparing to leave the country. Zdenek Mlynar, a leading activist, is reportedly considering emigrating to Austria because he believes the movement has run its course.

US diplomats in Prague recently learned that Mlynar sent his wife to the Austrian embassy early last week with a personal message for Chancellor Kreisky. Mlynar allegedly asked for a position in the Austrian Academy of Sciences and said he wants to take with him six to eight other intellectuals who are members of the dissident group. Mlynar and his friends hope to establish a group to study "Eurocommunism," either in Austria or Italy.

Mlynar reportedly believes that for a short period the government will allow dissidents to leave the country, but after that he expects arrests and further repression.

In late January, Mlynar and several other prominent dissidents refused a government offer to let them leave the country. He may have had a change of heart. The regime, which in recent weeks has maintained strong pressure against the Charter 77 members, will certainly welcome any departures.

The US embassy reports that the Charter 77 activists are deeply concerned over their inability to rally substantial domestic support for their cause or to force greater respect by the regime for human rights. Mlynar's emigration would be a major psychological blow to the dissidents, who reportedly have been uncertain about their future since the unexpected death last month of one of their spokesmen, Jan Patocka. There are indications, however, that some dissidents



Prime Minister Andreotti

will try to dramatize their cause on the eve of the Belgrade preparatory meeting on European security issues in June.

[Redacted]

ITALY *37*

A compromise with Italy's three major unions on wage curbs has temporarily eased pressures on Prime Minister Andreotti, but political tension is likely to intensify after Easter. Andreotti needed the cooperation of both the unions and the political left to continue negotiations for a \$530-million credit from the International Monetary Fund. At issue was a decree law under which the government intended to increase certain taxes in order to assume some of the social security costs now borne by business. Labor was antagonized in particular by a section of the law that prevented some of the tax increases from triggering automatic cost-of-living hikes.

The dispute came at a time when the Communist Party and its supporters were having increased misgivings about the party decision to support Andreotti indirectly by abstaining in the parliament. These misgivings have grown as Andreotti has gradually implemented an austerity program requiring substantial sacrifices by supporters of the Communist Par-

ty—and as the party made little progress toward a more formal role in the government.

The misgivings of many Communists were brought into sharper focus during a recent round of student violence when some of the students branded the Communists as part of the establishment. The experience intensified debate in the party over the merits of its cooperative stance toward the government. As a result of that debate and the controversy over the IMF loan, the Communists can be expected to demand a larger voice in policy making as the price for their continued cooperation.

Although public attention has focused on the political maneuvering surrounding the decree, the Andreotti austerity program, even before the latest revisions, is inadequate to solve Italy's economic problems. Industrial labor costs and inflation in Italy are increasing faster than in any other industrial country, and the lira is likely to remain weak. [Redacted]

25X1

25X1

25X1

32-34, 36
~~36-37, 38, 39~~
SPAIN

Spanish Prime Minister Suarez suffered a setback last week when the administrative chamber of the Spanish

SECRET

Supreme Court refused to rule on the legality of the Communist Party. Key government leaders want the party legalized—to strip it of its martyr's status and expose its electoral weakness. They do not expect the Communists to obtain more than 8 percent of the vote, and they had apparently succeeded in gaining the support of both the political right and the military for legalizing the Communists.

The court's refusal to cooperate leaves the government with several unpalatable options and raises the prospect of an outbreak of demonstrations and violence as Spain prepares for its important legislative election this summer. The government now could:

- Send the case to the criminal chamber of the Supreme Court in the hope that it would prove more cooperative.
- Create a new court that would have the special task of ruling on the legality of controversial parties and trade unions.
- Make the decision to legalize the party by government decree.
- Acknowledge that it lacks authority to make the decision—or simply procrastinate—leaving the problem to the next government.

The only decision that would satisfy the opposition would be for the government to legalize the party outright. Doing so, however, risks antagonizing conservatives in the military and security forces who remain bitter about the Communists' role during the Spanish civil war.

The Prime Minister is probably not prepared to take these risks.

The Communist Party has reacted to the court's decision with controlled anger, warning that the move could endanger the election and calling for opposition support to pressure the government to legalize the party. The party is aware that overplaying its hand now could lead to violent clashes that would risk destroying the good will the party has won during the past year and will probably continue to behave with restraint, working behind the scenes to apply pressure and build support for its cause.

South Asia

PAKISTAN

N.S.

Prime Minister Bhutto's opponents, led by the Pakistan National Alliance, seem determined to continue their demonstrations in the hope of forcing him from office, but they have not yet been able to create the widespread disorder that would force the military to move against the Prime Minister.

In nearly four weeks, more than 100 people have been killed in the demonstrations, which are focused on the opposition's charge that the parliamentary election last month was rigged. Thousands of people have been arrested; the government's figure is 6,000, but the opposition charges that 30,000 have been jailed.

The protesters are concentrating this week on demonstrations in the Punjab, Pakistan's most populous and important province. Although the opposition probably has greater resources in other parts of the country, it has little chance of forcing Bhutto from office unless it can create serious trouble in the Punjab. The opposition staged major demonstrations throughout the country on April 6 and

plans a major effort in Lahore, the provincial capital, on April 9 to protest the convening of the provincial assembly.

The opposition is also trying to make more use of organizations of lawyers, religious leaders, and women in their demonstrations. They hope the public will associate these demonstrators with those who participated in the demonstrations that brought down president Ayub Khan in 1969. Police efforts to break up demonstrations by such groups—especially women—could well turn more of the people against the government.

Bhutto continues to emphasize that he wants a compromise with the opposition, but he has made no headway. His opponents view his concessions as a sign of weakness. His most recent offer—to end the state of emergency if the opposition would negotiate—was rejected, a **UNCODED** earlier offer to give the opposition 40 more seats in the National Assembly.

Pakistani election authorities have begun examining the results of the election last month and have already overturned the election of one of Bhutto's former cabinet ministers. Such adjustments, however, are not likely to have any impact on the opposition or the population at large. The election commission—which was responsible for running the elections—is itself discredited because of the widespread evidence of fraud.

25X1



Prime Minister Bhutto at recent press conference

25X1

SECRET

Soviet oil production will peak in the early 1980s—or sooner—and sometime in the next decade the USSR may not only have to cut back on exports but may well have to compete for OPEC oil.

USSR: The Impending Oil Crisis

25X1



The Soviet oil industry is in trouble. During the next decade, the USSR may find itself not only unable to supply oil to Eastern Europe and the West on the present scale, but it may also have to compete for OPEC oil for its own use. The Soviets now supply about three quarters of Eastern Europe's oil needs, and oil exports to the West now provide nearly half of total Soviet hard-currency earnings.

Soviet oil production will soon peak, possibly as early as next year and certainly by the early 1980s, and a significant decline will follow. The maximum output is likely to be between 11 and 12 million barrels per day, compared with the 1976 level of 10.4 million barrels per day. Maximum levels are not likely to be maintained for long, however; the decline, when it comes, will be sharp.

Reserve and Production Problems

Unlike the US, which has long restricted production for reasons of conservation and profit, the USSR tends to maximize production. Short-term production goals are considered floors, not ceilings, and rewards are given for exceeding the goals. The Soviets pay little regard to long-term productivity. Under these conditions, Soviet production has expanded much more rapidly in the last 20 years than that of the US.

This Soviet approach has led to:

- An emphasis on development

drilling over exploration, with the result that new discoveries are failing to keep pace with output growth.

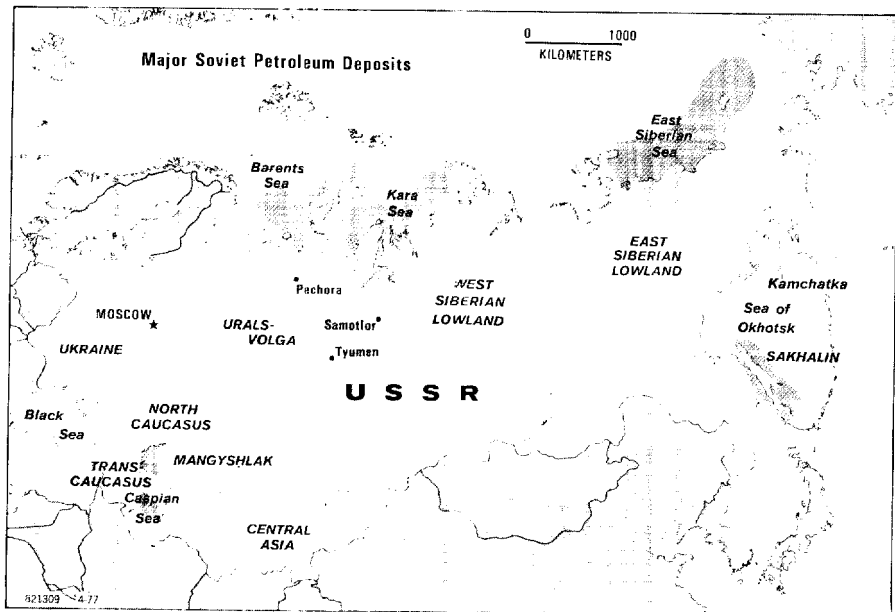
- Overproduction of existing wells and fields by using rapid water injection and other methods, with the result that less of the oil in place is ultimately recovered.

- New capacity requirements that soon will run far beyond the Soviet oil industry's capability.

Efforts to increase production further—demanded by the goals of the recently announced five-year plan—can

only worsen the situation and make the eventual downward slide more rapid.

As the ratio of reserves to output has fallen, the bulk of Soviet output has come increasingly from fields approaching exhaustion. The result has been an acceleration of development drilling requirements, which will level off or decline only when—and if—very large new additions are made to the producing reserve base. The Soviets speak of this problem in terms of the depletion offset—the amount of new capacity required to offset depletion of old capacity in each five-year plan



SECRET

SECRET

period.

During the 1961-65 plan period, only 1.3 million barrels per day of capacity had to be replaced. In 1971-75, a replacement capacity of 5.1 million barrels per day was required because of rapid depletion. Viewed in another way, about 72 percent of 1970 capacity had to be replaced by the end of 1975.

The target for the 1976-1980 plan is 10.6 million to 10.8 million barrels per day of new capacity. Of this, 7.8 million barrels per day—equal to about 80 percent of the capacity on line in 1975—is to offset depletion. If depletion is more rapid than the Soviets expect—their record suggests that it may well be—considerably more of the 1975 capacity will have to be replaced.

Problems of defining reserve categories, as well as Soviet secrecy, cause uncertainty about the size of the USSR's oil reserves. Soviet proven reserves are estimated at 30 to 35 billion barrels, roughly comparable with those of the US. There is no doubt that Soviet proven reserves have been falling in recent years, and there is very little chance that enough new oil will be discovered during the next few years to improve appreciably the reserves-to-production ratio.

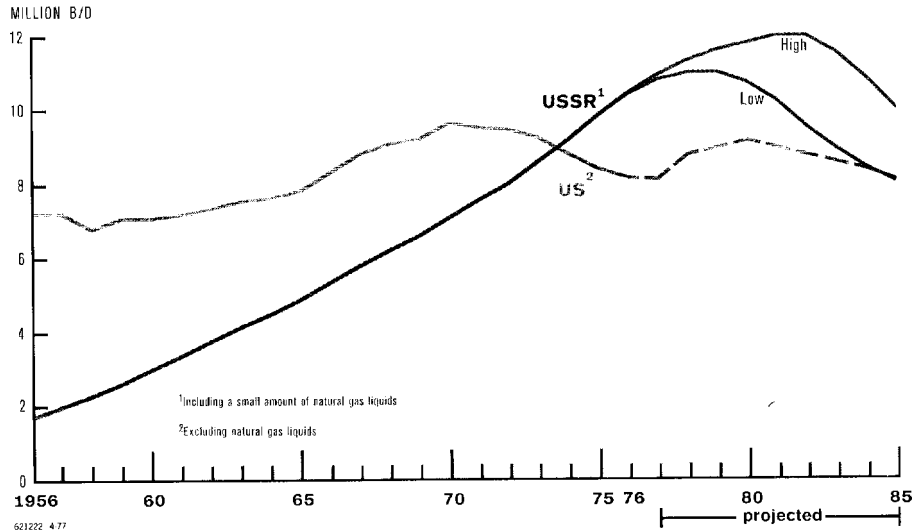
Although the USSR has abundant potential reserves in Arctic, East Siberian, and offshore areas, development of such reserves is at least a decade away. Thus, during the next 8 to 10 years, almost all Soviet output will have to come from existing fields and from new fields in existing producing regions.

The DIA estimates that Soviet proven reserves are in the range of 85 billion barrels and therefore cannot agree with the immediacy of an oil crisis in the USSR as implied throughout this paper.

Outlook for the Next Few Years

From World War II through 1970, the growth in oil output resulted from Soviet exploitation of either the Caspian fields or, after the mid-1950s, of large fields in the Urals-Volga region. Since 1970, nearly all output growth has come from development of western Siberia, primarily in the giant Samotlor field. Current

Soviet and US Crude Oil Production



Soviet plans call for holding aggregate output nearly constant west of the Urals and doubling production in West Siberia. A variety of problems will probably lead to a decline in production west of the Urals, and production in western Siberia will fall far short of doubling.

All growth in output through 1980 will come from western Siberia. In 1976, approximately 60 percent of west Siberian output and roughly 20 percent of national production came from the giant Samotlor field. Samotlor will reach peak production in the next year or so and will hold peak levels for no more than four years. It is already experiencing rapid water incursion, and increasing quantities of fluid—water plus oil—must be lifted to recover any given quantity of oil. Although the Soviets are discovering new fields in western Siberia, they have found no giant fields comparable to Samotlor.

One of the Soviets' main problems is the lack of sufficient drilling capability to pursue adequate development and exploration programs simultaneously. The Soviets have some 1,600 active rigs, about the same as the US. In terms of meters drilled, however, the Soviet effort amounts to only about one fifth that of the US. In 1971-75, the Soviets drilled a total of about 52 million meters. In 1975 alone, the US drilled 53 million meters.

Even with a maximum effort, the Soviets will not be able by 1980 to come close to drilling the 75 million meters called for by their current five-year plan.

The poor Soviet drilling record is in part the result of the fact that 80 percent of their drilling is done with turbodrilling rigs that are highly inefficient for deep drilling or for use in soft formations. Greater access to advanced Western technology and rotary drilling equipment could help alleviate the Soviet drilling problem.

Pumping Problems

In addition to drilling, the USSR is facing major problems lifting growing amounts of water with the oil. In the 1950s, when wells in the Urals-Volga region began to stop flowing naturally, the Soviets were forced to begin pumping. At that time, however, pumping equipment was in short supply. To forestall a slowdown in the growth of oil output, the Soviets adopted the practice of injecting large amounts of water into and along the edges of each field.

If enough water is forced into a formation, it raises reservoir pressures so that wells once again flow without pumping. The Soviet system differs from the standard Western technique in that the object is to increase rather than just to maintain pressure. Much more water is injected than oil produced.

SECRET

Although massive water injection can boost production for a time, eventually the water will break through to the oil-producing well; when the wells begin to show water in large quantities, the natural flow will usually stop, and the wells must be pumped. In this case conventional pumping equipment cannot be used; special high-capacity submersible pumps are needed because much greater volumes of fluid must be lifted.

Although some West European nations and the USSR itself manufacture a lower capacity version of these pumps, the Soviets recognize that the only pumps adequate to deal with their lifting problem are made in the US. Even in the US, such pumps are in short supply.

As an alternative to high-capacity submersible pumps, at least in some fields, the Soviets are considering wider use of gas-lift equipment. The kind of projects they have in mind, however, would require large-scale imports of US technology and long lead times.

Longer Term Outlook

The initial falloff, when it comes, will almost certainly be sharp. Eventually the Soviets will discover new fields—some quite large. Given the rapid rate of depletion of existing fields and the technical difficulties associated with exploration and exploitation in frontier areas, however, the oil found in newly discovered fields probably cannot be produced rapidly enough to do more than temporarily arrest the rapid slide of Soviet output.

In the early 1980s, a small contribution to Soviet oil output may come from new offshore Caspian reserves and from new discoveries on the Mangyshlak Peninsula on the east shore of the Caspian and in the Pechora region west of the Urals. The Soviets also hope to find oil in the northern part of western Siberia's Tyumen Oblast. Limited exploration in this region, however, has so far yielded mainly natural gas and condensate.

Geological conditions favorable to large future discoveries exist in much of the Arctic offshore regions—especially in the Barents and Kara seas—in the East Siberian lowlands, in the Caspian area,

and perhaps off Kamchatka and Sakhalin in the Sea of Okhotsk. Production from most of these areas, however, is at least a decade away.

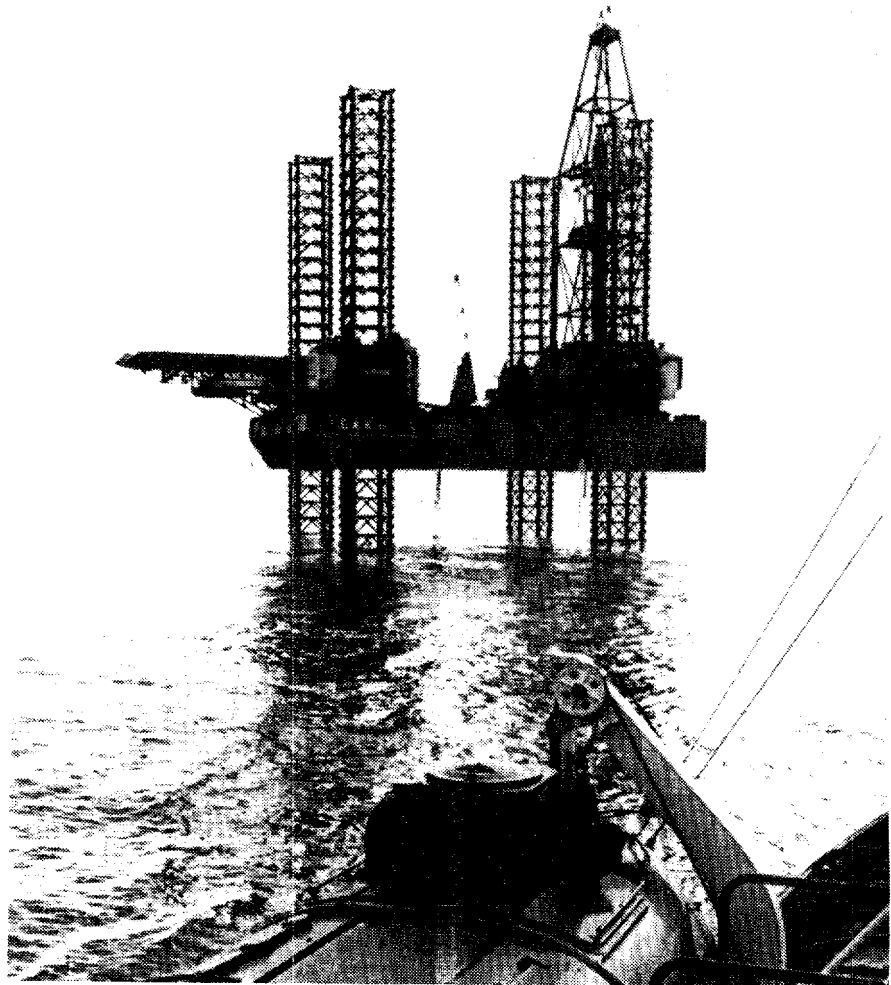
When oil production stops growing, and perhaps even before, the effects on the domestic economy of the USSR and on its international economic relations will necessitate an effort to find alternative energy sources.

The USSR has large reserves of coal and natural gas, but those scheduled for exploitation over the next decade are east of the Urals, far from consuming centers in the western USSR. Distance, climate,

and terrain will make exploitation and transport difficult and expensive.

Exports of gas will increase, but will not compensate for the loss of earnings from the export of oil. Although some substitution of coal and gas for oil in domestic use will be possible in the long run, the effect of such substitution will be minimal in the short run. Neither hydroelectric power transmitted from the eastern part of the USSR nor construction of nuclear electric plants—mainly in the western USSR—can be expected to provide much relief for more than a decade.

25X1
25X1



Floating oil rig in Caspian Sea

SECRET

SECRET

In his search for recognition as a leader of the Third World, Cuba's Fidel Castro has switched from supporting revolutionary movements to assisting established governments that show some revolutionary promise. In this effort, he works closely with and sometimes on behalf of the Soviets.

The Cuban Presence in the Third World

25X1

Much of what the Cubans have been doing in Africa and other parts of the Third World during the past year or two has roots that go back to the inception of the Castro regime in 1959. Some of President Castro's tactics have changed, but his basic motives remain the same:

- Castro wants to play a larger-than-life role in the world, and one of his aspirations is to be recognized as the leader of the Third World.
- By working against US interests in Africa, Castro hopes to counteract what he views as a protracted US campaign to isolate or bring down his regime.
- Castro, a confirmed revolutionary, is convinced that supporting revolutionaries abroad is a moral obligation.

These purely Cuban objectives make it misleading to regard Castro as simply a Soviet surrogate, even though Castro's foreign ventures frequently serve Soviet ends. The objectives compete with and probably override Castro's desire for better relations with the US. The Cubans are not prepared to sacrifice their revolutionary world role in the interests of rapprochement with the US.

The Cubans' focus of activity will continue to be Africa, although there are longer-term prospects for an expanded Cuban presence in the Caribbean. Cuba is not likely to repeat the folly of the 1960s, when it backed revolutionary groups throughout Latin America, but it will continue to provide limited support to selected guerrillas.

A Shifting Foreign Policy

"Proletarian internationalism" is a duty Castro has always taken seriously. Almost from the time he assumed power, he has been involved in sending Cubans abroad to promote revolution. In the 1960s, this involvement took the form of support for revolutionary movements bent on subverting incumbent governments in Latin America and Africa.

In the 1970s, the Cubans shifted tactics. Cuba still supports selected insurgency movements, but Havana now concentrates on assisting governments that have convinced Castro of their revolutionary potential. This shift was caused by the consistent failure of efforts based on subversion and violent revolution, and Che Guevara's downfall in Bolivia in 1967 was a turning point. Instead of guerrilla advisers and fighters, Cuba now sends abroad military, paramilitary, economic, and political advisers and technicians skilled in a broad range of specialties.

The "armed-struggle" policy had also caused friction with Moscow, and Castro realized that a revamping of Cuban activities abroad was necessary to bring Cuba more in line with the USSR. Cuba's activities abroad today usually complement Soviet policy, and in many cases the Cubans are clearly working in close concert with the USSR.

The success of the new approach contrasts sharply with the failure of the old. The tactics of aid have brought more success than subversion and terrorism. Cuba has been winning new friends among the developing nations by

providing assistance to meet some of their basic economic and political and, in some cases, military needs. In Africa, for example, Cuba had diplomatic relations with only 7 countries in 1971. Now it has formal ties with 34 African nations and embassies in 19 African capitals.

The Castro regime—like the Soviet—tries to convince its Third World allies that the US is their principal enemy. In Guyana and Jamaica, the Cubans feed the fears of local leaders that the US is attempting to "destabilize" the pro-Cuban governments there. In Africa, they try to link the US to racial discrimination, to white supremacy in Rhodesia and South Africa, and to the colonial powers that are blamed for all of Africa's ills. In the Arab world, they emphasize the US-Israeli relationship and US military support of Israeli "aggression" against neighboring Arab states. Throughout the world, they resurrect sensitive memories of real or imagined US intervention—economic, political, and military.

The Cubans are so closely wedded to a policy of hostility toward the US that they cannot afford to have any normalization of relations with the US undercut their "anti-imperialist" reputation. Castro drew sharp criticism from former guerrilla allies in the late 1960s and early 1970s for his alleged abandonment of the "armed-struggle" line. He is not likely to incur similar criticism simply for the sake of better ties with Washington.

Winning Allies

The Cubans tailor their assistance to local needs. To political leaders whose

SECRET

SECRET

positions are either in fact or imagination threatened by assassination or coup, the Cubans may offer VIP security. This ranges from technical advice to providing an all-Cuban bodyguard detachment, such as the one in Congo that prevented the overthrow of president Massamba-Debat during an army revolt in June 1966.

To government chiefs who lack a broad popular base and must depend largely on armed might to rule—in Somalia and South Yemen, for example—the Cubans offer assistance in developing mass organizations to marshal popular support.

For other political leaders, mass organizations are needed as a counterweight to the military establishment. In countries like Jamaica and Guyana where traditionalist security forces express allegiance not to any individual but to a constitution or other legal formula, the Cubans offer to organize and train a "people's militia" that is more responsive to political manipulation.

To the ex-guerrilla leader who suddenly finds himself a chief of state upon the withdrawal of a colonial power, the Cubans offer assistance in transforming a guerrilla army into a professional military establishment capable of internal police functions, as well as national defense. This is being done now in Angola and Mozambique, with the USSR supplying the hardware.

If none of these methods of assistance is appropriate, the Cubans offer a variety of technological aid that virtually all developing countries find useful—public health, public works, agriculture, forestry, fishing, education, livestock raising, transportation, and communications.

The Cubans have medical teams operating in 13 countries and provide almost all of the public health services now available in Angola. Cuban military missions are in nine countries, and Cuban construction brigades are in at least five. At times, natural disasters make new opportunities, and the Cubans are quick to take advantage of them. Havana sent earthquake relief to Peru in 1970 and to

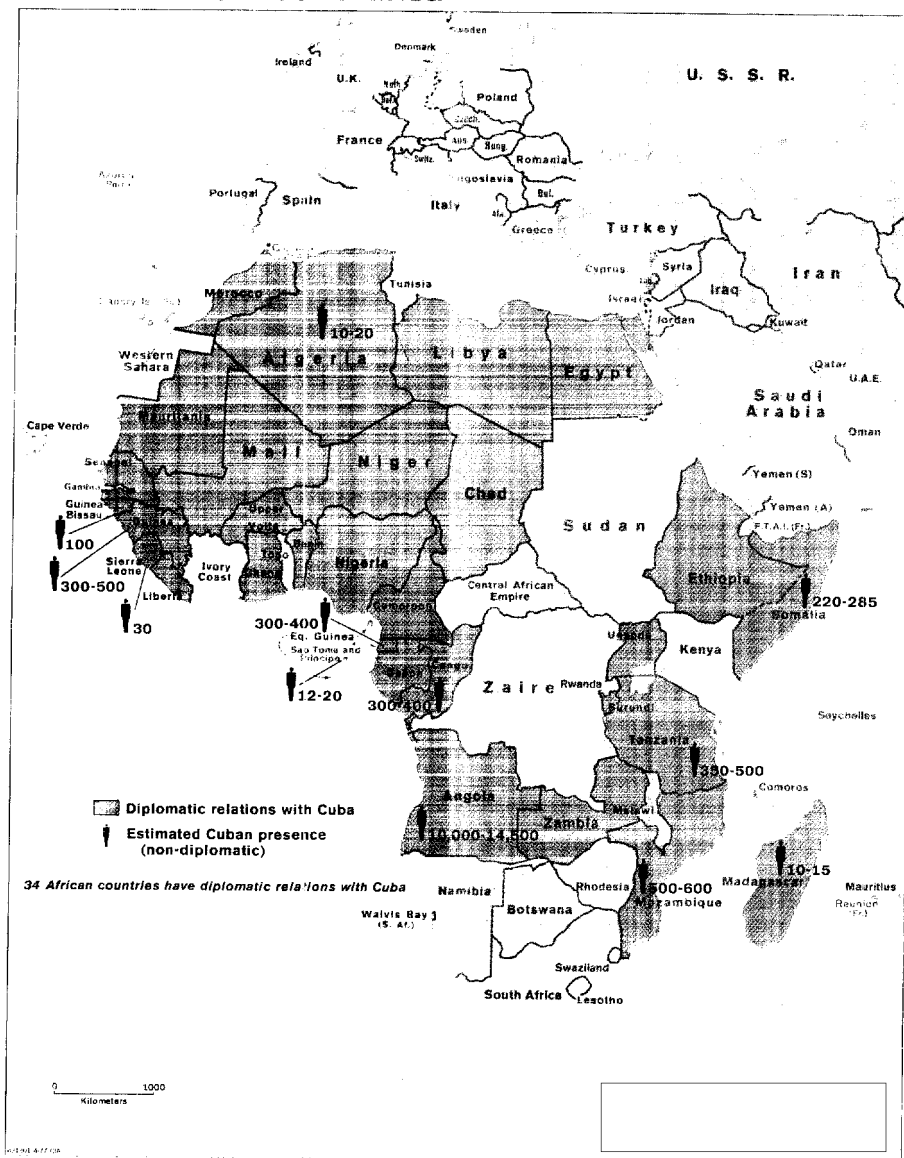
Nicaragua—despite acute political differences—in 1972 and flew in medical teams and supplies to Honduras after a hurricane and flood in 1974.

The junior high schools built by Cuban construction teams in Jamaica and Tanzania are modeled after the "schools in the countryside" in Cuba. The basic unit consists of a self-contained complex of buildings sufficient to house, feed, and educate 500 boarding-school students,

and with enough land to raise vegetables for their own consumption.

The eightfold increase in production of the Cuban fishing industry since Castro assumed power makes fishing technology another area of expertise to share with allies. Cuba has had fishing aid agreements with Peru, Chile (under the Allende administration), Guyana, Guinea, Equatorial Guinea, Angola, Mozambique, South Yemen, and possibly

Cuban Presence in Africa



SECRET

25X1



Fidel Castro with Tanzanian First Vice President Jumbe during recent African tour

Cape Verde. The Cubans generally agree to train local youths in fishing techniques in return for a percentage of the catch.

Soviet-Cuban Cooperation

The Cubans have worked closely with the Soviets on several occasions where the Cubans were already inclined to help but unable to do so for financial or logistic reasons. The sending of a Cuban armored battalion, medical brigade, and contingent of pilots to Syria after the outbreak of the Arab-Israeli war in September 1973 was clearly a joint Cuban-Soviet effort. Similarly, most Cubans who were sent to Angola went without heavy equipment and depended on supplies from the USSR for outfitting their units. Castro's recent peacemaking efforts in the Horn of Africa were almost certainly undertaken on behalf of the USSR.

In most of its foreign assistance programs, however, Cuba is acting as its own boss, is involved as a result of its own initiative, and is pursuing its own policy

goals. In no case is Cuba providing assistance against its will. Although its isolation and fear of the US have been the primary force behind Havana's desire to expand international contacts, Cuba is also seeking an avenue by which it can increase its influence with Moscow. By achieving a position of leadership in the Third World, the Castro regime creates new options and increases its flexibility in dealing with the Soviets.

Outlook

A continued increase in Cuban efforts to reach out around the world over the next 18 months seems certain, particularly as Castro prepares for the next non-aligned summit scheduled for Havana in 1979. This will be the most promising opportunity Castro has had to assume the leadership of the Third World since 1966, when the Tricontinental Conference was held in Havana.

In the coming months, Cuba is likely to expand its assistance to include a number of countries where Cuban aid missions are

not now present. Castro's trip to Algeria, Libya, South Yemen, Somalia, Ethiopia, Tanzania, Mozambique, and Angola last month is strong evidence that he intends to concentrate on Africa. His zest for personal diplomacy is bound to carry him again to that continent to consolidate his political gains prior to the nonaligned summit in 1979. He gets tremendous personal satisfaction from his sojourns abroad and regards his travels as a source of great prestige for Cuba and for his regime.

Castro wants to be in a position to call in his political IOUs, so that if he becomes the spokesman for the non-aligned movement in the 1979 to 1981 period he will have behind him not just the weight of Cuba but a significant part of the Third World as well. If his plans should be threatened by his relationship with the US, then the normalization process—not his drive to expand Cuba's influence—will suffer.

25X1

SECRET

SECRET

South Africa and its satellite, Namibia, hope to increase sales of uranium concentrate and enriched fuel in the next decade. New mines are to be put into production, and plant capacity for processing concentrate is being expanded.

South Africa: Growing Uranium Supplier

South Africa—now the third largest uranium producer in the West with 12 percent of output—plans to become a major supplier of enriched nuclear fuel by 1986. Neighboring Namibia, a disputed territory that South Africa has administered since World War I, will rank as a major supplier of uranium concentrate in the 1980s; it has about 5 percent of the West's proved reserves.

At present, the South African uranium industry is concentrated in the Transvaal and Orange Free State gold fields. All the uranium produced is leached from gold mine tailings. Four large firms produce almost half of South Africa's output.

South Africa hopes to increase uranium sales during the coming decade and intends to export most of the product as enriched fuel. To boost output, South Africa will have to develop new mines that

are devoted primarily to uranium production. Geological studies indicate that reserves are probably adequate to support higher output.

Deposits located in a geological formation running hundreds of kilometers south of the Free State gold fields could double the current reserves of 350,000 tons of uranium metal recoverable at \$30 per pound or less. Ore grade will probably be low, but the deposits can be mined profitably by large-scale operations.

Concentration-plant capacity must also be increased if South Africa is to meet its sales target. The International Atomic Energy Agency has already indicated that South Africa can boost processing from the present 2,600 tons of uranium metal concentrate per year to 13,000 tons by 1985.

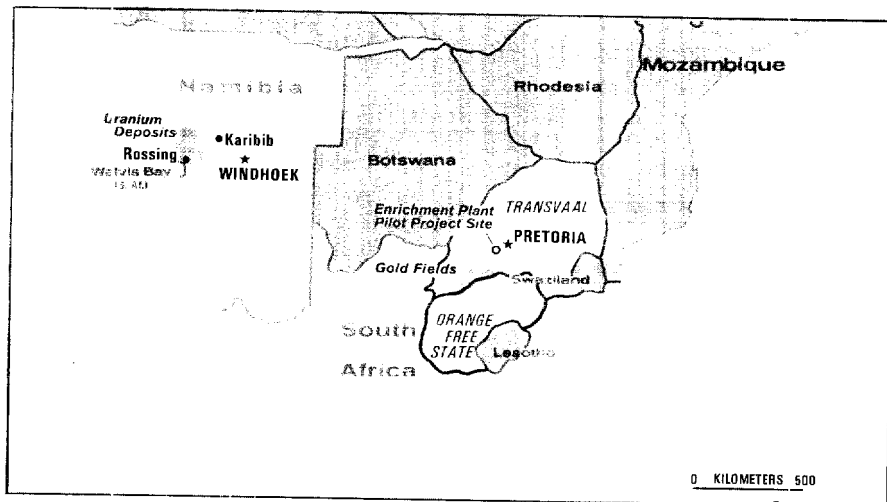
In order to export more valuable enriched fuel, South Africa expects to

complete by 1986 an enrichment facility that could handle most of its uranium output. The government will build an enrichment plant that may eventually have a capacity to handle about 7,000 tons of concentrate at full capacity. The plant is still in the design stage, and some technical problems with the unique enrichment process have yet to be worked out.

South Africa, however, could have difficulties in finding uranium buyers. Since the late 1960s, when the US ceased buying for its strategic stockpile, South African exporters have not been able to market all their output. About 5 percent of processing capacity is now idle, and the Nuclear Fuels Corporation—the private, jointly owned marketing organization—has been forced to stockpile 25 percent of output.

Large European enrichment facilities will be offering stiff competition by 1985. The South African government is already considering holding down the capacity of its enrichment facility. The mining firms could decide to import Namibian uranium that they are developing rather than expand domestic mine capacity.

Namibia, which South Africa is nurturing into carefully controlled independent status, is also sure to become a major exporter of uranium. The deposits west of Karibib hold between 100,000 and 200,000 tons of uranium metal, and South African business interests are intent on maintaining control of these valuable resources. The Namibian uranium industry is dominated by large South African conglomerates together with a British firm. Current output is low



SECRET

SECRET

because facilities are not complete, and exploitation of the huge Rossing deposit—perhaps the world's largest—has just begun. South African companies,

however, are already building the world's largest concentrating plant to handle 40,000 tons of ore daily. The uranium concentrate yield from this plant could

be 5,000 tons annually. It may take a decade to reach full capacity, and the pace of development will depend on demand.

25X1

The moderates in the Arab world are hopeful that secret agreements reached at the Taiz summit late last month will reduce Soviet influence in the Red Sea region.

52-55

Political Developments in the Red Sea Region

The presidents of Somalia, Sudan, North Yemen, and South Yemen held an unusual summit in Taiz in late March and reached agreements that could undermine Soviet influence in the Red Sea region. The attendance of the leftist leaders of Somalia and South Yemen was a rebuff to the efforts of Cuban President Castro, who had tried earlier in the month to promote a Red Sea alliance of "progressive" states—Somalia, South Yemen, and Ethiopia. The overall summit results are reportedly encouraging to Arab moderates, led by Saudi Arabia.

A Sudanese diplomat who took part in the conference at Taiz reports that the four presidents agreed that:

- They would draw up a list of development needs to present to wealthy Arab states, principally Saudi Arabia.
- The French Territory of the Afars and Issas should become independent and join the Arab League.
- North and South Yemen would draw up lists of military equipment needed to defend the Bab al-Mandab Strait against attack; Saudi Arabia should pay the bills.
- An enlarged conference on the Red Sea, including all littoral states except Israel and perhaps Ethiopia, should be held in the near future.

These decisions encourage Saudi Arabian hopes that South Yemen and Somalia can be weaned away from their close ties with the USSR. The agreements represent multilateral support for the bilateral efforts that the Saudis and other Arab moderates have been pursuing for more than a year.

The FTAI Question

One of the most troublesome issues in the Red Sea region is the forthcoming independence of the FTAI from France, now scheduled for late June. The Somalis have long claimed the FTAI, but at Taiz, Somali President Siad is reported to have agreed to respect the independence of the territory in return for an endorsement by the other participants of Somalia's right to establish close ties with the territory following independence and perhaps more substantial organic links within five years.

Sudanese President Numayri represented Saudi interests at the Taiz conference. His agreement to the Somali-FTAI linkage indicates that he and the Saudis are convinced that Siad will move to reduce his ties with the Soviets and align his foreign policy more closely with the Arab moderates. The prime motivation for the Saudis' past hostility to Somali domination of the FTAI has been their fear that this would mean a further spread of Soviet and leftist influence in the Horn of Africa.

President Siad began to review his ties

with the Soviets following Moscow's decision to provide Ethiopia—Somalia's bitter enemy—with military aid. The moderate Arabs view the increasing radicalism in Ethiopia and its growing ties with the USSR with as much concern as they

25X1



President Numayri of Sudan

SECRET

SECRET

do Soviet influence in Somalia, and the agreement in Taiz to an independent FTAI, aligned with Somalia, was devised at Ethiopia's expense.

Ethiopia, for its part, is strongly opposed to Somali dominance of the FTAI and objects to what it sees as an effort to make the Red Sea an "Arab Lake." Evidence of increased Arab-Somali cooperation and the summit's recommendation that an independent FTAI join the Arab League will reinforce Ethiopian apprehensions.

Membership of an independent FTAI in the Arab League would confer added legitimacy to the new government of the territory following independence and would reinforce its Arab character. The Arab League could also serve as a channel through which friendly Arab countries

could funnel economic and military aid. Arab support for the FTAI could also cause strains in Arab-Somali relations—if FTAI leaders who are now cooperating with Somalia try to maintain the territory's independence. The more Arab aid they receive, the stronger their ability to resist Somali dominance will become.

Eritrean Insurgency

There was no agreement at the meeting, according to the Sudanese source, on aid to the Eritrean insurgents who are fighting for secession from Ethiopia. South Yemen shares some ideological affinity with Ethiopia and would not agree to support the possible dismemberment of a fellow "progressive" state. Sudan, Somalia, and North Yemen—all for different reasons and to different degrees—support the Eritrean rebels.

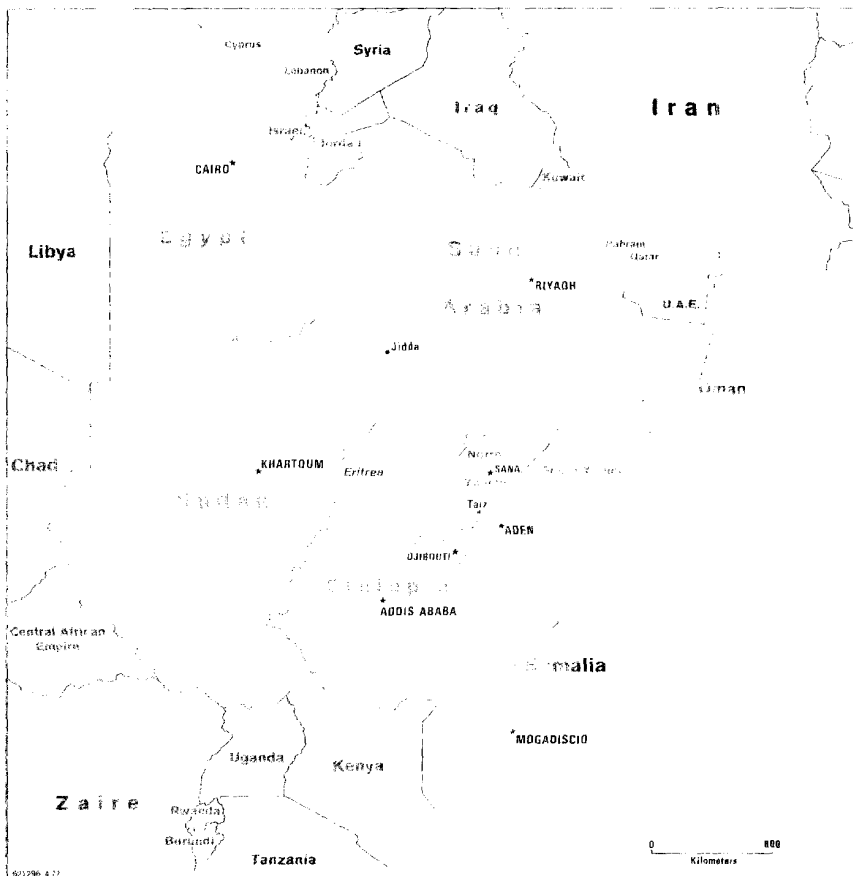
Although there was agreement at the meeting on the need for a larger conference of Red Sea states, it is unlikely to be held in the near future. The Arab states have made it clear that the present Ethiopian regime will not be invited.

Saudi Role

Saudi Arabia is clearly leading the drive to encourage South Yemen and Somalia to reduce their ties with the USSR and is using economic aid as leverage. Numayri, who undertook the role at Taiz of Arab middleman, wants to maximize Saudi aid for his own country and shares Saudi apprehensions of the Soviet presence in the area. He has long suspected that the USSR was supporting Sudanese dissidents in exile.

The Saudis are optimistic that their policy of weaning South Yemen from its Soviet connection will be successful. They are already giving South Yemen economic assistance, and the Taiz decisions indicate they are willing to finance South Yemeni military purchases—presumably from the West—as they are already doing for North Yemen. A new Saudi ambassador arrived in Aden on March 28, completing the establishment of diplomatic relations, and the two countries are also exchanging high-level official visits.

The Saudis are having limited success exploiting Somali unhappiness with the Soviets. Foreign Minister Saud visited Mogadiscio this week, ostensibly to inaugurate a Saudi-financed mosque, but in reality to pursue the opening to Siad forged by Numayri at the Taiz conference. Saud is prepared to offer Somalia substantial financial assistance. The Soviet presence in Somalia, however, is so extensive and the Somalis so dependent on Soviet military equipment and on Soviet advisers, both civilian and military, that any inroads will be slow. Siad is still committed to domestic policies that are more ideologically compatible with the Soviets than the moderate Arabs. The Saudis will have to be sensitive to these considerations if they are to take full advantage of the Somalis' dissatisfaction with the Soviets.



SECRET

Page Denied

Secret

Secret